THE IMPACTS OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF MINING COMPANIES. THE CASE STUDY OF ZIMPLATS

BY

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DEDICATION
My study is dedicated to late father Charles Mutete and mother Constance Matsikira. They fully supported my vision morally and financially, my close family Elton Mutete, Brighton Mutete, Adelyn Mutete, Tsitsidzashe Muzavati, to my peers Tendai Kambuyu, Gamuchirai Lorraine, Guputu Shaw and Linda Mavenge, my workmates during my attachment period Marshal Kamoto for their support and patience during my entire period of carrying out the study. My upmost gratitude for the encouragement and continued prayers towards the successful completion of this research study.

ABSTRACT
The study aimed at investigating the impact of CSR on financial performance of Zimplats Ngezi mine. The CSR proxies it focused on were the community, shareholders, suppliers, customers, employees and environment as the independent variables of the study. Financial performance was the dependant variable and was measured using ROA ROE and ROS. The study utilized secondary data which was collected from published audited financial statements which was found from the companies’ website. The study used descriptive analysis and data was regressed using the SPSS package. The study covered a period from 2009 to 2017. The results found from the ANOVA and the coefficients of the relationship between CSR and financial performance revealed a positive relationship between CSR and financial performance. Each individual CSR proxy had different relationships as measured by ROE, ROA and ROS. The study found out that the some CSR scores represented by the community, employees, shareholders, and customers had a positive relationship with financial performance and some CSR scores such as the environment and the suppliers had a negative relationship. The overall conclusion to the study was that CSR had a positive relationship on financial performance as measured by ROE, ROA and ROS.

**Key words:** Corporate Social Responsibility, Corporate Financial performance, Return on Assets, Return on Equity, Return on Sales, Mining industry,
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LIST OF ABBREVIATIONS AND ACRONYMS

C…………………………………….. Customers
CFP………………………………….. Corporate Financial Performance
CSP………………………………….. Corporate Social Performance
CSR………………………………….. Corporate Social Responsibility
EM…………………………………… Employees
ENV………………………………….. Environment
RBZ………………………………….. Reserve Bank of Zimbabwe
ROA…………………………………. Return on Assets
ROE…………………………………. Return on Equity
ROS…………………………………. Return on Sales
SH…………………………………… Shareholders
SU…………………………………… Suppliers
MDGS ISO………………………… Millennium Development Goals International Organisation for Standardisation
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CHAPTER I

INTRODUCTION

1.0 Introduction

The study conducted focused on the impact of Corporate social responsibility on the financial performance of mining companies, mainly focusing on Zimplats Ngezi Mine. The drive of this study was to establish the contribution of corporate social responsibility to the financial performance that is (profitability and liquidity) of mining companies in Zimbabwe. This chapter presents the background of the study giving the overview of the subject at hand, this helped in the development of the problem statement and formulation of research questions, limitations, delimitations, definition of essential terms assumptions and significance of the study.

1.1 Background of the study

Till today many organisations have been unwilling to change from the principal of the shareholder-oriented strategy. CSR have gained increased awareness within the business world, and global businesses have embarked on CSR-related projects and initiatives to improve their corporate reputation and financial position (Lim, 2017). Governments, development organisations, the media and academic institutions worldwide have called for the incorporation of CSR into business strategies. The intention being to engage in activities that address or that considers the wider community and environmental concerns to improve living conditions of the society, (Afiff, S, & Anantadjaya, S.P. 2013). This was to be archived without compromising the main objective of the firm that is to generate maximum profits, this is because, it is believed that CSR induces an extra cost to the business, (Friedman 1970).

According to the reporting rate, the development of CSR all over the world is extraordinary. However, the basic drive of any organisation is to generate profits whether it is for internal
management or it is for external interaction. Good record has the commercial importance whereas good influences in the industry is a determining factor of an organisation’s further development. Many companies still believe that corporate social responsibility is to spend the company’s money in charity, this has led to some of the businesses trying to escape social responsibility (Ganguly S 1999).

An area of focus under this study is that on the effects of corporate social responsibility on financial performance. There are many critiques that have been raised some arguing that CSR brings up an extra cost making it expensive and some arguing that the benefits enjoyed through corporate social responsibility exceeds the actual costs (Wang and Tuttle 2014). Many studies have been done trying to find the linkage between corporate social responsibility and corporate financial performance, but there has been no tangible answer that was declared living literature unclear. This has then shown opposing information concerning the empirical results on the nature of the relationship between financial performance and corporate social responsibility. (Galant & Cadez, 2017)

According to (Choi & Wang 2009) the literature is available in three forms that is those that found a positive relationship, implying that CSR improves the financial performance of the firm, those that found a negative relationship implying that an organisation should rather utilize its available resources to focus its aim at maximising profits and those that found neutral relationship implying that there is a balance between the two. These studies have produced opposing results in part-aware to the inconsistence measures of corporate social responsibility and financial performance. Also, the methodologies vary among studies.

It can be assumed that time and exposure has taught organisations in Zimbabwe the best way for business survival and satisfaction of social needs. The Zimbabwean approach to CSR has been characterised by the prevalence of the mining sector over other sectors due to the nature of business they conduct that is the extraction of mineral resources, with the mining industry being the main driver of the economy (Tarisai, 2013). There has been a high level of interest in CSR in the Zimbabwean mining sector caused by the new investor interest. Zimbabwean mining industry is working towards achieving the MDGS ISO 2600 which specifies standards for social responsibility in the mining sectoring environmental policy management (Daniel 2007).

These and other related studies on CSR have produced opposing results in part-aware to the specific or the inconsistent measure of CSR and financial performance. Also, the
methodologies used vary among these studies. Therefore, this research attempted to investigate the relationship between CSR and CFP by using a more rigorous methodology and a better measure of CSR.

1.2 Statement of the problem
Zimbabwean mining sector structure is still based on the labour intensive and resource intensive industries. The mining company’s financial performance are closely related to employee welfare, pollution control, taxes and other social responsibilities. Mineral conflicts and maintenance of the sustainability development of the mineral industry require firms to adapt CSR ideas (Xiping, P et al 2014). These ideas clearly are associated with extra costs. According to the basic economic principle one would rather accept an increase in revenue or profits than cost engagement (Osterman, 2014). However, it is argued that many big firms in the mining industry are generating long term profits through CSR implementations and many think it is the best. This has then caused conflict among stakeholders giving rise to the question, does CSR influence corporate financial performance of a firm in the mining industry. The prevailing gaps and unanswered questions warranted for the further analysis of the topic. The research problem then sought to fill in the gap in knowledge and get a complete understanding of the impact of CSR on CFP.

1.3 Research objectives
The purpose of the study was to find out the impact (if any) of CSR on the financial performance of Zimplats Ngezi mine following the below specific objectives.

1. To determine the impact of corporate social responsibility on return on equity of Zimplats
2. To investigate the impact of corporate social responsibility on return on assets of Zimplats
3. To determine the impact of corporate social responsibility on return on sales of Zimplats

1.4 Research questions
1. To what extent does corporate social responsibility impact the return on equity of Zimplats?
2. What is the impact of corporate social responsibility on return on assets?
3. Is there any relationship between corporate social responsibility and return on sales of Zimplats?
1.5 Research Hypothesis
H0. There is no significant relationship between Corporate Social Responsibility and Corporate Financial Performance at Zimplats.

H1. There is a significant relationship between Corporate Social Responsibility and Corporate Social Performance at Zimplats.

1.6 Significance of the study
1.6.1 To companies
This research works as an eye opener for management to better visualize and implement CSR in ways that adds value to customers and improve customer satisfaction. This will also assist the management to make better informed decisions on how to gain customer loyalty and respect and an improvement in sales revenue.

1.6.2 To the university
The university’s brand will be marketed in industry thus its contribution to society was seen by the activity of the student when he gathered data. Also, the research will be used by other forthcoming student as reference material

1.6.3 To the student
The student will be able to link theory and practise enhancing him with a better understanding of the real work done. Also, it equipped the student with skills of gathering information and carrying out a research.

1.7 Assumptions
- The financial performance of a firm can be measured by using ROA ROE and ROS as key financial indicators of profitability.
- The results of the market-based measures provide a fair reflection of the attitudes of shareholders and investors towards CSR practises
- The source of data to be gathered for measuring corporate social performance is objective and reported without bias. Corporate social performance aggregate data truly reflects the firm’s social, environmental and ethical behaviour of Zimplats.
1.8 Delimitations of the study
The study was conducted at Zimplats Ngezi mine in Mhondoro area and the surrounding community. The information to test the relationship was gathered from the company’s website (its financial reports). Although the focus of the study was centred on one mining company, the results will also directly or indirectly affect the entire business community. The research done covered the year period from 2009 to the year 2017.

1.9 limitations
Limitation to the study were that mining activities and some of the financial information is not made available to the public. In Southern Africa information regarding the financials and other important documents needed to carry out the research are kept confidential and local communities in which they operate are kept in the dark. Mining companies in Zimbabwe lack transparency, their contracts with the government are confidential as well as financial information.

1.10 Definition of terms

1.10.1 Corporate social responsibility (CSR)
It is the commitment of businesses to contribute to the sustainability of economic and social development working with families, the local community and society at large to improve their quality of life, in ways that are good for business and for development of the community at large. (Afiff, S & Anantadjaya, S, P 2013).

1.10.2 Corporate financial performance (CFP)
A measure of the form’s aggregate level of financial profitability and liquidity over a certain period (Bahhouth et al 2014)

1.10.3 Return on assets (ROA)
A financial ratio that is commonly used to measure a firm’s performance, and the it is also used to evaluate the efficiency and effectiveness of used assets to generate financial gains during the period of the calendar year (Tang et al 2012), (Lim, 2017)
1.10.4 Return on equity (ROE)

A financial ratio that is commonly used to measure a firm’s financial performance. It is also used to evaluate the effectiveness and efficiency of used shareholder’s funds to generate financial gains during the period under study (Tang et al 2012). (Lim, 2017)

1.10.5 Return on sales (ROS)

A financial ratio that is commonly used to measure the firm’s financial performance. It is used to evaluate the efficiency of the firm’s used revenue to gain financial gains during the year under study. (Tang et al 2012), (Lim, 2017).

1.11 Summary

The above chapter served to explore the introduction to the research that was done, background of the study, the objectives of doing the research, the questions that motivated the researcher to conduct the research, the assumptions to be used in the research, the key definition of terms and the limitations and delimitations of the study.
CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the conceptual, theoretical and empirical frameworks. It contains concepts, theories and empirical reviews on previous studies done related to the research that was done, this chapter begins with the conceptual literature, moves to the theoretical and the empirical literature and then ends with a chapter summery.

2.1 CONCEPTUAL FRAMEWORK OF CSR

The concept of CSR mainly focuses or emphasis on a system of corporate self-regulation that is integrated in an organisational model where managers direct the business processes to produce an overall positive impact on the society. Debatably the organisation and the community are intertwined, the society having expectations from the business, meaning that the business have got a responsibility not to itself only but to the whole community. Corporate describes a business as an entity that aims to maximise its shareholders returns (more dividends and capital gains, hence ignores other stakeholders to cut on unnecessary costs.

According to Moon (2008) cited in (Mnyampi, 2016) corporate social responsibility is an umbrella term that overlaps certain boundaries with other conceptions of business society relations. The World business council for sustainable development (2000) defined corporate social responsibility as the continued commitment by the organisation to behave ethically whilst contributing to the economic development, as well as improving the living standards of their labour force and the local community and society at large. There is need for the company
to balance between the need to be socially responsible or the need to be a corporate citizen and the need to fulfil its economic responsibility of generating profits that is the firm will need to assess the full scope of their impact (social costs) on the community and environment. (Nicolau J, 2008).

As defined by Kotler & Lee (2005) CSR strategies are those major initiatives that the business undertakes to support the social cause so as to meet their commitments towards corporate social responsibility activities. These activities include those that contribute to the community at large in terms of employment, the environmental sustainability, health and safety needs, education and economic development. (Mnyampi, 2016). Tsoutsoura (2004) argued that companies that engage themselves in trying to improve the working conditions and labour practises have high chances of experiencing increased productivity and reduced error rate caused by a grieving employee. A firm is likely to reap a benefit from being socially responsible in terms of morale and productivity (Tsoutsoura, 2004).

According to Mnyampi (2016), there are several approaches to CSR initiatives. Terole (2009) contributed three visions to CSR. The first vision was that ‘win’ meaning that being a good corporate citizen leads to superior profits. Vision two was that ‘delegated philanthropy’ which state that some stakeholders often sacrifice their financial reward so as to increase or further the social goal. Vision three states that ‘insider- initiated corporate philanthropy’ which states that the social behaviour of the organisation reveals the appetite of the management in engaging in philanthropic activities. (Mnyampi, 2016). The other approaches to CSR are discussed below.

2.1.1 Carroll’s pyramid of Corporate Social Responsibility
This is the most used theoretical approach to CSR. According to Carroll (2003) the social responsibility of a company includes ethical, legal, economic, and philanthropic expectations, the society has of any organisation at a given point. These four social responsibilities can be illustrated as pyramid. (Pandya, 2011). The idea of Carroll was that CSR to be organised in such a way that the entire business responsibilities are embraced.

Carol 1991 raised an agreement saying that economical responsibility is the most fundamental responsibility of a company, which reflects the nature and importance of it to the firm as a profit-making entity. He went on to say that without the business meeting the economic responsibility it becomes impossible to carry out other responsibilities as the other three responsibilities rely on it. (Mnyampi, 2016)
According to figure 2.1 the first responsibility the organisation must mean is the economic responsibility first as the other responsibilities depend on the economic position of the firm. It is the foundation upon which all other responsibilities rest. An organisation cannot practice CSR with no funds to support and so the first responsibility to the firm is the economic one. It then needs to follow the rules and regulations of both the society and the government. This simply means that obey the law, which means that the codification of right and wrong within the society it operates in, the organisation will need to play by the rules of the game. The organisation is expected to be an ethical citizen that one that acts fairly and just. They have an obligation to do what is right so as to avoid harm. Then the philanthropic is there to strengthen the relations between the organisation and the society. This is when the organisation engages into charity work like building of schools and clinics done by Zimplats in Mhondoro village. Here the business will try and be a good corporate citizen that contribute and reward back to the community and also improve the quality of life of the citizens.

According to Santiago (2004) philanthropic responsibility refers to those activities that the community expects from company. A good corporate citizen is what the social needs which means the community expects financial and human resource from the organisation so as to advance their standards of living. (Mnyampi, 2016). As cited by Carroll (1991) being ethically responsible involves the behaviour and standards which the business in its dealings should
exercise. This involves being just and fair among all stakeholders showing its moral spirit of respecting and protecting the interest of stakeholders. (Carroll, 1991). The legal responsibility aspect of the pyramid is in relation with abidance or compliance with the laws and regulations that exist in the community in which the business operates.

2.1.2 The Triple bottom line model
This model was created in the mid 1990’s by an economist called John Elkington is another approach to CSR. This type of model provides a framework for measuring performance and success of the business using the economic, social and environmental line as shown in the diagram below. (Geol, 2010). According to Shnadyer et al (2015) companies view CSR activities in a different way. According to them they say there are three dimensions to which the company can look at the organisation which are people planet and profit, some scholars call it the 3P’s model. According to (Johansson, et al., 2015) who cited (Shnayder, et al., 2015) who contributed that people represents how a company treats its employees in regards to the decisions they make that affect the labour force, the planet refers to how conscious the business is towards environmental issues such as pollution and also on the general environmental parameters, the profit represents how the business is economically creating a reward for the society. Roger and Huddson (2011) contributed that the triple bottom line model is the practical framework for sustainability.

![Figure 2.2 (elements of the triple bottom line)](source Mnyampi (2016))

This model assumes that companies do not have an obligation to themselves only but also have objectives to the environment and the society. (Matten, 2004). However, the weakness with this theory is that. The critic of this theory is that it is difficult to measure social performance.
According to Norman and Macdonald (2003) assessing social components quantitatively is difficult, one will need both the quantitative and qualitative distinction. This makes it undesirable for social measurements cannot be quantified with absolution due as it can be better explained using the qualitative approach in measurement.

A sustainable society should meet at least three conditions, according to (Mnyampi, 2016). The first one is that the rate at which non-renewable resources should be less or equal to their rate of generation. The second objective is that the rate at which non-renewable should be less or equal to the rate at which maintainable renewable substitutes are developed. The third objective is its rate of pollution should be less or equal to the capacity of the environment. The triple bottom line is concerned with the impact the organisation has on the economic systems as well as the economic performance of the organisation itself (Elkington, 1997).

2.1.1 Corporate financial performance

Corporate financial performance is the measure which entails to what extent an organisation uses its assets from its main objective of doing business to generate revenue. CFP is general term that is used to measure the comprehensive financial wellness of a business over a specified period of time. Financial performance can be used a basis of comparisons with firms in the same line of industry across all sectors. Corporate financial performance is measured in several ways and is not reliant on a single metric. These measures or metrics are based on two categories which are the market-based category and the accounting-based category. Most researchers use the accounting-based category which involved the accounting ratios such as ROE and ROA (Berman, et al., 1999).

Most researchers used the accounting-based metric when they were measuring the relationship between CSR and CFP. However, although many researchers in the past used the accounting-based metric of ROA mostly, it presents a weakness of only measuring performance in the short run. There are many stakeholders of the firm that rely on such information and this affects whether the firm engages in extra costs of CSR expenditures or not. Not many studies used the market-based metrics although it is a metric that is used to measure financial performance. According to Barnett and Solomon (2006), this is because of the researcher that used the market-based metric as a measure of financial performance found a weakness as compared to the accounting-based measure of financial performance such as ROA.
2.1.2 The association between CSR and CFP

Socially responsible firms consider fully consider their impact on the society and environment in which they operate in when making their decisions. Balancing the needs of the stakeholder with their need to generate profit (Nicolau J, 2008). The main force that drives companies to adopt CSR maybe subsequent to the possibility of financial benefits they may reap. The association of CSR and CFP come a long way and is found to have different associations or relationships.

2.1.2.1 Negative association of CSR and CFP

According to Friedman (1970) the only social responsibility that exists for a firm is to generate profits to maximise shareholder value. He argued that since organisation have got a separate legal identity then it cannot be socially responsible. He went on to say that an organisation that tries to be socially responsible risks losing the support of the shareholders who agree the providers of capital, this then outweighs the benefit to be yielded by CSR (Palmer, 2012). He also argued that it is the sole responsibility of the organisation to maximise its firm value so that indirectly other stakeholders such as employees will be able to use their own share to improve the community (living standards) and the environment. This then portrays a negative association of CSR on financial performance for Friedman believed that CSR scope deviates from the status chore of doing business, however according to Palmer (2012) he believed that CSR initiatives are only be justifiable if they result in a desirable improvement, rather than a sacrifice in firm value.

2.1.2.2 Positive association between CSR and CFP

The stakeholder theory was based from two theories that suggested on the positive relationship between CSR and CFP. The first theory was the instrumental theory which states that outcomes are based on the decisions made by managers. The second theory was the ethical theory which states that managers have got a duty of putting stakeholders’ interest first to increase firm value. Satisfaction of stakeholders has a got a positive impact on financial performance as stated in the instrumental theory (Jones 1995). This means some stakeholders find a value in the CSR initiatives and organisations can improve on efficiency if they are to align their business towards meeting all stakeholder interests. As conducted in the meta-analysis by (Orlitzkyu, et al 2003) there was a positive relationship between CSR and CFP showing a bidirectional
relationship existed between the two variables. In relation to this assertion, it then supports the positive association of CSR and CFP.

2.1.2.3 Neutral relationship
Most studies talk about a neutral relationship between CSR and CFP. Ullman 1985 suggested that the awareness levels of the stakeholders may result in a neutral or null hypothesis. If stakeholders are not aware of CSR programs caused by poor advertising and marketing strategies, then the CSR programmes will have no effect and attitudes of stakeholders in the business and so will not have any impact on the financial performance of the firm. A study by (McWilliams and Siegel, 2001) also suggested a neutral relationship between CFP and CSR. McWilliams and Siegel, (2001) contributed that an organisation that invests in CSR will also incur higher costs but also generate higher revenues, on the other hand, a business that does not invest in CSR will incur lower costs but will also reap lower revenues. In this equilibrium, the relationship will be neutral, (Rocco & Nada, 2014).

2.1.2.4 Corporate financial performance and corporate social responsibility
Many studies conducted indicate a biased relationship between CSR and CFP. In this modern world a firm must go beyond the limits of its own corporate strategies and start regarding the interest of all stakeholders who have a direct or indirect impact to the company. The study of the relationship between CSP and CFP has gained much relevance since the last decade. Many different correlations where found some yielding a positive correlation and some contradicting results owing to either a negative or a non-significant correlation in trying to answer the question ‘can firms that exercise CSR generate superior profits. Waddock & Graves (1997) argued that although entities are built to make profit, they should put an effort in contributing to the environmental and social goals.

According to Margolis and Walsh (2003) of all the empirical studies done they are classified into two categories. The first one represents those who assessed the short-term financial impacts using an event study method. On this first category the Posnikoff (1997) reported a positive impact, Wright and Ferris (1997) reported a negative relationship and Welch and Wazzan (1999) found out that there was no relationship between the CSR and CFP. Also, according to Alexander and Buchholz (1978) they argued that the concept of the relationship between CSR and CFP can be viewed in two different views. The first one being that a socially responsible manager also have skills to run a big company which gives a chance to the company of maximising profits, and the second being that the cost that is incurred through CSR activities will result in a competitive disadvantage.
The second category represented those who assessed the relationship between some measure of corporate social performance and long-term measures of the company’s financial performance. These studies used the accounting-based measures. According to Palmer (2012) the results produced under this category were conflicting regarding the relationship between CSR and financial performance.

Berman et al, (1999) contributed that the concept of CSR instils in corporations the moral responsibility towards the community which goes beyond the objective of basically making profits for their shareholders. Corporation should therefore act in a socially responsible manner for the mutually moral and practical reasons, by showing a socially responsible attitude the firm can also improve its own performance. Thus, CSR gives a reward with more satisfied stakeholders which improves access to financial markets, which helps in improving financial performance and helps in sustaining the business. However, social costs result in a more financially constrained organisation for it requires more funding which can reduce profits and affect comparative performance.

2.1.3 Responsibilities of businesses under the CSR concept

2.1.3.1 Responsibility to the organisation
The responsibility has on its own self is to work towards archiving an improvement in the overall business processes so as to maximise on return which is the core objective of the firm.

2.1.3.2 Responsibility to the employees
In accordance with sustainable working environment for the employees is needed where healthy and safety is guaranteed by the organisation. The organisation owes it to its labour force to improve their living condition in terms of improving the standards of living of their families. This for company to encourage them to work hard and also to take part in the initiatives of the company and also help in decision making processes of the firm. Firms that take the initiative to embitter their labour force are likely to have a competitive advantage over all other firms for it is believed that a happy employee will reap better results in terms of quality of products and also quality of customer service which will result in the growth in profits.

2.1.3.3 Responsibility towards shareholders
Security of investments done by the organisation is critical for the firm. Managers must make sure that the decisions they make the investment of the shareholders are safe. These are the
provider of finance and so if they feel that their investment in the company are not safe and also are not getting enough in terms of returns, they will just withdraw their investments from the company which will affect it in a bad way. If the company is able to honour this responsibility of maximising the shareholders value and securing the investments made, then there is a possibility that they will help in the value addition and goodwill of the company for them to get a much higher profit and also to gain easy access to the market.

2.1.3.4 Responsibility towards the customers
Customer engagement is one of the key responsibilities a firm must undertake. A customer must feel the value of their every penny. Provision offer better quality products at a lower price attracts as many customers as there can be. Investing in CSR so as to offer better quality products and also best customer services to ensure effective customer engagement will result in customer loyalty which will then increase a firm’s value as supported by (Bhattacharya and Sen 2003)

2.1.3.5 Responsibility towards the environment.
It is the responsibility of the organisation to conduct processes that are environmentally friendly. The business should take responsibility to ensure that the environment is kept hazard free and also should undertake proper management of industrial waste that should not harm the environment

2.2 THEORETICAL LITERATURE OF CSR

Several theories have emerged them trying to explain the reasons for the continuous environmental reporting. There are several theories that emerged to explain the reasons environmental reporting over time, and these are the foundations to which CSR stands on.

2.2.1 Stakeholder theory.
This theory state that the business will need to create value for each stakeholder in the business. A key feature of CSR involves the way the company engages with its stakeholders. According to Freeman (1984), he postulated that when the corporate executives treat all stakeholders justly not putting the shareholders above other stakeholders value creation and trade are enhanced. (Lim, 2017). For the business to succeed the stakeholder theory reveals that the managers should avoid any conflicts of interest within ‘stakeholders. As cited by Johnson (1971) in (Ogolla, 2013) in his definition of CSR, conceives a socially responsible firm as that which
balances all interests of stakeholders. Branco and Rodrigues (2008) contributed that firms need to make use of the stakeholder engagement process to consider the society’s need in their internal environment, and conditions to their corporate views and decision making. While many questions arise on how companies engage in communities relative to the role the government and individual citizens play. As cited by Peloza and Papania (2008) in (Mentor, 2016) “When managers respond to issues of concern among salient stakeholders those stakeholders who possess the ability to impact the reputation and operations of the company improved financial performance is expected to follow” (p. 170). By fulfilling stakeholder needs, a company can create a competitive advantage.

According to Lim (2017) if stakeholders are fully informed and convinced about the overall objective of the firm, they will be motivated to support these objectives which then creates value for the firm and the society. A higher return is crucial to every firm, however the value that is created is seldom transferred to the society. (Harrison and Wicks 2013). The stakeholder theory asserts that the measure of a firm’s financial performance should not only be based on economic results only (Lim, 2017). According to Harrison & Wicks (2013) the stakeholder framework is a new level to which financial performance of a firm can be measured. The positive interaction and engagement of all stakeholders of the firm are important to the success of the firm as profit measures alone are not enough (Freeman 1984).

2.2.2 Agency theory

The theory was developed to explain the relationship that existed between the shareholder (principal) of the company and management (agent). The latter is the agent who is appointed by the principle. According to Gichohi, (2014) the manager is the one that bears a fiduciary duty towards the shareholders of the firm with the interest of maximising shareholder wealth. He believed that under certain circumstance the satisfaction of social interest contributes to the maximisation of shareholder wealth. Agent-principle relationships present many problems and conflicts of interest. CSR comes into play to ensure that the principle and the agent are able to maximise on their return. This then relays to the assertion that as CFP strengthens, managers, tend to lessen social costs so as to get the most out of their own short-term private benefits and as the CFP becomes weak, managers will try and counterbalance the results by engaging in exposed CSR programs which will therefore increase their benefit and that of their shareholders. This is pursuant to the managerial opportunism hypothesis, (Preston and Galant 1994). According to
2.2.3 Slack Resource Theory

Slack resource is any underutilized resources that can be redeployed for use by the organization. (Gichohi, 2014). According to Wissink (2012), this theory proposes that companies with slack resources at their disposal have an opportunity to invest in more on CSR activities thus improving its corporate social performance. Waddock and Grave (1997) contributed that the availability of slack resources due to improved financial performance would enable the firm to perform its CSR activities. As cited by McGuire (1988) in the study done by (Gichohi, 2014)“ the insinuation of this approach is that CSR is an extra cost and social actions by companies can only be pursued if the firm has extra resources enhances or cashflows. “the proper use of slack resources can improve the financial performance of an organisation in a positive way. Whereas CSR influences the company’s financial performance there is a different approach when it comes to the direction of causation in this theory where the relationship between CSR and CFP is involved. The financial performance is interpreted as the independent variable and it is the one that drives the corporate social performance which is the dependant variable. (Ahmed & Mahmoud, 2014). However, Zhong (2011) argues that there is no clear evidence to show whether slack resources hinder financial performance. Managers therefore need to make decisions that encourage use of extra resources to engage in useful projects that benefit the business and community which will positively influence performance. (Gichohi, 2014)

2.2.5 Relational theory

This is a social cost theory that is based on the complex-environment relationships. The type of community in which the business operates in determines its corporate citizenship and it is a way in which the business might choose to behave responsibly. According (Kipruto, 2013) to the fundamentals of this theory are based on the relationship between the organisation and the community and so the need for engagement and commitment with the business. “This theory is therefore divided into four different categories namely the stakeholder approach, businesses and the society, corporate citizenship and social contract.” (Kipruto, 2013).

The first category deals with the business in the society where it talks about the power that the business possess is reflected by the social responsibilities it undertakes. Garriga and Mele (2004) contributed that, here the community focuses on the integration of social demands and the organisation focuses on the right thing to achieve a good society. The second category is the is the stakeholder approach. The type of the community in which the business is in determines the relationship it has with the community. In this approach the business is built to
serve the interest of its stakeholders. This means that value is created for all stakeholders of the firm including the community.

The third category of social contract explains an important issue of justifying the morality of economic activities in order to have a basis for analysing the relations between the corporation and the society (Kipruto, 2013). The last category is that of corporate citizenship. According to Vidaver and Altman (2000) this category was introduced into the business and society relationship through practitioners. Meade (1973) argues that the business does not act in a responsible manner due to the fact that, it is not its economic interest but because it is what is expected of the business by the society.

2.2.6 Good management theory
This theory was put forward by Waddock and Graves (1997). This theory proposes that corporate financial performance is generally positively related across a wide variety of industry and study context. It also proposes that the satisfaction of various stakeholder groups is instrumental for organisational performance. It goes on to argue that implicit and explicit negotiation and contracting processes entailed by reciprocal, bilateral stakeholder management relationships serve as monitoring and enforcement mechanisms that prevent managers from diverting attention from broad organisational financial goals, (Jones 1995). Thus, the theory implies that investment in CSR leads to increased financial performance since by addressing and balancing the claims of multiple stakeholders, managers can increase the efficiency of their organisation’s adaptation to external demands.

2.3 EMPIRICAL LITERATURE

2.3.1 Mnyampi M (2016) studied on the relationship between corporate social responsibility and the financial performance of the firm: the case study of Safaricom limited company. The study adopted a descriptive and survey study designs. It used a target population of 1087 employees of Safaricom’s limited key functions. The sample size was of 92 respondents. Data was collected through questionnaires and secondary data which was obtained from Safaricom’s financial statements. The statistical package for social science was used to analyse the data. The study found out that there was a strong positive correlation between CSR and financial performance measures which were ROA, ROE and ROS. The study
concluded that there is a positive correlation between CSR and financial performance. (Mnyampi, 2016)

2.3.2 Igbal et al (2014) investigated corporate social responsibility and its possible impact on firm’s financial performance in the banking sector of Pakistan. The study covered a period of seven years from 2005-2011 and used a sample size of thirty commercial banks that were listed on the Pakistan stock exchange. The study used secondary data to extract from the annual published accounting reports of banks in Pakistan. The study used a pooled regression model to investigate the relationship between CSR and CFP. Donations was a component of CSR as the independent variable and Net profit margins and earnings per share as dependant variables. The study showed that there was a positive significant relationship between CSR and financial performance of the firms, and it was recommended that firms should have ISR policy that should review periodically and implementation policy and such should be approved by the board of governors.

2.3.3 A study by Lim C (2017) was done to seek the relationship between corporate social responsibility and corporate financial performance. The study conducted make use of the multiple linear regression. The regression model used was to assess on the relationship between financial performance and the key indicators (proxies) of corporate social responsibility. The data was taken from 372 firms that were in the S&P500 index in the year 2014. The environment, human rights, employee relations, corporate governance and the community were used as measures of CSR. The environment, community, human rights, diversity, employee relations, product quality and corporate governance were used to measure CSR performance. When these were evaluated, they found out that the community, employee relations, and product quality in the health care had a positive significant effect whilst the environment, corporate governance in the financial sector, employee relations in the consumer and energy sectors were found to be negatively significant. The study showed that there was a significant relationship between financial performance end some of the social variables that were used but this relationship is not always a positive one.

2.3.4 Ogolla G (2013) conducted a research to try and determine the relationship between corporate social responsibility and financial performance of commercial banks in Kenya. The study conducted was try and determine the relationship between CSR and financial performance of commercial banks in Kenya. The study adopted the casual research design. The key determinants of CSR were efficiency, capital intensity and CSR score. The population of the study consisted of 41 commercial banks. Secondary data was obtained from audited
financial reports. On major finding was that there was a strong relationship between the independent variables of CSR and dependant variables CFP. The conclusion was that commercial banks should invest more in CSR to improve on company performance.

2.3.5 Xiping Pan et al (2014) examined the relationship between corporate financial performance and corporate social responsibility using panel data for 228 Chinese mineral listed firms for a period from 2010 to 2013. The study considered five different levels of CSR issues which were, shareholder responsibility, employee responsibility, environmental responsibility, supplier and consumer responsibility in finding the effects of CSR on CFP. The estimation results show the different effects of each proxy of CSR issue on CFP. Each proxy of CSR had a significant relationship with CFP, which were the stakeholders who had close linkage with the firm. The study used the descriptive study design and it used the pooled least squares regression analysis, to analyse data. The study’s findings were that overall CSR had a significant effect on ROA ROE and EPS. Also, shareholder responsibility is mainly positive in relation to a company’s profits.

2.3.6 A study by Cyrus Mwangi & Oyenje Jerotich (2013) tried to find the link between Corporate social responsibility practises and financial performance of firms in the manufacturing, construction and allied sector of the Nairobi Securities exchange. the study focused on ten companies instead of 14 companies because of lack of data. It used secondary data was obtained from the audited financial reports of the firm. CSR scores were obtained using content analysis of reports of the companies on various components of corporate social responsibility as reported in the financial statements. Multiple regression was used to determine the relationship between the two variables. Control variables of manufacturing efficiency and capital intensity were also introduced in the regression model. The results indicated that there is a relationship between independent variables and dependant variable with a correlation coefficient of 0.870. they also showed that there was an insignificant positive relationship between CSR and financial performance. Financial performance and manufacturing efficiency were found to have a significant linear inverse relationship. (Mwangi, 2013)

2.3.7 Van der Laan et al (2007) examined the relationship between Corporate financial performance and CSR. In this investigation of the relationship between CSR and CFP they made use of an extended stakeholder theory and empirical test and also used accounting measures. They added insights from the psychology’s prospects decision theory and sociology’s resource dependence theory. They analysed an extensive panel dataset which
included information on disaggregated measures of CSR from the S&P 500 during the period 1997-2002. They found out that there was a positive sign of the relationship between CSR and financial performance. (Van der Laan, et al., 2008)

2.3.8 A study by Okiro et al (2013) tested the relationship between investment in CSR and sustained growth of commercial banks in Nairobi Country. The study investigated the relationship between banks sustained growth and CSR. The group establishes the relationship between banks sustained growth and CSR. The study revealed an increasing positive attitude towards CSR in terms of investments. They noted that CSR was important for the success of the firm. The research show that CSR activities had a positive impact on bank’s sustained growth. The researcher found out that there was a weak positive relationship between the variables and that only 11% of bank sustained growth could be explained by investing in CSR.

2.3.9 (Madugba & Okafor, 2016) investigated on the impact of corporate social responsibility on financial performance, evidence of listed banks in Nigeria. The study covered a period from 2010-2014. It used a simple regression to analyse data. Data was collected from the financial reports of the banks that were understudy. The regression result showed a negative significant relationship with CSR whilst ROCE had a positive significant relationship with CSR.

2.3.10 A study by Okoth (2012) tested the relationship of CSR and financial performance of large and medium sized banks. The study revealed that CSR had a positive and significant effect on ROA and ROE for all commercial banks when aggregated. They also found that CSRA was good for the financial performance of large and medium sized banks and had no effect on the ROA and of small banks. The researcher concluded that it was not in the interest of shareholders for small banks to engage in CSR activities as doing so could only drain their wealth without return and on medium to large sized banks CSR had a positive effect on financial performance and had no significant effect on the financial performance of banks.

2.3.11 A study by Sahoo and Sahu (2009) concluded that there is a direct correlation between the level of community engagement in a company and the company's overall financial and operational performance. Their conclusion was that high customer engagement increases the level of profit in the business. Furthermore, customer management strategies that maximize individual customer profitability or customer lifetime value (CLV) lead to higher firm performance, (Rust and Verhoef 2005). They established that more relationship with the community is associated with relatively low financial risk. Researchers
concluded that corporate community involvement brings awareness to the community about people’s perceptions of corporations and contributing positively to the financial system.

2.4 Research Gap
Most of the early studies attempting to identify the relationship between CSR and financial performance have focused on subjective techniques to measure CSR. These studies have not, however, demonstrated how a firm’s financial performance would be affected by investing in CSR activities. CSR has put up to date received a reasonable amount of attention from both global and industrial and firm levels, a fundamental question remains unanswered due to varying studies that have produced contradicting results in part aware of the inconsistent measure of CSR and financial performance. The question that is always asked is whether corporate social responsibility leads to profitability and competitive advantage and if so in what ways. None of the studies examined CSR from mining perspective, irrespective of the fact that it has been found to be an important determinant of the effects of CSR on financial performance in addition to conflicting findings done in previous studies. Therefore, the study done was to answer the question what impact CSR has on the financial performance of mining companies specifically Zimplats Ngezi mine.

2.5 Summary
The chapter examined theories and models on the research topic trying to bring back their short comings and thereby justifying the need to carry out the research, brought about by present researches on the topic and what conclusions were given. Having identified the gaps between the current conclusions and required knowledge, the researcher views it fit to take further research on the variables. Now that the relationship between social and financial performance have been fully demystified and of all the issues linked to it, the researcher then moved on to develop a model to test the model. In the next section the researcher explained the method to which he is going to analyse the relationship between CSR and financial performance, with all the problems discussed in this chapter and the methodology that was to be followed. I will also formalise the hypothesis that will be tested in the analysis chapter.
CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction
In the previous chapter the researcher explained the concept of CSR, making a complete overview about its foundation. The study will also enhance to explain the relationship between CSR and CFP by analysing rich existing literature and keys issues that have been analysed by researchers. The next step is to create a model to empirically test all the concepts I mentioned earlier. This chapter explains the methods of investigation that was used by the researcher, the types of data (quantitative or qualitative). It provides a discussion on the research methodology that was used in the study and focuses on the research design, research methods, the validity of the research instruments their reliability and data strategies which may be useful to the area of the study. More so, the regression model and the test of significance are also presented.

3.1 Research design
The study applied the descriptive study design. This design was most suitable because secondary data was used in the study to test the relationship between corporate financial performance and CSR. The research analysed data of Zimplats Ngezi mine from 2009-2017 and was sought to describe how financial performance was associated to CSR. Descriptive study explains the characteristics of a phenomenon hence provides a clear account of how things are, in regard with opinions, facts and attitudes. (Gichohi, 2014). This study assessed facts relating to financial performance and CSR. As cited by Njiru (2013) in (Gichohi, 2014) descriptive statistics helps in analysing large set of quantitative information using standard deviation and mean score

3.3 Research instruments
The researcher made use of Zimplats financial reports of the specified period to gather secondary data, in carrying out the research
3.4 Data collection procedure
The researcher used secondary data. Beri (2000) defined data as the raw facts that are presented to the one conducting a research from the study environment. It is from this data that the researcher draws conclusions for the research study.

3.4.1 Secondary data
Secondary data is the data that was collected in the past to solve other problems and which can now be accepted and used to facilitate decision making. The data requirements that was used by the researcher required the Zimplats financial reports. These were available on their website on the internet and is regarded as a source of secondary data. The researcher made use of the statement of financial position, comprehensive income, annual reports to shareholders and other relevant information relating to the proxies of CSR used in the study.

It is also important to note that secondary data sources can be internal or external. Gathering secondary data is less costly and less timely as compared to primary data as it was already available on the internet. This data also provide solutions to current problems and some information can only be found from secondary sources. Nevertheless, there is no control over the data collection: the data might include some unnecessary information which makes it cumbersome to fetch for the data needed by the researcher. The data might also fail to meet the requirements of the researcher.

3.5 Validity and reliability of data
In the research done by (Gichohi, 2014), Abott and Monsen (1979) described validity as the extent to which a measuring procedure measures the theoretical concept for which measuring procedure is intended. It usually checks whether there exists any consistency between theoretical concept and operationalization procedures. Reliability assesses how data was collected. As described by Kaguri (2012) reliability is a concept that is used for testing and evaluating quantitative research. It involves determining the quality in quantitative study. During the study, data validity and reliability was ensured as data was obtained from reliable sources such as audited annual reports and the company’s websites.

3.6 Data Presentation and Analysis
The researcher made use of various deductive methods of data presentation. CSR proxies for the purpose of this study were the community, environment, employees, shareholders, customers and the suppliers. The researcher presented the data in descriptive forms of simple tables. Tables were used due to their simplicity and easiness of comprehension, that is they are
easy to understand and interpret. The use of these mathematical instruments enhanced the effective interpretation of data and are also very important when making comparisons.

Content analysis was used to determine the score for the CSR based on the number of sentences dedicated to each component of CSR in the company’s annual report. Analysis of data will make use of statistical package of social science which will incorporate data regarding CSR and financial performance. The study used OLS regression to assess the influence of CSR on financial performance and ANOVA test to assess the model significance. The coefficients of regression were used to test the significance of the regression model in explaining the relationship between CSR practices and CFP. The higher the R Squared the better the model. The results were then presented in a tabular form.

3.7 Regression equation

A multiple regression analysis was used to examine the data gathered on six independent categories that made up the CSP score which were the environment, community, suppliers, customers, shareholders and employees and three dependent variable categories that defined CFP which ROA, ROE and ROS. According to Mkansi and Acheampong (2012), the researcher can use multiple regression to assess the effects of each independent variable on one dependent variable and to study the overall effect of some or all the variables acting together toward the outcome.

The relationship was then explained by the below regression models

CFP= $\beta + \beta_1CSR + e$

CFP= $\beta + \beta_1CSR + \beta_2EM + \beta_3EN + \beta_4S + \beta_5C + \beta_6SU + e$

Where: $H_0$: No relationship exists between CSR and CFP

$H_1$: There is a relationship between CSR and CFP

ROA = $\beta + \beta_1CSR + e$

ROE = $\beta + \beta_1CSR + e$

ROS = $\beta + \beta_1CSR + e$

Where:

ROA = return on assets

ROE= Return on equity
ROS = Return on sales
CSR = Corporate social responsibility of the firm
CFP = Corporate financial performance of the firm
e = error term
u = constant
β1 = constant (coefficient) of corporate social responsibility.

3.8 Justification

3.8.1 Corporate Financial Performance measures
The measure of financial performance is not reliant on one metric but on a variety of metrics. These are divided into two metrics that is the market-based metrics and the accounting metrics. In most researches done researchers make use of, the accounting metrics like in the study done by Choi and wang (2009) and Callan and Thomas (2009). According to Wu (2006) accounting based matrices usually incorporate current and short term, financial performance of the organisation as so past researchers found out that, accounting based metrics are better predictors of CFP than market-based measures. According to Bahhouth et al (2014) accounting based measures are based on evaluation of an organisation’s unique characteristics and provide firm management and investors a good source of data about the firm’s past performance. The use of ROA, ROE and ROS is supported by the study done by (Mnyampi, 2016) who used the similar financial proxies to establish the relationship between CSR and CFP.

3.8.2 Corporate Social Responsibility Proxies

3.8.2.1 Community
The community as a CSR proxy was the total of all CSR community projects that Zimplats undertook. The company felt it was necessary to give back to the society through support of those in need like vulnerable orphans and the elderly. This proxy was given in the Zimplats financial reports. The use of the community as a proxy for CSR was supported by previous studies such as (Lim, 2017) also made use of the community as a CSR proxy. He justified that within these variables were indicators of CSR and he established a positive and negative indicator of the community as a proxy of CSR.
3.8.2.2 Environment

The environment as proxy referred to the aggregate environmental permits issued is the proxy for the environment this was obtained from the financial report of Zimplats. As supported by (Lim, 2017) and (Xiping, et al., 2014) who also used the environment as a CSR proxy the researcher also regarded the environment as a proxy. The organisation has got an obligation to cover for all social costs caused by it and to be good steward for the local environment resources thereby making it an important variable.

3.8.2.3 Employees

The proxy of employees is the total number of workers who are permanently employed at Zimplats as reported in the financial statements. As supported by (Lim, 2017) and (Xiping, et al., 2014) who also regarded employees as a CSR proxy the researcher also then regarded it as a proxy. This is because employees are regarded as stakeholders of the firm and by such has got a greater influence on the firm’s financial performance. Thus, making it an important corporate social responsibility variable.

3.8.2.4 Customers

One who buys goods and services from a firm is regarded as a customer. The customer proxy is the total number of appearances in the financial statements, reason being that data of the number of customers is unavailable in the financial reports. As supported by the study conducted by (Ogolla, 2013). This is because customer have got a direct impact on the organisation meaning that they are also stakeholders of the firm.

3.8.2.5 Shareholders

These are the owners of the firm and regards to persons that own at least one share of the company. This proxy of is the number of shareholders of the organisation as reported in the financial statements. (Xiping, et al., 2014) also used the same proxy on their study and as such the researcher found it necessary to use this stakeholder as a proxy for CSR. Also, Margolis et al (2003) used the same proxy as a measure of CSR.

3.8.2.6 Suppliers

This entity is part of the supply chain of a business. The proxy of suppliers was necessary for they are the stakeholders of the firm who directly affect the business. The proxy of suppliers is the number of appearances in the financial statement. This approach was supported by (Ogolla, 2013) who studies on the relationship of CSR and financial performance of commercial banks in Kenya.
3.9 Summary

In this chapter the model was explained and was used to the objectives and they were deeply analysed each variable contained in it. In the next chapter, this was then be used to reach the intended goal. The model developed in this chapter was used in the following chapter now putting it into use so as to get the intended goal.
CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

In the previous chapter, the regression model was presented and the data which was used to test the CSF-CFP relationship. In this chapter, the results of the regression model created in the previous chapter are presented to establish the true relationship between CSR and CFP. The discussion to the relative results will be presented to show if the results produced are in conjunction with previous studies or not.

4.1 Descriptive statistics CSR-CFP

Table 4.1 (Descriptive statistics)

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>9</td>
<td>-5.50</td>
<td>20.50</td>
<td>6.103</td>
<td>8.54554</td>
</tr>
<tr>
<td>ROA</td>
<td>9</td>
<td>.80</td>
<td>27.10</td>
<td>11.1656</td>
<td>8.69103</td>
</tr>
<tr>
<td>ROS</td>
<td>9</td>
<td>3.20</td>
<td>44.80</td>
<td>25.0889</td>
<td>12.88763</td>
</tr>
<tr>
<td>CO</td>
<td>9</td>
<td>12.71</td>
<td>17.19</td>
<td>14.8148</td>
<td>1.38578</td>
</tr>
<tr>
<td>ENV</td>
<td>9</td>
<td>15.66</td>
<td>18.73</td>
<td>16.7542</td>
<td>.85666</td>
</tr>
<tr>
<td>EMP</td>
<td>9</td>
<td>7.14</td>
<td>9.47</td>
<td>9.0796</td>
<td>.73935</td>
</tr>
<tr>
<td>SH</td>
<td>9</td>
<td>7.31</td>
<td>7.51</td>
<td>7.4140</td>
<td>.07765</td>
</tr>
<tr>
<td>SU</td>
<td>9</td>
<td>2.08</td>
<td>4.38</td>
<td>3.7086</td>
<td>.73850</td>
</tr>
<tr>
<td>C</td>
<td>9</td>
<td>1.39</td>
<td>4.43</td>
<td>3.6612</td>
<td>.93274</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.1 clearly displays descriptive statistics of the variables of this study for the period 2009-2017. The table shows a statistical overview of explanatory dependant variables and independent variable. The mean of ROA is 6.11% and ROE it is 11.17% while ROS has a mean
of 25.05%. The value of ROA shows the underutilization of assets at Zimplats meaning on average for every $100 worth of capital expenditure in assets Zimplats is able generate $6.11. In addition, ROE shows that on every $100 worth of capital invested the company reaps a profit of $11.17. ROS is showing a mean of 25.05% meaning that the on average for every $100 of revenue generated the company makes a profit of $25.05.

The standard deviation of ROE is of 8.5455 which is greater than the mean value of 6.11. This means that ROE data is widely spread. There are vast changes in ROE data that is the increases or decreases in the data. The standard deviation of ROA is 8.69 which is below the mean value of 11.17 which means that the data is not widely spread. On ROS the data is not widely spread since there is a less variance and data did not change much for the period under study.

### 4.2 To determine the impact of CSR on ROE of Zimplats

**ANOVA (Analysis of variance)**

Analysis for variance (ANOVA) provides a statistic for testing the hypothesis that $\beta_i \neq 0$ (there is a significant relationship between the dependant and independent variables), against the null hypothesis that $\beta_i = 0$ (there is no significant relationship between the dependant and independent variables). A negative significant effect exists between the variables if the significant or P-value < 0.05 and a positive significant effect exists if P-value >0.05.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>6</td>
<td>90.074</td>
<td>4.116</td>
<td>.208</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>2</td>
<td>21.884</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Total</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As shown in table 4.2, P-Value = 0.208 > 0.05, this indicate that there is a positive significant effect. Which means that as we increase CSR expenditure, financial performance of the firm also improves., that there is no significant linear relationship between corporate social responsibility and financial performance.
4.2.1 Testing for individual CSR variable relationship with ROE

Table 4.3 (Coefficients of the individual variable tested against ROE)

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
</tr>
<tr>
<td></td>
<td>B</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
</tr>
<tr>
<td></td>
<td>CO</td>
</tr>
<tr>
<td></td>
<td>ENV</td>
</tr>
<tr>
<td></td>
<td>EMP</td>
</tr>
<tr>
<td></td>
<td>SH</td>
</tr>
<tr>
<td></td>
<td>SU</td>
</tr>
<tr>
<td></td>
<td>C</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROE

As presented in chapter three, the regression model for ROE is represented as:

\[
\text{ROE} = -1293.866 - 0.1696\text{CO} - 2.345\text{EM} + 1.207\text{EN} + 173.341\text{SH} + 5.771\text{SU} + 5.355\text{C}
\]

4.2.2 Interpretation of results

Regression equation explanation

The hypothesis was tested at 5% significance level to assess the significance of each variable. As shown in table 4.3 employee engagement and the community had a significant negative relationship on ROE (p values <0.05) and environmental contribution, the shareholders, the suppliers and customers had a significant positive influence on ROE (p values >0.05). This therefore led to the rejection of null hypothesis and accepting the alternative hypothesis that there is a significant relationship between CSR and ROE.

Employee engagement had a negative coefficient of 2.34% tested a significance of 5% level of significance. This shows that an increase in employee engagement by one unit will result in a significant decrease in ROE by 2.34%. Therefore, there is a significant relationship between employee engagement and ROE because the P-value is less than 0.05 where (p<0.05) (-2.34<0.05).
The environment had a positive coefficient of 1.207 tested at a 5% level of significance. This shows that an increase in environmental awareness index boosts the return on equity by 1.207%. Therefore, this means that there is no significant relationship between the environment and ROE since \((p >0.05)\) \((1.2047>0.05)\). The community had a negative impact on ROE showing a coefficient of -0.696 which means that expenditure on the community will reduce ROE by 0.696%.

Shareholders also had a positive impact on ROE with a coefficient of 173.341. this implies that the shareholder’s intuition and decision making towards CSR projects. Shareholder responsibility towards CSR improves ROE by 173.341%. implying that it has got a positive effect on ROE.

These results are somehow different with the study carried out by Lim. In their study they revealed that the community and employee relations had a significant positive relationship with CFP and the environment, employee relations had a negative relationship with CFP this may be due to the difference in the countries where the study was undertaken. The economic and social conditions of the area under study are also a factor that might have caused the difference in the results found. Also, the results show a positive relationship between CSR and financial performance, this is line with the results found by Mnyambi (2016). The study by Mnyambi (2016) revealed that there was a positive significant relationship between CSR and financial performance.

4.3 To investigate the impact of CSR on ROA of Zimplats

Table 4.3 (analysis of variation)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>378.837</td>
<td>6</td>
<td>63.139</td>
<td>.560</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>225.434</td>
<td>2</td>
<td>112.717</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>604.271</td>
<td>8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROA
b. Predictors: (Constant), C, EMP, SU, CO, ENV, SH
According to the above table 4.3 the p value is greater than 0.05 (P value= 0.754>0.05) indicating that there is enough evidence to support the notion of the null hypothesis, which means that there is no significant relationship between CSR and Financial performance.

### 4.3.1 Testing for individual CSR variable relationship with ROA

#### Table 4.4 (coefficients of the relationship of individual CSR variables with ROA)

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>719.994</td>
<td>.911</td>
<td>.459</td>
</tr>
<tr>
<td></td>
<td>CO</td>
<td>.577</td>
<td>.092</td>
<td>.169</td>
</tr>
<tr>
<td></td>
<td>ENV</td>
<td>-1.036</td>
<td>-.102</td>
<td>-.162</td>
</tr>
<tr>
<td></td>
<td>EMP</td>
<td>-2.032</td>
<td>-.173</td>
<td>-.327</td>
</tr>
<tr>
<td></td>
<td>SH</td>
<td>91.676</td>
<td>-.819</td>
<td>-.889</td>
</tr>
<tr>
<td></td>
<td>SU</td>
<td>-3.156</td>
<td>-.268</td>
<td>-.323</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>2.685</td>
<td>.288</td>
<td>.403</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROA

As presented in chapter three, the model can be represented as:

\[
\text{ROA} = 719.994 + 0.577 \times \text{CO} - 1.036 \times \text{ENV} - 2.032 \times \text{EMP} + 91.676 \times \text{SH} - 3.156 \times \text{SU} + 2.685 \times \text{C}
\]

### 4.3.2 Interpretation of results

Regression equation explanation

According to Table 4.4 above tested at 5% significance level, shareholders, community and customers had significant positive relation with ROA with coefficients of 91.676, 0.577, 2.685 respectively and supplier, environment and employees had a significant negative influence on ROA with coefficients of 1.3156, 2.032, 3.156 respectively. This then led to the rejection of null hypothesis and accepting the alternative hypothesis showing that there is a significant relationship between shareholder and supplier involvement and ROA.

Shareholder responsibility showed a positive coefficient of 91.676 tested at 5% level of significance. This means that as shareholder involvement increases by one-person, ROA also
improves with the significant increase in this case with a percentage of 91.676%. This is in line with study done by (Xiping, et al., 2014) who also concluded that shareholder responsibility had a positive impact on the company’s financial performance. This means that as the company involves its, shareholders in CSR activities they are likely to experience an improvement in ROA because it is the duty of the shareholders to represent the company to the outside world.

Also, the community had a positive impact with a coefficient of 0.577 showing that community engagement reaps an increase influence of 0.577% on ROA.

Suppliers had a negative coefficient of 3.156 tested at 5% level of significance. Which shows that supplier responsibility affects ROA in a negative way. An increase in suppliers by one unit will result in a significant decrease in ROA by 3.156%. Xiping et al (2014) also found out the same relationship when they carried out their research concluding that the overall CSR affected ROE, ROA and ROS.

These results are in relation to the other studies that were carried out by (Lim, 2017), (Xiping, et al., 2014) who found out that the community and shareholder responsibility have got a positive impact on CFP whilst the environment, employee relations had a negative impact on CFP. Also, Mwangi & Jerotich (2013) who studied on the relationship between CSR and financial performance also found a positive significant relationship between CSR and financial performance.

4.4 To determine the impact of CSR on ROS of Zimplats.

Table 4.5 (Analysis of Variance)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1276.378</td>
<td>6</td>
<td>212.730</td>
<td>8.127</td>
<td>.004b</td>
</tr>
<tr>
<td>Residual</td>
<td>52.351</td>
<td>2</td>
<td>26.175</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1328.729</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROS
b. Predictors: (Constant), C, EMP, SU, CO, ENV, SH
As shown in table 4.5, P-Value = 0.004>0.05, this indicate that there is enough evidence to support the alternative hypothesis, that there is a significant linear relationship between corporate social responsibility and financial performance.

4.4.1 Testing for individual CSR variable relationship with ROS

Table 4.6 (coefficients of the relationship of individual CSR variables with ROS)

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td></td>
<td>-1403.350</td>
<td>380.899</td>
<td>-3.684</td>
<td>.066</td>
</tr>
<tr>
<td></td>
<td>CO</td>
<td>3.715</td>
<td>1.643</td>
<td>.399</td>
</tr>
<tr>
<td></td>
<td>ENV</td>
<td>-.863</td>
<td>3.076</td>
<td>-.057</td>
</tr>
<tr>
<td></td>
<td>EMP</td>
<td>5.741</td>
<td>2.999</td>
<td>.329</td>
</tr>
<tr>
<td></td>
<td>SH</td>
<td>187.921</td>
<td>49.670</td>
<td>1.132</td>
</tr>
<tr>
<td></td>
<td>SU</td>
<td>-5.403</td>
<td>4.708</td>
<td>-.310</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>.982</td>
<td>3.211</td>
<td>.071</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROS

The regression model is represented as:

ROS = -1403.350 + 3.715CO – 0.863EN + 5.741EM + 187.921S +0.982C – 5.403SU

4.4.2 Interpretation of results

Interpretation of regression equation

The hypothesis was tested at 5% significance level to assess the significance of each variable. As shown in figure, most variables had a significant influence on ROS, shareholders, community, employees, suppliers and customers had a significant positive relationship with ROS and environment had a significant negative relationship with ROS (p < 0.05). This therefore led to the rejection of null hypothesis and accepting the alternative hypothesis that there is a significant relationship between CSR and CFP. The model depicted that there is a significant positive relationship between shareholder, community, supplier activities, employee and customer activities and a significant negative relationship between environment and a firm’s financial performance, as measured by Return on Sales. This agrees with the study
carried out by Mnyambi (2016) who found a positive relationship between CSR and financial performance.

Customer engagement had a significant positive effect on ROS with a positive coefficient of 0.982. This means a unit increase in customer engagement in the activities of the business increases performance by 0.982%. This means as the business becomes more conscious about its customers that is trying to create value for their money then the business is more likely to attract more customers thereby increasing sales and if sales increase so does ROS.

Community had a significant positive effect on financial performance with a coefficient of 3.715 and is statistically significant at 5% level of significance. An increase in community involvement by a unit results in financial performance increasing by 3.715%. The results indicated that community involvement in the activities of the business and giving back to the community through projects improves the ROS of the organization as it will attract more customers. This is consistent with Sahoo and Sahu (2009), who found out direct correlation between the level of community engagement in a company and the company's overall financial and operational performance. He concluded that high customer engagement increases the level profit in the business.

Shareholder responsibility had a significant positive effect on financial performance with a coefficient of 187.921 and is statistically significant at 5% level of significance. An increase in shareholder involvement by one person results in financial performance increasing 187.921%. The results indicated that shareholder involvement in the activities of the business improves the ROS of the organization.

Employee involvement has a positive coefficient of 5.741 and is statistically significant at 5% level of significance. This shows that a unit increase in employee involvement result in increase in financial performance by 5.741%.

Suppliers had a negative effect on financial performance with a coefficient of 5.403, statistically significant at 5% level of significance. This shows that for every increase by one supplier in decision making result in decrease in financial performance -5.403%. This shows that too much supplier involvement in the matters concerning the business is unfavourable to the performance of the organization.
Environment has a negative effect on financial performance with a coefficient of -0.863 and is statistically significant at % level of significance. This indicate that a dollar increases in environmental awareness index decreases ROS by -0.863%.

As supported by (Xiping, et al., 2014) who carried out a study on the relationship between CSR and CFP in the mineral industry, evidenced by the Chinese mineral firms, who found out that the environment and suppliers have got a negative relationship with financial performance and the shareholder responsibility, customers, the community had a significant positive relationship.

4.5 Summary

In this chapter was the interpretation of results and the discussion on them in relation to other studies that were carried out. The results as presented above showed that the environment and employee relations and also suppliers mainly had a negative influence on financial performance as measured by ROA, ROE, and ROS. The study made use of the coefficients and ANOVA tests, to test the relationship between CSR and CFP and the researcher used the IBM SPSS package for analysis of the secondary data which as found from the financial reports of Zimplats.
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings of the research, conclusions, recommendations and suggestions for future researches considerations on CSR and financial performance. This study was done with the intention of establishing the influence of CSR and corporate financial performance for firms in the mining sector.

5.1 Summary of findings

The first objective was to find an effect of corporate social responsibility on return on equity. The regression model for ROE found a positive relationship between CSR and financial performance as was shown by the ANOVA and the coefficients of the regressed data. On ROE the significance was above the P-value reflecting a positive relationship between CSR proxies and ROE. Engagement and the community had a significant negative relationship on ROE (p values <0.05) and environmental contribution, the shareholders, the suppliers and customers had a significant positive influence on ROE as measured by the coefficients of regression.

This research also addressed the second objective of the impact of corporate social responsibility on return on assets. The regression model for ROA found a significant relationship between CSR and financial performance and also this relationship was shown by ANOVA. The ANOVA results showed a positive significant effect between CSR and ROA for the P-value > 0.05. Shareholders, community and customers had significant positive relation with ROA and suppliers, environment and employees had a significant negative influence on ROA as measured by the coefficients of regression.

The third objective was to find the impact of corporate social responsibility on return sales. The regression equation for ROS found a positive relationship between CSR and financial
performance. ANOVA showed a positive relationship between CSR and financial performance as the significance showed a relatively positive p-value that is above the 0.05. The empirical results of the study were the same as expected.

5.2 Conclusions
The study findings revealed that a positive correlation between SH, CO and a negative correlation between EM, SU, ENV and financial performance. This then concludes that the community, shareholder, customers and employees affect financial performance positively, environment and supplier affect financial performance negatively as measured by ROE, ROA and ROS. Meaning that undertaking the community, shareholder, employee and customer increase the firm’s financial performance and suppliers, environment had a negative impact on financial performance as it had a negative relationship meaning that as the company increases expenditure in environment financial performance will suffer for, they have a negative relationship. There is a very little impact of the positive impact which the environment had on return on assets the study concludes that as the company increases its environmental awareness financial performance also reduces as measured by the other two variables that make up CFP. However, the notion produced cannot be ignored even though it is of less significance which shows that there is a positive relationship between the environment and ROE which implies that as we increase the environmental index ROE also increase with the proportionate increase.

In general, the study draws into conclusion that CSR activities influences the company’s financial performance. As the firm engages more in CSR activities such as improving living standards of the community it will attract investors and sponsors.

5.3 Recommendations
The study recommends that the management might not necessarily need to incur high costs on CSR activities, this is because the anticipation of enhancing their financial sustainability factors, for the CSR scores for ROE and ROA could not significantly explain financial performance. It is necessary for the management to carry out a cost benefit analysis on any CSR projects they wish to embark on to determine the reward the firm gets from the project and to determine if the costs will not overstretch the finances of the firm. This makes sure that the firm remain a socially responsible organisation without adversely affecting the shareholder’s funds.

Due to the fact that a business operates in a community and it also needs reputation and goodwill the researcher recommends that firms should be socially responsible to achieve these
benefits and enhance the value of the firm. This is because if a firm is not viewed as a socially responsible organisation it will have a negative perception in the market.

The CSR policy should be put under the comply or else approach so that it becomes compulsory to all firms. In Zimbabwe there is no recognised CSR policy that is place (Matahwa 2007). So, the study recommends that there should be a CSR policy that governs the CSR activities of firms and this policy should be put under the comply or else approach.

5. Suggestions for further research
As noted in the study there is lack of transparency in the mining sector and this makes it difficult to obtain the financial performance of any mining company. The researcher would propose on a research on this topic looking at all mining companies in Zimbabwe as the model would produce different results. A study can also be done now looking at the impact of CSR on small scale miners for the same period that was under review.


Shnayder, L., Rijnoever, F. & Hekkert, 2015. 'Putting your money where your mouth is: Why sustainability reporting based on the triple bottom line can be misleading'. *PLoS ONE*, Volume 10, pp. 1-23.


### APENDIX 1

<table>
<thead>
<tr>
<th>year</th>
<th>ROA</th>
<th>ROE</th>
<th>ROS</th>
<th>CO</th>
<th>ENV (LN)</th>
<th>EMP(LN)</th>
<th>SH(LN)</th>
<th>SU(LN)</th>
<th>C(LN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-3.8</td>
<td>4.6</td>
<td>21.6</td>
<td>17.191</td>
<td>15.664</td>
<td>9.053</td>
<td>7.4799</td>
<td>3.178</td>
<td>1.386</td>
</tr>
<tr>
<td>2010</td>
<td>15</td>
<td>0.8</td>
<td>41.2</td>
<td>12.714</td>
<td>16.485</td>
<td>9.166</td>
<td>7.481</td>
<td>3.332</td>
<td>3.332</td>
</tr>
<tr>
<td>2011</td>
<td>20.5</td>
<td>7.8</td>
<td>44.8</td>
<td>14.115</td>
<td>16.33</td>
<td>9.308</td>
<td>7.482</td>
<td>3.784</td>
<td>3.555</td>
</tr>
<tr>
<td>2016</td>
<td>0.6</td>
<td>22.6</td>
<td>3.2</td>
<td>13.744</td>
<td>16.891</td>
<td>7.142</td>
<td>7.318</td>
<td>4.2195</td>
<td>3.951</td>
</tr>
</tbody>
</table>