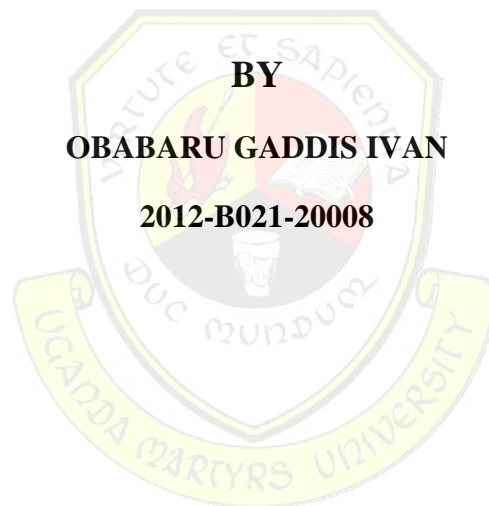


**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON THE  
FINANCIAL PERFORMANCE**

**CASE STUDY: ROOFINGS LIMITED**



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## **DEDICATION**

I dedicate this book to my parents Mr. and Mrs. Okello, and to my siblings Oyella Clare, Aber Sandra and Amenya Steven. Thank you for your prayers and support.

## **ACKNOWLEDGEMENT**

I am greatly indebted my research lecturer in the Faculty of Business Administration and Management who instructed me on the basic skills of data collection, analysis and reporting.

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## **ABSTRACT**

Corporate social responsibility is concerned with the ability of a company to care for and give back to its stakeholders as a way of caring for the community. This paper seeks to find out if the engagement of a company in corporate social responsibility activities has an effect on the financial performance of a business organization. Corporate social responsibility involves activities like good labor practices of the company towards the employees, community outreach programmes which are geared towards ensuring that people living in the communities have better lives through provision of better social services and timely and efficient tax payment behavior by the company. Financial performance is the way a company fairs in terms of profits received in a given time period and it can be measured by factors like return on assets which is how much a company gains from assets it has acquired, return on sales referring to how much money is made from sale of products and return on equity which are other sources of income besides the sales made. The research is qualitative in nature and therefore will use interviews and questionnaires to gather information from the respondents who are fifteen in number out of the twenty eight in the sample size. Roofings limited engages in Corporate social responsibility and sinks approximately twenty million shillings annually in carrying out different activities like donations, health drives, fund raisers, seminars, workshops and sponsorship of different games. This has enabled the company build a name for itself among the public because of the positive effects the activities have on the well being of the people and the love people have developed towards buying the company products, as a gesture of appreciating what they are doing. This has led to more sales made due to presence of repeat customers and capturing of new customers who are buying Roofings Limited products and this leads to a positive effect on the profits made. The same activities by Roofings Limited have also given the company a sounding name among other corporate companies due to the recognition received for outstanding performance in the field of tax payment and since it is related to a company being responsible, it has attracted potential investors who feel Roofings Limited is the right company to invest in.

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# **CHAPTER 1**

## **INTRODUCTION**

Corporate Social Responsibility (CSR) is any social good beyond the interests of a firm that is extended to their stakeholders both within and outside. The purpose of this study was to find out the effects of corporate social responsibility of the financial performance of Roofings Limited. Further this chapter covers the objectives guiding the study to establish why corporate social responsibility is important in the business, the research questions, hypothesis, scope of the study, significance of the study and conceptual framework as relates to corporate social responsibility and financial performance.

### **1.1 BACKGROUND**

According to the information obtained from the website of Roofings Limited was involved in the building materials industry dealing in construction materials ranging from iron sheets, wire mesh, nails, among others. The building materials industry had seen great changes since the government set up policies to favor the entrance of new players, making it more diverse and competitive.

Corporate Social Responsibility (CSR) is also known by other names, these include corporate responsibility, corporate accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship among others, Hohnen,(2007). Due to the integration of corporate social responsibility into the modern business, there is a trend towards referring to it as “responsible competitiveness” or “corporate sustainability” and because of this there is a need to determine its impact on the financial performance of Roofings Limited.

Corporate Social Responsibility is the responsibility of the organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior

that is consistent with the sustainable development and welfare of the society, takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization. Responsibility, (2007).

Corporate social responsibility is a “hot area” in the developed world comprising of continents like America, Europe, Asia, where the industrial revolution boosted the growth of companies and organizations, which had no option but to embed corporate social responsibility within their functions. The United Kingdom government believes that responsible business underpins many of the much larger challenges that businesses are tackling today. Corporate social responsibility is essential in driving sustainable development, tackling climate change and in many cases preventing and resolving conflicts.

Generally, corporate social responsibility is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making strategy and operations in a transparent and accountable manner, and thereby establish better practices within the firm, create wealth and improve society. Hohnen, (2007, p. 5).

In Uganda today, many companies are getting involved in corporate social responsibility activities and are employing the strategic approach slowly shifting from the obligation. Before the 1990s, engagement in corporate social responsibility tended to be implemented as a result of pressures of “doing good to look good”, however today the approach is described as “doing well and doing good.” in a business. Kotler and Lee, (2005).

Corporate social responsibility is gaining its ground in Uganda today with some firms putting great effort. Institutions like Uganda Charter for Corporate social Responsibility Initiatives

Limited (UCCSRI) has done research on corporate social responsibility in Uganda, recognizing some firms like Bank of Uganda carrying out corporate social responsibility activities like financial help to Makerere University Business School (MUBS) and Association of Chartered Certified Accountants of Uganda which has influenced these institutions to send some of their best students to Bank of Uganda to work as employees. The bank therefore benefits by having employees that are well trained, efficient and effective. Uganda Charter for Corporate social Responsibility Initiatives Limited, (2012)

DFCU Bank also performed corporate social responsibility activity through funding a local clinic in Lukuli, Kampala. DFCU Bank benefited from this through a high number of people opening up bank accounts with them with an aim of supporting their cause. The hospital accounts were also handled by the bank and this is also beneficial to them through the charges deducted. Uganda Charter for Corporate social Responsibility Initiatives Limited, (2012)

Roofings Limited can also get such benefits when they engage in Corporate social responsibility including a high customer turnout since the customers always easily get involved in supporting such causes. Corporate social responsibility can also make Roofings limited widely known since any corporate social responsibility activities carried out normally spread faster through word of mouth and this means wider knowledge about the company and its activities.

Hohnen, (2007), points out that firm's typically put a corporate social responsibility approach in place for more than just economic reasons. In many cases, it is also due to moral principles, belief that it is the right thing to do and concern for the welfare of present and future generations that spur a firm to consider its responsibilities. Therefore conducting this study is necessary to determine how corporate social responsibility affects financial performance of Roofings Limited.

## **1.2 STATEMENT OF THE PROBLEM.**

Balbanis, Phillips and Lyall, (1998), argue that companies engage in corporate social responsibility due to enlightened self interest since corporate social responsibility is believed to enhance corporate image and thereby improve financial performance. They however pointed out that not all researchers share this point of view due to the fact that there are diverse results on how investing in corporate social responsibility affects financial performance.

Despite the Corporate Social Responsibility activities like good labor practices, community relations and tax contribution in Roofings Limited, the financial performance is low.

The purpose of this research was to attempt to explore and determine how Roofings Limited Corporate social responsibility acts such as community outreach programs, good labor practices impact on the financial status and operational performance

## **1.3 GENERAL OBJECTIVE.**

To determine the effect of Corporate Social Responsibility on financial performance of Roofings Limited.

## **1.4 SPECIFIC OBJECTIVES**

1.4.1 To determine the impact of Corporate social responsibility in relation to labor practices on return on assets.

1.4.2 To find out the impact of Roofings Limited community outreach programmes on organizational performance in relation to sales.

1.4.3 To find out the benefits Roofings Limited has received in its corporate social responsibility in relation to tax payment.

## **1.5 RESEARCH QUESTIONS**

What are Roofings Limited labor practices?

1.5.1 How do labor practices affect return on assets in Roofings Limited?

1.5.2 What community outreach programmes is Roofings Limited involved in?

1.5.3 How does community outreach affect return on sales in Roofings Limited?

1.5.4 How does tax contribution affect return on equity in Roofings Limited?

## **1.6 HYPOTHESIS**

Corporate social responsibility has a significant impact on return on assets.

Community outreach activities impact on return on sales.

Corporate social responsibility has a positive impact on Roofings Limited performance.

## **1.7 SCOPE OF THE STUDY.**

The purpose of this study was to determine whether Corporate Social responsibility activities like good labor practices, community outreach programmes and tax contribution have an impact on organizational performance of Roofings Limited.

Geographically, it was conducted at Roofings Limited, located outside Kampala City Centre on Plot 126, Entebbe Road, Lubowa.

The sample study involved data collection from different employees within Roofings Limited, customers, distributors using tools like questionnaires and interviews and also involved both primary and secondary data from the literature review. Furthermore the study was completed in a period of one year which included the designing of questionnaires and interview questions, data collection and interpretation, presentation of results and recommendations.

The methodology employed for data collection and analysis included; case study method which in this case was Roofings Limited, qualitative method, quantitative method to show the statistical data collected and the descriptive method to help describe the activities Roofings Limited carries out in its Corporate social responsibility.

### **1.8 JUSTIFICATION OF THE STUDY;**

Tsoutsoura, (2004) study attempted to address the question whether corporate social responsibility is linked to financial performance and using empirical methods, she tested the sign of the relationship between corporate social responsibility and financial performance. The study used extensive data covering a five year period of 1996-2000.

The researcher then concluded that the two different explanations of this relationship depend on its causality, though the findings indicate that corporate social responsibility is positively related to better financial performance and its relationship is statistically significant, supporting therefore the view that corporate social responsibility can be associated with a series of bottomline benefits.

Tsoutsoura, (2004) recommends that it is also important to position the timing in the relationship since it would be valuable to investigate and to ascertain how long it takes for the impact of corporate social responsibility on financial performance to be revealed.

The study was important because previous studies, if done, were carried out within a different time frame and whatever findings were made had been rendered out-dated by recent developments. This study therefore generated new data and information which will assist Roofings Limited in selection and execution of future corporate social responsibility activities.

## 1.9 SIGNIFICANCE OF THE STUDY;

The information generated by this study will benefit the policy makers who are involved in coming up with new and better ways of getting involved in corporate social responsibility activities in the community. The senior management will also be aided in making of decisions like waste management policies, employment guidelines, that affect the organization relationships with the communities.

Other different organizations can also learn and adopt these practices in their corporate social responsibility activities. The customers will also get more knowledge about the corporate social responsibility activities these business entities undertake and the benefits that come to them.

## 1.10 CONCEPTUAL FRAMEWORK

Independent Variable

Dependent variable

**Corporate Social Responsibility**

**Organizational Performance**

(Roofings Limited)



## 1.11 LIMITATIONS OF THE STUDY

The current study was affected by the limited time to carry it out, which made the researcher not able to calmly collect and analyze data in the field, furthermore the funds were also limited hence making the collection of data hard since it involved movement covering large areas in order to access the respondents.



There was also poor co-operation among the respondents during collection of data like delays in returning of the questionnaires sent to them, making it challenging to collect information hence affecting the study.

## **1.2 CONCLUSION**

The purpose of this study was to determine whether Corporate Social responsibility activities like good labor practices, community outreach programmes and tax contribution have an impact on organizational performance of Roofings Limited.

The main factors considered during this study were; whether Roofings Limited is involved in corporate social responsibility, what kind of activities it carries out as corporate social responsibility and the benefits attained for carrying out these activities.

The following chapter will cover the literature review, discussing the views of different authors on the meanings of corporate social responsibility and financial performance. It will also show how the authors relate the two factors and their effects on organizational performance.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

Corporate social responsibility is an important aspect in the business world today. The study sought to find out whether it has an effect on financial performance of Roofings Limited. Chapter 2 focused on the literature review from journals, company reports, scholarly articles, book sections and articles as relates to corporate social responsibility and financial performance

#### **2.1 CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility (CSR) is defined in many ways and no accepted universal definition is in place; however the scopes of corporate social responsibility in business through the management ranks have continued to gain momentum.

According to Hill,(2006) corporate social responsibility is a set of principles that form a part of good management or business practices much of which is about transparency and disclosure. The paper ASOCIO,(2004), defines corporate social responsibility as contributions undertaken by companies to society through its core business activities, social investment, philanthropy programmes and its engagement in public policy. They understand that a strong corporate social responsibility program is an essential element in achieving good business practices and effective leadership.

Scott, (2003), says corporate social responsibility involves actions that appear to further some social good beyond the interests of the firm and that which is required by law, considering that any good extended to the public and not breaking the law is a corporate social responsibility activity therefore the meaning of corporate social responsibility is analyzing the interdependent relationships that exist between corporations, economic systems and the society and also

discussing the level of any obligation of the business to its immediate society Ali, (2010). However corporate executives have struggled with the issue of firms' responsibility to its society because according to Friedman,(1970), corporations' social responsibility is to provide maximum financial returns to share holders. This view is opposed by those who believe that businesses owe responsibility to a wide range of groups in the society whose interests ought to be taken into account.

Furthermore, Fallon, (2014), argues that corporate social responsibility can encompass a wide variety of tactics from giving non-profit organizations a portion of a company's' profits, to giving away a product or service to a worthy recipient for every sale made. The scholar further gives a few broad categories of social responsibility businesses are practicing and they include;

Environment; the primary focus of corporate social responsibility is the environment whereby businesses, both large and small have a large carbon footprint in the atmosphere. Any steps they can take to reduce those are considered good for the company and society as a whole.

Another method of practicing corporate social responsibility is through philanthropy whereby businesses give donations to national and local charities. Whether it involves giving money or time, businesses have a lot of resources that can benefit charities and local community programmes.

Ethical labor practices; by treating employees fairly and ethically, companies can also demonstrate their corporate social responsibility and this is true for all business entities since research shows that consumers will turn on companies extremely quickly if they are found to be operating sweatshops or violating other labor practices.

Companies however have different ways in which they implement corporate social responsibility depending on the factors like company size, particular industry involved, firms' business culture, stakeholders' demands and how financially progressive the company is in engaging in corporate social responsibility. Therefore for successful implementation of corporate social responsibility activities, it is crucial that both management and employees are committed to them and also ensure that the strategy is aligned with the company specific corporate and core competencies. (ASOCIO, 2004)

## **2.2 FINANCIAL PERFORMANCE**

Financial performance is the ability of a firm to generate future economic earnings. Mcgiure, (1988)

Based on information obtained from the website of Shodhganga at Inlibnet Centre, financial performance refers to the degree to which financial objectives are being or have been accomplished. It can be used to measure a firms overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance is therefore an important aspect when looking at corporate social responsibility because any of the activities carried out involve the input of business funds to enable the corporate social responsibility projects go through.

According to information from the Qfinance website, financial performance is a measure of a company's ability to generate income over a given period of time; and it can be measured in two ways i.e. using the accounting measures or the market measures.

According to Macguire, (1988) accounting measures used to measure financial performance are; Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). Each of these

measures gives us different information about companies. Bodie, (2002), Return on assets represents the amount of earnings (before interest and tax) a company can achieve for each dollar of assets it controls and is a good indicator of firms' profitability. Return on equity measures how well a company uses re-invested earnings to generate additional earnings, giving general description of company's efficiency. Return on sales is equal to a firms' pre-tax income divided by total sales, measuring a firms profit per dollar on sales.

These measures are important in a way that they demonstrate the stand of a business as regards its funds, and the demonstration is done using crucial items within the business that control the business funds both liquid mostly in material form like machinery and also cash form. They relate to corporate social responsibility in such a way that the same funds can also be invested in carrying out the social activities, and furthermore corporate social responsibility should facilitate either an increase or decrease in the earnings of a business.

Tsoutsoura,(2004) argues that these measures are however subject to managerial manipulation and differences in accounting procedure. Therefore based on this, as different corporate social responsibility activities are being introduced and carried out, the company should ensure that the staff involved can be trusted and know the reasons for these activities. Proper accountability should be sought from the people involved once the initiatives are concluded to ensure that there is no embezzlement and misuse of funds.

According to William, (1998) the market measures of financial performance include; Total assets; which refers to the size of firm or business financial resources in terms of overall plant capacity. The measure is normally the market value of all financial and capital resources owned by the business as reflected on the end of year balance sheet. Total liabilities; refer to the

financial claims of lenders, input suppliers, and others on the business with the measure being the value of total debt obligations at year end as reflected on the balance sheet stated. William, (1998).

A company that is socially responsible should care about their owners' equity whereby owners' equity refers to the owners' financial claim to the business and is determined by subtracting total liabilities from assets. It can also be referred to as "net worth". William, (1998)

Gross revenues; this consists of incomes from sales and other sources available annually to cover expenses, loan repayments, and it is measured as the total value of products produced by the business. Furthermore, total expenses which refers to total costs incurred in producing the revenue in the trade period. William, (1998)

### **2.3 CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE**

Orlitzky, (2005) corporate social responsibility activities must match stakeholders' expectations before a firm can expect to reap economic benefits from them. The author further argues that pollution abatement, resource conservation, or recycling policies and programmes may have a negative impact on financial performance.

However Friedman, (1970) showed that the Social Responsibility of Business is to increase profits and said that "the first and sole objective of a company is to profit" and as it continues to be the first, as a business, corporate social responsibility must have a positive return otherwise the business may not be sustainable. The author says that a corporation is an economic institution and thus it should specialize in the economic sphere. In Friedman's (1970) view, all businesses have only one social responsibility and that is to maximize the profits of its owners and protect

their property rights, arguing that managers who use company resources for non-profit social purposes diverts economic efficiency and indirectly levies an “illegal tax” on the business. It is important to carry out this study to show whether corporate social responsibility has a negative or positive impact on financial performance of a business. Money devoted to social activities decreases the income of the owners. Hence the author formulated a thesis about the negative relationship between corporate social responsibility and financial performance. Lech, (2013)

Many scholars today take the view that firms can no longer be seen purely as private institutions. A firm is responsible not only to its shareholders (owners) but to all stakeholders who constitute potent forces to accelerate a firm's financial performance. Freeman,(1994)

The positive influence of corporate social responsibility on a firm's performance can also be understood by the three different theories developed by Mishra and Suar, (2010). These theories are;

Consumer influence making theory which suggests that if a consumer knows that the manufacturer of the product is a responsible firm, he/she infers positively about the product.

Signaling theory which shows that when there is information asymmetry between buyers and sellers, consumers look for information that distinguish companies performing well with respect to attributes of consumer interest like quality and end up favoring such over those that perform poorly in such attributes. Mishra and Suar, (2010)

Social identity theory, which emphasizes that one's self concept is influenced by membership in different social organizations; whereby is a company employee perceives it as socially responsible, they should more strongly identify with the firm. Conversely, management scholars have brought an alternative perspective approach to the concept of corporate social responsibility

according to (Porter.M, 2006) arguing that it can be a source of strategic outcomes such as innovation, opportunity, and competitive advantages, thereby resulting in a positive relationship between corporate social responsibility and financial performance, which theory is supported by the meta-analytic review of (Orlitzky M. S., 2003), indicating that previous research collectively supported the positive corporate social responsibility and financial performance relationship. (Yuhei, 2011)

## **2.4 LABOR PRACTICES AND RETURN ON ASSETS**

Business codes of conduct which addresses labor practices have become a key element in the debate over improving workers rights and working conditions worldwide. According to the website of the International Labor Organization, they were diverse originally but now it appears to be converging around the International Labor Organization (ILO) core standards and basic principles regarding forced labor among others.

The good labor practices such as ensuring employee health and safety standards, development and training, good working conditions, employment relationships and additional services like providing them day care and paid parental leave leads to good performance of employees hence good or improved performance of an organization. Barnett, (2006). The employees feel the business cares for them making them feel attached to it triggering a constant positive attitude towards work. This implies that good performance of employees improves profitability of a business since the activities are carried out effectively and in a timely manner ensuring that customer demands are met without delay. This keeps customers coming back and also attracts new customers looking for quality services, eventually improving the profitability of the business. Wernerfelt, (1984), argued that firms develop sustainable competitive advantage by



building resources that are both valuable and hard for competitors to poach and this is because human resource management theories assert that employees are indeed valuable and are a key source of value creation in a firm. Edmans, (2012)

Peterson, (2004), also showed that employees tend to demonstrate high organizational commitment when their companies are actively involved with socially responsible initiatives. Organizational commitment increased by corporate social responsibility activities is, in turn, likely to allow firms to achieve high productivity, low turnover, and decreased absenteeism, having a positive effect of firm efficiency and profitability which is related to the return on assets since the labor employed is an asset to the business whereby if managed will yields high returns.

Furthermore, Markova,( 2011) mentioned that the real success of companies originates from employees' willingness to use their creativity, abilities and know-how in favor of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place and they can be inform of cash, recognition and praise, or a combination of both. Mendonca, (2002), suggests a reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive.

According to Laakso, (2012) agrees that financial incentives are indeed effective in motivating employees and furthermore states that the importance of motivated employees cannot be highlighted enough in an organizational context because they are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation. The highly motivated employees serve as the competitive advantage for

any company because their performance leads an organization to well accomplishment of its goals Rizwan, (2010).

## **2.5 COMMUNITY OUTREACH AND RETURN ON SALES**

According to the website of Government of Canada, (2012), a key priority for a socially responsible business is to develop and maintain strong and mutual beneficial relationships with its community both within and outside its premises. Businesses that take an active interest in the community wellbeing can generate community support, loyalty and goodwill, it is often referred to as building your “social license to operate”, an important objective for any business

Community outreach and relations depend on local circumstances and business strategy, competencies and assets. The business will consult others including the employees and representative community groups, to help determine whether to invest time and resources in community outreach programs, some of which include; donations, health drives, sensitization programmes, infrastructural development among others. Moreover, active community involvement is thought to satisfy the needs of the local communities and governments, allowing the firm to generate public support such as tax cuts and reduced regulations. Waddock & Graves, (1997). Collectively, based on the instrumental stakeholder theory, it is suggested that improved relations with these stakeholders and resultant stakeholder satisfaction will enable firms to enhance financial performance by either increasing revenues or reducing operational cost. Brammer, (2008); Yuhei, (2011).

David, (2010) showed that corporate social responsibility involves accessibility whereby the firm ensures that its premises, products, services and communication are free of barriers enabling

people use them independently, regardless of one's gender, age, ethnic background, among others.

The author further says that corporate social responsibility is also about social hiring whereby companies seek to make a direct and meaningful contribution to poverty reduction, economic and social inclusion may be considered in hiring people who face labor market barriers because of physical, mental or developmental disability among others.

In addition to that corporate social responsibility requires stakeholder engagement which is a process of listening and talking to stake holders including employees, customers and community members about their needs, concerns, issues, and also the business' important directions and significant decisions. David, (2010). This helps to develop and maintain a strong and mutually beneficial relationship with the community at which level the impact of increased corporate social responsibility activity will be felt in social, economical and environmental terms.

Corporate social activities may help to better meet the needs and of the business by developing more robust and lasting business outcomes in terms of sales growth as argued by Walker, (2009) who demonstrated that good consumer perceptions as regards corporate social responsibility has a significant positive effect on the reputation and two dimensions of patronage intentions, that is to say consumption of goods and word of mouth which spreads knowledge about the company products. They also gave a positive influence on the respondents perceptions, hence more willingness to buy the company products leading to growth in sales since the different members in the community feel the need to support the organization which also greatly support them through its corporate social responsibility initiatives.

## **2.6 TAX CONTRIBUTION AND RETURN ON EQUITY.**

According to the website of Synd Bank Services, a tax is a compulsory monetary contribution to a country's revenue, assessed and imposed by the government on the activities, enjoyment, expenditure, income, occupation of individuals and organizations. Balunywa, (1998) defines taxation as a payment which cannot be avoided without attracting a punishment and in return of which no gain/quid pro-quo is promised by the government to the tax payer.

According to Income Tax Act, (1997) taxation is an important source of government revenue and an economic policy tool by government to attain economic growth. The importance of taxation therefore arises from debate of whether government should interfere in the operations of the market mechanism. Income Tax Act, (1997) further noted that taxes may be levied for other reasons but revenue remains the prime objective of most taxes.

Good tax payment practices for a company can lead to receipt of government incentives like tax holidays, subsidies and loans enabling the business save up some money. This relates to return on equity in a way that the same funds can be re-invested to generate additional earnings for the business hence good financial performance.

According to Bruton, (2014) any company that operates on the basis of good corporate social responsibility in terms of compliance with statutory requirements like good tax governance plays its part in ensuring the availability of essential funds to the government to enable it meet the economic and social objectives. Therefore the constant development of social and environmental factors by the government is strongly supported by corporate social responsibility.

## **2.7 SUMMARY OF THE LITERATURE REVIEW**

Corporate social responsibility furthers social good beyond the interests of the firms that implement its activities which tend to involve ways of caring and giving back to the community.

Corporate social responsibility has negative effects like leading to low financial performance when a lot of funds are sunk into the activities, yet there are no expected returns, however there could also be a positive impact of corporate social responsibility on financial performance of a business like increased sales hence more profits.

Further arguments have been brought forward that businesses should not engage in any corporate social responsibility since the main aim of their formation is to earn profits. In my view, corporate social responsibility greatly contributes to a firm in terms of earnings that could be realized overtime as the firm engages in social responsibility activities. The study is therefore intended to establish the relationship between corporate social responsibility of Roofings Limited and its effects on the financial performance.

In conclusion, since research methodology in the form of a research design, data collection methods measuring investments, sampling and data analysis has been discussed, the stage has been set for the implementation of data collection and analysis process. The next chapter will therefore deal with the presentation and analysis of the results.

## **CHAPTER 3**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter presents methods and techniques to be used to conduct and complete the study. The methods will combine both quantitative and qualitative approaches, that is, the descriptive design and the case study design. The chapter will further present the study population, sample size, and sampling, data collection method, data collection instruments, data collection procedures, data analysis and study limitations.

#### **3.1 RESEARCH DESIGN**

The current research study employed quantitative methods which are defined by Aliaga,(2000) as methods that explain phenomena by collecting numerical data that are analyzed using mathematically based methods, statistics in particular, and a qualitative research method which is described by (Tewskbury, 2009) as an umbrella term encompassing a wide range of methods such as interviews, case studies, ethnographic research and discourse analysis. The data collected was qualitative and quantitative in nature, demonstrated using tables and pie charts.

##### **3.2.1 The Descriptive design;**

The descriptive design was adopted to enable the in depth elaboration of different activities involved in corporate social responsibility. The research was quantitative with questionnaires, interviews and also qualitative looking at the financial inputs and outputs involved in corporate social responsibility activities. It further generated the characteristics of the study, different classifications and analysis through interviewing of different individuals mainly under the public relations department.

### **3.2.2 The case study design;**

This design facilitated an in-depth look at the organization, different influential people like human resource manager, customer relations office, accountant, and heads of operations. It also covered different occurrences like employee meetings and how they are of benefit to the people within the organization, supply chain relations, skills development, pollution and waste management that take place both within and outside the organization and are related to corporate social responsibility.

### **3.3 STUDY POPULATION**

The study population included all the different staff members directly or indirectly involved in corporate social responsibility activities in Roofings Limited. It is estimated to have 200 employees with but the study based on the feedback of 30 staff employees.

### **3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES**

According to (The Business Dictionary) a sample is an entity or observations randomly selected to represent the behavior and characteristics of the entire group (batch, group, population, or universe) they are associated with or from which they are drawn. The sample method involves taking a representative selection of the population and using the data collected as research information.

#### **3.4.1 Purposive sampling;**

According to Oliver, (2006), purposive sampling is a form of non probability sampling in which decisions concerning the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which may include specialist knowledge of the research issue, or capacity or willingness to participate in the research, and this was used in the study. It involved selecting the study sample from the customers, employees who will help and are strongly involved in corporate social responsibility.

### 3.4.2 The Morgan and Krejcie Sample size table (1974)

POPULATION	SAMPLE SIZE
10	10
15	14
20	19
25	24
30	28
35	32
40	36
45	40
50	44
55	48
60	52

Out of 30 people being accessible, 28 were actively involved in the current study because the organization had a large number of employees that cannot all be covered so a few of them were sampled out.

## 3.5 DATA COLLECTION METHODS

The interview method was employed and survey method was used in carrying out the study.

### 3.5.1 Interview Method;

Interview involves an interviewer reading questions to respondents and recording their answers.

It was used since the research has a qualitative aspect and involved the respondents explaining



and demonstrating using documents like reports that were filed detailing the activities and their follow up evaluation process.

### **3.3.2 Survey method**

This involved the use of a questionnaire that was sent to selected respondents and they answered the questions in them in the process providing researcher with the reality of what corporate social responsibility is all about within the organization.

## **3.6 DATA COLLECTION INSTRUMENTS**

The data collection process included various instruments including a questionnaire that had a set of questions that covered the study looking at variables, a video camera to record the interviews to be conducted, and set questions that were used during the interview were also used during the study.

## **3.7 DATA COLLECTION PROCEDURE**

The collection procedure started from within the company targeting the sample size involving human resource manager, customer relations office, accountant, heads of operations and the rest of the operations staff that were directly involved in the manufacture of the products. The interview method of data collection was used to gather information through a one on one interaction with them.

The study further continued to the other respondents outside the organization like customers, wholesalers, retailers, neighboring residents who are not involved directly in the corporate social responsibility activities but they expect the organization to carry them out and they are the benefactors. Both the interview and survey method were used to gather information from these individual groups choosing the most suitable.

### **3.8 DATA ANALYSIS**

The field notes collected were carefully sorted by eliminating any errors. Then with the help of software like Microsoft excel it was quantitatively organized, analyzed and interpreted using tables and pie charts. This helped establish the extents of different variables involved in the study. The qualitative side involved reading over and over again the collected information and identifying major themes that will be used as a basis for writing the research report.

### **3.9 STUDY LIMITATIONS**

The researcher expected the following limitations during the process of completing study;

Difficulty in reaching some of the proposed respondents since some of them may be very busy, however the researcher intended to schedule time with the respondents at their convenience to make it possible to collect the required data, and if a face to face interview was not possible then a questionnaire was to be sent.

Secondly the funding was expected to be limited hence the research may not be able to cover a very large area. This challenge was overcome by soliciting for additional funds from relatives to enable ease of movement.

There was also poor co-operation of some respondents which was a great challenge in the process of collecting information, however the researcher put in effort and encouraged the different respondents to spare some of their time and support him in completing his studies.

### **3.10 CONCLUSION**

In conclusion, since research methodology in the form of a research design, sample size, and data collection methods, sampling and data analysis has been discussed, the stage was set for the

implementation of data collection and analysis process. The next chapter will therefore deal with the presentation and analysis of the results.

## CHAPTER 4

### PRESENTATION AND ANALYSIS OF DATA

#### 4.0 INTRODUCTION

The purpose of this study was to find out the effect of corporate social responsibility on the financial performance of Roofings Limited. This chapter presents the findings from the data collected in reference to the relation between corporate social responsibility and financial performance of Roofings Limited. The study findings are from the analysis of questionnaires and interview responses that were obtained through interviewing of participants who were the primary source of data.

#### 4.1 RESEARCH FINDINGS AND ANALYSIS

**Table 1: showing the gender of respondents**

##### Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	3	30.0	30.0	30.0
Female	7	70.0	70.0	100.0
Total	10	100.0	100.0	

Source Primary Data (Researcher 2015)

As shown in Table 1, there were ten respondents for the study and from the table above, 3 were male and 7 were female. This shows that there were more males than females in Roofings Limited. In terms of percentage, males were 30% and the females were 70%. No specific gender was considered therefore since both genders filled the questionnaires.

**Table 2: showing the age brackets of respondents**

**Age bracket**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-29yrs	6	60.0	60.0	60.0
30-39yrs	2	20.0	20.0	80.0
40-49	1	10.0	10.0	90.0
50yrs and above	1	10.0	10.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

The data displayed in table 2 shows that 6 of the respondents were between 20-29 years, 2 of them were between 30-39yrs, one was between 40-49 years and one was above 50 years. This shows that Roofings Limited employs mostly youthful workers and the reason they gave for this implies that they are more energetic and can get things done more efficiently and effectively.

**Table 3: showing respondents Level of education**

**Level of education**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Degree	8	80.0	80.0	80.0
Masters	2	20.0	20.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

Basing on the data displayed in table 3, all the respondents have achieved a certain level of education with 8 of them having degrees and two having a master's degree. In terms of percentage, 80% have degrees while 20% have masters' degrees. This implies that most of the employees in Roofings Limited have attained at least a degree and therefore are aware of how the company is supposed to behave towards the society and environment.

**Table 4: showing the marital status of respondents**

**Marital status**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	3	30.0	30.0	30.0
Not married	7	70.0	70.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

Basing on data in table 4 above, the study results show that 30% of the respondents were married while 70% are not married and this can be supported by Table 2 which shows that a 60% of the

respondents are within the age of 20 -29. This shows that Roofings Limited employs both the married and unmarried hence providing an opportunity of employment to all people.

**Table 5: showing the religion of respondents**

**Religion**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Christian	8	80.0	80.0	80.0
	Muslim	1	10.0	10.0	90.0
	Others	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

The data in Table 4 above shows that Roofings limited employs people of all religions. It shows that eight of the respondents were Christians having 80%, one is a Muslim having 10%, while one belonged to the category of others and specified the religion to be of the Bahai faith having 10%. This implies that Roofings limited workforce is diverse and there is no discrimination of people basing on religion during the recruitment process and also at the work place.

**Table 6: showing how long respondents have worked for Roofings Limited**

**How long have you worked for Roofings Limited.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0-5yrs	5	50.0	50.0	50.0
6-10yrs	1	10.0	10.0	60.0
11-Above	4	40.0	40.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

Basing on the data showed in table 6, the study results show that 5 of the respondents have been at the company for five years and below, one has been at the company for 6-10 years, while 4 have been at the company for 11 years and above. This shows that most of the respondents have not been there for long. This implies that a small part of workers could still be gaining experience and training on the work they do.



**Table 7: showing which category of employees respondents belong to**  
**To which category of employees do you belong**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Top management	3	30.0	30.0	30.0
	Middle management	4	40.0	40.0	70.0
	Operational staff	3	30.0	30.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

According to table 7 out of the 10 respondents studied, 3(30%) of the respondents belong to the top level management, 4(40%) belong to the middle level while 3(30%) belong to the operational staff. On average, the middle level employees are the most in number compared to the other levels of employment in Roofings Limited. This implies that most functional departments are found in the middle level management and they are encouraged to be ethical and responsible in their different activities to ensure employee safety and good working conditions.

#### **4.2 CORPORATE SOCIAL RESPONSIBILITY IN ROOFINGS LIMITED**

According to information gained from Roofings Limited, corporate social responsibility is 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 the local community and society at large. It is described by the respondents as giving back to the community for its support to the company, responsibility towards the society or taking care of both internal and external stakeholders.

Based on the data collected, the different corporate social activities implemented by Roofings limited are divided into two categories including namely: Quality of management and Remuneration.

According to Roofings limited, Quality of management is looked at in terms of staff and processes whereby every member of the work force must know what is expected of each person, from an established policy and then do that consistently to build on a pre-established reputation.

However, before placing such lofty demands upon workers, it was found that the company must initially facilitate and secure workers health and safety in the workplace. This is achieved by designing modules and policies on the job description that are implemented and sustainable in the work environment. The other factors considered thereafter by the company are the level of remuneration to ensure that workers are paid in a fair and timely manner and also transparency in activities like promotion of employees to ensure confidence of the workers in their job. According to the respondents, proper remuneration and transparency makes the workers feel secure at their workplace knowing that they are assured of pay and management is not hiding anything that they are supposed to know from them. Workers therefore are always ready and willing to perform tasks assigned to them to the best of their ability which builds customer confidence in the Roofings Limited and its workers.

Further, the respondents emphasized that the way in which Roofings Limited impacts on the local, national and international society; products and processes upholds the integrity of life and takes into account, the circumstances of the affected communities everywhere Roofings Limited products are sold. This makes the customers trust Roofings Limited products since they deliver

solutions to communal problems. The data also showed that frequently, Roofings Group pursues corporate citizenship through the Community based approach, by which local communities and groups are engaged in different activities like cleaning activities, to help improve their way of life and achieve individual and community goals. Research findings during the interview showed that 70% of the respondents agree that Roofings Limited also makes direct philanthropic contributions to various causes with local schools, health centers, sports and financial enterprises and cited some examples mentioned below;

The data collected revealed that Roofings Limited carried out health fairs both in Lubowa and Namanve for HIV/AIDS testing and counseling, Malaria prevention, Blood pressure, Diabetes and eye tests to contribute towards healthy living in the respective communities.

Further study results showed that in collaboration with Standard chartered Bank, Roofings Limited held a nationwide campaign to fight malaria and correct eye sight, under the theme ‘SEEING IS BELIEVING’. Over 400 million shillings was raised and 5023 were operated country wide and their eyesight restored out of over 10,000 diagnosed/screened and treated.

Roofings limited also regularly contributes to the annual MTN marathon, the source of the Nile Hared marathon in Jinja and the ISU family runs that have made the business name popular because these activities raise money that greatly contributes to community wellbeing.

The study results also showed that Roofings Limited has also encouraged the sport of badminton by sponsoring the annual Uganda Badminton Association tournament which was named the ‘Roofings Open Badminton Championship’ in the company’ honor. This led to a good brand image in the corporate world since talent of the players and also their well being in terms of players’ kits is improved.

**4.2.1 Average funds put into Corporate Social Responsibility by Roofings Limited**  
**Table 8: showing how money is put into corporate social responsibility annually.**

**Relationship between Funding and corporate social responsibility annually**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20,000,000-30,000,000	10	100.0	100.0	100.0

Source: Primary Data (Researcher, 2015)

According to the respondents, Roofings Limited spends approximately between 20,000,000-30,000,000 Uganda Shillings in implementation of corporate social responsibility activities annually. The finance Officer explained that these funds cater for any activity involved from the time the idea of what to needs to be implement is developed, all the way to the reporting stage as related to corporate social responsibility.

**4.2.2 Implementation of corporate social responsibility in Roofings Limited**

According to the data collected, The Roofings limited public relations department is tasked with developing the corporate social responsibility activities with the leadership if the public relations officer. The public relations officer has to form a team from the department and carry out a research consulting all parties that will be affected including management, employees and the society and get their views on which activities can be done. This helps ensure that the company engages in the right activity, in the right place and that the right people benefit from the corporate social responsibility activity.

It was found that when a decision has been made, the Roofing limited public relations department then floors its suggestion to the top management and if it's approved, the accounts department should also be considered in order to know if the funds are available

and determine whether Roofings limited can comfortably engage in the social responsibility activity without affecting the smooth running of its daily business activities.

Once funds are approved, the public relations officer will choose a team possibly having representatives from different departments to oversee the implementation process of the activity, after which they are supposed to come up with a report presented to management explaining the outcomes.

The same team also carries out a follow up study to know whether the implemented corporate social activity has been accepted and embraced by the community, and any damage or mishandling of the projects is immediately rectified by the company. This ensures that the impact of the activity is well known for a long period of time and this makes society feel one with Roofings limited hence they will fully support it and its products.

#### **4.2.3 The challenges faced by Roofings limited in the implementation of corporate social activities**

Based on research findings, the company sometimes faces a challenge of limited resources like funds and labor especially when the business activities are booming and every employee is busy. This is because the funds are needed to be ploughed back in the business hence cannot be diverted to the Corporate social responsibility activity. Likewise, the employees cannot leave their important duties to attend to the social responsibility activities and this means that the business will not be able to carry out corporate social responsibility activities to contribute to the community.

It was also found that Roofings Limited sometimes has to outsource during the implementation of social responsibility activities and this can lead to delays in implementation in a situation

where the outsourced party is not reliable or organized. This causes a backlog in work since the company will be biased by the delay.

The public relations officer further revealed that Roofings Limited also cannot be able to provide for every unavailable need in society and this is a challenge because even if the organization is determined to give back to the society, not all the needs can be addressed because it is not their core duty and it needs funds to carry out Corporate social responsibility activities but Roofings limited aims at making profits from the business activities.

The data results also revealed that government regulations like taxes are also a challenge to Roofings limited in the implementation of social responsibility activities, this is because the business is first taxed on the profits made, and even the profits that are put aside for social responsibility are still taxed during the purchase of the necessary materials and items to put into corporate social responsibility. This means the company loses a lot of money.

#### **4.2.4 Improving execution of corporate social responsibility in Roofings Limited**

According to the respondents, Roofings limited can improve on the way it carries out social responsibility by; Consultation of the society through its leaders like the local council chairmen to find out what the communities that they lead are lacking in their daily lives and determine whether they can be able to provide for them with the necessary facilities to make their lives better. This helps ensure that Roofings Limited invests in a facility that will not be abandoned by the community after some time, but it will be used overtime to improve standards of living and the impact is felt over a long period of time.

The respondents also noted that Roofings limited should carry out workshops and seminars that help increase the company and employees' knowledge about social responsibility and how they

are supposed to go about it. It was found that, the company participated in the Private sector foundation of Uganda's International Trade Exhibition where they learnt how to foster a sense of forward thinking and purposefulness among manufacturers and service providers. Another strategy recommended was proper planning of the social activities should be considered before the company gets involved in social responsibility. This involves the ascertaining that the funds are available, the chosen activity is viable and beneficial to the recipients, and there is a team in place to properly implement the activities. Any external service providers to be hired for the implementation stage of social responsibility activity should be properly vetted in a bid process to ensure cost effectiveness and other unnecessary costs or expenses that may be incurred are avoided.

The respondents suggested that outsourcing is another activity that can be considered to improve on the delivery of social activities; this is needed in a situation where the company intends to carry out an activity that Roofings Limited is not directly involved in. Roofings Limited may intend to provide borehole water for a rural community, but since the company itself does not engage in the drilling of boreholes it will have to outsource another company that specializes in that like Davis and Shirtliff. The respondents believe that this method will help ensure that the borehole put in place is of quality and long lasting.

#### **4.2.5 Benefit of social responsibility Roofings Limited activities to Community**

Based on the study results, all the respondents agree that the society benefits from the corporate social responsibility activities that it carries out and they do so in the following ways;

The respondents showed that the public is able to get access to some of the small services that the government is not properly providing to them such as access to clean running water and this improves the way people are living.

More results showed that some of the social responsibility activities implemented by Roofings Limited have provided employment opportunities to the people in society. The people employed are paid to ensure that the establishment continues working to the benefit of the organization and furthermore keep it secure. This improves living standards when the people are employed.

Environmental hygiene is improved because Roofings limited seeks always to treat or recycle any chemical waste before they release it into the eco-system. This helps control the spread of diseases through water bodies or air and keeps the society healthy.

#### **4.3 CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE**

**Table 9: showing the level to which respondents think corporate social responsibility has affected the financial performance of Roofings Limited.**

##### **Level of corporate social responsibility impact on financial performance**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Average	3	30.0	30.0	30.0
	High	7	70.0	70.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

According to Table 9 above, 7 of the respondents making (70%) say that corporate social responsibility has a high effect on the financial performance of Roofings Limited and they give the following reasons; The large number of beneficiaries in the society to these corporate social activities has led to a high performance in Roofings Limited finances because the people feel attached to the company due to the care accorded to them at no cost. They therefore approach to buy the goods for personal consumption, as wholesalers or retailers in order to be in business with the company.



As corporate social activities are being carried out, the society is also sensitized about the products that the company that is providing to then offers in the market. This makes it possible for the same people to think of the company first when they intend to buy any of the products that the company offers hence a contribution to high financial performance.

The other implication is that a society that benefits from a corporate social responsibility activity by Roofings limited will always talk about whatever the company did for them, For example Roofings Limited supported a community school in Namanve Industrial Park. This brings more sales for the company since the support given will always be in the records of the school, and talked about among the students and the parents whom by hearing about this will also be encouraged to become Roofings limited customers and feel one with the company, which according to David, (2010) This helps to develop and maintain a strong and mutually beneficial relationship with the community at which level the impact of increased corporate social responsibility activity will be felt in social, economical and enviromental terms.

Based on the data provided in table 9 above 30% of the respondents however say that the effect of corporate social responsibility on financial performance is average because; The corporate social activities carried out by Roofings Limited however much are meant to benefit the society cannot be accessed and enjoyed by all members of the society. When a social responsibility activity is being implemented, it is set up only to benefit the people living within its vicinity and therefore people in far surrounding areas may not be able to enjoy it the same way. For example, setting up of a borehole in a rural town will benefit only the members of the town hence should there be another town near that does not have clean water; they are not able to access the borehole due to the long distance.

From the statistics presented above, it shows that when Roofings Limited engages in corporate social responsibility, there is bound to be a positive change in the financial performance which is a good thing for a business enterprise.

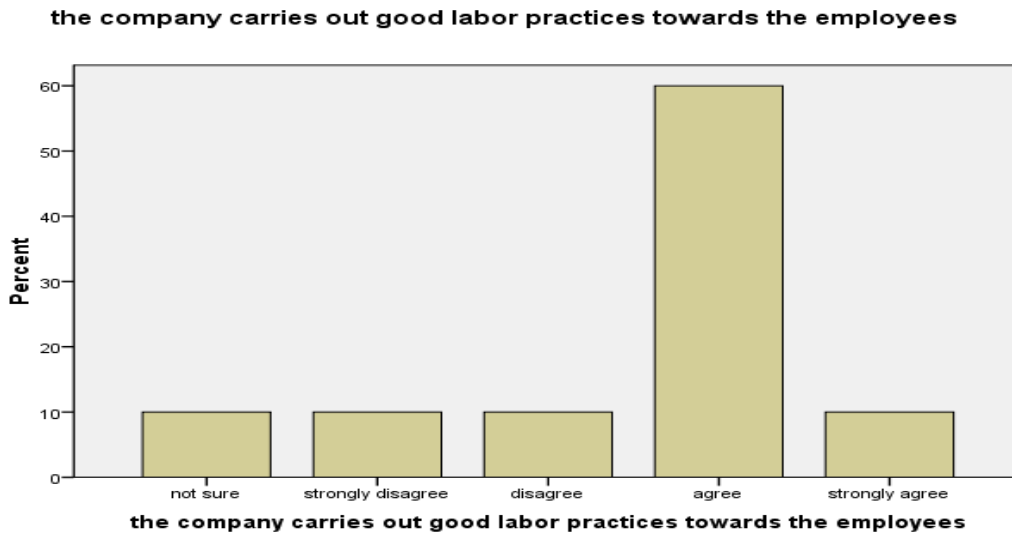
#### 4.3.1 LABOR PRACTICES AND RETURN ON ASSETS

**Table 10: showing good labor practices towards employees**

**The company carries out good labor practices towards the employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not sure	1	10.0	10.0	10.0
	Strongly disagree	1	10.0	10.0	20.0
	Disagree	1	10.0	10.0	30.0
	Agree	6	60.0	60.0	90.0
	Strongly agree	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)



**Figure 1: showing that Roofings Limited carries out good labor practices**

As data provided in table 10 shows, the study revealed that the performance of labor practices at Roofings Limited is good whereby the management ensures that the employees have all the necessary tools needed for them to be able to perform their duties efficiently and effectively. 60% of the respondents receive job satisfaction since their specifications are clearly explained in a contract signed between them and the company. The results showed that safety during work is one of the core labor practices and is also a major concern of the management since the company works with dangerous cutting and rolling machines and Roofings Limited ensures that the employees all have the necessary protective gear to prevent them from danger and warning signs are displayed in all the dangerous places to ensure that the employees are ever careful. Table 10, above shows that 60% of the respondents agree that good labor practices towards the employees in an organization leads to favorable returns since the employees will work with the zeal to ensure that the company performs to the management’s expectations. Roofings limited was

therefore able to build a sustainable competitive advantage by building their human resources to be both valuable and hard for the competitors to poach away.

**Table 11: showing dedication of staff to their work**

**Dedication of staff to their work has made returns high for the company**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	20.0	20.0	20.0
Disagree	1	10.0	10.0	30.0
Agree	6	60.0	60.0	90.0
Strongly agree	1	10.0	10.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)

According to Table 11, the respondents gave varying responses on the factor considering the dedication of employees to their work and whether it leads to high returns for Roofings Limited. The data shows that 60% of them agree that when staff are dedicated, 10% strongly agree, 10% disagree while 20% strongly disagree. This shows that a company staff is dedicated to their work whereby they arrive for work in time and perform their duties within the required time then there is bound to be a positive effect on the returns made. The interview revealed that this is possible because people put all their concentration, effort and time to make sure that the outcome is perfect, of quality and can satisfy the customers' needs. This implies that when more customers are satisfied with the products the more sales will be made by the Roofings Limited because the

company and its employees are strongly committed to their buyers and seeks to ensure that their needs are met.

**Table 12: showing division of responsibilities among employees**

**Proper division of responsibilities by the company among its employees has contributed to high level of returns**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not sure	1	10.0	10.0	10.0
	Strongly disagree	2	20.0	20.0	30.0
	Disagree	1	10.0	10.0	40.0
	Agree	4	40.0	40.0	80.0
	Strongly agree	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher 2015)

According to the respondents as illustrated in Table 12, 40% agree that proper division of responsibilities leads to orderliness in work hence the contract deadlines of customers can be met in time and once this is achieved, new customers are attracted and this means more sales for Roofings Limited. Division of responsibilities means that the employer has to clearly define for the employee his duties and responsibilities that are supposed to be fulfilled while at the work place. This enables the workers of Roofings Limited to be able to know exactly what is expected of them at the work place hence there are no delays in the working process during the production

of the products. This shows that work done in Roofings is done in a timely manner whereby all the departments are synched so one follows another and clear knowledge of what one is supposed to do prevents breaks in the smooth flow of the process and a constant positive attitude towards work.

**Table 13: showing rewarding of employees**

**Rewarding of employees for good performance has contributed to high sales**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	10.0	10.0	10.0
Disagree	4	40.0	40.0	50.0
Agree	2	20.0	20.0	70.0
Strongly agree	3	30.0	30.0	100.0
Total	10	100.0	100.0	

Source: Research Data (Researcher, 2015)

The interviews results revealed that when Roofings Limited rewards its employees whenever they do something that is outstanding and is greatly benefiting to the company, it gives the other employees who have not had the chance to be recognized and rewarded to work hard to achieve recognition. This leads to employees being careful when doing their work and paying attention to detail. Table 13 shows that 40% of the respondents disagree compared to 30% who strongly agree and 20% who agree. This implies that rewarding of employees does not have a great effect on the sales made by Roofings Limited, but however according to Mendonca, (2002), a good reward and compensation system that is based on the expectancy theory suggests that employees

are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the rewards and remuneration they receive at work.

From the statistics above, Roofings limited has a good labor practice culture towards the employees with a score of 60% agreeing. The employees are therefore happy with their job hence the high level of dedication to work and the organizations interests. Responsibilities are also properly divided and clearly explained to the employees to ensure that they know exactly what is expected of them at the workplace.

These practices show that Roofings limited cares about its internal stakeholders and therefore seeks to make them comfortable, and once they are, they will be able to perform and register high returns from customers.

### 4.3.2 COMMUNITY OUTREACH PROGRAMMES AND ORGANISATIONAL PERFORMANCE IN SALES

**Table 14: community outreach programmes**

**The company considers community outreach programmes to be part of corporate social responsibility**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	10.0	10.0	10.0
Agree	2	20.0	20.0	30.0
Strongly agree	7	70.0	70.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)

Roofings limited greatly reaches out to the community especially those in need of better or improved standards of living. The company therefore considers the act of giving back to the community through programmes that help better the living of the people a way of being responsible to the society. Table 14 shows that of the ten respondents within Roofings Limited, 7 out of 10, making 70% strongly agree that they consider community outreach to be a social responsibility of Roofings Limited because the activities it carries out in production affects the community in ways like noise pollution, destruction of things like roads due to their heavy raw materials being transported, and by reaching out to the community, they try to maintain the resources like roads used in a good condition so that its use by the community is not affected. Such initiative by Roofings Limited help satisfy the needs of local communities and fosters a



good relationship between the community members and the company, hence increasing revenues through sales and reducing operational costs.

**Table 15: showing awareness about a company’s products**

**Outreach programmes to the community have helped increase awareness about the company’s products**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	6	60.0	60.0	60.0
Strongly agree	4	40.0	40.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)

According to Table 15, 40% of the respondents strongly agree that outreach programmes by Roofings Limited have helped increase public awareness about their products while 60% agree. This shows that whenever the company does anything for a community, people will keep on asking for what the company deals with and by this spread of word even the people in the community that completely didn’t know about the company finally come to know and may instantly become potential customers. Eventually, this leads to different members in the community feeling the need to support the organization and therefore a long lasting increase in sales.

**Table 16: showing that when company engages in outreach programmes sales are affected**  
**When the company engages in outreach programmes there is a significant increase in sales**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Not sure	1	10.0	10.0	10.0
Disagree	1	10.0	10.0	20.0
Agree	6	60.0	60.0	80.0
Strongly agree	2	20.0	20.0	100.0
Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)

In relation to Table 15 above, outreach programmes make Roofings Limited become known even by people who did not know of its existence or what products it offers. Therefore this publicity created will lead to a growth in the number of people approaching the company and demanding its products. Table 16 supports the argument by showing that according to the respondents, 6 of them agree that outreach programmes by Roofings Limited has made the sales volume increase because more people approach the company and are ready and willing to buy the products it has on the market. Most of the new customers become repeat customers overtime and they also encourage new customers to try Roofings Limited, hence a significant increase in sales.

Community outreach programmes are one of the basic activities engaged in when carrying out corporate social responsibility and Roofings limited also considers community outreach a lot because of the belief that as a company, they should reach out to community and help where they

feel that the community is lacking and Roofings Limited is in the position to provide. The research results also showed that continuous outreach programmes carried out by the company has made its name sound a lot and hence many people endeavor to find out about Roofings limited and its products. The implication is that such corporate social responsibility leads to more customers for the business and this is advantageous because more sales are made.

### 4.3.3 BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY IN RELATION TO TAX PAYMENT

**Table 17: shows payment of tax as a corporate social responsibility**

**The company considers payment of tax to be corporate social responsibility**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not sure	2	20.0	20.0	20.0
	Strongly disagree	1	10.0	10.0	30.0
	Disagree	3	30.0	30.0	60.0
	Agree	3	30.0	30.0	90.0
	Strongly agree	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)

According to Roofings Limited, tax is revenue collected by the government to be used in provision of social services to the citizens of the country. Therefore since the money collected is meant to make the living of citizens better in their communities, the data collected from respondents shown in table 17 shows that 30% of the respondents agree and 10% of them

strongly agree, compared to 10% who strongly disagree and 30% disagree. This shows that Roofings Limited considers the payment of tax to Uganda Revenue Authority a social responsibility that it has to fulfill it as an obligation to the company.

**Table 18: showing that company pays taxes in an efficient and effective manner**

**The company pays taxes in an efficient and effective manner**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	20.0	20.0	20.0
	Agree	6	60.0	60.0	80.0
	Strongly agree	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)

Roofings Limited employees believe that the company should pay its taxes in an efficient and timely manner because any delayed or unmade payments can be a great consequence to the company. Table 18 therefore shows that the respondents are certain that Roofings limited pays all its taxes and has never fallen among the defaulters in tax payment. 60% and 20% of them agree and strongly agree respectively while 20% strongly disagree. This shows that the name of Roofings limited is properly known among the corporate companies because of its compliance with the statutory requirements of good tax governance and therefore it is an avenue for increased business and a good relationship with the customers and also the Government by enabling it to meet the economic and social objectives of the country.

**Table 19: showing timely tax payment has caused increase in sales**

**Timely payment of taxes has made Roofings Limited well known causing a significant increase in sales**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	30.0	30.0	30.0
	Agree	7	70.0	70.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data (Researcher, 2015)

Timely payment of taxes makes a company well known in the corporate world; this is because of the high recognition and acknowledgement that comes from the tax regulator, Uganda Revenue Authority. According to Table 19, 70% of the respondents agree that the timely payment of taxes by Roofings Limited has caused a significant increase in the sales being made while 30% disagree. Interviews results further revealed that Roofings limited has been using this to their advantage because it attracts incentives like tax holidays from the government and also more investors.

According to Roofings Limited, tax payment is a responsibility it has towards the society and it endeavors to fulfill it since it was ranked in 2009-2010 by Uganda revenue authority as the number one tax payer in the steel sector. The taxes are paid in a timely and efficient way as 60% of the respondents agree so, and all these factors have enables the sales of Roofings limited increase. This is mainly because the good image built by Roofings Limited attracts people to want to do business with them and be recognized to be one with them, and this leads to more sales.

#### **4.4 CONCLUSION**

In conclusion, chapter four gives the presentation of the data collected from the field and an insight into the next chapter. The data collected gives a positive relationship between the specific objectives that is to say; good labor practices have a positive effect on returns on assets, community outreach programmes have a positive effect on sales performance and being socially responsible in terms of having good tax payment practices is beneficial to Roofings Limited. The trend shows that the more a company is socially responsible, the more it will get in terms of sales made and business collaborations. The next chapter will present the summary of findings, discussions, conclusions and recommendations.

## **CHAPTER 5**

### **SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 INTRODUCTION**

This chapter presents a summary of the findings from the study in relation to corporate social responsibility and financial performance of Roofings Limited, discussion of the findings made in relation to chapter 2, conclusions made from the study and recommendations of the areas of future research.

#### **5.1 KEY STUDY FINDINGS**

##### **5.1.1 CORPORATE SOCIAL RESPONSIBILITY**

The data findings revealed that Roofings Limited strongly engages in corporate social responsibility activities categorized into quality of management and the nature and quantity of their impact on the local, national and international society, and spends approximately 20,000,000-30,000,000 Uganda Shillings on Corporate social responsibility activities annually.

The public relations department headed by the Public relations officer was tasked with planning, implementation and a follow up study of the corporate social responsibility activities that Roofings limited carries out. However they sometimes faced challenges of limited funds, delays in implementation, and limitations caused by some government regulations.

Corporate social responsibility activities can be improved if consultations are made, employees are encouraged to attend workshops and seminars about the social responsibility subject since it is important for both management and employees to be fully committed and ensure that the

strategy is aligned with the company specific corporate and core competencies. Proper planning of activities and outsourcing where Roofings Limited may not be able to implement alone is also crucial since some of the social responsibility initiatives are in a different field from what Roofings Limited deals in.

The public positively gains from the corporate social responsibility activities that Roofings limited engages in through access to better services like roads and hospitals, improved living standards by the jobs created and hygiene in the society leading to healthy living.

### **5.1.2 CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE**

According to (John, 2013), corporate social responsibility has failed to fulfill its core purpose which is to build stronger relationships with the external world and polls show that levels of trust in business are below 55 percent in many countries because a significant minority views business executives as villains, enriching themselves at the expense of society. Even firms with the glossiest corporate social responsibility reports have found themselves cast as public enemies.

Corporate social responsibility activities carried out by Roofings Limited affect the financial performance of Roofings Limited positively according to 70% of the respondents. This is because the public gets to know more about Roofings Limited and the products that it offers leading to more customers for the business and this relates to Mishra and Suar, (2010) consumer influence making theory that suggested that if a consumer knows that the manufacturer of the product is a responsible firm, he/she infers positively about the product and also the signaling theory which showed that when there is information asymmetry between buyers and sellers, consumers look for information that distinguish companies performing well with respect



to the different attributes of consumer interest like quality and end up favoring such over those that perform poorly in such attributes. This therefore helps show that when a business engages in corporate social responsibility activities it will receive a positive boost in financial gains, however the gains are received overtime.

## **5.2 DISCUSSION OF FINDINGS**

### **5.2.1 LABOR PRACTICES AND RETURN ON ASSETS**

Roofings Limited carries out good labor practices towards the employees that work within the organization and therefore most of them have job security and feel safe and contented at their jobs. This is in line with Bannet,(2006) who argued that the good labor practices such as ensuring employee health and safety standards, development and training, good working conditions, employment relationships and additional services like providing them day care and paid parental leave leads to good performance of employees hence good or improved performance of an organization. Furthermore, the dedication of staff to their work whereby they are able to perform to the best of their abilities also leads to an increased level of returns for Roofings Limited but however there were mixed reactions since 30% of the respondents disagree that this is not true and believe that even when workers are dedicated it does not lead to more returns for the company.

Division of responsibilities in Roofings Limited contributes 40% to the level of returns and this is very low, meaning that it has a small effect on the returns made by the organization.

Proper remuneration of employees in Roofings Limited has made the employees work towards ensuring that sales are being made by the company, this is because they feel that they are actually

working for a good pay at the end and it is in line with the International Labor Organization core standards and basic principles regarding forced labor where they advocate for fair payment of all workers by the employer. Roofings Limited is therefore able to develop a sustainable competitive advantage by building labor resources that are valuable to the company and hard for the competitors to steal away from them since they feel they create great value to the company. They demonstrate high organizational commitment in activities of the company including their work hence efficiency and profitability.

### **5.2.2 COMMUNITY OUTREACH AND RETURN ON SALES**

The study revealed that Roofings Limited strongly engages in community outreach programmes especially in the rural areas where the people are not well off in order to help improve on their standards of living. 80% of the respondents agree that Roofings Limited engagement in the good community outreach programmes has positively affected the sales made by the organization simply because of the strong awareness created among the public about the company's existence. This is supported by the Government of Canada, (2012) which states that when businesses take active interest in the community wellbeing, it generates community support, loyalty and goodwill which is often referred to as building your social license to operate. Once this is achieved, the sales made by the business will grow overtime leading to more returns.

Roofings limited therefore satisfies the needs of local communities and governments through its corporate social responsibility outreach programs and in return generates good consumer perceptions about the company which leads to continuous support from the public and the government such as tax cuts and holidays plus reduced regulations on trade activities.

### **5.2.3 TAX CONTRIBUTION AND RETURN ON EQUITY**

The study revealed that Roofings Limited, according to 80% of the respondents pays its taxes fully and in a timely manner which is a statutory requirement according to (Bruton, 2014) and this makes the image of the company good in the eye of the public and the corporate world. Roofings Limited therefore contribute towards ensuring the availability of funds to the government enabling it meet economic and social needs of the country. This attracts new customers who want to be identified with the Roofings limited because of the good name created, and furthermore investors who want to put more capital in the business because they feel that their money is safe with Roofings limited because it will not be involved in tax defaulting issues. The good tax practices by Roofings Limited also attracts government incentives like tax holidays whereby the company is exempted from paying tax for a given period, and further more easy access to loans from the central bank to keep the business performing well and gaining more profit.

### **5.3 CONCLUSIONS**

Roofings limited has strongly set a good example in the field of Corporate Social responsibility because of the good initiatives it is involved in that have led to improved community wellbeing. Some of the operational level employees are however not aware of the tax payment issues of the business because they don't know how much the business pays in taxes and therefore cannot tell if the business pays all its taxes fully.

Furthermore, the study revealed that some of the employees may not be getting a fair remuneration for their work because according to Table 13, 50% agree that they are paid well while 50% disagree and this is likely to have affected the dedication of some staff members to their work because if one is not being paid to their expectations then he cannot put full effort in

their work. Roofings limited will therefore have to revise this because Markova, (2011) mentioned that the real success of companies originates from employees' willingness to use their creativity, abilities and know-how in favor of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place and they can be inform of cash, recognition and praise, or a combination of both

#### **5.4 RECOMMENDATIONS**

Roofings Limited should review its salary scale and ensure that even the low level employees are remunerated fairly to enable wholesome dedication to work within the company and boost the financial performance.

Information flow within the company is also low; therefore Roofings Limited should endeavor to keep all its employees in the loop about certain affairs of the company through things like notices and an in-house publication like newsletters because they are stakeholders and corporate social responsibility is all about ensuring that the company gives back to and is responsible for all stakeholders.

Adherence to laws set by the government to regulate companies like Roofings Limited and ensure their contribution to the economy is good because it generates advantages like tax holidays and subsidies which contribute to the financial aspects of the company and furthermore brings about continuous support from the public and this is good for business.

#### **5.5 AREAS FOR FURTHER RESEARCH**

Further research should be carried out on dedication of staff and its effects on performance of a business because due to the changes in business today, the staff are very important towards ensuring that a company is able to succeed in generating consumer loyalty and support.

The effect to corporate social responsibility on financial performance should also be timed to find out how long it takes for a company engaging in corporate social responsibility to feel the positive benefits of engaging in the activities.

## APPENDIX 1

### QUESTIONNAIRE

Dear Sir/Madam,

I am Obabaru Gaddis Ivan a student of Uganda Martyrs University Nkozi carrying out a research on the effect of corporate social responsibility on financial performance of business, my case study being Roofings Limited. I kindly request you to spare a few minutes and fill this questionnaire. This research is purely academic and any information provided will be treated with utmost confidentiality. Thank you for your cooperation.

#### **PART A: Background information. (For Employees) Please tick where applicable.**

1. What is your gender?

Male

Female

2. Which age bracket do you belong?

20 – 29

30 – 39

40 – 49

50 and above

3. Which is your highest level of education?

Certificate

Diploma

Degree

Masters

Others specify

4. What is your marital status?

Married

Not married

5. What is your religion?

Christian

Muslim

Others (specify)

6. For how long have you worked with Roofings Limited?

0-5 years

6-10 years

11 years and above

7. Which of the following categories of employees do you belong?

Top management

Middle level management

Operational staff

**PART B. Corporate Social Responsibility (Activities)**

How do you explain corporate social responsibility in the view of Roofings Limited?

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.....

8. List the external and internal corporate social responsibility activities that Roofings Limited is engaged in?

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9. Which staff members are tasked with developing and executing the corporate social responsibility activities?

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10. What process does the decision to engage in corporate social responsibility go through within the organization?

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11. What strategies are employed to ensure that the corporate social responsibility activities are carried out by the Organization?

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12. What challenges/problems are faced by the organization in carrying out of corporate social responsibility?

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13. What can be done to improve on the execution of corporate social responsibility in Roofings Limited?

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14. Do you think the public benefits from the corporate social responsibility activities that Roofings Limited carries out? And if yes, how do they benefit?

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**PART C: Financial Performance**

15. To what level do you think corporate social responsibility activities have impacted on financial performance.

Very high(4)	High(3)	Average(2)	Low(1)	Very low(0)

What are the reasons for your answer above?

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.....  
.....  
.....

16. How has the organization been able to trace back these effects to the corporate social responsibility activities carried out?

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.....  
.....  
.....

17. Statistically, how much money is put in the corporate social responsibility activities annually?

- A: 5,000,000-10,000,000                       B: 20,000,000-30,000,000   
C: 40,000,000-50,000,000                       D: 50,000,000 and above

What returns are attributed to corporate social responsibility?

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.....  
.....  
.....

18. Do any management policies regarding use of funds affect corporate social responsibility activities?

And if so, how are they overcome?

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.....

19. Has the publication of corporate social responsibility activities in the media like newspapers led to an increase in the sales of products by the company?

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.....  
.....

**PART D:**

**Relationship between labor practices and return on assets**

In this section you are required to give your opinion on the following statements about the relationship between labor practices and return on assets on a scale of 1-5 where 1-Not sure, 2-Strongly disagree, 3-Disagree, 4-Agree, 5-Strongly agree.

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The company carries out good labor practices towards the employees					
Dedication of the staff to their work has made the returns high for the company					
Proper division of responsibilities by the company among its employees has contributed to level of returns					
Rewarding employees for good performance has contributed to high sales					

**Community outreach programmes and organizational performance in sales.**

In this section you are requested to give your opinion on the following statements about community outreach programmes and their effect on sales, on a scale of 1-5 where 1-Not sure, 2-Strongly disagree, 3-Disagree, 4-Agree, 5-Strongly agree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The company considers community outreach programmes to be part of corporate social responsibility					
Outreach programmes to the community have helped increase awareness about the company products					
When the company engages in outreach programmes, there is a significant increase in sales					

**Benefits of corporate social responsibility in relation to tax payment.**

In this section you are required to give your opinion on the following statements about benefits received from corporate social responsibility in form of tax payment. Where 1-Not sure, 2-Strongly disagree, 3-Disagree, 4-Agree, 5-Strongly agree.

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The company considers payment of tax to be a Corporate social responsibility.					
The company pays taxes in an efficient and timely manner					
Timely payment of taxes has made the company well known, causing a significant increase in sales					

***THANK YOU FOR YOUR TIME***

***GOD BLESS YOU***

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