CHRISTIAN SERVICE UNIVERSITY COLLEGE

CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF GHANA CLUB 100 MEMBERS.

BY

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DISSERTATION SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE OF THE SCHOOL OF GRADUATE STUDIES, CHRISTIAN SERVICE UNIVERSITY COLLEGE, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR AWARD OF MASTER OF SCIENCE DEGREE IN ACCOUNTING AND FINANCE.

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DECLARATION

This research project is my original work and has not been submitted for examination in any other University or institution of higher learning.

Candidate's Signature……………………. Date………………………

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This research project has been submitted for examination with my approval as the supervisor.

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ABSTRACT

Despite the increasing studies on corporate social responsibility and financial performance among high performing companies, very little interest has focused on Ghanaian firms. This study, therefore, examined the relationship between corporate social responsibility (CSR) and financial performance (FP) of the financial firms among Ghana Club 100. A secondary data were used for the study, and 20 financial firms whose CSR expenditure reports were available were selected. A correlation design was used using a three- year (2013-15) data on return on equity (financial performance) and firm size, and multiple regression analysis conducted. The results indicated that CSR has a positive but non-significant effect on firm's ROE, but firm size showed a significant positive relationship with ROE. However, both firm size and CSR provides a good predictive model of firm financial performance. The study recommends Ghanaian financial firms to engage in CSR activities as doing so may improve their financial performance. A CSR expenditure criterion should also be used in ranking Ghana Club 100 firms, to facilitate the collection of secondary data for future research that can cover all members to address the limitations of this study.

Keyword: Corporate Social Responsibility, Return on Equity, Firm Size, Club 100

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DEDICATION

This work is dedicated to my uncle Mr. Odame Kwasi Emmanuel, for his support during this course and also mentoring and instilling in me the spirit of hardworking and the importance of education.

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ACRONYMS

ANOVA	Analysis of Variance
CFP	Corporate Financial Performance
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSRI	Corporate Social Responsibility Index
FP	Financial Performance
GC100	Ghana Club 100
ROA	Return on Asset
ROE	Return on Equity
VIF	Variance Inflation Factor

CHAPTER ONE

1.0 Introduction

Corporate social responsibility has become much popular in the last few years. A large number of companies issue reports on the Corporate Social Responsibility (CSR) nowadays.

Corporate Social Responsibility has been defined by different researchers in different ways. (McWilliams and Siegel, 2001) describe Corporate Social Responsibility as "Doing all those activities which are not forced by law of those countries in which they are running their business and which are not for the primary benefits of the business, but for the benefits of the society."

Several authors argue that companies can gain enormous benefits by being socially responsible (Idowu & Papasolomou, 2007). There are a large number of different views of why companies engage in CSR and what benefits a company actually gets from participating in CSR. Companies participate in CSR in order to look better, feel better, do better and live longer.

However, there is much less research considering the corporate social responsibility (CSR) and financial performance in relation to their size, profitability and growth link in the Ghanaian context (Emmanuel Ocran, 2011) concluding that *Corporate social responsibility has a significant impact on the profitability of MNCs, and it is a positive impact, which includes good business relationship, good will among other benefits.*

(Carroll, 1991) describes that a company's CSR philosophy can be, compliance driven, profit driven, driven by caring, synergistic or holistic. Many researchers also argue that CSR improve the brand, and some claim that companies with a strong reputation for CSR will last longer. (McGuire *et al.*, 1988) have on the basis of previous research been able to sort the relationship between CSR usage and financial performance into three main viewpoints. In the first viewpoint, it is argued that CSR investments put these companies into an economic disadvantage compared to less responsible companies. The second viewpoint is that explicit CSR investment costs are minimal and that companies investing in CSR actually gain benefits from this in terms of employee morale and productivity. In the third viewpoint, costs of CSR investments are significant; they are, however, offset by the reduction in other company costs.

Most of the scholars investigating corporate social responsibility and financial performance have argued for a positive association. Several authors have cited improved employee and customer goodwill as an important outcome of social responsibility (Davis, 1973); (Solomon & Hansen, 1985).

1.1 Background

Corporate Social Responsibility (CSR) as a concept entails the practice whereby corporate entities voluntarily integrate both social and environmental upliftment in their business philosophy and operations. A business enterprise is primarily established to create value by producing goods and services which society demands. The present-day conception of corporate social responsibility (CSR) implies that companies voluntarily integrate social and environmental concerns in their operations and interaction with stakeholders. The notion of CSR is one of ethical and moral issues surrounding corporate decision making and behavior, thus if a company should undertake certain activities or refrain from doing so because they are beneficial or harmful to society is a central question. Social issues deserve moral consideration of their own and should lead managers to consider the social impacts of corporate activities in decision making.

Today, managers of firms have found a need that the environment in which they operate should be provided for because their intermediate and macro environments have a direct impact on the attainment of the corporate goals, objectives and mission statement. The purpose of all Profit-making organizations, and even the non-profit making organizations, is to maximize profit and in turn minimize cost, through optimal utilization of available resources to achieve the best results they are capable of. CSR involves a business, identifying its stakeholder groups and incorporating their needs and values within the strategic and day-to-day decision-making process, thus a means of analyzing the interdependent relationships that exist between businesses, the economic systems and the communities within which they are operating. CSR is a means of discussing the extent of obligations a business has to its immediate society; a way of proposing policy ideas on how those obligations can be met; as well as a tool by which the benefits to a business of meeting those obligations can be identified (CSR Guide). CSR is also referred to as corporate or business responsibility, corporate or business citizenship, community relations, social responsibility'. It involves the way organizations make business decisions, the products and services they offer, their efforts to achieve an open and honest culture, the way they manage the social, environmental and economic impacts of business activities and their relationships with their employees, customers and other key stakeholders having an interest in the Business and its operations. The motivations to engage in CSR are varied – responding to market forces, globalization, consumer and civil society pressures, corporate objectives, etc. The activities of these firms are therefore visible because of their global reach. As such, there is a higher incentive to protect their brands and investments through CSR. The CSR activities in this sector are mainly focused on remedying the effects of their business activities on the local communities. So, the firms operating in this sector have often provided pipe-borne water, hospitals, schools, etc.

Firms seek to conduct CSR so that they meet their financial, social and environmental responsibilities in an aligned way. At its core, it is simply about having a set of values and behaviours that underpin its everyday activities, its transparency, its desire for fair dealings, its treatment of people, its attitudes towards and treatment of its customers and its links into the Community. As a result, the environmental aspect of CSR is seen as the duty to cover the environmental implications of the company‘s operations, products and facilities; eliminate waste and emissions; maximize the efficiency and productivity of its resources; reward for externalities and minimize unethical practices that might adversely affect the enjoyment of the country‘s resources by future generations. In the emerging global economy, where the internet, the news media and the information revolution shed light on business practices around the world, companies are more frequently judged on the basis of their environmental stewardship (CIBN). Partners in business and consumers want to know what is inside a company. This transparency of business practices means that for firms, CSR is no longer a luxury but a requirement. (Mazurkiewicz, 2004) recognized the concept has been developing since the early 1970s; there is no single, commonly accepted definition of Corporate Social Responsibility (CSR). There are different perceptions of the concept among the private sector, governments and civil society organizations. Depending on the perspective, CSR may cover:

a. A company running its business responsibly in relation to internal stakeholders (shareholders, employees, customers and suppliers);

b. The role of business in relationship to the state and nationally, as well as to global institutions or standards; and

c. Business performance as a responsible member of the society in which it operates and the global community.

The first perspective includes ensuring good corporate governance, product responsibility, employment conditions, workers' rights, training and education. The second includes corporate compliance with relevant legislation, and the company‘s responsibility as a taxpayer, ensuring that the state can function effectively.

The third perspective is multi-layered and may involve the company‘s relations with the people and the environment in the communities in which it operates, and those to which it transact business. Too often, attaining CSR is understood from the perspective of business generosity to community projects and charitable donations, but this fails to capture the most valuable contributions that a company has to make (Reyes, 2002).

CSR is seen by leading companies as more than a collection of discrete practices or occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management‖.

Simply, many companies have found that CSR has often had a positive impact on corporate profits. Profitability is an important factor for all companies, because it is one of the major purpose for which the companies are established. Of all the topics related to corporate social responsibility, it is environmental initiatives that have produced, so far, the greatest amount of quantifiable data linking proactive companies with positive financial results. Corporate Social Responsibility in the mining sector would be aimed towards addressing the peculiarity of the socioeconomic development challenges of the country (e.g. Poverty alleviation, health care provision, infrastructure development, education, etc.) and would be informed by social-cultural influences (e.g. Communalism and charity). Companies are assumed to be socially responsible because they anticipate a benefit from these actions. Examples of such benefits might include reputation enhancement, the ability to charge a premium price for its output, or the use of CSR to recruit and retain high quality workers. These benefits are presumed to offset the higher costs associated with CSR, since resources must be allocated to allow the firm to achieve CSR status, while a key indicator to determine the true worth and value of modern organizations is their ability to give back to the society part of their income through some mutually beneficial initiatives (Nkanbra and Okolite, 2007). There is no doubt that CSR is becoming indispensable, though involuntary, in the contemporary business world as societal needs are making it imperative for the corporate organizations to be sensitive to happenings in their environment, which ensure more understanding and good relationship between the organization and the society they exist, since CSR contributes to the well being of the citizenry (Osho, 2008).

1.2 Research Problem

Despite the increasing studies on corporate social responsibility and financial performance nexus, researchers hold startling different views leading to ambiguity and more so still no consensus on the link given credible advert that the debate is far from over. This gives additional motivation for this paper. Little interest has been devoted to members Club 100 in Ghana. Where this is available, it is single firm analysis (Abu-Badr and Abu-Qarn, 2008), (Akinboade and Makina, 2006). Therefore, to our knowledge, literature is silent on studies in the firms of Ghana's Club 100. This study focuses on filling this gap by considering firms of Ghana's Club 100. A comparative studies are necessary because;

1. It will reveal the peculiarities in each firm and the desire strategic policy implication required to forge ahead in the development process.
2. It will also uncover the level and extent by which financial impact on economic growth and development in each bloc and why if any, different in each firm.

1.3 Purpose of the Study

The overall purpose of this study is to examine the relationship between corporate social responsibility (CSR) and financial performance (FP) of members of Ghana Club 100.

Specific purposes for the research study might include:

1. Identify the relationship between corporate social responsibility and financial performance.
2. Identify the relationship between corporate social responsibility and firm's size.

1.4 Research Objective

The general objective of this study is to examine the effect of Corporate Social Responsibility of members of Ghana Club 100 on its financial performance. But specifically, the study sought to achieve the following objectives:

1. To find the relationship between firm size and corporate social responsibility.

2. To find the relationship between firm profit and corporate social responsibility.
3. To find the relationship between corporate social responsibility and firms return on equity.

1.5 Hypotheses:

H1: CSR has significant impact on the firm's financial performance.

H2: Firm size has positive effect on CSR.

H3: CSR has positive effect on firm profit

H4: There is positive and significant relationship between CSR and ROE.

1.6 Significance of the Study

There are many benefits of the engagement of CSR initiatives in companies, there are also high levels of initial and consequent costs that the companies are concerned about.

One of the benefits of incorporating stakeholders into the strategic management is that it will generate more profit for the company. It also will enable company executives understand that engaging in social activities can help in managing emerging social risks as an offshoot of their operational activities.

The study will highlight a better way of marketing for a firm and its management. The study will help a firm attract, motivate and retain competent employees who will enable it to realize its objectives. Social activities help companies to be known as responsible corporate citizens with sensitivity towards social and environmental issues (Carroll, 1979).

By understanding the effect of corporate social responsibility activities of financial performance, investors will determine how to allocate their portfolio so as to maximize returns and thereafter change their assessment of companies' performance and will be making decisions based on criteria that will include ethical concerns (Carroll, 1991).

Furthermore, this study will add knowledge to previous studies on corporate social responsibility by adding the component of its effect on long term financial performance.

Analysts will find this study helpful when trying to understand the effect that engaging in social activities has on a firm’s long term financial performance.

Finally, by investigating the effect of CSR on FP, the study findings will enrich the discussions on CSR and contribute to the existing theories and literature on their association. Other scholars can also use the information gathered to expound on areas not yet addressed in CSR, corporate strategy and FP. The study’s findings will act as reference material for them while replicating the study elsewhere.

1.7 Scope of the Study

The focus of this study is only for 2015 members of Ghana’s Club 100 specifically members whose CSR expenditure will be obtained. It critically examines what impact Corporate Social Responsibility has on the financial performance of firms in Ghana’s Club 100 for the period 2013-2015 because the 2015 ranking was based on 2013 – 2015 performance of each firm. However the study is limited to finding out how much in monetary terms firms in Ghana’s Club 100 commit towards the well-fare of their employees yearly.

1.8 Limitations

In this study, CSR was measured by considering monetary spending on social activities.

However, CSR has various dimensions, some monetary while other non-monetary. To determine a linear relationship, numerical values are required in which case it becomes difficult to capture non-monetary measures. Nonfinancial CSR activities such as many hours spent in planting trees, sanitary pads donated to school girls, free financial literacy, fair employment practices, time and resources spent in cleaning the environment and food items donated to starving communities and school going children were not captured in this study due to difficulties in their measurement. There is a possibility that the results of this study would be different if such aspects were considered.

Some commercial institutions had charged their CSR expenses under office expenses, marketing expenses or general expenses and reflected the totals in their statements of comprehensive income. Notes to the financial statements, however, did not disclose this fact. This in turn interferes with the net profits before tax that was used in the study.

Commercial institutions should adequately report on their CSR items individually, without generalizing it with other expenses. Furthermore, some institutions treated CSR expenses as tax exempt while others considered it otherwise. Investments only considered loans to customers, investment in treasury bonds, investment in shares for trading purposes, investment in foreign currencies and investment in the subsidiary. These are not the only investments affecting profit levels that a commercial bank can engage in.

1.9 Definition of Terms

1.9.1 Corporate Social Responsibility (CSR)

Today the corporate world is facing the concept of corporate social responsibility (CSR) wherever we see. At large corporations are encouraged to behave as socially responsible firms.

However, in both the corporate and the academic world, there is uncertainty as to how CSR should be defined. The beginning studies on CSR started with Bowen, who issued Social Responsibility of Business man in 1953. Many other researchers during the 60s have tried to validate and to narrate the more accurate definition of CSR (Iqbal *et al.*, 2013). (Davis, 1960) states CSR as “Actions and decision made by business persons partially beyond the Organization’s direct economic and technical interest”. Since the 1970s, different scholars have paid more attention to the Corporate Social Performance (CSP) as well as CSR (Carroll, 1979).

(Carroll, 1979) was the famous writer who intended a four part definition of CSP, including the Economic Responsibility, Discretionary Responsibility, Ethical Responsibility and Legal Responsibility. (Carroll, 1979) argued that the managers or administrators of organizations who have selected the Corporate Social Performance must follow the criteria, the criteria from the definition of CSR that take under consideration an accurate explanation of where, why, how and in what way the owners of the organization are linked to social responsibility, and a list of essentials and rules that govern the CSR. (Cochran and Wood, 1984) studied the different methods in which the social performance and financial performance has been put into use in the past and made up mind to use a reputable index to evaluate the CSR, they also emphasized on the demand of morality.

(Hopkins, 1999) describes that the stakeholders of the firms are treated ethically or in a socially responsible manner under the concept of CSR. Stakeholders exist both within a firm and outside. Consequently, human development of stakeholders both within and outside the corporation is increased by behaving as a socially responsible firm.

1.9.2 Determinants of Corporate Social Responsibility

The following are the determinants of Corporate Social Responsibility.

1.9.2.1 Education

This determinant shows that how much the Islamic and Conventional banks are paying for their employees and for other people in the community who can't bear their education expenses.

Education is a factor of CSR. The banks, which take it under consideration, earn long term profits because such type of expenses for society build the Good-Will. Now a day's supporting for education is a key to success of financial institutions (Iqbal *et al.*, 2013).

1.9.2.2 Health

This determinant shows that how much the Islamic and Conventional banks are paying for the health of their employees and for the health of other people living in the community.

Different amount of money is offered to hospitals for the health and care of needy people of society. Employees of financial institutions enjoy the medical facility. The network can create a healthy community. Hence the financial institutions must create a network between human beings and health care (Iqbal et al, 2013).

1.9.2.3 Donation

Donation determinant shows the interest of financial institution to pay a specific amount of money to rehabilitate the society. Financial institutions provide donations to people affected by natural disasters like flood, earthquake etc. Transferring the usufructs of someone to any other person or institution is called donation. Donation is a gift offered by a physical or a legal person, usually for the charitable purpose and for the benefit of the society. It may be in the form of cash offering, service, new or used goods like clothing, toys, food and vehicle. It also includes the emergency, relief & development support or medical needs like donation of blood and organ's transplant. The goods and services that are offered as charity also called gift in kind. The institutions that provide gifts called the donor and individual or any institution who accepts the gift called the done (Iqbal *et al.*, 2013).

1.9.3 Financial Performance

Financial Performance can be defined as it measures the financial position of a company over a specified time period to know how efficiently a company is using its resources to generate income. Return on asset, return on equity, net profit, earning per share etc are evaluated to measure firm's financial health.

1.9.3.1 Measures of Financial Performance

Following are measures of financial performance of firms.

1.9.3.2 Return on Equity

Return on Equity measures the return earned on both preferred and common stockholders' investment in the financial institution annually. It shows the ability of generating profits from every unit of shareholders' equity. ROE shows how well a company uses investments to generate earnings growth.

1.9.3.3 Net Profit

Net profit means revenues minus all expenses. Net profit of the organization is shown after deducting the interest expenses and taxes on the profit.

1.9.3.4 Firm Size

This is measured using the company's turnover for the year being ranked. Turnover for the banks is measured by their gross interest income plus commissions and fees, while turnover for insurance companies is measured by net premium earned plus investment income.

1.9.4 Ghana Club 100

The Ghana Club 100 (GC 100) is an annual compilation of the top 100 companies in Ghana to give due recognition to successful enterprise building and was launched in 1998 by the Ghana Investment Promotion Centre (GIPC), (GIPC.com). The GC 100 is about corporate excellence. Companies making it into the GC 100 are to serve as role models for the private sector and provide a forum for corporate Ghana to interact with the government at a high level.

1.9.4.1 Objective of Club 100

The GC 100 has the following objectives:

- To develop a database of the top 100 viable companies, as an annual "who is who" on the Ghanaian corporate business calendar and through creative media vehicles and activities, promote Ghana's corporate capacity.
- To utilize the club to gain government support and intervention to enhance the competitiveness of the Ghanaian corporate sector,
- To team up with club members to enhance Ghana's private sector development through strategic push and pull linkages,

- Develop an open information culture within the corporate sector,
- Provide incentives for improved corporate performance by recognizing the top 100 performing companies and
- Develop uniform criteria for evaluating corporate performance.
- For a company to be eligible to be member of GC 100
- All entrants must be limited liability companies.
- For companies with government interest, government shares should be less than 50%, unless it is listed on the stock exchange.

1.9.4.2 Ranking of Members

Eligible companies are ranked on the following parameters:

Size:

This is measured using the company's turnover for the year being ranked. Turnover for the banks is measured by their gross interest income plus commissions and fees, while turnover for insurance companies is measured by net premium earned plus investment income.

Profitability

A universally accepted measure of profitability is the Return on Equity (ROE). This indicates the return that management has created for the shareholders of the company. This is measured by calculating the 3–year average ROE for the companies.

Growth

This gives recognition to companies that are growing at impressive rates. Such companies are usually growing because of excellence in product development, marketing and effective management. This is measured using the 3-year compounded annual growth rate of turnover over the period two years before the year being ranked in the year being ranked.

1.10 Organization of the Study

Chapter 1 of this study introduced the problem statement and described the specific problem addressed in the study as well as design components.

Chapter 2 presents a review of the literature and relevant research associated with the problem addressed in this study.

Chapter 3 presents the methodology and procedures used for data collection and analysis.

Chapter 4 contains an analysis of the data and the presentation of the results.

Chapter 5 offers a summary and discussion of the researcher's findings, implications for practice, and recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter highlights various theories on CSR, the empirical studies on CSR, theoretical framework and a conclusion of literature review.

2.1 Theoretical Review

In spite of the variety and complexity of approaches related to CSR, there are some proposals which have become mainstream theories on normative Corporate Social Responsibility. Among the theories are; agency theory and stakeholder theory.

2.2 Agency Theory

Generally, 'shareholder value-oriented' goes along with the agency theory, which has been dominant in many business schools in the last decades (Ross, 1973). In this theory, the owners are the principals and managers are their agents. The manager bears the fiduciary duty towards the owners and is generally subject to strong incentives in order to alienate their economic interests with those of the owners, and with the maximization of shareholder value. Today, it is commonly accepted that under certain conditions the satisfaction of social interests contributes to maximizing the shareholder value and most large companies pay attention to CSR, particularly in considering the interests of people with a stake in the firm. In this respect, (Jensen, 2000) has proposed what he calls 'enlightened value maximization'. This concept specifies long-term value maximization or value-seeking as the firm's objective which permits some tradeoffs with relevant constituencies of the firm.

To distinguish profitable CSR from others which are not, (Burke and Logsdon, 1996) proposed the concept of SCSR to refer to policies, programs and processes which yield substantial business related benefits to the firm, in particular by supporting core business activities, and thus contributing to the firm's effectiveness in accomplishing its mission.

From this perspective, there is an ideal level of CSR determinable by cost-benefit analysis and depending on several factors (McWilliams and Siegel, 2001). This requires a careful calculation of the optimal level of social output in each situation for maximizing shareholder value.

2.3 Stakeholder Theory

In stakeholder theory, the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services (Clarkson, 1995) or to serve as a vehicle for coordinating stakeholder interests (Evan and Freeman, 1988). Stakeholder theory was first presented as managerial theory. Accordingly, the corporation ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities, and to maintaining the survival of the firm (Evan and Freeman, 1988). The decision making structure is based on the discretion of the top management and corporate governance, and frequently it is stated such governance should incorporate stakeholder representatives. Stakeholder Theory of CSR is related to the belief that corporations have an obligation to constituent groups in society other than the stockholders and beyond that prescribed by law or union contract (Jones, 1980). Thus, stakeholder theory takes into account individuals or groups with a stake in the company, including shareholders, employees, customers, supplier and local community.

According to (Freeman, 1984) the stakeholder concept provides a new way of thinking about strategic management. By paying attention to strategic management, executives can begin to put a corporation back on the road to success. However, it is also a normative theory which requires management to have a moral duty in order to protect the corporation as a whole and, connected with this aim, the legitimate interests of all stakeholders (Friedman, 1970). Evan and (Freeman, 1988) stated that management, especially top management, must look after the health of the corporation, which involves balancing the multiple claims of conflicting stakeholders. The term stakeholder was meant by (Friedman, 1970) to generalize the notion of stockholder as the only group to whom management need to be responsible. 'Stakeholder' can be taken in two senses. In a narrow sense, the term stockholder includes those groups who are vital to the survival and the success of the corporation (Freeman and Reed, 1983). In a wide sense, it includes any group or individual who can affect or is affected by the corporation (Freeman, 1984).

Thus, stakeholders are identified by their interests in the affairs of the corporation and it is assumed that the interests of all stakeholders have intrinsic value (Donaldson and Preston, 1995).

The base legitimacy of the stakeholder theory is on two ethical principles; principle of corporate rights and principles of corporate effects (Freeman and Reed, 1983). Both principles take into account the Kant's dictum respect for persons. The former establishes that the corporation and its managers may not violate the legitimate rights of others to determine their future. The latter focused on the responsibility for consequences by stating that the corporation and its managers are responsible for the effects of their actions on others. There is the problem of solving conflicting interests between stakeholders. Several authors, accepting the basic stakeholder framework, have used different ethical theories to elaborate different approaches to the stakeholder theory, and specifically to solve conflicting stakeholder demands. It has been proposed, among others, the following theories: Feminist Ethics (Burton and Dunn, 1996), the Common Good Theory (Argandoña, 1998), the Integrative Social Contracts Theory (Donaldson and Dunfee, 1999) and the Doctrine of the fair Contracts (Freeman, 1994). Freeman accepted these pluralistic ethical approaches by presenting a stakeholder model as a metaphor where different ethical theories find room.

A CSR study "can arguably be seen implicitly as a proxy for stakeholder studies" (Cummings and Patel, 2009). Stakeholder theory is based on examination of groups to which a firm reacts responsibly (Moir, 2001). Freeman (1984) defined a stakeholder as ''any group or individual who can affect or is affected by the achievement of the firm's objectives''

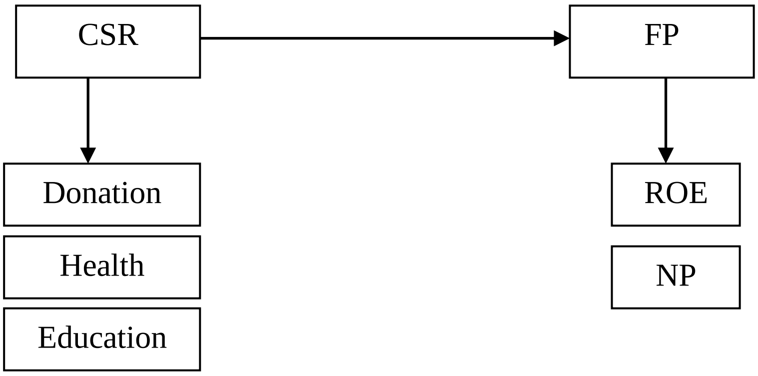
Chester Barnard noted that "the purpose of the corporation was to serve the society, and that the function of the executive was to instill this sense of moral purpose in the corporation's employees."

This is the basis of the stakeholder theory which recognizes that it is the satisfaction of all the legitimate interests of a firm's interdependent constituencies (like the employees, customers, suppliers, the local community, shareholders etc.) that can be said to truly lead to the long-term success of that firm. The major argument against the stakeholder theory, (Mele) notes, is that it can lead to opportunism given that selfish executives can justify their selfish decisions and actions by merely arguing that they are in the stakeholders' interests. Another pitfall is that although the interests of specific stakeholders may differ, this theory treats all stakeholder interests as though they are equal, and this does not bring fairness. But, (Mele) asserts that any attempt by the firm to bring fairness into stakeholder representation will present some difficulty in corporate decision making, apart from portraying the firm as merely existing to service the interests of stakeholders.

In this specific case, stakeholder theory can be used as to describe the reasons for which a company may undertake CSR activities as to gain maximized long-term returns (Samy et al., 2010).

2.4 Conceptual Framework

This review was done to examine the relationship between corporate social responsibility and firm financial performance. (Gherghina et al., 2015), using the NASDAQ stock market for sampling U.S. companies in the 2008-2011 periods, with panel data regression models, showed that corporate social responsibility influenced positively U.S. firms' value. However, (Gherghina et al., 2015) used firm size, leverage, growth, and listing as factors affecting corporate social responsibility. Their study found a significant negative relationship between corporate social responsibility index (CSRI) and firm size. Based on their findings, we proposed a negative relationship between firm size and corporate social responsibility. (Jo and Harjoto, 2011) examined corporate social responsibility on firm value. Using Tobin's Q as a measure of financial performance found that engagement in CSR has a positive effect on firm value. Based on this literature, this study proposes a positive relationship between return on capital employed as a measure of financial performance and corporate social responsibility. Brown and (Caylor, 2009) used 51 governance provisions variables (both mandated and non-mandated governance provisions by three major U.S. stock exchanges) on operating performance. Their findings revealed that only six of the governance provisions variables have a positive relationship with both return on assets (ROA) and return on equity (ROE). Using the length of market to book value as one of the control variables in their model, they also found a positive relationship with corporate social responsibility. Based on these findings, we also proposed a positive relationship between market to book value (MBV) and corporate social responsibility.



2.5 Empirical Literature

Corporate social responsibility is a much contested concept (van Marrewijk, 2003). (Dahlsrud, 2008), in his analysis of the use of this term, found the definition used by the European Commission to be the most frequently adopted: 'A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'. He considers this definition to include the five dimensions of CSR that he identified: environmental, social, economic, stakeholder and voluntariness.

There have been a number of studies based on United States and European data that seek to test the extent to which the economic drivers for corporate social responsibility deliver improved financial performance. The studies adopt different methodologies for measuring corporate social responsibility and financial performance, and not unexpectedly present quite different results.

From the above analysis, it is clear that CSR has significant impact on the profitability of financial institution. So the CSR expenditure provides good returns for the firms in the short run and in the long run it will provide better return surely (Suraiya Mahbuba, 2013).

Last but not least, in the operational level, these results aim at persuading managers to implement CSR actions in a greater extent to enhance firm market efficiency and at a larger outcome scale to improve the CSR state in Greece. In spite of the costs that may occur, adopting a CSR strategy, firms may obtain higher stock returns and satisfy the needs of their stakeholders (Theofanis Karagiorgos, 2010).

We found, however, that managers of firms adopting a Community SCR orientation were also significantly more likely to assess their firms' profitability, market share, sales and customer satisfaction as being better than that of their competitors (C. -C. Chen et al, 2015*)*.

Although there are many benefits of the engagement of CSR initiatives in companies, there are also high levels of initial and consequent costs that the companies are concerned about. One of the benefits of incorporating stakeholders into the strategic management is that it will generate more profit for the company (Waworuntu, Stephanus Remond, Michelle Dewi Wantah & Toto Rusmanto, 2014).

(Miles and Munilla, 2005) describe the motives for participating in CSR by using (Carroll's, 1991) Pyramid of Corporate Social Responsibility, which illustrates how different levels of commitment to CSR are related to motives and outcomes. (Carroll, 1991) describes that a company's CSR philosophy can be, compliance driven, profit driven, driven by caring, synergistic or holistic. In the first stage of CSR category, which is called the legal stage, companies engage in CSR as it is their duty and obligation to follow laws and regulations. In the economic stage, companies use CSR as a strategy to create a competitive advantage and gain improved financial performance. The ethical and philanthropic stage has the aim to have a balance between the profit, people and the planet. In this stage the company does not only focus on profit, but also on social welfare.

Several authors argue that companies can gain enormous benefits by being socially responsible (Idowu & Papasolomou, 2007). There are a large number of different views of why companies engage in CSR and what benefits a company actually gets from participating in CSR. Companies participate in CSR in order to look better, feel better, do better and live longer.

They explain that by participating in CSR the company will look good in the view of potential customers, business colleagues, investors and in the media etcetera. Furthermore, employees, customers, stockholders and board members will actually feel good. Many researchers also argue that CSR improve the brand, and some claim that companies with a strong reputation for CSR will last longer. (Kotler et al., 2005) describe that companies can gain great benefits from participating in CSR and that these benefits are the reasons for their engagement in CSR.

(Kramer and Porter, 2006) describe the reasons for participating in CSR by moral obligation, sustainability, license to operate and reputation.

(McGuire *et al.*, 1988) have in conformity with (Sarbutts, 2003) established that there are various arguments what the relationship between a company's CSR engagement and their financial performance is. (Sarbutts, 2003) argues that if CSR affect a company's reputation, it is also very likely that this will affect the company's financial performance. (Balabanis *et al.*, 1998) continue this by arguing that companies engage in CSR due to enlightened self-interest since CSR is believed to enhance corporate image and thereby improve financial performance.

However, he also points out that all researchers do not share this point of view. This is mainly due to the fact that there are diverse results from previous research on how investing in CSR affect a company's performance.

(McGuire *et al.*, 1988) have on the basis of previous research been able to sort the relationship between CSR usage and financial performance into three main viewpoints. In the first viewpoint, it is argued that CSR investments put these companies into an economic disadvantage compared to less responsible companies. The second viewpoint is that explicit CSR investment costs are minimal and that companies investing in CSR, actually gain benefits from this in terms of employee morale and productivity. In the third viewpoint, costs of CSR investments are significant; they are, however offset by the reduction in other company costs.

It is also suggested that companies should satisfy all stakeholders, not just the shareholders of a company. Most of the scholars investigating corporate social responsibility and financial performance have argued for a positive association. Several authors have cited improved employee and customer goodwill as an important outcome of social responsibility (Davis, 1973); (Soloman & Hansen, 1985). For example, a firm perceived as high in social responsibility may face relatively few labour problems, and customers may be favorably disposed to its products. Socially responsible activities may also improve a firm's standing with such important constituencies as bankers, investors, and government officials. Improved relationships with these constituencies may bring economic benefits. Indeed, banks and other institutional investors have reported social considerations to be a factor in their investment decisions (Spicer, 1978).

The literature which studies the relationships among customer satisfaction, customer loyalty and the financial performance has been divided into two groups. The first, involves the service management literature, where customer satisfaction affects customer loyalty which in turn influences profitability (Hallowell, 1996). (Chi and Gursoy, 2009) have stated that a satisfied customer turns into a loyal one and customer, in time, will lead to higher sales and therefore higher financial returns for the company. (Zeithaml et al., 1990), (Reicheld and Sasser, 1990), (Anderson and Fornell, 1994), (Heskett et al., 1994), (Storbacka et al., 1994), (Rust et al., 1995) and (Schneider and Bowen, 1995) are all supporters of this theory. According to (Hallowell, 1996) the study of the way the above factors interact was initiated by (Nelson et al., 1992), who tested the relationship of customer satisfaction to customer profitability in the context of hospitals.

Over the years, the growing importance of CSR for firms has risen from the pressure various stakeholders place on these firms to engage in additional CSR investments (McWilliams & Siegel, 2000). However, managers across various firms do not share the same attitudes towards these concerns about CSR. On one spectrum, there exist, managers who believe that in communicating their better social performance with stakeholders such as investors, consumers, suppliers, bankers and employees, the firm’s reputation with these stakeholders may improve (Orlitzky, Schmidt & Rynes, 2003). For example, (Spicer, 1978) found firms’ relationships to improve with bankers and investors if they had a higher level of Corporate Social Performance (CSP), thus allowing these firms to access capital and better contractual terms. (Bagnolli and Watts, 2003) found that firms with high CSP attracted more socially responsible consumers and experienced improved financial performance. Another reason management may address these concerns is because CSR may serve as a strategy to create and maintain a competitive advantage. By adding value to society, firms realize that they can transcend from doing good for doing better in order to survive and compete in the competitive global market (Lin, Yang & Liou, 2009).

In contrast, some managers find that such CSR activities deplete their profits in the long term and try to resist such initiatives because of this perceived trade-off. Managers who feel that satisfying shareholder interests is a priority and that the primary objective of a business is to make money may render ethical considerations unimportant; therefore, such CSR investments may hurt the financial performance of the business (Friedman, 1970). (Ullman, 1985) asserts that this negative relationship could result from the inefficient use of resources as firms try to meet the demands of different stakeholders such that the costs incurred from socially responsible actions place these firms at an economic disadvantage.

There is an alternative approach to determining the impact of CSR on a firm's CFP, which is by finding if there is any abnormal financial gain among firms listed on the SRI indices. There has been limited research on the capital market reaction to socially responsible and non-socially responsible activities by corporations. The extant research examines the relationship between positive and negative announcements and changes in stock prices or daily returns. Positive announcements reflect firms that are added to the index, whereas negative announcements reflect firms that have been deleted from the index (Curran & Moran, 2007). Calculating abnormal returns at an announcement date separates the effect of a change in CSR on corporate performance from the reverse causality effect of corporate performance on the CSR of the firm (Becchetti *et al.*, 2012). This is the advantage of investigating the impact of CSR on CFP in financial markets.

From the above, it can be seen that the relationship between CSR and CFP is an important issue for corporate management to consider, and as a result, (Preston, 1990) suggests that social issues deserve the same attention and rigorous analysis as market factors in determining long-term success.

2.6 CSR IN GHANA

The concept of CSR has become more and more common in business practices and customers today almost expect companies to be socially responsible. Even though CSR is very important for companies, it has historically not been a very lucrative approach for them to involve in these activities. The business of the 21-st century will have no choice but to implement CSR. Like any successful management strategy, a CSR process needs both high level management vision and support, and buy-in at all levels of the company.

CSR does not give immediate results. The same CSR initiative will also not work for all types of organisations. Designing CSR initiative requires careful planning and implementation mechanism. Corporate organisations should integrate the innovative CSR strategies into different marketing communication strategies to build and sustain a competitive advantage. Corporate social responsibility has a significant impact on the profitability of MNCs, and it is a positive impact, which includes good business relationship, good will among other benefits. In today‘s competitive market, CSR offer an opportunity for companies to explore other areas of improving profitability. Customers have become very sophisticated and very much aware of their environment against the perception that corporate organisations make a lot of profits, it becomes imperative for these companies to put back into the society through corporate social responsibility programmes. Even though the benefits from CSR are over a long time of time, it is such that it gives a lot more intangible benefits to the organisations. Such benefits include customer loyalty, brand image, improved corporate image, and market share and community presence.

Unfortunately, all these benefits cannot be quantified in monetary terms but translates into improving the profits of the organisation over time. Indeed CSR is capital intensive and needs an extensive programme backed by executive support to roll out various CSR programmes. Small and medium enterprises are unable to engage in such ventures due to factors already indicated in the study such as long return on investments, lack of commitment from the executive and the expertise to run such programmes. Government organisations even though may engage in corporate social responsibility programmes its is usually not capital intensive. Of course these organisations are not income generated but are sub-vented by the government and so there is not an allocation for the society. CSR activities are usually donations to deprived communities and groups.

As to whether CSR can be a business strategy for companies to achieve corporate targets and objectives such as competitiveness in market or market share is another study that can be researched further. Emmanuel Ocran (2011)

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter begins by describing the research design adopted. It then identifies the target population from which the sample was selected and the sampling techniques used in identifying the firms that were subjected to the study. The chapter ends by describing the data analysis techniques used in analyzing the data and the models applied in data analysis.

3.1 Research Design

The research design used in this study is descriptive design. The descriptive design leads to the discovery of associations among the different variables. The design was found appropriate for carrying out a holistic, in depth and comprehensive investigation where much emphasis was placed on the analysis of the effect of CSR on the financial performance of Ghana's club 100.

3.2 Research Instrument

For CSR and Net Profit testing, we use the correlation and reliability method to find the cause and affect relationship between CSR and impact on financial performance of the firm. We collect the data, net profits, return on equity and the CSR of the company's annual reports for (2013 to 2015) and then find out the relationship between them. In this report only those companies which shows the CSR in amount (GH¢) and also a listed member of Ghana Club 100.

3.3 Target Population and Sample Design

The study targeted 2015 members of Ghana's Club 100 that had invested in CSR from the year 2013 to 2015. A non-probabilistic sampling design was used since the data were only from those firms that have incorporated CSR in their activities from the year 2013 to 2015.

Investment in CSR was tested against net profits after tax and size for the same period. The following 20 financial institutions were consequently selected as they had provided the required financial information

Unibank Ghana Limited

Cal Bank Ghana Limited

Zenith Bank Ghana Limited

Prudential Bank Limited

Sahel Sahara Bank (BSIC Ghana Limited)

HFC Bank (Ghana) Limited

Glico Life Insurance Company Limited

Bank of Baroda (Ghana(Limited

Lower Pra Rural Bank Limited

Ahantaman Rural Bank Limited

Akwapim Rural Bank Limited

uniCredit Ghana Limited

Access Bank (Ghana) Limited

Fan Milk Limited

PZ Cussons Ghana Limited

Societe Generale Ghana Limited

LeasAfric Ghana Limited

Enterprise Trustees Limited

Kintampo Rural Bank Limited

Benso Oil Palm Plantation Limited

3.4 Data Collection Procedures

Secondary data are the chief source of information for this study. Annual financial reports of Ghana Club 100, Data used include corporate social responsibility expenditure from the financial statement of each member, the size of the firm which is measured by using the company's turnover for the year being ranked, Return on Equity (ROE) .These data were extracted from Ghana's Club 100 Magazine 2015 edition. Data relating to expenditure for the firm's corporate social responsibility and financial performance was used to construct ordinary least square (OLS) model of regression to which was analyzed using SPSS 20 to assess the impact as well as test the hypothesis of the study; if there is a relationship and the extent of the relationship if any between the independent variables (corporate social responsibility and firm size) and the dependent variables (financial performance).

For this reason the following hypotheses are tested to measure the impact of CSR initiatives represented by CSR expenditure (CSR) and financial performance of Ghana's Club 100.

Regression model be used to examine the relationship between the independent variable CSR and Firm Size and the dependent variable financial performance which is shown in equation:

$FP_t = \alpha_0 + \beta_1 CSR_t + \beta_2 Size + \dot{\varepsilon}$

Where FP (firm's financial performance) is the dependent variable and CSR and Size are independent variables. This study also attempted to use the Pearson correlation analysis method, this is consistently in line with previous studies (Heinze, 1976; McGuire et al., 1988; Stanwick, 1998; Preston and O'Bannon, 1997; Charles- Henri et al., 2002; Hull et al., 2008) and regression analysis (Fogler Nutt, 1975; Vance, 1975; Stanwick, 1998; McWilliams et al., 2000; Hull et al., 2008) to understand the CSR and Financial Performance link and its relational degree and direction.

3.5 Summary

The research design used in this study is descriptive design which leads to the discovery of associations among the different variables.

Testing CSR and Net Profit, we use the correlation and reliability method to find the cause and affect relationship between CSR and impact on financial performance of the firm.

The study targeted 2015 members of Ghana's Club 100 that had invested in CSR from the year 2013 to 2015.

In this study, CSR was measured by considering monetary spending on social activities.

However, CSR has various dimensions, some monetary while other non-monetary. To determine a linear relationship, numerical values are required in which case it becomes difficult to capture non-monetary measures.

Commercial institutions should adequately report on their CSR items individually, without generalizing it with other expenses.

Furthermore, some institutions treated CSR expenses as tax exempt while others considered it otherwise. Investments only considered loans to customers, investment in treasury bonds, investment in shares for trading purposes, investment in foreign currencies and investment in the subsidiary. These are not the only investments affecting profit levels that a commercial bank can engage in.

CHAPTER FOUR

4.0 Introduction

The overall purpose of this study is to examine the relationship between corporate social responsibility (CSR) and financial performance (FP) of members of Ghana Club 100.

This chapter presents response rate, descriptive statistics, correlation analysis, regression analysis and a test of statistics. The chapter ends with a discussion of the research findings.

The research design used in this study is descriptive design which will lead to discovery of associations among the different variables.

4.1 Reliability Analysis

This type of analysis refers to the internal consistency of the factors (Chu and Murramann, 2006). In order to analyze the reliability of the 3 factors and measure the internal consistency of each factor Cronbach’s a coefficient was used (Fornell and Larcker, 1981). As it can be observed from the results of the present study (Table 4.1) below, the value of Cronbach’s alpha (0.965) exceeds the minimum 0.6 score (Nunnally, 1978). This means that all the variables are measuring the same construct and that CSR is reliable to measure financial performance of firms.

Table 4.1 Reliability Statistics

Cronbach's Alpha	N of Items
.965	3

4.2 Correlation Analysis

Correlation analysis provides a measure of the degree of association between variables in a regression model. Linear regression used in this study estimates the relationship between financial performance, firm size and CSR. The statistical package for social Sciences (SPSS) version 20 was used to find the statistical relationship between financial performance, firm size and corporate social responsibility at 5% level of significance.

The (table 4.2) below shows a positive correlation between the dependent and independent variables which mean as the CSR and firm size increases firm financial performance also increases. The p value is less than 0.05 which means there is a statistically significant correlation between financial performance, CSR and Firm Size.

Table 4.2 Correlations

		FP	SIZE	CSR
FP	Pearson Correlation	1	.785**	.736**
	Sig. (2-tailed)		.000	.000
SIZE	Pearson Correlation	.785**	1	.795**
	Sig. (2-tailed)	.000		.000
CSR	Pearson Correlation	.736**	.795**	1
	Sig. (2-tailed)	.000	.000	

A VIF was used to determine multi-collinearity between the variables. If the VIF value is greater than 3.00 then there is the need to worry about multi collinearity. From the table below show a VIF value of 2.718 which is less than3. 00 which means there is no multi collinearity to worry about as can be seen from the table below (Table 4.3)

Table 4.3 Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	CSR	.368	2.718
	SIZE	.368	2.718

4.3 Regression Analysis and Hypothesis Testing

Coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) and P-value were used to determine the overall significance of the model. As shown in (Table 4.4), Correlation coefficient of 0.806 indicates a sufficient evidence to conclude that there is a significant linear relationship between dependent and independent variables because the correlation coefficient is significantly different from zero. On the other hand coefficient of determination (R^2 = 0.650) indicates that 65.0% of the variation in the firm financial performance is explained by the changes in CSR and firm size while only35.0% is unexplained. Both Size and CSR have a direct relationship with firm financial performance. The correlation coefficient (r) determines the magnitude and direction of the relationship between the independent and dependent variables. Table 4.5 shows the coefficients, standard errors, t-ratio and P- Values for each of the variables used in the model.

Table 4.4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.806[a]	.650	.609	11248562.19543	.650	15.816	2	17	.000

Table 4.5 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2026610.263	3582407.581		-.566	.579
	SIZE	994386.035	433396.679	.542	2.294	.035
	CSR	.250	.194	.305	1.291	.214

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and forms a basis for tests of significance. ANOVA was used to determine the level of variability from the mean. It provides a 35 statistic for testing the hypothesis that $\beta1 \neq 0$ (there is a significant relationship between the response and predictor variables), against the null hypothesis that $\beta1 = 0$ (there is no significant relationship between the response and predictor variables).

A predictor variable is linearly related to the response variable if its P-Value is less than the level of significance. Using P-Values to test for the individual significance, this study shows that financial performance is affected by both increase in firm size and firms having their employees' welfare at heart. If the P - value is found to be less than the level of significance, a correlation exists between the response and predictor variables. As shown in Table 4.4, P Value of 0.000 is less than 0.05, suggesting that there is a significant relationship between the dependent and independent variables used in the study. This clearly indicates that CSR and firm size determine financial performance of members of club 100 in Ghana.

Table 4.5 illustrates that P-Value of CSR is 0.214. This is greater than 0.05 suggests that there is not enough evidence to support the alternative hypothesis ($\beta1 \neq 0$) that CSR has an effect on financial performance at the 5 % level of significance. This suggests that there is a significant linear relationship between financial performance and corporate social responsibility.

Table 4.6 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4002428493620334.000	2	2001214246810167.000	15.816	.000[b]
	Residual	2151012574894024.200	17	126530151464354.380		
	Total	6153441068514358.000	19			

4.4 Discussion of Research Findings

The study found that CSR is good for the financial performance of members of club 100 in Ghana. The study findings are that α = -2026610.263, β1 = .250 and β2 = 994386.035 suggesting that CSR has a positive and direct effect on firm's financial performance.

Firms use CSR as a strategy to create a competitive advantage and gain improved financial performance. Companies in the developed countries are considering CSR as their strategic planning and gaining long term benefits. Companies and other stakeholders in the developed nations have information regarding CSR but in the less developed countries like Ghana companies and other stakeholders are not much aware about the concept of CSR and its benefits.

The findings of this study show that there is the positive and insignificant relationship between Corporate Social Responsibility and the Financial Performance which demonstrates that there is positive impact of Corporate Social Responsibility on the Financial Performance of members of club 100 in Ghana. This positive relationship between Corporate Social Responsibility and the Financial Performance reveals social behaviour of club 100 members.

Members are contributing as much as they can contribute in the social well being of society, improving the living standards by promoting education and better health facilities, protecting the environment from hazardous changes. They are taking good care of their employees and stakeholders in order to build their trust and confidence.

Managers can communicate the unique benefits of CSR and differentiate their firms and create a good and positive image. It is also important in Ghana, where companies are not using CSR as strategic planning; they can use it and reduce promotion cost. Organizations in the developed nations portray themselves as socially responsible firms and enjoy its positive financial effects. These firms spend for the wellbeing of the societies, for improving living standard of employees, for education and health care of employees, for the better environment, etc. People of developed economies also have information about the firm's activities and stakeholders put pressure on the firms to act as socially responsible firms.

A model of two predictor variables (CSR and firm size) can be used in forecasting financial performance of members of club 100 for the period 2013 to 2015. The adjusted R square of 60.9% shows that the model is a fair estimate of the relationship between financial performance, firm size and corporate social responsibility. It is therefore reasonable to state that CSR helps to improve firm's financial performance and that the model below can be used to fairly determine financial performance of members of Ghana's Club 100 during the period 2013 to 2015.

$$FP = -2026610.263+0.250CSR + 994386.035 \text{ Firm Size} + \acute{\varepsilon}$$

The findings of this study agree with those of (Okoth, 2012) only that this study reveals that CSR improves financial performance of members irrespective of their size. The study fully supports the findings of (Ongolo, 2012) and those of (Gathungu and Ratemo, 2013). CSR enables a firm to penetrate the market, remain competitive in a stiff and volatile market and generate profits for a foreseeable future. Members that started as small have had their profitability, improve over a long period to the extent that they are outshining their “large” counterparts. Members that have reported higher profits have highest Strategic CSR investment compared to those that report very low profits.

This study’s findings are different from the findings of Okiro, Omoro and Kinyua (2013). The slight variation is mainly brought about by the methodology used to measure CSR and the location of the study. (Holme and Watts, 2000) defined CSR as a continuous commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the local community and the society at large. The objective of this study was to determine the effect of CSR on the financial performance of members of Ghana Club 100.

(Bowen, 1953) specifically stated that companies practice CSR to satisfy their primary needs of improving their financial performance while presenting themselves as legitimate members of the society. Instrumental theories recommend that firms should engage in CSR activities since it helps them enter new markets, attract cheap and competitive labour, build their brand name and grow revenues. This in return maximizes shareholder value in terms of earnings per share, performance of company shares in the market and overall firm growth. When an organization recruits the unemployed and inexperienced youth in a society, there is usually a relationship that develops between the organization and the society.

The satisfaction of society’s social interests contributes to maximizing shareholder value.

(Burke and Logsdon, 1996) proposed the concept of CSR in which case, as revealed by this study, educating a poor bright child, setting up a health facility where there is none, starting an irrigation plant in arid areas and donating food to the starving will add more value than collecting garbage, planting trees or maintaining a garden. A CSR activity that affects the majority in the society has a higher effect than those that favours few individuals. Therefore, a firm can strategically choose a CSR activity that will help it build a strong relationship with its customers.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the study, conclusion, recommendations, of the study and suggestions for further research.

5.2 Summary of the Findings

The study intended to determine the effect that CSR has on the financial performance of Ghana Club 100. The study used a cross-sectional research design and covered the period from 2013 to 2015. Financial performance was measured by use of net profits after taxes and return on equity obtained from the 2015 edition of Ghana Club 100 Magazine. Firm Size data were also obtained from 2015 edition Ghana Club 100 Magazine. A multiple regression model was then used to analyze data. The study revealed that CSR has a positive and significant effect on firm's financial performance.

The nature of CSR activities also determines the level of profitability. It is, therefore, a noble practice for members of club 100 to engage in CSR as part of their operating activities and set aside funds annually towards a social cause. CSR should therefore be considered as part of daily operating activities and that for a firm to grow and realize its dreams, it has to engage itself morally and commit itself at improving the society's social and living standards.

For many years while those that have always reported losses have been considering CSR as unnecessary expenses. Therefore, commercial institutions should operate outside their normal business activities to support the community. Improving the livelihood of a community attracts volunteers, investors and sponsors who will help a commercial institution achieve its objectives towards community needs. In return, members will spend less on CSR while at the same time achieve high returns from being a good corporate citizen. Being a good corporate citizen attracts new and unexpected customers, new capital, tax exemptions, government favours and in the end achieving greater profitability. This study justifies the reason why successful Club 100 members have been aggressive towards investing in CSR activities than towards marketing.

5.3 Conclusion

The study reveals that highly profitable institutions have heavily invested in CSR activities and concludes that CSR has a positive and significant effect on the financial performance of the financial firms of Ghana club 100.

This result strongly supports the view that financial development through CSR has an effect on economic growth. Furthermore, we find that doing CSR causes financial development which leads to economic growth through both increasing resources for investment and enhancing efficiency.

5.4 Recommendations

The study found that CSR is good for the financial performance of all commercial institutions. In agreement with the argument of (Friedman, 1970) that the social responsibility of business is to grow its profits, it is in the interest of shareholders, for commercial banks engage in CSR activities as doing so improves their financial performance. The researcher recommends that institutions should partner with other institutions that offer varying services to jointly invest in common CSR activities as doing so leads to cost reduction while achieving similar goals. Financial institutions can partner with telecommunication industries, manufacturing industries, commercial, academic institutions or hospitals to spearhead similar CSR objectives.

This study recommends that the Ghana Investment Promotion Centre, being a professional, institutional body, makes CSR criteria in ranking its members. This will not only make it easier for future researchers collect research data, but will also enable shareholders to evaluate the extent to which the firm has invested in promoting their company's corporate citizenship. Members of Club 100 do not have a common platform or procedure for reporting their CSR investment. One has to read through their annual reports to determine the approximate amount invested in CSR. GC 100 members follow International Financial Reporting Standards, International Accounting Standards, Generally Accepted Accounting Standards and Generally Accepted Accounting Procedures that fail to address CSR investments. Some members have also formed independent company's dubbed "foundation" to spearhead their CSR activities and have published CSR information on several pages of their annual reports, their websites and their newsletters. These reports, however, lack uniformity across the industry, hence making it difficult to determine with precision what an institution has invested in CSR.

Finally, the researcher recommends that shareholders' views be considered regarding how much the firm should invest on social course annually and the nature of CSR activities to be undertaken. Shareholders, being spread all over the country, have vital information on what the society needs and what will make them associate with a brand name.

Management should also carry out a cost benefit analysis for projects they intend to initiate so as to determine if the firm will fully achieve its objectives without constraining finances for other core activities of the organization. This will help ensure that in as much as the firm is socially responsible; shareholders' funds are not run down to meet the interests of the society.

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APPENDICES

APPENDIX I GHANA’S CLUB 100

Unibank Ghana Limited

Cal Bank Ghana Limited

Zenith Bank Ghana Limited

Prudential Bank Limited

Sahel Sahara Bank (BSIC Ghana Limited)

HFC Bank (Ghana) Limited

Glico Life Insurance Company Limited

Bank of Baroda (Ghana(Limited

Lower Pra Rural Bank Limited

Ahantaman Rural Bank Limited

Akwapim Rural Bank Limited

uniCredit Ghana Limited

Access Bank (Ghana) Limited

Fan Milk Limited

PZ Cussons Ghana Limited

Societe Generale Ghana Limited

LeasAfric Ghana Limited

Enterprise Trustees Limited

Kintampo Rural Bank Limited

Benso Oil Palm Plantation Limited

APPENDIX II DATA USE FOR STUDY

COMPANY	**CSR13**	**CSR14**	**CSR15**	**ROE13**	**ROE14**	**ROE15**	**SIZE**
Unibank Ghana Limited	24,569,578	37,082,068	46,200,328	21.27	17.75	14.89	32.49
Cal Bank Ghana Limited	41,231,000	59,687,000	80,477,000	37.92	41.68	35.64	25.48
Zenith Bank Ghana Limited	29,509,518	47,573,092	58,233,265	38.34	46.18	21.14	24.60
Prudential Bank Limited	29,576,000	38,588,000	47,060,000	15.57	18.52	7.62	11.56
Sahel Sahara Bank (BSIC Ghana Limited)	10,519,329	13,406,258	17,319,453	(6.01)	5.84	17.98	3.77
HFC Bank (Ghana) Limited	32,858,092	55,350,000	70,288,000	24.97	27.15	(18.87)	12.76
Glico Life Insurance Company Limited	2,390,000	2,903,000		19.57	7.45	7.48	3.63
Bank of Baroda (Ghana(Limited	-	805,246	1,113,692	16.13	15.87	16.59	1.51
Lower Pra Rural Bank Limited	5,941,942	8,140,089		16.06	36.76	12.86	1.05
Ahantaman Rural Bank Limited		5,361,501	6,048,104	33.39	5.06	51.3	0.76
Akwapim Rural Bank Limited	23,874	61,458	46,130	44.31	32.40	36.02	0.46
uniCredit Ghana Limited	13,178,790	18,610,535	22,771,362	16.56	13.20	16.28	3.93
Access Bank (Ghana) Limited	27,463,000	36,258,000	43,625,000	23.63	33.69	24.77	17.85
Fan Milk Limited	17,385,000	19,031,000	35,582,000	31.46	19.12	49.4	15.14
PZ Cussons Ghana Limited	2,146,115	2,442,598	2,450,736	11.30	10.65	-5.8	5.56
Societe Generale Ghana Limited	53,557,884	60,184,066	81,684,827	20.01	23.97	18.36	13.98
LeasAfric Ghana Limited	662,182	563,438	841,243	10.33	15.46	13.32	1.38
Enterprise Trustees Limited	2,098,000	3,775,000		(321.46)	8.50	21.07	0.23
Kintampo Rural Bank Limited	-	1,601,619.00	1,752,914.00	37.00	24.31	23.84	0.27
Benso Oil Palm Plantation Limited	6,048,000.00	1,975,000.00	2,548,000.00	13.79	24.97	14.15	2.79