THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY PRACTICE ON BANK PROFITABILITY (IN CASE OF HIBRET BANK), ETHIOPIA

A THESIS SUBMITTED TO THE COLLEGE OF BUSINESS ECONOMICS: IN PARTIAL FULFILLMENT FOR THE REQUIREMENT MASTER OF SCIENCE IN MANAGEMENT

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DECLARATION

I, hereby declare that this research titled "Effect of Corporate Social Responsibility Practice on Bank Profitability (In Case of Hibret Bank)" is my original work. All sources of information and data used have been properly acknowledged. This work has not been submitted for any other degree or qualification at any other institution. I confirm that I have adhered to ethical research standards, ensuring the confidentiality of participants and obtaining necessary permissions. I take full responsibility for the content of this research.

Abebe Janka		**14/01/2025**
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STATEMENT OF CERTIFICATE

This is to certify that Abebe Janka has conducted his thesis research on the topic entitled “The Effect of CSR Practices on Bank Profitability: The Case of Hibret Bank” under my supervision and guidance. I hereby confirm that this work is original, meets the academic standards of the institution, and is approved for submission for examination as a thesis.

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This is to certify that the thesis prepared by Abebe Janka, titled *"The Effect of CSR Practices on Bank Profitability: The Case of Hibret Bank,"* and submitted in partial fulfillment of the requirements for the Master's degree in Management, adheres to the University's regulations and accepted academic standards.

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ABSTRACT

This study investigated the effect of Corporate Social Responsibility (CSR) practices on bank profitability, focusing on Hibret Bank. An explanatory research design was employed to explore the cause-and-effect relationship between CSR initiatives and profitability. The target population comprised 548 employees and management personnel involved in CSR activities at Hibret Bank, from which a sample of 231 participants was selected using stratified random sampling. Data were collected via questionnaires designed to assess CSR practices across four key dimensions: environmental responsibility, social responsibility, economic responsibility, and philanthropic activities. The reliability of the research instrument was tested using Cronbach's alpha, while the relationship between CSR practices and profitability was analyzed using Pearson correlation and multiple linear regression. Data were analyzed with SPSS version 27.0. The findings provided valuable insights into the role of CSR practices in enhancing bank profitability. The study offered recommendations for Hibret Bank to strengthen its CSR strategies, particularly in environmental and social responsibility, to improve its profitability.

Keywords: Corporate Social Responsibility, Environmental Responsibility, Social Responsibility, Economic Responsibility, Philanthropic Activities, Bank Profitability.

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ACRONYMS

CSR: Corporate Social Responsibility

ANOVA: Analysis of Variance

CSP: Corporate Social Responsibility Practice

BP: Bank Profitability

HB: Hibret Bank

CSR-P: Corporate Social Responsibility Practice

CSR-E: Corporate Social Responsibility Effect

ROA: Return on Assets

ROI: Return on Investment

NBE: National Bank of Ethiopia

KRI: Key Result Indicator

GRI: Global Reporting Initiative

ESG: Environmental, Social, and Governance

CSR-RF: Corporate Social Responsibility Reporting Frequency

CSR-IM: Corporate Social Responsibility Impact Measurement

KPI: Key Performance Indicator

NGO: Non-Governmental Organization

ISO: International Organization for Standardization

SPSS: Statistical Package for the Social Sciences

CHAPTER ONE

1. INTRODUCTION

This chapter introduced the study on the effect of Corporate Social Responsibility (CSR) practices on bank profitability at Hibret Bank in Ethiopia. It provides an overview of the background, the statement of the problem, research questions, objectives, significance, scope, limitations, and the organization of the study.

1.1 BACKGROUND OF THE STUDY

Corporate Social Responsibility (CSR) has become an integral component of modern business practices, particularly within the banking sector. In an increasingly competitive and socially aware global market, businesses including banks recognized the importance of addressing environmental, social, and ethical challenges alongside financial objectives. The growing recognition was that CSR initiatives contributed not only to societal well-being but also to the financial success and sustainability of the business. Studies by KPMG (2022) emphasized that companies adopting CSR strategies were likely to achieve long-term success by strengthening their reputation and building trust among stakeholders, leading to improved profitability. As a result, CSR moved beyond a philanthropic activity to a strategic business tool that enhanced brand reputation, customer loyalty, and, crucially, profitability (Porter & Kramer, 2019).

This shift towards CSR was observed globally, and Ethiopia was no exception. Hibret Bank, one of Ethiopia's leading financial institutions, integrated CSR into its operations, seeking to balance profitability with social, environmental, and economic responsibility. CSR was often perceived as a way to align business operations with broader societal and environmental needs, creating value for both the bank and its stakeholders. However, while many studies explored the broad impact of CSR on business operations, there remained a gap in research specifically examining how CSR practices influenced the profitability of banks in Ethiopia. Therefore, this study sought to explore the effect of CSR practices on Hibret Bank's profitability (Carroll & Shabana, 2010).

Hibret Bank made significant strides in embedding CSR practices within its organizational framework. One major area of focus was environmental responsibility, where the bank implemented initiatives aimed at reducing its environmental footprint. These initiatives included tree-planting campaigns, promoting clean water projects, and fostering resource efficiency across its offices. According to the Hibret Bank Annual Report (2022), these environmental initiatives not only reflected the bank's dedication to sustainable development but also contributed to operational cost savings. By aligning its operational goals with sustainable practices, Hibret Bank not only improved its environmental impact but also strengthened its market position, which could contribute to long-term financial success. Globally, businesses including banks were increasingly adopting frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) to ensure transparency and measurable impacts from environmental initiatives (World Economic Forum, 2023). These efforts showed how CSR could directly benefit the bank's profitability by enhancing trust and loyalty among customers who valued sustainability.

The bank's commitment to social responsibility further enhanced its impact on profitability. Hibret Bank established community based programs such as financial literacy initiatives aimed at educating young people and entrepreneurs on effective financial management. This initiative not only improved the financial literacy of the community but also expanded the bank's customer base, as more individuals and businesses sought reliable financial services. Furthermore, Hibret Bank's partnership with local educational institutions, providing scholarships and funding educational infrastructure, strengthened its role as a key player in social development. These programs increased community engagement and, in turn, contributed to the bank's profitability by building stronger customer relationships and a positive public image. Research by McKinsey & Company (2023) showed that companies with strong social responsibility efforts were more likely to foster consumer loyalty and brand strength, which directly contributed to higher profitability.

In terms of economic responsibility, Hibret Bank aimed to foster local economic development. The bank's support for small and medium-sized enterprises (SMEs) through financial services and advisory support helped create local economic growth, which in turn expanded the bank's client base. Studies showed that banks committed to supporting economic development through financial inclusion and SME support tended to foster trust and build more resilient markets, which contributed to long-term profitability (Deloitte, 2023). By prioritizing local hiring practices and promoting financial inclusion, Hibret Bank enhanced its corporate image while driving profitability. In addition, transparency in financial reporting and adherence to ethical business practices reinforced the bank's credibility, leading to better customer retention and financial performance.

Philanthropic responsibility was another key component of Hibret Bank's CSR framework. The bank engaged in charitable activities such as donations, sponsorships, and volunteer programs, aimed at addressing pressing social issues like poverty alleviation and healthcare access. These philanthropic activities not only improved the bank’s image but also strengthened its relationships with both local communities and customers, which could enhance customer loyalty and, ultimately, profitability. Studies by PwC (2023) suggested that strategic philanthropic efforts could improve stakeholder perceptions and resilience, especially when tied to long-term partnerships with local organizations. These philanthropic activities also provided a sense of community engagement and contributed to building customer loyalty, which could positively affect the bank's bottom line.

This study sought to investigate how Hibret Bank’s CSR initiatives environmental, social, economic, and philanthropic responsibilities affected its profitability. Understanding this relationship would provide valuable insights into the role of CSR in the Ethiopian banking sector and offer evidence of how integrating CSR practices could lead to both societal benefits and improved financial performance. Furthermore, by aligning CSR practices with the United Nations Sustainable Development Goals (SDGs), Hibret Bank not only contributed to global sustainability efforts but also strengthened its competitive advantage in the local market. Recent studies emphasized the strategic benefits of aligning CSR with international frameworks, which could improve a company's reputation, operational efficiency, and profitability (Ernst & Young, 2023).

1.2 STATEMENT OF THE PROBLEM

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1.3 RESEARCH QUESTIONS

This study aims to explore the effects of Corporate Social Responsibility (CSR) practices on the profitability of Hibret Bank. The following research questions have been formulated:

1) How do environmental responsibility initiatives contribute to Hibret Bank's profitability?

2) What is the effect of social responsibility programs on Hibret Bank's profitability?

3) How do economic responsibility practices affect Hibret Bank's profitability?

4) How do philanthropic activities enhance Hibret Bank's profitability?

1.4 GENERAL OBJECTIVE

The general objective of this study is to examine the effect of Corporate Social Responsibility (CSR) practices on the profitability of banks, in case of hibret bank.

1.4.1 SPECIFIC OBJECTIVES

- To assess the effect of environmental responsibility initiatives on the profitability of banks.
- To evaluate how social responsibility programs, affect bank profitability.
- To analyze the effect of economic responsibility practices, on bank profitability.
- To examine the philanthropic activities in enhancing a bank's profitability.

1.5 SCOPE OF THE STUDY

This study evaluated the impact of Corporate Social Responsibility (CSR) practices on the profitability of Hibret Bank, focusing on four key areas: environmental responsibility, social responsibility, economic responsibility, and philanthropic responsibility. Data was collected from the bank's headquarters in Addis Ababa and selected branch, to analyze the strategic direction and implementation of CSR activities. The study targeted high-level managers, middle-level managers, and staff involved in CSR decision-making to understand the influence of CSR on bank profitability. The analysis covered the period past five years to the present, reflecting the most recent CSR efforts and trends.

1.6 LIMITATIONS OF THE STUDY

This research was limited to CSR practices at Hibret Bank's headquarters in Addis Ababa, meaning the findings may not be applicable to other financial institutions in Ethiopia's banking sector. The focus on one location might not reflect CSR initiatives in regional offices with different operational dynamics. Previous studies, such as those by Porter and Kramer (2006), note that geographic context influences CSR strategies.

The study also focused on Hibret Bank's CSR practices, which may not be representative of other banks in Ethiopia or the region. Differences in organizational culture and socio-economic context could affect the applicability of the findings, as McWilliams and Siegel (2001) highlighted.

Another limitation was the reliance on available data from Hibret Bank, which might not fully capture all CSR activities, especially if some initiatives were not documented or publicly shared. Bias in employee responses could also affect the reliability of the findings, as noted by KPMG (2023).

The study's time frame, focusing on recent CSR activities, may not capture long-term trends or cumulative impacts on profitability. Expanding the period under review could provide a more comprehensive view, as CSR's long-term effects on profitability may take time to materialize, as suggested by Porter and Kramer (2006).

1.7 SIGNIFICANCE OF THE STUDY

The significance of this study lay in its potential to provide valuable insights into the relationship between Corporate Social Responsibility (CSR) practices and profitability in the banking sector, specifically focusing on Hibret Bank in Ethiopia. By examining the impact of environmental, social, economic, and philanthropic responsibility initiatives, this research offered practical guidance for Hibret Bank in refining its CSR strategies to align with its financial goals and foster sustainable growth. Additionally, the findings served as a benchmark for other banks in Ethiopia, helping them integrate CSR practices that enhanced their reputation, attracted investors, and improved their community relationships. Policymakers and regulatory bodies could also benefit from this study, as it provided data that might influence the development of national CSR guidelines within the banking sector. Furthermore, the research contributed to the academic understanding of CSR's role in emerging markets, adding to the body of knowledge on how CSR initiatives could drive profitability in developing economies. Finally, the study underscored the broader social and environmental impacts of CSR, emphasizing how responsible banking practices could contribute to societal well-being, environmental sustainability, and economic equality (Porter & Kramer, 2006; McWilliams & Siegel, 2001; KPMG, 2023).

CHAPTER TWO

LITERATURE REVIEW

2. INTRODUCTION

This chapter provides a comprehensive review of the existing literature on Corporate Social Responsibility (CSR) and its effect on bank profitability, with a particular focus on Hibret Bank. The chapter explores key concepts related to CSR practices, including environmental, social, economic, and philanthropic responsibilities, and examines how these practices influence bank financial performance. The review also highlights empirical studies that have investigated the relationship between CSR initiatives and profitability in the banking sector.

The chapter begins with an exploration of the definitions and benefits of CSR practices in the banking industry. It then discusses the factors that determine the effectiveness of CSR initiatives, followed by a review of empirical research on CSR practices and their impact on financial performance. Finally, the chapter concludes with a summary of relevant studies that provide insights into the effect of CSR practices on bank profitability, organized in a table for clarity.

2.1 THEORETICAL LITERATURE REVIEW

The theoretical literature on Corporate Social Responsibility (CSR) in the banking sector focused on understanding the frameworks that explain CSR practices and their effects on the profitability of banks. CSR involved voluntary actions by businesses to address social, environmental, and economic issues, contributing to sustainable development. In the banking sector, CSR was seen as not only fulfilling ethical obligations but also as a strategic tool for enhancing long-term profitability by improving reputation, customer loyalty, and competitive advantage. Banks increasingly adopted CSR practices aligned with stakeholder expectations, believing these practices contributed to profitability through trust-building, customer retention, and an improved public image (Porter & Kramer, 2006).

This section explores key theoretical frameworks relevant to CSR in banking and their implications for understanding the relationship between CSR practices and profitability. These frameworks provide the foundation for examining CSR's role in Hibret Bank's financial performance, especially regarding environmental, social, economic, and philanthropic responsibilities.

2.1.1 STAKEHOLDER THEORY

Stakeholder Theory, as developed by Freeman (1984), posited that organizations bear responsibility not only to their shareholders but also to a broader group of stakeholders, including customers, employees, suppliers, and the communities in which they operate. The theory emphasized that business decisions should consider the interests and welfare of all stakeholders, rather than solely focusing on profit maximization for shareholders. Freeman argued that by taking a more inclusive approach to decision-making, organizations could build stronger, more sustainable relationships with various groups, leading to better long-term outcomes for both the company and its stakeholders (Freeman, 1984).

In the context of CSR, Stakeholder Theory suggested that banks engaging in CSR initiatives could create value for all relevant stakeholders, which could, in turn, positively influence their profitability. By focusing on initiatives such as financial inclusion, community development, or environmental sustainability, banks could strengthen relationships with local communities and other stakeholders. This, in turn, could result in increased customer loyalty, improved employee satisfaction, and a more favorable public image all of which contribute to enhanced profitability. Freeman's (1984) framework emphasized that CSR efforts aligned with stakeholder interests were key drivers of long-term profitability, as they cultivated trust, loyalty, and competitive advantage. (Porter & Kramer, 2006; Freeman, 1984)

2.1.2 TRIPLE BOTTOM LINE THEORY (TBL)

The Triple Bottom Line (TBL) theory, developed by John Elkington in the 1990s, extended the traditional focus on profit by incorporating social and environmental aspects into the assessment of business success (Elkington, 1997). The TBL framework encouraged organizations to consider three key objectives: People, Planet, and Profit. The theory suggested that businesses should not only focus on financial performance but also on their impact on society and the environment. This holistic approach aimed to promote sustainable development by addressing the needs of all stakeholders, not just shareholders (Elkington, 1997).

For banks, adopting the TBL approach meant integrating environmental, social, and economic responsibilities into their core operations. The theory argued that CSR initiatives such as promoting sustainability, supporting local communities, and reducing environmental footprints were likely to result in long-term financial benefits. By focusing on these areas, banks could build stronger relationships with customers, attract socially and environmentally conscious investors, and enhance their reputation. This alignment with TBL principles would ensure profitability while simultaneously contributing positively to society, thereby increasing market share and customer loyalty (Elkington, 1997).

The TBL framework emphasized that balancing financial goals with social and environmental responsibilities created a competitive advantage for businesses in the long run. Banks that embraced TBL were able to enhance their brand image, differentiate themselves in a crowded market, and gain customer trust. As sustainability became a more prominent factor in consumer decision-making, the financial returns from adopting TBL practices were expected to grow over time. Thus, TBL theory highlighted the critical connection between socially responsible practices and profitability in the banking sector (Elkington, 1997). (Elkington, 1997; Porter & Kramer, 2006).

2.1.3 RESOURCE-BASED VIEW (RBV)

The Resource-Based View (RBV) theory, introduced by Barney (1991), focused on how an organization’s unique internal resources and capabilities provided a competitive advantage. According to this theory, organizations, including banks, that possessed valuable, rare, and inimitable resources, such as a strong brand reputation, skilled workforce, and effective CSR strategies, were able to differentiate themselves in the market and achieve superior performance. Barney (1991) argued that these internal resources were crucial for long-term success and that firms with distinctive resources could leverage them to sustain a competitive advantage.

The RBV suggested that CSR practices, such as implementing sustainable banking practices or investing in community development, could be considered valuable resources that offered a competitive edge. By integrating CSR into business strategy, banks could enhance their brand reputation, attract loyal customers, and gain access to ethically conscious investors. These factors, in turn, contributed to improved profitability. The theory emphasized that CSR initiatives were not just external obligations but strategic resources that could be leveraged to enhance an organization’s market position. Banks that adopted CSR practices, such as environmentally sustainable operations or socially responsible products, could potentially capture niche markets and improve their competitive position, ultimately resulting in stronger financial performance (Barney, 1991).

The RBV highlighted that CSR initiatives created intangible assets, such as trust and goodwill, which were difficult for competitors to replicate. This could enhance customer loyalty and foster long-term relationships with stakeholders, further contributing to profitability. By fostering these relationships through CSR, banks could differentiate themselves from competitors, improve their reputation, and strengthen their market position. Thus, the RBV demonstrated that effective CSR strategies could act as a source of sustained competitive advantage, supporting long-term profitability (Barney, 1991; Porter & Kramer, 2006).

2.1.4 CORPORATE SOCIAL PERFORMANCE (CSP) MODEL

The Corporate Social Performance (CSP) model, proposed by Wood (1991), explored the relationship between CSR activities and business outcomes. The CSP model asserted that firms engaged in CSR not only to fulfill social responsibilities but also to achieve economic benefits. It emphasized that CSR activities should align with stakeholder expectations, particularly by addressing environmental, social, and economic issues. According to Wood (1991), effective CSR initiatives required businesses to respond to the demands of various stakeholders, ensuring that their actions led to both positive societal and financial outcomes.

According to the CSP model, the success of CSR initiatives could be measured in terms of both social performance (how well they addressed societal concerns) and financial performance (how they contributed to profitability). The model suggested that when banks adopted CSR strategies that aligned with stakeholder expectations, such as financial inclusion programs or sustainable banking initiatives, they could achieve positive social outcomes, such as community development, and also experience economic benefits, including increased market share and enhanced customer loyalty. The model reinforced the idea that CSR was not merely a tool for fulfilling social obligations but also a strategy for enhancing financial success (Wood, 1991).

The CSP model underlined the importance of CSR as a strategic mechanism for improving business performance. By engaging in CSR practices, banks could build stronger relationships with customers, local communities, and other stakeholders, thereby fostering goodwill and trust. This, in turn, contributed to long-term profitability, demonstrating that CSR activities were integral to both social and financial success. Thus, the CSP model reinforced the idea that CSR could be a powerful tool for both enhancing social well-being and achieving sustainable business performance (Wood, 1991; Porter & Kramer, 2006).

2.1.5 Social Contract Theory

Social Contract Theory, developed by philosophers such as Rousseau (1762) and Locke (1689), postulated that businesses, like individuals, were bound by a set of implicit agreements with society. According to this theory, companies were expected to act in ways that benefitted not only their shareholders but also the broader community in which they operated. The concept emphasized that businesses should uphold ethical and moral responsibilities as part of their social obligations, in exchange for the rights and privileges granted by society, such as the ability to operate and generate profits. This contract extended beyond legal and regulatory compliance to include broader expectations for corporate behavior in relation to social, environmental, and economic issues (Rousseau, 1762; Locke, 1689).

In the context of CSR, Social Contract Theory suggested that banks, as corporate entities, were obligated to engage in activities that benefitted society in return for their ability to operate and prosper. By fulfilling their social contract, banks could gain legitimacy, enhance their reputation, and improve customer loyalty—ultimately contributing to increased profitability. This theory aligned with the view that CSR initiatives were not just voluntary actions but essential responsibilities that helped businesses maintain their social license to operate. Thus, CSR activities, such as supporting local communities, promoting financial literacy, or adopting sustainable practices, were viewed as fulfilling the broader societal expectations of businesses (Rousseau, 1762; Locke, 1689).

The Social Contract Theory tinted that failure to meet these societal expectations could result in negative consequences for businesses, such as reputational damage, loss of trust, or even legal or regulatory challenges. By honoring the social contract, banks could build positive relationships with stakeholders, foster goodwill, and create long-term value. This would not only help businesses sustain their operations but also ensure that CSR efforts directly contributed to both social and financial success (Rousseau, 1762; Locke, 1689).

2.1.6 INSTITUTIONAL THEORY

Institutional Theory, developed by DiMaggio and Powell (1983), examined how organizations adapted to the norms, regulations, and pressures within their institutional environments. In the context of CSR, the theory suggested that banks engaged in CSR practices to gain legitimacy and meet societal and regulatory expectations. By aligning with institutional norms regarding social responsibility, environmental sustainability, and ethical conduct, banks were able to improve their reputation and avoid regulatory penalties. DiMaggio and Powell (1983) argued that organizations, including banks, conformed to institutional pressures to maintain their standing and secure long-term viability within their environments.

Banks often engaged in CSR practices to comply with the expectations of regulatory bodies, attract investors, or enhance their reputation with customers. Institutional pressures could drive banks to adopt CSR initiatives, which not only improved their legitimacy but also attracted socially responsible investors and customers. This alignment with societal and regulatory expectations could ultimately result in increased market share and profitability. The theory emphasized that even if CSR practices were driven by external pressures, they could still produce positive financial outcomes by improving a bank's legitimacy and its standing within society (DiMaggio & Powell, 1983).

The theory further suggested that CSR activities were an essential tool for banks to establish themselves as responsible corporate citizens. By complying with institutional norms and demonstrating social responsibility, banks could foster goodwill, enhance public image, and strengthen customer loyalty. As these factors contributed to the bank's reputation and legitimacy, they positively influenced its financial performance, showing that CSR was both a strategic and responsive approach to external institutional pressures (DiMaggio & Powell, 1983).

2.2 EMPIRICAL LITERATURE

CSR and Bank Profitability: General Overview

The relationship between Corporate Social Responsibility (CSR) and the profitability of banks has attracted increasing attention in academic and industry circles. Scholars have highlighted the evolving role of CSR as a factor that enhances both financial performance and the sustainability of financial institutions. Studies have indicated that CSR activities significantly contribute to a bank's profitability by improving its public image, strengthening customer loyalty, and attracting ethically-minded investors. According to Orlitzky et al. (2003), CSR practices play a pivotal role in enhancing profitability by fostering positive relationships with various stakeholders, particularly customers and investors. These relationships are crucial in the banking sector, where trust, customer satisfaction, and brand reputation directly influence long-term financial performance. Moreover, banks engaging in CSR initiatives gain a competitive edge by not only providing financial services but also making positive social and environmental contributions, which appeals to modern consumers who increasingly value corporate responsibility (Orlitzky et al., 2003). Thus, integrating CSR into business strategies has proven to be a valuable mechanism for enhancing bank profitability, as it helps banks differentiate themselves in a crowded market while promoting sustainable development.

CSR as a Strategic Tool in Banking

Banks increasingly view CSR as a strategic tool to not only achieve positive social and environmental outcomes but also to improve their financial standing. CSR activities, particularly those focused on environmental sustainability, community development, and employee welfare, enhance a bank's public image, attract new customers, and solidify existing relationships with stakeholders. According to Mollah and Lipy (2018), banks that actively participate in CSR initiatives can solidify their market positions by fostering stronger relationships with customers and other stakeholders. These CSR initiatives are often seen as indicators of corporate integrity, which strengthens customer loyalty and attracts investors. Furthermore, Chih et al. (2010) found that banks with a strong CSR commitment enjoy better financial performance as a result of positive customer perceptions and increased investor confidence. This, in turn, leads to improved profitability by reducing operational costs, increasing customer retention, and attracting new clients. The integration of CSR into the business model allows banks to position themselves as responsible corporate citizens, ensuring long-term growth and profitability while promoting social good. Therefore, CSR not only serves as a tool for corporate reputation management but also as a driver of financial performance (Mollah & Lipy, 2018; Chih et al., 2010).

CSR and Bank Profitability

The impact of CSR on bank profitability has been a subject of considerable research, and evidence suggests a positive relationship between the two. Studies have demonstrated that banks that engage in CSR initiatives are more likely to experience higher profitability compared to those that do not. CSR activities, such as environmental sustainability efforts, community development projects, and employee welfare programs, improve a bank's reputation, build customer loyalty, and increase stakeholder trust. Huang et al. (2014) argued that CSR practices that align with customer values can enhance customer satisfaction, which, in turn, contributes to customer retention and a more stable revenue stream. Customers who perceive banks as socially responsible are more likely to engage in repeat business and recommend the bank to others, which ultimately boosts profitability. In addition, Widyawati et al. (2016) found that CSR initiatives focusing on community development and social causes had a direct positive impact on customer loyalty and profitability. The increasing importance of ethical and sustainable practices in the banking sector highlights the critical role of CSR in driving financial success, particularly in an era where consumers and investors are becoming more socially conscious and responsible in their choices (Huang et al., 2014; Widyawati et al., 2016).

Effect of CSR on Bank Profitability: Empirical Evidence

Empirical research on the effect of CSR on bank profitability has yielded consistent findings that demonstrate a positive relationship, although the strength of this relationship can vary depending on the type of CSR activities and the geographic context. A study conducted by Meles et al. (2016) on Ethiopian banks found a significant positive correlation between CSR activities and profitability. The research indicated that banks that invest in CSR initiatives, particularly in environmental sustainability and community development, experienced improved financial performance over time. These activities contributed to enhanced brand image, increased customer loyalty, and stronger relationships with regulators and investors. Similarly, Martínez-Conesa et al. (2017) confirmed that banks with robust CSR practices, particularly in areas such as environmental sustainability and ethical business conduct, reported higher profitability. Their research suggested that CSR initiatives not only enhance a bank's reputation but also enable the bank to manage reputational risks, comply with regulations, and attract socially responsible investors, all of which positively impacted financial performance. In contrast, Khan et al. (2019) found that the relationship between CSR and profitability varied by type of CSR activity. They reported that environmental CSR initiatives, such as green banking and sustainability efforts, had a more substantial impact on profitability compared to philanthropic activities, such as donations. This finding underscores the importance of aligning CSR strategies with sustainable development goals to maximize their financial impact, especially in an era where environmental concerns are becoming increasingly relevant to both consumers and investors (Meles et al., 2016; Martínez-Conesa et al., 2017; Khan et al., 2019).

2.2.1 MECHANISMS AND EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON BANK PROFITABILITY

Brand Differentiation and Market Positioning

CSR practices played a significant role in enabling banks to differentiate themselves in a highly competitive market. Banks that adopted socially responsible practices were often perceived more favorably by customers, especially those who prioritized environmental or social responsibility. This positioning allowed these banks to target specific customer segments, leading to an increase in market share and the ability to charge premium prices for their products and services. Kivrak et al. (2014) found that customers were willing to pay higher prices for services provided by companies they viewed as socially responsible. This competitive edge was particularly beneficial for banks looking to build stronger relationships with ethical consumers and stakeholders. The differentiation through CSR not only helped banks maintain customer loyalty but also created opportunities for expanding into niche markets that emphasized sustainability and corporate social responsibility. As a result, CSR directly influenced profitability by enabling banks to attract a broader customer base and foster a more sustainable competitive advantage (Kivrak et al., 2014).

Cost Savings through Sustainable Practices

CSR initiatives focused on sustainability provided banks with significant long-term cost savings. For example, environmentally sustainable practices such as adopting paperless processes, reducing energy consumption, and implementing waste-reduction measures contributed to lower operational costs over time. Al-Tit et al. (2021) demonstrated that banks that integrated green banking practices, such as energy-efficient buildings and digital platforms for reducing paper waste, saw improvements in their operational efficiency and cost structure. These practices led to savings in utility bills, reduced paper and administrative costs, and overall improved resource allocation. By focusing on sustainability, banks not only contributed to environmental conservation but also benefited from enhanced cost efficiency, which boosted their profitability. The long-term savings from these practices outweighed initial investment costs, demonstrating how CSR could lead to both social and financial benefits (Al-Tit et al., 2021).

Employee Engagement and Productivity

CSR practices also had significant internal benefits, particularly in terms of employee engagement and productivity. Banks that invested in employee welfare programs, such as fair wages, health and wellness initiatives, and professional development opportunities, often saw improvements in job satisfaction and organizational commitment. Greenwood (2007) argued that employees working in socially responsible organizations were more likely to feel a sense of pride in their work, which contributed to increased motivation and overall productivity. Furthermore, these programs helped banks reduce employee turnover, which lowered recruitment and training costs, ultimately contributing to greater operational efficiency. The alignment of a bank's values with those of its employees fostered a positive corporate culture that promoted collaboration and high performance. These internal benefits from CSR led to improved service quality, which enhanced customer satisfaction and loyalty, resulting in higher profitability over time (Greenwood, 2007).

Risk Management

CSR practices were also seen as effective tools for mitigating reputational and regulatory risks, which could impact a bank's profitability. By proactively engaging in CSR, banks were able to avoid scandals, handle regulatory changes more efficiently, and respond to public scrutiny in a way that protected their brand and financial stability. Luo and Bhattacharya (2006) pointed out that CSR activities could serve as an insurance policy against risks such as environmental mishaps, labor disputes, or unethical practices that could damage a bank's reputation. Banks that committed to CSR were better positioned to comply with environmental regulations, adhere to labor standards, and maintain transparency in their operations. This proactive approach not only helped prevent reputational damage but also avoided costly fines and legal penalties, ensuring long-term financial performance. As such, CSR practices contributed to the stability of banks by managing risks and preserving trust with stakeholders, which ultimately supported profitability (Luo & Bhattacharya, 2006).

2. Types of CSR Activities and Their Impact

The impact of CSR on bank profitability varied depending on the type of CSR activities undertaken by the bank. Not all CSR activities had the same level of influence on profitability, as the success of these activities depended on their alignment with the bank's overall mission and the interests of its stakeholders.

Environmental CSR

Banks that implemented environmental CSR practices, such as energy-efficient systems, green banking initiatives, and financing renewable energy projects, often experienced long-term benefits. These activities not only enhanced the bank's image but also appealed to environmentally-conscious consumers and investors. Wang and Sarkis (2013) found that banks with strong environmental CSR programs were more attractive to institutional investors who prioritized environmental, social, and governance (ESG) criteria. Moreover, as global sustainability concerns became more prominent, banks that aligned their practices with sustainability trends attracted capital from investors focused on long-term environmental and social outcomes. This alignment with global sustainability goals provided banks with a competitive edge and increased access to ethical investors, which ultimately enhanced profitability. Therefore, environmental CSR initiatives played a critical role in helping banks secure investment, strengthen their market position, and contribute to sustainable financial performance (Wang & Sarkis, 2013).

Philanthropic CSR

Philanthropic CSR activities, including charitable donations, community development programs, and other corporate philanthropy initiatives, often provided direct social benefits but were not always linked to immediate financial gains. While these activities were valuable in building goodwill and contributing to societal welfare, their impact on profitability was more indirect. Anderson et al. (2019) demonstrated that philanthropic CSR improved consumer perceptions and led to customer loyalty, particularly when customers felt that the bank's philanthropic activities aligned with their own values. While these activities did not always produce immediate financial returns, they contributed to long-term brand reputation and customer loyalty, which had a positive effect on profitability. Thus, while philanthropic CSR was not as directly profitable as environmental CSR, it still played a crucial role in enhancing relationships with customers and stakeholders, which indirectly supported the bank's financial success (Anderson et al., 2019).

Employee Welfare and Governance CSR

CSR initiatives that focused on employee welfare and corporate governance were also linked to improved profitability. Banks that emphasized ethical business practices, employee well-being, diversity, and inclusion experienced higher levels of employee satisfaction, which contributed to better customer service and increased productivity. Turban and Greening (1997) found that companies that created positive work environments saw greater employee engagement, leading to higher performance and lower turnover. Ethical governance practices, such as transparent decision-making, also minimized the likelihood of financial scandals or reputational damage, which could undermine profitability. As a result, employee welfare and governance CSR initiatives not only contributed to a positive organizational culture but also enhanced operational efficiency, customer satisfaction, and long-term profitability (Turban & Greening, 1997).

Social CSR

Social CSR practices, which focus on addressing societal issues such as education, healthcare, and community development, can have a significant impact on a bank's profitability. When banks invest in social causes, they enhance their image as responsible corporate citizens, which strengthens their relationships with customers, communities, and stakeholders. These initiatives also help create a positive social impact, leading to increased customer loyalty and the potential for higher revenues. For example, banks that support educational programs, public health initiatives, or local community projects often experience greater consumer trust and goodwill, which translates into long-term customer retention and profitability. Social CSR can also improve a bank's standing with regulatory bodies, as these initiatives demonstrate a commitment to social responsibility beyond financial performance. These actions can generate positive media attention, increase consumer advocacy, and build a loyal customer base, which contributes to sustained profitability (Kotler & Lee, 2005).

Economic CSR

Economic CSR, which focuses on practices that contribute to economic development and prosperity, has a direct and measurable effect on a bank's profitability. This includes initiatives that stimulate economic growth, improve financial inclusion, or enhance the stability of local economies. Banks that engage in economic CSR by offering microfinance programs, supporting entrepreneurship, or providing financing for small businesses contribute to broader economic development. These activities not only help improve the bank's image but also open up new revenue streams. For example, microfinance programs or support for small and medium-sized enterprises (SMEs) often lead to higher engagement with underserved markets, resulting in the development of long-term customer relationships. Banks that actively participate in fostering economic development through CSR can enhance their profitability by tapping into emerging markets, gaining market share, and improving their financial inclusion efforts (Meyer & Peng, 2016).

3. Long-Term vs. Short-Term Effects of CSR on Profitability

CSR practices could have both short-term and long-term effects on bank profitability, with the potential for trade-offs between immediate costs and future benefits. While CSR activities often required significant upfront investment, their financial returns were typically realized over the long term. In the short term, banks might face higher operational costs due to investments in sustainable technologies or community outreach programs. However, studies showed that the long-term benefits of CSR often outweighed these initial expenditures. Nellie et al. (2016) found that CSR investments in environmental sustainability, ethical practices, and community development led to reduced regulatory risks and lower operational costs in the long run, which ultimately supported long-term profitability. Additionally, CSR investments generated goodwill and fostered customer trust, which proved to be invaluable during times of financial crises or economic downturns. Therefore, while CSR may result in short-term financial trade-offs, its long-term effects on profitability were widely regarded as substantial (Nellie et al., 2016).

4. Regional and Institutional Variations

The impact of CSR on bank profitability varied based on regional and institutional contexts. In developed economies, banks generally had greater financial resources and access to ethical investors, which allowed them to invest heavily in CSR initiatives. In these markets, CSR practices were often driven by regulatory environments, consumer preferences, and the increasing demand for socially responsible investments. In contrast, banks in developing economies faced greater challenges in justifying CSR investments due to limited resources and higher pressure to generate short-term financial returns. These banks often had to focus on CSR initiatives that offered immediate financial benefits or that were aligned with the specific needs of their local communities (Garriga & Melé, 2004). Additionally, the regulatory environment played a crucial role in shaping CSR strategies. In regions with stringent environmental regulations, banks that adopted sustainable practices early on were able to benefit from compliance and avoid penalties, thus improving profitability. In regions with weaker regulations, CSR practices were more likely to be driven by market demand and competitive pressures rather than regulatory compliance (Garriga & Melé, 2004).

2.3. SUMMARY OF DIFFERENT RELATED ARTICLES AND JOURNALS

The following table presents a summary of various studies on Corporate Social Responsibility (CSR) practices and their impact on bank profitability, specifically related to Environmental Responsibility, Social Responsibility, Economic Responsibility, and Philanthropic Activities.

Table: Summary of Studies on CSR Practices and Bank Profitability

Research Title	Environmental Responsibility	Social Responsibility	Economic Responsibility	Philanthropic Activities	Bank Profitability
Environmental Responsibility in Banks: A Case Study in Ethiopia	X				
The Role of CSR in Banking Profitability	X	X	X		X
CSR and Bank Profitability: Evidence from Developing Economies		X	X	X	X
Philanthropy and Profitability in the Banking Sector				X	X
Corporate Social Responsibility and Bank	X	X	X		X

Performance: A Case of Ethiopia					
CSR in the Banking Sector and Profitability	X	X		X	X

2.4. CURRENT BODY OF KNOWLEDGE LACKS

The current body of knowledge on the relationship between Corporate Social Responsibility (CSR) practices and bank profitability contained significant gaps, especially in context-specific studies within developing economies. Most research focused primarily on the short-term financial impacts of CSR, often overlooking the long-term benefits that could arise from sustained CSR initiatives. These short-term studies tended to emphasize immediate financial returns, neglecting how CSR could shape brand loyalty, customer retention, and market positioning over time. As CSR practices often require long-term commitment to yield meaningful returns, the absence of longitudinal studies that examine long-term effects left a considerable gap in understanding the full potential of CSR in improving bank profitability (Jadhav & Barve, 2020).

Moreover, many studies measuring the effect of CSR on bank profitability did so primarily through traditional financial metrics, such as profitability ratios and return on assets (ROA). However, profitability is a multidimensional concept, and its broader definition includes factors like customer loyalty, brand value, and employee engagement, which have the potential to affect a bank’s long-term financial outcomes. These non-financial factors contribute significantly to a bank's competitive advantage and overall success, yet they were often excluded from the analysis of CSR’s impact. This oversight created an incomplete understanding of CSR’s broader effects on profitability, as customer satisfaction, enhanced employee morale, and brand equity are integral to sustaining long-term growth (Bhattacharya et al., 2009).

Another notable gap in the literature was the lack of comprehensive exploration into the cumulative impact of various CSR dimensions such as environmental, social, economic, and philanthropic responsibilities on bank profitability. While individual aspects of CSR, such as environmental sustainability or charitable giving, had been studied in isolation, few studies examined how these CSR activities interact or complement each other to enhance overall profitability. Banks that engaged in a wide range of CSR activities may experience synergistic benefits that transcend the contributions of individual initiatives. Exploring how different CSR dimensions work together to foster profitability would provide a more nuanced understanding of CSR's role in the financial success of banks (Wang & Sarkis, 2013).

The role of external factors such as cultural, regulatory, and technological influences on CSR outcomes also remained underexplored. While some studies acknowledged the importance of regulatory environments in shaping CSR practices, there was insufficient investigation into how these factors may vary across different regions and affect the relationship between CSR and profitability. For example, in developing economies, regulatory frameworks may not be as stringent, which could affect the level and type of CSR initiatives adopted by banks. Additionally, technological advances have the potential to reshape how banks implement CSR, particularly in areas like environmental sustainability and digital inclusion. A deeper investigation into how cultural and regulatory factors influence CSR outcomes would provide important insights into the contextual variables that shape CSR effectiveness in different markets (Garriga & Melé, 2004).

Addressing these gaps in the literature would provide a more holistic understanding of CSR as a strategy for enhancing bank profitability in the long run. By expanding the scope of research to include context-specific studies, broader definitions of profitability, and a more comprehensive understanding of CSR dimensions and external influences, future studies could contribute significantly to both academic and practical knowledge. Understanding these factors would allow banks to better integrate CSR into their strategic planning and leverage its full potential for sustained profitability (Carroll, 1999).

2.5. MEASUREMENT OF CSR EFFECT ON BANK PROFITABILITY

This study measured the relationship between Corporate Social Responsibility (CSR) practices and bank profitability through both financial and non-financial indicators. CSR was divided into four key dimensions: environmental responsibility, social responsibility, economic responsibility, and philanthropic activities. Environmental responsibility was evaluated based on green banking practices, such as energy-efficient systems and paperless banking. Social responsibility was assessed through community development and employee welfare programs. Economic responsibility focused on ethical business practices and local economic support. Finally, philanthropic activities were measured through charitable donations and sponsorships (Carroll, 1999).

Bank profitability was measured through a combination of financial metrics and non-financial indicators were considered critical, as they reflect long-term sustainability and customer satisfaction, which contribute significantly to a bank's profitability (Bhattacharya et al., 2009).

2.6 HYPOTHESES OF THE STUDY

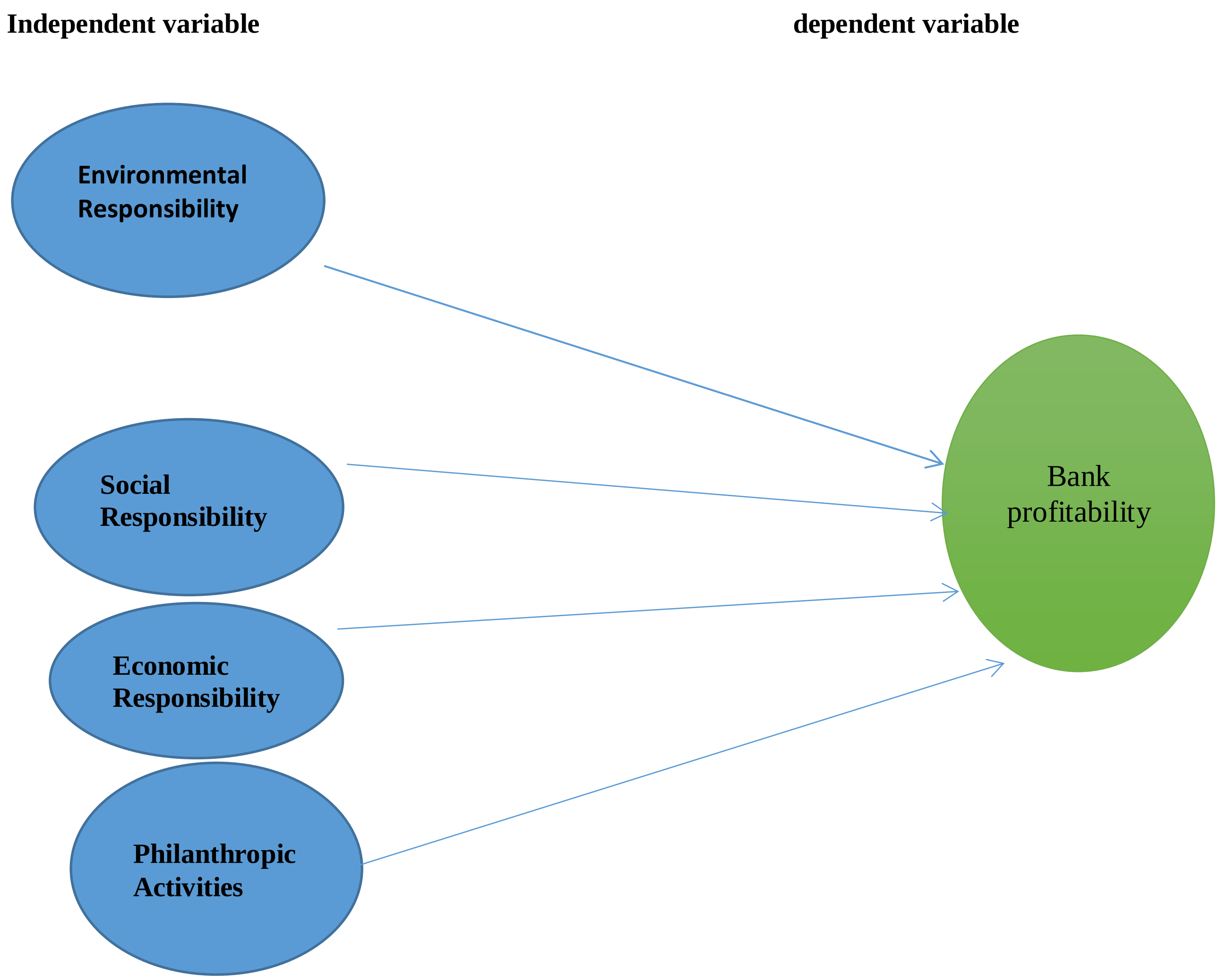
Based on the research objectives and the review of existing literature, the following hypotheses are proposed to guide this study:

- HI: Environmental responsibility initiatives have a significant positive effect on the profitability of banks.
- H2: Social responsibility programs positively enhance the profitability of the banks.
- H3: Economic Responsibility negatively affected bank profitability.
- H4: Philanthropic activities play a significant role in enhancing a bank's profitability.

These hypotheses aim to test the direct and indirect effects of different CSR dimensions environmental, social, economic, and philanthropic on the profitability of banks, particularly in the case of Hibret Bank. The results of these hypotheses will provide a deeper understanding of the role of CSR in shaping the financial performance of banks.

2.7 CONCEPTUAL FRAMEWORK

The conceptual framework of this study explores the relationship between Corporate Social Responsibility (CSR) practices and the profitability of Hibret Bank, focusing on four key dimensions: environmental responsibility, social responsibility, economic responsibility, and philanthropic activities. Each CSR practice is hypothesized to influence profitability either directly or indirectly. Environmental responsibility is expected to reduce operational costs and enhance public image, while social responsibility programs are anticipated to improve customer loyalty, leading to higher profits. Economic responsibility practices, such as responsible lending, are expected to enhance financial stability and profitability. Philanthropic activities are predicted to improve the bank's public image and, in turn, profitability.



Source: Own construction from reviewed literature.

CHAPTER THREE
RESEARCH METHODOLOGY

3. INTRODUCTION

This chapter outlined the research methodology that was employed to address the research questions regarding the effect of Corporate Social Responsibility (CSR) practices on bank profitability, specifically in the case of Hibret Bank. The chapter included the research approach, design, target population, sample size, data collection methods, measurement of variables, data analysis techniques, and sampling method. Additionally, the chapter discussed the reliability and validity of the data and the ethical considerations that guided the study. The chosen methodology aimed to ensure a comprehensive and systematic investigation into the relationship between CSR and profitability within the context of the banking sector. The overall approach was designed to ensure that the findings of the study were robust and applicable to the current landscape of CSR practices and bank profitability (Creswell, 2014).

3.1 RESEARCH METHODOLOGY

This study employs a mixed-methods approach, integrating both quantitative and qualitative research methods to explore the relationship between CSR practices and the profitability of Hibret Bank. The quantitative component will focus on financial metrics like Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin to measure the impact of CSR on profitability. The qualitative aspect will involve in-depth interviews with bank stakeholders to understand their perceptions, motivations, and experiences regarding CSR practices. This combined approach offers a comprehensive view of CSR's effects on Hibret Bank.

3.2 RESEARCH APPROACH

The study uses an explanatory research approach to explore the cause-and-effect relationship between CSR practices (independent variable) and bank profitability (dependent variable) at Hibret Bank. By examining both quantitative (statistical analysis like correlation and regression) and qualitative (interviews) data, the approach aims to determine how CSR practices influence profitability and uncover the underlying reasons behind CSR's financial impact on the bank.

3.3 RESEARCH DESIGN

An explanatory research design is used to examine the relationship between CSR practices and profitability at Hibret Bank. The quantitative design will involve analyzing financial data (ROA, ROE, Net Profit Margin) to measure CSR's impact on profitability. The qualitative design will include semi-structured interviews with stakeholders to gather insights into CSR decision-making and its perceived effects. The design integrates both descriptive and inferential analysis, allowing for a detailed understanding of CSR's financial impact and the factors that drive its success.

3.5 TARGET POPULATION AND SAMPLE SIZE

The target population for this study includes employees and management at Hibret Bank who are involved in or impacted by the bank's CSR activities. Specifically, the study will target managers, senior officers, and employees from departments responsible for implementing, overseeing, or coordinating CSR initiatives. These individuals will provide valuable insights into the bank's CSR practices and their impact on the organization.

Given that Hibret Bank is a large institution, a stratified random sampling technique will be employed to ensure that participants from various departments and levels of management are represented in the study. This approach will allow the research to capture a comprehensive view of the CSR practices from multiple perspectives within the organization, ensuring that the data collected reflects a broad range of experiences and roles within the bank.

The total population for this study consists of 548 employees and senior management personnel involved in CSR activities. The appropriate sample size will be determined using a formula based on a confidence level of 95% and a margin of error of 5%. Based on these parameters, the calculated sample size is 231 participants. This sample size will provide a reliable and statistically valid representation of the target population.

Yamane (1967:886) provides a simplified formula for calculating sample sizes, as follows:

$n=N/1+Ne^2$

Where: n = Sample size

N = Population size i.e. 548

E = Level of precision or acceptable sampling error (0.05)

Sample size (n) =548/ 1+548(0.05)^2

n=231

Based on an estimated total population of 548 employees and management, the sample size is calculated to be 231 participants, ensuring sufficient representation while keeping the study manageable.

3.6 DATA SOURCE AND COLLECTION TECHNIQUES

This study employed both primary and secondary data collection methods to obtain comprehensive insights into the relationship between CSR practices and the profitability of Hibret Bank. Primary data was collected through a structured questionnaire designed with a five-point Likert scale, which helped gather the perceptions and experiences of participants regarding CSR activities and their impact on bank profitability. The questionnaire was self-administered, meaning that respondents were asked to complete the survey independently. This approach minimized researcher bias and allowed for a broad collection of data across a large sample.

The questionnaire was carefully developed based on the literature review, with constructs adapted from previously published research to ensure that the items were relevant and appropriate for this study. Since English is the language of transaction in the bank, the survey was conducted in English to ensure that respondents could easily understand and accurately respond to the questions. The questionnaire was divided into two sections: the first section gathered demographic data of the respondents, such as their job role, department, and years of experience, while the second section was focused on the predetermined independent variables (CSR practices) and the dependent variable (bank profitability).

The data collected from the questionnaires were coded and inputted into the Statistical Package for Social Sciences (SPSS version 27.0) for analysis. The use of SPSS allowed for rigorous quantitative analysis, including the use of descriptive statistics and other techniques to summarize the data and provide a clear understanding of the relationships between CSR practices and profitability.

This study adopted a survey-based approach as its quantitative research method, which is well-suited to describe the characteristics of the phenomenon under investigation. By collecting data from 231 participants, the study used the survey method to gather diverse perspectives from employees and management involved in CSR activities. This approach provided valuable insights into the CSR practices at Hibret Bank and their potential influence on the bank's profitability.

3.6 TIME HORIZON

The time horizon for this study is cross-sectional, meaning that data will be collected at a single point in time. This approach allows for a snapshot of the relationship between CSR practices and the profitability of Hibret Bank, focusing on the current state of CSR activities and their immediate impact. The data collection will span approximately two months**.** The questionnaires will be distributed to the selected participants. Although a cross-sectional approach is used for this study as it provides a timely and relevant understanding of how CSR practices are presently influencing the bank's financial performance.

3.7 SAMPLING METHOD

The study employs a stratified random sampling method to ensure that the sample is representative of the different departments and levels of management within Hibret Bank. This technique divides the population into distinct subgroups, or strata, based on factors such as department, role, or experience. From these strata, participants will be randomly selected to ensure that each subgroup is adequately represented in the sample. Stratified random sampling helps improve the precision and reliability of the findings by capturing a comprehensive view of CSR practices across various areas of the bank. The target population for this study consists of 548 employees and management personnel directly involved in CSR activities, and the sample size will be 231 participants, calculated using a formula that ensures a 95% confidence level and a 5% margin of error. This method guarantees that the sample is not only representative but also statistically valid, providing a solid foundation for analyzing the impact of CSR on profitability at Hibret Bank.

3.8 MEASUREMENT OF VARIABLES

In this study, the measurement of variables is crucial for understanding the relationship between CSR practices and bank profitability at Hibret Bank. The independent variable, CSR practices, will be measured using four key dimensions: environmental responsibility, social responsibility, economic responsibility, and philanthropic activities. These dimensions capture the various ways in which Hibret Bank engages in CSR initiatives. Environmental responsibility refers to the bank's efforts in promoting sustainability and minimizing its environmental impact. Social responsibility encompasses the bank's engagement with community welfare and employee well-being. Economic responsibility relates to the bank's ethical business practices and contributions to economic development. Finally, philanthropic activities measure the bank’s involvement in charitable giving and support for local and global causes. These aspects will be assessed using a five-point Likert scale, where respondents will indicate their level of agreement with statements about each CSR dimension, ranging from Strongly Disagree to Strongly Agree.

By combining both perception-based data for CSR practices and objective financial data for profitability, the study adopts a mixed-methods approach to provide a comprehensive measurement of the variables. This approach allows for a detailed understanding of how different CSR dimensions influence Hibret Bank’s financial outcomes and ensures the reliability and validity of the findings.

3.9 DATA ANALYSIS TECHNIQUE

The data analysis for this study will involve descriptive and inferential statistical methods. Descriptive analysis will summarize the data using frequencies, percentages, means, and standard deviations to provide an overview of CSR practices and profitability indicators. For inferential analysis, correlation analysis will assess the strength and direction of the relationship between CSR dimensions (environmental, social, economic responsibility, and philanthropic activities) and bank profitability. Multiple regression analysis will further examine how CSR practices collectively influence profitability. Data will be analyzed using SPSS version 27.0 to ensure robust and reliable results.

3.10 ETHICAL CONSIDERATIONS

In this study, informed consent was obtained from all participants, ensuring they fully understood the purpose, procedures, and their rights before participating. Participants were provided with clear information about the study and voluntarily signed a consent form. Confidentiality was maintained throughout the research process, with all responses kept private. Personal identifiers were removed, and data were only used for research purposes, ensuring that no individual could be identified from the results. Additionally, anonymity was ensured by ensuring that no personal information was linked to survey responses. The study emphasized non-coercion, meaning participation was entirely voluntary, and participants could withdraw at any time without facing any consequences. Lastly, the research upheld integrity, with all findings being reported honestly, without fabrication or manipulation. By following these ethical guidelines, the study ensured that participants' rights were protected and that the research was conducted with the utmost honesty and respect. ethical research practices are essential for maintaining the credibility of the study and protecting participants from harm (according to Saunders, Lewis, and Thornhill (2019).

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4. INTRODUCTION

This chapter presented the analysis and discussion of the findings from the study on the effect of Corporate Social Responsibility (CSR) practices on the profitability of Hibret Bank. It aimed to provide an in-depth analysis of the collected data, tested the proposed hypotheses, and explored the relationship between CSR and bank profitability. The chapter began with an explanation of the response rate, followed by the reliability analysis of the measurement instruments. It then discussed the results of assumption tests, provided descriptive statistics on respondent demographics, and presented inferential analysis to examine the relationships between CSR practices and profitability. The chapter concluded with a summary of the proposed hypotheses and the findings.

4.1 RESPONDENT RATE

To address the research questions and achieve the main objectives of the study, **231** questionnaires were prepared and distributed to selected respondents. Out of these, **196** questionnaires were completed and returned, yielding a response rate of **84.5%**. According to Mulugeta (1999), a response rate of **50%** is considered adequate, **60%** is good, and a rate above **70%** is regarded as very good. Based on these benchmarks, the response rate for this study was considered excellent, ensuring the reliability and representativeness of the collected data.

The returned **196** questionnaires were reviewed for completeness and consistency before being processed for analysis. The data were then analyzed using the Statistical Package for Social Sciences (**SPSS**) Version **27**, licensed statistical software, to conduct descriptive and inferential statistical analyses. **Table 4.1** presents a summary of the distribution, collection, and validity of the questionnaires from Hibret Bank respondents.

Table 4.1: Response Rate

Description	**Respondents**
Sample Size	231
Questionnaire Distributed	231
Questionnaire Collected	196
Response Rate	84.5%

Source: Own survey computed by SPSS, Version 27

4.2 RELIABILITY ANALYSIS

To ensure the reliability of the measurement instruments, Cronbach's Alpha was used to assess internal consistency. According to Hair et al. (2019), a Cronbach's Alpha value of 0.70 or higher is considered acceptable, while a value above 0.80 indicates good reliability. The results of the reliability analysis for each construct are presented in Table 4.2.

Table 4.2: Reliability Analysis of Variables

No.	Variables	No. of Items	Cronbach's Alpha
1	Environmental Responsibility	4	0.903
2	Social Responsibility	5	0.889
3	Economic Responsibility	5	0.900
4	Philanthropic Activities	4	0.889
5	Bank Profitability	7	0.926
Total	**Overall Reliability**	**25**	**0.920**

Source: Own survey computed by SPSS, Version 27.

The results indicated that all variables exhibited high reliability, with Cronbach's Alpha values exceeding the minimum threshold of 0.70. The overall reliability of the questionnaire was **0.920**, confirming a high level of internal consistency. Among the variables, Bank Profitability recorded the highest reliability (0.926), followed by Environmental Responsibility (0.903) and Economic Responsibility (0.900). Social Responsibility and Philanthropic Activities both achieved a reliability score of **0.889**, demonstrating strong internal consistency.

The high reliability coefficients suggested that the items used to measure each construct were well-structured and consistently represented the intended variables. Therefore, the measurement instrument was considered reliable for further statistical analysis.

4.3 DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Demographic data questions were included in Part I of the questionnaire, which includes personal and demographic information such as gender, age group, years of work experience, and educational qualification. These are presented in Table 4 below.

Table 4.3: Demographic Information of Respondents

Demographic Category	Subcategory	Frequency	Percent	Valid Percent	Cumulative Percent
Age of Respondent	Below 25	59	30.1%	30.1%	30.1%
	26-30	39	19.9%	19.9%	50.0%
	31-35	30	15.3%	15.3%	65.3%
	36-40	24	12.2%	12.2%	77.6%
	41-45	24	12.2%	12.2%	89.8%

	Above 46	20	10.2%	10.2%	100.0%
Total		196	100.0%	100.0%	
Sex of Respondent	Male	155	79.1%	79.1%	79.1%
	Female	41	20.9%	20.9%	100.0%
Total		196	100.0%	100.0%	
Education Level	Below Grade 12/10	22	11.2%	11.2%	11.2%
	Diploma	46	23.5%	23.5%	34.7%
	BA/BSc Degree	105	53.6%	53.6%	88.3%
	MA/MSc Degree	13	6.6%	6.6%	94.9%
	Above Master's	10	5.1%	5.1%	100.0%
Total		196	100.0%	100.0%	
Occupation of Respondent	Director	5	2.6%	2.6%	2.6%
	Manager	31	15.8%	15.8%	18.4%
	Assistant Manager	17	8.7%	8.7%	27.0%
	Officer	29	14.8%	14.8%	41.8%
	Junior Officer	23	11.7%	11.7%	53.6%
	Senior Officer	85	43.4%	43.4%	96.9%
	Secretary	6	3.1%	3.1%	100.0%
Total		196	100.0%	100.0%	

Source: Own survey computed by SPSS, Version 27.

The respondents in this study had diverse demographic characteristics across age, sex, education level, and occupation.

In terms of age, 30.1% of respondents were under 25, with the majority being young adults. The next largest group, 19.9%, was aged 26-30, followed by 15.3% in the 31-35 range. The remaining respondents were distributed among older age groups, with 10.2% above 46 years.

Gender-wise, there was a significant disparity, with 79.1% of the respondents being male and 20.9% female, suggesting a male-dominated sample.

Regarding education, 53.6% of respondents held a BA/BSc degree, while 23.5% had a diploma. A smaller portion, 6.6%, held an MA/MSc, and 5.1% had higher qualifications. Only 11.2% had education levels below Grade 12/10, indicating a highly educated sample.

Occupationally, most respondents held middle to senior-level roles. 43.4% were Senior Officers, 15.8% were Managers, and 14.8% were Officers. Fewer held positions such as Junior Officers (11.7%) or Directors (2.6%). The sample indicates a workforce with substantial professional experience.

4.4 DESCRIPTIVE STATISTICS:

Descriptive statistics were used to analyze the mean and standard deviation of the study variables, providing insights into respondents' perceptions of Hibret Bank's Corporate Social Responsibility (**CSR**) practices and their effect on bank profitability.

The results of the descriptive analysis are presented in **Table 4.4**.

Descriptive Statistics			
	N	Mean	Std. Deviation
Environmental Responsibility	196	3.5663	0.68091
Social Responsibility	196	3.6041	0.74581
Economic Responsibility	196	3.5709	0.73244
Philanthropic Activities	196	3.6473	0.78046
Bank Profitability	196	3.6759	0.72488
Valid N (listwise)	196		

Source: Own survey computed by SPSS, Version 27.

Table 4.5: Descriptive Statistics for Various Variables

Descriptive Statistics			
	N	Mean	Std. Deviation
Environmental Responsibility	196	3.5663	0.68091
Has Hibret Bank implemented significant CSR initiatives in the past five years?	196	3.49	0.905
Do the bank's CSR initiatives effectively address pressing societal issues?	196	3.63	0.977
Is environmental sustainability a key focus of Hibret Bank's CSR programs?	196	3.53	0.982
Have Hibret Bank's CSR initiatives made a positive impact on the community?	196	3.62	0.991

Social Responsibility	196	3.6041	0.74581
Does Hibret Bank plan future CSR initiatives based on current societal needs?	196	3.69	1.013
Does Hibret Bank actively engage stakeholders in its CSR initiatives?	196	3.56	0.949
Does the bank seek input from the community when planning CSR activities?	196	3.60	0.969
Do partnerships with environmental organizations enhance the bank's CSR efforts?	196	3.57	0.966
Economic Responsibility	196	3.5709	0.73244
Does Hibret Bank communicate effectively with stakeholders about its CSR activities?	196	3.64	0.934
Is stakeholder feedback considered in the bank's CSR decision-making process?	196	3.57	1.048
Have CSR activities enhanced Hibret Bank's brand image?	196	3.56	1.063
Does the public perceive Hibret Bank as a socially responsible institution?	196	3.51	0.926
Philanthropic Activities	196	3.6473	0.78046
Is Hibret Bank's brand positively associated with its CSR efforts?	196	3.66	0.984
Have CSR initiatives differentiated Hibret Bank from its competitors?	196	3.59	0.985
Have Hibret Bank's CSR activities increased brand loyalty?	196	3.66	0.995
Do customers appreciate Hibret Bank's CSR efforts?	196	3.68	1.009
Bank Profitability	196	3.6759	0.72488
Are customers more likely to recommend Hibret Bank due to its CSR practices?	196	3.78	0.944
Do CSR practices at Hibret Bank contribute to its financial sustainability?	196	3.64	0.984
Has the bank's financial performance improved due to its CSR activities?	196	3.67	0.946

Is there a clear link between Hibret Bank's CSR activities and its profitability?	196	3.61	0.966
Valid N (listwise)	196		

Source: Own survey computed by SPSS, Version 27.

The results of the descriptive statistics indicated that respondents had a generally positive perception of Hibret Bank's Corporate Social Responsibility (CSR) practices across all dimensions. The findings revealed that environmental responsibility had an overall mean score of 3.5663 with a standard deviation of 0.68091, suggesting a moderately strong perception of the bank's commitment to environmental initiatives. Among the individual items, the highest mean score (3.63) was observed for whether the bank's CSR initiatives effectively addressed societal issues, whereas the lowest mean (3.49) was recorded for whether Hibret Bank had implemented significant CSR initiatives in the past five years.

For social responsibility, the overall mean was 3.6041 with a standard deviation of 0.74581, indicating that respondents perceived the bank as actively engaged in socially responsible initiatives. The highest mean (3.69) was associated with whether the bank had planned future CSR initiatives based on societal needs, suggesting that respondents believed the bank considered ongoing social challenges when formulating its CSR strategies. Similarly, economic responsibility recorded an overall mean of 3.5709 with a standard deviation of 0.73244, reflecting a positive perception of the bank's economic CSR efforts. Respondents indicated that the bank communicated effectively with stakeholders regarding CSR activities (3.64) and considered stakeholder feedback in decision-making (3.57).

Philanthropic activities exhibited the highest mean score among the CSR dimensions, with an average of 3.6473 and a standard deviation of 0.78046. This finding suggested that respondents strongly associated Hibret Bank with philanthropic efforts. The highest-rated item in this category was whether customers appreciated the bank's CSR efforts (3.68), indicating a positive reception of the bank's philanthropic contributions.

Lastly, bank profitability, the dependent variable, had the highest overall mean score of 3.6759 with a standard deviation of 0.72488, demonstrating that respondents generally perceived a strong link between CSR practices and the financial performance of the bank. The highest-rated item (3.78) indicated that customers were more likely to recommend Hibret Bank due to its CSR practices. Additionally, respondents perceived that CSR practices contributed to the bank's financial sustainability (3.64) and had a positive impact on overall financial performance (3.67).

Overall, these findings suggested that Hibret Bank's CSR initiatives were well-received by respondents and were perceived as beneficial in enhancing brand image, stakeholder engagement, and ultimately, profitability. The relatively high mean scores across all CSR dimensions indicated that the bank had successfully integrated CSR into its strategic operations, reinforcing its position as a socially responsible financial institution.

4.5. ASSUMPTIONS OF MULTIPLE LINEAR REGRESSION ANALYSIS

Multiple linear regression examines the relationship between a dependent variable Y and four independent variables X1, X2, XkX_1, X_2, ..., X_kX1,X2,...,Xk. The regression equation is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

- Y = Bank profitability
- β_0 = Constant
- β1, β2, β3, β4 are the coefficients for the independent variables,
- X1 = Environmental Responsibility
- X2 = Social Responsibility
- X3 = Economic Responsibility
- X4 = Philanthropic Activities
- ϵ = Error term

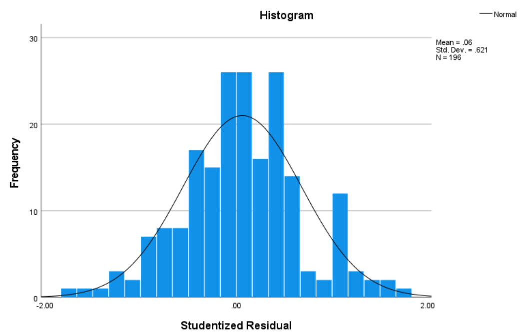
For reliable results, multiple linear regressions require the following assumptions:

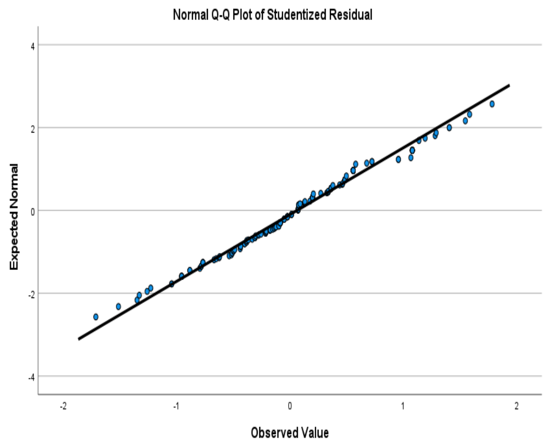
4.6. NORMALITY

Normality is a key assumption in multiple linear regression as it ensures that the statistical tests and confidence intervals are reliable. Specifically, the residuals, which are the differences between observed and predicted values, should follow a normal distribution for the model to produce valid and unbiased estimates (Field, 2021). This assumption can be checked visually through a histogram of residuals or a Q-Q (Quantile-Quantile) plot. If the residuals are normally distributed, the histogram should approximate a bell curve, and the points on the Q-Q plot should align along a straight line (Pallant, 2020). Statistical tests, such as the Shapiro-Wilk or Kolmogorov-Smirnov tests, can also be used to assess normality (Razali & Wah, 2011). While the central limit theorem suggests that with larger sample sizes (n > 30), the distribution of residuals tends to normality, this assumption remains important for smaller samples to ensure valid inference (Field, 2021). Violations of normality may impact the significance of regression coefficients and lead to incorrect conclusions, making it important to assess normality, especially in studies with smaller sample sizes.

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Studentized Residual	.080	196	.004	.988	196	.107
a. Lilliefors Significance Correction						

Source: Own survey computed by SPSS, Version 27



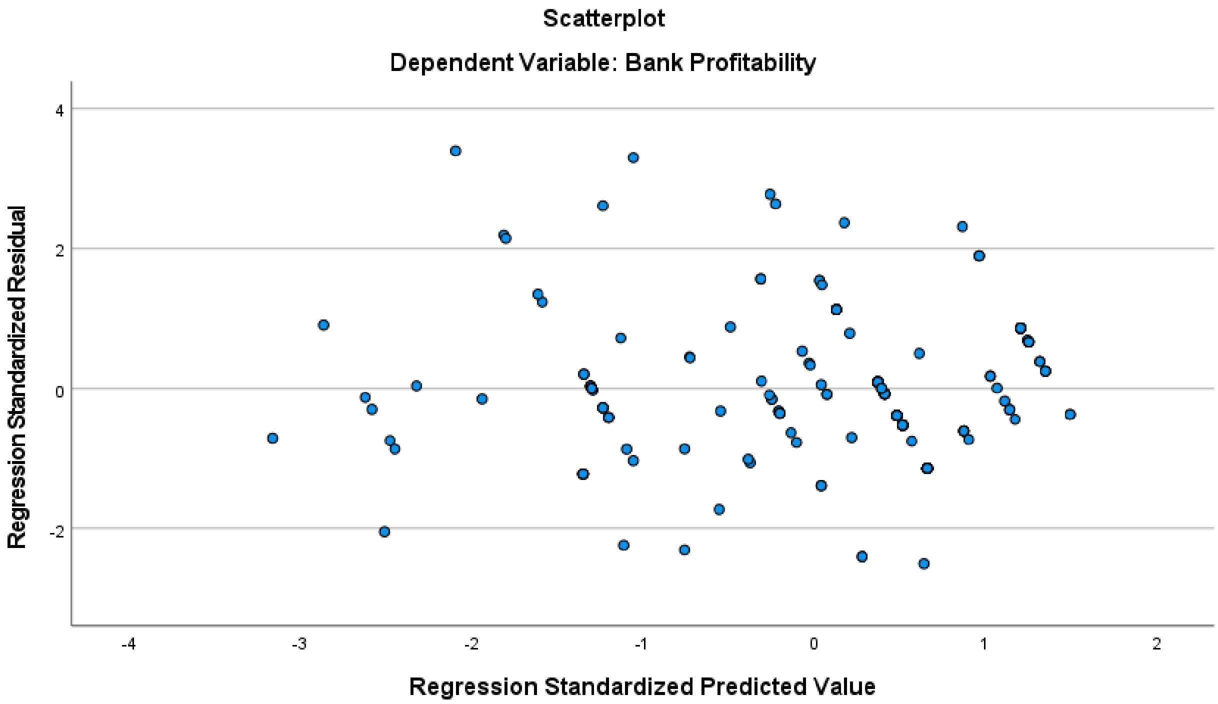


Source: Own survey computed by SPSS, Version 27.

The Kolmogorov-Smirnov test (p = 0.004) indicates that the residuals are not normally distributed, but this result might be influenced by the large sample size. However, the Shapiro-Wilk test (p = 0.107) fails to reject the null hypothesis, suggesting that the residuals are normally distributed. Therefore, the assumption of normality is not violated, and the residuals appear to follow a normal distribution according to the Shapiro-Wilk test.

4.7. TEST OF HOMOSCEDASTICITY

Homoscedasticity refers to the assumption that the variance of the residuals (errors) is constant across all levels of the independent variables. Violations of this assumption can lead to inefficient estimates and affect the reliability of statistical tests.



Source: Own survey computed by SPSS, Version 27.

Based on the scatterplot, which shows a relatively uniform spread of points around the horizontal axis (Regression Standardized Predicted Value), it suggests that the assumption of homoscedasticity is met. This implies that the variance of the residuals remains relatively constant across different levels of the predicted values, indicating that the model does not suffer from heteroscedasticity. Therefore, we can conclude that homoscedasticity is not violated, and the assumption is valid for the multiple linear regression analysis.

4.8. TEST OF AUTOCORRELATIONS

The Durbin-Watson statistic, which ranges from 0 to 4, is used to detect autocorrelation in the residuals of a regression model. A value of 2 indicates no autocorrelation, while values closer to 0 suggest positive autocorrelation and values closer to 4 indicate negative autocorrelation. In this case, the Durbin-Watson statistic is 1.904, which is close to 2, suggesting that there is no significant autocorrelation of residuals in the model.

4.9. TEST OF MULTICOLLINEARITY

A test for multicollinearity was conducted to evaluate the extent to which the independent variables were correlated with each other. Multicollinearity arises when two or more independent variables in a regression model are highly correlated, which can distort the estimates of the regression coefficients and undermine the model's reliability.

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.036	.201		5.143	.000		
	Environmental Responsibility	.224	.090	.211	2.502	.013	.345	2.899
	Social Responsibility	.566	.087	.582	6.467	.000	.302	3.311
	Economic Responsibility	-.264	.091	-.266	-2.893	.004	.289	3.462
	Philanthropic Activities	.203	.089	.219	2.296	.023	.269	3.719

a. Dependent Variable: Bank Profitability

Source: Own survey computed by SPSS, Version 27.

Collinearity Statistics Summary Table:

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Environmental Responsibility	.345	2.899
	Social Responsibility	.302	3.311
	Economic Responsibility	.289	3.462
	Philanthropic Activities	.269	3.719

Source: Own survey computed by SPSS, Version 27.

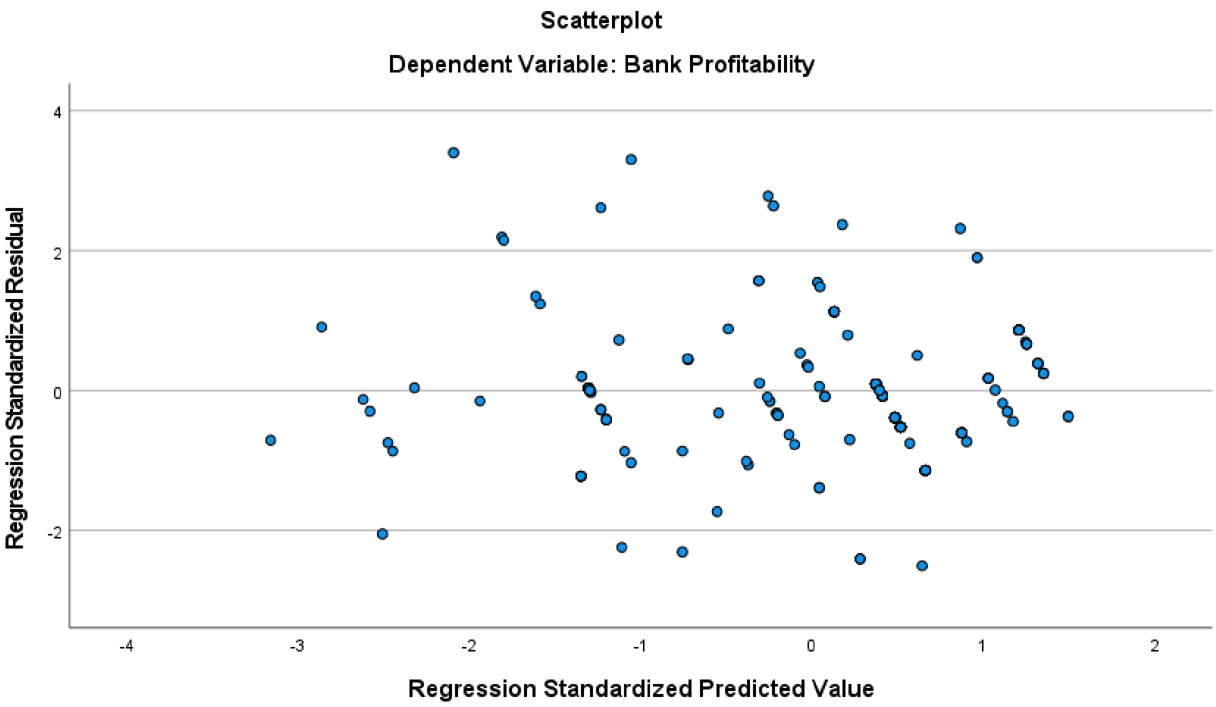
- **H0**: There is a Multicollinearity problem.
- **Ha**: There is no Multicollinearity problem.

The results revealed that environmental responsibility (B = 0.224, p = 0.013) and social responsibility (B = 0.566, p = 0.000) had a significant positive effect on bank profitability. In contrast, economic responsibility (B = -0.264, p = 0.004) was found to have a significant negative effect. Philanthropic activities (B = 0.203, p = 0.023) also showed a positive influence on profitability. The collinearity statistics indicated no severe multicollinearity, with all Variance Inflation Factors (VIF) remaining below 10, and tolerance values above 0.1. This suggested that multicollinearity did not pose a significant concern in the model.

• 4.10. TEST FOR HETEROSCEDASTICITY

Ho: There is no Heteroscedasticity problem

Ha: There is Heteroscedasticity

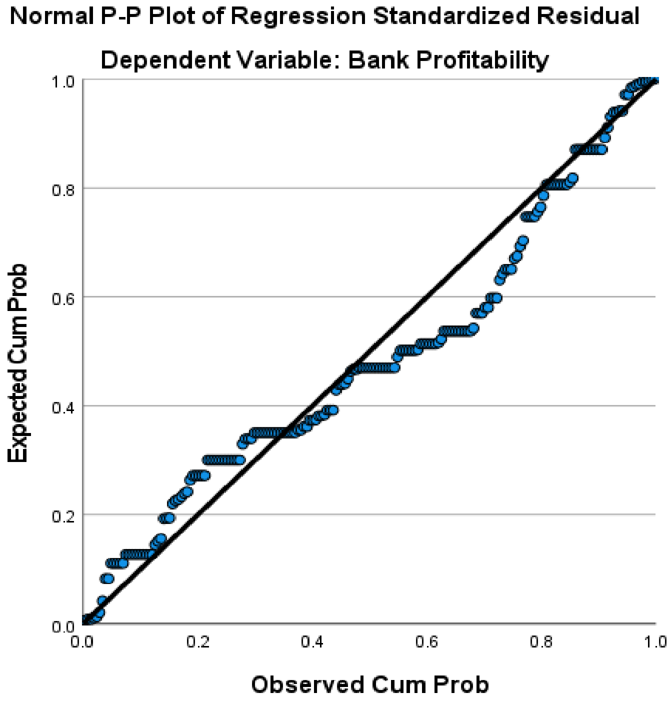


The scatterplot of standardized residuals against standardized predicted values shows no discernible pattern, indicating that the regression analysis satisfies the assumption of homoscedasticity. This lack of pattern suggests that the variance of the errors (residuals) is constant across all levels of the predicted values, a key assumption for valid regression analysis. The satisfaction of the homoscedasticity assumption is crucial for the reliability and validity of the regression results, as it ensures that the model's estimates are unbiased and efficient.

4.11. TEST OF LINEARITY

The linearity assumption in multiple linear regression ensures that a straight-line relationship exists between the dependent variable and the independent variables. This means that changes in the independent variables consistently influence the dependent variable throughout their range of values. In other words, the relationship is proportional, and no significant non-linear patterns are present.

This assumption is inherently satisfied in the multiple linear regression model due to its structural design. The model operates using a linear equation that establishes a direct and proportional connection between the variables. However, this assumption is valid only when the data supports such a linear pattern. According to Gujarati (2004), the linear relationship is a fundamental characteristic of the regression equation, but it must also be confirmed through statistical testing and graphical methods to ensure the model is appropriately specified for the dataset.



Source: Own survey computed by SPSS, Version 27

4.12. CORRELATION ANALYSIS

Correlations						
		Environmental Responsibility	Social Responsibility	Economic Responsibility	Philanthropic Activities	Bank Profitability
Environmental Responsibility	Pearson Correlation	1	.691**	.770**	.750**	.572**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	196	196	196	196	196
Social Responsibility	Pearson Correlation	.691**	1	.764**	.803**	.700**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	196	196	196	196	196
Economic Responsibility	Pearson Correlation	.770**	.764**	1	.769**	.509**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	196	196	196	196	196
Philanthropic Activities	Pearson Correlation	.750**	.803**	.769**	1	.639**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	196	196	196	196	196
Bank Profitability	Pearson Correlation	.572**	.700**	.509**	.639**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

	N	196	196	196	196	196
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Own survey computed by SPSS, Version 27.

The correlation analysis was conducted to examine the relationships between the independent variables (Environmental Responsibility, Social Responsibility, Economic Responsibility, and Philanthropic Activities) and the dependent variable (Bank Profitability). The Pearson correlation coefficients were computed, and the significance of these correlations was assessed at the 0.01 level (2-tailed).

The analysis revealed several significant relationships between the variables:

- ✓ Environmental Responsibility showed a strong positive correlation with Social Responsibility ($r = 0.691$, $p < 0.01$), Economic Responsibility ($r = 0.770$, $p < 0.01$), and Philanthropic Activities ($r = 0.750$, $p < 0.01$). Additionally, Environmental Responsibility exhibited a moderate positive correlation with Bank Profitability ($r = 0.572$, $p < 0.01$).
- ✓ Social Responsibility was strongly positively correlated with Economic Responsibility ($r = 0.764$, $p < 0.01$) and Philanthropic Activities ($r = 0.803$, $p < 0.01$), and showed a significant positive relationship with Bank Profitability ($r = 0.700$, $p < 0.01$).
- ✓ Economic Responsibility was also significantly correlated with Philanthropic Activities ($r = 0.769$, $p < 0.01$) and Bank Profitability ($r = 0.509$, $p < 0.01$), indicating that greater economic responsibility was associated with higher levels of philanthropic activities and bank profitability.
- ✓ Philanthropic Activities demonstrated a strong positive relationship with Bank Profitability ($r = 0.639$, $p < 0.01$), suggesting that banks engaging in philanthropic activities tended to have higher profitability.

All correlations were statistically significant at the 0.01 level, and the sample size was 196 for each variable. The significant positive correlations indicated that the independent variables had notable relationships with each other as well as with bank profitability.

These results suggested that the implementation of CSR practices particularly in the areas of environmental responsibility, social responsibility, and philanthropic activities was positively associated with increased bank profitability. The findings supported the notion that CSR practices not only contribute to corporate social objectives but also have the potential to enhance financial performance.

4.13. REGRESSION ANALYSIS

Regression analysis was conducted to examine the effect of independent variables environmental responsibility, social responsibility, economic responsibility, and philanthropic activities on the dependent variable, bank profitability. The analysis evaluates the significance, strength, and direction of the relationships between these variables within the context of the study

4.14. MODEL SIGNIFICANCE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.566	4	13.642	54.397	.000[b]
	Residual	47.898	191	.251		
	Total	102.464	195			

a. Dependent Variable: Bank Profitability

b. Predictors: (Constant), Philanthropic Activities, Environmental Responsibility, Social Responsibility, Economic Responsibility

Source: Own survey computed by SPSS, Version 27.

The ANOVA results indicated that the regression model as a whole had been statistically significant ($F(4, 191) = 54.397$, $p < 0.001$), suggesting that the independent variables (philanthropic activities, environmental responsibility, social responsibility, and economic responsibility) had explained a significant portion of the variance in bank profitability.

The total sum of squares had been 102.464, with the regression sum of squares accounting for 54.566, while the residual sum of squares had been 47.898. The model's significance ($p = 0.000$) had indicated that the independent variables had collectively contributed to predicting bank profitability, confirming the overall validity of the regression model.

4.15 MODEL SUMMARY

The Model Summary section in a multiple regression analysis provided essential statistics to assess the model's fit. This included R, R-squared, adjusted R-squared, and the standard error of the estimate, each of which indicated how well the independent variables explained the variance in the dependent variable.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.730[a]	.533	.523	.50077	.533	54.397	4	191	.000	1.904

a. Predictors: (Constant), Philanthropic Activities, Environmental Responsibility, Social Responsibility, Economic Responsibility

b. Dependent Variable: Bank Profitability

Source: Own survey computed by SPSS, Version 27.

The regression model showed that **R** was 0.730, indicating a moderate positive correlation between the independent variables and the dependent variable, bank profitability. The **R Square** value of 0.533 indicated that approximately 53.3% of the variance in bank profitability was explained by the independent variables (philanthropic activities, environmental responsibility, social responsibility, and economic responsibility).

The **Adjusted R Square** value of 0.523 was close to the R Square value, confirming the robustness of the model and suggesting that the independent variables contributed significantly to predicting bank profitability. The standard error of the estimate was 0.50077, indicating the average distance between the observed values and the predicted values.

The **Durbin-Watson** statistic of 1.904 was within the acceptable range (1.5 to 2.5), suggesting that there was no significant autocorrelation in the residuals.

The **F Change** statistic was 54.397, with a corresponding **Sig. F Change** of 0.000, indicating that the overall regression model was statistically significant at the 0.001 level. This confirmed that the independent variables collectively had a significant impact on bank profitability.

4.16 HYPOTHESIS TESTING:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.036	.201		5.143	.000
	Environmental Responsibility	.224	.090	.211	2.502	.013
	Social Responsibility	.566	.087	.582	6.467	.000
	Economic Responsibility	-.264	.091	-.266	-2.893	.004
	Philanthropic Activities	.203	.089	.219	2.296	.023

a. Dependent Variable: Bank Profitability

Source: Own survey computed by SPSS, Version 27.

The regression analysis examined the relationship between various dimensions of CSR responsibility and bank profitability. The dependent variable in the model was bank profitability, while the independent variables included Environmental Responsibility, Social Responsibility, Economic Responsibility, and Philanthropic Activities. The results indicated that Social Responsibility had the most significant positive impact on bank profitability, with an unstandardized coefficient of 0.566. For every one-unit increase in social responsibility, bank profitability increased by 0.566. Similarly, Environmental Responsibility also had a positive relationship with profitability, as a one-unit increase in environmental responsibility resulted in a 0.224 increase in profitability. Philanthropic Activities were found to contribute positively to bank profitability as well, with a coefficient of 0.203, indicating a similar positive effect. In contrast, Economic Responsibility was associated with a negative impact on bank profitability, with a coefficient of -0.264, meaning that higher economic responsibility resulted in a decrease in profitability. When examining the standardized coefficients, Social Responsibility (Beta = 0.582) was identified as the most influential predictor of bank profitability, followed by Environmental Responsibility (Beta = 0.211) and Philanthropic Activities (Beta = 0.219). The Economic Responsibility variable had the largest negative impact on profitability with a Beta of -0.266. Statistical significance was confirmed for all predictors, as evidenced by the p-values, which were all less than 0.05. Specifically, the p-values for Social Responsibility, Environmental Responsibility, Economic Responsibility, and Philanthropic Activities were 0.000, 0.013, 0.004, and 0.023, respectively, confirming that all variables were significant. The analysis ultimately concluded that Social Responsibility had the strongest positive relationship with bank profitability, while Economic Responsibility had a negative effect, emphasizing the importance of different dimensions of responsibility in determining the financial performance of banks.

4.17. PROPOSED HYPOTHESES IN THIS STUDY

This study explores the relationship between CSR practices and the profitability of Hibret Bank through four hypotheses. The first examines how environmental responsibility practices such as eco-friendly initiatives effect profitability. The second evaluates the effect of social responsibility practices, including employee well-being and community engagement, on financial outcomes. The third investigates economic responsibility practices, like ethical financial operations and transparency, and their contribution to profitability. Finally, the fourth hypothesis focuses on philanthropic responsibility practices, such as donations and community support, and their role in enhancing the bank’s financial success.

H1: Environmental Responsibility positively affected bank profitability.

This hypothesis proposed that a bank's engagement in environmentally responsible activities would lead to an increase in profitability. The results showed that the unstandardized coefficient for Environmental Responsibility was 0.224, indicating a positive relationship with bank profitability. The t-value of 2.502 and the p-value of 0.013 suggested that this relationship was statistically significant. Therefore, **H1** was supported, confirming that greater environmental responsibility was associated with improved profitability in banks.

H2: Social Responsibility positively affected bank profitability.

This hypothesis suggested that higher levels of social responsibility would lead to higher profitability for banks. The unstandardized coefficient for Social Responsibility was 0.566, reflecting a strong positive effect on profitability. The t-value of 6.467 and the p-value of 0.000 provided compelling evidence that this relationship was statistically significant. Thus, **H2** was confirmed, with social responsibility having a substantial positive impact on bank profitability.

H3: Economic Responsibility negatively affected bank profitability.

The third hypothesis proposed that an increase in economic responsibility would have a negative impact on bank profitability. The unstandardized coefficient for Economic Responsibility was -0.264, suggesting a negative relationship between economic responsibility and profitability. The t-value of -2.893 and the p-value of 0.004 confirmed that this relationship was statistically significant. Therefore, **H3** was supported, indicating that a greater focus on economic responsibility led to a decrease in bank profitability.

H4: Philanthropic Activities positively affected bank profitability.

The final hypothesis suggested that engaging in philanthropic activities would increase bank profitability. The unstandardized coefficient for Philanthropic Activities was 0.203, showing a positive relationship with profitability. The t-value of 2.296 and the p-value of 0.023 indicated that this relationship was statistically significant. As a result, **H4** was confirmed, demonstrating that increased philanthropic activities were positively related to improved financial performance in banks.

4.18. RESULTS AND DISCUSSION

In this section, the results of the regression analysis were presented and discussed in relation to the research questions and hypotheses of the study. The findings were compared with existing literature to offer deeper insights into the role of corporate responsibility dimensions environmental, social, economic, and philanthropic on bank profitability.

The results of the regression analysis revealed the relationships between various aspects of corporate responsibility and bank profitability. The regression coefficients and their associated significance values provided valuable insights into the impact of each independent variable on the dependent variable, bank profitability. For Environmental Responsibility, the unstandardized coefficient was 0.224, with a t-value of 2.502 and a p-value of 0.013. This indicated a statistically significant positive relationship between environmental responsibility and bank profitability, suggesting that banks engaged in environmentally responsible practices tended to experience higher profitability. Similarly, Social Responsibility showed a strong positive effect on profitability, with an unstandardized coefficient of 0.566, a t-value of 6.467, and a p-value of 0.000. This significant relationship suggested that banks that were more socially responsible experienced better financial performance. However, Economic Responsibility was found to have a negative impact on bank profitability, as evidenced by the unstandardized coefficient of -0.264, a t-value of -2.893, and a p-value of 0.004. This suggested that banks with a higher focus on economic responsibility might see a reduction in profitability. Finally, Philanthropic Activities had a positive and statistically significant effect on bank profitability, with an unstandardized coefficient of 0.203, a t-value of 2.296, and a p-value of 0.023. This indicated that philanthropic efforts were associated with improved financial performance in banks.

These results supported the hypotheses proposed in the study, with H1, H2, and H4 showing positive relationships between corporate responsibility dimensions and bank profitability, while H3 confirmed a negative relationship between economic responsibility and profitability.

The findings of this study provided valuable contributions to the understanding of how corporate responsibility influences bank profitability. In particular, Environmental Responsibility was found to have a positive impact on profitability, aligning with previous studies that suggested environmentally responsible practices could enhance a company's reputation, improve operational efficiency, and lead to long-term financial benefits (e.g., Johnson & Greening, 1999). This finding indicated that banks engaging in practices such as reducing their carbon footprint, promoting sustainability, and supporting environmental conservation efforts could potentially increase profitability by attracting environmentally conscious customers and benefiting from cost savings associated with sustainable practices.

Social Responsibility also had a positive effect on profitability. The strong coefficient of 0.566 underscored the importance of a bank's engagement with society. This finding supported existing literature, such as that by Sen and Bhattacharya (2001), which suggested that socially responsible practices—such as supporting local communities, ensuring fair labor practices, and engaging in ethical business operations—could lead to increased customer loyalty and trust. These practices could enhance the bank's reputation and foster customer loyalty, which, in turn, may have contributed to better financial outcomes and a competitive advantage.

Contrarily, the negative relationship between Economic Responsibility and profitability was somewhat unexpected. Economic responsibility is typically seen as central to a company's success; however, this finding suggested that a focus solely on economic outcomes, such as cost-cutting or aggressive profit-maximization strategies, might detract from other important areas of corporate responsibility. This could have potentially alienated customers and stakeholders who valued ethical practices and sustainability. Previous research, including McWilliams and Siegel (2000), showed that focusing too narrowly on profit maximization at the expense of broader social and environmental concerns could damage a company's reputation and hinder long-term profitability.

Finally, the positive effect of Philanthropic Activities on profitability aligned with the concept of corporate philanthropy as an effective tool for building goodwill and enhancing reputation (Porter & Kramer, 2002). Philanthropic activities, such as charitable donations, community outreach, and sponsorships, helped improve a bank's public image and strengthened relationships with customers. Although these activities involved costs, they could yield positive returns by enhancing customer loyalty, brand equity, and public trust, ultimately leading to improved financial performance.

Overall, the results of this study highlighted the importance of balancing various dimensions of corporate responsibility in the banking sector. While environmental, social, and philanthropic efforts could significantly enhance profitability, a purely profit-driven approach that neglected broader corporate responsibility might not yield sustainable financial success. The implications for practice suggested that banks should integrate responsible practices into their business strategies, not only to meet societal expectations but also to enhance their competitive positioning in the marketplace.

4.19. RESEARCH IMPLICATIONS

The findings of this study have several important implications for both theory and practice, specifically regarding the relationship between Corporate Social Responsibility (CSR) practices and the profitability of Hibret Bank. These implications contribute to the broader understanding of CSR's role in financial performance and offer valuable insights for policymakers, business leaders, and scholars.

1. Implications for Practitioners and Bank Management

For commercial banks, especially Hibret Bank, the study emphasizes the strategic importance of integrating CSR practices into business operations. The positive relationship between environmental responsibility, social responsibility, economic responsibility, and profitability suggests that banks can enhance their financial performance by actively engaging in CSR initiatives. Bank management should prioritize the development of financial literacy programs, invest in sustainable practices, and strengthen community engagement efforts to foster customer loyalty and improve the bank's public image. Furthermore, the findings indicate that a strong regulatory framework is crucial for the growth of digital financial inclusion and, consequently, for the bank's profitability. By addressing these CSR factors, banks can differentiate themselves in the competitive banking sector, attract more customers, and build long-term stakeholder relationships.

2. Implications for Policy Development

The study highlights the importance of creating an enabling environment through policies that encourage responsible business practices. Policymakers can use these findings to promote CSR within the banking sector, particularly in areas such as digital financial inclusion, customer protection, and sustainability. By supporting regulatory frameworks that ensure transparency, ethical lending, and customer welfare, governments can foster a more sustainable and socially responsible banking sector. Additionally, regulatory bodies should consider incentivizing banks to adopt eco-friendly and socially responsible initiatives by providing tax breaks or subsidies for sustainability-related investments.

3. Implications for Scholars and Future Research

This research contributes to the body of knowledge on the relationship between CSR and profitability in the banking sector. Future scholars can build upon these findings by exploring the impact of specific CSR initiatives on other aspects of bank performance, such as employee satisfaction, brand equity, or customer trust. Further research could also investigate the long-term effects of CSR on profitability and how these effects vary across different regions or types of financial institutions. Additionally, researchers could explore the role of digital financial inclusion in driving CSR-related outcomes, particularly as the banking sector continues to embrace technological advancements.

4. Implications for Society

The study's findings underscore the role of banks in promoting sustainable development and social well-being. By engaging in CSR activities, Hibret Bank and other commercial banks can contribute to societal progress, reduce inequalities, and support local communities. These initiatives not only improve financial performance but also create shared value for society. The study suggests that banks should consider CSR as part of their corporate citizenship, recognizing that profitability and social responsibility are not mutually exclusive but can work together to achieve long-term success for both businesses and society at large.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1. SUMMARY OF FINDINGS

This chapter presents the key findings from the analysis of the data collected to examine the relationship between Corporate Social Responsibility (CSR) practices and the profitability of Hibret Bank. A series of statistical analyses were conducted to explore how the bank's CSR activities in environmental responsibility, social responsibility, economic responsibility, and philanthropic activities impact its financial performance. The results were analyzed using descriptive statistics, correlation coefficients, and regression analysis to assess the strength of these relationships.

Descriptive Statistics:

The Descriptive Statistics section provides the mean values and standard deviations of the main variables used in the study, indicating the overall perceptions of respondents on the different aspects of CSR and bank profitability.

- **Bank Profitability:** The mean of 3.6759 (with a standard deviation of 0.72488) indicates that respondents generally perceive Hibret Bank's profitability as being at a moderate to high level. The relatively low standard deviation suggests that there is little variation in the responses, implying a consensus among respondents regarding the bank's profitability.
- **Environmental Responsibility:** The mean of 3.5663 (SD = 0.68091) suggests that respondents believe the bank's environmental practices are generally positive. However, the standard deviation indicates that there is some variability in the perception of these practices, with some perceiving them to be more impactful than others.
- **Social Responsibility:** A mean of 3.6041 (SD = 0.74581) indicates that the respondents rated Hibret Bank's social responsibility initiatives positively, but the standard deviation implies some differences in opinions. Social responsibility is viewed as important for bank profitability, but there may be areas for further improvement in the bank's social initiatives.
- **Economic Responsibility:** With a mean of 3.5709 (SD = 0.73244), respondents generally believe that Hibret Bank is performing well in terms of economic responsibility, such as ethical governance, responsible lending, and financial transparency. However, as with environmental and social responsibility, there is some variability in how these activities are perceived.
- **Philanthropic Activities:** The mean of 3.6473 (SD = 0.78046) indicates that philanthropic activities, while important, have a moderate impact on profitability. The higher standard deviation reflects a wider range of opinions, with some respondents placing more importance on these activities than others.

Correlations:

The correlation analysis identifies the relationships between CSR dimensions and profitability, offering insights into which CSR aspects most strongly influence Hibret Bank's financial performance.

- **Bank Profitability and Environmental Responsibility:** The correlation of 0.572 (p-value = 0.000) indicates a moderate positive relationship between environmental responsibility practices and bank profitability. This suggests that as the bank improves its environmental sustainability efforts, it is perceived to be more profitable. This may be due to cost savings from energy efficiency, reduced waste, and improved brand image among environmentally-conscious customers.

- **Bank Profitability and Social Responsibility:** A strong positive correlation of 0.700 (p-value = 0.000) between social responsibility and profitability indicates that efforts in community development, employee welfare, and social programs have a direct and significant positive effect on the bank's profitability. This strong correlation suggests that customers, employees, and other stakeholders value social responsibility initiatives and are more likely to engage with the bank as a result.
- **Bank Profitability and Economic Responsibility:** A correlation of 0.509 (p-value = 0.000) shows a moderate positive relationship between economic responsibility and profitability. This suggests that the bank's financial practices, including transparency, ethical governance, and responsible lending, are positively correlated with profitability. However, this correlation is weaker than social responsibility, indicating that while important, economic responsibility alone may not be sufficient to drive high profitability.
- **Bank Profitability and Philanthropic Activities:** The correlation of 0.639 (p-value = 0.000) reflects a moderate positive relationship between philanthropic activities and bank profitability. This suggests that philanthropic initiatives, such as charitable donations, community projects, and corporate giving, enhance the bank's public image, which can attract loyal customers and investors, thereby positively influencing profitability.

These correlations suggest that CSR practices, particularly in social responsibility and philanthropic activities, have the most significant positive impact on bank profitability. Economic responsibility, while important, has a relatively weaker effect.

Regression Analysis:

The regression analysis examines the overall impact of CSR dimensions on profitability by estimating the degree to which the independent variables (CSR dimensions) predict the dependent variable (bank profitability).

- **Model Summary:** The R-squared value of 0.533 suggests that 53.3% of the variance in Hibret Bank's profitability is explained by the combination of the CSR dimensions. This is a substantial amount of explained variance, indicating that CSR practices have a significant role in determining bank profitability.

The Adjusted R-squared value of 0.523 further supports this conclusion, showing that the model is a good fit for the data, accounting for the degrees of freedom and providing a more accurate estimate of how well the CSR dimensions explain profitability.

The F-statistic of 54.397 (p-value = 0.000) indicates that the overall model is statistically significant, and CSR dimensions collectively contribute to explaining variations in profitability. The significance of the F-test confirms the validity of the regression model.

- **Beta Coefficients:** The beta coefficients provide insight into the relative importance of each CSR dimension in predicting profitability:
  - ✓ **Environmental Responsibility (B = 0.224, p = 0.013):** This suggests that environmental responsibility has a positive and statistically significant effect on profitability, meaning that investments in sustainability practices contribute to enhanced profitability.
  - ✓ **Social Responsibility (B = 0.566, p = 0.000):** This has the strongest positive impact on profitability, indicating that social responsibility initiatives are the most influential factor in driving Hibret Bank's profitability.
  - ✓ **Economic Responsibility (B = -0.264, p = 0.004):** The negative coefficient indicates that economic responsibility has a counterintuitive effect on profitability, possibly suggesting that overly aggressive economic goals or financial practices, at the expense of other CSR dimensions, may negatively impact profitability.
  - ✓ **Philanthropic Activities (B = 0.203, p = 0.023):** The positive coefficient for philanthropic activities shows that charitable contributions and community engagement have a moderate but significant effect on profitability, primarily by enhancing the bank's image and fostering customer loyalty.

5.2. CONCLUSION

As this study concluded, Corporate Social Responsibility (CSR) practices had a significant impact on the profitability of Hibret Bank. Among the various CSR dimensions, social responsibility was found to have the strongest positive influence on profitability, followed by philanthropic activities and environmental responsibility. However, economic responsibility exhibited a negative effect, indicating that an excessive focus on financial performance, without adequately considering broader CSR initiatives, may have undermined the bank's overall profitability. These findings emphasized the importance of adopting a well-balanced CSR strategy to enhance both financial performance and corporate reputation.

- ✓ Environmental responsibility, such as sustainable business practices and green initiatives, plays a moderate yet positive role in boosting profitability, likely by reducing costs and improving brand image.
- ✓ Social responsibility initiatives, including employee welfare, community engagement, and social programs, have the strongest positive relationship with bank profitability. These initiatives improve stakeholder trust and loyalty, contributing to enhanced financial performance.
- ✓ Economic responsibility, while an essential aspect of CSR, may need to be recalibrated to avoid potential negative impacts on profitability. A balanced approach that integrates economic, social, and environmental considerations is likely to be more effective in driving sustained profitability.
- ✓ Philanthropic activities have a moderate but important role in contributing to profitability, mainly through enhancing the bank's image and fostering strong customer relationships.

The results suggest that Hibret Bank should prioritize a holistic CSR strategy that integrates social responsibility, environmental initiatives, and philanthropic activities to optimize its financial performance.

5.3. RECOMMENDATIONS

Based on the findings, several recommendations can be made to Hibret Bank to enhance the effectiveness of its CSR practices and improve profitability:

1. **Strengthen Social Responsibility Programs:** Given the significant impact of social responsibility on profitability, Hibret Bank should continue to invest in employee welfare, community outreach, and other social programs. Expanding social programs that align with customer values will build long-term relationships with clients and foster brand loyalty.
2. **Enhance Environmental Sustainability Initiatives:** The bank should increase its focus on environmental sustainability, including adopting energy-efficient practices, reducing waste, and using sustainable materials in operations. Marketing these initiatives can improve the bank’s image among eco-conscious customers and investors.

3. **Balance Economic Responsibility with Other CSR Dimensions:** While economic responsibility is important, Hibret Bank should ensure that it does not compromise other CSR dimensions in the pursuit of financial performance. A balanced approach will help the bank create sustainable value for stakeholders while maintaining profitability.
4. **Expand Philanthropic Activities:** While philanthropic activities had a moderate impact, Hibret Bank should increase its involvement in community-driven initiatives. Creating partnerships with charitable organizations and promoting social causes will further enhance the bank's reputation and customer loyalty.
5. **Develop an Integrated CSR Strategy:** Hibret Bank should develop a comprehensive, integrated CSR strategy that aligns with its long-term business goals. This strategy should clearly define CSR objectives, identify key performance indicators, and regularly assess the impact of CSR efforts on profitability.

5.4. SUGGESTIONS FOR FURTHER STUDIES

While this study has provided valuable insights into the relationship between CSR practices and bank profitability, there are several opportunities for further research:

1. **Long-Term Studies on CSR Impact:** Future research could investigate the long-term effects of CSR on profitability to determine whether these relationships hold over time.
2. **Comparative Sectoral Studies:** A study comparing CSR practices and profitability across different industries (e.g., telecommunications, manufacturing, banking) would help to understand if the findings are sector-specific or universally applicable.
3. **Exploring Consumer Behavior:** Future research could delve deeper into how consumers' perceptions of CSR affect their banking choices, loyalty, and brand advocacy.
4. **Digital Transformation and CSR:** As the banking industry increasingly integrates digital technologies, exploring the role of digital CSR initiatives and their impact on profitability could provide new insights into the evolving relationship between CSR and business success.
5. **Employee Perceptions of CSR:** Investigating how employees perceive and are influenced by CSR initiatives could shed light on the internal benefits of CSR, such as employee satisfaction, retention, and productivity.

By addressing these gaps, future research can further enrich the understanding of CSR's impact on profitability in the banking sector and beyond.

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APPENDIX

Addis Ababa University

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SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY !

Introduction:

Dear Respondents,

Welcome and thank you for considering participating in this research study. Your contribution is invaluable in helping us understand and evaluate the effect of Corporate Social Responsibility (CSR) practice on bank profitability of Hibret Bank.

Purpose of the Study:

The primary purpose of this study is to assess and analyze the effect of Corporate Social Responsibility (CSR) practice on bank profitability of Hibret Bank and their impact. By gathering insights from individuals like you, who may have knowledge or experience related to CSR practices in the banking sector, we aim to gain a deeper understanding of the effectiveness and alignment of Hibret Bank's CSR initiatives.

Importance of Participant Feedback:

Your feedback is crucial in providing valuable insights that will help inform recommendations for improving the effect of Corporate Social Responsibility (CSR) practice on bank profitability of Hibret Bank and potentially contribute to enhancing CSR practices in the banking sector as a whole. Your input will directly contribute to the advancement of knowledge in this field and may influence future CSR strategies within the organization.

Confidentiality:

Please be assured that all information provided will be kept strictly confidential. Your responses will only be used for research purposes and will not be disclosed or attributed to any individual respondent. Your privacy and anonymity are of utmost importance to us.

Informed Consent:

By participating in this study, you are giving your informed consent to voluntarily contribute your insights and opinions. Your participation is entirely voluntary, and you have the right to withdraw at any time without any negative consequences.

Conclusion:

Once again, we express our sincere gratitude for your willingness to participate in this research study. Your valuable feedback will significantly contribute to our understanding of CSR practices in the banking sector and will help drive positive changes in corporate social responsibility initiatives.

Thank you for your time and participation.

Sincerely,

[Abebe Janka]

0944260724

Addis Ababa University Student

PART I **Demographic Information**

1. **Age:**
    1. Below 25
    2. 26-30
    3. 31-35
    4. 36-40
    5. 41-45
    6. Above 46
2. **Gender:**
    1. Male
    2. Female
3. **Education Level:**
    1. Below Grade 12/10
    2. Diploma
    3. BA/BSc Degree
    4. MA/MSc Degree
    5. Above Master's
4. **Occupation:**
    1. Director
    2. Manager
    3. Branding Manager
    4. Officer
    5. Junior Officer
    6. Senior Officer
    7. Secretary
    8. Other (please specify): [Open text field]

PART II: **Corporate Social Responsibility Practices in Hibret Bank (Structured)**

Please rate each statement below using the provided rating scale:

1. **Strongly Disagree (SD)**
2. **Disagree (D)**
3. **Neutral (N)**
4. **Agree (A)**
5. **Strongly Agree (SA)**

No.	**Statement**	**1**	**2**	**3**	**4**	**5**
	I. Environmental Responsibility					
1	Hibret Bank’s environmental responsibility initiatives positively impact the bank's profitability.					
2	Sustainable practices in CSR reduce operational costs, contributing to Hibret Bank's financial performance.					
3	Hibret Bank’s investment in green projects attracts environmentally conscious customers, boosting profitability.					
4	The bank's commitment to sustainability influences its reputation, leading to increased customer trust and profitability.					
	II. Social Responsibility					
5	Hibret Bank’s social responsibility initiatives, such as community development projects, have a positive effect on profitability.					
6	The bank’s focus on equality and inclusion increases its market share and customer base, thereby enhancing profitability.					
7	Hibret Bank’s CSR initiatives improve its reputation, leading to higher customer retention and, in turn, greater profitability.					
8	The bank's investment in social infrastructure (e.g., education, healthcare) helps build long-term customer loyalty and profitability.					

9	Hibret Bank's CSR programs targeting vulnerable groups (e.g., women, children) increase the bank's profitability by expanding its customer base.					
	III. Economic Responsibility					
10	Hibret Bank's economic responsibility practices, like job creation and supporting small businesses, directly contribute to profitability.					
11	CSR initiatives that promote economic growth in local communities lead to more customers and higher profitability for Hibret Bank.					
12	The bank's commitment to fostering sustainable economic development enhances its financial performance.					
13	Investing in underserved populations through CSR enhances Hibret Bank's customer base and profitability.					
14	Financial education provided by Hibret Bank as part of its CSR initiatives improves customer loyalty and profitability.					
	IV. Philanthropic Activities					
15	Hibret Bank's philanthropic activities contribute to a positive brand image, which leads to increased customer acquisition and profitability.					
16	The bank's charitable donations and fundraising efforts enhance its reputation, positively impacting profitability.					
17	Supporting healthcare and education through philanthropy results in increased customer satisfaction and financial performance.					
18	Hibret Bank's philanthropic approach prioritizes long-term community impact, which indirectly boosts profitability by attracting loyal customers.					

	V. Bank Profitability					
19	CSR practices at Hibret Bank improve employee morale and satisfaction, leading to higher productivity and profitability.					
20	The bank’s commitment to CSR influences its profitability by enhancing employee engagement and reducing turnover costs.					
21	CSR initiatives enhance Hibret Bank’s reputation and brand image, attracting more customers and increasing profitability.					
22	Customers are more likely to choose Hibret Bank over competitors due to its strong CSR practices, directly affecting profitability.					
23	CSR activities at Hibret Bank contribute to improved financial performance by fostering customer loyalty and attracting new business.					
24	The profitability of Hibret Bank is positively correlated with its CSR initiatives, as seen in the bank's recent financial reports.					
25	The integration of CSR into the bank’s strategy has contributed to higher profitability over the last few years.					

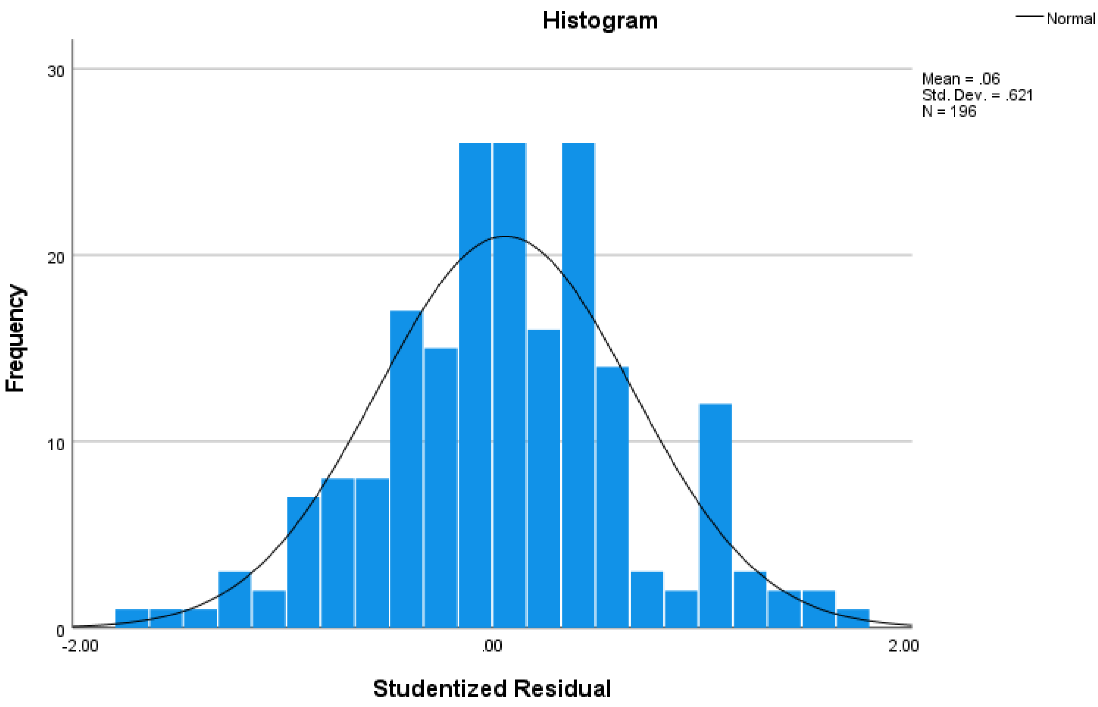
SPSS RESULTS

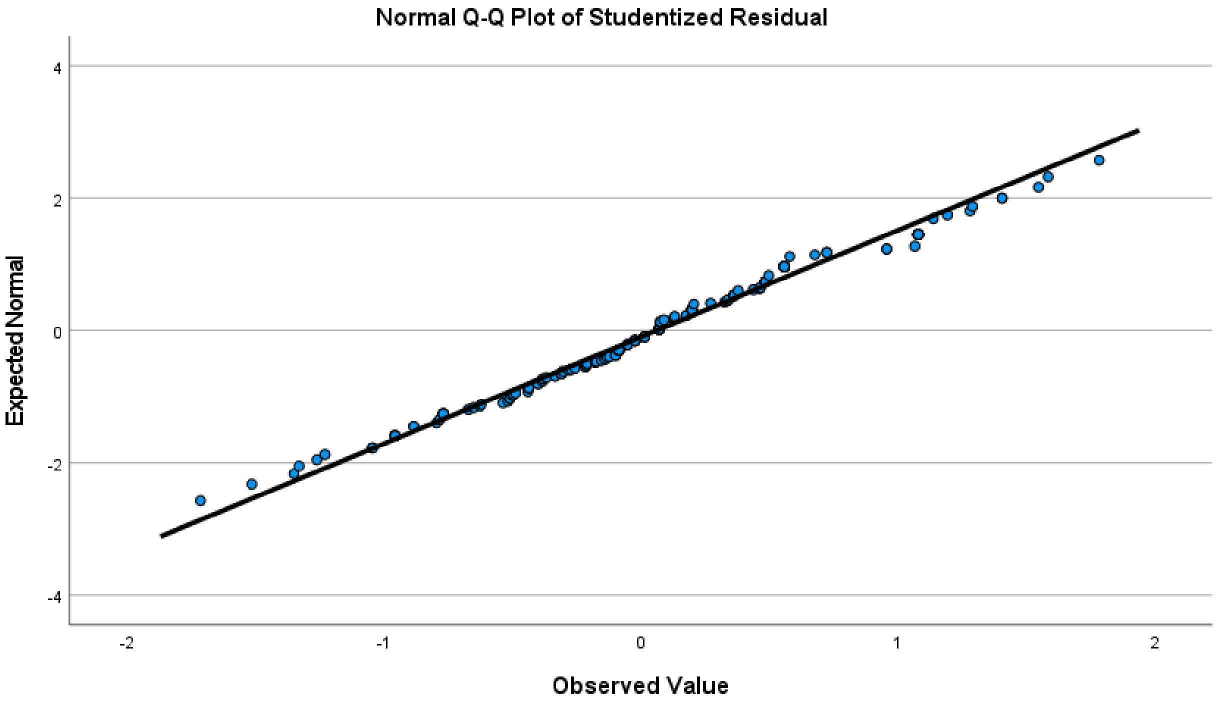
Reliability Statistics	
Cronbach's Alpha	N of Items
.920	30

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Studentized Residual	.080	196	.004	.988	196	.107

a. Lilliefors Significance Correction





Correlations

		Environmental Responsibility	Social Responsibility	Economic Responsibility	Philanthropic Activities	Bank Profitability
Environmental Responsibility	Pearson Correlation	1	.691**	.770**	.750**	.572**
	Sig. (2-tailed)		.000	.000	.000	.000

	N	196	196	196	196	196
Social Responsibility	Pearson Correlation	.691**	1	.764**	.803**	.700**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	196	196	196	196	196
Economic Responsibility	Pearson Correlation	.770**	.764**	1	.769**	.509**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	196	196	196	196	196
Philanthropic Activities	Pearson Correlation	.750**	.803**	.769**	1	.639**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	196	196	196	196	196
Bank Profitability	Pearson Correlation	.572**	.700**	.509**	.639**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	196	196	196	196	196

**. Correlation is significant at the 0.01 level (2-tailed).

Descriptive Statistics

	Mean	Std. Deviation	N
Bank Profitability	3.6759	.72488	196
Environmental Responsibility	3.5663	.68091	196
Social Responsibility	3.6041	.74581	196
Economic Responsibility	3.5709	.73244	196
Philanthropic Activities	3.6473	.78046	196

Model Summary[b]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.730[a]	.533	.523	.50077	.533	54.397	4	191	.000	1.904

a. Predictors: (Constant), Philanthropic Activities, Environmental Responsibility, Social Responsibility, Economic Responsibility

b. Dependent Variable: Bank Profitability

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.566	4	13.642	54.397	.000[b]

Residual	47.898	191	.251		
Total	102.464	195			

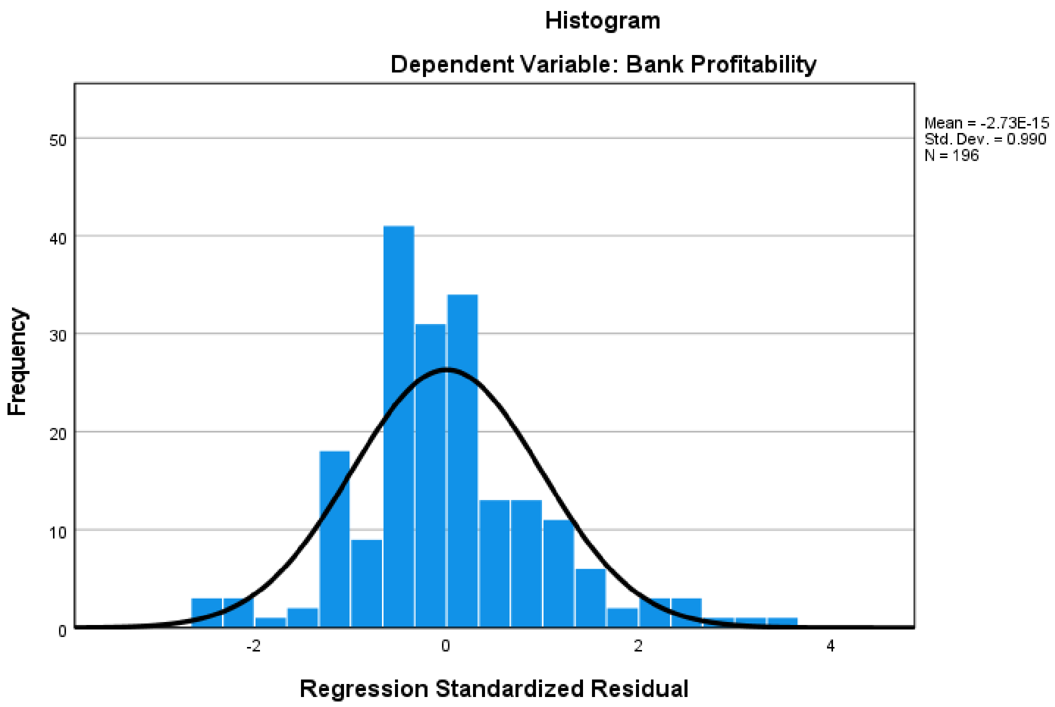
a. Dependent Variable: Bank Profitability

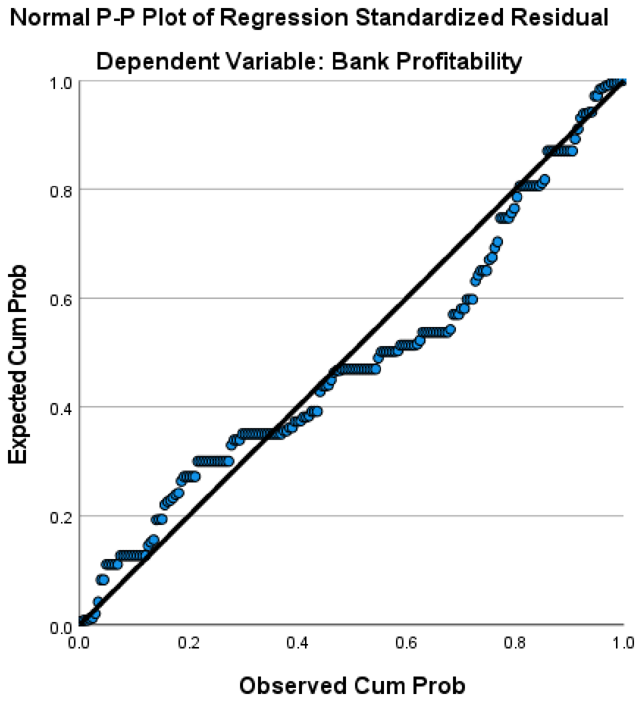
b. Predictors: (Constant), Philanthropic Activities, Environmental Responsibility, Social Responsibility, Economic Responsibility

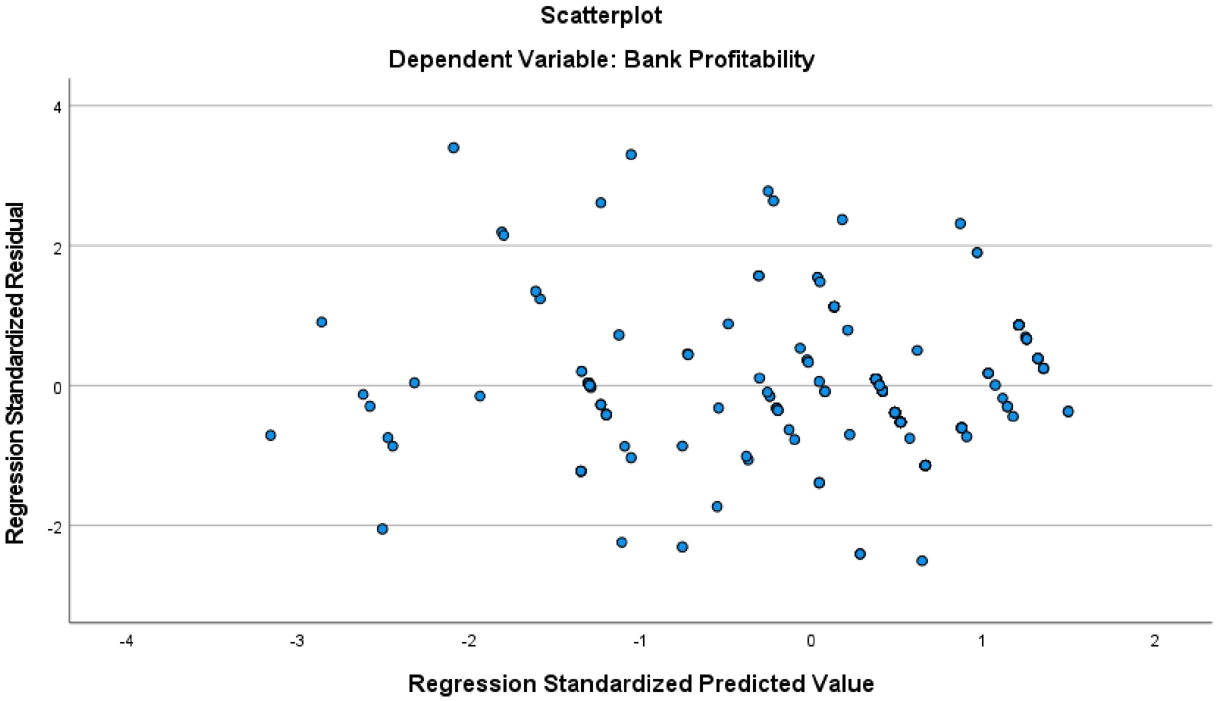
Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Correlations Zero-order	Correlations Partial	Correlations Part	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	1.036	.201		5.143	.000					
	Environmental Responsibility	.224	.090	.211	2.502	.013	.572	.178	.124	.345	2.899
	Social Responsibility	.566	.087	.582	6.467	.000	.700	.424	.320	.302	3.311
	Economic Responsibility	-.264	.091	-.266	-2.893	.004	.509	-.205	-.143	.289	3.462
	Philanthropic Activities	.203	.089	.219	2.296	.023	.639	.164	.114	.269	3.719

a. Dependent Variable: Bank Profitability


Histogram
Dependent Variable: Bank Profitability
Mean = -2.73E-15
Std. Dev. = 0.990
N = 196
Frequency
50
40
30
20
10
0
-2
0
2
4
Regression Standardized Residual


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: Bank Profitability
Expected Cum Prob
1.0
0.8
0.6
0.4
0.2
0.0
0.0
0.2
0.4
0.6
0.8
1.0
Observed Cum Prob


Scatterplot
Dependent Variable: Bank Profitability
Regression Standardized Residual
Regression Standardized Predicted Value
4
2
0
-2
-4
-3
-2
-1
0
1
2