

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economic Theories**



## **Master's Thesis**

**CORPORATE SOCIAL RESPONSIBILITY AND THE FINANCIAL PERFORMANCE  
OF FIRMS IN GHANA: (THE CASE OF SELECTED FIRMS)**

Supervisor: Dr. Dittrich

Author: Kwame Nda Kpanyi Agyefi

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## DIPLOMA THESIS ASSIGNMENT

B.S.B.A Nda Kpanyi Agyefi Kwame, BA (Hons)

Economics and Management

Economics and Management

Thesis title

**Corporate Social Responsibility and the Performance of Firms in Ghana: (The case of Selected Firms.)**

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### Objectives of thesis

The general objective of the study is to examine the effect of corporate social responsibility on the performance of firms in Ghana. Specifically, the study sought.

To identify corporate social responsibility activities mostly undertaken by selected firms in Ghana; to examine the effect of CSR on performances of the selected firms in Ghana; to analyse the relationship between corporate social responsibility and the performance of the selected firms in Ghana and to determine the sustainable development practices of the selected firms.

Research Hypothesis

H1. There is a significant relationship between CSR and the performance of firms in Ghana

H2. CSR has a significance effect on firms' performance.

H3. Profitability moderates the positive relationship between CSR and firms' performance.

H4. Sustainable development activities performed by the firms will improve the needs of the communities.

### Methodology

The theoretical part of the thesis will consist of a literature review of all relevant literature relating to Corporate Social Responsibility, Firms Performance, Profitability, and the Community. In the practical part, hypothetical test will be used to predict the relationships between the variables. The secondary data will be obtained by reviewing annual reports and financial statements of selected firms in Ghana which are published on the stock exchange market, journals, articles, and online sources relevant to the subject matter of this research. The primary data will be obtained from a questionnaire survey. Electronic Questionnaires (Open ended and Likert scale questions) will be sent to the respective respondents in the communities in Ghana. The researcher will select ten (10) firms in Ghana whose financial statements are available on the stock exchange market and two hundred (200) community residents. However, the researcher will use multi-stage sampling in the form of cluster to select the community residents for the study whereas a convenience sampling technique will be adopted to select the firms. With regards to the data analysis, a regression analysis will be used whereas profitability ratio will be adopted to analyse the financial statements.

**The proposed extent of the thesis**

70-80 pages

**Keywords**

Corporate Social Responsibility, Firms Performance, Profitability, Firms, and the Community

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**Recommended information sources**

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**The Diploma Thesis Supervisor**

Oldřich Ludwig Dittrich, MPH, Ph.D.

**Supervising department**

Department of Economic Theories

Electronic approval: 30. 12. 2021

**doc. PhDr. Ing. Lucie Severová, Ph.D.**

Head of department

Electronic approval: 8. 2. 2022

**doc. Ing. Tomáš Šubrt, Ph.D.**

Dean

Prague on 28. 03. 2022

## **Declaration**

I declare that I have worked on my Diploma Thesis titled "Corporate Social Responsibility and the Financial Performance of Firms in Ghana: The Case of Selected Firms" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 31<sup>st</sup> March 2022

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Kwame Nda Kpanyi Agyefi

## **Acknowledgment**

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# **CORPORATE SOCIAL RESPONSIBILITY AND THE FINANCIAL PERFORMANCE OF FIRMS IN GHANA: (THE CASE OF SELECTED FIRMS)**

## **Abstract**

This study examines the corporate social responsibility and the financial performance of selected firms in Ghana by determining the relationships between corporate social responsibility and some financial performance indicators. The thesis is principally divided into two parts. The first part of the thesis presents the introduction, methodology of the research, and the literature review of the firm, corporate social responsibilities, and its context globally and in the Ghanaian setting. The second part presents the analysis of the primary data, collected through a survey to respondents on the corporate social responsibility activities of firms and their impact on the community. The analysis of the secondary data applies profitability ratios namely; gross profit margin, return on assets and return on equity to the financial reports of the selected firms for the period of 2015 to 2019 and their corporate social responsibility performance for the same period. The findings of the study showed that environmental education was the corporate social responsibility activity mostly undertaken by Ghanaian firms. Firms also focused on their social contributions and impacted their community through community development. Gross profit margin (GPM) and return on equity (ROE) had a negative and insignificant relationship with corporate social responsibility (CSR) while return on assets (ROA) had a positive relationship with corporate social responsibility. The conclusion, recommendations, and suggestions for further research are provided at the end of the diploma thesis.

**Keywords:** Corporate social responsibility, Firms, Firms Performance, Profitability, the Community, Environmental Education, Return on asset, Return on equity, and Gross profit margin.

# SOCIÁLNÍ ODPOVĚDNOST A FINANČNÍ VÝKONNOST PODNIKŮ V GHANĚ NA VZORKU VYBRANÝCH FIREM.

## Abstrakt

Tato diplomová práce se zabývá společenskou odpovědností a finanční výkonností vybraných podniků v Ghaně a určuje vztahy mezi právě společenskou odpovědností a některými ukazateli finanční výkonnosti podniků. Práce je v zásadě rozdělena do dvou částí. První část práce obsahuje úvod, metodiku výzkumu a taktéž literární rešerši o firmách, společenské odpovědnosti podniků a jejím kontextu jak v rámci Ghany, tak v celosvětovém měřítku. Druhá část představuje analýzu primárních dat shromážděných prostřednictvím dotazníkového šetření mezi respondenty na téma společenské odpovědnosti firem a jejich dopadu na komunitu. Dále analýza sekundárních dat pracuje s ukazateli ziskovosti, konkrétně s hrubým ziskovým rozpětím, rentabilitou aktiv a taktéž s rentabilitou vlastního kapitálu. Veškeré ukazatele (jak finanční, tak výsledky výkonnosti společenské odpovědnosti) vycházejí z výkazů vybraných firem za období v letech 2015 až 2019. Výsledky studie ukázaly, že environmentální vzdělávání bylo nejčastěji prováděnou aktivitou v oblasti společenské odpovědnosti firem v rámci Ghany. Firmy se také zaměřovaly na své sociální příspěvky a ovlivňovaly svou komunitu prostřednictvím komunitního rozvoje. Hrubé ziskové rozpětí (GPM) a návratnost aktiv (ROE) měly negativní a zároveň nevýznamný vztah ke společenské odpovědnosti firem (CSR), zatímco rentabilita aktiv (ROA) měla vztah ke společenské odpovědnosti pozitivní. Závěr, doporučení a návrhy pro další výzkum jsou uvedeny v závěru diplomové práce.

**Klíčová slova:** Společenská odpovědnost firem, firmy, výkonnost firem, ziskovost, komunita, environmentální vzdělávání, návratnost aktiv, návratnost vlastního kapitálu, hrubá marže.

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## List of Abbreviations

CSR	Corporate Social Responsibility
SDG	Sustainable Development Goals
GPM	Gross Profit Margin
ROA	Return on Assets
ROE	Return on Equity
SRI	Stanford Research Institute
UNIDO	United Nations Industrial Development Organization
CSP	corporate social performance
WBCSD	World Company Council for Sustainable Development
IISD	International Institute for Sustainable Development
BSR	Business for Social Responsibility
SOE	State-Owned Enterprises
GHBC	Ghana Business Code
AGI	Association of Ghana Industries
GEA	Ghana Employers Association
GNCCI	Ghana National Chamber of Commerce and Industry
SME	Small and Medium Enterprise
GREITI	Global Resource Extraction Industries Transparency Initiative
NGO	Non-Governmental Organization
ROI	Return on Investment
ROP	Return on Premium
MTN	Mobile Telecommunications Network
NPM	Net Profit Margin
EPS	Earnings Per Share
ROI	Return on Investment

# 1 Introduction

The present trend of globalization has resulted in numerous negative consequences, including constantly expanding social inequity, widening wealth gaps, the emergence of global environmental challenges, and the outsourcing of skilled labor to developing nations. As a result of these challenges, many businesses have become quite involved in corporate social responsibility (CSR).

In today's market, corporate social responsibility, also known as corporate conscience, citizenship, social performance, or sustainable responsible firm, has become a crucial means for businesses to thrive. Governments have put pressure on businesses to engage in CSR as a method of contributing to society and the nation, in addition to corporations' conscious attempts to stay relevant. This has been accomplished through enacting CSR compliance rules in the nations where the businesses are located.

In today's world, there is a call for businesses to engage in CSR activities since the government alone cannot address social challenges, and this has affected the country's acceptance of the CSR concept (Ansu-Mensah et al., 2021). The concept of corporate social responsibility (CSR) is that firms incorporate national or community issues into their operations and actively engage with interested parties (Marfo et al. 2017; Ofori & Debrah, 2014; cited in Ansu-Mensah et al., 2021). As a result, CSR may be done by business operations that benefit society in one of three ways: economically, environmentally, or socially. These classifications are referred to as the three pillars of sustainability by Damoah et al. (2019), and they help to achieve sustainable development goals in a variety of ways (SDGs).

Increased sharing of information in company annual reports is increasingly expected by society, and this study is no exception. As a result, businesses are shifting their reporting and disclosure focus away from financial reporting and toward corporate social reporting and disclosure. Adversity in the workplace motivates the corporate sector and its community to prioritize CSR and increase their degree of transparency (Waller and Lanis 2009; cited in Malik & Kanwal, 2018), As a result, public sector companies are eager to disclose their corporate social responsibility efforts in financial reports issued to interested parties.

The link between corporate social responsibility (CSR) and business performance has attracted researchers' curiosity. While some studies have shown a link between the two, others have found no link at all (Graves and Waddock, 1994; Griffin and Mahon, 1997; McGuire et al., 1988; Waddock and Graves, 1997; cited in Mishra & Suar, 2010), others reveal a sour connection (Bromiley and Marcus, 1989; Wright and Ferr 1997; Aupperle et al, 1985; Teoh et al, 1999; cited in Mishra & Suar, 2010). More study is needed to have a clearer understanding of the link between CSR and corporate success, given the widening gap between researchers' conclusions.

In Ghana, corporate management has a limited and insufficient role in corporate social responsibility (Abugre and Anlesinya, 2019). Their research also found that the primary obstacles to successful CSR implementation include a lack of leadership participation, leadership defects such as ineptitude and corruption, and a reluctance to transfer funds ascribed to CSR activities. Abugre and Anlesinya (2020) affirmed that organizations will perform effectively in CSR activities if management approaches CSR and job performance constructively.

Modern economists, according to Yumei et al., (2021), see social responsibility as a vital indication for productive resources and profit maximization. As a result, businesses must establish positive connections with their customers, creditors, workers, government authorities, suppliers, local communities, and other stakeholders through CSR to enhance their financial situation and maximize profit. This is because these individuals can influence the organization's performance. Furthermore, corporate social responsibility may aid in the optimization of income and wealth for shareholders (Thao et al. 2019; cited in Yumei et al., 2021). Environmental stewardship is critical to many businesses' operations and reputations, and it should be reflected in corporate social responsibility efforts (Baloch et al. 2020).

According to Dartey and Amponsah (2011), corporate social responsibility is a conscious decision made by a corporation to willingly work on reducing societal concerns that may affect the firm's capacity to fulfill its economic goals. They went on to define CSR as a company's responsibility to satisfy "legal obligations" by "watching and analyzing the impact of their activities on their social surroundings and vice versa" (Dartey & Amponsah, 2011). Corporate social responsibility policy is a self-regulatory framework that allows companies to monitor and ensure active compliance with the spirit of the law, ethical standards, and international treaties. The goal of corporate social responsibility (CSR) is to take responsibility for a company's activities and ensure that they have a positive influence on the environment, consumers, workers, communities,

stakeholders, and all other members of the public sphere. Furthermore, regardless of legality, CSR-focused businesses would actively promote the public good by supporting community growth and development and willingly eradicating activities that harm the public domain (Fontaine, 2013).

As a result, the emphasis of this research is on the CSR practices used by selected companies in Ghana. These businesses were chosen because they give different forms of assistance to society(s), particularly in the communities within their catchment areas. As a result, it is critical to examine CSR and the performance of a selected companies in Ghana.

However, in order to identify answers, the study will look into the CSR activities carried out by the selected enterprises in Ghana, as well as the impact of their CSR performance on Ghanaian communities and the link between corporate social responsibility and financial performance. The findings will be used to provide policy suggestions that will assist the selected companies in fulfilling their CSR responsibilities to the communities in which they operate.

## **2 Research Objectives and Methodology**

### **2.1 Research Objectives**

The general objective of the study is to examine Corporate Social Responsibility (CSR) and the financial performances of selected firms in Ghana. Specifically, the study sought to.

- i. determine CSR activities undertaken by selected firms in Ghana.
- ii. examine the impact of firms CSR performance in Ghanaian Communities.
- iii. analyse the relationship between corporate social responsibility and the financial performance of the selected firms in Ghana.

### **2.2 Study Hypothesis**

The following hypothesis is to guide the study:

- i. Regular performance of CSR activities significantly contributes to the achievement of community goals.
- ii. Firms from a particular sector have better CSR performance impacts than firms from different sectors.
- iii. CSR has a significant relationship with each financial performance indicator of firms.

### **2.3 Significance of the Study**

First of all, this study will contribute to the existing body of academic knowledge in the area of CSR and firm performance in Ghana. Furthermore, the findings of this study will significantly contribute to the growth of CSR knowledge and information for firms, governments, the community and other concerned stakeholders. Lastly, the study's goal of examining how corporate social responsibility (CSR) affects a firm's performance will result in valid contributions to company and governmental policies and strategies development and amendments regarding the performance of corporate social responsibilities.

### **2.4 Research Methodology**

Research methodology is defined by Bryman (2008), as a set of techniques for conducting research. Generally, research methodology includes obtaining or collecting relevant data from specified documents or other sources, as well as constructing databases to aid in the analysis of



the material and a better understanding of events or situations. This includes the use of data-gathering tools including questionnaires, interviews, and observation. The organizing and interpreting quantitative data, also makes use of sampling processes and statistical tools. The use of complex statistical analytical tools help discover a correlation or the statistical validity of the result. Therefore, this section presents the procedures and instruments used in this study.

## 2.5 Research Design

The study employed the use of the survey method to investigate corporate social responsibility (CSR) and the performances of selected firms in Ghana. This entailed the collection of descriptive data on respondents, the corporate social responsibilities activities of firms and society's views about the impact of CSR operations performed by the selected firm in this study. Furthermore, existing financial data on the firms was obtained and analysed to ascertain their relationship with CSR.

## 2.6 Population and Sample Size

Two population sets were considered in this study. These are Ghanaian firms and the community members of the firms' locations. The study focused on firms listed on the Ghana Stock Exchange market and where operation from 2015 to 2019. Ten (10) firms were selected for this study. These firms were selected because of the availability of their financial information to the researcher. The communities in which the selected firms are located were used for the survey part of the study.

Table 1 presents the population of the selected communities.

Table 1 Population of Selected Communities

<b>Community</b>	<b>Population</b>	<b>Percentage %</b>
Takoradi	24699	34%
New Takoradi	21924	31%
Benso	7874	11%
Seftwi	16938	24%
<b>Total</b>	<b>71, 435</b>	<b>100%</b>

**Source: District Assemblies of the various Communities, 2021**

**Author's Presentation**

Table 2.1 shows that total population of the community members is 71, 435. Based on the above population, the sample size used for this study was calculated using Krajcic and Morgan (1970)'s formula. The formula is as follows:

$$S = X^2NP (1-P) / d^2(N-1) + X^2P (1-P)$$

Where

S= sample size for the study

N= population size

P= the population proportion (assumed to be 90% for this study)

X<sup>2</sup>= the tabular value for the chi-square for 1 degree of freedom at the chosen confidence level (3.841)

d= degree of accuracy (0.05)

$$S = 3.841^2 \times 71435 \times 0.5 (1 - 0.5) / 0.05^2 (71435 - 1) + 3.841^2 \times 0.5 (1 - 0.5)$$

$$S = 381$$

Therefore, the sample size for the study was 381 community residents.

Table 2 Sample size of respondents from the selected communities

<b>Communities</b>	<b>Percentage (%)</b>	<b>Sample</b>
Takoradi	34	130
New Takoradi	31	118
Benso	11	42
Seftwi	24	91
<b>Total</b>	<b>100</b>	<b>381</b>

**Source: Authors Calculations 2021**

The methodology assumed a heterogeneous nature of different communities like widely dissimilar elements, more degree of freedom, and variability in data; therefore, the sample size was based on table

## 2.7 Sampling Techniques

The researcher used convenience and cluster sampling techniques to select the firms and community residents for this study respectively. Convenience sampling was used to select the firms on the basis of the availability and ease of access to their annual financial reports for the desired study period (2015 – 2019). After the firms were selected, their locations were clustered by community. This is shown in table 3 Simple random sampling was then applied to the residents in the clustered communities to obtain a good sample for the study. The cluster sampling was used because accessing the entire populations of the communities was infeasible in this context.

Table 3 Sample companies

<b>FIRM</b>	<b>SECTOR</b>	<b>COMMUNITY</b>
MTN Ghana	Telecommunication	Takoradi
Benso Oil Palm Plantation	Consumer Goods	Benso
Ghana Oil Company	Oil and Gas	New Takoradi
Total Petroleum Ghana	Oil and Gas	New Takoradi
Fan Milk Ghana	Consumer Goods	Takoradi
Unilever Ghana	Consumer Goods	Takoradi
COCOBOD	Agriculture and Rural Development	Sefwi
PZ Limited	Consumable goods	Takoradi
Intravenous Infusions Limited	Health Care	Takoradi
Guinness Ghana	Consumer Goods	Takoradi

**Source: Ghana Stock Exchange Database 2021**

### **Author's Presentation**

## 2.8 Types and Sources of Data

Primary data was obtained through online questionnaires answered by respondents in the selected communities in Ghana. As a result, the researcher was able to collect data that was precisely relevant to the research topic, because of the readiness and availability of respondents for the study. The questionnaires consisted of closed-ended questions and Likert scale questions. Secondary data was gathered from the annual report (financial statements) of the selected firms in Ghana for the study, published documents, journal articles, online sources relevant to the topic.

## **2.9 Research Instrument**

An Electronic Questionnaire was utilized to obtain the desired replies from all the respondents. An electronic questionnaire is a set of questions that have been designed and for respondents to answer on digital devices. The E-questionnaire was used because it had no geographical barrier constraints. Furthermore, the extraction of responses was very easy as compared to traditional paper-based questionnaires.

The electronic questionnaire was divided into four sections, the first of which collected information about the respondents' profiles. The second section sought information on corporate social responsibility activities mostly undertaken by firms in Ghana. The third section examines the impact of firm CSR on the community. With regards to assessing the performance of the selected firms, the researcher used the annual financial statements of the firms based on the profitability ratio.

## **2.10 Administration of Research Instrument**

The electronic questionnaire was delivered to the individual residents where the selected firms are located for completion. This was done after the respondents were contacted and their emails or whatsapp details were obtained. When respondents finish filling out the electronic questionnaire, the responses were automatically sent to the researcher for analysis. The researcher anticipated undertaking the collection of data within a month and a half depending on the respondents of the study.

## **2.11 Data Analysis and Presentation**

The Statistical Package for the Social Sciences (SPSS) version 25 software was used to analyze the data. The acquired primary data was analyzed using descriptive statistical techniques, especially frequencies and relative index. For the study, relevant data from the selected businesses' yearly financial statements and websites were obtained. The data was organized with the independent variables being Gross Profit Margin (GPM), Return on Asset (ROA), and Return on Equity (ROE), and the dependent variable being CSR. Profitability ratios such as gross profit margin (GPM), return on assets (ROA), and return on equity (ROE) reflect how effectively and

efficiently management employed business assets and equity to enhance turnover and sales and generate a profit.

(1)

$$GPM = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Where,  $GPM$  = Gross Profit Margin

(2)

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$$

Where,  $ROA$  = Return on Assets

(3)

$$ROE = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100$$

Where,  $ROE$  = Return on Equity

Multiple regression Analysis is used to assess the relationship between the dependent and independent variables and find out how it affects the dependent variable on the change of independent variables and represented by equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \epsilon$$

Where,

$Y$  = the dependent variable

$a$  = slope of regression equation

$X_1, X_2$  and  $X_3$  = the independent variables

$b_1, b_2$  and  $b_3$  = constants

$\epsilon$  = error term

## **2.12 Variable Selection and Justification (Independent Variable)**

### **Return on Asset (ROA)**

It's computed by dividing an entity's entire assets by its net earnings at the end of a trading period. The return on asset (ROA) was used as a metric for profitability in this study. ROA was chosen and its component's data accessibility was depended upon.

### **Return on Equity (ROE)**

Earnings before interest and taxes are divided by shareholders' money to calculate return on equity. This is a different metric than return on assets. It displays the earnings that each stock unit generates.

### **Gross Profit Margin**

This is computed by dividing a company's net earnings at the end of a period by the total revenue earned during that time.

## **2.13 Variable Selection (Dependent Variable)**

This study has selected one of the most notable and influenced dimensions Corporate Social Responsibility (CSR) disclosures.

### **Corporate Social Responsibility**

Corporate social responsibility was measured by the activities provided by firms to the local community residents. This study focused on how firms affect the communities in which they operate, and the amount of investment pushed into making life meaningful for communities and affecting the performance of firms.

Measuring CSR activities can be difficult because of not having a complete single accepted definition. However, CSR contributions can come in the form of Social, Economic, and Environmental. The CSR disclosure index was constructed by adding together all items included in the three categories of Economic, Social, and Environmental disclosure and giving performance scores to them. The study expects either a negative or positive relationship between CSR and a firm's performance.

$$CSR = \frac{\text{Firm's (EC + SC + EN)}}{\sum(\text{EC + SC + EN})}$$

Where

CSR = Corporate Social Responsibility of firms

EC = Economic contribution = 10

SC = Social contribution = 10

EN = Environmental contribution = 10

Firms (EC + SC + EN) = the firms assigned marks for the firm's CSR performance in terms of economic social, and environmental contributions.

$\sum(\text{EC + SC + EN}) = 30$  = the firm's maximum total assigned marks for firm's CSR performance in terms of economic, social, and environmental contributions.

#### **2.14 Ethical Issue**

Confidentiality and anonymity were given to get authorization from the respondents about their contribution to the study. Research disclosures were shown with no deviancy from the consequence of the exploration. Moreover, the researcher provided adequate verifications to all the reference materials used as a piece of the investigation.

### **3 Literature Review**

In this chapter, the review of existing literature relevant to this study is presented. The chapter consist of review under the areas of the study's theoretical framework, firms, Corporate Social Responsibilities and its global and Ghanaian contexts, dimensions and perspectives of CSR, the community, the financial performance of firms, and its relationship with CSR.

#### **3.1 Theoretical Framework**

The theoretical framework is discussed in this section of the study. Corporations have included CSR in their strategic planning to reap a variety of benefits. Any company entity's long-term success is impossible to achieve without paying close attention to the role they play in the communities they operate.

There are many theories about CSR, but the stakeholder theory will be used in this study. According to Fiawoyife (2016), the stakeholder theory developed from four academic disciplines: economics, sociology, politics, and ethics. This theory is based on a variety of management methods, and it is thought that the word gained popularity because of early work by the Stanford Research Institute (SRI) in the 1960s. Edward R. Freeman, on the other hand, projected this notion into a strategic management blueprint in 1984. After the Stakeholder Theory failed to produce the promised results soon after its introduction, Freeman's popularization of it became required (Fiawoyife, 2016). Furthermore, managers were unable to quickly react to changing corporate environments, necessitating Freeman's reintroduction of the entire stakeholder paradigm.

The primary concept of the stakeholder theory is that an organization manages interactions with a number of groups that are impacted by the decisions it makes (Fiawoyife, 2016). The theory also claims that when current frameworks fail to produce the desired results, it is important to abandon them in favor of new ones, and the stakeholder theory, in his opinion, can provide adequate means and answers.

Stakeholders are classified as "any party or person who can influence or is influenced by the attainment of the organization's objectives." It was stressed that corporate strategy goes further than the classical economic base, but gives shareholders a seat of power. This means that businesses should seek out persons or groups that can assist them in achieving their goals by identifying and comprehending how the achievement of the company's goals affects various areas



and ensuring the creation of decision-making processes. The stakeholder theory offers organizations a framework that allows them to examine their stakeholder situation critically.

According to Fiawoyife (2016), the stakeholder theory allows businesses to understand the reactions they cause, and the behaviors of other inhabitants and their responses to them. To do so, organizations must improve their ability to negotiate how stakeholder groups form, the primary issues they have, and the level to which they are willing to sacrifice to help or hinder the business achieve its goals as a result of their activities. The stakeholder hypothesis recognizes that institutions are not self-sufficient and rely on other non-market inhabitants to exist and grow (Fiawoyife, 2016).

The stakeholder theory, on the other hand, has a lot of critics, mainly because of its lack of clarity. Some argue that there is no clear definition of what constitutes excellent or bad stakeholder involvement and value development. Also, according to other studies, the stakeholder theory does not necessitate a proper explanation of enterprises' attitudes inside the sectors in which they operate. This theory or framework will be useful in this study because it will aid in the investigation of stakeholder management's ethical practices and their engagement in achieving business objectives and aims.

### **3. 2 Firms**

The concept of the firm has been a hot topic in the financial world for a long time. However, one thing that is of utmost certainty is that firms are an important part of the global economy (Hart, 2011). To understand the firm, researchers such as Coase (1937) developed theories from various viewpoints of understanding. As a result, many definitions of firms have been developed and evolved over the years. A study by Carrizosa (2007) highlighted four definitions of firms from four perspectives namely production, capabilities, ownership, and sphere of influence. Table 4 presents the perspectives and their accompanying definitions of the firm.

Table 4 Definitions of a firm

Perspective	Definition	Source
Production	A firm is a body with a production system that churns out products into a market for a price.	Coase (1937)
Capabilities	A firm is a body with a set of capabilities to fulfill the current and possibly the future product and service needs of a market	Penrose (1959) and Richardson (1972)
Ownership	A firm is a conceived set of assets or resources under common ownership and control.	Hart (1995)
Sphere of influence	A firm is a body with a sphere of influence that encompasses other agents under the description of distributors, suppliers, and alliance partners.	Williamson (1985)

**Source: Carrizosa, 2007**

### **Author's Presentation**

These definitions being considered in this study, express that a firm should have definite ownership, a sphere of influence on other economic players, a production system, and the capability to fulfill a need in a market.

There are many types of firms based on various clustering criteria. Lee et al (2012) listed ownership, sector or industry, and size as some popular criteria used all over the world including Ghana. There are many types of firms based on ownership. Some examples include privately owned firms, publicly owned firms, foreign firms, domestic firms, sole proprietorship firms, partnership firms, corporation firms, and limited liability firms (International Labor Organization, 2018 and Lee et al 2012). There are numerous types of firms based on sector or industry. Moussa et al (2013) mentioned finance firms, telecommunication firms, real estate firms, construction firms, oil and gas firms, and consumer goods firms as some types of firms under the sector criterion. With regards to the criterion of size, some types of firms include micro firms, small and medium-sized firms, and large firms (Pech and Vrchota, 2020).

Most firms have a mission and a vision that guides their operations and Vaz (2021) opined that the objectives of a firm are strongly tailored to its mission and vision. However, some fundamental

objectives cut across all firms regardless of their sectors of business or company policies. Pradeep (2021) concurred by highlighting the fundamental objectives of firms as profit maximization, output, or sales maximization, an increase of market dominance, and profit satisfaction. These objectives drive towards the singular goal of increasing the firm's shareholder benefits (Hart, 2011).

In recent years, firms have made significant changes to their fundamental objectives by including social and environmental aspects. These added objectives aim at providing value to the betterment of society and the environment (Pettinger, 2019) and collectively form the corporate social responsibilities (CSR) of the firm.

### **3.3 Corporate Social Responsibility**

The corporate division is responsible for a variety of things, including the firm itself, shareholders, and society. Corporate social responsibility (CSR) is an organizational approach in which institutions or businesses consider social, economic, and environmental issues in their decision-making. Corporate social responsibility is an important notion that is incorporated into the governance of numerous businesses and organizations. The United Nations Industrial Development Organization (UNIDO) defines corporate social responsibility as "a management concept in which firms integrate social and environmental issues into their business operations and interactions with its stakeholders".

Corporate Social Responsibility, according to (Han et al., 2016) is a type of self-regulation included in company structures. CSR is a self-regulatory method that allows a company to ensure that it is operating by the spirit of the law and ethical standards. The purpose firms performing CSR is to improve their long-term earnings or survival by building good public relations and upholding high standards of ethics to minimize business and legal risk and promote shareholder trust. As a result, a company's CSR policies are inextricably linked to its sustainable growth. A corporation must have a positive environmental impact along with positive impacts on its stakeholders, such as customers, workers, shareholders, and others, to achieve long-term growth. Corporate social responsibility refers to a company's commitment to being accountable to its stakeholders. Corporate social responsibility is a fluid motion with no clear definition or set of universally accepted guidelines. Internal CSR (management strategies aimed at internal stakeholders) and external CSR (management strategies aimed at external stakeholders) are two

different types of CSR. Internal and external stakeholders are less likely to put pressure on companies that use CSR tactics (Wang et al., 2020).

Corporate social responsibility is described using a variety of terms such as sustainable development, business practices, stakeholder engagement, and sustainably responsible corporation are some of the words used in this context (Carroll & Shabana, 2011; cited in Oppong, 2016). Corporate social responsibility is primarily concerned with philanthropic and voluntary activities by corporations that benefit not only the communities in which they operate but also the businesses themselves by assisting in the marketing of their brand and products. CSR is a corporate image which encourages a company to be socially responsible to their employees, shareholders, and the general public. Corporate social responsibility ensures that enterprises assist society and the environment rather than damaging it.

CSR is defined as a company's strategy for balancing or integrating economic, environmental, and social imperatives while also meeting stakeholder expectations, with the knowledge that businesses play a critical role in society' by creating job opportunities, and wealth development. In both the business and academic realms, CSR (corporate social responsibility) has become a popular topic. Regardless, opinions differ on whether a company's CSR actions result in financial gains (Ahmed, Islam & Hasan, 2012).

CSR is defined Amponsah and Dartey (2011) as "an organization's strategic decision to voluntarily act on societal issues that have the potential to militate against corporate interests." CSR is regarded to have just a little impact on a company's financial performance, according to this theory. When it comes to CSR in Ghana, only multinational subsidiaries are strategic, ethical, and moral, with firms focused on a few areas such as educational sector, environmental, health care, consumer safety, and charity (Ofori & Hinson, 2007; cited in Oppong, 2016). CSR is an ethical conundrum for corporate and non-profit organizations all over the world, especially in the twenty-first century. It's fascinating to discover how this concept came to be. CSR has been characterized in a number of ways ever since the 1950s when the modern age of CSR began. Many theories on CSR have been presented as a result of the rise of the media in the 1960s and 1970s, including corporate social performance (CSP), corporate governance, and ethical conduct theory. (Amoako et al., 2020).

### **3.4 CSR in Global Context**

Given CSR's inevitable ascent to prominence, there is significant and growing scientific and practical literature on the issue. Thousands of articles and reports on CSR have been published by academics, corporate entities, consulting firms, the media, Non-Governmental Organizations, and government agencies.

The modern era has seen a transition from profit maximization to social responsibility, pushing most company executives to examine the impact of organizational actions on stakeholders in addition to profit potential. The World Company Council for Sustainable Development (WBCSD) defines corporate social responsibility as a contribution to long-term economic growth because of this shift in business thinking. The International Institute for Sustainable Development (IISD) created this definition in 2007: A company's accountability for the effects of its decisions and activities on society and the environment through fair and ethical behavior and attitudes that are consistent with environmental protection and societal well-being; takes stakeholder expectations into account; and adheres to international standards (Hohnen, 2007).

A "socially responsible approach" has replaced the "profit-driven paradigm" of corporate governance. This is supported by a number of concepts in the CSR literature. Corporate social responsibility is defined by phrases such as corporate governance, corporate philanthropy, business giving, corporate community involvement, community engagement, community affairs, community development, corporate responsibility, globalization, and corporate social marketing (Kotler and Lee, 2005; cited in Ofori, 2010).

CSR is a phrase that has a number of different connotations. Only a few examples include corporate responsibility, transparency, ethics, corporate citizenship or stewardship, responsible entrepreneurship, and sustainable development and environmental challenges. As CSR issues become more interwoven into modern business operations, words like "responsible competitiveness" and "corporate sustainability" are becoming more common. It's vital to keep in mind that corporate social responsibility (CSR) is still a new concept with no universally accepted definition. The transparent and accountable integration of social, environmental, and economic issues into a company's beliefs, culture, decision-making, strategy, and operations to improve internal processes, generate income, and serve society is characterized as CSR (Kirat, 2015). What is the most effective technique for making sense of this large body of knowledge so that a coherent explanation of what CSR comprises can be produced? CSR, after all, is one of the few management

topics that generates as much debate and debate as it does. As a result, there are as many definitions of CSR as there are different perspectives on the role of businesses in society.

"Achieving financial success while adhering to ethical standards and appreciating people, communities, and the natural environment" is how Business for Social Responsibility (BSR) defines corporate social responsibility. A company's efforts to assist or engage in specific societal objectives that are not immediately tied to its immediate interests, shareholder interests, or regulatory requirements are referred to as corporate social responsibility. (Wang et al., 2020; El Akremi et al., 2018; Turker, 2009).

### **3.5 CSR in Ghanaian Context**

Dr. Kwame Nkrumah's socialist mentality in Ghana gave rise to the notion that state-owned enterprises (SOEs) could solve societal issues. This reduced the social duty of firms to pay taxes in a variety of ways. However, there has recently been a rallying cry for corporations to take on social initiatives, arguing that the government cannot fix societal problems on its own. As a result, widespread adoption of the notion has been limited. Large multinational corporations in Ghana promote corporate social responsibility (CSR) operations. Firms integrate social and environmental issues into their business activities and actively engage with interested parties, according to the notion of CSR (Marfo et al., 2017; Ofori & Debrah, 2014). Because the government alone cannot solve societal problems in today's world, corporations are being encouraged to engage in social activities, which has influenced the country's acceptance of the CSR idea (Amoako, 2017).

Low per capita income, a weak currency, capital flight, low productivity, low savings, and other factors make it difficult for indigenous enterprises to engage in retail and primary commodity production, as well as social activities. Extractive companies, on the other hand, are constantly in the news in Ghana and around the world for obvious reasons: they are either violating or achieving some of the CSR agenda's aims (Amponsah & Dartey – Baah, 2011). According to Sarpong (2017), Ghanaian civil society has primarily investigated the concept of corporate social responsibility (CSR), which originally focused on how multinational corporations could help solve critical social and environmental problems by voluntarily cooperating with other stakeholders. Concerns have been made concerning industries such as mining, which have been demonstrated to have negative externalities that impact rural communities. Many Ghanaians began to challenge conventional

views that nature should be forcibly suppressed and controlled in the name of industrialization and economic expansion after witnessing pollution and waste, soil erosion, deforestation, and damage in mining zones. Concerns over these issues sparked public outrage, pushing businesses to pay closer attention to stakeholder expectations about how they should manage their social, environmental, and economic implications.

Corporate social responsibility is referred to by a variety of terms. Sustainability, business practices, stakeholder involvement, corporate social responsibility, corporate social performance, corporation conscience, corporate citizenship, social performance, and a sustainable responsible organization are just a few of the subjects discussed (Oppong, 2016). The common thread that runs across all of them is that a company's responsibility extends beyond its walls to encompass other people's lives, such as the local community and society at large (Dartey-Baah et al., 2015).

### **3.6 CSR Related Documents in Ghana**

There were no set norms to guide corporate practices and accepted standards with CSR until the Ghana Business Code (GHBC) was established in 2006 by the Association of Ghana Industries (AGI), Ghana Employers Association (GEA), and Ghana National Chamber of Commerce and Industry (GNCCI) in collaboration to introduce and deepen the practice of CSR in business operations. The GHBC, which is based on the Global Compact, advocates for the triple bottom line (profit, planet, and people) to be used as a metric for measuring global business success. The GHBC is organized around ten primary principles, all of which are based on Ghanaian legislation and promote CSR. Businesses, surprisingly, are not required to do so. It's a free application that allows businesses to assess their operations in four areas: human rights, labor standards, environmental protection, and anti-corruption.

Members whose acts are judged to follow the GHBC's prescriptions receive a certification of good training. Only a few companies have taken part due to its temporary nature. As of April 1, 2011, there were less than 60 SMEs and large-scale manufacturing industries that were members of the GNCCI and AGI who had signed up for the GHBC.

According to Amponsah & Dartey (2011), the Global Resource Extraction Industries Transparency Initiative (GREITI) was founded in September 2002 when the British Prime Minister launched the Resource Extraction Industries Transparency Initiative at World Summit on sustainable development. It is used in the extractive, refining, and other industries to enhance CSR.

Despite this, the GREITI fails to address social and environmental issues, as well as corporate human rights breaches, which are seen as cornerstones of the CSR idea by many CSOs and NGOs in the sector. As can be seen from the following, Ghana's CSR is still in its infancy, with large multinational corporations, especially those in the extractive sector, leading the way. With an increasing number of interest groups asking for firms operating in the region to be ethically, socially, and environmentally responsible, the notion has grown more connected with Ghana's mining industry, where there appear to have much concern for human rights and environments, they operate in.

### **3.7 Dimensions of Corporate Social Responsibility**

According to Carrol (1999), a complete CSR is made up of four different types of social responsibility. Among these are responsibilities in economics, law, ethics, and philanthropy.

#### **Economic Responsibilities**

Businesses owe it to their shareholders or owners to produce a profit. Businesses started as commercial enterprises that offered goods and services to the public. As a result, their major goal was to manufacture goods and services that satisfied people's wants while also profiting. However, as time went on, the goal of making a profit shifted from a small profit to a high profit, which is today the industry standard.

#### **Legal Responsibilities**

Firms are permitted to operate for the benefit of society, but they must adhere to all existing rules and regulations, both locally and globally. As part of the "Social Contract" between industry and society, businesses are obligated to operate within the confines of the law. Legal Responsibilities lays out the fundamental principles of fair operations as established by legislators, displaying a "codified ethics" perspective.

#### **Ethical Responsibilities**

Although economic and legal obligations entail ethical concepts such as fairness and justice, ethical responsibilities encompass the behaviors and activities that society permits or forbids. Attitudes, actions, and expectations that indicate concern for what consumers, workers, investors,



and society consider to be fair and reasonable, or that are consistent with the respect or protection of their moral rights, are referred to as ethical obligations. To put it another way, it is constantly expanding the scope of legal responsibilities and increasing the pressure on firms to go above and beyond what is required by law.

### Philanthropic Responsibilities

Philanthropy refers to business operations that assist companies in meeting society's expectation that they will be good corporate citizens. This entails participating in activities or programs that advance human welfare or benevolence. Philanthropy is distinct from ethical commitments in that it does not necessitate a moral or ethical sensibility.

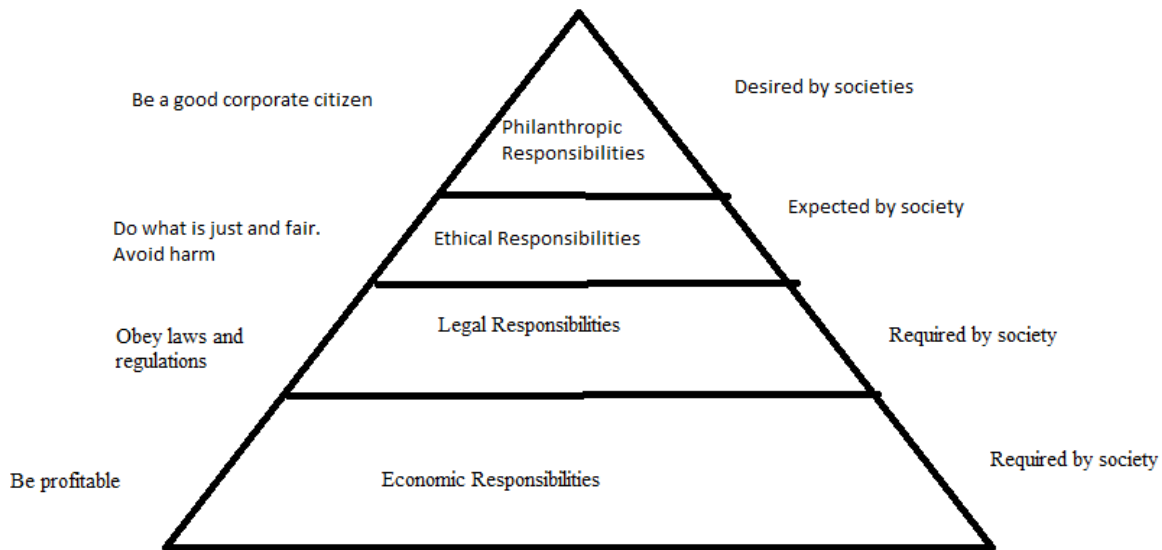


Figure 1 Dimensions of Corporate Social Responsibility

**Source: Carrol, 1991**  
**Author's Presentation**

Therefore, for companies or firms to reach the pinnacle of corporate social responsibility execution and reap its inherent benefits, they have to adequately fulfil all the dimensions of CSR in the nation, city or community they operate in.

### **3.8 Perspectives of Corporate Social Responsibility**

Companies play a critical role in solving many problems that they created, such as water pollution and depletion of resources (Oladele and Akeke, 2010; cited in Musa et al., 2013). Companies that make visible contributions to society can improve situation reputation. According to Ouchi (1981), when businesses take a caring approach and believe that they must promote the interests of their employees, a caring climate will pervade society, affecting the quality of life. According to Oladele & Akeke (2010; cited in Musa et al., 2013), one issue that arises is that shareholders may believe they are being negatively affected when resources of the company are used for socially responsible courses of action, as well as the potential for conflict of interest if one manager oversees determining which local social program of charity will receive a large grant from their company.

### **3.9 Relationship between CSR and a Firm's Performance**

Although the results are inconsistent, researchers have discovered that a company's socially responsible operations have a beneficial association with its success. There are three possible causal linkages between corporate reputation, corporate social responsibility, and a company's success, according to Carroll and Buchholtz (2003; cited in Mustafa et al., 2012). The first causal relationship is that high business performance leads to a positive CSR reputation, which leads to a positive reputation. This positive image boosts productivity and raises CSR. A recent academic study investigated the causal link between CSR and financial performance to see if "doing good" socially leads to "doing well" financially, and if companies with higher financial success devote more resources to social events. Why is a "virtuous circle" so important? According to Nelling & Webb (2009), while engaging with groups like as employees, customers, and the community, positive stakeholder linkages can help to reduce the risk of difficulties. Furthermore, high financial performance may be connected to good social performance and sound management methods. For example, Cheng et al. (2006) find that companies with strong shareholder rights had a lower cost of equity capital than competitors, implying that removing agency concerns between stakeholders and management improves financial performance. Because different stakeholders have diverse sentiments about firms' operations, some stakeholders have positive attitudes, some have negative attitudes, and others may not have any opinions about their activities. Because they have various perspectives on the firms' activities, all stakeholders will have different ideas for different missions. The overall global impressions that all these stakeholders have contributed to the firms'

reputation, which they must improve in order to produce a favorable idea for the stakeholders (Veh et al., 2019).

According to Morgan and Minor (2011), two alternative measures were identified that businesses may implement to boost their reputation as responsible corporate citizens. The first approach is to engage in economic operations that will benefit their environs, such as social causes such as healthcare donations, employee welfare, indigenous scholarship, and community development to help them get legitimacy in society. The other is to avoid engaging in destructive economic activity that may impact the environment in which they operate (elimination of social costs by internalizing all their negative externalities). It can take years to develop a company, and it may not be possible to destroy it in a month or even a day (Minor & Morgan, 2011 cited in Adekoya, Enyi, Akintoye & Adegbe, 2020).

### **3.10 Corporate Social Responsibility and the Community**

Corporate social responsibility also refers to a company's integration with its local environment, whether that environment is in Africa, Europe or around the world. Companies give back to their communities by providing jobs, compensation, salaries, and tax revenue, particularly to small towns. On the other side, businesses rely on the health, stability, and success of the communities in which they operate. They have a direct stake in the availability of the talents they require locally because they hire the majority of their employees from local labor markets. A company's reputation in its community, its image as an employer and producer, and as a participant in the local scene, all have an impact on its competitiveness.

Companies also interact with their surrounds' physical environment. Some sectors, whether they create goods or provide services, rely on a clean environment to do so, whether it's clean air, safe drinking water, or uncongested highways. There may also be a link between a location's physical environment and firms' capacity to attract workers to that area. The corporation, on the other hand, may be liable for a wide range of hazardous activities, including noise, light, water pollution, air emissions, soil contamination, and transportation and waste disposal concerns.

Providing additional vocational training places, educational scholarships, supporting environmental charities, recruiting socially excluded people, providing child-care facilities for employees, forming community engagement, sponsoring local sports and cultural events, or

making charitable contributions during festival celebrations are all examples of how businesses get involved in community causes.

For non-local businesses, developing favorable relationships with the local community and accumulating social capital is very important. Multinational corporations are increasingly relying on these relationships to help their affiliates integrate into the many areas in which they operate. Companies can benefit from their familiarity with local actors, as well as the local environment's traditions and strengths (Brew et al., 2015).

### **3.11 Performances of Firms**

Performance of the company is a complex, multi-dimensional construct that is naturally difficult to quantify (Carton and Hofer, 2010; Venkatraman and Ramanujam, 1986; cited in Rahman et al., 2017). There are two types of study on the relationship between CSR and corporate performance: financial performance (Servaes and Tamayo, 2013) and nonfinancial performance (Servaes and Tamayo, 2013). (Luo & Du, 2015). Musa et al., (2013) came up with the same measures of organizational success, which were classified into financial and non-financial metrics in the business literature, according to (Musa et al., 2013). Profitability, cash flow, sales growth, market to book value, return on assets, return on investments, return on equity, and return on capital employed are all examples of financial performance, whereas non-financial performance refers to a business concern's non-monetary performance. In financial performance studies, Tobin's and profitability have all been used (Aguinis and Glavas, 2012; Inoue and Lee, 2011; Servaes and Tamayo, 2013). The influence of CSR initiatives on factors such as innovation performance has been examined in nonfinancial performance studies (Luo and Du, 2015; cited in Rahman et al., 2017). One of the things that affects a company's financial performance is marketing performance (Carton and Hofer, 2010; cited in Rahman et al., 2017). According to studies, metrics such as sales revenue and profit growth reflect numerous performance measures, and no single one of these indicators can adequately capture a company's financial health (Venkatraman and Ramanujam, 2016).

The ability of a firm to engage in corporate social responsibility may have an indirect impact on the return on capital by influencing society's impression of the company in terms of positive reputation and image. Furthermore, the concept emphasizes that firms produce returns to shareholders as a result of excellent management of the company's resources. As a result, the

stakeholder theory links society and shareholders in the pursuit of commercial success. When society buys something from a corporation, the company contributes back to society by participating in CSR activities, according to the social exchange. As a result, the stakeholder theory explains why CSR, ROCE, ROI, and MBV are all linked. In a roundabout approach, the social exchange hypothesis explains the link between CSR and company size (Adeneye et al., 2015). According to the social exchange, when society purchases something from a corporation, the firm reciprocates by engaging in CSR projects. As a result, the stakeholder theory shows how CSR, ROCE, ROI, and market book value are related. The social exchange theory explains the link between CSR and corporate size in a roundabout way (Adeneye et al., 2015).

### **3.12 Profitability Ratio**

Profitability (Budur et al., 2018; Rashid, 2019) can be described as the best indicator of a firm's economic success in relation to the investments made. The size of the net income determines how successful the business is. After paying all expenses directly related to the generation of money (such as producing products) and other expenses related to performing business activities, profit is the remaining income (Torlak et al., 2019; Rashid, 2020). Profitability is the main goal of all companies. Business will not be able to continue for long if they are not profitable (Amin and Ahmed, 2020; Serin, 2018; Top et al, 2020). As a result, determining current and previous profitability, as well as forecasting future profitability, is critical (Nuhui, Hoti, & Bektashi, 2017). The profitability ratio is a measure of a company's capacity to create revenue or profit. The profitability ratio representation hasn't been used in many studies. The profitability ratio is a measure that is used to evaluate a business's ability to create revenue or profit. The profitability ratio in this study was represented by return on total assets (ROA), return on equity (ROE), and gross profit margin (GPM), as opposed to Naratip and Petchsakulwonga (2018), who used ROA, ROE, ROI, and ROP. It's the equivalent of claiming that existing capital has unlimited earning potential.

Profitability (a corporation's goal to make a profit) gives the idea that it is more cost-effective, and hence can be used as a metric of success. "Profitability is the effectiveness with roommates' management has used both the total assets and the net assets as stated on the balance sheet," according to Erich A. Helfert (2000; cited in Fahmi & Saputra, 2013). "Profitability ratios are measures of a firm's overall financial health," according to (Fahmi & Saputra, 2013 ).

### **Return on Asset (ROA)**

This is computed by dividing an entity's total assets by its net earnings at the end of a trading period. The return on asset (ROA) was used as a metric for determining profitability in this study. ROA was chosen because of the data accessibility on its component.

### **Return on Equity (ROE)**

Another commonly used ratio is return on equity, which expresses a company's profit as a proportion of its equity capital. It assesses how effectively a corporation can use money from its owners to make profits and expand the business.

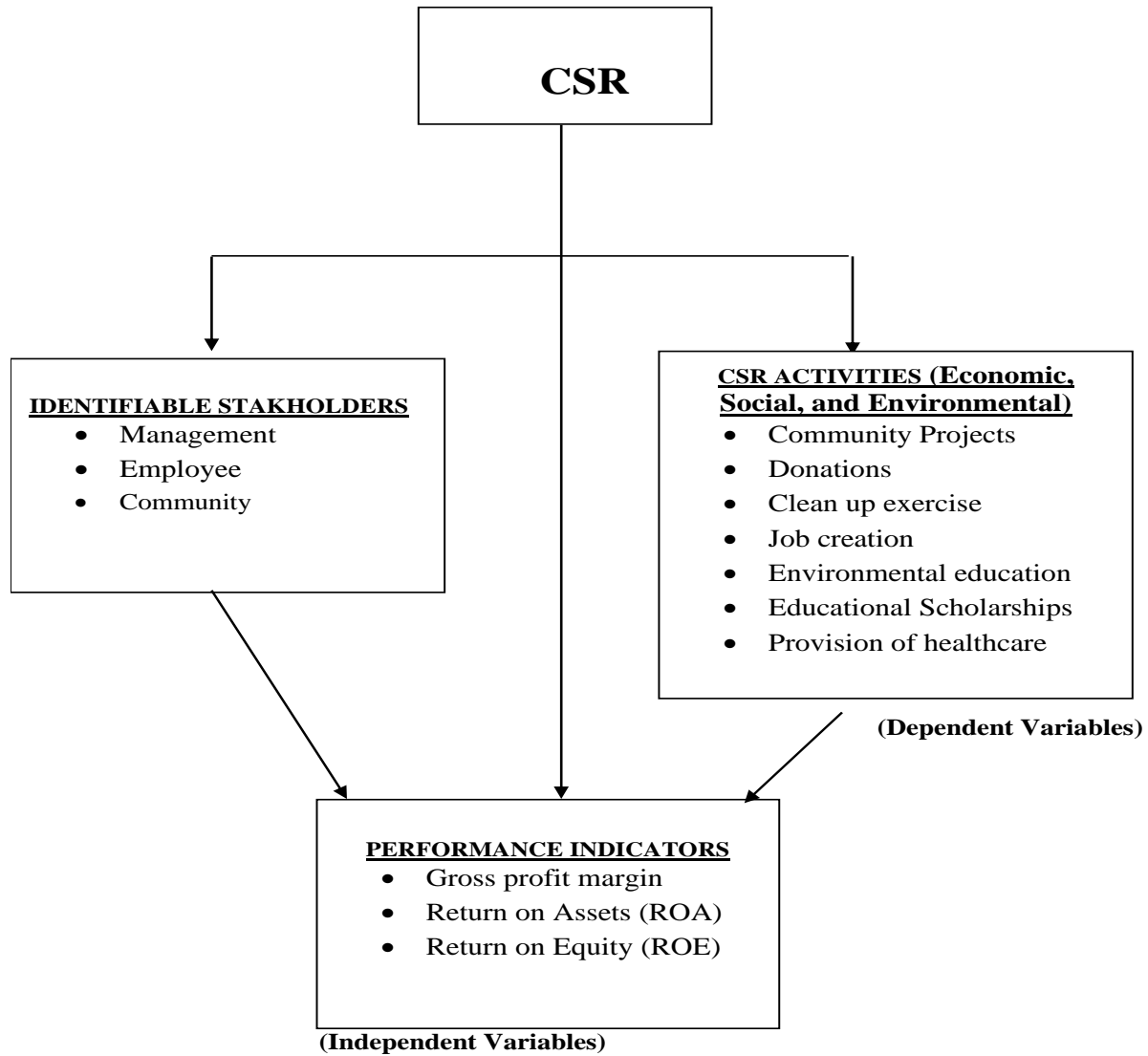
### **Gross Profit Margin**

The gross profit margin is calculated by dividing gross profit by sales. It is the percentage of revenue left over after all direct manufacturing costs have been paid. It's a measure of how profitable it is to produce and sell something before any other costs are factored in.

### **3.13 Conceptual Framework**

A conceptual framework is a set of broad concepts and principles derived from a range of fields of study and used to structure a future presentation (Osoro, 2016). This is a written or visual summary that "explains the important themes to be examined, major aspects, concepts, or parameters, and the assumed link between them, either graphically or narratively."

The figure below depicts the conceptual framework for the relationship between Corporate Social Responsibility and financial performance of a company. The study's conceptual framework, which includes activities such as economic responsibility, social responsibility, and environmental responsibilities, as well as a firm's financial performance indicators such as return on assets, profit margin, and return on owners' equity affects the CSR activities of firms in terms of improvement in community relation, attracting customers, improving customer loyalty, improving economic performance, preserving the reputation of the firms in Ghana.



Source: Researcher's own construct, 2021

Figure 2 Conceptual Framework

## 4 Data Analysis

This chapter presents the analysis and hypotheses testing of data collected for this study. In this chapter, the primary and secondary data obtained are scrutinized and discussed. Furthermore, the hypotheses formulated for the study are examined and the outcomes of the hypotheses are presented.

### 4.1 Demography of Respondents

In this section, the demography of respondents is analyzed and discussed. The demographic data of respondents were collected from 200 received responses out of 381 distributed questionnaires. Out of the 200 responses, 68 came from Takoradi, 62 came from New Takoradi, 22 came from Benso and 48 came from Seftwi. The collected demographic data covered; respondents' knowledge on the corporate social responsibility activities of the selected companies, the ages of respondents, level of education of respondents, and the time spent in their respective communities. Tables 5 to presents the collected demographic data.

Table 5 Respondents' Knowledge on the CSR of Selected Companies

<b>Company</b>	<b>Frequency</b>	<b>Percentage</b>
Unilever	10	5%
Total	0	0%
PZ Cussons Limited	6	3%
MTN	100	50%
Infusion	0	0%
Guinness Ghana	8	4%
GOIL	13	6.5%
Fan Milk Ghana	4	2%
Benso Oil Palm Plantation	10	5%
COCOBOD	49	24.5%
Total	200	100%

Source: Authors' Field Study 2021



The data presented in table 5 show that majority of respondents (50%) were aware of the CSR activities of MTN Ghana. This is not surprising as the study conducted by Celik et al (2019) established that MTN Ghana has a proactive approach to CSR that enables it to seek out numerous opportunities to help achieve community goals across Ghana.

COCOBOD also had a significant number of respondents (24.5%) aware of their CSR activities. This is because respondents were familiar with the “cocoa roads project”. Ntim (2015) described the project as one of the biggest projects in Ghana as well as COCOBOD’s biggest CSR involvement thus far.

The CSR activities of the remaining companies were not well-known among the respondents of this study. Ofori and Hinson (2007) attributed this to the fact that most of these companies had unfocused and dispersed CSR performances and thus, could not capture the attention of a lot of Ghanaians. Lastly, none of the respondents were aware of the CSR activities of Total Ghana and Intravenous Infusion. This is because most of their CSR activities were solely directed towards their predominant customers who are drivers and hospitals respectively.

Table 6 Ages of respondents

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
18 – 22 years	0	0%
23 – 27 years	64	32%
28 – 32 years	79	39.5%
33 – 37 years	53	26.5%
Above 42 years	4	2%
Total	200	100%

Source: Authors’ Field Study 2021

The data showed that most respondents fell within the age range of 28 to 32 years (39.5%). In addition, significantly high numbers of respondents were also aged between 23 to 27 years (32%) and 33 to 37 years (26.5%). This indicated that the respondents in this study were mature and old enough to notice the corporate social responsibility performances of companies in Ghana.

Table 7 Level of Education of the respondents

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage</b>
No formal education	0	0%
Primary school	0	0%
Junior High School	0	0%
Senior/Vocational/Technical School	26	13%
Tertiary	174	87%
Total	200	100%

Source: Authors' Field Study 2021

Data from table 7 showed that most respondents had a form of tertiary education (87%). A considerable number of respondents also had senior, vocational or technical school education (13%). None of the respondents identified with any of the other education levels listed. The data inferred that all respondents were adequately educated to understand the concept of CSR performance and contribute valid information to the fulfillment of the study objectives.

Table 8 Time spent in communities by Respondents

<b>Time</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 5 years	54	27%
5 – 10 years	51	25.5%
More than 10 years	95	47.5%
Total	200	100%

Source: Authors' Field Study 2021

The data from table 8 showed that most of the respondents had lived in their respective communities for more than 10 years (47.5%). In addition, respondents who had less than 5 years of residence duration were slightly more than respondents who had residence durations within the range of 5 – 10 years. From an overall perspective, the data revealed that more than 50% of respondents had more than 5 years of residence in their respective communities. The data implied that the respondents in this study were knowledgeable about the CSR activities of companies in their communities due to their long residence durations.

## 4.2 Identification of the CSR activities undertaken by Ghanaian Firms

In this section, respondents were asked to identify the corporate social responsibility activities mostly undertaken by companies in their communities. Table 9 presents the relative index results and rankings of the activities.

Table 9 CSR Activities by Ghanaian companies

<b>CSR Contribution Categories</b>	<b>Activities</b>	<b>Relative index (RI)</b>	<b>Rank by category</b>	<b>Overall Rank</b>
Social (RI = 0.690)	Financial and item donations	0.708	1	2
	Provision of infrastructural facilities	0.689	2	5
	Provision of healthcare and scholarships	0.684	3	7
	Assistance with community projects	0.679	4	9
Environmental (RI = 0.681)	Environmental education	0.712	1	1
	Provision of sanitation materials such as bins	0.684	2	6
	Provision of water and sanitation facilities	0.683	3	8
	Organization of cleanups	0.646	4	11
Economic (RI = 0.686)	Facilitation of innovation and entrepreneurship	0.701	1	3
	Provision of employment opportunities	0.699	2	4
	Provision of food items	0.660	3	10

Source: Authors' Field Study 2021

### 4.3 Impact of Firms CSR Performance in Ghanaian Communities

In this section, respondents were asked to rank the impacts of CSR performance on their communities. Table 10 presents the relative index results and rankings of the impacts of CSR performance.

Table 10 Impact of CSR Performance in Ghanaian Communities

<b>Impacts</b>	<b>Relative Index (RI)</b>	<b>Rank</b>
Community Development	0.704	1
Reduction in household poverty	0.685	2
Increase in job creation	0.664	3
Reduction of cost of living in communities	0.631	4
Reduction in social vices	0.631	5

Source: Authors' Field Study 2021

### 4.4 Financial Ratio Analysis of Selected Firms

As stated in the methodology, the chosen measures of performance indicators used to ascertain the financial performance of the selected firms were gross profit margin (GPM), return on assets (ROA), and return on equity (ROE). The annual reports of the firms for the observed periods (2015 – 2019) were analyzed using the stated performance indicators.

#### 4.4.1 Unilever Ghana Ltd

Unilever Ghana Ltd is a consumer good company in Ghana. The company specializes in the production and distribution of foods, home care, and personal care goods. Their products include spreads, tea, cooking oils, savories, laundry products, household cleaning products, and skin cleansing products. Some of the firm's popular brands in Ghana include key soap, omo, frytol, pepsodent, close-up, geisha, and Annapurna. Table 11 shows the analysis of the financial performance of Unilever Ghana Ltd.

Table 11 Financial Ratio Analysis of Unilever Ghana Ltd.

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	518,731	147,746	28.50%
<b>2016</b>	496,306	150,179	30.30%
<b>2017</b>	575,765	174,053	30.23%
<b>2018</b>	632,152	191,161	30.24%
<b>2019</b>	333,290	-15,394	-4.61%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	35,710	307,250	11.62%
<b>2016</b>	39,049	379,740	10.28%
<b>2017</b>	48, 149	468,631	10.27%
<b>2018</b>	190,825	726,490	26.27%
<b>2019</b>	-160,316	489,179	-32.77%
<b>Year</b>	<b>Net Profit</b>	<b>Tota Equity</b>	<b>Return On Equity</b>
<b>2015</b>	35,710	63,948	55.84%
<b>2016</b>	39,049	75,587	51.66%
<b>2017</b>	48, 149	120,597	39.92%
<b>2018</b>	190,825	295,141	64.65%
<b>2019</b>	160,316	84,952	188.71%

Source: Unilever Ghana Ltd Annual Reports 2021

Authors' Calculations

#### 4.4.2 Total Petroleum Ghana

Total Petroleum Ghana popularly known as Total is a Ghanaian petroleum company. Total Petroleum Ghana deals in the production and marketing of petroleum and other automotive products and services. Some popular products and services of the company include Excellium fuels, Total Automotive lubricants, and car wash services. Table 12 presents the financial analysis of Total Petroleum Ghana in the observed periods.

Table 12 Financial Ratio Analysis of Total Petroleum Ghana

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	1, 793,752	158,021	8.81%
<b>2016</b>	1, 652,250	160,533	9.71%
<b>2017</b>	1, 848,493	176,380	9.54%
<b>2018</b>	2, 370,975	219,001	9.24%
<b>2019</b>	2, 618,817	277,118	10.58%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	45,212	434,654	10.40%
<b>2016</b>	38,277	499,532	7.66%
<b>2017</b>	36,195	354,312	10.21%
<b>2018</b>	50,364	459,874	10.95%
<b>2019</b>	69,339	809,369	8.56%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	45,212	138,930	32.54%
<b>2016</b>	38,277	154,239	24.81%
<b>2017</b>	36,195	170,532	21.22%
<b>2018</b>	50,364	205,994	24.44%
<b>2019</b>	69,339	258,977	26.77%

Source: Total Petroleum Ghana Annual Reports 2021

Authors' Calculations

#### 4.4.3 PZ Cussons Ghana

PZ Cussons Ghana is a major consumer goods company in Ghana. The firm engages in the manufacture and sales of personal care, home care, and food and nutrition products. Some popular brands from PZ Cussons Ghana include Camel, Carex, Cussons Baby, Imperial leather, Premier, Nunu, and Robb. Table 13 presents the financial analysis of PZ Cussons Ghana within the observed periods.

Table 13 Financial Ratio Analysis of PZ Cussons

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	118,948,017	30,729,349	25.83%
<b>2016</b>	118,279,459	30,223,929	25.55%
<b>2017</b>	91,832,590	19,694,726	21.45%
<b>2018</b>	111,603,488	27, 33,169	24.80%
<b>2019</b>	106,517,018	25,055,688	23.52%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	-2,742,748	102,758,689	-2.66%
<b>2016</b>	1,929,198	107,529,544	1.79%
<b>2017</b>	-10,332,314	106,203,380	-9.72%
<b>2018</b>	6,480,638	93, 844,816	6.90%
<b>2019</b>	42,495,592	133, 483,230	31.83%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	-2,742,748	33,969,823	-8.07%
<b>2016</b>	1,929,198	35,899,021	5.37%
<b>2017</b>	-10,332,314	15,411,351	-67.04%
<b>2018</b>	6,480,638	21,891,989	29.60%
<b>2019</b>	42,495,592	64,387,581	65.99%

Source: PZ Cussons Ghana Annual Reports 2021

Authors' Calculations

#### 4.4.4 MTN Ghana

MTN Ghana is a telecommunication company situated in Ghana. MTN Ghana specializes in the provision of communication (voice and data) and mobile financial services. It is the biggest telecommunication company in the country, having most Ghanaians as subscribers to their services. Some popular services of MTN Ghana include MTN Mobile Money, MTN Pulse, and MTN Mash-Up. Table 14 presents the financial analysis of MTN Ghana in the observed periods.

Table 14 Financial Ratio Analysis of MTN Ghana

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	2, 315,666	943,877	40.76%
<b>2016</b>	2, 773,219	1, 133,022	40.85%
<b>2017</b>	3, 419,747	1, 350,922	39.50%
<b>2018</b>	3, 471,007	1, 199,355	34.55%
<b>2019</b>	4, 778,634	2, 562,530	53.62%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	430,788	2, 323,795	18.53%
<b>2016</b>	542,512	2, 756,202	19.68%
<b>2017</b>	714,768	3, 448,448	20.72%
<b>2018</b>	479,514	4, 070,025	11.78%
<b>2019</b>	1,160,169	7, 310,200	15.87%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	430,788	1, 188,357	36.25%
<b>2016</b>	542,512	1, 623,869	33.40%
<b>2017</b>	714,768	1, 868,637	38.25%
<b>2018</b>	479,514	2, 135,230	22.45%
<b>2019</b>	1,160,169	3, 073,695	37.74%

Source: MTN Ghana Annual Reports 2021

Authors' Calculations

#### 4.4.5 COCOBOD

The Ghana Cocoa Board, popularly known as COCOBOD is a state-owned company in the Agriculture and Rural Development sector of Ghana. COCOBOD is exclusively responsible for all the cocoa produced in Ghana. It dictates the purchase, processing, marketing, and export of all cocoa beans produced in Ghana. Table 15 presents the financial analysis of COCOBOD in the observed years.



Table 15 Financial Ratio Analysis of COCOBOD

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	7, 583,869	1, 380,164	18.19%
<b>2016</b>	10, 245,118	1, 902,131	19.00%
<b>2017</b>	10, 297,055	1, 591,294	15.46%
<b>2018</b>	9, 038,395	1, 726,750	19.10%
<b>2019</b>	9, 762,613	1, 628,374	16.67%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	152,147	5, 714,915	2.66%
<b>2016</b>	-199,414	7, 174,735	-2.77%
<b>2017</b>	-176,735	9, 700,740	-1.82%
<b>2018</b>	-78,217	11, 808,625	-0.006%
<b>2019</b>	-320,565	15, 068,954	-2.12%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	152,147	1, 081,019	14.07%
<b>2016</b>	-199,414	305,242	-65.32%
<b>2017</b>	-176,735	1, 556,769	-11.35%
<b>2018</b>	-78,217	1, 677,692	-4.66%
<b>2019</b>	-320,565	2, 948,875	-10.87%

Source: COCOBOD Annual Reports 2021

Authors' Calculations

#### 4.4.6 Fan Milk Ghana

Fan Milk Ghana Limited is a popular consumer goods company. It is engaged in the production and distribution of a wide range of milk-based and fruit-based products. These products come in the form of ice cream, yogurt, and fruit drinks. The company's popular milk-based products include FanYogo, FanIce, and FanMaxx. Some popular fruit-based products also include

FanDango and FanJoy. Table 16 presents the financial analysis of Fan Milk Ghana for the observed periods.

Table 16 Financial Ratio Analysis of Fan Milk Ghana

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	145,540	75,144	51.63%
<b>2016</b>	183,026	90,753	49.58%
<b>2017</b>	445,963	208,618	46.77%
<b>2018</b>	389,507	148,776	38.19%
<b>2019</b>	424,486	170,276	40.11%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	49,716	152,518	32.59%
<b>2016</b>	66,128	205,285	32.24%
<b>2017</b>	47,297	300,109	15.75%
<b>2018</b>	12,899	326,402	3.95%
<b>2019</b>	25,016	375,819	6.65%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	49,716	96,059	51.75%
<b>2016</b>	66,128	138,287	47.81%
<b>2017</b>	47,297	221,676	21.33%
<b>2018</b>	12,899	234,575	5.49%
<b>2019</b>	25,016	259,591	9.63%

Source: Fan Milk Ghana Annual Reports 2021

Authors' Calculations

#### 4.4.7 GOIL

The Ghana Oil Company known as GOIL is a state-owned oil and gas marketing company. The company is heavily engaged in the production and sales of petroleum and lubricant products. It also provides automotive-based services. Some of their products include Diesel XP, Premix, GOIL

Super Troto, and GOIL Super Taxi Oil. Some of their services include GOIL Advantage card, Aviation, and Lube Bay. Table 17 presents the financial analysis of GOIL in the observed periods.

Table 17 Financial Ratio Analysis of GOIL

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	1, 954,505	110,310	5.64%
<b>2016</b>	2,028,369	145,613	7.17%
<b>2017</b>	2, 467,872	155,907	6.31%
<b>2018</b>	3,080,508	229,532	7.45%
<b>2019</b>	3,570,967	296,762	8.31%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	22,211	521,234	4.26%
<b>2016</b>	35,256	446,013	7.90%
<b>2017</b>	39,335	900,529	4.36%
<b>2018</b>	54,114	1, 099,504	4.92%
<b>2019</b>	71,795	1, 363,606	5.26%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	22,211	93,657	23.71%
<b>2016</b>	35,256	273,801	12.87%
<b>2017</b>	39,335	305,559	12.88%
<b>2018</b>	54,114	349,308	15.49%
<b>2019</b>	71,795	405,090	17.72%

Source: GOIL Annual Reports 2021

Authors' Calculations

#### 4.4.8 Intravenous Infusion Limited

Intravenous Infusion Limited is a pharmaceutical company in Ghana. The company specializes in the production and distribution of Intravenous fluids (IV fluids). Intravenous Infusion Limited stands as Ghana's oldest and most reliable IV fluids producer. Table 18 shows the financial analysis of Intravenous Infusion Ltd within the observed periods.

Table 18 Financial Ratio Analysis of Intravenous Infusion Ltd

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	7, 529,883	3, 194,879	42.43%
<b>2016</b>	10, 596,009	5, 117,834	48.29%
<b>2017</b>	16, 371,794	10, 073,434	61.52%
<b>2018</b>	20, 206,689	11, 906,916	58.93%
<b>2019</b>	23, 085,380	11, 685,852	50.62%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	-519,638	13, 701,819	-3.79%
<b>2016</b>	669,945	12, 309,349	5.44%
<b>2017</b>	2,730,682	20, 518,106	13.30%
<b>2018</b>	2,842,612	26, 550,536	10.70%
<b>2019</b>	1,870,608	30, 470,198	6.13%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	-519,638	6, 524,725	-7.96%
<b>2016</b>	669,945	7, 194,870	9.31%
<b>2017</b>	2,730,682	9, 925,552	27.51%
<b>2018</b>	2,842,612	14, 473,043	19.64%
<b>2019</b>	1,870,608	17, 696,569	10.57%

Source: Intravenous Infusion Ltd Annual Reports 2021

Authors' Calculations

#### 4.4.9 Guinness Ghana Limited

Guinness Ghana Limited is a consumer goods company engaged in the production and distribution of beverages in Ghana. Guinness Ghana Ltd has a wide range of soft and alcoholic drink products. Some of their popular products include Malta Guinness, Orijin, Orijin Zero, and Guinness Foreign Extra Stout. Table 19 shows the financial analysis of Guinness Ghana Ltd in the observed periods.

Table 19 Financial Ratio Analysis of Guinness Ghana Ltd

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	437,348	103,174	23.59%
<b>2016</b>	566,308	176,824	31.22%
<b>2017</b>	587,447	150,336	25.29%
<b>2018</b>	623,102	158,321	25.41%
<b>2019</b>	684,979	173,956	26.52%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	-45,471	480,654	-9.46%
<b>2016</b>	-7,680	528,926	-1.45%
<b>2017</b>	6,914	527,907	1.30%
<b>2018</b>	23,855	567,188	4.20%
<b>2019</b>	18,046	658,468	2.74%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	-45,471	95,182	-47.77%
<b>2016</b>	-7,680	264,257	-2.90%
<b>2017</b>	6,914	270,949	2.55%
<b>2018</b>	23,855	294,641	8.09%
<b>2019</b>	18,046	301,159	5.99%

Source: Guinness Ghana Ltd Annual Reports 2021

Authors' Calculations

#### 4.4.10 Benso Oil Palm Plantation Limited (BOPP)

Benso Oil Palm Plantation Limited is a Ghanaian oil palm plantation company. The firm is in the business of producing and processing crude palm oil for industrial and domestic use. BOPP owns large areas of oil palm plantations in Ghana. Some of their products include RBD Palm Oil and RBD Palm Olein. Table 20 presents the financial analysis of BOPP in the observed years.

Table 20 Financial Ratio Analysis of BOPP

<b>Year</b>	<b>Sales (GHC)</b>	<b>Gross Profit (GHC)</b>	<b>Gross Profit Margin</b>
<b>2015</b>	58, 077	8,451	14.55%
<b>2016</b>	74, 278	16,845	22.68%
<b>2017</b>	89, 973	19,716	21.91%
<b>2018</b>	79, 091	14,352	18.15%
<b>2019</b>	95, 620	20,134	21.06%
<b>Year</b>	<b>Net Profit</b>	<b>Total Assets</b>	<b>Return On Assets</b>
<b>2015</b>	3,121	53,790	5.80%
<b>2016</b>	8,090	66,327	12.19%
<b>2017</b>	10,921	75,507	14.46%
<b>2018</b>	5, 913	81,435	7.26%
<b>2019</b>	9,653	92,900	10.39%
<b>Year</b>	<b>Net Profit</b>	<b>Total Equity</b>	<b>Return On Equity</b>
<b>2015</b>	3,121	48,887	6.38%
<b>2016</b>	8,090	55,346	14.61%
<b>2017</b>	10,921	64,649	16.89%
<b>2018</b>	5,921	68,381	8.65%
<b>2019</b>	9,653	69,222	13.94%

Source: BOPP Annual Reports 2021

Authors' Calculations

#### **4.5 Corporate Social Responsibilities of Selected Firms**

In this section, the corporate social responsibilities of the selected firms were analyzed. Information on their CSR activities within the observed periods was retrieved from their respective annual reports. As stated in the methodology, CSR activities of each firm were scored based on their contributions to the economic (EC), social (SC), and environmental (EN) benefits of society. Table 21 shows the scored CSR performances of the selected firms.

Table 21 Scored CSR Performances of Selected Firms

FIRMS	CSR PERFORMANCES	CSR SCORES				
		EC	SC	EN	TOTAL	OUTCOME
Unilever	Women Entrepreneurial program, Hygiene behavioral change program, the excellence award program.	10	10	0	20	20/30 = 0.67
Total	Item and financial donations, Startupper of the year challenge Building of classroom facilities, job creation, young dealer scheme, supporting sports activities, environmental education on health and safety.	10	10	10	30	30/30 = 1.00
PZ Ltd	Handwashing awareness program Company product donations, Cussons Baby Moments, environmental protection programs, education on health, and safety.	10	10	10	30	30/30 = 1.00
MTN	MTN Heroes of Change, MoMo agent job creation, Save a lifeblood donation exercise, MTN Bright scholarships, Donation of educational materials.	10	10	10	30	30/30 = 1.00
COCBOD	Cocoa roads initiative, Child Education support, Cash donations to communities and schools, and Healthcare projects.	10	10	0	20	20/30 = 0.67

Fan Milk	Product and Financial donations, 'Pick its Sanitation project, educational scholarships, occupational health, and safety, waste reduction, energy conservation.	10	10	10	30	30/30 = 1.00
Goil	Financial and healthcare product donations, GOIL Customer appreciation day, Absorption of fuel price increases, Donation of traffic signages, sport, and development, water projects.	10	10	10	30	30/30 = 1.00
Infusion	Refurbishment of hospital buildings, Donations of medical supplies to hospitals, environmental protection programs.	0	10	10	20	20/30 = 0.67
Guinness	Water for Life program, local materials sourcing initiative, clean-up exercise, product support to the ministry of information, provision of materials to schools.	10	0	10	20	20/30 = 0.67
BOPP	BOPP Scholarship scheme, Outpatient healthcare treatment for community members, donation of cash to farmers, a donation towards National and Regional farmers day celebration, project (road maintenance and rehabilitation), educational scholarship.	10	10	0	20	20/30 = 0.67

Source: Selected Firms Annual Reports 2021

Authors' Calculations



## 4.6 Relationship between CSR and Firm Financial Performance

In this section, the results of the analyzed data from the financial and CSR performances were used to conduct a multiple linear regression analysis. The regression analysis was used to determine the relationship between CSR and firm performance. A model was developed after the regression analysis. Tables 22 and 23 present the model summary and the model Coefficients respectively.

Table 22 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig
1	.416 <sup>a</sup>	.173	.119	.1564049	.031 <sup>b</sup>
a. Predictors: (Constant), ROE, GPM, ROA					

Source: Authors' SPSS Analysis 2021

From the model summary table, the adjusted R square value is seen to be 0.119. This value communicates that only 11.9% of all variations in the dependent variable (CSR) could be explained by the independent variables (GPM, ROA, and ROE). Hence, 88.1% of the variations in CSR could not be explained by the GPM, ROA, and ROE in the developed model. This inferred that the unexplained variations are under the influence of other factors different from the ones studied.

The significance value, p of the developed model is 0.031. Since  $p < 0.05$ , the developed model is considered significant.

Table 23 Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.865	.046		18.664	.000
	GPM	-.307	.163	-.288	-1.888	.065
	ROA	.692	.230	.466	3.011	.004
	ROE	-.007	.063	-.016	-.114	.909
a. Dependent Variable: CSR						

Source: Authors' SPSS Analysis 2021

From the model coefficient table, the following linear equation was developed:

$$CSR = 0.865 - 0.307GPM + 0.692ROA - 0.007ROE + \epsilon$$

## 4.7 Hypotheses Testing

In this section, the hypotheses of the study were tested. H1, H2, and H3 present the hypotheses formulated for this study.

H1. Regular performance of CSR activities significantly contributes to the achievement of community goals.

Spearman's rho correlation was performed for the regularity of CSR activities and the contribution to community goals. Table 24 presents the results of the correlation.

Table 24 Spearman's rho correlation for hypothesis one

Correlations					
			Regularity of CSR	Contribution to communities	
Spearman's rho	Regularity of CSR	Correlation Coefficient	1.000	.709**	
		Sig. (2-tailed)	.	.000	
		N	200	200	
	Beneficial to communities	Correlation Coefficient	.709**	1.000	
		Sig. (2-tailed)	.000	.	
		N	200	200	
	**. Correlation is significant at the 0.01 level (2-tailed).				

Source: Authors' SPSS Analysis 2021

H2. Firms from a particular sector have better CSR performance impacts than firms from different sectors

The hypothesis was tested by performing a Spearman's rho correlation for the company's sector and the company's CSR performance. Table 25 presents the results of the correlation.

Table 25 Spearman rho Correlation between Company Sector and CSR

			Company Sector	CSR Performance
Spearman's rho	Company Sector	Correlation Coefficient	1.000	-.261
		Sig. (2-tailed)	.	.067
		N	50	50
	CSR	Correlation Coefficient	-.261	1.000
		Sig. (2-tailed)	.067	.
		N	50	50

Source: Authors' SPSS Analysis 2021

H3. CSR has a significant relationship with each financial performance indicator of firms.

The hypothesis was tested using the individual significance values of the financial performance indicators (GPM, ROA, and ROE) obtained in the coefficient table of the regression analysis. Table 26 presents the results of the tested hypothesis.

Table 26 Significance values of FPI

Model		Significance Value
1	(Constant)	.000
	GPM	.065
	ROA	.004
	ROE	.909
Dependent Variable: CSR		

Source: Authors' SPSS Analysis 2021

Table 26 shows that GPM had a significance value of 0.065. ROA had a significance value of 0.004. Lastly, ROE had a significance value of 0.909.

#### 4.8 Reliability test of survey responses

Table 27 Reliability Statistics

Cronbach's Alpha	No. of Items
0.857	27

Source: Authors' Field Study 2021

In this section, the internal consistency of the responses obtained for this study was checked by conducting a reliability analysis. The Cronbach's Alpha coefficient value of all the variables was 0.857. This is above the cut-off limit of 0.700 thereby implying that all the responses are reliable and valid.

## **5 Result Discussions**

This chapter presents the results discussions of the presented data analysis in chapter 4. The results of the study objectives and the tested hypothesis will be adequately discussed in this chapter.

### **5.1 Identification of the CSR Activities undertaken by Ghanaian Firms**

The results revealed that the CSR activities of Ghanaian companies contributed more socially than environmentally and economically. Muthuri et al (2012) explained that companies tailored their CSR activities to contribute more socially, to build their reputation and goodwill in the communities they are situated. Hence, the companies deemed “social investments” as very essential and the highest priority of their CSR undertakings (Eweje, 2006). From the standpoint of the categorized contributions, financial and item donations, environmental education and the facilitation of innovation and entrepreneurship were the most prominent CSR activities contributing socially, environmentally, and economically respectively.

However, from an overall point of view, environmental education was the CSR activity mostly undertaken by companies in Ghanaian communities. Environmental education is very important to Ghana as policies have been established to ensure that Ghanaians are well educated about their environment (Environmental Protection Agency Act, 1994). It is therefore not surprising that companies are contributing their quota to the preservation of the environment through education, as this helps drive the nation towards a sustainable future.

Financial and item donations came in as the second most undertaken CSR activity by companies. A study by Liu and Aaker (2008) discovered that financial and item donations are imperative to the mobilization and fulfillment of societal goals. Therefore, companies usually donated to improve their “social presence” in communities and actively partake in the execution of national or communal goals (Chen et al, 2019).

Facilitation of innovation and entrepreneurship was ranked as the third most undertaken CSR activity. Companies engaged in the facilitation of innovation and entrepreneurship to significantly contribute to the development of ideas, concepts, and businesses that have the potential to bring about growth to the nation in the long run.

Provision of food items and the organization of cleanups were the CSR activities least undertaken by the companies respectively. The provision of food items was rarely performed because companies deemed it an unsustainable way to contribute to society, and a less impactful way to bolster company reputation compared to other CSR activities. However, Carroll (1999) stated that companies were likely to donate food items if the action would ensure good economic performance. Lastly, the organization of cleanups was also rarely performed because it was difficult to gain traction among community members since most of them had busy work and school schedules.

## **5.2 Impact of Firms CSR Performance on Ghanaian Communities**

Respondents identified community development and conflict prevention as the biggest impact of CSR performance on their communities. Enwereonye et al (2015) agreed with the finding and explained that CSR enabled communities and corporations to partner up and achieve social, economic, and environmental goals, thus leading to a developed community.

Reduction in household poverty was ranked second by respondents. This was backed by the belief that regular performance of CSR activities, especially item and monetary donations to poor community members helped ease their financial constraints (Medina-Munoz and Medina-Munoz, 2019). Thus, reducing household poverty since some basic needs of poor community members are catered for.

Respondents ranked an increase in job creation as the third biggest impact of CSR performance on the community. A press release by the World Bank (2020) stated that unemployment is a major challenge in Ghana. Therefore, CSR activities such as the facilitation of entrepreneurship and the absorption of qualified community members into the company's workforce were considered noble efforts from companies to reduce the unemployment rates in communities.

Last but not least, the reduction of the cost of living in communities was ranked fourth by respondents. This is because the respondents believed that the provision of infrastructures in communities by companies, had the potential to significantly reduce the cost of living in the communities.

Lastly, reduction in social vices was ranked fifth by respondents. A study by Apase and Yawe (2019) stated that most social vices were because of unemployment and bad standards of living or poverty. In view of this, CSR performance can help reduce social vices through significant contributions to the needs of society. However, Barnie et al (2017) retorted that this was not always the case as some major causes of social vices in communities are peer pressure and lack of parental guidance. In these instances, the performance of CSR cannot reduce the occurrences of social vices in communities. Thus, making this impact the rearmost choice of the respondents in this study.

### **5.3 Relationship between CSR and Firm Financial Performance**

The regression equation obtained for this study was:

$$\text{CSR} = 0.865 - 0.307\text{GPM} + 0.692\text{ROA} - 0.007\text{ROE} + \epsilon$$

From the developed equation, CSR = 0.865 when all the independent variables are equal to 0. The equation showed that CSR decreased by 0.307 for every one-unit change in GPM, communicating a negative relationship between CSR and GPM. This concurred with the findings of Li et al (2019). From the relationship, it can be explained that the selected companies reduced their CSR activities and their related costs whenever high gross profit margins were recorded. The relationship further revealed that the selected companies prioritized profits to CSR performance even in good financial years because CSR activities were generally considered to be extra costs to companies (Bragdon and Marlin, 1972).

Furthermore, CSR increased by 0.692 for every one-unit change in ROA revealing a positive relationship between CSR and ROA. This finding was congruous with the findings of Dewi et al. (2014). The relationship showed that the companies increased their performance of CSR activities when ROA increased. This is because the firm's CSR performance provided the needed reputation and recognition (Yee, 2012), which in turn aided the sales of the firm's assets (products and services) at profitable prices, leading to an even better ROA.

Lastly, CSR decreased by 0.007 for every one-unit change in ROE, communicating a negative relationship between CSR and ROE. This was consistent with the findings of Kamatra and



Kartikaningdyah (2015) and Vance (1975). They further explained that CSR performance by firms was not highly valued on the stock market because CSR activities consumed the company's profits. Since the selected companies were all publicly traded companies, they clearly prioritized the growth of their market capitalizations and the happiness of their shareholders through high ROE to the performance of CSR.

## **5.4 Results of Hypothesis Testing**

H1. Regular performance of CSR activities significantly contributes to the achievement of community goals.

The results of the Spearman rho correlation test showed a correlation coefficient of 0.709 and a significance value,  $p$  of 0.000. Since  $p$  is less than 0.05, a strong positive and significant relationship between the regularity of CSR activities and the contribution to community goals. This inferred that the CSR activities which were mostly or regularly undertaken contributed significantly to the achievement of community goals. The finding indicated that the CSR activities of Ghanaian firms were customized to the needs and goals of the community (Muthuri et al., 2012).

As per the findings of the correlation, the null hypothesis ( $H_0$ ) is accepted, and the alternate hypothesis ( $H_1$ ) is rejected. This means the regularity of CSR activities is important to the achievement of community goals.

H2. Firms from a particular sector have better CSR performance impacts than firms from different sectors

Results of the Spearman's rho correlation showed a correlation coefficient of -0.261 and a significance value,  $p$  of 0.067. Since  $p$  is greater than 0.05, an insignificant relationship between the company's sector and its CSR performance was found. This concurred with the findings of Hoepner and Yu (2010), which stated that CSR performance greatly varied within and across sectors. Therefore, firms from a particular sector do not have a better CSR performance impact compared to firms from other sectors.

As per the findings of the correlation, the null hypothesis (H0) is rejected, and the alternate hypothesis (H1) is accepted which means companies from a particular sector do not necessarily perform better CSR than others from different sectors.

H3. CSR has a significant relationship with each financial performance indicator of firms.

From the regression analysis, GPM had a significance value, p of 0.065. This p-value is greater than 0.05, communicating an insignificant relationship between gross profit margin (GPM) and corporate social responsibilities (CSR). This means GPM values did not affect the CSR performances of the selected companies. The hypothesis test results were consistent with the findings of Li et al (2019) which also stated that GPM had a non-significant relationship with CSR.

Return on Assets (ROA) had a significance value, p of 0.004. This p-value is less than 0.05, communicating a significant relationship between CSR and ROA. This means the return on assets values affected the corporate social responsibility performances of the selected companies. The result from the tested hypothesis were consistent with the findings of Resturiyani (2012) which established that CSR and ROA had a significant relationship.

Lastly, return on equity (ROE) had a significance value of 0.909. This p-value is greater than 0.05, communicating an insignificant relationship between CSR and ROE. This means the return on equity values did not affect the performance of CSR by the selected companies. The results of the tested hypothesis concurred with the findings of Khan et al. (2014) which stated that there was no significant relationship between CSR and ROE.

As per the significant values of the financial performance indicators, the null hypothesis (H0) is rejected, and the alternate hypothesis (H1) is accepted which means that CSR does not have a significant relationship with each financial performance indicator of firms.

## 6 Conclusion

In conclusion, CSR is very important to the sustainable development of communities in Ghana, and it is a viable way of improving the financial performances of the firms. Companies who are proactive and focused on solving societal problems through their CSR activities easily gain the notice of Ghanaians, thus building a good rapport with citizens and inherently improving their overall financial performances. A strong CSR activity initiation and execution plan can ensure that firms receive a considerable amount of attention from community members.

Ghanaians keenly track the contributions of companies through CSR towards community goals. There was a realization that CSR activities mainly resulted in community development. Thus, the CSR activities of firms collectively contributed to the advancement of the communities in which they are located. Companies showed their concern towards the current environmental sanitation issues facing Ghanaian communities and added their support by initiating awareness programs through partnership with government agencies. This serves as a proof that Ghanaian companies also consider national sustainability goals and are willing to help in the fulfilment of the goals.

The different relationships discovered between CSR and the profitability ratios selected for the study were fundamentally tied to the main aim of firms, which is profit maximization. Consequently, anything that posed as a reductive threat to their profit targets and stakeholder happiness were generally deemed unfavorable. In view of this, GPM and ROE were negatively associated with the performance of CSR as CSR brings about considerable reduction to profit margins and shareholder equity returns. But, neither the relationship between CSR and GPM or CSR and ROE were significant. Thus, Ghanaian companies carried out a form of CSR activity devoid of fluctuations in GPM or ROE values in their published financial reports. However, ROA's positive association with CSR showed a good contribution to firm financial performance through brand reputation and famousness. The relationship between ROA and CSR was significant. Therefore, in order for companies to increase their ROA values, there is a strong need to partake in corporate social responsibility activities.

From an overall perspective, Ghanaian companies regardless of their sectors know about CSR and fundamentally carry out some act of corporate social responsibility to get them in good standing with the Ghanaian government and its citizens.

## **7 Recommendations**

Based on the findings of the study, the following recommendations were made:

1. Companies should proactively desire to learn the issues plaguing communities and the nation. Based on the collected information, they should tailor their corporate social responsibility activities towards solving or helping to solve the issues.
2. Companies should equally focus on improving their economic and environmental contributions to societies as much as their social contributions. This will ensure that an excellent overall CSR impact is achieved.
3. Company shareholders should be convinced on the benefits of CSR to stakeholders such as consumers, who are mostly society members. Doing this will ensure company recognition and consumer retention which will go a long way to benefit the company financially.
4. The Ghanaian government should devise and implement policies to ensure that companies who rarely indulge in CSR activities, constantly perform their corporate social responsibilities. This will ensure that the companies adequately contribute their quota to community and national development.
5. Companies should redesign their core structure to fully accommodate the concept of corporate social responsibilities.
6. Companies should be frequently reminded about the benefits of corporate social responsibilities on their financial performance by recognized industrial or sectorial corporate organizations. This can be done through annual meetings with companies.
7. Industrial awards should be created for companies who regularly indulge in CSR activities. This will ensure that other companies are influenced to partake in CSR activities.

## **8 Suggestions For Further Research**

This study has resulted in the discovery of valuable insights on corporate social responsibilities and financial performance of Ghanaian firms. However, only three financial analysis ratios were used in this study. Furthermore, the time period used for the financial analysis was 5 years. In view of this, the researcher suggests that further studies should be carried out with more financial ratios such as net profit margin (NPM), earnings per share (EPS), return on investment (ROI) etc. This will help to better explain the full relationship between CSR and the financial performance of firms. In addition, studies should be carried out on the firms' financial reports spanning more than 5 years. This will help ascertain any hidden patterns between CSR and firm performance in Ghana which were not covered in this study.

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# Appendix

## QUESTIONNAIRE FOR RESPONDENTS

Dear Respondent, I am a student at **CZECH UNIVERSITY OF LIFE SCIENCES, PRAGUE**. This survey seeks to examine Corporate social responsibility and Financial Performance of firms in Ghana: The case study of Selected Firms. This study forms part of the requirement for the award of an MSC. Economics and Management by the year 2021/2022. The questionnaire is divided into three sections. Respondents would be required to check the proper boxes for each part. The information you give will be used solely for the purposes of this study and will be considered confidential.

### PART A: SOCIO DEMOGRAPHIC CHARACTERISTICS

1. Age of respondent

A. 18 - 22 [ ] B. 23 - 27 [ ] C. 28 - 32 [ ] D. 33 – 37 [ ] E. 38 – 42 [ ] F. above 42 [ ]

2. Level of education

A. No formal education [ ] B. Primary School [ ] C. Junior High School [ ] D. Senior/Vocational/Technical School [ ] E. Tertiary [ ] F. Others .....

3. How long have you been in this community?

A. Less than 5 years [ ] B. 5 – 10 years [ ] C. More than 10 years [ ]

4. Which company do you know about its corporate social responsibility activities?

A. Unilever Ghana [ ] B. Total Ghana [ ] C. PZ Cussons [ ] D. MTN [ ]

E. Intravenous Infusion [ ] F. Guinness Ghana [ ] G. GOIL [ ] H. Fan Milk Ghana [ ]

I. Benso Oil Palm Plantation [ ] J. COCOBOD [ ]

5. Does the firm provide CSR activities regularly?

A. Yes [ ] B. No [ ]



6. In your own opinion, do you think CSR activities provided to the community is beneficial?

A. Yes [ ] B. No [ ]

**PART B: CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES**

For each of the items below, respondents are required to indicate the extent to which they agree or disagree. The Likert scale to use is **SD=Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SA= Strongly Agree**

<b>CSR ACTIVITIES</b>	<b>SD</b>	<b>D</b>	<b>N</b>	<b>A</b>	<b>SA</b>
<b>5. Economic</b>					
Company CSR activities has enabled you to provide food for the family					
Company CSR activities has help facilitate innovation					
Jobs are created					
<b>6. Environmental</b>					
Corporate institutions give us environmental education					
Provision of sanitation materials like bins					
Clean up exercises are regularly organized					
Improvement in water and sanitation activities in the community					
<b>7. Social</b>					
Assistance with Community projects (school, hospital, bore hole, sporting facilities etc.)					
Infrastructure facilities are provided to the community					
Provision of healthcare, scholarships to brilliant but needy students					
Donations to the community in the form of cash or kind					

**PART C: THE IMPACT OF FIRMS CSR PERFORMANCES IN GHANAIAN COMMUNITIES**

In your opinion, how would you rate the effects of the identified CSR undertakings of the selected firms for the host community? Respond to the following items by ticking strongly agree (SA), Agree (A), Neutral (N), Disagree (D) and Strongly Disagree (SD)

<b>S/N</b>	<b>STATEMENT</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
9.	CSR reduces cost of living in the community					
10.	CSR has resulted in community development					
11.	CSR has reduced social vices in the community					
12.	CSR has increase job creation and revenue mobilization for the community					
13.	CSR reduces household poverty					

**THANK YOU FOR YOUR COOPERATION**