INVESTMENT IN CORPORATE SOCIAL RESPONSIBILITY AND ITS IMPACT ON COMPANIES FINANCIAL PERFORMANCE IN ETHIOPIA

Birhanu Daba CHALI
Dambi Dollo University, Ethiopia
birhanudaba@gmail.com

M. Moses Antony RAJENDRAN
Loyola College, Chennai, India
moses@loyolacollege.edu

Alexandru-Mircea NEDELEA
"Ştefan cel Mare" University of Suceava, Romania
alexandru.nedelea@usm.ro

Abstract:
The issue of whether CSR investments are an additional cost that undermines shareholders' value is still being debated. This study aimed to create a profile of the fundamental relationship between CSR and financial performance of businesses, as well as to analyze stakeholders' awareness of CSR and their impact on a company's image and competitiveness. To attain these objectives, the researcher gathered quantitative data from purposively selected 62 companies' five-year financial statements (2017-2021) and qualitative data via questionnaires from selected convenient stakeholders (employees, customers, government offices, suppliers, and local communities). Based on analyzed data through OLS regression model; a one-point activity increment in CSR might result in a 0.35increase in ROA and a 0.29enhancement in ROE which implies greater the CSR activities, the better the financial performance of companies. Additionally, based on qualitative data the study finalized that more CSR activities lead to more fulfilled clients, long-term growth, boost competitive advantage, enhance public image, and at last higher levels of firm performance. Even if most companies do not have sufficient awareness of the importance of CSR, balance the socio, economic, political, legal and technical aspects which is important for financial performance.

1. INTRODUCTION

Nowadays no economy no world. To bring economy we need corporate sectors. The primary goal of a corporate organization is to maximize its share value which also providing advantages to stakeholders (Cabral, 2012). According to Hamad & Jealo (2020)firms and their executives are under increasing public pressure to play a more active role in societal welfare.

According to Crowther & Aras (2008)there is no reason to think that the shareholders are willing to tolerate an amount of corporate non-profit activities which appreciate to reduce either dividends or market price of the stock.

Even when companies in developing countries engage in CSR, the majority of investors in developing countries have negative environmental and social consequences, such as the use of child labor, unpaid or low wages, imbalanced job opportunities, safety and health worries, and increased environmental pollution (Mubeen & Abdullah, 2016). In Ethiopia, CSR is becoming increasingly branded in areas such as financial institutions, garment, food processing, drinks factories, and major manufacturing companies. Consequently, based on the sensitivity for which companies are formed and their responsibility in applying the concept of triple bottom line in Ethiopia, the ideas of corporate social responsibility are inescapably persistent in nature and demanded gallantry investigation. As per the best knowledge of researcher this is one of a single research overtly

available on investigating the investment in CSR and its effect on financial performance of companies in Ethiopia. Although several studies have been conducted on the main effect of CRS on financial performance globally; there is only (Uvaneswaran & Hussien, 2017) identified the influence of CSR on financial performance of private banks in Ethiopia using descriptive research jointly with regression analysis. Accordingly, the study found that found that corporate social responsibility has a significantly positive effect on banks' financial performance. According to study conducted by Kesto & Ravi (2017)the level of shareholders' and creditors' awareness regarding the firms' CSR practice in Ethiopia is low, as it is left researchable.

Thus, the researcher is interested in narrowing the gaps by exploring the investment in corporate social responsibility and its impacts on financial performance of companies in Ethiopia. Also, the study will be the groundwork for the broadening of the culture of implementing corporate social responsibility in the best interests of all stakeholders in the study area. Additionally, previous study had lack of viewing variables from different angles, hence leaving this area plausible for research. Hence, this study will try to fulfill the existing literature gap in Ethiopia by incorporating additional proxy method for both financial performance (ROA and ROE) and independent variable (CSR dimension; environment, consumers, employees, shareholders, suppliers and government) which is not incorporated in formers study. Besides as there is inconsistence between existing results globally; it needs to investigate study by incorporating these variables. Furthermore, this study aims to look at the level of responsiveness by investors and creditors on CSR investment; and the impact of CSR on company's competiveness, company's image and customers' satisfaction in Ethiopia.

Objective of the study
1) To assess the extent to which large companies in Ethiopia are implementing in CSR.
2) To determine the CSR activities which effect on the financial performanceamoung companies.
3) To examine the effect of CSR on company's image and competitive advantage.

Purpose of the study
The outcome of this research can help to bring new perspectives for stakeholders in the practice. It wills also groundwork for the broadening of the culture of implementing CSR in the best interests of all stakeholders. It is necessary to conduct the study on the impact of CSR on financial performance of companies in Ethiopia, because academics, business persons, potential investors, creditors, government and others stakeholders have little knowledge about this recent issues. Specifically in Ethiopia Executives, managers, employees, investors, customers, regulators, and auditors can use the information to make better decision. The finding of this study will help the policy makers to give financial motivation that determines in developing useful guidelines which may use in adaptation of CSR in companies in Ethiopia. Besides, this study will fascinate to give both companies and investors a better insight into CSR efforts and show if and how these efforts may add value to a business in listed companies. Directors and Managers of companies' can adopt.

Scope of the study
This study examines the practicing, investing in CSR and its impact on financial performance of selected large companies in Ethiopia. The study covers purposively selected62companies in Ethiopia that incorporate CSR in their activities and covers for the period of five years from 2017 to 2021.

2. REVIEW OF RELATED LITERATURE

2.1 THEORETICAL REVIEW

As various literature shows, CSR was initially proposed by Sheldon in 1924 in that protecting society's interests is an enterprise's primary responsibility when ensuing the profit motive. The CSR program aims to reduce conflicts between firms and society caused by discrepancies in private and social costs and benefits, as well as Match Company and societal goals

(Crowther & Aras, 2008). Environmental difficulties (pollution, global warming and acid rain), wages paid by multinational corporations in developing countries, and child labor in developing countries are all examples of corporate-society conflicts. Corporate governance measures, such as CSR program legislation, rules, and best practices, can assist businesses in becoming more aware of their activities' societal costs and benefits (Kesto & Ravi, 2017). Addressing environmental challenges, decreasing waste, lowering risk, strengthening societal connections, inciting regulatory action, and providing educational support are all priorities of the benefits of a CSR program (Eyasu & Endale, 2020).

Theory of CSR and firms' performance

Principal-agent Theory: It theory suggests that good social performance conducted by companies is not always beneficial for financial performance. Prior scholars like(Hamad& Jealo, 2020).

Stakeholder Theory: According to stakeholder theory, the better a company's manager is connected to numerous groups with similar interests or stakes in the organization, the better the company's financial performance will be (Sameer, 2021). According toEdward Freeman(2004) cited in (Eyasu & Endale, 2020) individuals or groups who affect or are influenced by a company's activities are referred to as stakeholders.

Legitimacy Theory: Legitimacy theory is a broad view that a corporation's acts are desirable, proper, or acceptable within a societal system of norms, values, beliefs, and definitions (Ramanathan, 2005). It is recommended that top management strive for coherence between company actions and public and societal values.

Triple bottom line model: Elkington's triple bottom line model, developed in 1994 to aid organizations in analyzing total business success based on three major aspects (3P): profit, people, and planet, expands on the topic of CSP (Degie & Kebede, 2019). According to the report, businesses should not only seek to maximize economic gains, but also conduct their environmental and social duties.

CSR and competitive advantage: Maintainable competitive advantage is one of the results of CSR practices, and included feasible competitive advantage and degree of CSR as well as client fulfillment and reputation. (Uddin & Rahman, 2015)found that client fulfillment picked up through long periods of CSR hones may be a source of economical competitive advantage for firms. Cabral (2012) also claimed that corporate reputation made through CSR empowers firms to more than once pull in clients. More CSR practices lead to more fulfilled clients, more deals development, and more competitive advantage, and at last higher levels of firm financial performance(Karagiorgos, 2010).

Stakeholders and their information needs

The notion of corporate responsibility is based on the strategic management theory, which states that managers may add value to an organization by considering the social and economic consequences of their decisions(Degie & Kebede, 2019). Their actions can have an impact on a company's brand and image, financial success, and even its operating license. Enterprises should explain how and to what degree they fulfill their stakeholder duties. Failure to fulfill society's standards in these areas might jeopardize an organization's operating license or public acceptance. These stakeholders are: investors, employees, consumers, local community, government, business partners, and civil society organization.

Employees: An enterprise's present and future employees are inquisitive about compensations, plans and intentions of the business, work prospects, working conditions, health and safety, industrial relations, risks management, and personnel improvement opportunities (United Nations, 2008) and (Menbere, 2016).

Surrounding community: Issues related to economic development are frequently the crucial area of interest for an enterprise's surrounding community about employment, jobs, commitment to the tax base, local health, safety and security risks, human rights manhandle and on nearby culture (United Nations, 2008) and (Degie & Kebede, 2019).

Governments: Governments are interested in the way in which enterprises assume responsibilities toward society, in the voluntary initiatives of enterprises in this field and in the impact of enterprise's social engagement. Governments need such information to help them formulate social and economic policies, as well as to help identify gaps in regulation and enforcement (United Nations, 2008).

Consumers: Consumers are kind in the markets who can choose the products/services on their own interest and decision.

Business partners: Business partners include potential or existing joint venture partners, suppliers and customers(Mujahid & Abdullah, 2014). They would like to know how the enterprise addresses corporate responsibility issues, including labor practices, human rights, legal compliance and fair business practices (like anti-corruption, anti-trust, respect for contracts, technology transfer, fair pricing and timely payment of invoices) (United Nations, 2008).
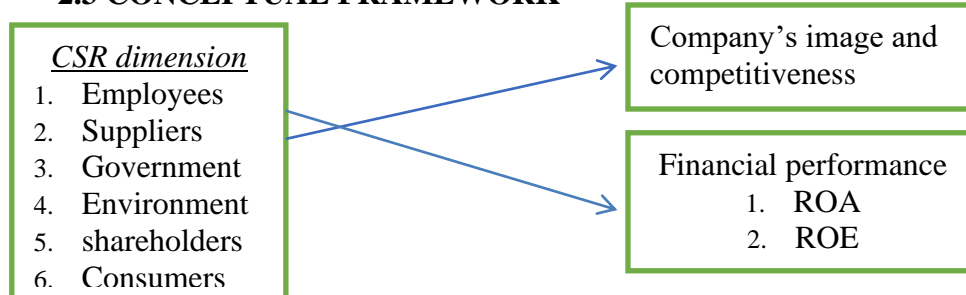
2.2 EMPIRICAL REVIEWS

Over the years, the relationship between CSR and firms' financial performance has been conducted. It's still undecided whether this link is helpful, harmful, or unnecessary. Beginning with professors Bragdon and Marlin in 1972, researchers constructed a variety of literary works with ambiguous relationships, whether positive, negative, or insignificant. Almost half of observational findings demonstrate that CSR has anadvantageous impact on firm financial performance(Nunn, 2015).

Table no. 1. Summary of a few empirical literatureson the relationship between CSR and firmsfinancial performance

Author	Title	CSR Proxy	FP Proxy	Methodology	Finding
(Mubeen & Abdullah, 2016)	The impact of CSR on Firms FP and Shareholders wealth	CSR spent to return	ROA, ROE and EPS	Descriptive	significant positive
(Romppanen, 2016)	CSR and Financial Performance: evidence from Europe companies from year 2005-2013	CSR expenditure to return	ROA, ROE and EPS	OLS	significant negative
(Uvaneswaran & Hussien, 2017)	Investments in CSRandits influence on FPof Commercial banks in Ethiopia	CSR expenditure to return	ROA	Descriptive and regression	positive significant
(Hamad & Jealo, 2020)	Impact of CSR on FP in Iraqi Commercial Banks	employees, community, customer	ROA and ROI	OLS and descriptive	significant negative
(Chen et al., 2019)	A Multidimensional Analysis of the CSR and Firm's FP relationship based on 78 Listed Companies in 10 years data in Henan Province, China	employees, environment, consumers, government, suppliers, investors	ROE	Arellano-Bond dynamic panel data model	Negative in short-term and a positive in long-term.
(Bolibok, 2021)	The Impact of Social Responsibility Performance on the Value Relevance of Financial Data in the Banking Sector: Evidence from Poland	Investing on CSR	Total price	multivariate regression analysis based on the Ohlson model	Positive impact

A closer examination of these studies reveals variations on data sources, measures used on both dependent and independent variables. The researchers have not been conclusive as to what is the relation between CSR and firm'sfinancial performance. Additionally, according to study conducted by Kesto & Ravi (2017)the level of shareholders' and creditors' awareness regarding the firms' CSR practice in Ethiopia is low, as it is left researchable.

2.3 CONCEPTUAL FRAMEWORK

CSR dimension	Company's image and competitiveness
1. Employees 2. Suppliers 3. Government 4. Environment 5. shareholders 6. Consumers	Financial performance 1. ROA 2. ROE

Conceptual framework, developed by researcher, 2022

3. RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This study was employedmixed research designbecause the study will seek to build a profile on the causal relationship between CSR and firms' financial performance; as well it discussed the awareness of the stakeholders on CSR, and its effect on companies' image and competitiveness.

3.2 POPULATION, SAMPLING TECHNIQUE AND SAMPLE SIZE

In Ethiopia, industries related to food processing, beverages, textiles, leather and footwear, wood and furniture, paper and printing, chemicals, metals processing, cement,service sector banking hotel and are contributing significant contributions to the country's GDP. For the last five years the average economic growth of the county has been 10 percent. According to Ministry of Trade and Industry of Ethiopia report of 2021, there are **142** large companies' which have greater than one Billion capitals in Ethiopia. Therefore, the population in this study consisted of all large companies which have registered by trade and industry minister and operating their business in Ethiopiathat had invested in CSR activities from the year 2017 to 2021. And data are screened by: 1) Excluding state owned companies; 2) Exclude companies with missing data of study period. Finally, the data of 73companies were selected as target population.Judgmental sampling technique was used since the data is only from those companies that have invested in CSR by their activities from the year 2017 to 2021. Investment in CSR activities was tested against net profits before tax for the same period. The companies must have a complete set of annual reports for the last five years (2017-2021) to estimate the six indicators of corporate social responsibility.

Based on this criterion, the researcher collected data from 62selected large companies in Ethiopia, and their industry distribution is shown in table 2. Therefore, thestudy employed a time series data from the period 2017 up to 2021 yearand a cross section data of 62 selected large companies in Ethiopia with a balanced panel data of 310(5*62) observations.Note that the firms chosen are significant, national companies that are active and well-known in their respective areas.

Table no. 2. proportionate sample size determination from each stratum

Category	Target population	Proportion
Manufacturing (cement, brewery & soft drinks, leather/textiles)	33	53.2%
Merchandising and trade	4	6.5%
Construction, oil and mining	9	14.5%
Service (hotels, Banks)	10	16.1%
Agriculture & Forestry, floriculture	6	9.7%
Total	62	100%

Source: compiled by the researcher and from Ministry of trade and industry

3.3 DATA SOURCES AND COLLECTION METHODS

The data was collected from both primary and secondarysources. The second objective was answered from analyzing secondary data (from statement of financial position, and comprehensive income and loss annual report and report of CSR of the Companies of selected large companies for the period of five years from 2017 to 2021) while the remaining objectives will be answered by primary data (via questionnaires using five rank Likert scale (5=strongly agree, 4=agree, 3=neutral, 2=disagree and 1=strongly disagree questions).Quantitative data was obtained from annual audited financial statements of while the qualitative data was collected from selected stakeholders (shareholders, creditors/suppliers, community, governmental office,employees and customers) who are selected purposively from perspective companies.

3.4 DESCRIPTION OF KEY VARIABLES

Corporate Social Responsibility (CSR)is a company's commitment to contribute to long-term economic development by collaborating with employees, the legal system, the local community, and society at large to better people's lives in ways that are both profitable and beneficial to the company (Uvaneswaran & Hussien, 2017).

$$CSR = total\ Birr\ spent\ in\ CSR / net\ profit\ before\ tax$$

In this study, as adopted from (Eyasu & Endale, 2020)and Chen et al. (2019)the corporate social responsibility model (CSRM) for selected companies' are classified into six latent variables. These are; community/Environment (ENVT), Shareholders/Investors (OWN), Consumers (CON), Employees (EMP), creditors/Suppliers (SUP)and Government (GOV), and firm size (SIZE) is considered as moderating variable.A Large Ethiopian industry are currently interested in implementing CSR operations for the benefit of stakeholders; and recognizes the need of allocating funds to carry out CSR activities that improve its competitiveness and profits.

Financial Performance (FP) is the monetary value of a company's operations. Various measures of firm financial performance have been applied in previous research.

Return on Assets (ROA): The greatest metric to Proxy Company'sfinancial performance, according to a Harvard Business Review article, is ROA because "ROA specifically considers the assets used in business activities." Return on assets (ROA) is a metric that assesses how well a company uses its assets to create profit for investors(Romppanen, 2016). ROA is presented as follows:

$$ROA = Net\ Income / Total\ assets$$

Return on Equity:

$$ROE = Net\ Income / o.equity$$

Table no. 3. definition of variables

Variable code	Variable name	variable description	Variable category	Variable type
FP	Financial Performance	ROA and ROE	Ratio	Dependent variable
EMP	Responsibility to employees	Ratio of Employee benefits payable to annual income	Ratio	Independent Variables
SUP	Responsibility to suppliers	Quick ratio, which can better represent the short-term solvency of enterprises	Ratio	
CON	Responsibility to consumers	Whether it passed ISO9000 certification Passed as 1, failed to pass 0	Dummy	
GOV	Responsibility to government	Ratio of taxes payable to annual income	Ratio	

ENV	Responsibility to the environment	Whether it passed ISO14000 Third-party certification Passed as 1, failed to pass 0	Dummy	
OWN	Responsibility to investors/shareholders	Company's earnings per share	Ratio	
SIZE	Size of the business	Natural logarithm of total assets at the end of the period	Ratio	Control variable

Adopted from Chen et al. (2019)

3.5 DATA ANALYSIS AND PRESENTATIONMETHOD

To examine the impact of CSR on financial performance, the obtained data was analyzed using SPSS V-24 to display descriptive statistics for first and third objectives and STATA 15 to regress for the second objective. Both descriptive statistics and regression analysis was used for data analysis. OLS multiple regression model was used for regression. With reference to a qualitative aspect of information, the collected data was analyzed descriptively.

3.6 MODEL SPECIFICATION

Regression models is a statistical technique that attempts to "explain" movements the dependent variable(s), as a function of movements in a set of other variables, called the independent variables, through the quantification of a single equation (Brooks, 2008).

Generally,OLS model with many independent variables can be written as:

$$Y_{it}, = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \ldots + \beta_t X_{ti} + \mathcal{E}_{it} \quad (i, 1, 2, 3\ldots, t)\ldots\ldots\ldots\ldots\ldots (1)$$

Where, Y represents dependent variable, β_0 represents the intercept, β_1, β_2 … β_t represent the respective regression coefficients for explanatory variables X1, X2 …Xn for estimating Y_{it}, $\mathcal{E}_{it}$ is the error term or disturbance that contains factors other than X1, X2,…, Xt that affect Y and subscript i denote the cross-sectional dimension (company) and t represent the time-series dimension (study period).

Afterward theories mentioned above, the model has been specified as follows:

$$ROA_{it} = \beta_0 + \beta_1 ENV_{it} + \beta_2 EMP_{it} + \beta_3 SUP_{it} + \beta_4 CON_{it} + \beta_5 GOV_{it} + \beta_6 OWN_{it} + \beta_7 SIZE_{it} + \mathcal{E}_{it}\ldots\ldots\ldots (2)$$

$$ROE_{it} = \beta_0 + \beta_1 ENV_{it} + \beta_2 EMP_{it} + \beta_3 SUP_{it} + \beta_4 CON_{it} + \beta_5 GOV_{it} + \beta_6 OWN_{it} + \beta_7 SIZE_{it} + \mathcal{E}_{it}\ldots\ldots\ldots (3)$$

Where;

- **ROA_{it}** = ratio of earnings before taxes to total asset for company i in period t,
- **ROE_{it}** = ratio of earning before tax to equityof company i in period t,
- **ENV_{it}** = Responsibility to the environment of company i in period t,
- **OWN_{it}** = Responsibility to the investorsof company i in period t
- **EMP_{it}** = Responsibility to the employees of company i in period t,
- **SUP_{it}** = Responsibility to the suppliersof company i in period t,
- **GOV_{it}** = Responsibility to the government of company i in period t,
- **CON_{it}** = Responsibility to the consumers of company i in period t,
- **$SIZE_{it}$** = natural logarithm of total assets of company i in period of t,
- β_0 = is a constant, β_t are the slope coefficients, $\mathcal{E}_{it}$ is the error term

4. RESULTS AND DISCUSSION

Objective 1: To assess the extent to which selected companies in Ethiopia are implementing in CSR.

CSR is a new concept and practice in Ethiopia, as it is in other African countries. Despite this, there is no well-founded legislation that integrates this practice into everyday life, particularly business ventures.

According to data gathered from local communities and other stakeholders, more than 70% of Ethiopians responded positively to all corporate social responsibility initiatives. In terms of business sector, proper and effective use of natural resources, pollution-free environment, and community development services. Nowadays, a significant number of organizations are focusing on CSR concerns in order to gain a larger market share by conveying their actions to a broad variety of customers (Homayoun et al., 2015). The ever-increasing trend of environmental challenges and the green economy has compelled many businesses to incorporate CSR into their plans(Demamu, 2020). This idea is illustrated in the following overview of chosen industries.

Leathercompanies

Despite the fact that certain textile, leather, and footwear companies aim to fulfill numerous social, environmental, and economic commitments, the vast majority of leather and footwear industries produce issues for their employees, the local community, and the environment (Demamu, 2020). Even in places where CSR activities are conducted, there are gaps in the formation of a CSR department responsible for ensuring that CSR activities are conducted on a regular basis (Bimir, 2016). Furthermore, no specific budget for CSR activities is set up in advance, and funding for CSR activities come from the contingency budget or profit. As a result, these charitable efforts are not consistent or consistent, and they can happen at any time during the fiscal year.

Textilecompanies

The textile sector in Ethiopia employs a significantamount of people, mostly women. Wages, working hours, workplace safety and health, chemical discharge, rubbish release, and water management are all addressed by CSR policies, which are implemented by both multinationalcompanies and national corporations (Dadi et al., 2017). On the other side, the majority of textile companies lack CSR strategies and do not participate in CSR projects. There are gaps in this regard, such as the lack of a well-established primary treatment system or an adequate storage and release channel for their waste that meets regulatory requirements.Furthermore, such textile companies disobey the law by dumping solid or liquid waste into nearby agricultural fields, rivers, and open areas (Eyasu & Endale, 2020). As a result, they damage the environment, cause skin allergies, stomach difficulties, and other health problems among nearby individuals, and destroy animals and aquatic habitats. They also do not provide training, orientation, or warnings to their employees, as well as local neighbors, on how to protect themselves and their property from any health dangers (Dadi et al., 2017).

Floriculture companies

The flower industry employs thousands of Ethiopians and earns foreign cash. Although there are fundamental legal compliance rules for employees, local communities, and the environment, effective enforcement is inadequate. On flower farms, chemical fertilizers and pesticides are utilized, and there are techniques of irresponsible waste disposal that are illegal (Bedada & Eshetu, 2011). In high concentrations, hazardous substances disposed of in this manner have impacted streams and sediments. As a result, human health, the environment, and biodiversity have all suffered as a result (Zegeye, 2013). Employees also work in unclean and dangerous situations. Flower farms also require a lot of water, causing water scarcity in the towns where they operate. As a result, floriculture business has fallen short of even to fulfilltheminimumrequirementssetbythestate law (Kassa, 2017).

Brewery and soft drinkcompanies

A lot of brewing corporations sponsor local sports, arts, education, health, and cultural

events. However, because many firms do not process and discard their effluents, there are gaps in the application of waste disposal regulations (Utami & Hasan, 2021). Companies must adhere to CSR guidelines such as lowering carbon dioxide emissions, conserving energy, using sustainable inputs, encouraging responsible consumption, and planting trees. According to studies, the majority of brewers, on the other hand, do not pay special attention to stakeholder interests. Employees, customers, and locals allege that most of these enterprises do not go to significant measures to safeguard the environment, create solid relationships with local communities and customers, and support, train, and support their employees and major product dealers beyond what the law requires (Kesto & Ravi, 2017).

Banks and other financial institution

As part of their CSR activities, Ethiopian banks contribute for schools construction, public health centers, environmental protection, and assistance to victims of natural disasters and other victims (Uvaneswaran & Hussien, 2017). However, there are gaps in a number of areas, including the need to promote green sectors and healthy initiatives; increased community engagement; expanded and accessible lending options for small businesses and low-income households; and environmental preservation participation (Tadesse, 2015).Research conduct by (Gangi et al., 2018)showed According to a current perspective of relationship lending, a mix of hard and soft information may be used to minimize information barriers by creating better and more trusted connections with consumers. CSR and reputation have a favorable association, indicating that banks with the highest reputation have stronger selection and monitoring requirements.

Hotel industry

The hotel has launched a number of community, customers, employees, and environmental CSR initiatives. Those service delivery systems, on the other hand, are not well-coordinated, resulting in a lower level of effect sustainability (Potluri & Temesgen, 2008).. There are no clear norms or guidelines in place for CSR projects, and no budget has been set aside for them; rather, decisions are made on the fly. Furthermore, the bulk of CSR efforts were tied to the provision of direct services, such as food and clothing. The company's primary purpose in delivering CSR services, according to the respondents' comments, is to improve its reputation, which they feel will lead to increased revenues. This is due to a lack of supportive policies, as well as CSR-friendly conventions and practices which will help to build noble image and promote trust (Tilaye, 2019).

Cement companies

Cement firms are increasing in number, and the most of them are located in cities or on productive agricultural or horticulture sites. Companies are crucial to Ethiopia's development efforts, but they must also pay close attention to their employees' safety and well-being, as well as the safety and well-being of the local community and environment. As a result of dust and gas emissions that exceed the permissible threshold, employees and adjacent populations suffer from respiratory and stress-related diseases (Demamu, 2020). The bulk of the cement mills have had an influence on neighboring farmlands, rendering them unsuitable for agriculture or other uses. Furthermore, they rarely provide local inhabitants with training or employment possibilities, and they rarely participate in local infrastructure development projects such as schools, medical facilities, roads, or water supplies. Environmental harm caused by these factories includes land deterioration that affects vegetation, air pollution, and waste discharge into nearby watercourses and agricultural areas in violation of the law. In a number of places, this has resulted in community unhappiness (Potluri & Temesgen, 2008).

Oil and gas companies

Although many oil and gas firms have said that they would still participate in socially responsible activities in their mission statements, they do not have a dedicated separate budget for CSR and do not highlight CSR activities in their annual reports. Furthermore, they do not go above and beyond the law, or even within it in some situations, to assure safety at work, protection of the environment, and community engagement. They contaminate the water, soil, air, and noise, putting people's health and the environment at risk. As a result, oil and gas corporations in

Ethiopia are indifferent about social sustainability and operations (Abdu, 2004).

Chemicalandfoodcompanies

Chemical and food companies are increasingly releasing hazardous waste untreated into nearby bodies of water and on land (Utami & Hasan, 2021). Contaminated rivers, streams, surface, and ground waters have an impact on vegetables, plants, aquatic creatures, animals, and humans, among other things, and this goes against the law's minimal criterion. The toxic substances and noise pollution released by these businesses have an influence on the lives of local residents as well as the environment (Kassa, 2017). This study found evidence that significant enterprises in Ethiopia have a variety of CSR activities performed in various ways with various beneficiaries.

CSR and Stakeholders

Below analyzed data collected via questionaries' from 62 private large companies in Ethiopia were analyzed as follow. The questionnaire asked questions about six different interest groups, including owners, employees, customers, creditors and suppliers, the general public, and the government. Almost all 62 Ethiopian companies responded positively in implementing socially responsible practices, with the exception of the following issues (see below Tables):

*CSR related with Employees:*The researcher noticed a wide divide in views among Ethiopian businesses and their employees by collected data from 316 respondents selected employees from each firms proportionally. The study found that when the labor union negotiations or seeks for the rights of employees, especially when it comes to salary increases, the administration and the labor union can get into a fight. Employees are entitled to public holidays, weakened leave authorization, permission for health-related concerns, pregnancy and delivery time leave, working hours, pensions, and other incentives (Menbere, 2016).

Table no. 4. Employees opinion on corporate social responsibility

S.No	Employees	N	Mean	Std. Dev.
1.	Fair wages, Safe and secure working conditions	316	2.92	1.403
2.	Participation in decision-making bodies that have an impact on their working lives	316	3.05	1.450
3.	Meaningful freedom and Job satisfaction Humane treatment	316	3.10	1.442
4.	Opportunity for personal advancement through education and training	316	3.18	1.374

Source: researcher survey SPSS output: 2021

On the one hand, firms boasted of the adoption of unquestionable personnel rules; while on the other hand, 80% of employees were dissatisfied with their employers' human resource policies. In a total sample of 316 employees selected from different companies, more than average (mean = 3.18) responded negatively to job stability and equitable opportunities for personal progress through education and training. Another near to average (mean of 2.92) employees was dissatisfied with the corporate sector's payment and working conditions. Only around half of the employees said they were pleased with their representation in decision-making bodies, job satisfaction, and humane treatment. In general, according to collected date from selected respondentsonly average of all employees were dissatisfied with fair compensation, job security, working conditions, representation in decision-making, personal advancement assistance, job satisfaction, and humane treatment, among other things. In this instance, businesses should revisit their personnel practices in order to maximize staff productivity. Whatever the reasons, employees demanded more genuine policies relating to fair wages, job security, safe and secure working conditions, personal advancement through education and training sponsorship, and more government supervision and control over such private sector personnel policies in particular(Tilaye, 2019).

CSR Related With Community Development: The researcher observed a views among companies and local communities by collected data from 309 respondents of selected local communities from each firms proportionally. Based on collected questionnaires, supporting local NGOs, offering training for educational institutions, providing scholarship possibilities for community members, promoting ethics and anti-corruption, and providing various charity/emergency support are some of the company's key CSR efforts for the greater community.

Table no. 5. communities' opinion on corporate social responsibility

S.No	Community	N	Mean	Std. Dev.
1.	Use of natural resources efficiently and effectively to produce items that are both cheaper and better.	309	3.11	1.442
2.	assist in the creation of indirect self-employment opportunities	309	3.10	1.463
3.	Maintain a healthy atmosphere in and around the business that is free of all types of pollutants.	309	2.78	1.503
4.	Make generous and voluntary contributions to community development and public utility service.	309	3.03	1.382

Source: researcher survey SPSS output: 2022

According to collected questionnaires from 309 local communities, near half of them is dissatisfied with the way companies are participating in corporate social responsibility. Use of natural resource efficiently and effectively (mean=3.11); creating indirect self-employment opportunities (mean=3.10); maintaining healthy atmosphere which free from pollution (mean=2.78) and participating in voluntary service (mean=3.03). Only recently has a certain amount of momentum been gained among the general public regarding the Ethiopian corporate sector's socially responsible efforts. This finding inline with previously conducted study by (Degie & Kebede, 2019) and (Asfaw et al., 2016).

*CSR in Terms of Environmental Protection:*Responsible to promote greening programs through planting trees, making the effort to clean up their environment in the community, helping to promote energy conservation, and minimizing the burden of liquid and solid waste disposal through the use of technology are just a few of the CSR-related tasks carried out by businesses.

CSR in Terms of Customer Protection: The researcher perceived the view among consumers and companies in Ethiopia by collecting data from 324 respondents from selected customers of each firms proportionally. Providing high-quality services and goods: For the sake of marketing, provide services that the client desires, antitrust, product safety and sometimes even exceeds their expectations. By ensuring security, giving pleasant hospitality and service, taking public transport to and from the terminal, and leaders with inspirational and standard services, they protect the customer's interests and dignity.

Table no. 6. customers' opinion on corporate social responsibility of the companies

S.No	Customers	N	Mean	Std. Dev.
1.	Deliver commodities of the proper quality, quantity, and location at reasonable costs.	324	3.03	1.488
2.	Provide products and services that are tailored to the needs, tastes, and preferences of various customer groups.	324	2.97	1.338
3.	Customers should be informed and educated about the availability and use of alternative items that may be less expensive and better.	324	2.87	1.385
4.	When advertising the product, be honest and truthful.	324	2.85	1.343
5.	After-sales support should be timely, efficient, and effective.	324	3.10	1.373
6.	Avoid unethical business activities such as black marketing, stockpiling, and adulteration.	324		

Source: researcher survey SPSS output: 2022

Customers in Ethiopia have also expressed their unhappiness with the corporate sector's business methods. Approximately half of respondents Customers were dissatisfied with the right quantity and quality at the right time and place at affordable prices; provide goods and services in accordance with market needs and wants; inform and educate consumers on the accessibility and use of substitute goods; provide prompt and effective after-sales service; and avoid unhealthy business practices. As a result, the majority of Ethiopian clients are dissatisfied with their companies' business tactics. Based on customer feedback, the Ethiopian corporate sector should

reconsider its current business practices in order to not only attract new customers but also maintain existing ones. The majority of Ethiopian customers believed that while the government could not always regulate and control company operations, some social commitments from the business sector with lawful business practices were also expected. Another strong perspective stated by Ethiopian customers is that there aren't enough independent and judicially approved consumer associations, and they want to benefit from the Consumer Protection Act.

CSR in Terms of creditors' opinion: The researcher perceived the view among consumers and companies in Ethiopia by collecting data from 290 respondents from selected customers of each firms proportionally.

Table no. 7. creditors/suppliers perspective on companies' corporate social responsibility

S.No	Suppliers	N	Mean	Std. Dev.
1.	Provide accurate information regarding the financial health	290	3.50	1.356
2.	Fairness in the supply of goods transactions and early repayment (including interest on borrowings)	290	3.06	1.381
3.	Encourage a positive environment in which creditors, suppliers, and other interested parties are treated as partners in a cooperative venture.	290	3.02	1.447

Source: researcher survey SPSS output: 2022

Based on collected data from suppliers, most of respondents agreed on the concerns that companies Provide accurate information regarding the financial health, Fairness in the supply of goods transactions and early repayment and treated as partners in a cooperative venture.

CSR in Terms of shareholders' opinion: The researcher supposed the view among shareholders and companies in Ethiopia by collecting data from 292 respondents from selected shareholders of each companyproportionately.Participating in CSR strengthens the bond between the government and the company. Companies' dependability, sustainability, competitiveness, and acceptance improve as a result of CSR activities.

Table no. 8. shareholders' perspective on companies' corporate social responsibility

S.No	Shareholders	N	Mean	Std. Dev.
1.	Return on investment that is fair and consistent	292	3.31	1.354
2.	Invest in a safe and well-studied way.	292	3.26	1.455
3.	Financial and operational components of firm information are disclosed on a regular basis.	292	2.42	1.424
4.	Minority shareholders have a reasonable opportunity to participate in firm management.	292	2.99	1.385

Source: researcher survey SPSS output: 2022

According to questionnaires collected from respondents, more than half shareholders believe that their companies are failed to communicate financial and operational information to their owners or shareholders on a regular basis. Despite the fact that Ethiopian entrepreneurs recognized the importance of financial concerns and the potential for conflict, they failed to communicate the information to their co-owners due to inadequate accounting methods, negligence, and a casual approach to the situation.

Based on the Ethiopian business stakeholders' perspective, companies in Ethiopia undoubtedly engaging in socially responsible activities in order to influence their owners and shareholders, employees, consumers, creditors and suppliers, the general public, and the government(Mujahid & Abdullah, 2014). They were well aware of the importance and benefits of implementing CSR in their firm, but a careless attitude in this area greatly impeded the overall implementation process. The researchers were well aware of this when collecting data from employees, shareholders, suppliers, consumers, and localcommunities.

Total CSR investment amount in Ethiopian currency in five year from 2017 to 2021

Table no. 9. Share of CSR from profit before Tax (PBT) of selected companies in Ethiopia in study period (amount in million Ethiopian Birr (ETB))

Year	2017	2018	2019	2020	2021	Total
EBT	1,293,200	1,625,190	2,094,130	2,931,640	4,152,880	**12,097,040**
CSR	2,072	2,910	4,686	7,913	14,918	**32,499**
Ratio CSR to EBT	0.16%	0.18%	0.22%	0.27%	0.34%	**0.27%**

Source: researcher survey SPSS output: 2022

Table 9 displays the PBT, CSR, and CSR to PBT ratios of selected major Ethiopian firms over a five-year period from 2017 to 2021. According to the output result, the average level of corporate social responsibility disclosure increased steadily from 2017 to 2021. The aggregate share of CSR from PBT for the five years under examination was only 0.27 percent, or ETB 32,499 million, compared to ETB 12,097,040 million in firm PBT. This indicates that companies are growing increasingly concerned about corporate social responsibility disclosure, as well as long-term development goals and community benefits.

As indicated in the prior sections, there is no CSR legislation that forces businesses to participate in CSR. Instead, companies can include CSR into their business plans willingly to benefit their employees, customers, suppliers, communities, and the environment. Ethiopian companies are not compelled by legislation to include CSR into their fundamental business decisions or to address stakeholder interests. As a result, companies have fallen short of public expectations. Ethiopia's CSR framework is ineffective and has failed to ensure company CSR conduct, necessitating a paradigm shift. Strong CSR regulation and enforcement are required in Ethiopia. The first option is to alter the existing soft law CSR framework, which recognizes that companies cannot create or maximize value without recognizing and satisfying the interests of their employees, customers, creditors, suppliers, and communities. Companies can achieve this criteria by demonstrating that their decision, action, or inaction benefits all relevant stakeholders, including employees, customers, creditors, the local community, the environment, and shareholders.

Objective 2: To determine the extent of CSR activities' effect on the financial performance companies.

This section examines the relationship between CSR (employees, shareholders, communities, environment, consumers, and government) and FP (used ROA and ROE as FP measurements) in Ethiopian large companies, and discusses the various theoretical perspectives that can justify a positive or negative sign in that relationship.

Regression analysis

The coefficients of explanatory variable (CSR dimension) were estimated by the use of OLS method. The regression result in below tables verified explanatory variables with their coefficients and corresponding p-values.

Table no. 10. Multi-collinearity test among explanatory variables

Vif		
Variable	VIF	1/VIF
emp	1.58	0.633604
size	1.47	0.678611
own	1.37	0.729790
sup	1.34	0.744992
ENV	1.28	0.778709
con	1.12	0.894338
gov	1.04	0.960407
Mean VIF		1.32

As seen from table 10, the study variable have no a multi-collinearity problem because the VIF value is below 10 and also the tolerance is above 0.1. The maximum VIF value is much less than 10 which is 1.61 and minimum tolerance is 0.622599 which is much less than 0.1. Hence, there is no Multi-collinearity among the independent variables.

Table no. 11. Pearson-Correlation matrixes of independent variables

	ENV	EMP	CON	GOV	OWN	SUP	SIZE
ENV	1.0000						
EMP	-0.4512	1.0000					
CON	-0.1455	0.2833	1.0000				
GOV	0.0021	-0.0163	-0.0626	1.0000			
OWN	-0.4262	0.3949	0.2111	0.0371	1.0000		
SUP	0.6579	-0.3637	-0.1034	0.0647	-0.2141	1.0000	
SIZE	-0.3641	0.4932	0.2437	-0.1227	0.3608	-0.2371	1.0000

As seen from table 11, there is no correlation above 0.8 in this study, it can be concluded that in this study there is no problem of multi-collinearity. Thus, there is no regression model biased.

Table no.12: Breusch-Pagan LM test for autocorrelation

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of FP
chi2(1)   =   2.06
Prob > chi2 =   0.1509

Based on regression result, the Breusch-Pagan test is 0.15, which is concluded that variance of disturbance term is constant and no presence of Hetero-skedasticity in this model.

Table no.13: Shapiro-Wilk W test for normal data

Variable	Obs.	W	V	z	Prob>z
Residual	310	0.97997	1.709	1.191	0.11681

The table 13 shows that a residual is distributed normally with zero mean because p=11.68% is greater than confidence interval (5%). Therefore, since the normality assumption is fulfilled, the researcher concludes that the residual term is normally distributed with zero mean.

ROA and CSR Dimension

In assessing the impact of CSR on FP, Table 14 and 15 shows the results obtained from the regression analysis between the independent variables, which are data capturing the CSR and the dependent variable represented by ROA.

Table no.14. Result of regression with control variable (ROA as Financial performance measurement)

Source	SS	df	MS	Number of obs = 310	
------------+---------------------------------				F(7, 302) = 51.58	
Model	20.8435788	7	2.97765412	Prob > F = 0.0000	
Residual	17.4348589	302	.057731321	R-squared = 0.5445	
------------+---------------------------------				Adj R-squared = 0.5340	
Total	38.2784378	309	.123878439	Root MSE = .24027	
ROA	Coef.	Std. Err.	t P>|t|	[95% Conf. Interval]	
EMP	.1491084	.0623086	2.39 0.017*	-.2717224	.0264944
ENV	.0125906	.0496036	0.25 0.800	-.0850219	.110203
CON	.0280811	.076169	0.37 0.713	-.1218081	.1779702
GOV	-.0916672	.0971225	-0.94 0.346	-.2827897	.0994553
OWN	.0432654	.0479027	0.910.000**	-.3375307	.149
SUP	.059392	.0464156	1.280.000**	.468053	.650731
SIZE	.0549903	.0245992	2.24 0.026*	-.1033978	.0065829
_cons	.3418573	.0401621	8.51 0.000	.2628243	.4208904

**and* denoted significance at 1% and 5% respectively.

Table no. 15. Regression output without control variable (ROA as FP measurement)

Source	SS	df	MS	Number of obs = 310	
------------+---------------------------------				F(6, 303) = 58.57	
Model	20.5550805	6	3.42584675	Prob > F = 0.0000	
Residual	17.7233573	303	.058492928	R-squared = 0.5370	
------------+---------------------------------				Adj R-squared = 0.5278	
Total	38.2784378	309	.123878439	Root MSE = .24185	
--					
ROA	Coef.	Std. Err.	t P>|t|	[95% Conf. Interval]	
------------+--					

```
ENV |  .0071241   .0491343    0.14   0.885   -.1038116   .0895635
  EMP |  .1977263   .0587736    3.36   0.001   -.3133824   .0820701
  CON |  .0108197   .0762748    0.14   0.887   -.1392756   .160915
  GOV | -.0666729   .0971111   -0.69   0.493   -.2577704   .1244246
  OWN |  .2582739   .0477417    5.41   0.000   -.3522212   .1643267
  SUP |  .05705934  .0464477    1.23   0.000    .4791925   .6619944
 _cons |  .3435551   .040419     8.50   0.000    .2640177   .4230925
```
**and* denoted significance at 1% and 5% respectively.

Regression result in table 9 shows that responsibility to Government has negative coefficient while other variables have positive coefficient on return on Asset of companies in Ethiopia.

Based on the regression analysis result in table 9, the result from the random effect model with the control variables can be specified as follows:

ROA = 0.34 + 0.15EMP+ 0.013ENV + 0.059SUP + 0.028CON − 0.092GOV+ 0.043OWN + 0.055SIZE

Based on result from table 14, Prob. > F= 0.0000 which is statistical significant at 1% indicates the overall model is good fitted to explain dependent variable while R^2 of model is 53.4% which implies the variation in Return on Asset is being explained by the corporate social responsibility dimension explanatory variables in the model.This result noted that corporate social responsibility does appear to be positively associated with subsequent return on assets. The findings suggest that if a company excels at CSR initiatives, it can be more profitable with its assets. An increase of one point in the CSR score dimension can result in a 53.4 percent rise in ROA.

From the regression output with control variable, the company undertakes responsibility to its employees has had a positive impact (with coefficient of 0.149 and P-value 0.017)on its financial performance. Changes every 1 unit of employees benefit payable will lead to increased value of ROA for 0.15. besides, regression output without control variable implies positive significant influence (with coefficient of 0.198 and P-value 0.001) on financial performance of company. The view of CSR related to employees responsibilty is measured by Ratio of Employee benefits payable to annual income.Even though such practices seem clearly costly to the company, they are projected to result in easier recruitment of high-quality employees, greater employee retention rates, lower training expenses, and enhanced employee loyalty.

Based on regression results obtained for model with control variable, the regression coefficient of responsibility to environment (measured by whether it passed ISO14000 Third-party certification Passed as 1, failed to pass 0)ispositive insignificant with a p value of 0.885 besides positive insignificant (with coefficient of 0.007 and P-value 0.800) on ROA for model without control variable. This means that the responsibility to environment does have a moderate significant effect on the financial performance as measured by return on assets.

When looking at above table 14 of model with control variable, it is noticeable that the relationship between the responsibilities of the company to the investors/shareholders (measured by company's earning per share); it showed thatthere is a positive impact (with coefficient of 0.043 and P-value 0.000)on the financial performance as measured by ROA of the companyas well it is positive significant (with coefficient of 0.258 and p value 0.000) on ROA for model without control variable. The relationship between CSR and shareholder responsibility is important, implying that investing cash in CSR activities is viewed as a source of community concern. This finding is in line with (Waworuntu et al., 2014) who claimed that if a corporation invests in CSR, it will gain a positive public image. A positive image will entice investors to invest in the company, allowing it to make a profit and improve its performance.

On contrary, the responsibility of enterprises to the government (measured by Ratio of taxes payable to annual income) has a negative insignificant impact (with coefficient of -0.092 and P-value 0.346 for model with control variable)and (coefficient of -0.067 and P-value 0.493 for model without control variable) on the financial performance measured as ROA of enterprises. The possible reason is that enterprises have the probability of defaulting on taxes, affecting cooperation between government trusts, which in turn affects the financial performance of enterprises.

On other hand based on the regression output for model with control variable, responsibility to suppliers/creditors (measured by company's quick ratio) has positive significant (with a significance p-value of 0.000 and coefficient of 0.059) effect on financial performance of the company while it is significant influence (with p value of 0.000 and coefficient of 0.057) on return on assets of the companies for model without control variable. This means that the responsibility to suppliers has positive significantly affect financial performance as measured by ROA. We can see that engaging corporations with CSR activities increases stakeholder confidence in the firm, which supports the firm's financial returns.

Based on regression results obtained for model with control variable, the regression coefficient of responsibility to consumer (which is measured by Whether it passed ISO9000 certification Passed as 1, failed to pass 0) is positive insignificant with (coefficient of 0.028 and a p value of 0.713 besides positive insignificant (with coefficient of 0.011 and P-value 0.887) on ROA for model without control variable. This means that the responsibility to consumer does moderate a significant effect on the financial performance as measured by return on assets.

The size of the company(control variable), which was measured by total assets of the company,has positive impact (with coefficient of 0.055 and P-value 0.026) on the financial performance of the enterprise.

ROE and CSR dimension

Table 16 shows that the F-test value is 26.24 (p=0.000), favoring the random effect regression model and indicating that it is suitable for investigation. Furthermore, R-square calculates that the model's explanatory power is 36.38 percent. The return on equity (ROE) assesses how effectively a company makes money from the money it receives from its shareholders. The findings suggest that the greater the CSR score, the higher the return on equity for shareholders. CSR score increases by one point can result in a 36.38 percent boost in ROE.

ROE = 0.25 + 0.017EMP+ 0.20CON + 0.07GOV + 0.12OWN + 0.12ENV - 0.12SUP + 0.13SIZE

Table no. 16. Result of regression with control variable (ROE as Financial performance measurement)

Source	SS	df	MS			Number of obs = 310	
					F(7, 302)	= 26.24	
Model	8.87572318	7	1.26796045	Prob > F	= 0.0000		
Residual	14.5934233	302	.048322594	R-squared	= 0.3782		
				Adj R-squared	= 0.3638		
Total	23.4691465	309	.07595193	Root MSE	= .21982		
ROE	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]		
EMP	.0169193	.0453763	0.37	0.710	-.0723744	.1062131	
CON	.201787	.068728	2.94	0.004**	.0665405	.3370334	
GOV	.0706477	.0888946	0.79	0.427	-.1042834	.2455789	
OWN	.120846	.045126	2.68	0.008*	.0320447	.2096473	
ENV	.1248075	.0521539	2.39	0.017*	-.2274386	.0221765	
SUP	-.1177545	.0512316	-2.30	0.022*	-.2185705	-.0169385	
SIZE	.128374	.0214549	5.98	0.000**	.086154	.170594	
_cons	.2543335	.0382078	6.66	0.000	.1791462	.3295208	

*and** denoted significance at 1% and 5% respectively.

Table no. 17: result of regression without control variable (ROE as Financial performance measurement)

Source	SS	df	MS		Number of obs = 310	
					F(6, 303)	= 22.11
Model	7.14570068	6	1.19095011	Prob > F	= 0.0000
Residual	16.3234458	303	.053872758	R-squared	= 0.3045
					Adj R-squared	= 0.2907
Total	23.4691465	309	.07595193	Root MSE	= .23211

ROE	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
EMP	.0701018	.0469832	1.49	0.137	-.0223529	.1625565
CON	.2712418	.0715252	3.79	0.000**	.1304928	.4119907
GOV	.0109231	.0932673	0.12	0.907	-.1726105	.1944568
ENV	.1821085	.0541313	3.36	0.001**	-.2886293	.0755876
OWN	.1633849	.0470521	3.47	0.001**	.0707947	.2559751
SUP	-.1367104	.0539902	-2.53	0.012	-.2429537	-.0304672
_cons	.2946539	.03971	7.42	0.000	.2165116	.3727962

*and** denoted significance at 1% and 5% respectively.

Regression result in table 19 shows that responsibility to suppliers has negative significant effect while other variables (responsibility to consumers, responsibility to shareholders and enviromental responsibilty of the companies) have positive significant effect on return on equity of companies in Ethiopia while responsibilty to suppliers is negative significant effects on financial performance as measured by ROE. Besides other variables alike responsibilty to government and employees have non significant positive effects.

(With cofficient of 0.125 and P-value 0.017, and cofficient of 0.182 and p-value 0.001 for model with control variable and model without control variable respectively) on the Return on Equity of big enterprises in Ethiopia, researcher confirmed that environmental responsibility is one of the most significant direct influencing variables. As a result, corporations should place a greater focus on environmental preservation and long-term sustainability while implementing CSR. According to the survey, companies had an environmental compliance certificate, policy, and environmental stewardship system in place, as well as the capacity to maintain environmental protection on a long-term basis. This finding is in line with (Demamu, 2020) and (Eyasu & Endale, 2020), who state that the preservation and protection of the environment is an important component of CSR. According to the legitimacy hypothesis, a firm whose management is dedicated on empowering communities, the government and the environment have the benefit of supporting the company's existence(Asfaw et al., 2016). The research found that the company's CSR activities relating to the environment are more in line with the Ethiopian government's rules and regulations.

Another element that has a direct relationship with return on equity of firms is responsibility to consumer in both model with (coefficient of 0.201 and significant with P=0.004 for model with control variable; and coefficient of 0.271 and significant with P=0.000 for model without control variable). This indicates that consumers are the firms' principal stakeholders, with a direct impact on their success. This finding is in line with prior research undertaken by (Kamatra & Kartikaningdyah, 2015). Good service will enhance customer loyalty, which will influence customers to purchase the company's products.

Table 16 and 17 regression output reveals that responsibility to supplier has negative significant impacts with (coefficient of -0.118 and p-value 0.022 for model with control variable; and coefficient of -0.137 and p-value 0.012 for model without control variable) on financial performance as measured by return on Equity of the companies in Ethiopia.

The size of the firm (control variable) has a positive influence on the financial success of the enterprise as evaluated by return on equity (with a coefficient of 0.128 and a P-value of 0.000). According to the study of the organization's size, the enterprise will determine whether or not to take on social responsibility at a later stage based on the existing economic condition and the larger the enterprise, the more likely it is to do so.

Objective 3:To examine the impact of CSR on company's image and competitive advantage.

The stakeholder theory is a strategic management philosophy that tries to assist a company preserve its external relationships while also improving its competitiveness. According to the stakeholder theory, a company's long-term viability and performance are dependent on meeting the stakeholder's economic and non-economic needs through Social Responsibility. It is necessary to practice social responsibility in order to improve the company's reputation, which will result in improved performance(Mujahid & Abdullah, 2014). The positive response offered by a firm to the

application of social responsibility will raise the company's value, resulting in an increase in stock price and increased stock sales.

Empirical studies show that corporate social responsibility has a positive significant effect on company value. (Back, 2018) Developing Social Responsibilities Practices favorably translates into competitive success with a high degree of precision. (Karagiorgos, 2010) who suggested that managers should increase their CSR efforts in order to improve business market efficiency and (Robertson, 2009)found that client fulfillment picked up through long periods of CSR hones may be a source of economical competitive advantage for firms. They expressed that in arrange to recognize whether changes in certain item traits lead to competitive advantage, it is vital to compare the customers' seen item or benefit quality with that of competitors' items. (Degie & Kebede, 2019) too claimed that corporate notoriety made through CSR empowers firms to more than once pull in clients. More CSR hones lead to more fulfilled clients, more deals development, and more competitive advantage, and at last higher levels of firm performance. According to (Asfaw et al., 2016) better business performance is linked to corporate image and trust, customer happiness, and a firm's competitive advantage. Activities carried out in the social, economic aspects within the society and the environment will create a good financial performance(Uddin & Rahman, 2015). The cost spent on activities will make the company grow sustainably and increase the company value. The researcher concludes that the CSR idea is critical for businesses to achieve optimum financial performance in today's competitive world.

CONCLUSION

Based on the major finding of this study, the researchers clearly identified the discrepancy of opinion between Ethiopian companies and interest groups like employees, government office, suppliers, shareholders.

When compared to ROA, the findings demonstrate that when a company excels at CSR initiatives, it can be more lucrative with its assets. As a result, a one-point improvement in CSR might result in a 53.4 percent boost in ROA. CSR score, in particular, is positively related to ROA, which can be an intriguing result for stakeholders such as investors and management. This last finding can be explained by the fact that some indicators of the CSR dimension (shareholders, employment, and suppliers concerns are all significantly positively related to ROA (slope coefficients of 0.043, 0.149 and 0.059, and p-value of 0.000, 0.017 and 0.000 respectively) and responsibility for government has negative insignificant while responsibility to environment and consumers and have positive insignificant impact on financial performance of the organization's ROA.

The findings also suggest that the greater the CSR score, the better the return on equity for shareholders. CSR score increases by one point can result in a 36.34 percent boost in ROE. When it comes to ROE measures, the majority of the results are statistically significant (for example, responsibility to consumers, the environment, and shareholders with slope coefficients of 0.201, 0.125, and 0.121 and p-values of 0.004, 0.017, and 0.008, respectively), while responsibility to government and employees have no impact. However, responsibility to supply concerns is significantly inversely associated with a slope coefficient of -0.118 and a p-value of 0.022. Even if implementing socially responsible for supplier procedures may costly, though being socially irresponsible in this regard can result in a drop in a company's financial performance.

Based on the results of this study and discussion, it can be concluded that the corporate social responsibility has a positive effect on financial performance as measured of ROA and ROE of the companies. This finding is in line with (Mujahid & Abdullah, 2014), (Hang & Ngoc, 2018), (Bolibok, 2021), (Kaur & Dave, 2020),(Asfaw et al., 2016)and (Uvaneswaran & Hussien, 2017)who used accounting indicators such as ROE, EPS, and ROA, and discovered that CSR had a considerable beneficial impact on a company's financial success. The findings of this study corroborate prior researches, which found that companies that seem to be consistent with their CSR practices are viewed as trustworthy, resulting in a positive reputation and a competitive advantage.

RECOMMENDATION

To make better use of social responsibility for development, civil society organizations, the community, and the state must all work together.

In order to improve cordial relationships with society, business firms in Ethiopia should make an effort to deepen their commitment to social responsibility and engage in activities such as community development projects, environmental protection and improving employee well-being which will boost employees' commitment to enabling and participating in industry CSR implementation. Then, with common awareness of each stakeholder's responsibility, the norm can be cascaded down to each firm.

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