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COLLEGE OF BUSINESS AND ECONOMICS

MASTER OF BUSINESS ADMINISTRATION (MANAGEMENT)

**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON
ORGANIZATIONAL PERFORMANCE: IN THE CASE OF
ETHIO-LEATHER INDUSTRY COMPANY**

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A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE
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DECLARATION

I, Afrah Seid, declare that the research project entitled “The Effect of Corporate Social Responsibility on Organizational Performance: In Ethio-Leather Industry Company” is my original work that is done under the guidance and advice of my advisor, Dr. Amare Abawa. This research project is done as partial fulfillment for Master of Arts Degree in Business Administration (MBA) in Management. This research has not been done before and all sources of materials used for the study have been appropriately acknowledged.

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LETTER OF ENDORSMENT

This is to endorse that Afrah Seid has worked thesis on the topic entitled: The Effect of Corporate Social Responsibility on Organizational Performance: In the Case of Ethio Leather Industry. This thesis is original in nature and appropriate for the award of Master of Arts Degree in Business Administration (MBA) in Management.

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**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND
ECONOMICS**

**MASTER OF BUSINESS ADMINISTRATION DEPARTMENT
GRADUATE PROGRAM**

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Abstract

This study aims to evaluate The Effect of Corporate Social Responsibility on organizational performance in Ethio Leather Industry Company. Corporate social responsibility has been a topic of interest for many scholars until nowadays and it is very debatable. As per the reviewed literature, the subject has been given low attention in developing countries despite the contribution it has in bringing good reputation for the firms and the controversy in the subject is considered as a gap for this study. This study is Explanatory research which observes causal effect of the three variables (Philanthropic, Legal and Ethical Responsibilities) used to measure CSR by using quantitative research approach. In order to collect data Questionnaire has been distributed for a total sample size of 277 respondents. These questionnaires were distributed to the staff members of ELICO, and all of the responses were collected. Then after, for the data analysis the study uses linear regression analysis through SPSS software version 27 and all of the regression assumptions has been tested. According to the findings the beta value for Philanthropic responsibility=0.37, Beta value for Legal responsibility and Ethical responsibility has been found to be 0.24 and 0.38 respectively. Since the P value for every variable is >0.001, this implies that by keeping constant the other variables, for a unit increase in Philanthropic, Legal and Ethical responsibilities Organizational performance will be enhanced accordingly. Since the independent variable measures has direct and significant effect in performance, it is concluded that CSR has a positive and significant effect in organizational performance. Based on this conclusion it is recommended that the company needs to keep investing this CSR practices in an organized manner and they have to add this CSR practices in their strategic plan and they have to examine and measure the long term effect in the organizational performance.

Key terms: *Corporate Social Responsibility, Philanthropic responsibility, Legal responsibility, Ethical responsibility, Organizational Performance and Balanced Score Card*

Acronyms and Abbreviation

ANOVA= Analysis of Variance

BSC= Balanced Score Model

CSR= Corporate social responsibility

DW= Durbin Watson

OP= Organizational Performance

ELICO= Ethio-Leather Industry Company

EU= European Union

GC= Gregorian calendar

ISO= International Organization for Standardization

PLC= Private Limited Company

WBCSD= World Business council for Sustainable Development

VIF= Variance Inflation Factor

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Chapter 1 Introduction

1.1. Background of the Study

Long ago there has been an issue in business regarding Ethical practices and responsibility. This is like businesses has high need of maximizing their profit and only emphasizing this need has led businesses to exploit workers, environmental pollution, and wastage of resources. This is like the fact in now a day's business cannot survive by separating themselves from the community and the environment. Therefore, in order to tackle these problems, the concept of Corporate Social Responsibility has emerged (Masuma et al, 2015).

Corporate social responsibility (CSR) has long captured the interest of businesses, governments, and academics, and it is probable that they will do so in the future. As investor and consumer demand for businesses to include social and environmental concerns in their decision-making continues to increase along with awareness of these issues, it is anticipated that CSR will become an increasingly more major component of the corporate landscape (Kharabsheh et al., 2023).

Corporate social responsibility is one of the issues that have been given an important concern nowadays. Many years ago, it has been named as social responsibility or a corporate responsibility and the subject, corporate social responsibility (CSR) has gained its base during the time of industrial revolution but there are high controversies in this subject until today (Ismail 2011 and Joyner and Payne 2004). Studies like Abu Bakar and Ameer (2011) and Orlitzky, et al, (2003) shows that companies should have a good CSR practice in order to enhance their wealth while Aupperle et al (1985) argue that CSR practices has a neutral effect to the organizational performance. There are also others like Malcolm et al (2007) who argue that CSR practices has a negative effect on the organization wealth and profit. CSR can be defined by Rupp et al, (2006) and Calderón, (2011) as being sensible for the society and the formation of good organizational and environmental norm.

Currently firms are expected to be highly obliged for different needs of parties who have an interest in the operation of their businesses. They expect companies to be obliged for them in their operation and they require them to be responsible for the external and internal environment. Though businesses can be differed from one country to other, there are some CSR practices that are legally imposed to Corporate and failing to meet them will lead to legal punishment. In this case companies will be forced to act as a representative of the society (Roper and Kearins, 2007).

Economists like Friedman (1970) propose that companies have to maximize their return which is profit and/or wealth though they should keep in mind in order not to impose undesirable impact on their stakeholders (Crane et al, 2008).

Nor and Austay (2011) states that, it is challenging to give a precise and accurate meaning for CSR since it is also a very wide concept. According to Reinhardt et al, (2008) it is difficult to assess and understand the whole concept of Corporate social responsibility and to have a common understanding and to put forward some common definition from the whole literature that study about this subject. In this case Hopkins, (2004) and Ismail (2011) has forwarded some definitions about CSR and the major difficulty of doing it was that that there has not been a universally agreed consistent definition which makes it difficult to make generalization.

The concept of corporate social responsibility is still debatable as some businesses states that rather than only concerning for customers and profits, including a consciousness for the society will help them to enhance their wealth and to gain a competitive edge over their competitors. While some firms fall back to do so as they believe that practicing and financing these CSR activities will minimize their profits (Lin C.H, 2009).

In the 21st century it is not possible for businesses to operate by being reserved from other internal and external stakeholders. Firms should have to be responsible enough to not act only as a business owner but also, they have to be obliged as a citizen (Post, 1996). That is why Falkenberg and Brunsael (2011) states that the necessity of CSR is so high as these practices are being considered not only as a competitive advantage but also it has a strategic importance.

According to Siddiq and Javed (2014) Corporate social responsibility has a variety of effects on organization's performance. It aids in improving a company's financial performance so that it can expand quickly and earn the most money possible from the market. This can be enhanced as internal and external stakeholders. From external stakeholders customers will be attracted more with the companies that abide different social responsibility practices and this can help the firm in contributing for gaining a good reputation. This can be used as a competitive advantage for the firm and in turn it contributes for the enhancement of economic value which can in turn contribute to the increment of organizational performance.

Moreover CSR practices can also contribute for performance. Stakeholders also involve internal ones including employees of the organization. These human resources are the major assets of the company (Siddiq and Javed (2014). Implementing social responsibility practices can help to increase the motivation and commitment of employees. The higher the employee commitment leads to higher employees' performance, which contributes for high organizational performance. This is because the Performance by individuals can have a short, medium, or long-term beneficial or detrimental effect on the performance of the company (Bayoud, 2012).

This paper studies the effect of CSR on firms' organizational performance. Organizational performance has been explained by different authors. Didier (2002) argues that the achievement of the objectives that are established via the convergence of corporate orientation constitutes performance. Organizational performance is a much broader concept rather than observing the discovery of the result. Performance is not limited to Result-focused conduct (based on criteria) (Didier, 2002 and Ricardo, 2001). It should incorporate elements that are important for developing skills and attitudes, such as consistency, quality, reliability, management, development, learning and training, as well as relevant concepts and tools (Ricardo, 2001). Based on this, in this study organizational performance is measured using the model of Balanced Score card (BSC).

Robert Kaplan and David Norton created the Balanced Scorecard in 1992. Their findings were significant because there is an increasing consensus that only indicators of economic performance are inadequate for the contemporary corporate operation. As a result, after considering several options, Kaplan and Norton decided to create the scorecard as a new method. Both the charity and governmental sectors have successfully translated into action the Balanced Scorecard. Positive experiences are starting to collect, and studies indicate that both of those organization types greatly benefit from the Balanced Scorecard (Akbarzadeh, 2012).

These Balanced Score Card has four different perspectives. The first one is about financial viewpoint which focuses on achieving higher results in economic terms including different financial ratios. The second one is a viewpoint of customers. This point of makes firms to strive becoming or appearing to customers in a way that they could realize the mission of the firm and to enhance their satisfaction. There is also internal business viewpoint which focuses on what type of business procedure can succeed the firm in order to enhance wealth of shareholders and

to satisfy customers. The fourth perspective of this model is Learning and Growth which is about how the firms maintain their capacity for improvement and transformation to realize the mission of the organization (Akbarzadeh, 2012).

1.2. Background of the Organization

This paper examines the effect of CSR practices in the organizational performance of Ethio leather industry plc in Ethiopia which is found under MIDROC Investment group. Sheikh Mohammed Ahmed AliAmoudi, a well-known investor and business magnate, and the chairman and president of MIDROC Ethiopia is the owner of Ethio Leather Industry PLC. (ELICO) was founded in August 1997 as the leather production division of MIDROC Ethiopia. Awash and Abyssinia are two of ELICO's tanneries, along with Universal Leather Products Factory, Fontanina and Tikur-Abay, and a shoe factory (<https://elicopl.com.et/>).

The company has a mission of Utilizing cutting-edge technology, to make high-quality finished leather, shoes, and leather goods for both domestic and international markets and envisioned, in 2026, to be the finest in class and most recognizable brand in finished leather and leather goods in Africa. ELICO is one of the well-known brands of leather in Ethiopia which processes tanneries and produces products like Bags, Jacket, shoes, belt, wallet, and gloves. These finished products are available for men's, women's, and children. In addition to this, not only finished goods, but also ELICO sales semi processed leather products. These products are export standard and even semi-finished leather products are also available for export market (<https://elicopl.com.et/>).

1.3. Statement of the Problem

According to The World Business council for Sustainable Development (2000) CSR is a dedication of firms to do businesses ethically while at the same time to consider enhancing growth and improvement of their employees and society as a whole.

Organizations are motivated to engage in socially responsible activities for a variety of reasons. The environment and social welfare are two issues that concern organizations more and more. Businesses must operate in a socially responsible manner, according to demands from stakeholders including employees, customers, investors, lenders, governments, and other stakeholder groups. CSR choices are made using an informed understanding of the advantages

gained and the expenses spent, much like other organizational decisions. To this purpose, businesses must evaluate what they and others are gaining and losing from their CSR choices (Maines and Sprinkle, 2010).

The concept of CSR is still very debatable and controversial (Ismail, 2011). Scholars like Friedman highly argues that businesses should strive to maximize their profit and other social responsibility practices belong to government. While scholars like Abu Bakar and Ameer (2011) and Orlitzky, et al (2003) argue that practicing CSR practices can enhance performance. In this case conducting more study in CSR could slightly contribute in helping to clear out the controversies.

Another gap identified in this study is that CSR is highly practiced in the developed countries than in the developing countries (Fernando and Lawrence, 2015). A comparative study between developed and developing countries by Fernando and Lawrence (2015) shows a significant difference in applying CSR activities. The finding also shows that developed countries are highly aware about CSR and they have high concern for their society than developing countries. For instance, the study of Visser, (2009) shows that in developing countries CSR practices are done in a less legitimized way than developed countries and application of CSR practices is trickier in developing countries, in which different CSR practices are mutually exclusive because businesses when choosing to practice one CSR practice, they also avoid the other one. Based on this Visser (2009) concludes that developing countries apply only particular CSR practices and there is high necessity for additional research about CSR in developing countries. Hence this study is conducted in one of the developing countries, Ethiopia and this could help to contribute in filling this gap.

The deficiency of literature on CSR in developing countries is indicative of the fact that the practice of CSR is a recent phenomenon in these countries and the concept of CSR in developing nations is not sufficient when compared to developed countries and because of that there has been shortfall in finding point of reference(Visser, 2009) because unlike in the west where a significant portion of CSR activities is directed towards social issues ranging from race to gender equality, firms in developing countries have a much narrower understanding of CSR and Philanthropy is rare (Karim & Kasim, 2018).

In this case it is recommended to conduct more studies in developing countries in order to contribute for other researchers or interested stakeholders in finding some point of reference.

The researcher chooses to conduct this study in Leather processing industry because Leather industry has been considered as one of the most environmentally pollutant industry with high wastages. According to the study of (Bhavya, 2019) these processes are long, and it has different by-products. One of them is tanning process which involves the usage of chromium with higher amount which is a very toxic metal. Chromium is a toxic chemical which has a negative impact in the environment. That is why (Bhavya, 2019) states that these industries by products are not environmentally friendly which could possibly challenge the firm's goal of profit maximization with being socially and environmentally responsible. According to the study of Takele (2018) there is lack of awareness of among Tannery firms being involved in CSR practices. Therefore,

1.4. Research Objectives

This study has two objectives namely General objective and specific objective.

1.4.1. General Objective

The general objective of this paper is to examine the impact of CSR practices in the organizational performance of Ethio leather industry plc, Ethiopia (ELICO).

1.4.2. Specific Objectives

Specific objective of the study includes the following.

- To examine the effect of Philanthropic Responsibility in organizational performance
- To evaluate the effect of Legal Responsibility in organizational performance
- To investigate the effect of Ethical Responsibility in organizational performance

1.5. Research Question

Based on this the following are research questions that this study tries to answer

1. What is the effect of Philanthropic Responsibility in organizational performance?
2. What is the effect of Legal Responsibility in organizational performance?
3. What is the effect of Ethical Responsibility in organizational performance?

1.6. Significances of the Study

This study can contribute in different ways. It can contribute for interested stakeholders including those that are under this study and for other who want further insight in this topic of CSR. This study can contribute for ELICO as a point of reference to understand about their current CSR practices and performance. In addition to this, based on the findings of the research potential solutions has been pinpointed which can help as an input for the firm. In this case the research also contributes for the firm to understand more about this subject area. This study also helps for other researchers and academicians as a reference material while conducting further research in the area and it can be used as a Secondary data source.

1.7. Scope of the Study

This is a study which examines the impact of CSR in Organizational performance. The study takes place in Addis Ababa/Ethiopia in the case of Ethio Leather Industry plc. in the year 2022/2023 GC. The researcher focuses on a leather company because these industries by products are not environmentally friendly which could possibly challenge the firm's goal of profit maximization with being socially and environmentally responsible. Organizations and businesses need to be socially responsible and environmentally sensitive and especially it is very necessary for developing countries since it is not well practiced when comparing with the developed countries. The researcher chooses Ethio leather industry company to conduct the research because it is one of the most popular companies in Ethiopia.

In order to measure Corporate Social Responsibility (CSR) the researcher uses a modified Carroll's theory. From Carroll's theory the researcher uses Philanthropic, Ethical and Legal obligations. The Economic obligation of the model is not included in the study because it is in line with the main aim of the firm to maximize their wealth and one way or other firms will try to increase their return in order to survive in the market and according to Hopkins (2016) firms will start practicing CSR practices after they start earning profits.

On the other hand, the dependent variable (organizational performance) can also be measured by different attributes. According to Ikram et al., (2019) despite the fact that, there are many studies which shows the effect of CSR in the firm's financial performance, its impact on non-financial performance requires more research. In order to analyze total business performance, nonfinancial performance must be considered because financial measures by their nature are very historical

and there is also rigidity in most financial indicators. In this case the study measures organizational performance based on Balanced Score Card (BSC) model. This BSC model has four perspectives namely Financial, Customer, Internal Business process and Growth and learning perspectives. The measurement items of BSC have been adopted from Quezada (2019) and Hegazyet. al (2022) which have been developed based on Balanced score model perspectives.

1.8. Organization of the paper

This study has included five chapters. The first chapter is an introductory part. This chapter introduces about the concept of corporate social responsibility and the trends. It also describes about the gap and the aim of the research. Moreover, the chapter describes the importance of the study, and it specifies the scope of the study and the rationale behind that. The second chapter starts by defining major concepts of Corporate Social Responsibility. It also includes previous theoretical and empirical studies. This chapter also includes different variables of Corporate social Responsibility that have been examined by previous researchers. The chapter also includes findings of different other researchers.

The third chapter is about the Methodology and Design of conducting this research. It also includes the target population of the study, Sampling techniques, sample size, data sources and data collection instruments. Then the fourth chapter includes data analysis and interpretation of the results. Finally, there is the fifth chapter which includes discussion, conclusion of major findings, recommendation and research limitations and further research direction.

Chapter 2 Review of Related Literature

2. Theoretical Foundation of the Study

2.1.1. Introduction to Corporate Social Responsibility

CSR can be defined in many ways. Scholars also use different ways of defining the concept and one of the most widely used definitions is the definition by EU and ISO26000 (Hopkins, 2004). Based on them CSR can be defined as the method of managing a company's or institution's stakeholders in an ethical or responsible manner is known as corporate social responsibility. "Ethically or responsibly" refers to dealing with significant stakeholders in a manner that is accepted by global standards. Fiscal, financial, and commitment to the environment are all parts of social responsibility. A firm or organization has stakeholders both inside and outside of it (Hopkins, 2014).

While preserving their earnings or the integrity of their organizations, the greater objective of social responsibility is to increase the standards of sustainable living for people both inside and outside of these organizations. It's important to focus on how profits are produced rather than seeking them at any costs. CSR is a strategy for promoting sustainable social development. CSR and sustainability both address the relevance of multi-stakeholder concerns (Hopkin, 2014).

In addition to this, based on the definition of EU CSR is a notion where businesses voluntarily incorporate social and environmental issues into their daily operations and interactions with its stakeholders. The EU changed its position in October 2011 and declared that CSR is "the responsibility of enterprises for their impacts on society." a notion where businesses voluntarily incorporate social and environmental issues into their daily operations and interactions with stakeholders. The EU changed its position in October 2011 and declared that CSR is "the responsibility of enterprises for their impacts on society" (EU commission, 2011).

CSR has been given different definitions by different scholars after scholars start to realize about the concept. Hopkins, (2004) proposes a definition for CSR after reviewing the ISO, EU and other related definitions. Hopkins also states that three concepts should be included while defining CSR which includes: the corporate, internal, and external stakeholders and responsibility. Then it defines Corporate as any collection of people who work together in a firm or organization either for profit or non-profit, is referred to as corporate. According to this

interpretation, corporate means anybody of humans and consequently includes non-profitable, public, and social enterprises.

The next concept is stakeholders in which Hopkins explains as a body that are interested in or have a claim and more precisely the author mention Management in its capacity as a representative for suppliers, consumers, investors, workers, and the local community. The author also states that one must rethink the notion of the company as a nexus of contracts between the firms and the consumers considering legal, economic, and Ethical issues it faces today. This implies that stakeholders should be involved in deciding the future course of the company in which they have stake since they have a right not be considered as a means to an end.

The third concept, which is Responsibility or Morality which defined by Hopkins as a values or Ethics a set of guidelines that make it clear what the company is prepared to do and is not willing to do, such as prohibiting employees from accepting bribes or other financial incentives. Integrity, honesty, justice, and other terms are also included.

This can also be defined by referring corporate governance which is a foundation for the rules and regulations that control the Board of Directors of an organization, including non-executive Directors and other board advisors. As the morality of the board of Directors and each of those individual directors should underpin these rules and processes, corporate governance is a crucial component of Business ethics.

According to other working definition of ISO 26000 Social Responsibility can be defined as an organization's responsibility for the effects of its operations in society through open and ethical manner which is in line sustainable growth and the wellbeing of the citizens and taking into consideration the need of stakeholders based on the national or international rules and regulations.

Corporate Social Responsibility can be named as with different terms like corporate responsibility, Corporate Citizenship, business morality ethical business governance and so on. At the same time CSR is an expanding concept which is developing gradually until now and this is the rationale behind that CSR happens to lack a common and universally accepted definition.

Corporate social responsibility refers to businesses having commitments and undertaking actions above and beyond their statutory duties and commercial objectives. These broader obligations

include a variety of domains, but they are typically summed up as social and environmental, where social here refers to society more generally than just social policy concerns. The total of these parts is the economic, social, and environmental considerations make up the triple bottom line strategy (Saluja, 2018).

Corporate social responsibility (CSR) is the practice of an organization taking deliberate, intentional action to enhance the social welfare of people whose lives are influenced by the organization's economic activity. This fundamental, general definition of CSR indicates that it may appear in a wide array of from the smallest and most basic businesses to the biggest and most complicated corporations, as well as across a wide spectrum of varied communities around the world.

By fusing and aligning economic operations with a person's social processes and frameworks, CSR thereby establishes a seamless connection between business and society. This partnership seeks to strike a balance between the firm's business activities and societal ambitions and demands for social welfare (Weber and Wasieleski, 2017).

Government usually enforces businesses to obey different CSR practices and failing to do so will be followed with punishment. But this will be depressed and does not motivate businesses to abide CSR practices and to apply them in a responsible manner. Rather than trying to make firms to be socially responsible by enforcing them through different regulations, it is better to encourage them to do it in a responsible manner. Despite it is claimed that there is high emphasis to apply CSR practices, it is observed that CSR has been practiced and given low attention in countries like China and India in which their economy is emanating than Western nations. One of the major factors is due to lack of other supportive governmental and non-governmental institutions and lack of institutions which helps the community to have high expectancy on the firms and enforcing the firms to be socially responsible (Campbell, 2006; Galaskiewicz, 1991 and Mellahi, 2007).

Sometimes CSR has been considered as Philanthropy. But Hopkins (2016) argues that CSR is different from Philanthropy. This is due to the fact that philanthropy is the act or habit of doing good deeds or charity acts with small number of stakeholders, which is an overall concept, and it just emanates from humanitarian sense of the organization for just a particular period of time.

On the other hand, CSR has many internal and external stakeholders with sustainable with the actions of the company and it comes after the organization gets its return from its business (Hopkins, 2016).

2.1.2. CSR and Profitability

When considering about the relationship between CSR and Profit, one of the mostly known work is the Friedman's argument. Friedman is one of the scholars that criticize CSR by having negative impact to firm's profitability. The Friedman's paper is the most common and contentious papers in social problems education which has been composed 35 years ago.

Although Friedman's paper was not a published research paper, academicians, particularly those who study business and society, have started responding to it. More precisely, in the Friedman's argument, the ethical obligation of managers is to operate in the interests of owners or shareholders.

In reality, Friedman contends that free-market capitalism inherently enhances social welfare and emphasizes that firms will undoubtedly participate in activities that will increase social welfare. The author is not advocating that corporations never engage in activities that increase social welfare. Friedman, however, believed that the manager's only purpose for such participation must always be the long-term growth of shareholders' wealth (Dunn and Burton, 2006).

Dunn and Burton, (2006) after having read Friedman's paper, "The Social Responsibility of Business is to Increase its Profits," they presented a critique of the classroom. Even though the Friedman's argument has drawn criticism from a variety of academics, this is the first research that has been structured to be appropriate for discussion in a classroom. The paper provides 10 assertions that were picked from Friedman's work in such a systematic and ordered manner to make this point.

Friedman contends that CSR is true and unadulterated socialism, in which only people have obligations and managers act as the corporate owners' agents and should give priority to them. Saying that corporate executives have a social obligation implies that they should behave in a way that they should behave in a way that is against the interest of their employers, and that doing so amounts to imposing taxes. Another argument put forth by Friedman is that the concept of social responsibility involves adopting socialists' belief that political mechanisms should be

used to decide how scarce resources should be distributed to alternative users. Once this concept of social responsibility is accepted, government bureaucrats' iron fist will be used to restrain the market. The main advantage of private, competitive enterprise is that it makes it harder for people to take advantage of others for their own or others' benefit and requires them to take responsibility for their actions. And if social responsibility were taken seriously, every aspect of human action would fall within the political system's purview.

Based on these propositions and argument the study of Dunn and Burton (2006) criticizes each proposition. They claim that, in contrast to Friedman's reasoning, they are strongly opposed to socialism and that it has certain advantages. Instead, they say, they rely on a command economy or at the very least a mix of capitalism and socialism. Friedman's idea, according to which institutions and only people have obligations, is criticized for lacking rigor since Friedman did not divide moral duty from social responsibility effectively. Even if this is the case that businesses institutions did not have moral obligations, this does not mean that they also have no social obligations.

In addition to this they are also against the argument which states that corporate managers are only responsible for the owners whose goal is to maximize their return or profit. According to Dunn and Burton (2006) the fact that shareholders can ignore a manager's duties is extremely unsatisfactory and sometimes, in order to maximize profits, they could be ordered to enter into some businesses or activities that could have some negative impact directly or indirectly in the society.

2.1.3. Corporate social responsibility theories

According to the National CSR network (2021) corporate social responsibility is not a set of procedures with predetermined outcomes; rather, it is the business case that demonstrates that organizations actively support causes outside their own financial interests. Some of the major There are mainly three theories about CSR which are discussed in this study.

✓ Triple Bottom line

The triple bottom line is a sort of corporate social responsibility that requires business executives to calculate bottom-line performance in terms of the company's effects on the social and environmental spheres as well as in economic terms (costs against revenue). The term

"sustainability" has a very narrow definition. Sustainability is the long-term preservation of equilibrium at the nexus of ethics and economics. According to some theorists, the balance can be determined and attained in terms of the economy, society, and the environment. A triple bottom line is a type of corporate social responsibility that aids executives in comprehending not only the social and environmental issues, but also the economic issues. This triple line bottom theory involves sustainability for Economy, society, and the environment (Brin and Nehme, 2019).

According to Economic sustainability, no matter how high, economic sustainability prioritizes long-term financial stability above more erratic short-term gains. It is the duty of major organizations to develop business strategies that permit steady and sustained activity. Social sustainability Balance in people's lives and it is important to social sustainability. The likelihood that society may implode in rage and revolt rises as the disparities widen—the affluent get richer while the disadvantaged are both poorer and more numerous. The fair-trade movement satisfies this moral requirement for shared prosperity and opportunity. In order to be socially sustainable, businesses must maintain positive relationships with the people that make up the community in which they are located. Environmental sustainability, the foundation of environmental sustainability is the recognition that natural resources are finite, particularly the oil that powers our cars, the clean air, and the water. It will be challenging for the following generation to live with the same quality of life if such conditions worsen dramatically. Because of this, resource conservation and the creation of new energy sources that might eventually replace those now in uses become of utmost importance (Brin and Nehme, 2019).

✓ **Stakeholder theory**

In a straightforward language, stakeholder theory enumerates the individuals or entities that would be impacted by the company's decisions: stakeholder theory of forms that those whose lives are touched by corporations possess the right and duty to participate in guiding it. A simple illustration would be if a manufacturing produced garbage, it would be up to the factory to securely dispose of the trash. Customers, workers, suppliers, shareholders, and other groups and individuals who gain from or suffer harm from and whose rights are infringed or respected by corporations are examples of stakeholders. Essentially the fields of strategic management and accounting are where this idea of Stakeholder theory was developed (Freeman, 2001).

According to the stakeholder theory, businesses must respond to the divergent desires of people who have a stake in them. One of the most significant stakeholders highlighted in the corporate social performance and transparency studies is employees. Effective CSR management and its interaction with employees, according to Berman, et al. (1999) it has an impact on the financial success of the company.

This theory explains the nature of the firm, corporate managing and the interest of corporate constituencies and how the directors of the board observe their interests, and this can be considered as a descriptive theory (Brenner and Cochran, 1991).

The major concern is how to put stakeholder theory into practice after defining it and its connection to CSR. By including stakeholder engagement in the corporation's boards of directors, corporations, and particularly corporate directors and executives, may be more responsive to the interests of society as a whole (Brin and Nehme, 2019).

✓ **Carroll's Theory**

Carroll's theory states that CSR has four major responsibilities (Brian and Nehme, 2019). These responsibilities are explained in a pyramid. One of it is Economic obligation. Making money is a duty of the economy since it is necessary for the existence of enterprises and is one of the fundamentals of economics. Businesses that don't generate a profit or money are prone to fail.

In order to survive businesses should have to abide their Economic obligation through striving to enhance their profit able to encourage investors to invest and has the finances to continue operations. Business Companies have traditionally been considered by community as the sites where the goods and services it needs and desires will be created. Profits from business operations are permitted by society as a reward. When a firm adds value, it makes money, which benefits all the business's stakeholders. Profits are essential for both rewarding investors and owners and for fostering corporate development when they are reinvested back into the company. The basic importance of profitability and investment return as factors in corporate performance is something that CEOs, managers, and business Investors can testify to (Carroll, 2016).

At the top of the pyramid, there is Philanthropic responsibility. This obligation is to use one's company to better society or at the very least, to make an effort in that direction. According to

Carroll (2016) Philanthropic obligation is an obligation of businesses to be involved in charitable activities. While business donations and philanthropy might not be legally required, they are increasingly frequently expected of businesses and are part of the public's overall expectations. Of course, the scope and character of these activities are optional or discretionary.

H1: There is a positive and significant relationship among Philanthropic responsibility and Organizational performance.

The second is also legal obligation and the legal obligation to abide by the laws and regulations is undisputed. Businesses have created a framework that should be followed to run and function. These foundation principles include rules and regulations, inadvertently mirror communities' conception of "codified ethics" by outlining the fundamental principles of moral business behavior as developed by federal, state, and local lawmakers. The proponents of CSR hold that legal responsibility should not be viewed as a foundation but rather as a set of responsibilities that support the structural integrity and healthy growth of an enterprise (Carroll, 2016).

H2: There is a positive and significant relationship among Legal responsibility and Organizational performance.

There is also ethical obligation, following moral principles, doing what is right, or abiding by moral principles are all obvious definitions of ethical duty. Along with what is needed by rules and regulations, society expects companies to run and carry out their activities in a morally upright way. Considering ethical obligations means that businesses will respect the attitudes, traditions, and norms that, though not yet codified in legislation, are still anticipated. Organizations have a duty to uphold the "letter" and "spirit" of the rules as a component of their ethical duties (Carroll, 2016).

H3: There is a positive and significant relationship among Ethical responsibility and Organizational performance.

2.1.4. CSR Phases

CSR hasn't existed in a vacuum or been sought after or accomplished in a certain manner. Five unique, if overlapping, definitions of CSR have arisen, each approximately associated with a specific era and advocating for a different set of business behaviors. The policy tools for

establishing a state of CSR and the drivers of these five phases all vary (Wasioleski and Weber, 2017).

There are several CSR ideas. It started in the 1950s, when American businesses quickly grew in magnitude and impact, and it persisted throughout the 1960s and 1970s, when the country was struggling with social issues including hunger, joblessness, racial tensions, relationships, urban decay, and pollution. Along in 1980, corporate social responsibility went above reflecting on code of conduct and began taking the lead in internal and external stakeholder ethical business in NGOs (Singh K. and Singh Dr., 2019).

According to the book of Wasioleski and Weber, (2017) origin and development of corporate social responsibility has passed through a series of five phases. The first phase starts from 1950s by considering CSR as a Management. It mainly involves charitable activities and different fundraisings. The second stage is about being responsiveness from 1960s to 1970s. in this stage the main actors of CSR are shareholders and the society and in this stage the shareholders have high impact. Corporate business obligation is the third phase until 1990s in which activism of human rights are the main actors and code of conduct in the business is the main policy. Then after until the beginning of 2000s, CSR has been considered more of as Corporate worldwide citizenship which mainly recognizes the effects of globalization which is guided by international codes. Legally speaking, the board of directors is ultimately responsible for the organization's ethical behavior. Typically, they provide the chief executive officer and/or president instructions on how to uphold the word and spirit of the company's mission, vision, values, and codes. A committee charged with overseeing and reporting on the standard of ethical performance or any unique issues that may arise from operations is often appointed by the boards of the major businesses.

Companies who consider these global codes significantly take concrete steps, such as engaging in bargaining with stakeholder groups (labor trade associations, NGOs, associations of industries, and government authorities), redesigning manufacturing procedures and supply chain relationships to reduce harmful effects on the environment, and publishing CSR and sustainability notifications and audits. It needs to be noted, however, that adherence is voluntary. Next to this the book also identifies the future of CSR from 2000 to 3000 which can be influenced by dynamic changes of generation.

2.2. Empirical Review of Literature

Corporate social responsibility (CSR) has become more important in politics, industry, and academia, yet it's still unclear how it affects performance (Coelho et al, 2023). This is due to the fact that there are studies like Khan et al. (2023), Ikram et al., (2019) and Rettab et al.'s, (2008) whose findings shows that CSR has a direct relationship with the performance of the organization while the study of and Madugba and Okafor (2016) reveals that CSR has a significant inverse relationship with performance and also the study of Okwemba et al (2014) reveals some complexity because some of the variables are positively related with performance while the remaining ones are not.

There is also the study of a Okwemba et.al. (2014) that focuses on banking industry of Kenya, in order to study the impact of CSR in Organizational performance, and the results were different and makes difficult to generalize. This is due to the fact that the study uses four measures to measure the dependent variable (CSR) and the impacts of those variables have been differed to Organizational performance. The findings show that the CSR activities or variables like Philanthropic and Ethical responsibilities have a significant and positive relationship with the performance of the bank. On the other hand, while measuring variables like Environmental responsibilities the finding reveals that, there is insignificant but positive relationship while using governmental policy as a control variable. In addition to this, the researchers also measure one of the variables of profitability with major CSR practices of Philanthropic, Environmental and Ethical activities of the bank. Based on this it is founded that Philanthropic activities has direct but insignificant relationship with the profit of the organization while there is poor relationship with Environmental activities and profitability. And Ethical activities and profitability has been found to have strong and direct relationship.

In general, based on the findings of this research, it can be said that a bank's philanthropic activities have an effect on bank success as measured by client retention. Any rise in philanthropic duty will boost the bank's performance, according to the substantial positive correlation coefficient, which is 0.490 and significant only at the 0.05 level. Charitable giving has a substantial impact on bank success based on client retention, according to the regression analysis, $F(2, 47) = 34.043$, $P < 0.005$, with a contribution to R Square of 0.074. This shows that 7.4% of the difference in bank success as assessed by client retention may be attributed to

charitable duty. This shows that banks should include charitable responsibility as a factor that influences client retention. The majority of customers are uninformed of their environmental responsibilities, and most banks prefer to participate in CSR programs that are prominent rather than those that are evident to them. As a result, this research accorded minimal weight to environmental duty.

In order to investigate the connection between CSR and organizational performance in the quickly changing economy, Rettab et al.'s, (2008) study focused on the fast-developing territory of Dubai. The writers want to contribute to the corpus of information currently accessible about their connection by doing this. The results unequivocally demonstrate that CSR significantly and favorably correlates with every performance metric looked at in the research.

This paper advances the knowledge of how CSR affects the organizational effectiveness. As per the author's knowledge, this is the first research that tackles CSR in relation to petroleum business. The result also shows that CSR have a significant relationship with organizational performance (Parasta. and Adams, 2012).

The study of Ali et al. (2010), aims to determine how CSR affect organizational commitment and productivity. An examination of correlations shows that CSR, employee dedication, and organizational success are all positively correlated. This study is significant since it gives management knowledge on how employees behave with regard to CSR. The study discovered a significantly substantial positive association between corporate social responsibility and employee commitment as well as among commitment and performance. Both decision-makers and researchers will find great value in these insights. It illustrates how businesses can increase employee organizational commitment by getting involved in social activities, such as identifying and meeting community needs, promoting environmental improvements, assisting with employee welfare, creating high-quality products for consumers, adhering to legal requirements, and working in a morally upstanding environment. All of these initiatives have a big and favorable impact on employee loyalty to firms and raise productivity.

Academic scholars and decision-makers have given the notion of CSR and its influence on organizational performance particularly its financial implications a lot of attention during the past 20 years. Nevertheless, there is a dearth of research on the relationship between CSR and banks' technical efficiency as a proxy for their organizational success, particularly in Egypt as an

emerging market. Consequently, this study is one of the first to try to determine whether implementing CSR policies tends to improve banks' technological efficiency. The study objectively shows a link between CSR policies and banks' technological efficiency from 2012 to 2018. The overall results of the Tobit regression model support a favorable relationship between overall CSR activities and technical efficiency in banks. This outcome ought to be sufficient to alter how practitioners, decision-makers, and regulators see the expenses associated with CSR efforts, which are a long-term investment rather than a resource waste (Shahwan and Habib, 2023).

According to the study of Khan et al. (2023), the authors built an instrument to analyze the effect of anonymous philanthropic practices on business performance and to ascertain if CEO pay and company size attenuate this link. The finding shows that based on the legitimacy and Stakeholders theory, they suggested that companies might get favors from important stakeholders, legitimate their activities, and subsequently improve their performance by making philanthropic practices. In addition to this, CEO compensation and business size positively modify the association between silent philanthropic donations and firm success.

The performance of a company is seen to be impacted by CSR activities in the modern business environment. These kinds of activities are crucial in a Pakistani environment, according to Ikram et al., (2019). Companies that actively engage in CSR activities have been seen to offer services to stakeholders. Instead, businesses who don't engage in CSR fall short in their efforts to benefit society more.

There is also a study of Singh and Misra (2020) which aims to show the link among CSR and Organizational performance. This study identifies about five stakeholders and one of them is Employees and based on the empirical findings, CSR for the community and consumers has a major influence on organizational success. However, there was no significant relationship between CSR for employees and corporate performance. Unfortunately, managers' perceptions of CSR in relation to employees do not result in an improvement in the performance of the organization. These results are not consistent with the findings of Trivellaset al. (2019) and Celma, et al. (2018) as these findings shows that if a company does not care about its corporate social responsibility (CSR) for its people, it is ignoring the impact of underlying factors including job performance, organizational commitment, and organizational citizenship behavior.

Furthermore, there is also the finding of Shahwan and Habib, (2023) which shows that one of the dimensions of CSR which is CSR towards Employees is to be insignificantly correlated.

Rettab, et al. (2008) study examines the relationship between CSR and Organizational performance in one of the emerging economies of rapidly growing region, Dubai. The most significant discovery in this analysis is the correlation among CSR and financial success which is found to be positive and goes against what was predicted by the authors. In order to measure the organizational performance, the authors used financial performance, positive brand image and Employee commitment and the outcomes has been found to be consistent with other empirical research in affluent western economies that found a link among CSR initiatives and performance. While taking financial performance as one measure of the performance of the organization, Lin C.H, et al, (2009) findings show that CSR has a negative influence in the financial success of the firm in near term but argues that CSR will have a direct impact only in the long term.

According to the study of Yousefian et al., (2023) the findings shows that CSR has a positive relationship with growth which is not constrained to the company's financial performance. The study uses different measures to measure the independent variable (CSR) by using CSR attributes and one of them is Philanthropy. Based on their finding Philanthropy has been found to have a negative relationship with the firm economic growth.

The study of Lu et al., (2020) shows that obeying Philanthropic responsibility is positively related with Productivity, Image of a corporation, consumer demands met, and job efficiency. However, the study of Tantalo et al. (2012) found that the relationship of Philanthropy to be negative.

Disclosure of a company's CSR activities has also recently come to be seen as a real instrument for enhancing a company's accountability, transparency, and trust with the public. Numerous empirical studies on the effects of CSRD on the financial performance of businesses around the world have been undertaken, according to the literature that is currently available. However, the outcomes of this research were contradictory and ambiguous. While many of this research showed negative or no effects, several of them reported favorable relationships or impacts (Ahmed et.al, 2016).

The study of Ahmed, et.al, (2016) shows the relationship between CSR disclosure and financial performance of the selected manufacturing firms in Nigeria. The study uses a stratified sampling design with seven strata in seven different sub-sectors. The study uses four elements to measure CSR which are: Human resource, Environmental, Community and Consumer information disclosure and it is found that all the measure happens to have a direct relationship with the earning per share of the selected firms in Nigeria and in turn, low CSR disclosure will decrease earning per share (EPS). In addition to this, size and leverage was the two control variables which have insignificant impact on EPS.

There are also studies Meier, et al. (2019) and Saedi, et al. (2015) which supports that CSR and Financial performance has favorable and significant relationship. Based on referring this Grubor, et al (2020) has study the influence of CSR in Financial performance and the finding shows that there is a positive relationship between them, although the finding shows this, it could be difficult to generalize because the authors has taken a small size.

According to the empirical findings CSR for external stakeholders has major influence in the company performance, though the relationship between CSR towards employees and organizational performance has been found to be negative (Singh, and Mis, 2021).

Based on the study of Bayoud, (2012) the author argues that organizational performance can be measured by using corporate reputation the findings shows that CSR practices has a positive relationship with organizational reputation. These results are consistent with the predictions that higher levels of CSR given by businesses are positively correlated with an increase in corporate reputation, which is listed as one of the indicators of organizational success of businesses in Libya. The respondents of this study states that firm's reputation is greatly impacted by the quantity of environmental disclosure, the trustworthiness, and the openness of this information, hence the company should make its environmental operations public.

2.3. Conceptual Framework

Based on the above literature, different theories of Corporate Social Responsibilities have been discussed. From the give theories, this study uses a Carroll’s model with a modification. The model of Carroll involves four responsibilities and from them this study used three of the responsibilities from this Philanthropic, Legal and Ethical responsibilities has been used as a measure for Corporate social responsibility. The Economic responsibility is not included in this model. This is because it is in line with the major objective of the establishment of businesses. Businesses strive to maximize their profits in order to survive in the market and not only for the sake of being socially responsible. On the other hand, there is also Organizational performance, which is the dependent variable of the study, that can be measured by using Balanced Scorecard. This conceptual framework is used in order to see the Effect of Corporate Social Responsibility on Organizational Performance. Based on this, the following conceptual framework is developed by the researcher.

CSR

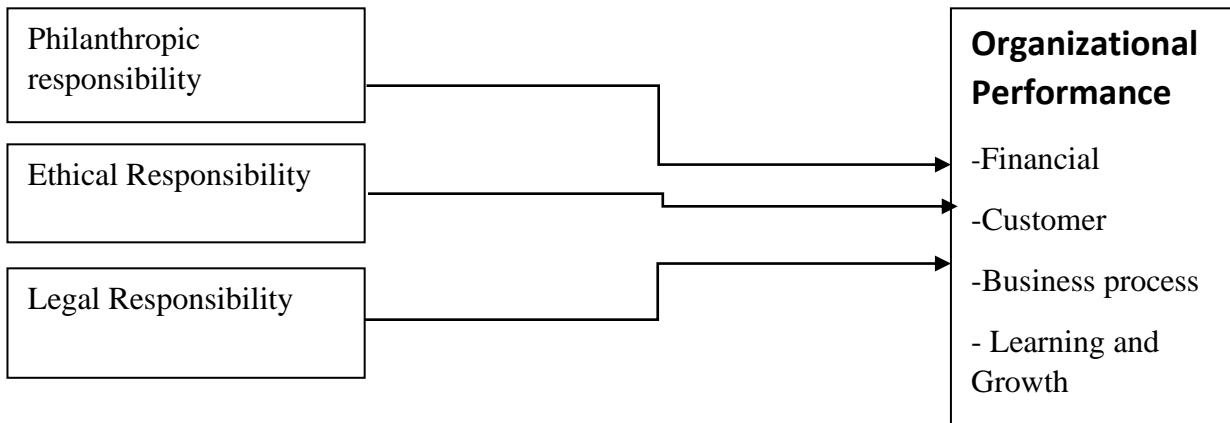


Figure 2.1 Conceptual Framework

Chapter 3: Research Methodology

3. Introduction

This chapter explains about the research design and different research practical methodologies that have been applied to conduct this study. It describes about the research design, target and sample populations, data collection methods and instruments and data analysis and interpretation methods.

3.1. Research Design and Approach

3.1.1. Research Design

According to Akhtar (2016) there are four types of research design. This includes Exploratory, Descriptive, and Explanatory and Experimental research design. This research uses both descriptive and explanatory research design methods. Descriptive research design depicts events as they occur and is also referred to as statistical research. It is used to identify and gather data about a certain issue's characteristics, such as those of a community, group, or individual. In this study Descriptive research design is used for the demographic and personal data.

Explanatory research is a type of research design which has a primary focus of the inquiry is on the reasons of phenomena. This means that, an explanatory research concentrates on figuring out the "why" behind association. (Akhtar, 2016) This research used Explanatory research because the main aim of this research is to investigate the effect of CSR practices in the firm's organizational performance, and it explains the causal effect of the independent variable (CSR) in the dependent variable (Organizational Performance).

3.1.2. Research Approach

Research approach could be of Qualitative, Quantitative or Mixed type. Quantitative research is research that used to measure different variables and numerical data in order to quantify and make an objective conclusion while Qualitative research is research which helps to obtain detail knowledge in the subject area by collecting subjective and drawing conclusion while mixed research approach involves both qualitative and quantitative approaches (Symeou and Lamprianou,2008).

In this study the researcher used Quantitative research approach. According to Taherdoost (2022) although Quantitative research approach fails in giving the opportunity to obtain comprehensive

and in-depth knowledge on emotions and events, it better helps in making generalization of the findings. Quantitative approach also reduces lack of attention to contextual sensitivity, and it will make the data collection and analysis process time efficient. In addition to this, since this research approach uses larger sample size, the results can reflect the population.

3.2. Population and Sample size of the study

3.2.1. Population

The study has been conducted in Ethio Leather industry plc and the target population of this study includes the employees and managers of the selected branches of the company. Based on the study of Alvi, (2017) all the individuals who fit the requirements for the research study are referred to as the target population. In order to conduct this study and to collect data the members of ELICO are the target population. These Includes the employees of the organizations and the current management staffs of the company. ELICO employees currently vary from 1,850 to 1950 employees and the researcher takes the average number (1,900).

3.2.2. Sample size determination

In order to conduct research, due to lack of time and resources, researchers usually take some sample from the target population, which can be considered as a representative of the population. There are five factories under ELICO with the following names and number of employees.

Table3.1. Number of Employees in ELICO

NO.	Name of Factory	Number of Employees
1	Universal Leather Products Factory	158
2	Fontanina Shoe	98
3	Awash Tannery	654
4	Abyssinia Tannery	171
5	TikurAbay Shoe	727
6	Head office	92
Total number of employees and Managers		=1900

The researcher conducts the study in three areas which are Universal, Awash tannery and Head office. The researcher conducted the study in these areas because these areas are the places; the

researcher gets permission to conduct the study from the Administration unit. The total number of the population for these factories and head office will be 903.

There are different methods to determine sample size and for this paper the researcher uses the Yemane (1967) sample size determination technique which is discussed as follows.

N= Population size

e= Margin of error

n= Sample size

$$n = N / (1 + Ne^2)$$

$$= 903 / (1 + 903 (0.05)^2)$$

$$= \underline{277}$$

Therefore, the sample size of the study is 277.

3.2.3. Sampling Method

It is unlikely that the researcher data can be collected from the whole in order to address the study questions. Thus, choosing a sample is necessary. The population is the whole collection of cases from which the researcher's sample is taken.

Researchers use sampling techniques to cut down on the number of instances since they lack the time and resources to analyze the complete population (Taherdoost, 2016).

Both probability sampling and non-probability sampling are types of sampling procedures. One of the sampling techniques is probability sampling. Although probability sampling is the least biased method, it can also be the highly time and energy-intensive sample for a given degree of error (Brown, 1947).

There is also non-probability sampling which is frequently linked to qualitative research and case study methodologies. The participants in this form of sampling approach may not be meant to be random or representative, but a justifiable reason must be given for why some people were chosen above others in order to include them in the sample (Taherdoost, 2016). Based on this the in order to conduct this study simple random sampling technique has been used in order to avoid bias and to give equal chance for all of the populations.

3.3.Data Source and Method of Data Collection

3.3.1. Data source

Data is a major input in conducting research. Data can be found from two sources and can be classified as primary and secondary data. Primary data is a data that has been gathered for the first time from the target population or elements that are directly experiencing it. Since primary data is a data which is gathered and designed by the researcher for a specific purpose, it is considered to be more genuine and dependable. Secondary data is a data from other sources (it can also be published) which were primarily done for another purpose and that can be used as a reference or can be referred for further or another study. Secondary data sources are also very important to source to make theoretical, empirical and conceptual reviews (Kabir, 2016).

3.3.2. Data collection methods

In this study the researcher used both primary and secondary data sources. Since primary data is a data which is developed by the researcher, in doing so there are different instruments like: Experiment, Questionnaires, and interviews (Personal and Phone), Observation and Field survey. From these different instruments the researcher used Questionnaire. The advantages of using questionnaires include maintaining confidentiality, saving time, reducing prejudice among interviewers, obtaining a bigger sample size, and being simpler to analyze (Tang and Zhang, 2013).

Questionnaire is used in this study and the researcher also makes most of the questions closed ended. This is due to the fact that, closed ended questions will help to save time and in order to compensate if there are missing things, some open-ended questions have also been included. The questionnaires include a total of 25 measure scale to measure both dependent and independent variables. The item to measure Philanthropy, scale has been adopted from Schuyt et. al (2004) and Montazeri et.al (2017). Moreover, measurement scale from Montazari et.al (2017) and Maignan (2001) has been used in order to measure Legal and Ethical responsibility. The dependent variable measurement scales were adopted from Quezada (2019) and Hegazyet, et.al, (2022) which have been developed based on the four perspectives of Balanced Score Card which are Financial, Customer, Internal business Process and Growth and Learning perspectives.

Secondary data sources are also very important in order to have a good understanding about the concept and to formulate a theoretical and conceptual framework. Secondary data sources are

also very important and in this the study secondary sources include using books, Academic Journals, Articles, other research and websites.

3.4. Data Analysis Methods

Data analysis is the study of data of any sort and obtained via any method. It also encompasses the skill of gathering and evaluating data, from organizing the gathering to presenting and drawing conclusions. The goal of data analysis is to produce information that is both useful and useable. It doesn't matter if the data is qualitative or quantitative; the analysis can explain and summarize the data, find links between them, and predict outcomes (Pillai, 2015).

The data could be descriptive and inferential numeric, and the researcher uses SPSS software. In order to analyze data, the researcher used both descriptive statistical methods and descriptive narrations and frequency, tables, percentages and charts have also been used to explain the demographic profile and the elements that are connected to respondents' attributes. For each of the Likert statements, the responder scores were calculated and examined. Inferential statistics is also used to determine the connection between the variables, by using regression analysis in order to test the hypotheses.

3.5. Validity and Reliability

3.5.1. Validity Test

In this research questionnaire was used for data collection instrument and the instruments need to test. The two tests that can be used are test of validity and reliability (Brace, 2008). All of the questionnaire items were adopted from other scholars and the items were checked carefully by advisors. In addition to this face validity has also been conducted in which respondents were voluntarily and understandable fill the questionnaire items.

3.5.2. Reliability Test

Reliability test measures consistency and helps to ensure from one study that if there has been balanced distribution of respondents' response. It also ensures that whether same response could be obtained while there is another survey (Brace 2008).

Table3.2. Reliability analysis

Reliability Statistics		
	Cronbach's Alpha	N of Items
Philanthropic Responsibility	.618	7
Legal Responsibility	.531	5
Ethical Responsibility	.251	5
Organizational Performance	.744	11

Reliability test can be measured by Cronbach alpha by maintaining a level of confidence of 95%. The Cronbach alpha has a result from 0 to 1 and the higher the range indicates that the higher reliability. If the alpha value is greater than 70% the items can be considered as very reliable and in which in this study the items for Organizational performance are considered as reliable. The values from 0.5 to 0.6 is also considered to be lower but tolerable. So, the alpha values .618 and .531 for Philanthropic and Legal responsibilities is also can also be tolerable while the alpha value for the measure of Ethical responsibility is low and this implies that there is low consistency in measuring this variable. But even if this is the case, Sijtsma (2009) argues that There are significant issues with using Cronbach's alpha as a measure of dependability and as a gauge of internal reliability. First off, given the interitem covariance matrix and the common beliefs on measurement error, alpha must have a value and it cannot be the same as the reliability of the test result. Second, alpha is frequently employed in practice to assess the internal consistency of a test rather than its reliability.

3.6.Ethical Consideration

This study was conducted through ethical manner. Data has been gathered through primary and secondary sources. While collecting data from primary sources, the respondents' confidential information was being secured and only volunteer staff members were asked to fill the questionnaire. In addition to this they were informed why the data is collected. When coming to secondary sources data all of the cited sources are acknowledged and stated in the reference section.

CHAPTER 4 Data Presentation, Analysis and Discussion of Findings

4. Introduction

4.1. Demographic characteristics

This part of the study demographic characteristics of respondents gathered for this study was gender, age, and education and work experience in the leather companies.

4.1.1. Gender of the respondents

Table 4.1 Gender Demographic information of the Respondents

		Frequency	Percentage	Cumulative Percentage
Gender	Female	161	58.1	58.1
	Male	116	100	100
	Total	277	100	
Age	18-25	59	21.3	21.3
	26-30	94	33.9	55.2
	31-40	83	30	85.2
	Above 40	41	14.8	100
	Total	277	100	
Education	High school	22	7.9	7.9
	Diploma	88	31.8	39.7
	BA/Bsc degree	123	44.4	84.1
	>or =MA/Msc	44	15.9	100
	Total	277	100	
Experience	<or= 2 years	66	23.8	23.8
	3-5 years	85	30.7	54.5
	6-10 years	76	27.4	81.9
	Above 10 years	50	18.1	100
	Total	277	100	
Position	Managerial	18	6.5	6.5
	Non-Managerial	259	93.5	100
	Total	277	100	

Table 4.1 shows that respondents of male and female of the leather company that out of 277 respondents 41.9% was male while 58.1% was female. This implies number of females was greater than male respondents. When observing the age distribution of the respondents it shows that 21.3% of them are between 18-25 and 33.9% age of respondents were in the age between 26-30. Therefore, majority of respondents were between 26-30 and this implies that majority of the staff members are young, and they are in a productive age.

Out of total respondents' majority of the respondents and more than half (60.3%) of them has a BA/BSC degree and above while the remaining are Diploma holders and High school graduates. This implies that the respondents are well educated and can understand and fill the questionnaires understandably.

In this data collection process respondents who hold Managerial or supervisory position has also been included since they are very well informative about the company in which they constitute a total of 6.5% and in the given table it is shown that majority of the respondents have an experience from 3 to 10 years. From this result it can be inferred that majority of the respondents have an intermediate and mid-senior level position in the company and hence they could be half good information about the company.

4.2. Descriptive Analysis of Variables

This section includes the descriptive analysis of the independent variables which are Philanthropic CSR, Legal CSR and Ethical CSR. There is also descriptive analysis for the dependent variable which is Organizational performance in which items were incorporated based on BSC model. In the descriptive analysis section it represents the maximum and minimum values of the respondents and also it includes the mean and standard deviation of each variable. Based on this Dane (2007) determined a cut of point for the mean values. These values for this study can be used as the mean values up to 2.5 shows agree, from 2.51 to 3.5 shows indifference and 3.51 and above shows disagree for the items.

4.2.1. Philanthropic Responsibility

Philanthropic responsibility can sometimes be called as Discretionary responsibility. According to Carroll (2016) Philanthropic obligation is an obligation of businesses to be involved in charitable activities. Although philanthropy or corporate giving may not be a literal obligation, it

is now often anticipated of firms and is part of the public's general expectations. In addition to this the scope and character of these activities are optional or discretionary.

Table 4.2 Philanthropic Responsibility

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
We have to leave this world by ensuring it is a better place for the next generation	277	1.00	4.00	2.2383	.59671
Our organization donates money to charitable organization regardless of what government does	277	1.00	4.00	2.2310	.68422
Government is not solely responsible for funding charitable causes and public goods	277	1.00	4.00	2.1841	.66379
The organization Supports cultural and social events in the community	277	1.00	4.00	2.1986	.70731
The organization has both Financial and non-financial support to NGO's	277	1.00	4.00	2.2166	.61680
Support activities related to health and wellness of the community	277	1.00	5.00	2.2238	.68663
The organization voluntarily conducts environmental practices and gives financial support beyond government environmental regulation Voluntary environmental practices	277	1.00	4.00	2.3285	.70481
Philanthropy(mean)	277			2.2315	

According to the findings, the overall mean is 2.23. This mean value indicates that there is a high Philanthropic CSR practice because value below three indicates that the respondents agree and strongly agree that there the company implement Philanthropic practices. Since this mean value indicates that majority of the respondents agree the above activities are practiced by the organization, the mean value indicates that there are good Philanthropic practices. According to the findings it can be said that the organization cares for the next generation, involve in charitable activities and they believe that the organization feels responsible to conduct these practices regardless of what the government does.

In addition to this in the open-ended questions respondents has described that ELICO highly practices Philanthropic responsibility. These practices can also be conducted as there are many requests from the government and some administrative bodies. There are also other discretionary practices like providing new drinking water for the society living near to the factories, manufacturing and distributing military shoes for the government for free and avoid disposing wastes without treating them with the chemical.

Based on the predetermined cut-off point the mean of the study is 2.23 and the fourth item which is about supporting cultural and social events in a community has a value of 2.19 in which from the all of items significant number of respondents agree to this measure next to the third item which says government should not be solely responsible for funding charitable activities which has a mean value of 2.18. despite this is the fact, conducting environmental practices and leaving better place for the next generation has a mean value a little bit closer to being indifferent for the measures.

The findings are consistent with the study of Takele (2018) since the analysis if the study demonstrates that a sizeable portion of those surveyed differ from corporations in how they handle discretionary and philanthropic duty inside their own organizations. This suggests that respondents are unaware of whether the businesses exhibit discretionary or philanthropic responsibility. While their study is also inconsistent with the findings to Visser (2009) since he argues that countries that are found in developing countries does not practice well voluntary practices due to there is high economic inequality and low return.

4.2.2. Legal Responsibility

According to Carroll (2016) the legal obligation is to abide by the laws and regulations is undisputed. Businesses have created the basic guidelines that must be followed in order for them to run and function. The proponents of CSR hold that legal responsibility should not be viewed as a foundation but rather as a set of responsibilities that support the structural integrity and healthy growth of an enterprise.

Table4.3 legal responsibility

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
The company respect and implement governmental rules and regulations	277	1.00	4.00	1.9458	.63756
Respect the rights of internal and external stakeholders beyond the legal requirement	277	1.00	3.00	2.0144	.64814
Ensure that the operation their employees act within the standards defined by the law	277	1.00	3.00	1.9819	.58641
Our company avoids from putting aside their contractual obligation	277	1.00	4.00	2.1986	.67588
Avoids bending the law even it helps to improve performance	277	1.00	3.00	2.2491	.63649
Ethical (mean)	277			2.0779	

The overall mean value of the Legal CSR practice is found to be 2.07. This is high Value in which majority of the respondents agree that ELICO obeys its legal responsibilities. For the first and third items which is about respecting and implementing rules and ensuring employees are abiding the law has a mean value of 1.94 and 1.98 respectively shows the responses are highly closer to agreeing about these measures and this is an indication of a good Legal CSR practice.

The idea of "codified ethics" that is reflected in legal obligations is one that embodies fundamental principles of justice as set by our legislators. Law requires business to act in a way that benefits society. In line with this notion majority of the respondents agree and strongly agree that by mentioning in the open-ended question that in order to survive in the business they need to respect rules.

In addition to this the company has been gaining recognition from the government and in order to maintain their reputation they do not violate the law. Moreover, the company decides to lose its profits rather than violating the law and losing their reputation.

As it is discussed in the first chapter of this study it is challenging for Leather or Tannery industry firms to maximize their returns and at the same time to abide their responsibility, especially their environmental responsibilities. This is due to the fact that the by-products of these industries are very toxic and very pollutant and, in this case, and trying to avoid this or taking remedial actions will be very costly. According to the study of Visser (2009), Takele (2018) and Kibret and Demissie (2014) these by products are highly polluting the environment and there is no proper waste management in these industries which is legally not correct to pollute the ecosystem since it causes a negative impact on the society and the nature. In this case they are referring that Corporate social Responsibility practices regarding to the Legal obligation are not being met in the developing countries and according to Takele (2018) this is similar in Ethiopia too.

Unlike to the findings of Visser (2009) and Takele (2018), in this study, in the case of ELICO there is high concern for the environment, and they apply different environmental rules and regulations. Even after finishing the process of their production the waste materials will not be released to the environment until they have been treated by a chemical. Then after treating the wastes with a chemical, it will be released after checking if the defects have been found to be less than 1 percent.

4.2.3. Ethical Responsibility

Ethical responsibility is about following moral principles, doing what is right, or abiding by moral principles are all obvious definitions of ethical duty. Society anticipates that businesses will operate and conduct their operations in a morally upright manner in addition to what is required by laws and regulations (Carroll, 2016).

Table4.4. Ethical responsibility

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
This organization conducts fair practices	277	1.00	3.00	2.0181	.54143
This organization obeys Ethical norm which is required by the society	277	1.00	4.00	2.0794	.50452
The organization Strives to help social and ethical problems in the community	277	1.00	4.00	2.2491	.57044
This organization tries to avoid unethical behaviors	277	1.00	4.00	2.1155	.59070
Avoids compromising Ethical standards in order to achieve corporate goals	277	1.00	3.00	2.0939	.64707
Ethical (mean)				2.1112	

For the variable of Ethical responsibility there are five items which has a mean value of 2.1112 for all items. Based on the cut-off point, this mean value shows that majority of the respondents agree that ELICO obeys the Ethical responsibility of the society. The items conducting fair practices and obeying Ethical practices has a mean value of 2.01 and 2.07 respectively. Since all of the mean values are less than 2.5, this shows that majority of the respondents are closer to agreeing for the measures of Ethical responsibilities. Therefore it can be concluded that ELICO has a good Ethical CSR practices.

According to Carroll (2016) Ethical Responsibilities include behaviors and actions that, although not having legal status, are considered acceptable or unacceptable by society's members. In order to uphold moral rights, businesses must adhere to a variety of customs, standards, and expectations that show they care about what customers, workers, shareholders, and society as a whole deem to be fair.

In the open-ended question, some of the respondents' state that since the products that are manufactured by the company are acceptable in the community, there is less possibility that the products could violate this responsibility. Besides the respondents' states that, even the

byproducts of the factory will not be disposed to the outside environment until it is treated by chemical and until the effect becomes below 0.005%. In addition to this, since the company highly wants to maintain its good name, they highly avoid unethical standards.

4.2.4. Organizational Performance

Organizational performance relates to how well a company may present itself on the market place for businesses with the use of some informative, monetary, and personnel assets. Each person's performance may result in a short-, medium-, or for a long time beneficial or adverse effect on the success of the whole company (Eleonora, 2020).

Table4.5 Organizational performance

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
Increase the value of the company	277	1.00	3.00	2.1083	.56064
Increase revenue	277	1.00	4.00	2.1805	.59275
Reduce operational costs	277	1.00	4.00	2.1877	.58433
Enhancing Loyalty	277	1.00	4.00	2.2671	.62621
Improve company's image	277	1.00	3.00	2.2527	.58456
Customer retention	277	1.00	3.00	2.1480	.54816
Meeting deadlines	277	1.00	4.00	2.1011	.56840
Quality control	277	1.00	3.00	2.1119	.53001
Improving employee's competence	277	1.00	4.00	2.2563	.55430
Quickly adapting new technology	277	1.00	3.00	2.2094	.58932
Continuous professional education	277	1.00	4.00	2.2238	.63737
Performance (mean)				2.1860	

The items for measuring Organizational performance were based on the BSC model which includes the four BSC perspectives. A system of leadership called the balanced scorecard helps firms to put their strategic goals and objectives into practice. To continuously enhance organizational performance and Results, this technology offers feedback on internal company procedures and outside outcomes (Akbarzadeh, 2012).

Organization performance has been measured by 11 items scale. This scale has a mean value of 2.18. This mean value indicates that significant number of the respondents agree to the measures of the four perspectives of Balanced Score Card measures. This implies that the firm is performing well.

The first three items helps to have some financial perspective about ELICO which has a mean value of 2.15 which is an indication of being in a good status. The second three items is about the customers of the company. The mean for the items of customer loyalty, improving company's image and customer retention has been found to have a mean value of 2.22. In addition to this in the open-ended question some of the respondents mentioned that the company is highly concerned for its customers and responsible for their complaints by having a feedback system though there is some weakness in taking immediate action.

Statements "Quality control" and "Meeting deadlines" are related to the other perspective of BSC which is internal business process perspective. These items have a mean value of 2.1. Some of these respondents also mentioned that in the production, each product will be checked by the quality control unit and defective products will be discarded and the Quality control unit is strict and do not tolerate defective products.

The items "Improving Employees competence", "Quickly Adapting new technology" and "Continuous professional education" are related to the learning and growth perspective. These items have a mean value of 2.22 which is an indication of good practices.

4.3. Inferential Analysis

In Order to conduct this research along with conducting descriptive analysis, there is also the inferential analysis. This section includes the inferential analysis that includes regression analysis in order to test the proposed hypotheses. Wyllys (1978) asserts that one can draw conclusions about a population trait by using the evidence present in the sample. Making accurate inferences, avoiding making bad inferences, and knowing how likely it is that a given conclusion is valid are the objectives.

4.3.1. Normality Test

A data's normalcy must be determined before any formal statistical analysis can be performed. Otherwise, there will be the risk of making incorrect inferences and conclusions. The ability to judge normality is known as Normality test (Das and Nimon, 2016).

Table 4.1 normality test

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Performance	.066	277	.006	.990	277	.056

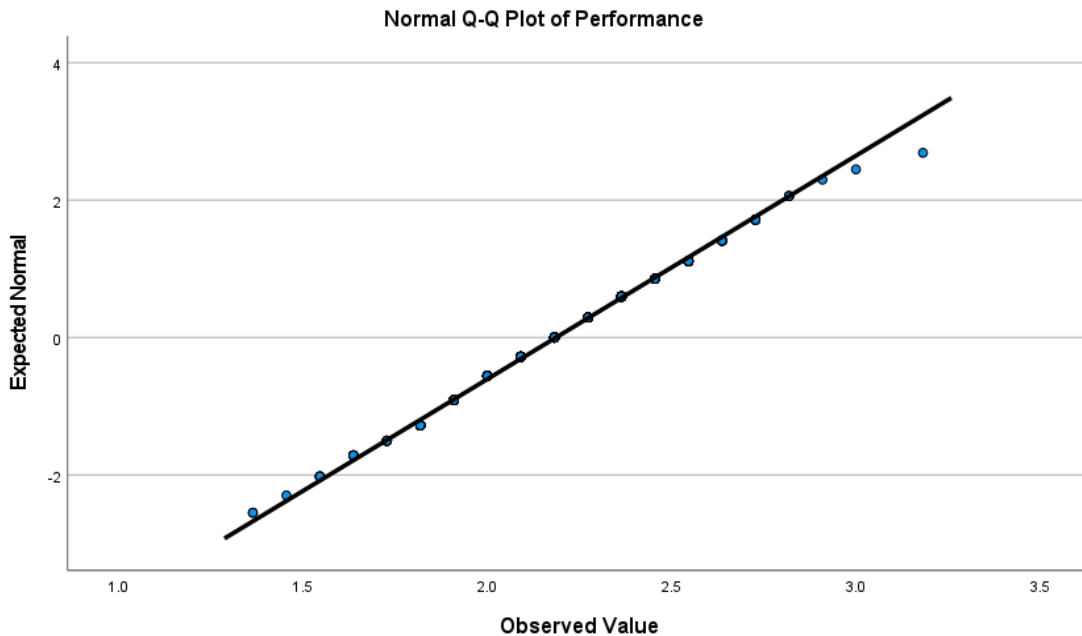


Figure4.3. Normality

According to Keya (2016) It is essential to use statistical approaches in all areas of knowledge in a responsible manner. Regression and Correlation are the statistical techniques that are most frequently utilized. However, they are all predicated on the same fundamental premise, which is that the observation is distributed normally (Gaussian).

Therefore, it is presumptive that the target populations from which the samples were drawn had a normal distribution. The normalcy assumption must thus be verified using the inferring procedures. It is challenging to identify the required and adequate criteria in non-Normality data that would ensure that all variable estimations are asymptotically normal. Numerous analysts have studied the impact of deviation from normalcy when evaluating hypotheses.

Both through normalcy testing and visibly, the majority of statistical software programs generate the PP and QQ graphs automatically. According to Keya (2016) a quantile-quantile(Q-Q) plot contrasts a data population's ranges with the ranges of a standardized theorized dispersion belonging to a certain class of distributions. By contrasting the quantiles of one dispersion with the quantiles of the normal range, one may create a normal Q-Q graphic. Plotted dots align with the line $y = x$ when the quantiles for both distributions are satisfied.

In this study QQ plot it is shown that the observations are close to the line. But these graphical tests or pictorial tests are so highly subjective. In this case below there is a table with The Shapiro-Wilk test. This is one of the analytical tests, which is offered by the SPSS software and has excellent power characteristics. Based on this test if the significance level is below 0.05, then the test will be not normally distributed. While if the significance level is above 0.05 the data is called to be normally distributed (Shapiro and Wilk, 1965). In this study the significance level is 0.056 which is above 0.05 so this data is normally distributed.

4.3.2. Skewness and Kurtosis

Skewness measures a lean in a data. Right skew is the most typical variety, with the tails pointing left. Positive skewed is left-leaning, whereas negatives skewed is right-leaning. Some writers claim that skewness should range from -1 to +1, however skewness between the values of -2 and +2 is quite acceptable (Garson, 2012).

There is also a measure of Kurtosis. A statistical metric called kurtosis describes how data distribution's tails deviate from a normal distribution of data. A distribution with a high kurtosis has larger tails as well as more outliers than one with a normal distribution. while a data with lower Kurtosis has lower tails and lower outliers than a normally distributed data.

Table4.7. Skewness and Kurtosis

Descriptive Statistics									
	N	Min	Max	Mean	Std. Dev.	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Err.	Statistic	Std. Err.
Philanthropy	277	1.57	3.00	2.2316	.27906	.105	.146	-.235	.292
Legal	277	1.00	3.00	2.0744	.37700	.015	.146	.153	.292
Ethical	277	1.40	2.80	2.1112	.28650	-.288	.146	-.367	.292
Performance	277	1.36	3.18	2.1861	.30763	.079	.146	.026	.292
Valid N	277								

Skewness serves as a metric for symmetry. If the assortment of data appears uniformly to the left and right of its focal points, it is called symmetric. In this study the skewness value for Philanthropic, Legal and Ethical responsibilities has a value of .105, .015 and -.288. In addition to that for the dependent variable, organizational performance the skewness value is found to be .079.

The findings shows that the data is normally distributed, and this is because based on Garson’s (2012) recommendation, normal distribution is indicated by skewness which is a measure of symmetry and according to him, if the skewness value is in the middle of -2 to +2 it is concluded that the data in the study has a normal distribution. Likewise, in this study the score of Skewness and Kurtosis is in between these values so this data is normally distributed.

The other measure which can be used to test the normality assumption is that a measure of Kurtosis. This measure can be defined as a measurement of outliers or large tails in the data. The values of the findings of this study shows that the Kurtosis value for Philanthropic, Legal and Ethical responsibilities is found -.235, .153 and -.367. According to Garson’s (2012) static values of Kurtosis should be in between -3 to +3 because without which it will be concluded that the data is not normally distributed. When coming to this study, all of the values lie in between these values including the dependent variable, in which Organizational performance has a value of 0.26. Generally, based on the findings of Skewness and Kurtosis measures it is concluded that the data is normally distributed.

4.3.3. Multi-collinearity

One of the fundamental presumptions for a good regression analysis is multicollinearity. When more than one independent variable in a regression framework is correlated, multicollinearity occurs. A small degree of multicollinearity can occasionally result in significant issues, but when it is medium to high, it becomes a problem that has to be resolved.

Table4.8. Multicollinearity

Coefficients ^a					
Model		95.0% Confidence Interval for B		Collinearity Statistics	
		Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.195	.276		
	Philanthropy	.277	.475	.797	1.255
	Legal	.171	.314	.835	1.198
	Ethical	.288	.474	.847	1.181

According to Zainodin and Yap (2013) When there is a significant correlation between independent variables, multi-collinearity occurs. As they may compete to explain much of the same variance in this situation, it would be difficult to distinguish between the contributions of these independent variables to those of the dependent variable.

High interaction between more than one independent variable in a regression model referred to as multicollinearity. When an analyst or scholar tries to figure out how well every independent variable can be utilized to forecast or comprehend the dependent variable in a model of statistics, multicollinearity may end up in skewed or erroneous conclusions. Multicollinearity can cause broader confidence intervals, which might result in likelihood that are less trustworthy when predicting the impact of independent factors in the model (Zainodin and Yap, 2013).

While testing for multi-collinearity the values of Tolerance and VIF will be considered. According to Jamal D. (2017) the VIF is a technique for calculating and measuring the extent of the inflating variance. Typically, the program will produce VIFs as part of the analysis of regression, and the results will include a VIF.

The method for calculating this VIF is to regress the factor under the assumption that it is in the factor with every other predictor in the model. If the VIF (Variance inflation factor) is greater than 10, it can conclude that there is multi-collinearity among the variables and the reverse is true if VIF is less than 10.

In addition to this, Multicollinearity can be tested the Tolerance level. Tolerance level quantifies the extent to which the inclusion of additional predictor variables alters beta scores. Higher degrees of multicollinearity are indicated by smaller amounts of tolerance by observing the tolerance level. In multi-collinearity the values will range from 0.1-1 and values closer to 1 indicates lower Multicollinearity among variables. According to this in this study it is observed that the Multicollinearity level for the variables Philanthropic, Legal and Ethical responsibilities are having a value of .797, .835 and .847. Hence since all of the values in this study are nearly greater than 0.8, this implies that there is no multicollinearity among the variables.

4.3.4. Homoscedasticity

Homoscedasticity, also known as uniformity of variances, is the presumption that variations in the categories being contrasted are equivalent or comparable. When there is homoscedasticity, it signifies that it holds true across every dimension of the dependent variable (Garson,2012).

According to Garson (2012) Scattered plot can be used for the test of Homoscedasticity. The scatter plot of the standardized residuals versus the standardized predicted dependent variables ought to have a random pattern throughout the whole range. When the model of regression remains equally accurate throughout the whole range of the dependent, the regression error is homoscedastic. Occasionally, the actual dependent values are shown against the residuals to test for homoscedasticity.

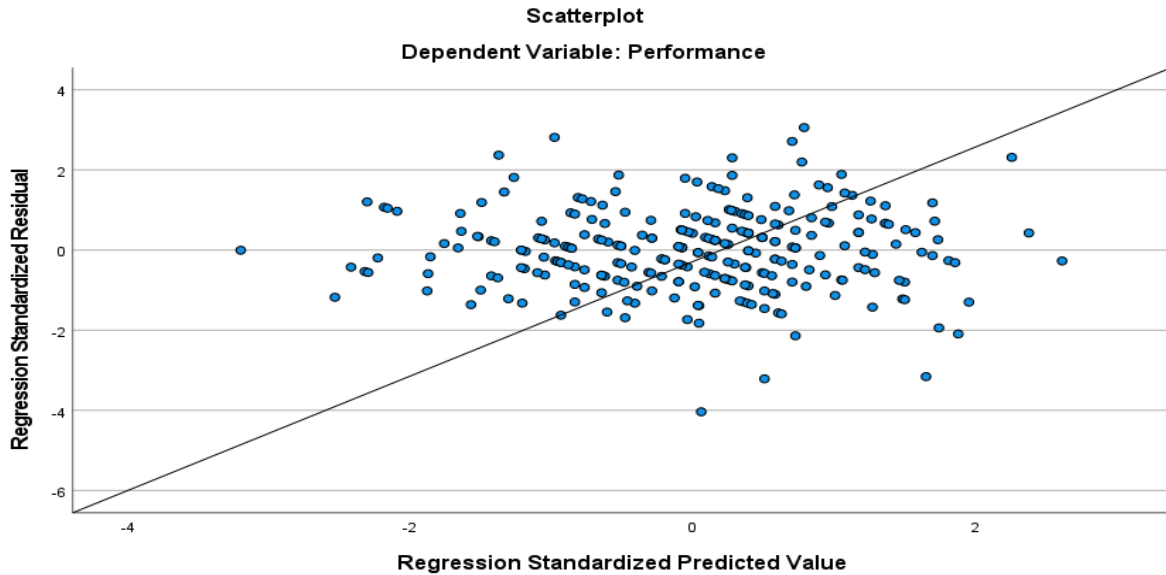


Figure 4.2 Homoscedasticity

Since parametric statistical analyses are receptive to all differences, this is a crucial presumption. Results from tests are skewed and prejudiced when there is variation in samples are inconsistent. Higher error for some parts of the spectrum in comparison with others demonstrates absence of homoscedasticity. The homoscedasticity assumption must be satisfied for residuals to form an amorphous cloud of spots (Garson,2012).

In this study it is clearly depicted that the spots are distributed in a pattern less and the test has satisfied the assumption. In addition to this residual plot distribution patterns, which are shown in the scatter plot picture is also included on the appendix section which depicts an association between fitted values and standardized residuals that could be visually recognized as linearly deriving off the plot and also it demonstrates the linearity of the model.

4.3.5. Correlation

Bivariate analysis of correlation, also referred to as correlation analysis, focuses on establishing if a link between variables exists before figuring out its strength and course of action. Correlation is not same as cause. Positive correlation does not always indicate that one variable influences the other, but a correlation study identifies and assesses a link between the two factors.

The two primary advantages of correlation analysis are the fact that it enables quick examination of hypotheses and assists businesses in deciding which variables they wish to look into thoroughly. Given the abundance of data nowadays, one of the difficulties with calculating correlation is that several distinct variables or groups of data may exhibit stronger connections with one another.

To determine the strength of the linear relation among more than one variable, the most commonly sore of correlation is the Pearson correlation (Kothari, 2004).

Table 4.9 Correlation

Correlations					
		Philanthropy	Legal	Ethical	Performance
Philanthropy	Pearson Correlation				
	Sig. (2-tailed)				
	N	277			
Legal	Pearson Correlation	.370**			
	Sig. (2-tailed)	.000			
	N	277	277		
Ethical	Pearson Correlation	.353**	.288**		
	Sig. (2-tailed)	.000	.000		
	N	277	277	277	
Performance	Pearson Correlation	.576**	.526**	.560**	
	Sig. (2-tailed)	.000	.000	.000	
	N	277	277	277	277
**. Correlation is significant at the 0.01 level (2-tailed).					

Correlation shows the relatedness of dependent and independent variables. (Chen 2016). This correlation test also helps to test whether there is positive or negative relationship with the variables. In this study Pearson correlation have been used and based on the computation, this study bases on the Kothari (2004) which shows that Correlation which ranges from 0.2 to 0.6 can be categorized as low or moderate correlation and based on this in this study it can be concluded that there is no strong correlation among the variables.

4.3.6. Regression Analysis

While conducted this research data is analyzed by using regression. This analysis shows what the relationship is among the independent and dependent variables. Finding the variables that have an effect on an interest issue can be done with accuracy using regression analysis. one can confidently establish which elements are most important, which ones can be dismissed, as well as how these factors interact when doing a regression (Kothari 2004).

Table4.10. Model summary

Model Summary ^b										
	R	R ²	Adjusted R ²	Std. Error of the Estimate	Change Statistics					DW
					R ² Change	F Change	df1	df2	Sig. F Change	
1	.742	.551	.546	.20719	.551	111.806	3	273	.000	1.533
a. Predictors: (Constant), Ethical, Legal, Philanthropy										
b. Dependent Variable: Performance										

The *R* value shows a simple correlation between the observed value which is organizational performance and predicted values of dependent variables including Philanthropic, Legal and Ethical responsibilities. The *R* value of this study shows a value of 0.742. This value indicates that the variables Philanthropic, Legal and Ethical responsibilities predict 74.2% of the dependent variable, which also indicates a high degree of correlation.

In this study *R*-square found has become .555. This *R*-square value implies that while keeping other factors constant, the independent variables of this study which are Philanthropy, Legal and Ethical responsibilities) has explained the 55% the variation in the performance of the organization and the other remaining 45% is explained by factors other than explained in this model. This indicates that 55% of organizational performance is determined by Philanthropic, Legal and Ethical CSR practices.

The other value of a regression model is a value of Adjusted R-square. This is also called a test of accuracy to measure linear model. It shows what proportion of the variance in the field of target may be attributed to the inputs.

R square has a propensity to overestimate how well linear regression fits. It always rises as more factors are incorporated into the model. This overestimation is attempted to be addressed by altered R square. If a given effect fails to aid the model, adjusted R square may fall. In this model the value of Adjusted R square has a value of 0.546 which has a slight difference from the model fit test.

4.3.7. ANOVA

Any combination of variables' linear and nonlinear elements can be calculated using the ANOVA method. There is considerable nonlinearity if the F significance value for the nonlinear component is less than the critical value of .05. The existence of a conventional, quadratic, or exponential relationship can be evaluated using an ANOVA. The ANOVA result indicates if factors like philanthropic, legal, and ethical obligations can forecast organizational performance (Kothari, 2004).

Table4.11. ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.399	3	4.800	111.806	.000 ^b
	Residual	11.720	273	.043		
	Total	26.119	276			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Ethical, Legal, Philanthropy						

ANOVA which is analysis of variance shows the model significance. The ANOVA score evaluates the overall significance with the P value of under 0.05. Actually, the P value of this study is 0.000 indicating that the variance explained by the model is not the result of chance and the model is generally significant for further investigation.

4.3.8. Regression Coefficients

The regression coefficient's parameter denotes the mean variation in y that is required to be multiplied by the variation in x, or how much y varies for each unit rise in x.

Table 4.12. Regression Coefficient

Coefficients								
Model		Unstandardized Coefficients		Std. Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error				Beta	Lower Bound
1	(Constant)	.040	.120		.338	.736	-.195	.276
	Philanthropy	.376	.050	.341	7.511	.000	.277	.475
	Legal	.242	.036	.297	6.697	.000	.171	.314
	Ethical	.381	.047	.355	8.047	.000	.288	.474
a. Dependent Variable: Performance								

The model developed for this study is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Y = Organizational performance

X₁ = Philanthropic responsibility

X₂ = Legal responsibility

X₃ = Ethical responsibility

e = error term

Based on the above table,

$$Y = 0.4 + 0.37 \text{Philanthropic CSR} + 0.24 \text{Legal CSR} + 0.38 \text{Ethical CSR} + e$$

While interpreting the model, the result will be interpreted as,

- Keeping other variables constant, the organizational performance is increased by 37% for a unit increase in the Philanthropic CSR.
- For a unit increase in Legal CSR, the organizational performance increased by 24% while keeping other factors constant.
- Maintaining other factors constant, for every unit increase in Ethical CSR practice, there is 38% of increment in the organizational performance.

4.3.9. Hypothesis testing

In the above the results of the coefficients have been discussed based on this the Hypothesis testing is discussed as follows.

H1: There is a positive relationship between Philanthropic Responsibility and Organizational performance.

There is positive and significant relationship between Philanthropic CSR and Organizational performance in which 37% of organizational performance is determined by it. But it is found that P value >0.05 . Hence, H1 cannot be rejected.

H2: There is a positive relationship between Legal Responsibility and Organizational performance.

There is a positive and significant relationship between Legal CSR and Organizational performance in which 24% of Organizational performance can be determined by Legal CSR and P value <0.05 . Thus, H2 cannot be rejected.

H3: There is a positive relationship between Ethical Responsibility and organizational performance.

There is a positive and significant relationship between Ethical CSR and Organizational performance in which 38% of Ethical CSR can determine the performance of the organization with the P value <0.05 . Thus, H3 cannot be rejected.

4.3.10. Major Findings and Discussion

This study aimed at examining the Effect of Corporate social responsibility in organizational performance in ELICO.

- ❖ The data collection instrument tool (questionnaire) has been distributed to a total of 277 staff members of ELICO, from Head office, Awash Tanneries and Universal leather products. While collecting the demographic information, majority of the respondents (58.1%) are found to be women. This shows that the company is striving to empower women's in growing their profession. In addition to this 33.9% of the respondents are aged between 26- 30, which implies that much of the staff members are young individuals which shows that who have develop intermediate level of experience from 3 to 5 years and in which 30.7% of them have Bachelor degree and above. This implies that significant number of the respondents are well educated and informative to collect data from.
- ❖ Descriptive analysis has been done for every variable item measure including mean, standard deviation, Minimum and Maximum. For the Philanthropic responsibility the overall mean of the items is 2.23 and for the Legal responsibility variable there is a mean value of 2.07. Ethical responsibilities have also a mean value of 2.11 while there is an overall mean value of 2.18 for Organizational performance. All of the mean values of the independent variables show that there is a good CSR practices in the organization since the cut-off point less than 2.51 refers to being agreed for the measures. Similarly, the mean value of the independent variable (Organizational Performance) is in this cut off point range, so this implies that ELICO is performing well.
- ❖ After collecting data, data has been in SPSS Version 27 through Regression analysis. In order to run regression analysis there are assumptions that need to be met and which has been tested. The first one is Normality assumption which is tested through QQ plot. The results shows that the observations are very closer to the line. But since it is a subjective measure, the Shapiro-Wilk, skewness, and Kurtosis has been tested. In doing so the Shapiro-Wilk test P value is 0.56. the skewness measure shows a value of .105, .015, -.288, .079 while the value of Kurtosis shows a value of -.235, .153, -.367, .026 for the

variable's Philanthropic responsibility, Legal responsibility, Ethical responsibilities and Organizational Performance.

- ❖ The assumptions of Multicollinearity and Homoscedasticity has also been tested. The outcome of Multicollinearity test shows that a tolerance value of for Philanthropy.797, for Legal .835 and for Ethical .847. with a tolerance level of 1.255 ,1.198 and 1.181 respectively while the observation in the Homoscedasticity test shows that the observations are distributed in all over the graph. Correlation analysis has also been conducted and the value lies from 0.288 to 0.576.
- ❖ When moving to regression analysis, the R value correlation shows 0.742 and the R square value shows 0.551. In addition to this the Adjusted R square or a model adequacy test shows a value of 0.546 at the P value > 0.001.
- ❖ While analyzing the regression coefficient the variables have a significance level > 0.001 with a beta value of 0.37, 0.24 and 0.38. this implies that for every unit increase in Philanthropic, Legal and Ethical responsibilities, the organizational performance will increase accordingly. Hence H1, H2 and H3 are supported.
- ❖ In this study, it is observed that Philanthropy has direct and significant effect in performance which is similar with the findings of the study of Khan et al. (2023) and Lu et al., (2020) but the study of Okwemba et.al. (2014) shows that Philanthropy has direct though insignificant relationship. While the study of Tantalo et.al (2012) shows that there is negative relationship among CSR and Philanthropy. As the authors discuss one of the reasons for showing a negative result could be the firms under the study did not use CSR practices to see their long-term effects.
- ❖ In this study, the variable Legal responsibility has a positive and significant effect in organizational performance as 24% of the organizational performance can be determined by a unit change in this variable. Legal responsibility has been measured by respecting governmental laws, protecting the rights of stakeholders, obeying contractual obligations, and avoiding unethical practices even if it could minimize their economic values. The findings of the study of Ismail (2011) and Masum et.al (2020) also shows that obeying Legal responsibilities influences performance.

❖ Ethical responsibility has been found to have positive and significant effect in performance in which similar output has been observed from the study of Okwemba et.al. (2014) hence in this study it can be concluded that CSR has a positive and significant effect in organizational performance which is similar to the studies of Parasta. and Adams (2012), Rettab et al. (2008), Shahwan and Habib (2023) and Ikram et al. (2019) while the study of Okwemba et. al. (2014) and Singh and Misra (2020) has concluded that there is no significant relationship among them. Although this is what their findings is showing, they have concluded that companies should have to practice CSR for its stakeholders, otherwise they will be ignoring the impact of underlying factors including job performance, organizational commitment, and organizational citizenship behavior. Generally, in this study it is concluded that H1, H2 and H3 can be accepted, and they are presented as follows.

Table4.13 Hypothesis Testing

	Developed Hypotheses	Result	Decision
H1	There is a positive and significant relationship between Philanthropic responsibility and Organizational performance.	Positive Significant	Support
H2	There is a positive and significant relationship between Legal responsibility and Organizational performance.	Positive Significant	Support
H3	There is a positive and significant relationship between Ethical responsibility and Organizational performance.	Positive Significant	Support

Chapter 5 Conclusion and Recommendation

5. Conclusion, Recommendation and Limitation

5.1. Conclusion

This Research has aimed to study the Effect of Corporate Social Responsibility in Organizational Performance. CSR has been a topic of interest for many scholars, businesses, governments, and it is probable that they will do so in the future. As investor and consumer demand for businesses to include social and environmental concerns in their decision-making continues to increase along with awareness of these issues, it is anticipated that CSR will become an increasingly more major component of the corporate landscape (Kharabsheh et al., 2023).

In this study literature review has been conducted from secondary sources like journals, books, academic papers, seminar and websites. Under the literature review section theoretical and empirical review has been conducted. The theoretical review discusses about the concept of CSR and different perspectives on it and major theories that has been developed by other scholars namely, Carroll's model, Triple bottom line model and Stakeholders theory. From these theories, the study focuses on Carroll's model and uses it with some modification. Carroll's model has four CSR obligations and from that this study uses Philanthropy, Ethical and Legal obligation and did not use the Economic responsibility. This is due to the fact that the Economic responsibility is in line with the major objective of firms which is wealth maximization. On the other hand, there is also the empirical review which discusses about the findings of other researchers.

This is Explanatory research which has a primary focus of the inquiry is on the reasons of phenomena (Akhtar, 2016) and the study uses this method to see the effect of the independent variables on performance. While collecting data, majority of the respondents were females. And most of them were aged from 31-40. Based on their educational background, 44.4% of the respondents have BA/BSC degree which is the highest and lowest numbers of respondents with 7.9% have completed High school. According to their working experience and current position 30.7% and 27.4 % of the respondents have 3-5 years and 6-10 years' experience and majority of the respondents lay in this range and 18% of them have more than 10 years' experience and from this 93.5% of the respondents have no managerial position while the remaining of them have.

These respondents were asked about CSR responsibilities and the performance of the organization and related to Philanthropic responsibility the mean value is 2.23 which is close to being agreed and likewise the mean values of Legal and Ethical responsibilities are also close to agree with a mean value of 2.07 and 2.11. In addition to this in order to measure Performance the four BSC model perspectives has been incorporated and the findings shows that a mean value of 2.18 which is close to being agreed. Then Normality, autocorrelation, Homoscedasticity, and Multi-collinearity have been tested and before going to the inferential analysis. Then after making the regression analysis, it is found that R-square has a Value of 0.55, which indicates that 55% of the variation of organizational performance can be explained by the independent variables in this model. Three of the variables has significant and positive effect in organizational performance in which performance can be increased by 37% for a unit increase in Philanthropic responsibility and increase by 24% for every unit increase in legal responsibility. Performance can also be increased by 38% for a unit increase in Ethical responsibility.

5.2. Recommendation

After observing the findings of the study in which the regression model explains 55% in which Organizational performance can be determined 55% by these models and the remaining 45% is due to some other factors. Based on this some recommendation can be forwarded.

- In these models 37%, 24% and 38% effect has been observed from practicing Philanthropic, Legal and Ethical practices respectively. Based on the findings of this study Firms and shareholders should keep investing in CSR practices and CEO's and higher-level managers have to develop a strategy for their CSR practices. They should develop a strategy These strategies should be future oriented and can be implemented by having guideline policies. After implementing the strategies, they need to be evaluated. Organizations can do the evaluation process by comparing the developed CSR strategies with the actual CSR practices. This can help to see the long-term effect of CSR on the organizational performance,
- The firm also needs to disclose its CSR practices to its employees because there are some staff member respondents who disagree in some of the CSR practices especially in philanthropic responsibilities regarding Supporting activities related to health and wellness of the community, there are respondents who strongly disagree with this

measure. They also need to disclose these practices to external stakeholders in order to gain a good reputation. The firm can do this by giving trainings, preparing seminars, and involving the employees in voluntary and charitable activities.

- Relatively the effect of legal responsibility tends to be slightly lower than other variables by being 24%, though it has significant and positive effect. Despite this is the case, the company also needs to invest in these practices helps to have smooth relationship with the government. Regarding to this one of the governmental agencies, Ethiopian Environmental Protection Authority (EEPA) should have a to disclose the governing rules and regulation in related to environmental protection by preparing different conferences and seminars nationally or internationally and inviting this firms.

5.3. Limitation of the research

This study evaluates the impact of CSR in organizational performance. The importance of CSR has been rising especially in developing countries like Ethiopia. But due to time and resource constraints and other factors, this study has been limited Geographically, Conceptually and Methodologically. Geographically the study is limited to Ethio leather Industry plc. Due to the above constraints, the study is limited to one organization. The company is broad and located in different areas. Based on this the researcher has only get permission to conduct the study in three locations. Though conducting the study in more than one company could help to make sound generalization. The study is also limited conceptually. In this study the researcher uses Balanced score model to measure performance and the independent variable was measured by three variables namely, philanthropy, ethical and legal responsibilities.

The researcher chooses only these variables due to research constraints despite the fact that there are other different measures. In addition to this future researcher need to be careful while using the measurement scale of this study specially the Cronbach alpha for the items of Ethical responsibility has been found to be low. This paper is also limited methodologically as this is an Explanatory research method type with quantitative approach. But the study can be conducted by different qualitative techniques like case studies and observation in a longitudinal study. In addition to this the respondents of the study were Managers and Employees of the organization, but the researcher was unable to include customers since ELICO exports some of their products and the others will have distributed them to other retailers and wholesalers.

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Appendix 1

QUESTIONNAIRE

Dear Respondents,

My name is Afrah Seid, and I am Master of Business Administration (in Management) student in Addis Ababa University at College of Business and Economics. Currently I am a Graduate class student doing Thesis for the fulfillment of MBA degree in related to Corporate Social Responsibility. In order to conduct this study, data is a very necessary input and regarding this, your collaboration is highly required for the success of this thesis. The researcher assures you that your responses will be kept confidentially and will be used only for this study.

If you have any question or if you need more information, feel free to contact the researcher at:

Email: afrahseid111@gmail.com

Phone: +251966040503

N.B. You do not need to write your name in this form in order to keep data confidentiality.

Thank you for your cooperation in advance.

Section A: Respondents Information

Please tick your answer in the given boxes.

1. Gender: Male Female
2. Age: 18-25 26-30 31-40 and above
3. Education: High school Diploma BA/Bsc degree MA/Msc and above
4. Experience: < or =2 years 3-5 years 6-10 years and above
5. Current Position in the Organization: Managerial/Supervisory Non-Managerial

Section B

This section is used to measure the variables by using 5 Likert scale measurement and please provide your responses by selecting the ranges from **Strongly agree to strongly disagree** (1-5). The numbers are represented as follows.

1-**Strongly agree** 2- **Agree** 3- **Neutral** 4- **Disagree** 5- **Strongly disagree**

Part 1: Philanthropic Responsibility

	1	2	3	4	5
We have to leave this world by ensuring it is a better place for the next generation.					
Our organization donates money to charitable organizations regardless of what the government does.					
Government is not solely responsible for funding charitable causes and public good					
The organization supports cultural and social events in the community					
The organization has both financial and non-financial support to NGO's					
Support activities related to health and wellness of the community					
The organization voluntarily conducts environmental practices and gives financial support beyond government environmental regulation					

Part 2: Legal Responsibility

	1	2	3	4	5
The company respect and implement governmental rules and regulations					
Respect the rights of internal and external stakeholders beyond the legal requirement					
Ensure that the operation their employees act within the standards defined by the law					
Our company avoids from putting aside their contractual obligation					
Avoids bending the law even it helps to improve performance					

Part 3: Ethical Responsibility

	1	2	3	4	5
This organization conducts fair practices					
This organization obeys Ethical norm which is required by the society					
The organization Strives to help social and ethical problems in the community					
This organization tries to avoid unethical behaviors					
Avoids compromising Ethical standards in order to achieve corporate goals					

Part 4: Organizational Performance

Increase the value of the company					
Increase revenue					

Reduce operational costs					
Enhancing Loyalty					
Improve company's image					
Customer retention					
Meeting deadlines					
Quality control					
Improving employee's competence					
Quickly adapting new technology					
Continuous professional education					

1. Overall, what can you say about the Philanthropic responsibility of your company and what other practices are there?

2. Overall, what other Legal practices are there in your organization?

3. What can you say about the Ethical practices of your company?

4. What can you say about the performance of your organization?

Appendix 2

Normal distribution

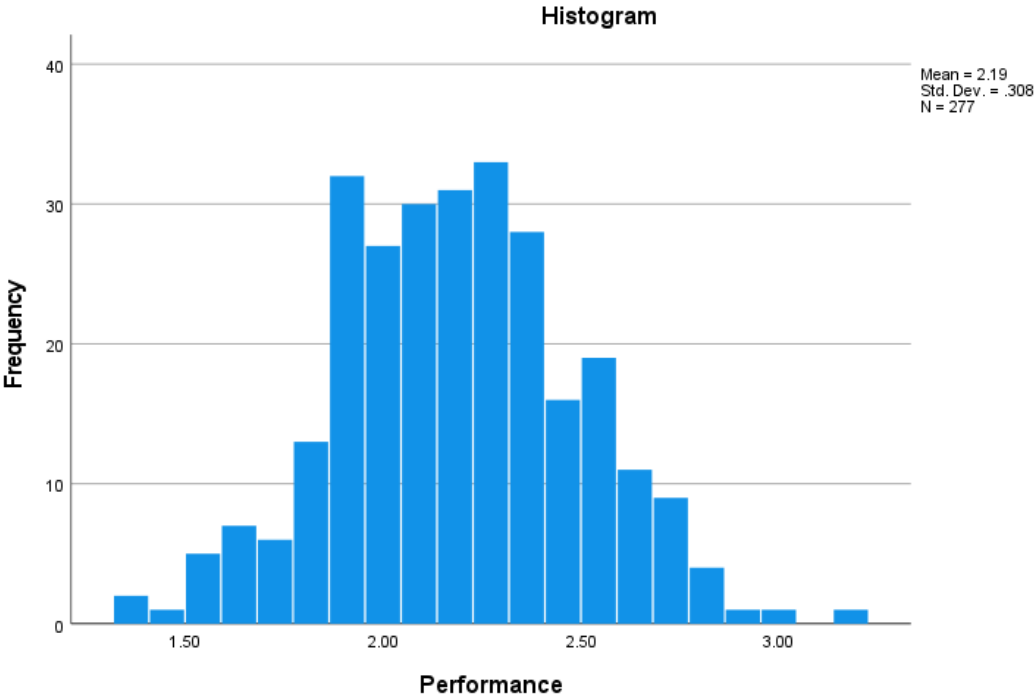


Figure4.3. Normality Test