

**CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE IN  
THE COMMERCIAL BANKING INDUSTRY IN UGANDA: A CASE STUDY OF  
UNITED BANK FOR AFRICA UGANDA LIMITED**

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**S21B05/016**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
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**UGANDA CHRISTIAN  
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## DECLARATION

I, Divine Wabasa hereby declare that this research report has been written by me and has never been submitted in for any award of degree in this university or any other institution of higher learning. All information presented is as a result of my personal work and where references have been used, due acknowledgement has been made.

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## APPROVAL

This is to certify that the research report titled “Corporate Social Responsibility and Financial Performance in the Commercial Banking Industry in Uganda: A case study of United Bank for Africa Uganda limited.” has been written under my supervision and is now ready for submission with my approval.

Signed:  .....

Date: 25/09/2024 .....

Jennifer Abiyar N. (Mrs.)

University Supervisor

## **DEDICATION**

I dedicate this work to God. By his grace and mercy, I have started this journey and finished.

## **ACKNOWLEDGEMENT**

I would like to acknowledge my parents Mr. and Mrs. Wabasa who have supported me at every step of the way. Thank you for being good parents.

I am tremendously thankful to my Aunt and Uncle who helped me during the tough times and helped me finish. God bless you both with the same kindness you have shown me.

I am dearly thankful to my friends who encouraged me and checked on my mental being along the way.

Conclusively, I thank my supervisor Mrs. Jennifer Abiyar for teaching me and being patient with me. Thank you for helping me achieve this success.

## ABSTRACT

The research study aimed at studying corporate social responsibility and financial performance in the commercial banking industry in Uganda. The study was carried out on United Bank for Africa Uganda Limited. The study had three objectives namely, to establish the effect of ethical activities on the financial performance of commercial banks, to establish the effect of economic activities on the financial performance of commercial banks and to establish the relationship between philanthropic activities and financial performance of commercial banks. The corporate social responsibility of the bank was measured using Carroll's CSR pyramid and financial performance constituted of loan volume, liquidity, and profitability.

The research adopted a cross-sectional descriptive design, utilizing both correlation and regression analyses to examine the relationship between corporate social responsibility (CSR) and financial performance. The study focused on three branches of United Bank for Africa: Headquarters, Forest Mall Branch, and Ntinda Branch. A total population of 35 employees was targeted, with a sample size of 32 respondents determined using Krejcie & Morgan (1970). Data collection involved both primary gathered via online questionnaires and supplemented by interviews, and secondary sources were gotten online. The collected data were analysed using SPSS software, employing descriptive statistics, correlation, and regression analyses to interpret the findings.

The study found that ethical CSR activities, have a weak and statistically insignificant impact on the financial performance of commercial banks in Uganda. Economic CSR activities showed a positive but insignificant effect on financial performance. In contrast, philanthropic activities, had a significant and positive impact on financial performance.

The study concluded that ethical CSR activities, have no significant direct impact on the financial performance of commercial banks, though they are essential for maintaining customer trust. Economic CSR activities, also showed no immediate financial impact. Philanthropic activities, however, had a significant positive effect on financial performance. The study recommends that banks continue focusing on ethical CSR for long-term stability, invest in economic CSR as a strategic move for future growth, and increase philanthropic activities to boost financial performance.

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## **LIST OF ABBREVIATION**

CSR-Corporate social responsibility

UBA-United Bank for Africa

SD-Standard deviation

FP-Financial performance

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0. Introduction**

This chapter presented the background of the study, the statement of the problem, the purpose and the objectives of the study from which the research questions emerged. The scope of the study and the conceptual framework are also discussed in this chapter.

### **1.1. Background of the study**

The current belief that corporations have a responsibility towards society is not something new. In fact, it is possible to trace the business' concern for society several centuries back (Agudelo, Jóhannsdóttir, & Davídsdóttir, 2019). Corporate social responsibility (CSR) is an abstract concept to a certain extent; there is no uniform definition. This is because companies do it voluntarily based on their own beliefs or visions of profit. Hence being socially responsible varies from company to company and has no statutory approach. Individual forms of the CSR concept are created always by a given company with its own stakeholders. A precise definition was presented at the World Business Council for Sustainable Development: Corporate Social Responsibility is the lasting responsibility of companies to act ethically and provide for economic development while refining personnel and their families' life quality and as well as the society at large (Tchuiendem & Kyeremeh, 2021).

CSR has been a topic of discussion in developed countries and more recently in Asia and South American countries. This leaves Africa as the next stop for CSR. In this study CSR was characterised by philanthropic activities, ethical activities and economic activities. According to Chang`Kwony & Omwono (2019), philanthropic activities are purely voluntary and can be regarded as philanthropic contributions. Ethical activities are the expectations the society has about a bank's activity to do what is right, and economic activities are the profit motive of the commercial banks. The current study relates CSR to financial performance and argues that businesses engaging in CSR have a strong financial performance because CSR attracts more customers.

Financial performance is the achievement of the company's monetary performance for a certain period covering the collection and allocation of finance (Didin, 2018). This study used loan portfolio, number of deposits and profitability to measure the financial performance of commercial banks. The study was carried out at a commercial bank within the banking industry in Uganda.

A commercial bank is a financial institution tasked with accepting customer deposits for safekeeping, granting loans at an interest rate and providing basic financial products and services like savings accounts (Kennedy & Grimsley, 2023).

## **1.2. Statement of the problem**

In the aftermath of the COVID-19 pandemic, the commercial banking industry in Uganda faces heightened scrutiny regarding the efficiency of corporate social responsibility initiatives in balancing societal welfare and financial performance. The pandemic has highlighted the importance of CSR in supporting communities and maintaining stakeholder trust, yet it has also strained financial resources of commercial banks. Amidst these challenges, the effectiveness of CSR activities in enhancing financial performance remains unclear. Therefore, this dissertation aimed at investigating how CSR initiatives in the commercial banking sector in Uganda have impacted the financial performance metrics such as liquidity, loan portfolio and profitability.

## **1.3. Purpose of the study**

The purpose of the study was to establish the relationship between an organization's corporate social responsibility and its financial performance in the banking sector using the case study of United Bank for Africa Uganda Limited Headquarters, Ntinda Branch and Forest Mall Branch

## **1.4. Study objectives**

The objectives of the study were to:

1. Establish the effect of ethical activities on the financial performance of commercial banks.
2. Establish the effect of the economic activities on the financial performance of commercial banks.
3. Establish the relationship between philanthropic activities and financial performance of commercial banks.

## **1.5. Research questions**

Based on the objectives above the study intended to answer the following research questions:

1. What is the effect of ethical activities on the financial performance of commercial banks?
2. What is the effect of the economic activities on the financial performance of commercial banks?

3. What is the relationship between philanthropic activities and financial performance of commercial banks?

## **1.6. Scope of the study**

### **1.6.1. Content scope**

The study investigated philanthropic activities, ethical activities and economic activities in corporate social responsibility and how they affect the financial performance in terms of profitability, number of deposits and loan portfolio of a commercial bank. The independent variable was corporate social responsibility and the dependent variable was financial performance. The intervening variables included government policies that can influence the corporate social responsibility activities of commercial banks and leadership styles that are used by the bank that can favor corporate social responsibility.

### **1.6.2. Geographical scope**

The research was carried out at UBA Bank Uganda Limited head office located on Jinja road, Plot 2. This branch was selected because of how accessible it was for the researcher and with headquarters being the central decision-making location. The researcher was convinced that it would have more information concerning the banks CSR activities. Hence, the researcher was convinced that this was the appropriate location to get reliable information.

### **1.6.3. Time scope**

The research study was focused on the period between 2021-2024 because the researcher believed that this period would give a present view on the relationship between the variables being studied. This period also is believed to provide the most recent trends in corporate social responsibility.

## **1.7. Significance of the study**

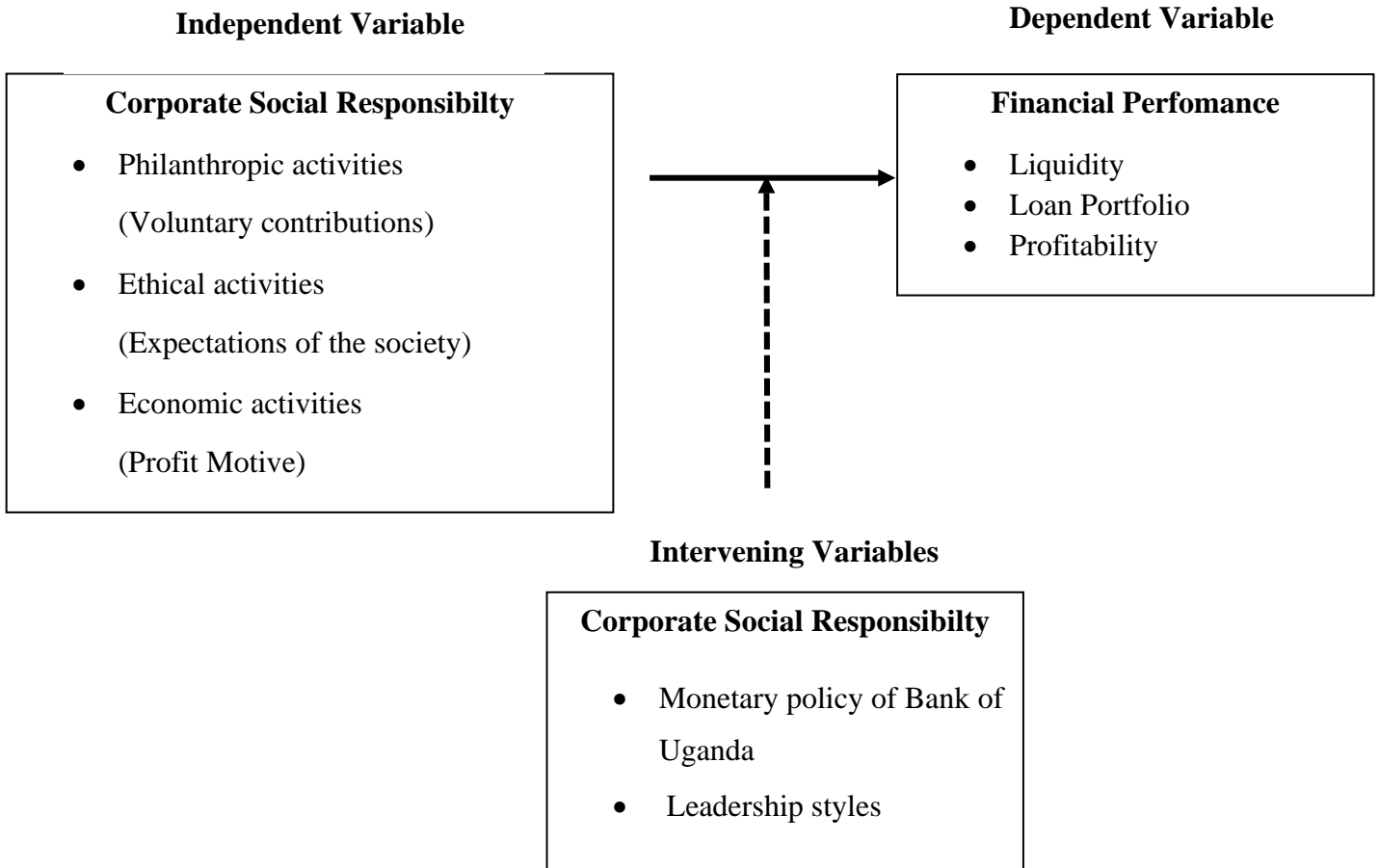
Commercial banks may adopt recommendations in this study and use the findings of this study to assess the usefulness of investments in different corporate social responsibility projects. The study findings will also serve as secondary data for future academic researchers on the topic of corporate social responsibility and financial performance.

The study also contributes to the existing knowledge on the variables and will further educate readers on the importance of corporate social responsibility. The study will also be used to guide

other banks in the commercial banking industry while making policies as well as other governing bodies in regard to corporate social responsibility.

### 1.8. Conceptual Framework

Figure 1: The conceptual framework



*Source: Adopted and modified by the researcher from literature review of Chang`Kwony,Nixon & Omwono, Gedion. (2019) and Katamba, John (2016)*

The conceptual framework above portrays the relationship between CSR and financial performance in commercial banks. It also shows that the independent variable CSR includes three areas of corporate responsibility: philanthropic activities which include voluntary contributions, ethical activities which refer to the expectations of the society and economic activities which refer to the profit motive. These areas of CSR affect the financial performance of commercial banks which can be measured through the number of deposits, the loan portfolio and the bank's

profitability. There also other variables called intervening variables that affect both variables, they include monetary policy of Bank of Uganda and leadership styles of the commercial banks.

## **1.9. Conclusion**

This chapter covered the introduction to the study which included the background of the study, the statement of the problem, objectives, research questions, scope of the study, significance of the study and conceptual framework. The next chapter will present the study's literature review specific objective by specific objective.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents a review of literature related to corporate social responsibility and its connection to the financial performance of commercial banks. The literature was obtained from different publications and follows the study objectives.

#### **2.1 Definition of key terms**

##### **2.1.1 Corporate Social Responsibility**

Numerous research studies have defined CSR from various angles. After conducting a thorough analysis of 37 definitions of corporate social responsibility (CSR) based on pertinent literature from 1980 to 2003, Dahlsrud groups these definitions into five categories: environmental, social, economic, stakeholder, and voluntariness (Dahlsrud, 2008). CSR definitions can be divided into two categories based on earlier research: the stakeholder viewpoint and the social perspective.

Freeman (1984), speaking from the stakeholder perspective, says that companies have obligations to people and groups that have the potential to both influence and be influenced by their operations. CSR, according to Khoury and Rostami (1999), includes a company's interactions with all of its stakeholders, including its clients, staff, communities, owners and investors, the government, suppliers, and rival businesses. The authors suggest that community service, bettering employee relations, generating jobs, protecting the environment, and generating financial returns are a company's main social obligations. Hopkins (2003) also provides a stakeholder perspective definition of CSR. He emphasizes that CSR aims to achieve the dual objectives of sustaining profit and raising the standard of living for a company's stakeholders by treating them morally and responsibly (Hopkins, 2003).

According to Davis and Blomstrom's definition of corporate social responsibility, it is any activity a company takes to safeguard and advance both its own interests and the interests of society (Davis & Blomstrom, 1975). Kotler (1991) also agrees with the former and defines CSR as managing a business in a way that preserves and enhances societal well-being. Other scholars like Matten and Moon (2008) also concur with CSR being defined from the social perspective. They define it as

the policies and practices that a company adopts to reflect its obligations to advance social interests (Matten & Moon, 2008).

### **2.1.2 Discretionary activities**

On Carroll's CSR Pyramid philanthropic responsibilities also known as discretionary activities and it sits at the top occupying the smallest space. This is the highest level of CSR. It involves giving back to the community. Hence, philanthropic initiatives include donations in the form of time, money, or resources to regional, national, or international charities. These kind of activities are not mandatory but are voluntary (Dr. Srivastava, 2022).

### **2.1.3 Ethical activities**

The ethical level of Carroll's pyramid is described as doing the right thing, being fair in all situations and also avoiding harm. Implying that a company should not only obey the law, but it should also do business ethically. For example, being environmentally friendly, treating suppliers and employees properly as well as customers. Another good example of ethical business practices is the use of products which have fair-trade certification. One of the best examples is Ben & Jerry's because it only uses fair-trade certified ingredients, such sugar, coffee, bananas, and vanilla (Dr. Srivastava, 2022).

### **2.1.4 Economic activities**

In Carroll's CSR Pyramid economic activities is the lowest level of the pyramid which represents profitability, a business's first responsibility. Without profit no organization would be able to continue its operations let alone start CSR activities. Being profitable is the only way for a company to survive long term, and profit society.

Hence, companies' economic activities in CSR are aimed at practicing methods that enable the business to survive in the long term, while at the same time meeting the standards for ethics, philanthropy, and legal practices (Dr. Srivastava, 2022). Companies that adapt manufacturing processes to be able to use recycled products and lower material costs are examples of economically responsible companies (Dr. Srivastava, 2022).

### **2.1.5 Financial Performance**

Financial performance is an effort made by every company in measuring and assessing every success achieved by analysing financial statements (Sukawati & Wahidahwati, 2020). It is also defined by Rudianto (2013) as the outcome or success that the management of the firm has achieved in carrying with its duty of effectively managing company operations over a specific time period.

### **2.1.6 Bank liquidity**

Liquidity is a company's ability to convert assets to cash or acquire cash—through a loan or money in the bank—to pay its short-term obligations or liabilities (BDC Advisory Services, 2024). When it comes to banks, their liquidity is the indicator of the ease, cost and time required for a bank to meet demands for liquidity from its liabilities, equity and off-balance sheet customers (Berger & Bouwman, 2016).

### **2.1.7 Loan Portfolio**

Oxford Dictionary of Economics (2009) defines loan portfolio as the collection of loans held as assets by a financial institution. It also claims that institutions hold loan portfolios for two reasons: first, their total assets are often too large for it to be practicable to lend to only one borrower; and second, a number of loans are safer than a single large one, especially if the borrowers have a degree of spread, either geographically or by industry. This makes it safe to expect that even if some borrowers default, the profits on the ones who do not will make the portfolio profitable as a whole. Hence, individual loans form a loan portfolio in a financial institute. The size of the loan portfolio depends on the size of the individual loans.

### **2.1.8 Bank Profitability**

Bank profitability is an indicator of bank performance. It represents the rate of return a bank has been able to generate from using the resources at its command in order to produce and sell services. Healthy and sustainable profitability plays a vital role in maintaining stability in the banking sector (Garcia-Herrero et al, 2009).

### **2.1.9 Commercial Banks**

A commercial bank according to Black.C (2006) is a bank that offers banking services to the public and to businesses. They provide a number of services to customers and because of this they are useful to business people. Commercial banks are financial institutions that accept demand deposits and make commercial loans to both the government and individuals. One can argue that they are the most important financial intermediaries serving the public today.

The general idea behind commercial banks is that they are private, for-profit depositories that serve both business and non-business customers with deposits, checking accounts and loans. They typically perform this function by accepting deposits from customers and authorizing checks and lending money to individuals, businesses, nonprofits, governments, and other organizations (Peter, S. Rose, 1993). Haslem (1985) claims that commercial banks lie at the heart of the financial system.

### **2.2 Theoretical Framework**

The present investigation was directed by Archie Carroll's (1996) Model of Pyramid of CSR, which defines four categories of responsibilities arranged in a pyramidal structure. The first and most evident is the need to turn over a profit. The legal obligation is the second. Thirdly is the ethical duty, which entails acting morally even in situations where the company is not required to by law. The fourth duty is philanthropic, which is the provision of resources for cultural, recreational, educational, and social goals.

This model was used because the study essentially adopted Carroll's perspective on corporate social responsibility (CSR), examining how commercial banks use three of the four CSR forms in Carroll's model to meet their objectives. Carroll's concept is also supported by a large number of other CSR studies. For instance, according to Eells and Walton, cited by Arli (2010), CSR, in its broadest definition, refers to a concern with societal demands and objectives that transcend the purely economic. According to Buchholz (2005), the CSR pyramid defines the four elements that are interconnected and offer a structure for a company organization to undertake business decisions, activities, practices, and policies concurrently. The pyramid below illustrates Carroll's pyramid of corporate social responsibility

**Figure 2: Carroll's Pyramid of Corporate Social Responsibility**



*Source: Carroll (1996)*

Carroll (1996) depicts CSR as a pyramid, with economic responsibilities as the base upon which all other responsibilities are built. He states that CSR activities should be prioritized in this manner, with more weight placed on economic responsibilities first, then legal, ethical, and finally philanthropic responsibilities. Carroll's work resulted in the following definition of CSR that has been proposed: The economic, legal, ethical, and charitable expectations that society has of businesses at any particular time are all included in the concept of business's social responsibility (Chen, 2011). Carroll later combined his four-part categorization into a "Pyramid of Corporate Social Responsibility" as demonstrated above, which served as a useful tool for visually representing and elaborating on the elements of his CSR definition.

Although there are several definitions and models of corporate social responsibility, such as the Three-Dimensional Conceptual Model of Corporate Performance (Carroll, 1979), Carroll (1996)'s CSR model has shown to be the most reliable and frequently used in CSR literature (Crane & Matten, 2004). This further supports the choice of Carroll's (1996) CSR pyramid, as it has undergone numerous tests (Crane & Matten, 2004).

Carroll's concept has been criticized, nevertheless, because it ignores the fact that in Africa, economic duties continue to be prioritized over philanthropy, which is followed by legal and then ethical responsibilities (Wayne, 2005). First of all, according to Nisar and Saad (2004), the model

is just thought to highlight the idea that the focuses are more on moral and financial commitments than on environmental preservation as the primary goal. Second, the model undervalues the most recent advancement that integrate the environmental, social, and economic facets of a company's corporate responsibility. Finally, because the model was created in a Western setting, its applicability in understanding CSR in Africa is questioned.

Visser (2010) is another opponent of Carroll's model. He put forth the "CSR 2.0 model," which focuses on creating and implementing a company model that is ethically and sustainably run and is backed by a revamped financial and economic structure. It is obvious that his primary interest was not environmental conservation but rather a monetary incentive to maintain the model's viability (Zeitney, 2015). Carroll's model is more relevant to this study since it takes a holistic approach, taking into account four different components of CSR.

Over the past few decades, a variety of scholars from around the world have reported on the positive, negative, mixed, and neutral effects of corporate social responsibility (CSR) on financial performance (Phillippe, 2012). In light of this, the study will aimed at developing a conceptual framework for analysing the impact of corporate social responsibility (CSR) on the financial performance of commercial banks in Uganda using UBA Bank as a case study.

Carroll's model has been criticized extensively, but the researcher maintains that Uganda has its own set of economic, legal, ethical, and charitable features, despite the models' western origins. Carroll's model is also favoured over the others due to its greater comprehensiveness. It examines CSR from four angles, while other models exclude crucial information, such as the legal context.

### **2.3 The effect of ethical CSR activities on the financial performance of commercial banks.**

Businesses have an ethical duty that transcends the normal expectations of society, including laws and regulations. Furthermore, ethical business conduct and management are expected by society from organizations. Organizations that uphold ethical responsibility adopt norms, procedures, and actions that are anticipated even though they aren't always mandatory. Distinguishing between legal and ethical requirements might provide a challenge. Laws are obviously predicated on ethical principles, but ethics is more than that. While economic and legal responsibilities embody norms about fairness, ethical responsibilities include or exclude activities and practices expected or prohibited by society (Rossi et al., 2021). Standards, conventions, or expectations that are deemed fair or that uphold and safeguard the moral rights of stakeholders are grouped together as ethical

obligations by the community, shareholders, employees, and suppliers (Carroll, 1991; Freeman, 2010).

Carroll (1991) argues that the implicit levels of ethical performance, which encompass values like utilitarianism, fairness, and rights, overlap with the ethical demands of social organizations. While law enforcement is often taken for granted, it can be a legitimate tool in the fight against unethical behaviour. The business ethics movement firmly defines its obligation as a legitimate component of corporate social responsibility, in dynamic interaction with legal responsibility (Serrano Archimi et al., 2018). Legal requirements force corporations to recognize and absorb their societal costs or associated negative externalities (Johnston et al., 2021). Regarding the legal aspect, there is proof that Western culture emphasizes corporate responsibility to behave for the social good and relies on written legal contracts as the foundation of business interactions as well as behaviours (Ibrahim & Parsa, 2005). Furthermore, Masoud (2017) emphasizes that social opposition to numerous commercial projects in developed, developing, and emerging/transition economies centers on legal and ethical responsibilities, which could be the deciding factor in assessing the role of the economy, business, government, and civil society. In CSR ethical responsibility comprises: Operating in a manner that aligns with societal norms. Acknowledging and honouring newly established or developing moral and ethical principles that society has accepted preventing the violation of moral principles in order to accomplish goals. Being decent corporate citizens by acting in a morally or ethically appropriate manner Realizing that moral behaviour and commercial integrity extend beyond following rules and legislation

Carroll (1979 & 1991) asserts that doing good while avoiding damage is a means of achieving the ethical component of the CSR pyramid. Pakistan was ranked 147th in the medium human development category (3rd category) of the Human Development Index (HDI) (UNDP, Human Development report, 2016). According to Crane & Matten (2004), in contrast to the US, Europe places a higher value on the ethical aspect of corporate social responsibility. This may not be the case in underdeveloped nations, especially those with low human development index (HDI), where meeting fundamental requirements with constrained financial and resource availability takes precedence. Participation in CSR initiatives is regarded as voluntary rather than obligatory in developing nations.

As a result, CSR initiatives are regarded as optional and contingent upon the business's decision (Wettstein, 2009). Put another way, businesses are completely free to decide whether or not to

engage in ethical corporate social responsibility. Ethics and its norms are not the same in every society on the planet. For instance, in many developing and poor nations, child labour and working longer than twelve hours a day are not even regarded as immoral or unlawful. According to Hillman and Keim (2001), a company's ability to make money off of the money its shareholders have invested is adversely affected by its involvement in resolving social and ethical concerns. Researchers (e.g., Burns and Brady, 1996; Pettijohn & Taylor, 2008) found that during a study in Malaysia, ethical awareness was lower in developing nations than in other industrialized nations. According to some research, investing in moral and social causes wastes shareholder profits (Queen and Jones, 1999).

The stakeholder theory, which emphasizes the morals and values that should direct an organization's management, provides the foundation for the connection between CSR and ethical leadership (Guan and Noronha 2013). Ethical leadership was characterized by Brown et al. (2005) as exhibiting ethical behaviour through appropriate interpersonal relationships, one's own behaviours, two-way communication, decision-making, and reinforcement. According to Radu and Smaili (2021), business stakeholders and society alike anticipate that corporate bodies will carry out their obligations. According to Toussaint et al. (2021), companies are accountable for more than just their financial and legal duties. According to Haji and Ghazali (2012), the incorporation of moral and discretionary duties is a reflection of the larger contemporary social contract that enterprises and society share.

Owiti (2013) gave instances of moral obligations, like refusing to do business with nations that practice oppression and giving workers a decent salary. Moral characteristics of ethical organizations include accountability, honesty, justice, and dependability as well as suitable penalties and rewards (Akben-Selcuk 2019). Not only do moral leaders act morally, they also teach their subordinates the importance of moral behaviour. From the standpoint of shareholders, ethical executives are adept at maintaining and cultivating positive connections with various stakeholders in order to accomplish the primary objective of the company, as stated by Long et al. (2020). According to Auliyah and Basuki (2021), the Indonesian banking industry's adoption of ethical principles increased long-term financial success. According to Maqbool and Zamir (2020), companies are under moral pressure to report on their social actions in a credible manner.

According to Kitchen and Burgmann (2010), this is the reason why some businesses increase their market share after successfully promoting their CSR initiatives.

According to Carroll and Buchholtz (2003), ethical behaviour and CSR have similar values. According to the authors, corporate social responsibility is the peak of societal norms on ethics, law, and the economy. This term articulates an unwritten assumption that businesses will uphold the law, engage in charitable and ethical endeavours, and seek social approval in order to maintain their economic survival. According to Bird et al. (2007), corporate social responsibility and a company's reputation are positively correlated. The most important intangible asset of a company, according to the authors, is its reputation, which has a big impact on its financial performance. Numerous more empirical research, such as those by Rindova et al. (2005) and Walsh et al. (2009), corroborate this viewpoint.

#### **2.4 The effect of economic CSR activities on the financial performance of commercial banks.**

Producing goods and services that society needs while turning a profit is a company's economic obligation. Businesses have customers who want high-quality goods at competitive rates, employees who want to work safely and fairly, and shareholders who demand and expect a reasonable return on their investments. All the remaining layers of the pyramid are supported by that base. In CSR, economic responsibility is defined as: the need to turn a profit, which is the only way for a company to endure and contribute to society over the long run. Carroll (1979 & 1991) defined the economic dimension as generating revenue, offering appealing jobs, and creating high-quality goods. Any corporation's primary goal is to maximize profits, increase sales, and maximize return on investment. Until and unless it interferes with the significance of other pyramid aspects, this is necessary for the corporation to continue operating. Carroll (1979) predicted that, given financial and other social variables, even this result would not be clear-cut; yet, all of these factors were ranked in the correct hierarchical order based on how important they are to stakeholders and business. Although Campbell (2007) challenged Carroll's CSR pyramid, he also reaffirmed the claim that the economic component of the pyramid is what prevents economically weak enterprises from engaging in CSR activities. According to Crane & Matten (2004), in an American environment, economic responsibility is primarily concentrated on making a profit for the company and bringing in money for investors; in a European setting, however, this obligation is widely distributed. According to Ullmann (1985), a company should first achieve a favourable

financial standing before using corporate resources for social development. This argument supports the idea that businesses that are already in a solid financial position are more likely to engage in CSR initiatives and, consequently, disclose their corporate social responsibility.

Businesses owe an economic duty to the society that allowed them to be founded and continue as a basic prerequisite for their survival. It may seem strange at first to consider an economic expectation to be a social responsibility, but that is precisely what it is because business organizations are expected by society to be able to sustain themselves, and the only way this is possible is by being profitable and able to attract investors or owners who will provide the necessary funds to keep the company going. From their inception, businesses were seen by society as entities that would create and market the commodities and services that it required and wanted. Society permits enterprises to make profits as a form of encouragement. Businesses make money when they add value, and all of the company's stakeholders gain from this.

When profits are reinvested back into the company, they are essential for corporate growth in addition to providing a return for investors and owners. Profitability and return on investment are fundamental drivers of corporate success, as CEOs, managers, and entrepreneurs will attest to. Almost every economic system in the world acknowledges how important it is for businesses to turn a profit for their communities. Businesses use a variety of financial effectiveness-focused business concepts when considering their economic responsibilities, such as paying attention to revenues, cost-effectiveness, investments, marketing, strategies, operations, and a host of other professional concepts aimed at enhancing the organization's long-term financial success. Sustainability and economic success have become pressing issues in the fiercely competitive global corporate climate of today. Businesses that are unsuccessful in their financial or commercial endeavours go out of business, and whatever further obligations they may have become irrelevant. Consequently, in a world of fierce competition in business, fiscal responsibility is a fundamental prerequisite that needs to be fulfilled.

Any business's economic responsibility, which is backed by maximizing profits, is its primary and most important task. This is a sign that a business that is unable to turn a profit can no longer operate. This is disastrous since it forces clients to hunt for other businesses offering a similar service or good and causes job losses for employees. Therefore, a company's primary goal should be producing money if it wants to become a model corporate citizen. Leading their organizations

to become decent corporate citizens has not traditionally been a top priority for most managers. According to Khan, Muttakin, and Siddiqui (2013), a manager can make sure that a company participates in CSR, which will result in a strong profit base. To ascertain the several elements, including the bank's application of CSR, a study involving Standard Chartered Bank was conducted (Nzovah, 2012). Nzovah (2012) claims that most businesses have adopted CSR recently. This suggests that CSR is being included into strategic strategies and has emerged as a central concern in boardroom discussions in businesses. This demonstrates that modern businesses have started looking for CSR initiatives to support the community.

Nyakundi (2009) identified a relationship between the two factors in a study he conducted with Safaricom to investigate whether investing in economic activities affects the firm's financial success. As part of the Mukuru Slums Development Project, 100 residents of the Mukuru Kwa Njenga slum participated in the study as part of the company's CSR initiative. Participants' responses to structured questionnaires were utilized to collect data, and from that data, radio, television, and newspapers were the main sources of CSR information. The amount of poverty in the slums did not significantly decrease in spite of Safaricom's CSR initiatives. However, it was clear that the company benefited greatly from better financial outcomes as a result of its socially conscious investments made in the slums.

Since other studies have discovered a strong and positive correlation between economic activity and financial performance, the aforementioned study has been able to present contradictory results. Others, however, have discovered a negligible and unfavourable correlation between financial performance and CSR. This suggests that opinions on whether economic activity positively correlates with financial performance are still very divided. Thus, the goal of this study is to clarify the connection between economic activity and financial performance. It will concentrate on the financial performance of commercial banks and the economic activities related to CSR operations.

## **2.5 The relationship between philanthropic CSR activities and the financial performance of commercial banks.**

An organization's philanthropic endeavours can involve, but are not limited to, employee volunteerism, charitable event sponsorship, cash, product, or service giving campaigns, and public service announcement marketing. Corporate acts taken in response to society's expectation that companies behave responsibly as corporate citizens are referred to as philanthropy. This involves actively participating in deeds or initiatives that advance the welfare of people or goodwill.

Business donations of cash or executive time, such as support for the community, the arts, or education, are examples of philanthropy. The main difference between philanthropic, legal, and ethical responsibilities can be seen in the regulation and execution, identifying what is mandatory and what is not (Masoud,2017). Distinguishing between philanthropic and ethical duties is important because some companies believe that being good citizens in their community equates to social responsibility. Corporate Philanthropic giving has grown significantly over time, and as a result, many new CSR initiatives have been implemented (Guo et al. 2020). High financial performance is linked to companies that uphold strong social values (Verschoor and Murphy 2002; Radu and Smaili 2021).

Some researcher hypothesis that there is a positive relationship between philanthropic CSR activities and ethical CSR activities. Managing challenging ethical obligations can be a complicated process because they are rarely well defined and are frequently the focus of public attention (Dabic et al., 2016). Beyond simply following the law, ethical behaviour goes beyond that (Serrano Archimi et al., 2018). Since it does not need to be a component of the business's primary profit model, it can also address more specialized topic areas (Von Schnurbein et al., 2016). Businesses are catalysts for development and progress, generating both financial and economic effects in their fields of endeavour (Choi & Wang, 2007). These include social projection, philanthropy, and the ethical conduct of individuals within the community as well as their involvement in the formulation of public policies (Dabic et al., 2016; Pinkston & Carroll, 1996). Companies that seek to uphold moral principles are ethically driven to undertake philanthropic responsibilities (Carroll, 2021). While some companies engage in philanthropic endeavours as a means of achieving a desired outcome, others do so because they believe it to be the right thing to do (Carroll, 2016). In this latter interpretation, philanthropy is seen as unselfish or ethically motivated in which ethical principles permeate all categories of CSR, assuming a vital role (Carroll, 2016; Von Schnurbein et al., 2016).

Corporate philanthropy can be considered an extension of private giving in which these benefits are achieved through the favourable image of corporate managers resulting from a philanthropic commitment that positively affects the corporate image, ethical relationships and the financial performance. Companies provide both financial and economic consequences in their industries, acting as catalysts for growth and development (Choi & Wang, 2007). These include charitable giving, social projection, moral behaviour in the community, and participation in the creation of

public policy (Dabic et al., 2016; Pinkston & Carroll, 1996). Businesses that strive to maintain moral standards are morally obligated to engage in charitable endeavours (Carroll, 2021). Some businesses participate in charitable activities because they think it's the right thing to do, but others do so in order to achieve a specific goal (Carroll, 2016). Although it is voluntary, corporate philanthropy ought to be "regarded as mandatory or obligatory as keeping promises" (Ohreen & Petry, 2012). This is particularly important since charitable giving is significantly impacted by corporate exposure in terms of the law (Brammer & Millington, 2005).

According to Pearson (2000), organizations that are viewed as trustworthy typically have long-term success, whereas those that are viewed as untrustworthy typically have short-term success. According to the author's conclusion, businesses that include philanthropy into a variety of facets of their operations demonstrate openness to stakeholders and management, and these businesses have sustained success in their financial operations. Chwistecka-Dudek and Korenkiewicz (2021), who found a direct correlation between the management of stakeholders and shareholders' value, verified Pearson's findings. According to an empirical study by Yunis et al. (2017), Pakistani businesses that participated in charitable endeavours saw an improvement in their bottom line. Yook and Lee (2020) assert that companies that donate to charitable causes increase in value on the capital market.

Godfrey (2005) conducted research to ascertain the connection between corporate philanthropy and shareholder wealth. The author argued that academics, social indices, and other researchers view corporate philanthropy as one of the most significant indicators of CSR which is why he decided to include it as one of the research variables. He proposed that enterprises should be directed by three basic principles: responsiveness, stability, and transparency. He also stated that corporate managers should get involved in philanthropic activities because they improve the wealth of the owners. He also urged that companies should be consistent in their philanthropic endeavours and insisted that they be open and honest about their philanthropic portfolio.

Companies that participate in charitable endeavours on a regular basis show that they are not acting in an exploitative manner. Godfrey further contended that a company's value is maximized when it gives to charities since it is seen as an expression of the company's social duty. In research on corporate philanthropy, Brown et al. (2006) considered details including governance, giving priorities, and management involvement in giving initiatives. The agency cost is important in corporate giving, according to the authors' empirical research. Companies with a large number of

board members are thought to be more committed to starting a corporate foundation; thus, they participate heavily in charitable giving. Ho et al. (2019) found that corporate philanthropic commercial banks in Mongolia have lower non-performing loan rates. According to Neville et al. (2005), corporate philanthropy has moral advantages like elevated social standing and intrinsic value from helping those in need. Siw (2017) suggests that a company's discretion in allocating its resources to social and charity endeavours to meet its marketing goals and other business-related objectives includes its choice of how to exercise philanthropic responsibility. There are no clear guidelines for what constitutes acceptable performance for businesses.

It is asserted that there are differences in the relationship between CSR and corporate financial performance across all industries and regions, despite the rareness of research on the subject (Curran, 2005; Orlitzky et al., 2003; Kurokawa and Macer 2008). Waworuntu et al. (2014) provides support for this view by arguing that companies in the energy and extractive industries will participate in more environmentally responsible business practices than other non-heavy industries like financial institutions, where social and governance aspects of corporate social responsibility (CSR) will be of utmost importance given their line of work. Based on this idea, Waworuntu et al. (2014) contend that CSR will have a greater beneficial influence on a firm's financial performance in the extractive industry than it will on a firm in the non-extractive industry. Investors and depositors tend to perceive banks with a high CSR as less risky because of the good reputational effect which states that: A strong reputation can instill confidence in investors, leading to increased investment opportunities, higher stock prices, and improved access to capital. Lins et al. (2017) prove that stakeholders and investors are committed to help firms with superior CSR during difficult times. They find that socially responsible firms are able to raise debt capital as they are perceived as more trustworthy.

## **2.6 Conclusion**

This chapter presented the introduction to the literature review, definition of key terms, theoretical framework and the conclusion.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presented the methodology that was used in collecting the research data and in investigating the research problem. It includes the research design, population, sample size, sampling technique, data collection methods and tools and the data collection analysis.

#### **3.1. Research design**

The design of the study was cross-sectional which is descriptive in nature. It was used due to the limited time because it enabled the researcher to collect data from a pool of respondents at once. Additionally, both a correlation and regression analysis were used for determining and examining the relationship between the variables that were identified.

#### **3.2. Sample population**

The case study was carried out on United Bank for Africa Head office, Forest Mall Branch and Ntinda Branch.

#### **3.3. Sample size**

The sample size was 32 respondents (Krejcie & Morgan, 1970) as shown in table 1 below.

<b>Location</b>	<b>Population</b>	<b>Sample</b>
Headquarters	25	22
Forest Mall Branch	5	5
Ntinda Branch	5	5
Totals	35	32

#### **3.4. Sampling technique**

The study used stratified random sampling technique to pick the employees in the sample.

#### **3.5. Data sources**

For the study both primary and secondary data was used.

### **3.5.1. Primary data**

The personnel of the company who oversee carrying out corporate social responsibility are the ones from whom the necessary primary data was gathered. Online questionnaires were distributed to ensure this.

### **3.5.2. Secondary data**

The purpose of gathering the secondary data was to gather further information on the CSR activities and the financial performance.

### **3.6. Data collection method**

For collecting data from the employees, an online questionnaire was used with closed ended questions. Interviews were also carried out to supplement on the questionnaire and in the event that an employee was unable to fill out the questionnaire.

### **3.7. Data collection tools**

The data collection tools that were used included the following:

#### **3.7.1. Self- Administered questionnaire**

A questionnaire was used since the variables under study could not only be observed. This research used a structured questionnaire. The questions were closed ended questions and were measured on a 5-point Likert scale.

#### **3.7.2. Document review**

The secondary data was collected online. This was done to get more detailed information about the case studies and the variables involved.

#### **3.7.3. Unstructured interview**

The unstructured interview tool was used in this study because it can probe for more information, clarity, and the facial expressions of the interviewees.

### **3.8. Validity and reliability**

#### **3.8.1. Validity**

The validity refers to the correctness and appropriateness of the methods chosen for the research. The validity of the study was ensured using SPSS.

**Table 2: Case processing summary (Validity)**

<b>Case Processing Summary</b>			
		N	%
Cases	Valid	32	100.0
	Excluded <sup>a</sup>	0	.0
	Total	32	100.0

a. Listwise deletion based on all variables in the procedure.

*Source: Primary data 2024*

From the above table 100% items are valid and can proceed for analysis.

### **3.8.2. Reliability**

Reliability refers to the extent that a research instrument yields the same results over multiple trials. The reliability of the research instrument was examined using SPSS software.

**Table 3: Reliability statistics**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.501	3

*Source: Primary data 2024*

From the above table the Cronbach's Alpha is 0.501 which falls within the desired range for the Cronbach's Alpha which must be greater than 0.5. Indicating that the data is suitable for analysis.

### **3.9. Data presentation and analysis**

The data was presented in a tabulated format by putting together the data into tables for statistical analysis to reduce frequencies into percentages and mean, standard deviation using Statistical Package for Social Sciences (SPSS) for quantitative data.

The quantitative data was analyzed using SPSS software version 28. SPSS computes data faster and more efficiently; plus, it has a wide variety of graphs and charts that are sufficient in presenting the collected data.

### **3.10. Study limitations**

There were limitations regarding the time dimension because the cross-sectional method was used in which a short period will be specified from which information will be collected. This limitation

was overcome by asking having a detailed questionnaire to collect more data in a short period of time.

Inadequate finances were also a limitation for this study. To overcome this limitation the research was carried out at a branch close to the researcher's home area.

There was also a limitation regarding the bank's acceptance of external research. To overcome this limitation the researcher had to interview the respondents independently outside of work hours.

**CHAPTER FOUR**  
**PRESENTATION, ANALYSIS, AND INTERPRETATION OF THE DATA**

**4.0 Introduction.**

This chapter presented the rate of respondents, the research findings, an analysis of the findings, and an interpretation of the findings. The results were provided in line with the goals of the investigation.

**4.1. Response rate**

**Table 4: Response rate**

Number of questionnaires distributed to respondents	32
Number of questionnaires received from respondents	32
Number of questionnaires not received from respondents	0

*Source: Primary data 2024*

From the above table it can be observed that the response rate was 100%. All questionnaires were collected from the respondents to whom they were distributed. This is the optimal response rate for any research study since it signifies that there was a 0% chance of error for the study. Since all the required respondents were obtained.

**4.2. Demographic characteristics of the respondents**

The demographic presentation was in relation to gender, and the age group of the respondents.

**4.2.1. Respondent's gender**

Since the gender may impact the perspective of the respondent it was taken into consideration. The results are shown in table 5 below.

**Table 5: Gender of the respondent.**

<b>Gender of respondents</b>			
		Frequency	Percent
Valid	male	13	40.6
	female	19	59.4
	Total	32	100.0

*Source: Primary data 2024*

According to the study's findings, 40.6% of respondents were male which equals to 13 respondents, and 59.4% of respondents were female which equals to 19 respondents. This indicates that UBA Uganda employees more females than males.

#### **4.2.2. Age of the respondents**

The age of the respondents was also taken into consideration, and it is shown below.

**Table 6: Age of the respondent**

<b>Age of respondent</b>			
		Frequency	Percent
Valid	20-30	15	46.9
	31-40	7	21.9
	41-50	6	18.8
	51-above	4	12.5
	Total	32	100.0

*Source: Primary data 2024*

It was observed that majority 15 respondents which translates to 46.9% were between 20-30, 7 respondents 21.9% were between 31-40 and 6 respondents 18.8% were between 41-50 years. Which left 12.5% amounting to 4 respondents between the age of 51-above. The age of the respondents was considered because it provides information about the respondent that can influence the results and interpretation of the study.

### 4.3. The effect of ethical activities on financial performance of commercial banks in Uganda

The first objective was to find out the effect of ethical activities on financial performance of commercial banks in Uganda where a 5-point Likert scale was used. Mean and Standard Deviation were calculated using the SPSS Software. The mean was calculated since there were five items which had to be analyzed from the Likert Scale; Strongly agree (4.21-5.0), Agree (3.41-4.20), Not sure (2.61-3.40), Disagree (1.81-2.60) and Strongly Disagree (1-1.80)

**Table 7: The effect of ethical activities on financial performance of commercial banks in Uganda**

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Being right and fair while conducting operations does not impact the bank's image or encourage more borrowers.	32	3.91	1.422
Adopting environmental policies encourages loyalty amongst depositors	32	2.69	1.256
Has the bank's engagement in fair lending practices helped to increase its deposits (liquidity).	32	2.22	1.157
Does the bank practice ethical CSR through responsible investment to remain competitive in terms of profitability?	32	2.50	1.437
Ethical CSR activities like good workplace policies and employee well-being have increased customer loyalty thus attracting more deposits.	32	2.44	1.294
Anti-corruption and Anti-money laundering initiatives do not lead to an increase in the customer base.	32	3.03	1.402
The bank practices transparent reporting like e-statements to attract more deposits.	32	2.62	1.431
Activities that focus on responsible practices help the bank to strengthen relationships with the public and employees which attracts more clients.	32	2.38	1.264
Valid N (listwise)	32		

*Source: Primary data 2024*

From the research findings in the table above, the respondents disagreed with a high mean of 3.91 that being right and fair while conducting operations does not impact the bank's image or encourage borrowers. However, there was a variance in the responses as indicated by the high SD of 1.422.

The respondents had a mixed opinion about the adoption of environmental policies and how it encourages loyalty amongst depositors. The response leaned towards disagreement with a mean of 2.69 but they varied with an SD of 1.256.

The respondents mostly disagreed that fair lending practices positively impact liquidity with a mean of 2.22 and the variance in responses was 1.157.

The respondents disagreed when asked if the bank practices ethical CSR through responsible investment to remain competitive in terms of profitability, with a mean of 2.50 and a high SD of 1.437. They also disagreed that ethical CSR like good workplace policies has increased customer loyalty and attracted more deposits. This was evident with a mean of 2.44 however there was a variance of 1.294.

The respondents had a neutral stance when asked if anti-corruption and money laundering initiatives do not increase the customer base with a mean of 3.21. Although the responses leaned more towards agreement. Though the responses were quite varied with an SD of 1.402.

The respondents generally disagreed that transparent bank practices like e-statements attract more deposits with a mean of 2.62, and the responses had some variance with a SD of 1.431. The respondents disagreed with a mean of 2.38 that those activities that focus on responsible practices help the bank to strengthen relationships with the public and employees which attracts more customers. The response was varied with a SD of 1.264.

#### 4.4. The effect of economic activities on financial performance of commercial banks in Uganda

In respect to the second objective, the effect of economic activities on financial performance of commercial banks in Uganda. The findings were tabulated as below using a 5-point Likert scale, the means, and the standard deviation.

**Table 8: The effect of economic activities on financial performance of commercial banks in Uganda**

Descriptive Statistics			
	N	Mean	Std. Deviation
The banks investment in educational programs boosts its customer base.	32	2.28	1.350
The bank's support of small businesses encourages business owners to borrow from the bank.	32	2.41	1.316
Does the bank's contribution to local economic development in Uganda increase its profitability?	32	2.69	1.176
Engaging in economic CSR like affordable home loans has not led to an increase in the number of applications for loans.	32	2.94	1.294
Participating in job creation initiatives markets the bank in the society hence attracting more depositors	32	2.44	1.045
Financial literacy promotions done by the bank create awareness about the bank's different loan products to the public.	32	2.37	1.185
Financial inclusion programs like digital banking do not persuade people to believe that this is the best bank to deposit their money in.	32	2.91	1.400
Valid N (listwise)	32		

*Source: Primary data 2024*

From the research findings in the above table, the respondents disagreed that the bank's investment in educational programs boosts its customer base with a mean of 2.28. There was a variation in responses with an SD of 1.350.

The respondents also disagreed that the bank's support of small businesses encourages business owners to borrow from the bank and this was indicated by a mean of 2.41 and there was a bit of variance indicated by an SD of 1.316.

Respondents had a neutral stand with a slight agreement but not very strong with a mean of 2.69, on the positive impact of contribution of local development on the bank's profitability. There was medium variance in the responses indicated by a deviation of 1.176.

They also had a mixed opinion whether engaging in economic CSR like affordable home loans has not led to an increase in the number of applications for loans. The mean was 2.94 which leaned more towards disagreement and there was a variance of 1.294.

Respondents moderately disagreed that participating in job creation initiatives markets the bank in the society hence attracting more depositors, and this was indicated with a mean of 2.44. There was a bit of variance indicated by a SD of 1.185.

The respondents also disagreed that the financial literacy promotions by the bank create awareness of its loan products to the public. The disagreement was evident with a mean of 2.37 and a moderate variation of 1.185.

From the table above the respondents had a close to neutral response with a slight inclination to agree that digital banking initiatives are effective in positioning the bank as the best choice for depositors, indicated with a mean of 2.91. There was some variance of 1.400 in the responses.

#### 4.5. The relationship between philanthropic activities and financial performance of commercial banks in Uganda

In respect to the third objective, the relationship between philanthropic activities and financial performance in commercial banks in Uganda. The findings were tabulated as below

**Table 9: Descriptive statistics (Philanthropic activities)**

Descriptive Statistics			
	N	Mean	Std. Deviation
The donations made by the bank impact it's financial performance.	32	2.91	1.228
Charitable donations are not budgeted for by the bank.	32	3.69	1.230
Donations made by the bank are simply humanitarian and have nothing to do with encouraging borrowers to trust the bank.	32	3.19	1.355
Volunteering does not influence the corporate image of the bank	32	3.31	1.330
Volunteering initiatives attract new customers	32	2.13	.660
The financial investment made in volunteering activities is outweighed by the long-term financial benefits the bank gains.	32	2.75	.984
The bank's donations have not increased its attractiveness to borrowers	32	3.38	1.185
The banks volunteering activities are not well organized and planned.	32	3.69	1.203
Brand visibility is improved through sponsorship of local events which positively impacts financial performance.	32	2.19	.965
The bank's sponsorship of local events attracts new borrowers.	32	2.28	.772
Valid N (listwise)	32		

*Source: Primary data 2024*

The respondents were divided or uncertain on whether donations made by the bank impact its financial performance with a mean of 2.91 and the responses had a deviation of 1.228.

The respondents agreed that charitable donations are not budgeted for by the bank, this was evident in the mean of 3.69. Though there was a variance in the responses of 1.230.

They however had a neutral stand on whether donations made by the bank are simply humanitarian and have nothing to do with encouraging borrowers to trust the bank. This was displayed in the

mean of 3.19 which leaned more towards agreement, however there was a variance in responses of 1.355.

The respondents had a neutral stance when asked if volunteering does not influence the corporate image of the bank, this was evident with the mean of 3.31 and the variance in responses was 1.330. They however disagreed with a mean of 2.13 that volunteering initiatives are seen as helpful in attracting new customers that, these responses varied with a SD of 0.660.

The respondents had a neutral stand to slightly disagreeing when asked whether the financial investment made in volunteering activities is outweighed by the long-term financial benefits the bank gains. The mean was 2.75 with a SD of 0.984.

With a mean of 3.38 it showed that the respondents agreed that the banks donations have not increased its attractiveness to borrowers. The variance was moderate with a SD of 1.185.

The respondents also agreed that the bank’s volunteering activities are not well organized. This was apparent in the mean of 3.69 which had a moderate deviation of 1.203. They however disagreed with a mean of 2.19 and moderate variation of 0.965 that sponsorship enhances brand visibility and financial performance.

From the table above it showed the respondents disagreed that sponsorship of local events is seen as an effective way of attracting borrowers. This was evident in the mean of 2.28 with moderate variance in the responses of 0.772

In summary, the data suggests respondents are generally skeptical about the direct financial benefits of the bank’s donations, volunteering activities, and event sponsorships.

**Table 10: Descriptive statistics (Financial performance)**

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Customers are more likely to hold their money with a bank known for supporting community development projects.	32	2.16	.677
The bank's ability to meet short-term obligations is affected by donations.	32	2.94	.982
The bank's sponsorship activities positively contribute to its liquidity.	32	2.84	.920

Communities benefiting from the bank’s donations are more likely to repay loans on time.	32	2.66	1.066
Sponsorship initiatives foster long-term relationships with borrowers leading to fewer loan defaults.	32	2.56	1.014
Charitable works create positive brand image and expand the bank’s loan portfolio.	32	2.22	.870
The bank’s charitable giving is strategically aligned with its profitability goals.	32	2.44	.982
The bank's goodwill activities contribute negatively to its profitability.	32	2.88	1.212
Charitable activities allow the bank to tap into new market segments which increases profitability over time.	32	2.34	.902
Engaging in donations does not negatively impact the bank’s ability to maintain healthy profit margins.	32	2.25	.762
Valid N (listwise)	32		

*Source: Primary data 2024*

The respondents disagreed that customers are more likely to hold their money in a bank known for supporting community development project with a mean of 2.16 and a moderate variance of 0.677. The respondents were neutral on the banks short-term obligation’s ability being affected by donations; this was evident in the mean of 2.94. There was a moderate SD of 0.982 in the responses.

The respondents were also neutral in their responses to the bank’s sponsorship activities positively contributing to its liquidity. With a mean of 2.84 and a moderate SD of 0.920. The respondents were also neutral in their responses when asked whether communities benefiting from banks’ donations are more likely to repay loans on time. This was apparent in the 2.66 mean however there was some variance of 1.066.

The respondents were also neutral though they lean more towards disagreement on whether sponsorship initiatives foster long-term relationships with borrowers and lead to fewer loan defaults. This was evident in the mean of 2.56 and the SD was 1.014.

The respondents disagreed that charitable activities positively affect the bank’s brand image and loan portfolio growth. This was evident in the mean of 2.22 and the moderate variation in responses with a SD of 0.870.

The respondents disagreed when asked if the banks charitable giving is strategically aligned with its profitability goals this was evident with the mean of 2.44 and the responses had a moderate variance off 0.980.

The respondents had mixed responses on whether the banks goodwill activities contribute negatively to its profitability this was apparent with the 2.88 mean and the SD of 1.212. They however disagreed that charitable activites help the bank access new markets and boosts profitability. This was apparent with a mean of 2.34 and a SD of 0.902.

From the table above the respondents disagreed with a mean of 2.25 that the donations do not harm profit margins of the bank; this response has a moderate variance with a SD of 0.762.

The data reveals a general skepticism among respondents about the direct financial benefits of charitable activities, particularly in terms of increasing customer deposits, loan repayment behavior, or profitability. Respondents are unsure whether donations, sponsorships, and community support efforts substantially enhance the bank's liquidity, profitability, or customer loyalty.

**Table 11: Correlation between financial performance and philanthropic activities**

<b>Correlations</b>			
		Philanthropic	FP
Philanthropic	Pearson Correlation	1	.413*
	Sig. (2-tailed)		.019
	N	32	32
FP	Pearson Correlation	.413*	1
	Sig. (2-tailed)	.019	
	N	32	32
*. Correlation is significant at the 0.05 level (2-tailed).			

*Source: Primary data 2024*

From the table above pearsons correlation is 0.413. It is a positive correlation between the two variables of philanthropic activities and finacial peformance of UBA commercial bank. This suggests that as philanthropic activites increase, financial performance tends to improve by 41.3% although the correlation is not that strong.

The significance is 0.019 which is less than 0.05 meaning that the correlation between the two is statistically significant. This indicates that the relationship between philanthropic activities and financial performance is unlikely to be due to random chance and is considered meaningful at the 95% confidence level.

**Table 12: Regression analysis**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.413 <sup>a</sup>	.171	.143	.44626

a. Predictors: (Constant), Philanthropic

*Source: Primary data 2024*

<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.230	1	1.230	6.177	.019 <sup>b</sup>
	Residual	5.975	30	.199		
	Total	7.205	31			

a. Dependent Variable: FP  
b. Predictors: (Constant), Philanthropic

*Source: Primary data 2024*

The dependent variable was financial performance, and the independent variable was philanthropic activities. The regression analysis R value showed that there is a moderately positive relationship between the two variables. Meaning that an increase in philanthropic activity increases financial performance of the commercial bank. The R squared showed that 17.1% of the variation in financial performance can be explained by philanthropic activities while the other 82.9% is due to other factors.

The Regression sum of squares was 1.230 and it showed how much variation in financial performance is explained by philanthropic CSR activities. The residual sum of squares (5.975) showed how much of the remaining variance in financial performance is not explained by the model.

The F value=6.177 was not extremely high but does indicate that the predictor does have a measurable impact on financial performance. The model also showed that the impact is significant because it was less than 0.05 with a value of 0.019.

#### **4.6. Conclusion**

This chapter presented and interpreted the results in line with the study objectives which included to assess corporate social responsibility and financial performance of commercial banks in Uganda. By analyzing the effects of ethical activities on financial performance, the effects of economic activities on financial performance and the relationship between philanthropic activities and financial performance.

## **CHAPTER FIVE**

### **SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction.**

This chapter summarized and discussed the findings, and it is from these findings that conclusions were drawn, recommendations made, and areas of further possible research suggested.

#### **5.1. Discussion of the key research findings**

##### **5.1.1. The effect of ethical activities on financial performance of commercial banks in Uganda**

The findings on the effect of ethical CSR on the financial performance of commercial banks in Uganda indicated that respondents largely disagreed that ethical activities, like fair lending, responsible investments, and workplace policies, positively impact financial performance measures like liquidity, profitability, or loan volume. These results align with other studies where researchers have similarly found limited direct financial benefits from ethical CSR. For instance, a study by Zhou and Zeng (2019) noted that while ethical CSR can improve a bank's reputation, its impact on immediate financial outcomes like liquidity or profitability is often marginal. Similarly, a study by Al-Shammari (2020) in the Middle Eastern banking sector found that CSR initiatives, particularly those related to transparency and anti-corruption, did not significantly increase deposits or profitability. These findings suggest that while ethical CSR may enhance a bank's image, it may not always translate directly into measurable financial gains, which could explain the respondents' skepticism in the Ugandan context.

##### **5.1.2. The effect of economic activities on financial performance of commercial banks in Uganda**

The findings on the effect of economic CSR activities on financial performance indicated that respondents generally disagreed with the notion that activities, such as investments in educational programs, support for small businesses, and financial literacy promotions, significantly improve financial performance. There was a neutral stance on local economic development's impact on profitability, while digital banking and affordable home loans received mixed reactions. These results are consistent with findings by Bătae et al. (2019) who found that while economic CSR initiatives, such as community support and financial literacy, improved banks' social reputation,

they had limited immediate impact on profitability or liquidity. Similarly, Kim and Lee (2020) observed that while banks' support for small businesses and local economic development initiatives can enhance customer perception, their direct financial impact, such as increased deposits or loan applications, were often marginal. These findings suggest that while economic CSR may enhance long-term relationships and brand image, its direct contribution to financial performance remains unclear.

### **5.1.3. The relationship between philanthropic activities and financial performance of commercial banks in Uganda.**

The study found that the relationship between philanthropic activities and financial performance of commercial banks in Uganda has a moderately significant positive correlation, with findings indicating that as banks engage more in philanthropic initiatives, their financial performance tends to improve. Specifically, a study on UBA Commercial Bank reported a Pearson correlation of 0.413, suggesting that philanthropic efforts can enhance financial metrics, although explaining only 17.1% of performance variance. Similar findings have emerged from other studies like Obara and Odhiambo, who demonstrated that CSR activities, including philanthropy, positively influence banks' profitability and reputation. Another 2021 research by Kuteesa and Kiyungi highlighted that those banks with healthy CSR strategies experience enhanced customer loyalty and market share, further contributing to financial success. Overall, these studies underscore the significance of integrating philanthropic activities into business strategies for improving financial outcomes in Uganda's banking sector.

## **5.2. Summary of the key research findings**

### **5.2.1. The effect of ethical activities on financial performance of commercial banks in Uganda**

The study found that respondents generally disagreed that ethical CSR activities, such as fair lending, responsible investment, and transparent practices, significantly improve the financial performance of commercial banks in Uganda. They expressed doubts about the impact of these activities on liquidity, profitability, loan volume, and deposit growth, indicating a belief that while ethical initiatives may enhance the bank's image, they do not directly translate into stronger financial outcomes.

### **5.2.2. The effect of economic activities on financial performance of commercial banks in Uganda**

The research found that respondents largely disagreed that economic CSR activities, such as investments in educational programs, support for small businesses, and financial literacy promotions, significantly improve the financial performance of commercial banks in Uganda. While there was a neutral stance on the impact of local economic development on profitability, other initiatives like affordable home loans and digital banking received mixed or skeptical responses regarding their effectiveness in increasing deposits, loan applications, or profitability. Overall, the findings suggest limited apparent direct financial benefits from the bank's economic CSR activities.

### **5.2.3. The relationship between philanthropic activities and financial performance of commercial banks in Uganda.**

Key findings on the relationship between philanthropic activities and financial performance of commercial banks in Uganda indicated a moderate positive correlation of 0.413, suggesting that philanthropic efforts can enhance financial performance, accounting for 17.1% of its variance. Which suggests that as banks engage more in philanthropy, their financial outcomes in terms of profitability, loan portfolio and liquidity improve.

## **5.3. Conclusions.**

In conclusion, it was found that the relationship between philanthropic activities and financial performance of commercial banks in Uganda is characterized by a moderate positive correlation, indicating that increased philanthropic engagement can lead to enhanced financial outcomes, as evidenced by various studies.

Additionally, it showed that economic activities play a crucial role in influencing the financial performance of these banks, as robust economic conditions often lead to higher lending opportunities and customer deposits, ultimately boosting profitability.

Similarly, ethical activities, which encompass responsible banking practices and adherence to regulatory standards, significantly impact financial performance by fostering customer trust and loyalty, thereby contributing to long-term success. Collectively, these dimensions highlight the

importance of integrating philanthropic, economic, and ethical strategies into the operational frameworks of commercial banks in Uganda to achieve sustainable financial growth.

#### **5.4. Recommendations**

Based on the findings regarding the effects of ethical, economic, and philanthropic CSR activities on financial performance, the researcher makes the following recommendations to UBA and other commercial banks in Uganda.

Leverage ethical CSR for long-term trust with customers, especially by focusing on transparency and anti-corruption practices. Even though ethical CSR activities like transparency and anti-corruption practices do not yield immediate financial gains, they are critical for maintaining customer trust, especially during periods of financial instability. Banks should continue to emphasize these practices as they foster long-term stability and loyalty, which can buffer against future crises.

Banks should also strategically invest in economic CSR for future growth. Although economic CSR activities, such as community development and support for local businesses, do not show a significant impact on profitability, they are essential for long-term sustainability. Banks should treat these activities as strategic investments that will enhance customer loyalty, retention, and market potential over time.

UBA along with other commercial banks should also continue engaging in community involvement activities. The findings showed that philanthropic activities have a significant positive impact on financial performance. Banks should increase their involvement in donations, sponsorships, and community support programs.

#### **5.5. Areas for further research**

This study sought to determine the contribution of CSR on financial performance and UBA was used as a case study. The study found that most CSR activities have a positive relationship with financial performance in UBA bank however they are not significant enough to affect its financial performance. The researcher suggests that the possible contribution of CSR on financial

performance be extended to the other branches of UBA since this study was based on two branches as the case study.

The researcher also encourages more research to be conducted on other factors affecting financial performance in commercial banks other than CSR since this study's findings show that CSR's contribution is weak though both significant and positive.

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## APPENDICES

### Appendix 1: Questionnaire

**Uganda Christian University**

**School of Business**

**Undergraduate Department**

**Dear Respondent,**

I am Divine Wabasa a student of Uganda Christian University pursuing a Bachelors Degree of Business Administration. I am currently undertaking a research study on the topic “Corporate social responsibility and financial performance in the commercial banking industry in Uganda” as one of the partial fulfillments for the award of Bachelors Degree of Business Administration. Therefore, I am kindly requesting you to assist in completing this questionnaire. The information you give will be treated with strict confidentiality.

### SECTION A

#### PERSONAL INFORMATION

**Please indicate your response by ticking in the box or by writing the answer on the blanks provided.**

1. Gender of the respondent: Male  Female
2. Age of the respondent: 20-30  31-40  41-50  51-above

### SECTION B

#### THE EFFECT OF ETHICAL ACTIVITIES ON FINACNIAL PERFROMANCE

**Please indicate the level of your agreement with each of the following statements in the questions that follow.**

**1= Strongly disagree (SD), 2= Disagree (D), 3= Not sure (NS), 4=Agree (A), 5= Strongly agree (SA).**

	1	2	3	4	5
1. Being right and fair while conducting operations does not impact the bank's image or encourage more borrowers.					
2. Adopting environmental policies encourages loyalty amongst depositors.					
3. Has the bank's engagement in fair lending practices helped to increase its deposits (liquidity).					
4. Does the bank practice ethical CSR through responsible investment in order to remain competitive in terms of profitability?					
5. Ethical CSR activities like good workplace policies and employee well-being have increased customer loyalty thus attracting more deposits.					
6. Anti-corruption and Anti-money laundering initiatives do not lead to an increase in the customer base.					
7. The bank practises transparent reporting like e-statements in order to attract more deposits.					
8. Activities that focus on responsible practices help the bank to strengthen relationships with the public and employees which attracts more clients.					

9. What does the society expect from this bank as a financial institution?

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**SECTION C**

**THE EFFECT OF ECONOMIC ACTIVITIES ON FINACIAL PERFROMANCE**

**Please indicate the level of your agreement with each of the following statements in the questions that follow.**

**1= Strongly disagree (SD), 2= Disagree (D), 3= Not sure (NS), 4=Agree (A), 5= Strongly agree (SA).**

	1	2	3	4	5
1. The banks investment in educational programs boosts its customer base.					
2. The bank's support of small businesses encourages business owners to borrow from the bank.					
3. Does the bank's contribution to local economic development in Uganda increase its profitability.					
4. Engaging in economic CSR like affordable home loans has not led to an increase in the number of applications for loans.					
5. Participating in job creation initiatives markets the bank in the society hence attracting more depositors.					
6. Financial literacy promotions done by the bank create awareness about the bank's different loan products to the public.					
7. Financial inclusion programs like digital banking do not persuade people to believe that this is the best bank to deposit their money in.					

8. What economic development activities has the bank engaged in during the past 3 years?

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### SECTION D

#### THE RELATIONSHIP BETWEEN PHILANTHROPIC ACTIVITIES AND FINANCIAL PERFORMANCE

Please indicate the level of your agreement with each of the following statements in the questions that follow.

1= Strongly disagree (SD), 2= Disagree (D), 3= Not sure (NS), 4= Agree (A), 5= Strongly agree (SA).

Philanthropic Activities					
A. Charitable donations	1	2	3	4	5
1. The donations made by the bank impact it's financial performance.					
2. Charitable donations are not budgeted for by the bank.					
3. The bank's donations have not increased its attractiveness to borrowers.					
4. Donations made by the bank are simply humanitarian and have nothing to do with encouraging borrowers to trust the bank.					
B. Volunteering					
1. Volunteering does not influence the corporate image of the bank					
2. Volunteering initiatives attract new customers.					
3. The financial investment made in volunteering activities is outweighed by the long-term financial benefits the bank gains.					
4. The banks volunteering activities are not well organized and planned.					
C. Sponsorship of local events					
1. Brand visibility is improved through sponsorship of local events which positively impacts financial performance.					
2. The bank's sponsorship of local events does not attract new customers.					
3. The bank's sponsorship of local events attracts new borrowers.					

Financial Performance					
A. Liquidity	1	2	3	4	5
1. Customers are more likely to hold their money with a bank known for supporting community development projects.					
2. The bank's ability to meet short-term obligations is affected by donations.					
3. The bank's sponsorship activities positively contribute to its liquidity.					
B. Loan Portfolio					
1. Communities benefiting from the bank's donations are more likely to repay loans on time.					

2. Sponsorship initiatives foster long-term relationships with borrowers leading to fewer loan defaults.					
3. Promotion of others welfare leads to more responsible lending practices.					
4. Charitable works create positive brand image and expand the bank’s loan portfolio.					
<b>C. Profitability</b>					
1. The bank’s charitable giving is strategically aligned with its profitability goals.					
2. The bank's goodwill activities contribute negatively to its profitability.					
3. Charitable activities allow the bank to tap into new market segments which increases profitability over time.					
4. Engaging in donations does not negatively impact the bank’s ability to maintain healthy profit margins.					

**Appendix 2: krejcie and Morgan table**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	26	140	103	340	181	1000	276	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384
Note: "N" is Population Size "S" is Sample Size.									