



JIMMA UNIVERSITY

COLLEGE OF SOCIAL SCIENCES AND HUMANITIES

DEPARTMENT OF SOCIOLOGY

CORPORATE SOCIAL RESPONSIBILITY: PRACTICES AND ITS SOCIO-ECONOMIC BENEFITS IN BISHOFTU CITY

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF JIMMA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF ARTS IN SOCIOLOGY SPECIALIZATION IN SOCIAL POLICY

**BY
GOSSA MULETA**

JULY, 2021

JIMMA, OROMIA, ETHIOPIA

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DECLARATION

I, the undersigned, declare that this research entitled “CORPORATE SOCIAL RESPONSIBILITY: PRACTICES AND ITS SOCIO-ECONOMIC BENEFITS (IMPACTS) IN BISHOFTU CITY” is my original work and has not been presented for a degree in any other University and, that all sources of materials used for the study have been properly acknowledged.

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Abbreviations

BCAIDPO – Bishoftu City Administration Industry Development and Promotion Office

CSA- Central Statistical Authority

CSR- Corporate Social Responsibility

IAIA- International Association of Impact Assessment

NGOs- Non Governmental Organizations

OUPI -Oromia Urban Planning Institute

TBL- Triple Bottom Line

WBCSD-World Business Council for Sustainable Development

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Abstract

Corporate Social Responsibility (CSR) has become a very important topic in developmental activities. It involves integration of the social, economic and environmental concerns in organizations business activities. Overstressing the financial aspect of CSR activities benefit to business organizations, studies conducted so far paid less attention to the social and economic aspects of CSR practices. The study addressed the CSR practices of large scale industries in Bishoftu city and surrounding rural communities as well as the socio-economic impact of CSR engagements of the industries towards employees and the local communities. It employed a descriptive cross-sectional research design with mixed method research methods consisting of both quantitative and qualitative approaches. Survey respondents, interviewees and key informants were selected by using simple random and purposive sampling techniques respectively to collect data from 126 members of the local communities, managers of five large scale industries and key informant at different layers of the government office. Questionnaires, in-depth and key informant interview guides were used to collect primary data from the study participants. While the quantitative data were analyzed using simple descriptive statistics such as frequency and percentage, qualitative data were analyzed through thematic analysis.

The finding of the study indicated that business organizations engage in diverse CSR activities despite the variations in their nature of participation and level of commitment while education, health, income generation and infrastructure service being major areas of engagement.

The study further revealed that the construction of schools which enabled children of employees and local communities to attend education, the construction of health facilities and roads which have created the access to basic healthcare and market places, the provision of electricity and water services that eased the day to day activities of the community , the provision of initial capital and trainings for self-employment and the plantation of trees which afforested the degraded areas have all positively contributed to the improvements in socio-economic status of employees and the local communities. Therefore, considering the growing importance of CSR services in developmental activities, the study recommends that business organizations better increase their commitments by allocating proportional budgets for social responsibility programs; and the government should also develop a working national policy which binds CSR engagements.

Keywords: Corporate social responsibility, local community, manufacturing, stakeholder

CHAPTER ONE: INTRODUCTION

This chapter deals with the background of the study, statement of the problem, objectives of the study, scope and limitation of the study, significance of the study and as well as operational definitions of terms.

1.1 Background of the Study

The concept of Corporate Social Responsibility (CSR) came into existence to show the responsibilities that the business should take from the shoulders of the government and the NGOs (Birhanu, 2018). Corporate social responsibility emphasizes responsive and extended social contribution of businesses to the society. It usually involves the development of network relations, as both private and government actors invest in and draw upon social capital (Fadun, 2014).

The origin of CSR can be traced back to developed countries and reflects the concerns of companies in high income countries (Peng, 2016). Since 1950s, CSR has undergone a vast development and evolution. CSR begins as the topic of charitable giving with obligation to the society in 1950s. In 1960s, it has appeared with the dimension of relationship between corporation and society. In 1970s, its dimension was concerned with stakeholders involvement, well beings of citizens, a philosophy that looks at the social interest, help solve neighborhood problems; improve the quality of life; economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility. The 1980s dimension of CSR involves law abiding, ethical and socially supportive; economic, legal, and voluntary or philanthropic aspect of business. In 1990s, CSR was concerned with stakeholders involvement; obligation to society; environmental stewardship; people, planet, profit. During 21st Century, it extended its dimensions to integration of social and environmental concern; voluntariness; ethical behavior; economic development; improving the quality of life of the citizens; human rights; labor rights; protection of environment; fight against corruption; transparency and accountability(Roberson, 2009).

The advent of globalization and international trade, which have reflected in increased business complexity and new demands for enhanced transparency and corporate citizenship associated with increasing linkages between the social, political, economic and environmental roles of businesses has given a way for CSR to evolve (Fadun, 2014; Birhanu, 2018). The proliferation of

the practice and expansion of corporate social responsibility around the world had led to a wide range of developed structures, principles, standards and framework by which corporate social responsibility can be governed (Akinleye and Faustina, 2017). However, its applicability is determined by the socio-cultural and economic situation in a given country, some by the political system and belief (Birhanu, 2018).

It has been argued that there is a stronger need for CSR in developing countries such as sub-Saharan Africa than in developed countries (Dobers and Halme, 2009 as cited in Moyeen, 2014). This is attributed to the effects of globalization and economic growth activities which are likely to have a more profound socio-economic and environmental impact – both positive and negative – in developing rather than developed countries (World Bank, 2006 as cited in Moyeen, 2014). Since economic, social and environmental catastrophes are usually most acute in developing countries and the governments and not-for-profit agencies in such countries typically lack the capacity to address such crises adequately, it is often argued that active participation by the business community is required in order to help fill the gap (Moyeen, 2014). However, the actual practice of CSR in the developing world is not a wide spread phenomena. Even though most of CSR issues are included in the various laws and policies of the country, their implementation is inevitably lagging behind; that may be due to lack of full awareness of the relevant practices and its consequences. Some companies are also reluctant to the implementation of such rules as costs might be a reason for them (Ezana, 2014). Businesses' engagement in CSR is lower and non-institutionalized in developing countries when compared to the CSR benchmarks used in the developed world (Visser, 2008). CSR practices are mainly framed in wealthy countries, then internationalized and transferred to other businesses and social settings through global trade, investment, and development backing's initiatives are also generally limited to philanthropic or charitable contributions for community welfare activities (Mulatu, 2018).

Like any other African countries, the concept and practice of CSR is not well established in Ethiopia. There are limits in literature and empirical evidences regarding socially responsible practices and status of CSR in Ethiopia (Birhanu 2018).

The predominant culture in Ethiopia is one of philanthropy rather than CSR. It is very common for companies to contribute to community development activities, grand projects of the government and relief support in times of natural disasters. Systemic integration of CSR into company strategies and business planning is not visible even in the largest corporations. There is

also a policy gap on the part of the government as there are no clearly defined and direct policies and strategies towards encouraging CSR (Ahmed, 2020).

Companies and organizations in Ethiopia understand CSR practices mainly as corporate charity primarily aimed at addressing socio-economic development challenges; and what is regarded as a philanthropic motive in Ethiopian companies and organizations is typically a business motive (Kassaye,2016, Fantaye, 2018).

This indicates that little is known about corporate social responsibility practices and its actual benefits/impacts in Ethiopian contexts specifically from sociological point of view. Hence, context specific studies are required for a better understanding of a subject under study. To this end, this study aims at investigating corporate social responsibility practices and its socio-economic benefits (impacts) with specific reference to Bishoftu city.

1.2 Statement of the Problem

Corporate social responsibility has gained acceptance world-wide, to the extent that in many cases the level of implementation by corporations have been deployed as a yardstick for measuring performance and for winning international awards (Elifneh, 2017).

Although there are studies conducted on corporate social responsibility at global level, the majorities of them was undertaken in western countries and over stress the financial aspect of CSR, providing less attention to the social and economic issues (Garriga and Mele, 2004; Haron, 2007; Visser, 2008; Ali, 2010; Laurell,2014). Study conducted by Ismael (2009) has somehow attempted to address the social aspect theoretically. It was not comprehensive in its methodology and also lacks empirical evidences.

In the context of developing countries such as sub-Saharan Africa, corporate social responsibility is still in its infancy stage and even the majority of its initiatives itself results from a philanthropic rather than a corporate social responsibility approach usually promoted by multinational companies which have a strong social, economic and environmental impact on local communities (Fantaye, 2018).

Studies conducted on CSR among African countries are few and the majority of them focuses on relationship between corporate social responsibility practices and corporate financial performance; and also addresses limited stakeholders in their investigation (Robertson, 2009; Wanjala, 2011; Agbleze, 2013; Fadun, 2014; Erga and Mugambi, 2015).

Like any other African countries, the concept and practice of CSR is not well explored in Ethiopia. There are limits in literature and empirical evidence regarding socially responsible practices. Research into this area is scarce. The existing literatures themselves are restricted to the contribution of corporate social responsibility practices to organizations' financial performance and profits, not that of its economic function for employees and the local communities (Ezana , 2014; Mathias , 2016 ; Sultan ,2016 ; Dakito 2017 ; Ermiyas, 2017 ; Birhanu ,2018 ; Degaga et al, 2019) . Others focus on analyzing the general situation of corporate social responsibility; and lacks empirical findings (Mathias, 2015; Kasaye, 2016; Tesfaye, 2018; Fantaye, 2018).Those literatures overemphasizes the impacts of CSR on marketing and successful operation of the business organizations.

The study conducted by Bruk and Wassie (2019), somehow attempted to address the social aspect focusing on the implementation and challenges of project by a single company at Dugdadera area in Oromia Regional State. However, the socio-economic dimension of corporate social responsibility has been given no or very little attention in Ethiopian literatures, making it an ignored area of research. This indicates that little is known about corporate social responsibility practices and its actual benefits/impacts in Ethiopian contexts specifically from sociological point of view. The reviews made revealed that there is a knowledge gap in this aspect which clearly calls for a sociological inquiry.

To the knowledge of the researcher, no study has been conducted on corporate social responsibility practices and its socio- economic impacts with respect to the study area, Bishoftu city.

The presence of many multinational and national industries with variety of business activities has initiated the researcher to select the city as a study site. Consequently, the role of those companies in terms of discharging their social responsibility which further contributes to socio-economic development is required to be investigated.

Therefore, inspired by this, the study is intended to investigate the business organizations corporate social responsibility practices and its related social and economic benefits/impacts in the local context in particular to the study area as claimed by the organizations and as witnessed by the beneficiaries in the city and its surroundings.

This study attempts at addressing the above problem by answering the following research questions regarding the CSR practices of companies and its socio-economic impacts at the study area.

1. Do the business organizations in the study area practices corporate social responsibility?
2. What types of corporate social responsibilities are practiced by the organizations?
3. What are the socio-economic impacts resulted from the practices of the organizations?

1.3 Objective of the Study

1.3.1 General Objective of the Study

The general objective of this study was to investigate business organizations'/company's corporate social responsibility practices and its socio-economic benefits in the study area.

1.3.2. Specific objectives of the study

Based on the general aim of the study, following specific objectives were drawn:-

- To identify whether and how CSR is practiced in the study area
- To investigate the types of Corporate social responsibilities practiced in the study area
- To explore the socio-economic benefits of CSR practices
- To know whether there is an enabling policy environment for CSR implementation

1.4 Significance of the Study

The findings of this study would have benefits to various bodies that may have direct or indirect interests on the issue under investigation. It would have benefits to academicians, students and researchers since it add a value to the current scope of knowledge and theory in corporate social responsibility. They could use it as a basis for further research. The findings of these research would provide knowledge and information to all concerned bodies so that proper attention could be paid to the issue understudy since the practice of corporate social responsibility have an impact on the socio-economic development of the local community and its sustainability.

Finally, there is divergent view regarding businesses CSR engagement. On the one hand, there is an argument which claims that business organizations CSR engagement is meant for maximizing profits while on the other side there is a thought that organizations engagement should incorporate the effects of their actions on stakeholders and attempt to alleviate or solve societal problems. Since this is a sociological study, in favor of the second view, this research would add up on argument that companies should reconsider the social, economic and environmental

impacts of their actions and thereby contribute to poverty reduction so as to bring about sustainable development.

1.5. Scope of the study

This study attempts at investigating the practices of corporate social responsibility and its socio-economic impacts in the study area. The study focused on large scale manufacturing business organizations (industries) excluding service organizations, medium and small scale industries. This is not to purposively exclude the sector. Rather, the result of the preliminary study indicated that the concept and practice of CSR is limited even in terms of philanthropic activities. The study was conducted and confined to Bishoftu city 01 *Kebele* and surrounding rural community where almost all large scale organizations (industries) are located. The target populations of the study were employees of organizations and the local communities while the unit of observation is companies operating in the study area.

1.6 Limitation of the Study

As it is with the majority of studies, this study is subject to some limitations. With regard to selection of informants through purposive sampling, since conclusions only about informants understanding of CSR practices and its impacts to their context were drawn, it might have an impact on the generalizability of the findings. In addition, since this study was a cross sectional study, an expanded time or a longitudinal study would have enabled a collection of a more detailed data in understanding the changes recorded over time. This study is limited to large scale and manufacturing business organizations. Moreover, it would have been better if organizations other than this were also included so as to draw a more comprehensive conclusion about corporate social responsibility engagements in the study area. Lastly, lack of prior researches on corporate social responsibility with regard to the social and economic aspects was another limitation which posed challenges on the theoretical frameworks drawn specific to the topic of the study. Beside all these shortcomings, the researcher believes that the findings of this research carry important implications for future researches.

1.7 Organization of the Paper

This research paper is organized into five related chapters. The first chapter deals with the introductory part which involves background of the study, statement of the problem, objectives of the study, scope of the study, limitation of the study and so on. Chapter two is concerned with review of related literatures. The third chapter is about the materials and methods used to gather the necessary data to meet the objectives of the study.

The fourth chapter is about analyzing the data obtained and discussions of the findings. The final chapter deals with the conclusions and recommendations of the research findings.

1.8 Operational Definitions

-Corporate social responsibility can be defined as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large

- Large Scale Industries- involves those companies which are currently operating in the study area having huge infrastructure, high human power and large capital engaged in manufacturing.

- Stakeholders- stakeholder is an individual or a group that has one or more of various kinds of stakes in an organization. Therefore, in this study, stakeholders refer to employees of organizations or the local community.

CHAPTER TWO: LITERATURE REVIEW

This chapter presents a review of theoretical and empirical literatures in relation to corporate social responsibility. It discusses conceptualization and definition terms, theoretical frameworks, historical development of corporate social responsibility, principles and benefits of corporate social responsibility, the socio-economic impacts of corporate social responsibility and practices of corporate social responsibility in Ethiopia.

2.1. Conceptualization and Definitions of CSR

One of the most widely accepted and used definition of CSR is the one which is forwarded by Carrol (1991). Carroll (1991) defined the term CSR as “the social responsibility of businesses which encompasses the economic, legal, ethical and discretionary expectations that society has of organizations. The CSR pyramid distinguishes various layers of responsibilities. The foundation is economic responsibility. At the same time, however, companies also need to comply with legal norms. Ethical responsibility equals the obligation to conduct in a fair way and to do the right thing, going beyond mere compliance with rules. It can also mean discretionary or philanthropic responsibility (Carroll, 1991).

Another widely used definition of CSR is from the World Business Council for Sustainable Development which is defined CSR as” the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large (Holme and Watts, 2000 as cited in Mugova and Sachs R., 2019).

It is understood from this definition that business entity is responsible to contribute for the development of local community, employees and society at large to improve their quality of life and ensure the sustainable economic and social development. CSR phenomenon is not for time being where companies are supposed only to consider it in some certain situations but it is permanent matter and must be placed within the company’s policy (Zahoor, 2014).

The European Union /Commission (2002) described CSR as “a concept whereby a company integrates social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis as they are increasingly aware that responsible behavior leads to sustainable business success. Therefore, corporate social responsibility means: organization responding positively to emerging societal priorities and expectations; conducting

business in an ethical way and in the interests of the external environment; balancing the shareholders' interests with the interests of other stakeholders in the society.

From this view points, it is understandable that the idea of corporate social responsibility implies how a given organization can manages its business process to produce an overall positive impact on society. It also means how organizations behave ethically and contribute to economic development of society by improving the quality of life of the local community and society at large. The notion of those definitions is, in fact, not purely social concern. It attempts at using the social component as a vehicle for companies image building. Indeed, the concepts of corporate social responsibilities should be incorporated in the companies' policies and strategies to better serve the community at any time to make positive impact on society in a sustainable manner.

According Kumar (2014), CSR in its broadest sense requires companies to consider both the social and financial impacts of their decisions. He stated that this idea can be encompassed by the term "triple bottom line (TBL)", which strongly urges companies to consider social, environmental, and financial outcomes (people, planet, profit or the three pillars) collectively. The triple bottom line is made up of "social, economic and environmental" factors. The term "CSR" is often used instead of a triple bottom line, the two are interchangeable. The theory behind the triple bottom line is that it is in the interests of a business to act as a steward of the environment, society and the economy. "People, planet and profit" concisely describes the triple bottom lines and the goal of sustainability. A triple bottom line enterprise seeks to benefit many constituencies, not exploit or endanger any group of them. In concrete terms, a TBL business would not use child labor and would monitor all contracted companies for child labor exploitation, would pay fair salaries to its workers, would maintain a safe work environment and tolerable working hours, and would not otherwise exploit a community or its labor force.

A TBL business also typically seeks to "give back" by contributing to the strength and growth of its community with such things as health care and education. Quantifying this bottom line is relatively new, problematic and often subjective.

The idea is to balance the needs of people, the planet and the company's profits to create long-term share-holder value. Thus, CSR expects a company to go much further than required by law so as to: treat employees fairly and with respect; operate with integrity and in an ethical manner in all its business dealings with customer, suppliers, lenders, and others; respect human rights;

sustain the environment for future generations; be a responsible neighbor in the community and a good 'corporate citizen'.

More generally, corporate social responsibility is regarded as an “umbrella term” for a variety of theories and practices all of which recognize the following: that companies have a responsibility for their impact on society and the natural environment, beyond legal compliance and the liability of individuals; that companies have a responsibility for the behavior of others with whom they do business; and that companies need to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society” (Mugova and Sachs R., 2019).

The above conceptualizations and discussions testify that business organizations should give emphasis to the social, economic and environmental aspects not only for their reputation but also to bring about sustainable socio-economic changes in the larger community. Therefore, for this study purpose, corporate social responsibility can be understood as an integrative and transparent commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large

2.2. Overview of CSR: History, Development and Current Status

Although it can be traced back to the 1950s, CSR was driven by social movements such as civil rights, environmental movements, women’s rights and consumers’ rights in the 1960s. However, the awareness and growth of CSR to a large extent has been influenced and spearheaded by globalization in developing economies (Carroll and Shabana, 2010).

Globalization enabled developing and developed economies to be linked; at the same time multinational corporations, international organizations, non-governmental organizations (NGOs) and civil society have influenced social responsibility practices. Subsequently, the CSR concept became more prominent after the emergence of global CSR discourses in the 1990s. CSR has continued to grow and increase in popularity and significance. The concept has grown not only with different definitions but also with terminological transformations (Carroll, 1999; Visser, 2008). Scholars have referred to CSR with slightly different labels, such as corporate social investment, environmental responsibility, corporate social performance, corporate social responsiveness, triple bottom line, corporate citizenship, sustainable development, corporate

responsibility, social accounting and sustainable business (Kisimbo, 2016). Howard Bowen is recognized as the first to define CSR, and he is popularly known as the Father of CSR (Carroll, 1999). His textbook, *Social Responsibilities of a Businessman*, to a large extent marks the beginning of the CSR debates that have been a focus in business and social literature. Very specifically, Bowen defines CSR as “the obligation of businessman to pursue those policies, make those decisions, or follow those lines of actions which are desirable in terms of the objectives and value of our society” (Bowen, 1953 as cited in Carroll 1999).

Since 1950s, CSR has undergone a vast development and evolution. CSR begins as the topic of charitable giving with obligation to the society in 1950s. In 1960s, it has appeared with the dimension of relationship between corporation and society. In 1970s, its dimension was concerned with stakeholders involvement, wellbeing of citizens, a philosophy that looks at the social interest, help solve neighborhood problems; improve the quality of life; economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility. The 1980s dimension of CSR involves law abiding, ethical and socially supportive; economic, legal, and voluntary or philanthropic aspect of business. In 1990s, CSR was concerned with stakeholders involvement; obligation to society; environmental stewardship; people, planet, profit. During 21st Century, it extended its dimensions to integration of social and environmental concern; voluntariness; ethical behavior; economic development; improving the quality of life of the citizens; human rights; labor rights; protection of environment; fight against corruption; transparency and accountability(Robetrson, 2009).

While research on CSR in developing countries has been relatively limited, the last decade has seen some progress in both theoretical and empirical fields of inquiry (Moyeen, 2014). This emergent literature suggests that businesses’ engagement in CSR is lower and non - institutionalized in developing countries when compared to the CSR benchmarks used in the developed world (Visser, 2008). The effect has been CSR practices that are mainly framed in wealthy countries, then internationalized and transferred to other businesses and social settings through global trade, investment, and development backing (Mulatu, 2018).

In developing countries CSR practices are chiefly viewed as philanthropic activities, for instance, Tata in India and large banks in the Middle East corporations in Bulgaria (Hopkins, 2012).

In Sri Lanka most corporations do not follow any national or international benchmark in practicing CSR and corporations perceive CSR as being practices such as sponsorship of sporting events, donations to charities, and other social activities (Tilakasiri, 2013).

In a survey of CSR reporting in Asia, Chapple and Moon (2005) find that nearly three quarters of large companies in India present themselves as having CSR policies and practices versus only a quarter in Indonesia. Falling somewhere between these two extremes are Thailand (42%), Malaysia (32%), and The Philippines (30%). They also infer from the research that the evolution of CSR in Asia tends to occur in three waves, with community involvement being the most established form of CSR, followed by successive second and third waves of socially responsible production processes and employee relations.

The literature on CSR in Africa is heavily dominated by South Africa. This is confirmed by a review of the CSR literature on Africa between 1995 and 2005, which found that only 12 of Africa's 53 countries have had any research published in core CSR journals, with 57% of all articles focused on South Africa and 16% on Nigeria. Survey of CSR amongst business in Africa have found that the most common approach to CSR issues is through philanthropic support, in particular focusing on education, health and environment (Visser, 2008).

In Kenya, survey suggest that the cause receiving the highest proportions of corporate donations is health and medical provision, and donations are also directed towards education and training; HIV/AIDS; agriculture and food security; and underprivileged children. In Zambia, supporting orphanages is the most common activity identified as CSR followed by sponsorship of sporting events; cultural ceremonies; education and health provision; and donations to religious and arts of organizations (Visser, 2008).

In Ethiopia, the concept of CSR is new; its functioning has already started in multinational companies and NGOs formally and a very few in national companies informally (Kasaye, 2016). These initiatives are mainly philanthropic with practices and understanding to a large extent imported from the developed countries. The proper CSR agenda is very much in accordance with the CSR practices in the Western countries even if adapted to the socio economic desires in the Ethiopian society.

2.3 Theories of Corporate Social Responsibility

The review of literatures reveals that there are different theories in relation with the subject matter of corporate social responsibility which serves as a point of reference for corporate social responsibility practices; and in expressing how corporate social responsibility is observed or interpreted by different stakeholders from different perspectives. However, having thought it could help to address the research questions proposed for this study and more relevant for sociological investigation compared to others, two of the theories namely: stakeholder and corporate social performance theories were used in order to get full understanding of CSR concepts and practices.

2.3.1 Stakeholder Theory

Stakeholder theory is based on the idea that CSR is a notion that companies are responsible not only to shareholders, but also to other stakeholders including workers, suppliers, environment/environmentalists, and communities (Doh and Guay, 2006 as cited in Amare, 2018). The idea is businesses need to deal with those individuals, groups, or firms, or any entity that influence the business itself or are influenced by the decisions and operations of the businesses; be it economic stakeholders or social stakeholders (Jeurissen, 2007 as cited in Elifneh, 2017). Compared to the theories above, stake holder theory is more inclined toward different stakeholders and it broadens the objectives of business from profit maximization to stakeholders needs. It asserts that business organizations should be motivated not only to pursue profit maximization, but other multiple objectives by meeting the needs of different stakeholders. It maintains that businesses are expected to be good corporate citizens and therefore contribute to economic (financial) and human resources to the community and to improve the quality of life (Carrol, 1991).

Corporate social responsibility was viewed to be implemented through stakeholder theory and; it involves business organizations duties to its stakeholders whereby they are expected to account for the interest of the society that they belong to and have to take the responsibility for the impact of their activities on stakeholders such as shareholders, employees, customers, suppliers, communities and the environment (Ismail, 2009;Ali et al., 2010). As such, it is important that both internal and external corporate social responsibility should be carried on hand in hand if sustainable development is to be achieved.

2.3.2 Corporate Social Performance Theory

An extension of stakeholder theory which focuses on the corporate social responsibility of organizations from grounded in sociology is corporate social performance theory.

Corporate Social Performance is understood as the configuration in the business organization of principles of social responsibility, processes of response to social requirements, and policies, programs and tangible results that reflect a company's relations with society (Wood, 1991 cited in Melé, 2008).

This theory maintains that business, apart from wealth creation, also has responsibilities for social problems created by business or by other causes, beyond its economic and legal responsibilities. This includes ethical requirements and discretionary or philanthropic actions carried out by business in favor of society. In other words, improving corporate social performance means altering corporate behavior to produce less harm and more beneficial outcomes for society and their people' (Wood, 1991 cited in Melé, 2008).

It is also emphasized that business must serve society not only by creating wealth, but also by contributing to social needs and satisfying social expectations.

It points out that assuming social responsibilities is not primarily an economic question but a social and ethical matter: being responsible is doing the right thing. The overarching logic of corporate social performance theory is that principles of responsibilities should guide how business organizations respond to society, given the social impacts at stake.

Thus, based on the above discussions, this research is guided together by the stakeholder and corporate social performance theory. The stakeholder theory could provide understandings of the organizations interactions with different stakeholders in CSR engagement while corporate social performance theory provides further information on the actual impacts of the organizations CSR practices in the eyes of stakeholders such as employees and the local communities.

2.4. Benefits or Impacts of Corporate Social Responsibility

The broader view of CSR is that companies should contribute to socio-economic development through working with their employees, local community and society to improve their quality of life (Zahoor, 2014).

Traditionally business activities are organized and conducted for the purpose of making money for their owners and those who have invested in the company. However, the emerging concept of

CSR is founded on the premise that companies not only have a responsibility towards their shareholders but also to their stakeholders, who are affected by their activities. These stakeholders include suppliers and customers, community as well as employees and the environment. In other words, the concept of CSR implies that companies also have a responsibility for their environmental, economic and social impacts on the communities in which they operate (Laurrel, 2014).

Corporate social responsibility assumes that business organizations (corporations) should incorporate stakeholder interests into their corporate strategies and values. In result, in line with the CSR assumptions, the economic performance should not be the only concern that companies focus on in their operation but should also consider social and environmental dimensions of their activity (Samuel and Vertigans, 2017).

According to Samuel and Vertigans (2017) , the problem area covered by corporate social responsibility corresponds with the diversified identity of the stakeholders and includes the following: labor right that cover the right to form trade unions, lifts the labor, eliminating discrimination at work and child labor, providing work place safety and feedback for employee on their performance, providing rules of collective bargaining; environmental protection which included striving for sustainable development, customer and employee safety, monitoring of its impact on the environment, green production process or promoting environmental awareness; fight bribery and corruption which implements anti-corruption policy, implements corporate disclosure and code of conduct; benefits to employees and local communities.

The increasing importance of corporate social responsibility (CSR) means that companies must consider multi-stakeholder interests as well as the social, political, economic, environmental and developmental impact of their actions. However, the pursuit of profits by multinational corporations has led to a series of questionable corporate actions, and the consequences of such practices are particularly evident in developing countries (Adefolake, 2012).

According to Blowfield (2007), for all the claims made about the positive and negative consequences of corporate social responsibility practices, there is a little information about the outcomes it delivers. This is especially true in the developing country context, where the claims made about the role CSR can play in social and economic development are largely unsubstantiated. He stated that this is not to say nothing has been known about corporate social responsibility's impact rather we know a considerable amount about certain areas of impact, but

very little about its consequences for the intended beneficiaries in whose name it is being conducted.

Sociologically speaking, the concepts stated above one way or another describes the social, economic and environmental impacts of corporate social responsibility practices which have a profound importance to bring about all inclusive development.

Therefore, it is undeniable that CSR has implications on community development. It can be seen as direct and indirect benefits received by the community as a result of social commitment of business organizations to the overall community. This indicates the fact that beside the practices and kinds of corporate social responsibility services provided, the impacts subsequent to its practices are also required to be investigated.

Different companies around the world exert different efforts in discharging their responsibilities towards improving the quality of life of communities, as part of their corporate culture.

In Vietnam, Swedish companies are well known for being active within CSR and for their high CSR standards. They are also recognized and appreciated for being at the forefront not only in areas such as working conditions, the environment and anti-corruption but also when it comes to product quality, safety and modern technology (Laurel, 2014).

Nike is also funding development and micro-loan projects in Vietnam, China and Thailand working together with the Vietnamese Women's Union, the China Foundation for Poverty Alleviation. Nike is a generous corporate donor providing \$29.6 million in 2002 (Conlin 2003 Cited in Manuel, 2004). Example of this generosity is the micro-enterprise development program of Opportunity International in Indonesia. Over the last five years, the Nike-funded project has provided nearly \$1.8 million in small business loans, called micro-credit, to 11,500 Indonesian entrepreneurs on a cumulative basis. These collateral-free loans have enabled them to launch their own enterprises, lifting them out of chronic poverty. A very small loan of \$50, \$100 or \$200 creates self-employment for poor working people.

In Indonesia, Pfizer Corporation also plays a key role in CSR. On its 25th anniversary in 1994, Pfizer announced its Pfizer Health Education Forum to provide scholarships for continuing medical education, research works and other activities. In 1997, Pfizer reported contributing 190 million rupiahs, through Yayasan Dana Sejahtera Mandiri, to help poor families (Manuele, 2004).