



**SCHOOL OF GRADUATE STUDIES**  
**FACTORS AFFECTING PRACTICE OF CORPORATE SOCIAL**  
**RESPONSIBILITY IN CASE OF MANUFACTURING COMPANIES**  
**OPERATING IN GURAGE ZONE, WOLKITE ETHIOPIA.**

**MBA THESIS**

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**Factors Affecting Practice of Corporate Social Responsibility in Case of Manufacturing Companies Operating in Gurage Zone, Wolkite; Ethiopia.**

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## APPROVAL SHEET

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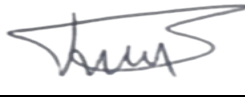
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## DECLARATION

With the help of my advisors, Tasew Shedaga (PhD), I certify that my thesis, "Factors Affecting Practice of Corporate Social Responsibility in Case of Manufacturing Companies Operating in Gurage Zone, Wolkite; Ethiopia," is entirely original. Every source of information used in the thesis has been properly credited. I additionally attest that the thesis has not been submitted, in whole or in part, to any other university for credit toward a degree.

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## ACRONYMS

CSR: Corporate social responsibilities

CSP: Corporate social performance

RDT: Resource dependent theory

RBT: Resource based theory

PR: Philanthropic Responsibilities

LP: Employee demand

CD: Customer demand

SL: Social license

SU: Sustainability practice

SLO: Social license to operate

UNDP: United nation developmental program

CSA: Central statistical agency

PLC: Private limited company

HC: Human Competence

## ABSTRACT

*This study examines factors influencing corporate social responsibility (CSR) practices among manufacturing companies operating in Gurage Zone Ethiopia, focusing on humanistic culture, community participation, government policy, customer knowledge, and employee attitudes. Using a quantitative method approach with 297 respondents, the research found that these factors significantly and positively impact CSR practices. Specifically, a company's humanistic culture had the strongest influence (44.5%), followed by employee attitude (23.0%), community participation (18.3%), customer knowledge (8.1%), and government policy (7.5%). The findings suggest that CSR success depends on internal culture, stakeholder engagement, and regulatory compliance. For effective CSR implementation, companies should prioritize community involvement, employee well-being, and responsiveness to government and media expectations. Understanding these determinants can help firms enhance their CSR strategies, improve stakeholder relations, and contribute to sustainable development. The study underscores the importance of addressing specific, tangible issues in CSR communication to increase public receptivity.*

*Key Words: Customers knowledge, employees' attitude, community participation, government policy, humanistic culture, and corporate social responsibility.*

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# CHAPTER ONE

## 1. INTRODUCTION

### **Introduction**

This chapter deals about background of the study; statement of the problem; objectives of the study; significance of the study; scope of the study; limitations of the study; operational definition of key terms, and organization of the study.

### **1.1. Background of the Study**

Corporate Social Responsibility (CSR) has become a basis of modern business strategies, showing the need for companies to address social, environmental, and economic challenges while enhancing profitability. Stakeholder involvement, economic growth, environmental protection, ethical approach, responsible practice, moral obligation, accountability, and company responsiveness are only a few of the various facets of corporate social responsibility (Rahman and Post, 2012). Corporate social responsibility appears to further some social good beyond the profit-making existence of business enterprises when a business enterprise conforms to sound ethnics and core values as global citizens and local neighbors in a fast-changing world (Williams, 2000).

Corporate Social Responsibility (CSR) in the manufacturing sector includes a range of practices aimed at addressing the environmental, social, and economic challenges associated with industrial activities. These practices are essential to overcome the negative impacts of manufacturing processes, improve stakeholder relationships, and align business operations with sustainability goals (Porter & Kramer, 2011).

In Ethiopia, the manufacturing sector plays a crucial role in national economic development, contributing to industrial growth, job creation, and export revenues (Ministry of Industry, 2020). However, rapid industrial expansion has also brought significant challenges, including environmental pollution, improper waste management, and labor-related concerns. The need for manufacturing companies to perform CSR practices has become more pressing in light of these challenges, particularly in smaller urban centers like Wolkite Town, located in the central Ethiopia Regional state (Ministry of Industry, 2020).

Gurage zone has experienced increasing industrial activity in recent years, with manufacturing companies emerging as contributors to the local economy. Studies have shown that CSR implementation in developing regions is often influenced by a combination of internal and external factors (Visser, 2008). Internal factors include leadership commitment, organizational culture, and financial capacity, while external factors encompass government regulations, stakeholder pressures, and community expectations.

In the context of Gurage zone, several barriers to effective CSR adoption have been observed. Weak regulatory enforcement, limited awareness of CSR benefits, financial constraints, and cultural attitudes toward corporate responsibility are some of the challenges faced by local manufacturers (Esubalew & Berihun, 2019). Additionally, the socio-economic dynamics of the town, such as limited community engagement and inadequate infrastructure, further complicate CSR implementation.

Minda Yirga et al. (2020). A close look at the scale of the initiating factors in the implementation of CSR indicated that the manufacturing companies in Gurage zone implement CSR because of economic performance with mean (4.00) and standard deviation of (1.19), pressure from third party with a mean value of (3.98) and standard deviation of (0.842), improving reputation of the company with mean value of (3.70) and standard deviation of (0.996), customer loyalty with rated (3.66) and standard deviation of (1.28) and employee motivation with (2.18) and standard deviation of (1.202).

This research aims to investigate the factors affecting CSR in the case of manufacturing companies operating in Gurage zone. By examining both internal and external determinants, the study aimed to identify the key barriers and enablers of CSR practices in this specific context. The findings will contribute to the growing body of literature on CSR in developing economies and provide actionable insights for local policymakers, business leaders, and other stakeholders to promote sustainable and socially responsible manufacturing practices.

## **1.2. Statements of the Problem**

The global changes in the economy, environment, and society are currently the most important factor in all organizations (Martínez-García et al., 2018). Corporate social responsibility (CSR) is becoming an increasingly significant part of the business world as stakeholders in the industry are more concerned about a company's involvement in many economic, environmental, and social elements than just producing profits to stay in operation (Dunay et al., 2021).

While many people may not be familiar with the concept of Corporate Social Responsibility, there is a growing desire for businesses to be socially conscious (Carroll & Shabana, 2010). The interaction between society and its organizations is reflected in corporate social responsibility (Choi et al., 2020; Ahmad et al., 2020). Numerous complaints against private sector companies for not engaging in public services and enhancing citizen welfare have led to an increase in the significance of corporate social responsibility (Hammouri et al., 2021; Kaddumi & Ramadan, 2012).

Carroll and Shabana (2010) articulate that CSR is not merely a moral obligation but a strategic imperative that aligns business operations with societal needs, potentially yielding competitive advantages. Similarly, Visser (2006) highlights the unique drivers of CSR in developing countries, where socio-economic conditions, governance structures, and cultural contexts shape corporate behavior.

Carroll (2016) reported that the bulk of people on Earth reside in developing nations, each of which faces distinct social, political, and environmental challenges. These industrializing nations frequently have unstable governments, high rates of unemployment, restricted technological capabilities, unequal wealth distribution, erratic water supplies, and underutilized manufacturing resources. The employment of child labor, poor or unpaid salaries, unequal career possibilities, workplace health and safety issues, and increased pollution are only a few of the negative social and environmental repercussions of these techniques, despite their obvious economic benefits (Carroll, 2016).

As a result of environmental and social forces including globalization, economic expansion, investment, and corporate activity, developing countries will be compelled to implement CSR practices (World Bank, 2005).

Tadele et al. (2022) explore CSR's impact on sustainable development but acknowledge the need for studies focusing on regional zones like Gurage, where socio-economic and cultural contexts differ significantly. Desta and Workneh (2019) point out that many companies struggle to reconcile profit-making objectives with CSR commitments, often citing a lack of standardized guidelines, insufficient governmental support, and low levels of community involvement as major obstacles.

In this sense, unlike their counterparts in developed countries, civil society organizations in developing countries do not foster responsible investment and do not serve as sources of social responsibility (Nigatu, 2015).

According to many researcher's, Ethiopian businesses are primarily focused on ensuring their financial survival rather than corporate social responsibility (CSR). Mulugeta and Muhammednur (2022) examined the factors influencing the corporate social responsibility (CSR) practices of mineral water bottling companies in the Dire Dawa Administration. Their findings indicated that the following factors significantly influence CSR practices: labor pressure, community pressure, customer demand, and social license to operate.

According to a study done by Minda Yirga et al. (2020) titled "Assessment of Corporate Social Responsibility: The Case of Manufacturing Companies in Gurage Zone, Ethiopia." described the practice of CSR in manufacturing companies that are operating in Gurage zone as, even if the manufacturing companies involved in CSR practice, the companies are not involved in a regular basis. In addition, the major goals of these manufacturing companies are profit maximization. A CSR strategy is a road map for moving ahead on CSR issues. It sets the firm's direction and scope over the long term with regard to CSR, but the companies CSR activities does not relate with their business strategy. In addition to this, the managers of the companies argued that the firms did not have CSR strategy, policy and procedures.

A question is raised on the mind of the researcher what factors affect manufacturing companies operating in Gurage zone to practice corporate social responsibilities and to include CSR policies with their business policies? This is a major deriving force to do a research on factors affecting CSR practice in the case of manufacturing companies operating in Gurage zone.

In order to offer suggestions for encouraging ethical company conduct and sustainable growth in the community, the researcher also will see to determine the elements that impact the choice to put CSR practices into effect while some people in Ethiopia participate in Corporate Social Responsibility (CSR) activities, others do not. In order to make recommendations for encouraging ethical business conduct and sustainable growth in the community, the researcher will also consider to determine the elements that impact the choice to put CSR practices into effect. The researcher is also driven by a desire to add to the body of knowledge already available on corporate social responsibility in developing nations, especially Ethiopia. Consequently, the purpose of this study was to look into the factors that influence the manufacturing companies operating in Gurage zone in Ethiopia's CSR practices.

### 1.3. Research Questions

This study addressed the following questions:

#### **External factors**

- What is the effect of government policy on CSR practice of manufacturing companies that operate in Gurage zone?
- What is the effect of community participation on CSR practice of manufacturing companies that operate in Gurage zone?
- What is the effect of customers' knowledge on CSR practice of manufacturing companies that operate in Gurage zone?

#### **Internal factors**

- What is the effect of employees' attitude on CSR practice of manufacturing companies that operate in Gurage zone?
- What is the effect of company's humanistic culture on CSR practice of manufacturing companies that operate in Gurage zone?

### 1.4. Objective of the Study

#### 1.4.1. General Objective

The general purposes of this study was to investigate the major factors that affect practice of CSR in manufacturing companies that operate in Gurage zone.

#### 1.4.2. Specific Objectives

These were the specific objectives that the student researcher tried to achieve:

- To examine the effect of government policy on CSR practice of manufacturing companies that operate in the study area.
- To measure the effect of community participation on CSR practice of manufacturing companies that operate in the study area.
- To measure the effect of employee's attitude on CSR practice of manufacturing companies that operate in the study area.
- To find out the effect of customer's knowledge on the practice of CSR in manufacturing companies that operate in the study area.
- To assess the effect of company's humanistic culture on CSR practice of manufacturing companies that operate in the study area.

### **1.5. Significance of the Study**

The research's conclusions will be significant and very helpful to many different groups. It will aid in the upper management of the manufacturing company's comprehension of the requirements and needs of the community in which they conduct the business. Additionally, it would assist them in discovering the variables that influence their corporate social responsibility practices so that appropriate action may be taken. The findings will be used by the government and corporate policy makers to inform new policy considerations, particularly those related to sustainability and environmental concerns. This will allow them to develop a new plan for promoting environmental protection through waste recycling, consumer protection, product safety, and workplace hygiene. In terms of information on corporate social responsibility (CSR), knowledge and awareness of social issues, environmental safety, employment, health issues, and other benefits in CSR, the stakeholders of the organizations, including society at large, would greatly benefit. Given that corporate social responsibility (CSR) is still in its infancy in Ethiopia, the researcher hopes that this study will serve as a resource for future research on the topic and as a springboard for other academics.

### **1.6. Scope of the Study**

The geographical scope of the study was limited to investigating factors affecting corporate social responsibilities in manufacturing companies operating in Gurage zone. In the zone there are eighteen (18) manufacturing companies currently operating in nine (9) different business areas. Among these manufacturing companies seven (7) are resided in urban area and the remaining 11 are in rural area.

From a conceptual standpoint, the study's major focus was on identifying the factors that influence corporate social responsibility (CSR) practices. Even though there are many determinant factors that can be used in research, only five predictors were chosen for the study about the determinants of CSR. These include the company's humanistic culture, as well as the employee's attitude, customer's knowledge, community participation, and government policy. The reason why the researcher chosen the factors is that these five factors represent both internal (company's humanistic culture, employee attitude) and external (customer knowledge, community participation, government policy) influences on CSR practices. They align with stakeholder theory (Freeman, 1984) and the triple bottom line approach (Elkington, 1997), which emphasize the role of economic, social, and environmental factors in CSR decision-making.

. Additionally, because structured questionnaires were used, methods utilized to gather data during performing the study was quantitative. In order to lower sample error and increase the population under study's representation, the sampling technique was probability sampling, which include stratified sampling and simple random sampling. The collected data was analyzed using inferential and descriptive statistics using SPSS version 25 software.

### 1.7. Limitation of the study

Adequate and reliable information is important to undertake any kind of study. However, this study has faced the following limitations:

First, the target participants in this study were in manufacturing companies that operate in Gurage zone and generalization of this research topic was difficult to make to other area in the country because of this limited sample size, conclusions and generalizations could be made.

Second, the research limited to five determinants of corporate social responsibility (variables) and there would be other determinants which can affect corporate social responsibility.

Third, the research used only questionnaire and researcher would have used other method of data collection to get a comprehensive view of the research.

Fourth, the research used only a cross-sectional study design and would have used other study designs to identify the determinants of corporate social responsibility. Future research may look into this issue and could narrow the gap

### 1.8. Operational definition of terms

Here below are some of the definitions of key words in this study proposal.

- **Corporate social responsibility** as “actions that appear to further some social goods, beyond the interest of the firm and that which is required by law (McWilliams and Siegel, 2001).
- **Legal Responsibilities:** Legal activity includes performing in a manner consistent with expectations of government and law (Cherobon, 2014).
- **Economic responsibility:** It is a firm’s responsibility to maximize earnings per share and to earn as much profits as possible (Carroll, 1991).
- **Philanthropic Responsibilities:** It covers the activities of the company that show the company is like a good citizen which includes participation in supporting the arts, education, and other sectors that can enhance the quality of life in society (Kesto, 2017; Famiyeh, 2017).

- **Ethical responsibility** as the voluntary actions taken by firms to promote and achieve the goals for the society that goes beyond economic and legal responsibility (Carroll and Shabana, 2010).
- **Humanistic culture**: When a firm's members not only care for their own needs and interests but also prioritize the needs and interests of others (Galbreath, 2010).

## 1.9. Organization of the Thesis

There are five chapters in the entire thesis. The problems statement, research questions, research objectives, significance of the study, scope, and organization of the study are included in the first chapter.

The theoretical and empirical literatures' debate section are covered in the second Chapter. The conceptual underpinning of the study is also included. The research methodology, which includes the model formulation, sample size and sampling strategies, data sources and collection methods, data analysis methods, and ethical considerations, are presented in the third chapter.

Data analysis and interpretation—specifically, data gathered from questionnaires and interview are covered in the fourth chapter. Chapter five concluded the research findings and suggested potential directions for future research.

# CHAPTER TWO

## 2. REVIEW OF RELATED LITERATURE

### Introduction

This chapter focuses on providing theoretical review and empirical models that are relevant to the present work of the study. The theoretical review for factors affecting corporate social responsibilities is clearly set up discussing all the important factors related to the topic. The purpose of this part of the research work is to set up a foundation for the theoretical frame of corporate social responsibilities concepts. Moreover, it also presents the findings of previous researchers work and different author's ideas that puts ground particularly for setting hypothesis and conceptual framework of the study that what the researcher wants to work on.

### 2.1. Theoretical Framework

#### 2.1.1. Concept of Corporate Social Responsibility

Since there is no single universally accepted definition of CSR many scholars defined in different ways with different language but with a relatively similar idea (Carroll, 1999). CSR can be defined as a voluntary as well as obligatory activity of a business or an institution towards labor treatment, consumer protection, community welfare, environmental protection, human rights, transparency and anti-corruption, health and quality of life to enhance economic, social, political, ethical and environmental standards of the society as a whole (Carroll, 1999).

Paul (2007) explained corporate social responsibility (CSR) is also known by several other names. These include corporate responsibility, corporate ethics, corporate citizenship or stewardship, corporate accountability, responsible entrepreneurship, are to name just a limited. As CSR matters become progressively incorporated into modern business performs, there are inclinations towards mentioning it as “responsible competitiveness” or “corporate sustainability” (Paul, 2007)

Carrol (1999) explains corporate activities as a pyramid of responsibilities with economic responsibilities at the bottom, followed by legal, then ethical, and with philanthropic responsibilities at the top. Carrol (1999) argues that CSR is about taking responsibility for the pyramid's top parts, as well as the economics and legal responsibilities of the firm and significantly points out that CSR includes philanthropic contributions, however, is not limited to it and also developed this reasoning and explains that these responsibilities are less important than the other three categories.

This is because firms are not seen as irresponsible if they do not fulfil these responsibilities. To fulfil all responsibilities firms should be profitable, while operating within the boundaries of the law, be ethical, and be a good corporate citizen (Lantos, 2001)

Corporate social responsibility (CSR) has been argued since the 1950s. The contemporary CSR (also called corporate responsibility, responsible business, corporate social opportunity, and corporate citizenship) covers the relationship between the corporations and the society within which they interact (Werther, & Chandler, 2010). However, slight theoretical and empirical consideration has been devoted to understanding the reasons that why or why not organizations act in socially responsible ways (Galbreath 2010; Rowley & Berman, 2000)

Most of the theoretical and empirically concerned with a study on this matter has shed light on relationships between CSR and corporate financial performance (Cambel 2007; Rowley 2000). The most emphasis there has been being on determining the impact of CSR on financial performance rather than on determining the drivers of corporate social responsibility as well as corporate performance (Galbreath 2010). Corporate social responsibility consists of the economic, legal, ethical, and discretionary responsibilities of firms towards their stakeholders (Maignan & Ferrell 2000).

According to Dahlsrud (2008), a study of numerous explanations and indicated that CSR is the activities through which companies attempt to develop all their actions concerned with the five organizational dimensions: stakeholders, economic, voluntariness, social, and environmental. They demarcated corporate social responsibility as activities of companies carried out to meet the economic, legal, ethical, and discretionary responsibilities that are imposed on them by their stakeholders (Dahlsrud, 2008). Economic responsibility refers to producing profits and meeting consumer needs, and the legal responsibility of firms is to fulfill their economic operations and mission within a legal framework. Concerning ethical responsibilities, firms should obey moral rules defining appropriate behaviors in society. Lastly, discretionary responsibilities are those corporate actions that are not compulsory but are expected by stakeholders as an indication of good citizenship (Galbreath, 2010)

The operational definition of CSR focuses on the stakeholder management framework rather than society in general because this defines that companies are accountable to their stakeholders (Maignan, 2000). Stakeholders are those whose welfares are related to the companies, and they can be shareholders, investors, suppliers, employees, and customers. Governments are also stakeholders

as they provide arrangements and their laws must be followed. Communities and even the natural environment is also stakeholder (Ferrell, 2000).

Marrewijk (2017) stated that often biased toward specific interests and thus prevent the development and implementations of the concept. Not only has the issue become commonplace in the business press and among business and political leaders but a body of academic literature has also emerged around it (Walsh et al., 2003)

Still, little theoretical consideration has been devoted to understanding why or why not companies act in socially responsible ways (Cambell, 2007). Certainly, much of the literature on corporate social responsibility was more descriptive or regulative than positivist in tone (Maignan & Ralston, 2002). Theorized corporate social responsibility as inspiring ideologies (directed by values, stakeholders, performance); processes (programs and activities to implement the CSR principles and/ or handle specific stakeholder issues, including philanthropic, sponsorships, volunteer, code of ethics, quality, health, and safety, and managing environmental impacts); and stakeholder issues (community, customer, employee, shareholders, suppliers).

Corporate social responsibility (CSR) can be categorized as a charming ground of study with «suggestions for university, business and people» which are value devotion (Okoye, 2009). Regardless of the concern to the theme and comprehensive theoretical dialogue, there is still a considerable absence of agreement regarding a correct or universal definition of CSR. Even hasty inspections of external resources on CSR lean towards to propose that there is a propensity to the progression of business conduct and changes of the model (Yevdokimova et al., 2019)

The present literature also reminds us of the diversity of CSR in different countries, which should also be taken into consideration e.g. the Canadian (Montreal school of CSR), the Continental European, and the Anglo-Saxon approaches to CSR have their specifics (Saether, et al, 2008 cited by Yevdokimova et al., 2019).

These differences are known as a belief and clichés, some of the examples are, for Chinese consumers, a socially responsible company makes safe, high-quality products; for Germans, it provides secure employment; in South Africa, it makes a positive contribution to social needs such as health care and education. And even within Europe, the discussion about CSR is very heterogeneous (Marques et al., 2014)

The most common method of CSR is corporate philanthropy. This includes monetary donations and aid given to non-profit organizations and communities. These aids could be made in areas such as the arts, education, housing, health, social welfare, and the environment, among others, excluding political contributions and commercial event sponsorship (Marquis & Tilcsik, 2016)

Theoretically, CSR is not a traditional management instrument, thus it can be observed as a moral duty rather than a business tactic which is strengthening the need for clear guidance and a deeper understanding of social responsibility (Zwetsloot, 2003). A different suggestion is possible when CSR is broken down into manageable pieces and processes. CSR must be defined to contain several minimum requirements and to entail a system of corporate accountability through regulatory intervention and enforcement of responsibilities (Hack et al., 2003).

According to the Commission of European Union (2001), the definition of CSR is a concept by which organizations incorporate environmental and social subjects in their business dealings and in their collaboration with their stakeholders on a voluntary foundation.

#### **2.1.2. Development of Corporate Social Responsibility**

The concept of CSR has had a long and varied history in the literature. Even though orientations to CSR occurred several times before the 1950s, that decade accompanied what might be called the “modern era” concerning CSR definitions. Howard Bowen’s (1953) book *Social Responsibilities of the Businessman*, stands out during this period. It was proposed that Bowen deserves the appellation of the Father of Corporate Social Responsibility. In the 1960s, the literature on CSR developed considerably. Most of this definitional literature was promulgated by academics, and the names that seemed to dominate that period included Davis, Frederick, McGuire, and Walton. (Okpara & Kabongo, 2013)

Descriptions of CSR initiated to flourish in the 1970s. The meanings of CSR became more specific; also during this time, alternative emphases, such as corporate social responsiveness and CSP, became commonplace. The most notable contributions to the definitional construct during the 1970s included the works of Johnson, Davis, Steiner, Eells and Walton, Sethi, Preston and Post, and Carroll.

In the 1980s, we witnessed fewer original definitions of CSR, more attempts to measure and conduct research on CSR, and alternative thematic frameworks. In terms of definitional contributions, the contributions of Jones, Drucker, Wartick, and Cochran, and Epstein stood out (Gond & Moon, 2011)

Finally, in the 1990s, the CSR concept transitioned significantly to alternative themes such as stakeholder theory, business ethics theory, CSP, and corporate citizenship. During that period, it should be noted that writers did not reject the CSR concept, but there were no new definitions added to the body of literature. Wood (1991) extended and set forth a CSP model that took CSR matters. During that time, there was a continuation of a trend begun earlier to operationalize the CSR concept and to articulate other concepts that were consistent with CSR theory but that took alternative emphases or themes as their centerpiece. In virtually all cases, these new directions and themes were consistent with and built on the CSR definitions and constructs discussed in this article (Rosli et al., 2017)

Furthermore, presently the word CSR remains vigorous. As we exclude the 1990s and focus forward to the new period, it is predictable that devotion will be given increasingly to measurement initiatives as well as theoretical advances. For these ideas to develop more, empirical research is undoubtedly required so that practice may be submissive with theory. The CSR concept will remain a vital part of business language and practice because it is a vital support to many of the other theories and is repeatedly reliable with what the public thinks of the business community today.

As theory is developed and research is conducted, scholars may review and familiarize current definitions of CSR, or new definitions may come into the literature; however, at present, it is hard to imagine that these new concepts could develop apart and distinct from the groundwork that has been established over the past half-century. In this context, it appears that the CSR concept has a bright future because, at its core, it addresses and captures the most important concerns of the public concerning business and society relationships (Carroll 2021)

### **2.1.3. Dimensions of Corporate Social Responsibility**

One of the most common and highly cited models detailing approaches to CSR is Carroll's four-part models. Carrol (1999) regards CSR in a four-stage conceptualization framework that includes economic responsibilities, legal responsibilities, ethical responsibilities, and discretionary responsibilities. These four categories are shown as a pyramid, in which the economic responsibilities are the foundation for all other types of CSR.

#### **A. Economic Responsibility**

Businesses were initially established as commercial entities with the goal of serving the needs of the general public by offering goods and services. Business organizations served as our society's fundamental economic unit before anything else (Carroll 1991). Establishing oneself as the main

driving force behind enterprise was the main goal. Companies were established to provide required and desired goods and services to customers (Carroll, 1991). Carroll (1991) elucidates that dependable performance is critical for firms to optimize earnings per share and generate maximum profits. The author also emphasized the significance of CSR in maintaining a strong and competitive position in the market. To reach a high level of operation efficiency and to have a successful organization by being defined as one corporation that is consistently profitable (Carroll, 1991).

### **B. Philanthropic Responsibilities**

Corporate philanthropy, or corporate giving, is a crucial component of the relationship between businesses and the community (Moharana, 2013). Businesses all throughout the world generously support their communities each year by contributing in a variety of ways to nonprofit organizations. Corporate and foundation gifts typically fall into one of three categories: monetary gifts to charities, in-kind gifts (gifts of goods or services), or volunteer labor (gifts of time). The difference between ethical responsibilities and philanthropy is that the former is not demanded in a moral or ethical sense. Corporate philanthropy, or corporate giving, is a crucial component of the relationship between businesses and the community (Moharana, 2013). Businesses all throughout the world generously support their communities each year by contributing in a variety of ways to nonprofit organizations. Corporate and foundation gifts typically fall into one of three categories: monetary gifts to charities, in-kind gifts (gifts of goods or services), or volunteer labor (gifts of time). The difference between ethical responsibilities and philanthropy is that the former is not demanded in a moral or ethical sense voluntary participation in charitable activities provided by the community, and assistance provided by the firm to projects that enhance quality of life (Ajao et al., 2020).

### **C. Ethical Responsibilities**

Carroll and Shabana (2010) defined ethical responsibility as the voluntarily undertaken by businesses to advance and accomplish societal objectives that transcend financial and legal obligations. Public expectations of businesses' social contributions are growing, yet businesses' perceived social objective achievement is gradually deteriorating (Siddiq and Javed, 2014; Chemwile, 2017). In spite of this, business and society exchange implicit knowledge that is inherent to humanity, which fosters the development of a moral fabric. Standards, conventions, and expectations that show consideration for what customers, staff, shareholders, and the

community believe to be reasonable, fair, or consistent with upholding or protecting stakeholders' moral rights are collectively referred to as ethical duties. Ethical responsibilities may be seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect a higher standard of performance than that currently required by law (Mekonen, 2018).

Ethical responsibilities in this sense are often ill-defined or continually under public debate as to their legitimacy, and thus are frequently difficult for business to deal with. The implicit standards of ethical behavior indicated by an examination of the major ethical principles of moral philosophy are superimposed on these ethical expectations originating from societal groups. This would cover ideas like utilitarianism, fairness, and rights. Over the past ten years, the business ethics movement has made ethical responsibility a recognized component of corporate social responsibility (CSR) (Nasieku and Olubunmi, 2014; Mekonen, 2018).

The concept of ethical responsibility extends beyond merely fulfilling legal and financial obligations meeting societal norms that are not codified in law, such as upholding the rights of individuals in society and acting in a way that is just and fair, is a component of ethical responsibility (Tuan, 2017).

#### **D. Legal Responsibilities**

Legal activity includes acting in a way that complies with the law and the expectations of the government, following numerous federal, state, and local regulations, abiding by the law as a corporate citizen, fulfilling all legal obligations successfully, and providing goods and services that at the very least abide by the bare minimum of requirements (Cherobon, 2014). However, the problem of the legal side demands that companies adhere to and legally consent to the host nation's frameworks. Legal obligations represent a perspective on the altruistic duty of "codified ethics" in that they represent fundamental principles of just practices as defined by our legislators (Mekonen, 2018).

CSR, according to Carroll (2016), is the idea that businesses choose voluntarily to make contributions to a cleaner environment and a better society. Companies must be forced to uphold their environmental obligations since their main focus on generating profits inevitably results in social costs or outside expenses that are required to generate environmental value but are not covered by producers. The bulk of people on the planet, according to Osisoma (2015), reside in developing nations, each of which faces particular social, political, and environmental

challenges. Businesses should follow the law, just as society expects them to, as management want to see a profit as a reward for their hard work and efficiency. In its most basic form, the law serves as a representation of the fundamental guidelines that govern how company is expected to operate (Kesto, 2017).

Rapid industrial development has led to the pursuit of policies intended to increase foreign investment, and these investors are frequently eager to begin taking advantage of tax breaks and low labor costs. Furthermore, according to Tuan (2012), this obligation encompasses the legal obligations that a nation's laws impose on businesses, both good and negative. As a matter of fact, legal responsibility might also mean abiding by laws pertaining to taxes, worker safety, or the environment.

This study used Carroll's four dimensions of CSR model as dependent variable those are economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility because the four-part Carroll's model the most widely accepted and cited model and concerning the practice as well as the activity of the CSR.

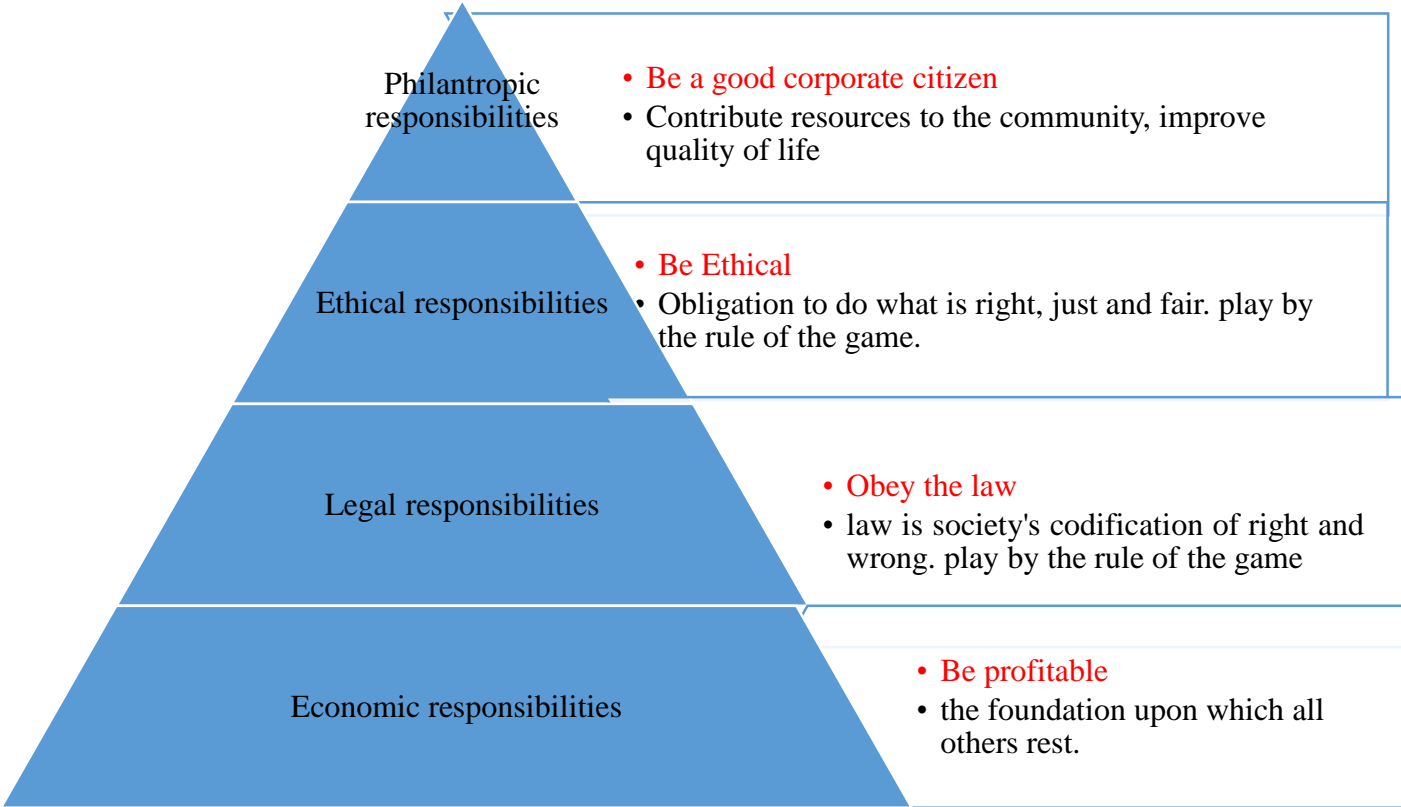


Figure 2.1: Carroll's model of CSR

#### 2.1.4. Theory of Corporate Social Responsibility

There are different of theories in the concept of CSR which are premeditated in different perspectives. In reality, most CSR theory have four dimensions these are related to profits (economic), political performance, social demands and ethical values (Lorraine, 2009). Corporate social responsibility performance of organizations has theoretical foundations; hence some theories have been selected which will be served as theoretical guide for the study and these includes stakeholder's theory and uncertainty reduction theory.

##### **A. Stakeholder's theory**

Stakeholder theory is one of the CSR theories. According to Freeman (1984), stakeholder theory indicates that a company's duty is to raise stakeholder satisfaction in addition to maximizing profit. The concepts and values of managing an organization are the focus of this theory of organizational management and business ethics (Freeman & Phillips, 2002). A group of persons who are interested in the actions of the organization is recognized as stakeholders, according to Freeman (1984); Friedman and Miles (2006). Owners (financial, added value); Employees (pay, work satisfaction, training); Customers (supply of goods and services, quality); Community (safety and security, contribution to community); Government (compliance, improved competitiveness) are the expectations that stakeholders have of their organizations (Cannon, 1994).

Stakeholder pressure is also defined by many writers (Fassin, 2009; Kassinis & Vafeas, 2006) as the ability and capacity of stakeholders to influence organizational decisions and hence effect an organization. Extending this idea, many scholars have identified a number of CSR dimensions, including those pertaining to consumers, workers, shareholders, society, the environment, the media, and others (Decker, 2004; Turker, 2009). Measuring CSR through stakeholder perception is a more accurate approach. It is difficult to identify and quantify CSR based on stakeholder perspective (Turker, 2009). The stakeholder theory has been used as a framework to represent a company's many obligations to stakeholders (Oberseder Set al., 2013; Perez, et al., 2013; Turker, 2009).

The motivations behind a company's decision to engage in CSR initiatives in order to maximize long-term returns can be explained by the theory of stakeholders (Samy, et al., 2010). Isaksson and Steimle (2009) reported that the impact of stakeholders resulted in organizations becoming more sustainable. Sustainability, which illustrates the need for businesses to priorities concerns like the environment

and human resources while also making sure that resources needed for future generations are not destroyed, becomes a means of fostering corporate growth.

According to Ismail (2009), corporate social responsibility (CSR) is the obligation of companies to consider the interests of all parties involved, including communities, suppliers, shareholders, employees, customers, and the environment. The goal of this study is to evaluate how the chosen companies are implementing corporate social responsibility (CSR) for their employees, shareholders, and the environment.

### **B. Legitimacy theory**

The Legitimacy theory states that CSR is a response to many environmental pressures on organizations which include economic, political, and social pressures. Therefore, for organizations to survive and develop, it is important to be socially responsible including if the distribution of economic, social, or political benefits to the groups from whom they obtain power (Lawrence, 2011). Organizations may embrace CSR to obtain power and legitimacy as well as developing organizations' reputations (Carroll & Shabana, 2010). In the tertiary education sector context, universities are expected to behave in a manner that meets the social expectations and demands of communities and stakeholders (Nejati et al., 2011)

### **C. Institutional theory**

The institutional theory explains that firms are influenced by institutional settings in which they operate (Frynas, & Yamahaki, 2016). All in all, firms operate within the defined institutions of their respective societies. Institutional differences create a context where particular CSR activities may lead one stakeholder group to confer legitimacy to the firm but meanwhile may lead another stakeholder group to withdraw its legitimacy (Mellahi et al., 2016). The institutional theory highlights the contested nature of CSR.

### **D. Resource dependence theory**

According to Bondy (2008), RDT is underpinned by the idea that firms can be characterized as open systems, dependent on contingencies in the external environment. The survival and growth of firms hinge on accessing the required resources from external parties (Mellahi et al., 2016).

It is argued that institutional pressures may affect firm policies and practices (e.g. Campbell, 2007), but firms may enact different responses to such institutional pressures according to the critical resources they wish to control (Frynas & Yamahaki, 2016). Thus, the need for critical external

resources controlled by external parties can affect firm policies and practices. Kor & Sundaramurthy (2009) indicated a link between RDT and CSR. They discussed the relationship between social performance and the resource-provision role of outside directors. Accordingly, outside directors are resource-rich directors which move in broader social networks and provide resources that impact firm strategies and legitimacy. In terms of social performance, resource-rich directors are more likely to be knowledgeable about social issues and are better placed to ensure that firms pursue positive social performance.

Therefore, the survival of firms depends on ensuring the flow of critical external resources (e.g. knowledge, personal ties, legitimacy) from external parties. RDT theorists argued that the need for critical external resources can result in particular CSR performance. Researchers offered support for RDT theory and showed that firms with a high proportion of outside (inside) and women directors are associated with higher (lower) levels of CSR.

#### **E. Resource-based theory (RBT)**

Similar to the aforementioned RDT, resource-based theory (RBT) contains the term resource. However, unlike the RDT which addresses the ability of firms to exploit critical external resources, RBT addresses the heterogeneity of firms concerning their ability to exploit internal resources in the quest for competitive advantage (Frynas & Yamahaki, 2016)

According to Mellahi et al (2016), the core assumption of RBT is that performance differentials of firms are influenced by firm-specific resources and capabilities and that these specific resources and capabilities can lead to competitive advantages. Based on RBT, Barney (1991) introduced a framework to understand the relationship between firm resources and sustained competitive advantage. He stated that a firm's competitive advantage is rooted in the application of valuable resources which are difficult to obtain and hard to imitate and/or substitute. Therefore, the RBT recognizes the importance of internal resources.

RBT theorists argued that CSR is influenced by firm-specific internal resources and capabilities. Researchers offered support for resource-based theory (RBT) and showed that firms with high levels of innovation and other internal resources (e.g. financial resources) are associated with higher levels of CSR. (Bruns et al., 2017)

## **F. Agency theory**

Agency theory examines the relationship between principals and agents (Frynas & Yamahaki, 2016). According to Mellahi et al. (2016), the core assumption of agency theory is that agents have distinct incentives and objectives from their principals.

Accordingly, it is concerned with identifying situations in which principals and agents are likely to have conflicting goals and described mechanisms that limit the agent's self-serving behaviour (Calvo & Calvo, 2018). Barnea & Rubin (2010) in their study examined the principal-agent relationship regarding CSR.

The researchers focused on the relationship between ownership and CSR and asserted that different types of owners have different interests in CSR. Two types of ownership are analyzed: (1) inside ownership (managers and large shareholders who are connected with the firm), and (2) outside ownership (institutions and others who are not connected with the firm). Results revealed that inside ownership is negatively and significantly related to social performance. Barnea & Rubin (2010) assumed that higher social performance is associated with higher levels of CSR expenditure.

Therefore, agents have distinct incentives and objectives from their principals. Researchers offered support for agency theory and showed that firms with a high proportion of outside (inside) directors are associated with higher (lower) levels of CSR and that firms with highly concentrated ownership are associated with significantly lower levels of CSR (Bruns et al., 2017)

## **G. Motivation theory of CSR**

Vogel (2005) stated that there are many reasons why some companies choose to behave more responsibly or virtuously in the absence of legal requirements. Some are strategic, others are defensive, and still, others may be altruistic or public-spirited.

Graafland & Mazereeuw (2012) identified three motives for CSR, the first one is financial motive as an extrinsic driver and the second one is ethical and the third is altruistic; the latter two are considered as intrinsic motives. Consequently, based on the theories here, the motivation for CSR could be intrinsic- such as based on ethical duties or extrinsic, focusing on external drivers such as regulatory requirements or profit motive.

## **H. Stages theory of CSR**

According to Zadek (2004), there are five steps that organizations go through as levels to CSR maturity: the defensive stage, compliance stage, managerial stage, strategic stage, and civil stage.

The defensive stage is characterized by a situation that companies be given unanticipated criticism and the companies are inclined to consider legal options or a PR strategy to handle the problem.

At the managerial stage, companies admit to the reality that the problem lingers, and something really needs to be done; thus the companies assume responsibility along with a commitment for a lasting solution. In the civil stage, that is the last stage, companies go beyond taking responsibility and start to promote a cause to prevail upon other companies in the industry to get involved to better serve the society responsibly together (Elifneh, 2015)

### **I. Uncertainty Reduction Theory**

This theory was originated by Berger and Calabrese in 1975; they drew on the work of Heider (1952). The uncertainty reduction theory states that people have a desire to reduce uncertainty about others by obtaining timely information to predict their behavior and action. Uncertainty normally occurs when two strangers meet and each of them try to read the other. By communicating each other, they will feel more comfortable and can usually predict future behavior.

Berger and Calabrese (1975) were the formers to study the role of communication in early interactions with the development of a theory of uncertainty reduction. Although the theory was originally formulated to explain how people can secure their relationship using interpersonal communication. After that, corporate social responsibility and organizational communication can use it. The hypothesis is crucial to this research since uncertainty is depressing and motivates people, which is why communication is necessary to lessen it. Therefore, in order to calm stakeholder uncertainty, colleges must inform stakeholders about their corporate social responsibility initiatives.

### **2.2. CSR Practices from the Perspective of Developing Countries**

The industrialized world has a stronger foundation in corporate social responsibility and governance than the developing world, which is a relatively new phenomenon. In contrast to industrialized nations, the majority of developing nations adopt the outdated, conventional focus of the owner-manager relationship instead of implementing the idea of modern governance. Furthermore, corporate social responsibility (CSR) practices are uncommon in developing nations; if they were, business perspectives would be able to observe them (Bedada and Eshetu, 2011).

For sustainability-related reasons, it has been observed that public interest organizations and not-for-profit banks, as well as listed firms, are heavily involved in community-based corporate social responsibility (CSR) initiatives in Africa.

Most of these organizations are divisions of multinational businesses that follow the policies set out by their respective global offices located in developed countries. Moreover, regulatory agencies in Africa, unlike those in industrialized countries, provide little to no ability for firms to monitor and manage corporate social responsibility (CSR) programmes (Jamali et al., 2017). Therefore, further research is needed to ascertain the underlying motivation for companies' involvement in corporate social responsibility in developing countries. According to the requirement of integrating social and environmental issues in company operations, concern for social development and environmental issues is important for sustainable development to restore and maintain the environment and conserve it for future generations.

The main obstacle facing developing nations, nevertheless, is that their industrial environments differ greatly from those of wealthy nations in terms of major challenges affecting corporate social responsibility (CSR) practices (Abebe, 2020). He claims that Ethiopia, like many other developing nations, bases its corporate social responsibility (CSR) policies on five established domains: economic, legal, ethical, philanthropic, and environmental.

Many businesses today have a stronger commitment to CSR than just maximizing profits and adhering to legal requirements (Famiyeh, 2017). CSR can be seen in two ways from an Ethiopian perspective, according to Abebe (2020). First, there are the formal CSR initiatives that worldwide corporations and non-governmental organizations are currently developing. Second, there are some unofficial CSR initiatives that are directly associated with Ethiopian cultural characteristics that are present in national businesses and organizations in Ethiopia.

### **2.3. Determinants of Corporate Social Responsibility**

This study will be conducted based on the following five predictor variables. Those variables are employee attitude, community participation, Humanistic organizational Culture, Customer knowledge and government policy. Those variables were discussed below.

#### **2.3.1. Community participation and CSR**

Socially conscious business activities that promote social issues and enhance community well-being are part of the industry's corporate social responsibility (CSR) efforts (Kinder & Domini,

1998; Kotler & Lee, 2005). Additionally, it involves community support through projects for housing and education for the economically underprivileged, as well as creative and generous giving, the arts, and health (Sen & Bhattacharya, 2001). Regarding Agarwal (2008), society anticipates that institutions would preserve traditional customs and advantages while delivering security, a better standard of living, jobs, infrastructure, and environmental protection.

Additionally, according to Idemudia and Ite (2006), business CSR initiatives mostly focus on reducing poverty, preventing human rights violations, and Environmental protection. It can be observed through the sustainable activity which is most commonly found in small and medium-sized enterprises, the local communities are the stakeholders receiving the greatest attention. Moreover, Information and transparency to new candidates, which is related to providing equal opportunities for employment to all candidates interested in joining the company, which gives CSR practice great visibility (Larrán Jorge, et al., 2016).

### **2.3.2. Customer knowledge and CSR**

According to Graafland et al. (2004), CSR for customers should priorities respect for them, the delivery of sustainable alternatives, and the product's safety and quality. Companies may have to take into account things like the accessibility of consumer information, honest advertising, and advertising to minors (Lambooy, 2010; Porter & Kramer, 2006).

Berens et al. (2005) discovered that when a company's goods are viewed as stand-alone brands (i.e., low corporate brand dominance) as opposed to being a part of a monolithic corporate brand, consumers react to the company's CSR more favorably. Cone (2017) discovered that consumers are rewarding socially conscious organizations with a variety of pro-business actions (such as advocacy, loyalty, and purchases), making CSR for businesses not just a moral but also a commercial imperative in today's world.

Customers are prepared to pay more for goods produced by companies that practice social responsibility (Bhattacharya & Sen, 2004). Research demonstrates that CSR initiatives can increase bank clients' pleasure and loyalty. Additionally, it suggested that CSR initiatives can raise client satisfaction levels. Customer satisfaction and loyalty are thought to have a strong beneficial association with CSR efforts. High levels of customer loyalty can result from satisfied customers (Al-Ghamdi & Badawi, 2019).

### **2.3.3. Government policy and CSR**

It has regulated businesses to comply with the law in order to enhance waste treatment and management and provide secure working environments for workers. According to Campbell (2007), the normative research stream, which views the state as a powerful regulator and assumes a significant role for government, has a significant impact on how Europeans view corporate social responsibility (CSR). However, it has been verified by Friedman (1962) and Helmig et al. (2016) that there may be no need for stringent government rules. When it comes to the pressure from the main stakeholders, the government is the least powerful. Social responsibility ought to be incorporated into the, according to Shahin and Zairi (2007).

Corporate Governance is a critical component for promoting excellence in CSR because it covers the management structure and procedures of the organization to ensure that, to the greatest extent feasible, all social responsibility issues are anticipated, covered by corporate policy, and handled in a way that demonstrates an understanding of the issues involved and a willingness to help solve societal problems. According to Friedman (1970), governments themselves ought to set the standard for social responsibility by enacting rules and laws that permit businesses to operate in a way that does not degrade or disadvantage them.

### **2.3.4. Employees attitude and CSR**

Businesses that practice social responsibility look out for the needs and interests of their workers and continuously endeavor to enhance their working circumstances and general well-being (Buciuniene & Kazlauskaitė, 2012). According to research by Lee, Park, and Lee (2013), employees see the company's CSR initiatives favorably when they have a more positive perception of the CSR skills. It was also mentioned that employee attachment to the organization rises when workers view CSR initiatives more favorably. Employees are more likely to believe that their company is successfully implementing CSR if they believe that CSR and company culture are aligned.

Increasing CSR capabilities is another crucial element in guaranteeing that staff members see CSR initiatives favorably. According to Aguilera et al. (2007), employees have the power to pressure companies to take part in CSR activities. They also argue that employees' attitudes and behaviors towards companies are influenced by their perceptions of CSR. Employee dedication to Ghana's rural and community banks is greatly impacted by CSR (Mensah et al., 2017). Human competence (average annual pay, average employee age, and average years of service) and

attitude components (regular employee ratio, employee retention rate, and first three years) combine to form human capital. Hence, various social activities are carried out by employing more skilled and motivated HC. The research analysis result suggests that increasing HC is effective in increasing CSR activities. Moreover, it suggests the importance of enhancing in a low birth rate and an aging society (Iwamoto & Suzuki, 2019).

### **2.3.5. Humanistic organizational Culture and CSR practice**

According to Simons and Ingram (1997), culture has to do with social responsibility since decisions made by corporations are influenced by explicit values ingrained in the organization, which are founded on organizational vision, mission, and worldview. The organization's entire performance—financial or reliability—is influenced by the culture of the firm, and more precisely, by its orientation.

Direction and intensity are two aspects of a company's cultural orientation that are pertinent to corporate social responsibility, according to Galbreath (2010). Long-term corporate performance and ethical behavior are guarantees of a culture that exhibits responsibility towards its stakeholders (Sinclair, 1993). For example, a competitive culture prioritizes confrontation, personal accomplishments, and dominating people over creating a collaborative atmosphere (Cooke and Rousseau, 1988).

In a society that is competitive, people tend to put their own success ahead of others', and they are unlikely to give others much thought. As a result, it is more probable that the needs and interests of stakeholders will be disregarded, and social responsibility will be subpar (Galbreath, 2010). However, the emphasis on people, cooperation, teamwork, sensitivity, and cooperation with others predominates in humanistic types of cultures. Humanistic cultures are those that value caring for one another and encourage members to be open and supportive of one another in their interactions, according to Cooke and Lafferty (1994).

Humanistic cultures priorities the maintenance of peaceful and enjoyable relationships over competition. According to Galbreath (2010), in companies that foster a humanistic culture, employee's priorities the needs and interests of others over their own. Furthermore, it is possible that external stakeholders will also be affected by culture's orientation towards the goals and interests of others. All things considered, employees at companies with humanistic cultures are probably going to find it difficult to meet stakeholder requests for CSR.

## 2.4. Empirical Reviews

The empirical part of a literature review is based on an analysis of several research findings on the subject matter. The reviewed findings are discussed as follows.

There are considerable works of literature and empirical evidence that show the concept and practice of CSR in Africa is categorically different from that of developed countries. Ethiopia does not look like an exception in this regard. Like any other African country, the concept and practice of CSR are new in Ethiopia (Tsegaw, 2018). There are limits in literature and empirical evidence regarding socially responsible practices. Research into this area is quite scarce. There are extremely limited academic publications that exhibit the status of CSR in Ethiopia.

Yusuf (2013) conducted a research thesis on the assessment of corporate social responsibility practices and determinants. The study was comparatively conducted in Addis Ababa Tannery and Awash Tannery including 88 and 35 workers in Awash and Addis Ababa tanneries were selected from the total employees of 654 and 275 in each tannery. Data were collected through questionnaires and structured & unstructured interviews. He identified CSR practices based on ISO 26000 seven fundamental subjects of CSR which are supported by lots of research findings of CSR. In the study conclusion, CSR (dependent variable) was found to have a strong positive relationship with employee demand, consumer demands, community enforcement, sustainability, and profitability.

A study conducted by Tsegaw (2018) in the title “Factors Affecting the Practices of Corporate Social Responsibility in the Health Sector: Empirical Evidence from Local Hospitals in Ethiopia” revealed that Corporate social responsibility has been recognized as a weapon to survive in a globally competitive environment. But CSR has been little studied in the health sector. The goal of the thesis was to investigate and analyze factors affecting the practices of CSR in St. Paul’s, MCM, and Hamelin fistula hospitals to form a baseline for further research. The study used two sampling stages. The first one is to sample out the hospitals and secondly the number of respondents within the selected hospitals. The purposive sampling method was used to select 3 hospitals and all the management team members of the selected hospitals as a sample. The data for the study had been collected through a self-administered standard questionnaire.

Descriptive statistics, correlation, and regression analysis were used to analyze the data with the aid of SPSS version 20. The results show that organizational culture, government policy, and pressure group positively and significantly influence the level of CSR adoption. Employees' demand, Competition, and customers demand to have a positive relationship but not significant in explaining

the level of CSR. The study recommended that hospitals should see social performance as an enlightened self-interest and should therefore handle it with great concern.

A study conducted by Mulugeta & Muhammednur (2020) investigated determinants of corporate social responsibilities (CSR) of mineral water bottling companies in the Dire Dawa Administration. Eight water bottlers in the city and four stakeholder organizations were included in the study. The result of the study indicated that community pressure (CP), employee demand (LP), customer demand (CD), and social license to operate (SL) are significant determinants of CSR, while sustainability practice (SU) is not a significant determinant of CSR practice. The study recommended companies should practice CSR that accommodate the interested and influential stakeholder namely community, employee and customers.

A study conducted by Williams et al. (2008) stated that corporate social responsibility (CSR) is a term progressively engaged to represent ethical manners concerning numerous shareholder like, supplier, consumer, employee, and competitor stakeholder groups. It is often designed and stated through community engagement strategies in which firms reach out to these groups to address societal concerns as well as corporate objectives. Little research analyses how CSR relationships are initiated and evolve in tourism destinations. The article outlines the key theoretical foundations of CSR and illustrates how these concepts may be translated into stakeholder engagement strategies in mountain resort destinations. It is argued that the extent to which these CSR strategies are employed is a function of both in situ stakeholder saliency and the ability of community stakeholders to provide what has been referred to as a “social license to operate.

Wilburn & Wilburn (2011) indicated that the idea of corporate social responsibility (CSR) is gaining support in the worldwide business atmosphere. Certain organizations are adopting a model, the Social License to Operate (SLO), as part of their CSR strategy. The paper provides background on the ideas of Corporate Social Responsibility and Social License to operate with examples supporting the business case for them. It proposes a process based on stakeholder theory for identifying and classifying stakeholders that divides stakeholders into two groups: vested and non-vested. Vested stakeholder groups have a vote in the awarding of a social license to operate, while non-vested stakeholder groups have only a voice. By using a process based on the alignment of the norms and values of the company, and the stakeholder groups, social licenses to operate can be negotiated that can allow a company to succeed in different countries and cultures.

Nidasio, (2012) claims that in recent years the concept of Corporate Social Responsibility (CSR) has gained momentum in Europe, and EU Governments are defining reporting and management frameworks to implement CSR on a larger scale. European Institutions, on their side, are working on the union of CSR tools. The paper classifies the CSR reporting and management frameworks adopted according to two levels of analysis: top-down vs. bottom-up, Government-centred vs. multi-stakeholder oriented. Furthermore, it attempts to evaluate to what extent the analyzed reporting instruments integrate social and environmental concerns into business operations - CSR as sustainable management – rather than promoting CSR as social activities or simply viewing it as an emerging issue in management. The findings on CSR frameworks and corporate policies argue for a bottom-up and multi-stakeholder approach to sustain corporate sustainability management.

**2.5. Conceptual Framework of the study**

The conceptual framework is a graphic that illustrates how the independent and dependent variables are related, along with indicators that further explain the variables. A conceptual framework is an arrangement of the main ideas and concepts from theories, important research findings, policy declarations, and other expert knowledge that directs the study (Shikalepo, 2020). A conceptual framework provides an illustration of how your variables should relate to one another. It outlines the pertinent goals for your investigation and shows how those goals connect to produce logical findings (Swaen and George, 2022). The research area's manufacturing enterprises' corporate social responsibility practices are determined by the factors illustrated in Figure 2.2 of the conceptual framework.

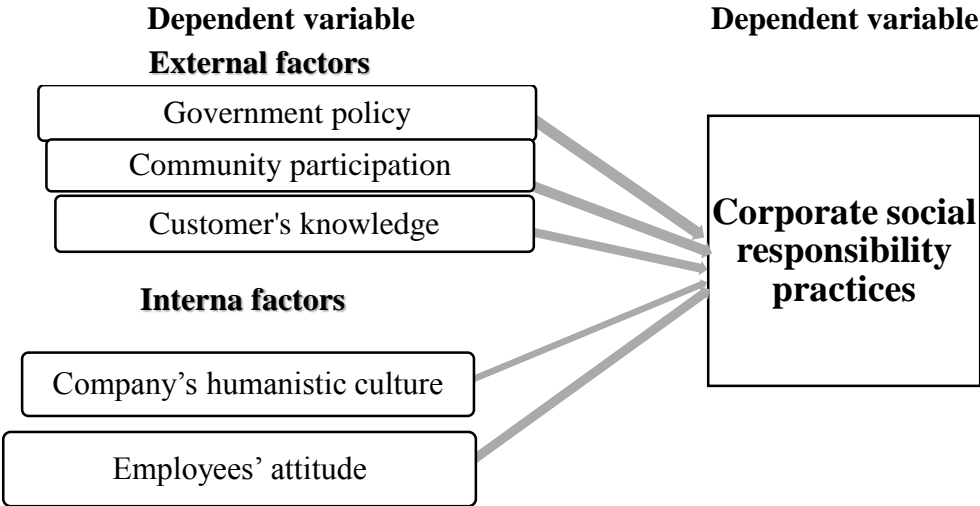


Figure 2.2: Conceptual framework of the study

Source: Adapted from Galbreath (2010), Yu & Choi (2016)

The review of the literature has been analyzed to see the relationship and effects between determinants of corporate social responsibility (independent variable) and corporate social responsibility (dependent variable).

## **2.6. Hypotheses of the Study**

Based on the above theoretical and conceptual reviews the study formulated and tested the following null hypothesis;

H<sub>01</sub>: Government policy has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.

H<sub>02</sub>: Community participation has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.

H<sub>03</sub>: Employees attitude has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.

H<sub>04</sub>: Customers knowledge has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.

H<sub>05</sub>: Company's humanistic culture has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.

# CHAPTER THREE

## 3. RESEARCH METHODOLOGY

### Introduction

The main purpose of this chapter is to provide an overview of the research approaching detail to address the research objectives. It discusses issues such as research design, sampling technique, sample size (numbers of people to be contacted), source and method of data collection, methods of data analysis and ethical considerations.

### 3.1. Study area

**Gurage** is a zone in the Central Ethiopia Regional State of Ethiopia. The region is home to the Gurage people. Gurage is bordered on the southeast by Hadiya and Yem Zone, on the northwest by Kebena Special Woreda, north and east by the Oromia Region, and on the southeast by Silt'e. Its highest point is Mount Gurage. Welkite is the administrative centre of the zone.

Based on the 2007 census conducted by the Central Statistical Agency of Ethiopia (CSA), Gurage has a total population of 1,280,483. The six largest ethnic groups reported in Gurage Zone were the Gurage people (85%), the Amhara (3.36%), the Kebena (3.34%), the Silt'e people (2.71%), and the Oromo (1.69%); all other ethnic groups made up 2.62% of the population. Gurage languages are spoken as a first language by 84.54% of the population, 5.28% spoke Amharic, 3.2% spoke Kebena, 2.98% spoke Silt'e, and 1.06% spoke Oromo; the remaining 2.85% spoke all other primary languages reported.

In Gurage zone there are eighteen (18) manufacturing companies currently operating in nine (9) different business areas. Among these manufacturing companies seven (7) are resided in urban area and the remaining 11 are in rural area.

### 3.2. Research design

A research design is the setup of parameters for data collection and analysis with the goal of balancing procedural economy with relevance to the research question. Research design is essential because it makes the many research activities run more smoothly, making research as efficient as feasible and producing the most information with the least amount of time, money, and effort (Kothari, 2004). As per Saunders et al. (2009), an explanatory research is one that shows causal relationships between variables.

Consequently, the study mostly used an explanatory research approach and design in order to show causal relationship between the dependent variable (Corporate social responsibility practices) and independent variables (customers' knowledge, community participation, employees' attitude, government policy and company's humanistic culture). This is due to the fact that the study's primary goal was to identify the key factors influencing CSR practice in the research region through casual analysis. Because the data was gathered all at once, the researcher also utilized a cross-sectional design. A study using a cross-sectional design samples different demographic segments at one particular period in time (Zikmend, 2003).

### **3.3. Research Approach**

According to Babbie (2016) the capacity of quantitative research is to produce numerical data for statistical analysis, which can offer more in-depth understanding of a given phenomenon or topic, is one of its primary contributions. As stated by Creswell (2014) additionally, it helps researchers determine cause-and-effect linkages by allowing them to measure associations and relationships between various variables. (Bryman (2015) Furthermore, quantitative research makes it easier to test predictions and hypotheses, which enables researchers to draw accurate and legitimate conclusions about the population under study. Polite and Beck (2017) last but not least; it offers data that can be incorporated into decision-making procedures and insights that can guide practice and policy (Cohen & Crabtree, 2008). From these facts the study used quantitative research strategy.

### **3.4. Target Population**

The particular, conceptually limited set of possible participants that the researcher may access and who embodies the characteristics of the population of interest is known as the target population (Casteel & Bridier, 2021). Thus, all the 1773 workers at the eighteen manufacturing companies operating in Gurage zone comprised the study's population.

### **3.5. Sample design and sampling technique**

#### **3.5.1. Sample frame and sampling unit**

In Gurage zone there are eighteen (18) manufacturing companies currently operating in nine (9) different business areas, as shown in table 3.1 below. Among these manufacturing companies seven (7) are resided in urban area and the remaining 11 are in rural area.

In the research sampling units were manufacturing companies operating in each business area in the study area. The researcher selected samples in companies operating in both rural and urban areas.

Table 3.1: Target populations and sampling units

S.N	Name of company	Business area	Place of residence	Number of workers and
1	EDEN business group plc	Water Packaging Factory	Rural	150
2	OK bottling and beverage plc	Water Packaging Factory	Rural	158
3	YEKBDI agro processing plc	Water Packaging Factory	Rural	84
4	Mr. MEKSUD RESHAD water bottling plc	Water Packaging Factory	Rural	72
5	KIER natural water bottling plc	Water Packaging Factory	Rural	124
6	GIRAR natural water bottling plc	Water Packaging Factory	Rural	74
7	HONG timber manufacturing plc	Timber Manufacturing Plant	Rural	76
8	EMENAW trading plc	Timber Manufacturing Plant	Rural	34
9	RAMU plywood manufacturing plc	Timber Manufacturing Plant	Rural	92
10	ABIJ SAHLE flour factory plc	Flour factory	Urban	58
11	Mr JAFAR TAJU flour factory plc	Flour factory	Urban	63
12	SHEBEGNE general trading plc	Flour factory	Rural	78
13	ADMAS FARMERS union plc	Coffee Processing Factory	Rural	47
14	ADMAS FARMERS union plc	Cooking Oil Factory	Urban	40
15	ADMAS FARMERS union plc	Plastic factory	Urban	56
16	ZEBIDR brewery factory	Brewery factory	Urban	450
17	ATIRF ALTERNATIVE plc	Biodiesel Energy Plant	Urban	85
18	GP TRADING plc	Bread and cake making factory	Urban	32

Source: Gurage zone investment office report (2015 E.C)

### 3.5.2. Sample size

According to Gurage zone investment office report (2023), there are 1773 employees working in the 18 manufacturing companies operating in the study area. In order to determine the sample respondents for the above population size, the following formula from Yamane (1967) was used.

$$n = \frac{N}{1 + (N * e^2)}$$

Where n is the sample size, N is the population size, and e is the level of precision. By using this formula at 95% confidence level and 5% level of precision the sample size is obtained as follows:

$$n = \frac{1773}{1+(1773*0.05^2)} = 326$$

Table 3.2: Result of pilot survey that show manufacturing companies that practice CSR currently

S.N	Name of company	Business area	Currently practice CSR
1	Eden business group plc	Water Packaging Factory	yes
2	Ok bottling and beverage plc	Water Packaging Factory	yes
3	Yekbdi agro processing plc	Water Packaging Factory	no
4	Mr. Meksud reshad water bottling plc	Water Packaging Factory	yes
5	Kier natural water bottling plc	Water Packaging Factory	yes
6	Girar natural water bottling plc	Water Packaging Factory	no
7	Hong timber manufacturing plc	Timber Manufacturing Plant	no
8	Emenaw trading plc	Timber Manufacturing Plant	no
9	Ramu plywood manufacturing plc	Timber Manufacturing Plant	yes
10	Abij sahle flour factory plc	Flour factory	yes
11	Mr jafar taju flour factory plc	Flour factory	yes
12	Shebegne general trading plc	Flour factory	yes
13	Admas farmers union plc	Coffee Processing Factory	yes
14	Admas farmers union plc	Cooking Oil Factory	yes
15	Admas farmers union plc	Plastic factory	yes
16	Zebidr brewery factory	Brewery factory	yes
17	Atirf alternative plc	Biodiesel Energy Plant	yes
18	Gp trading plc	Bread and cake making factory	no

Source: result of pilot survey (2025)

The researcher conducted pilot study to test the reliability and validity of the questionnaire and to check whether the manufacturing companies currently practice CSR or not. Pilot test was conducted by 45 workers of the participants and the result (table 3.2) above showed that from 18 manufacturing companies currently working on Gurage zone five of them were not practicing CSR at all. Since the aim of the study was to find out the major factors that affect practice of CSR in manufacturing companies that operate in the study area, only manufacturing companies that currently exercise CSR practice were taken as stratum.

The corresponding sample size for each stratum was calculated using the following formula and the result is summarized in Table 3.3;

$$\text{Stratum sample size} = \frac{\text{sample size}}{\text{population size}} \times \text{stratum size}$$

Table 3.3: Stratum sample size

S.N	Business area(stratum)	Company name	Sample size
1	Water Packaging Factory	EDEN business group plc	35
		OK bottling and beverage plc	38
		Mr. MEKSUD RESHAD water bottling plc	17
		KIER natural water bottling plc	29
2	Timber Manufacturing Plant	RAMU plywood manufacturing plc	38
3	Flour factory	Mr JAFAR TAJU flour factory plc	11
		ABIJ SAHLE flour factory plc	11
		SHEBEGNE general trading plc	14
4	Cooking Oil Factory	ADMAS FARMERS union plc	9
5	Coffee Processing Factory	ADMAS FARMERS union plc	9
6	Plastic factory	ADMAS FARMERS union plc	10
7	Brewery factory	ZEBIDR brewery factory	82
8	Biodiesel Energy Plant	ATIRF ALTERNATIVE plc	23
Total			326

Source: Own Survey (2025)

### **3.5.3. Sampling Technique**

In order to lower sample error and increase the population under study's representation, researchers employed probability sampling, which include proportional stratified sampling for selecting employees from a stratum and simple random sampling for selecting a company from each stratum. Stratified sampling, according to Kothari (2004), is helpful in making sure that particular groups or strata within the population are sufficiently represented in the sample. Thus, the study used stratified sampling technique to include both regular employees (non-managers) and individuals at managerial roles. Additionally, a basic random sampling technique was employed to pick a sample of respondents from each stratum. This technique was chosen because it ensures that every member of the population has an equal chance of being included in the sample (Kothari, 2004).

### **3.6. Data sources and data Collection Methods**

In order to acquire the necessary information from participants, both primary data and secondary data was used. The data was collected through standardized and structured questionnaires. A questionnaire was adapted from previous researches (Galbreath, 2010; Yu & Choi, 2016). The questionnaires were used to collect data from the selected sample employees.

The questionnaire was prepared in English language first and then translated in to the respondents' local language, Amharic language, to make the concepts that was incorporated in the questionnaire easily understandable to respondents. There were three sections to the questionnaire. The initial section of the survey was inquired about the background information of the participants; factors such as age, gender, education level, duration of service, and so forth were covered. All significant measuring questions pertaining to the factors influencing the company's CSR activities in the research region was included in the second and largest section. Lastly, there was questions about the company's CSR initiatives in the form.

### **3.7. Procedure of Data Collection**

First the questionnaire was developed by the researcher by including necessary questions that enable to measure the effect of independent variables on the dependent variable. Before passing out the questionnaire to the respondents, it was supervised by the researcher's advisor and other experts for more than two times. After rearranging and editing the questionnaire based on advisors comment, the pilot survey has been done to ensure the reliability and validity of questionnaire using 45 respondents. At the last the questionnaire was distributed to all respondents and the final data was collected.

### 3.8. Validity and Reliability

According to Cohen et al; Validity refers to the degree to which a research study accurately measures what it intends to measure. It is concerned with the correctness or truthfulness of the conclusions drawn from the study (Trochim, W.M, 2006)

Reliability refers to the consistency of the research findings or the degree to which an instrument or measure produces the same results under consistent conditions. In other words, it is the degree to which the research can be replicated.

As stated by Malhotra (2002) cited by Wong & Teoh (2015), Cronbach's alpha is one of the most widely used statistics to measure internal consistency reliability of a research. It is an indicator of how well a set of items (questions, test items, etc.) measures the same underlying construct or concept. The higher the Cronbach's alpha, the more reliable the test is in terms of internal consistency.

Table 3.4: Result of Cronbach's alpha reliability test result

Name of variable	Cronbach's alpha	Number of items
Government policy	.914	4
Community participation	.753	4
Employees attitude	.790	4
Customer knowledge	.835	4
Company's humanistic culture	.859	5
CSR practice	.966	19
Overall reliability	.982	40

Source: Survey result (2025)

The Cronbach's alpha result for the variables used in the study ranges from .753 to .966, as shown in above table 3.4, which is above 0.7. The overall reliability is also .982. Thus, the researcher can conclude that there was acceptable data reliability.

### 3.9. Method of Data Analysis

Following data collection, SPSS version 25 software was used to process the data. Data analysis was then completed. With the use of inferential and descriptive statistics, the data were examined using SPSS software. The researcher employed descriptive statistics like means, frequencies, and percentages. According to Cohn and Swerdlink (2002), a popular statistical technique for

determining an index of the connections between two variables is the Pearson Product Moment Correlation Coefficient. Multiple linear regressions and Pearson correlation were utilized to investigate the relationship between the independent and dependent variables. According to Cohen and Swerdlik (2002), multiple regression analysis involves regressing many predictors simultaneously against the criterion variable. The purpose of this statistical analysis was to ascertain if the firm's CSR activities in the research area can be explained by the independent variables or not.

### **3.10. Model specification**

The multiple linear regression model that was used in this study was stated as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \text{ Where,}$$

Y = Corporate social responsibility practices

$\beta_0$  = Constant or intercept term

$\beta_1, \beta_2 \dots \beta_5$  = Parameter estimate associated with the influence of the independent variables on the dependent variable

$X_1$  = Government policy,

$X_2$  = Community participation,

$X_3$  = Employees attitude,

$X_4$  = Customers knowledge,

$X_5$  = Company's humanistic culture and

e = error term

### **3.11. Ethical Considerations**

Preserving participant identity and confidentiality is one such ethical research challenge (Smith et al., 2020). For individuals' participation to be voluntary, informed consent must be obtained (Jones & Brown, 2018). Researchers should also avoid prejudice or discrimination in participant selection in order to promote justice and equality (Parkinson et al., 2019).

According to Johnson (2017), it is also crucial to uphold transparency and declare any conflicts of interest that can develop during the research process. It is imperative for researchers to consider the possibility of damage or discomfort that participants may encounter and take

appropriate procedures to mitigate those risks (Miller & Johnson, 2021). Adhering to these ethical considerations appropriately will safeguard participants' rights and improve the study's overall rigor and trustworthiness (Creswell, 2014).

Consequently, in this study the researcher was consciously considered ethical issues in seeking permission, maintaining confidentiality, and protecting the anonymity of respondents that encountered during the study. Besides this, the researcher was informed the purpose of the study to the respondents and ensure voluntary participation, as it is only for academic purposes with full confidentiality. To avoid any harm to the research participants, the researcher was careful to abide by the general research ethics. This is because questionnaire participants may fear (suspect) to be harmed with what they express to the researcher.

# CHAPTER FOUR

## DATA PRESENTATION, ANALYSIS AND DISCUSSION

### Introduction

The chapter is organized into four sections and describes the statistical processes used to analyze the data in accordance with the goal of the research project. SPSS version 25 was utilized for these procedures. The first section discusses the administration of the descriptive analysis questionnaire, the study participants' response rate, and their demographic details, such as sex, age, employment history, and educational attainment, using frequency and percentage. The Pearson correlation analysis is covered in the second section. The multiple regression analysis is discussed in the third section. The outcomes of the hypothesis tests are given in the last section.

### 4.1. Descriptive Statistics Results

The findings of the study are based on the response of 297 respondents, who properly filled the questionnaires and returned, out of 326 questionnaires dispatched to all sample respondents. This implies that the response rate is 91.10 %. The acceptable range of response rate in a survey research depends on several factors such as the survey method, sample size, nature of the population, and the complexity of the questions. However, a commonly accepted response rate in a survey research is around 60% or higher (Deutkens et al., 2004). Thus, the response rate of this study is fine as it is above 0.6 (see table 4.1)

Table 4.1: Response rate of questionnaires

Items	Total	Percentage
Questionnaires distributed	326	100.00%
Collected and properly filled questionnaires	297	91.10%
Non returned questionnaires	29	8.89%

Source: Own Survey and SPSS Output, 2025

#### 4.1.1. Demographic characteristics of Respondents

In this section the researcher presents the demographic characteristics of the respondents, which includes sex, age, work experience, job position, and level of education of respondents.

Table 4.2: demographic characteristics of respondents

		<b>Frequency</b>	<b>Percentage</b>
<b>Job position distribution</b>	Managerial	57	19.19%
	Professional	240	80.81%)
<b>Sex distribution</b>	Male	171	57.58%
	Female	126	42.42 %
<b>Age Distribution</b>	20 – 30	79	26.60%
	31 – 40	109	36.70%
	41 – 50	76	28.59%
	Above 50	33	11.11%
<b>Experience distribution</b>	Diploma	94	31.65%
	Bachelor degree	158	53.20%
	Master degree	40	13.47%
	PhD and above	5	1.68%
<b>Education level distribution</b>	Below 5 years	99	33.33%
	6 – 10 years	82	27.61%
	11 – 15 years	57	19.19%
	16 – 20 years	33	11.11%
	Above 21 years	26	8.75%

Source: Own Survey and SPSS Output, 2025

As it is seen from the above table 4.2, from the total respondents 240(80.81%) were professionals, and 57(19.19%) were managerial employees. This implies from total respondents most of the respondents were from academic staff.

Concerning sex of respondents, from the total respondents, 171 (57.58%) were males and the remaining 126 (42.42 %) of respondents were females. From this data, it can easily be observed that most of sampled respondents were males.

Regarding the age of the respondents, out of the total respondents, the majority of them constituting 103(34.68%) respondents were between the age of 31 – 40 years, followed by 79(26.60%) respondents belong in the age group of between 20 - 30 years. 76(28.59 %) of them were found to be between 41 - 50 years, and the remaining 33 (11.11%) of the respondents were aged above 50 years. This implies that most of the respondents were middle-aged followed by young; the smaller proportion of respondents were above 50 years.

As depicted in above table 4.2, from the total composition of experience of the respondents 99(33.33 %) respondents have 0-5 years of experience, 82 (27.61 %) of respondents have 6-10 years of experience, 57 (19.19%) respondents have 11-15 years of experience, and 33 (11.11%) respondents have 16-20 years of experience and the remaining 26 (8.75%) had above 20 ear experience. This implies the majority of the respondents categorized between 0-5 years of experience followed by 6 - 10 years of experience. Unfortunately, this indicates the majority of sampled respondents were young and had little experience.

As indicated in table 4.2 above, from total respondents 94(31.65%) respondents were diploma holder 158(53.20%) respondents were first-degree holders, 40(13.47%) respondents were second/master degree holders, and 5(1.68%) respondents were Ph.D. holders. This indicates the majority of respondents were master degree holders followed by Ph.D. holders and first-degree holders. Hence, they had a sound understanding of the objective of the study.

#### **4.1.2. Descriptive Statistics Results of Variables**

According to Likert, R. (1932) an itemized rating scale is a type of measurement tool that allows respondents to rate or evaluate an item on a scale with defined points, usually with accompanying descriptors. It's commonly used in surveys, assessments, or performance evaluations to quantify subjective responses. Likert scale is a common itemized rating scale and has been widely used in various social science research, consumer feedback surveys, and psychometric assessments. The researcher uses the following formula to construct the range (Shrestha, 2015).

$$\text{Itemized rating scale} = \frac{\text{Max value} - \text{Min value}}{5} = \frac{5 - 1}{5} = 0.8$$

The mean of each individual item ranging from 1- 5 falls within the following interval( table 4.3):

Table 4.3: Mean Range

Interval of Means	Perception
1.00 – 1.80	Strongly disagree
1.81 – 2.60	Disagree
2.61 – 3.40	Neutral
3.41 – 4.20	Agree
4.21 – 5.00	Strongly agree

Source: survey (2025)

In this section, the researcher applied descriptive statistics (mean and standard deviation) for better understanding and summarization of the Likert scale items on which the questionnaire was constructed. The analysis was made individually and in grouped manner.

**a. Descriptive statistics Result of the Dependent variable of the study**

The dependent variable of the study was corporate social responsibility practice of the manufacturing companies operating on Gurage zone. The frequency, percentage, mean and standard deviation result with its own interpretation are described below.

As it is indicated in the following tables, the average corporate social responsibility practices of the manufacturing companies that operate in Gurage zone items have low levels of agreement (< 3.5). Mean of all items scored below 3.5. This indicates that most of respondents' agreed that corporate social responsibility practice of manufacturing companies that operate in Gurage zone was not good.

Particularly, looking in to CSR practice of manufacturing companies that operate in the study area with respect to economic, legal, ethical and philanthropic dimensions of CSR, the result of the survey is stated as follows.

## A. Economic responsibility

Table 4.4: Descriptive statistics of manufacturing company's Economic responsibility practices

Economic responsibility practices	Likert scales	frequency	percent	mean	Std. deviation
<b>ECONOMIC RESPONSIBILTY</b>					
The company is paying decent wage comparing with others	S.Dis	10	3.37%	3.32	.79
	Dis	46	15.49%		
	Neu	127	42.76%		
	Agree	100	33.67%		
	S.agree	14	4.71%		
The firm strives to deliver high value, & quality products that meet and/or exceed the expectations of their customers	S.Dis	10	3.37%	3.35	.91
	Dis	121	40.74%		
	Neu	54	18.18%		
	Agree	79	26.60%		
	S.agree	33	11.11%		
The company provides a reasonable benefit for employees (medical services, performance bonuses, holiday pay, transport allowances etc.)	S.Dis	9	3.03%	3.35	.86
	Dis	46	16.91%		
	Neu	121	40.74%		
	Agree	89	32.72%		
	S.agree	27	9.93%		
Our company integrates CSR initiatives with its core business strategy.	S.Dis	8	2.69%	3.53	.92
	Dis	53	17.85%		
	Neu	89	29.97%		
	Agree	130	43.77%		
	S.agree	17	5.72%		
Our company invest in sustainable supply chains to ensure ethical sourcing and environmental responsibility.	S.Dis	0	0%	3.32	.79
	Dis	39	13.13%		
	Neu	90	30.30%		
	Agree	127	42.76%		
	S.agree	41	13.80%		
Economic responsibility overall mean				3.37	.854

Source: Survey (2025)

As shown in the above table 4.4, for the question “the company is paying decent wage comparing with others”, most of the respondents (42.76%) were neutral with their company is paying decent wage comparing with others with mean = 3.32 and standard deviation = 0.79.

For the question, “The firm strives to deliver high value, & quality products that meet and/or exceed the expectations of their customers” the most respondents (40.74%) were disagreed with the mean = 3.35 and standard deviation = 0.91. This shows that the manufacturing companies that operate in the study area are not producing products that satisfy the expectation of customers. (40.74 %) of respondents replied they are neutral for the question “The company provides a reasonable benefit for employees (medical services, performance bonuses, holiday pay, transport allowances etc.)” with mean = 3.35 and standard deviation = 0.86. This value of mean showed that many respondents are disagreed for the company provides a reasonable benefit for employees.

When the respondents asked “Our Company integrates CSR initiatives with its core business strategy” most of them (43.77%) agreed with mean = 3.53 and standard deviation = 0.92. For the question “Our company invest in sustainable supply chains to ensure ethical sourcing and environmental responsibility” the large number of respondents (42.76%) replied they agree with mean = 3.32 and standard deviation = 0.79. These results showed that the economic responsibility of CSR practice of manufacturing companies that operate in the stud area is not good.

**B. Legal responsibility**

Table4.5: Descriptive statistics of manufacturing company's legal responsibility

Legal responsibility practices	Likert scales	Frequency	Percent	Mean	St. Deviation
Our company ensure compliance with local and international CSR-related regulations.	S.Dis	0	0%	3.33	.91
	Dis	52	17.28%		
	Neu	86	29.04%		
	Agree	119	40.07%		
	S.agree	40	13.60%		
The company protects employees against sexual harassment. Child labor, forced or compulsory labor	S.Dis	0	0%	3.41	.92
	Dis	34	11.40%		
	Neu	93	31.25%		
	Agree	116	38.97%		
	S.agree	54	18.38%		

The company has a clear human resource policy and guidelines on hour standards in accordance with local labor law and ILO standards	S.Dis	0	0%	3.17	.87
	Dis	44	14.71%		
	Neu	142	47.79%		
	Agree	84	28.31%		
	S.agree	27	9.19%		
The organization takes adequate procedures against discriminations (women, ethnic group, religion etc.)	S.Dis	0	0%	3.49	.91
	Dis	71	23.90%		
	Neu	97	32.72%		
	Agree	106	35.66%		
	S.agree	23	7.72%		
Our company has internal policies to ensure compliance with anti-corruption and fair trade laws.	S.Dis	0	0%	3.31	.87
	Dis	41	13.97%		
	Neu	139	46.69%		
	Agree	76	25.74%		
	S.agree	40	13.60%		
Legal responsibility Overall mean				3.34	

Source: Survey (2025)

As shown in the above table 4.5 for the question “Our company ensure compliance with local and international CSR-related regulations” most respondents (40.07%) agreed with mean value = 3.33 and standard deviation = 0.91. When the respondents asked “The Company protects employees against sexual harassment. Child labor, forced or compulsory labor” the large number of respondents (38.97%) replied they agree with mean value = 3.41 and standard deviation = 0.92.

Most of respondents (47.79%) replied they are neutral for the question “The Company has a clear human resource policy and guidelines on hour standards in accordance with local labor law and ILO standards”. When the respondents asked “The organization takes adequate procedures against discriminations (women, ethnic group, religion etc.)”, 35.66% of them replied agree with mean value = 3.49 and standard deviation = 0.91. For the last question regarding legal responsibility of CSR practice of manufacturing companies “Our Company has internal policies to ensure compliance with anti-corruption and fair trade laws”, most of the respondents (46.69%) replied neutral with mean value = 3.31 and standard deviation 0.86. These implied that the legal responsibility practice of manufacturing companies that are operating in the study area is fairly good.

### C. Ethical responsibility

Table 4.6: Descriptive statistics of manufacturing company's ethical responsibility

Ethical responsibility practices	Likert scales	Frequency	Percent	Mean	St. Deviation
The firm respects the norms, or expectations that consumers, employees, shareholders, and the community regard as fair and just,	S.Dis	0	0%	3.33	.91
	Dis	56	18.75%		
	Neu	122	41.18%		
	Agree	84	28.31%		
	S.agree	35	11.76%		
The organizations account for the impacts of its decisions and activities on society and the environment.	S.Dis	5	1.84%	3.41	.92
	Dis	122	41.18%		
	Neu	36	12.13%		
	Agree	97	32.72%		
	S.agree	36	12.13%		
The company display openness and transparency in relationships with customers, employees, community groups, and governmental organizations	S.Dis	10	3.68%	3.17	.87
	Dis	94	31.62%		
	Neu	91	30.51%		
	Agree	82	27.57%		
	S.agree	20	6.62%		
Our company has ethical guidelines to follow when making business decisions.	S.Dis	0	0%	3.43	.91
	Dis	46	15.44%		
	Neu	119	40.07%		
	Agree	92	30.88%		
	S.agree	40	13.60%		
Our company have a whistleblower policy for reporting unethical practices.	S.Dis	0	0%	3.31	.87
	Dis	50	16.91%		
	Neu	136	45.96%		
	Agree	80	26.84%		
	S.agree	31	10.29%		
Ethical responsibility Overall mean				3.33	

Source: Survey (2025)

As shown in the above table 4.6 when the respondents were asked the question “The firm respects the norms, or expectations that consumers, employees, shareholders, and the community regard as fair and just” most of them (41.18%) replied neutral with mean value = 3.33 and standard deviation = 0.91. for the question “The organizations account for the impacts of its decisions and activities on society and the environment” greater number of respondents (41.18%) replied disagree with mean value 3.41 and standard deviation 0.92.

Regarding the question “The Company display openness and transparency in relationships with customers, employees, community groups, and governmental organizations” 31.62% of respondents replied disagree with mean value 3.17 and standard deviation 0.87. For the question “Our Company has ethical guidelines to follow when making business decisions” 40.07% of the respondents were neutral with mean value 3.43 and standard deviation 0.91.

For the next question “Our Company have a whistleblower policy for reporting unethical practices” 45.96% of respondents replied neutral with mean value 3.31 and standard deviation 0.87. The result of these survey showed that manufacturing companies that operate in the study area had no good practice on ethical responsibility of CSR practice.

#### **D. Philanthropic responsibility**

Table 4.7: Descriptive statistics of manufacturing company's philanthropic responsibility

<b>Philanthropic responsibility practices</b>	<b>Likert scales</b>	<b>Frequency</b>	<b>Percent</b>	<b>Mean</b>	<b>St. deviation</b>
The firm involves and supports highly appreciated projects by the community (supporting local schools, youth centers etc.)	S.Dis	3	1.10%	3.25	.86
	Dis	100	33.82%		
	Neu	88	29.78%		
	Agree	80	26.84%		
	S.agree	25	8.46%		
Our company encourage employee participation in volunteering and community service.	S.Dis	4	1.47%	3.27	.86
	Dis	50	16.91%		
	Neu	146	49.26%		
	Agree	66	22.06%		
	S.agree	31	10.29%		

The company gives money toward charitable for the local community.	S.Dis	8	2.57%	3.49	.93
	Dis	133	44.85%		
	Neu	36	12.13%		
	Agree	66	22.06%		
	S.agree	54	18.38%		
Our company partner with non-profit organizations for CSR projects	S.Dis	16	5.51%	3.38	.90
	Dis	122	41.18%		
	Neu	97	32.72%		
	Agree	44	14.71%		
	S.agree	18	5.88%		
Overall mean				3.35	

Source: Survey (2025)

As shown in the above table 4.7 when the respondents asked “The firm involves and supports highly appreciated projects by the community (supporting local schools, youth centers etc.)”, 33.82% of them replied disagree with mean value 3.25 and standard deviation 0.86. For the question “Our Company encourage employee participation in volunteering and community service” most of them (49.26%) replied neutral with mean value 3.27 and standard deviation 0.86.

Regarding question “The company gives money toward charitable for the local community” large number of respondents (44.85%) disagreed with mean value 3.49 and standard deviation 0.93. Almost half of the respondents (41.18%) replied disagree when they asked “Our company partner with non-profit organizations for CSR projects” with mean value 3.38 and standard deviation 0.90. these survey results showed that manufacturing companies that operate in Gurage zone were not fulfilling their philanthropic responsibility of CSR practice. They were not participating actively in community charitable activities.

### **b. Descriptive statistics Result of the Independent Variable of the Study**

The independent variables in the study were employees’ attitude, customers’ knowledge, government policy, company’s humanistic culture and community participation. The frequency, percentage, mean and standard deviation result with their own interpretation are described below.

**i. Government policy**

Table 4.8: Descriptive statistics of government policy related factors

Questions	Likert scales	Frequency	Percent	Mean	St. deviation
The government has stricter regulations to protect the consumers and services quality.	S.Dis	6	1.84%	3.31	1.00
	Dis	112	37.87%		
	Neu	59	19.85%		
	Agree	80	26.84%		
	S.agree	40	13.60%		
The government has effective regulations to encourage firms to improve their product	S.Dis	6	1.84%	3.28	1.07
	Dis	79	26.47%		
	Neu	87	29.41%		
	Agree	80	26.84%		
	S.agree	46	15.44%		
There are complete laws and regulations to ensure fair competition	S.Dis	22	7.35%	3.27	.91
	Dis	111	37.50%		
	Neu	100	33.82%		
	Agree	51	17.28%		
	S.agree	12	4.04%		
Government-created programs to address social or environmental issues push companies to align their CSR strategies with national goals	S.Dis	6	1.84%	3.31	1.08
	Dis	71	23.90%		
	Neu	100	33.82%		
	Agree	68	22.79%		
	S.agree	52	17.65%		
Overall mean				3.29	

Source: Survey Result (2025)

As it is indicated in the above table 4.8, the overall mean of government policy related factors have low levels of agreement. (All items scored below 3.4.) This indicates that most of respondents' agreed that government policy related pressure towards manufacturing Company's CSR practice was not good. Particularly, when respondents were asked "The government has stricter regulations to protect the consumers and services quality", 37.87% of them disagreed with mean 3.31 and standard deviation 1.00.

For the item “The government has effective regulations to encourage firms to improve their product” most respondents (29.41%) replied neutral and 26.47% of them replied disagree with mean 3.28 and standard deviation 1.07. regarding the question “There are complete laws and regulations to ensure fair competition” 37.50% of the respondents replied disagree with mean 3.27 and standard deviation 0.91. For the question “Government-created programs to address social or environmental issues push companies to align their CSR strategies with national goals” large number of respondents (33.82%) replied neutral with mean 3.31 and standard deviation 1.08.

ii. **Community Participation**

Table 4.9: Descriptive statistics of Community Participation related factors

Questions	Likert scales	Frequency	Percent	Mean	St. deviation
Communities expect companies to contribute to society development by volunteering time and effort to local activities.	S.Dis	0	0.00%	3.47	.83
	Dis	29	9.93%		
	Neu	98	33.09%		
	Agree	134	45.22%		
	S.agree	35	11.76%		
Our company actively engage with local communities in its CSR initiatives	S.Dis	4	1.47%	3.43	.86
	Dis	39	13.24%		
	Neu	112	37.87%		
	Agree	110	37.13%		
	S.agree	31	10.29%		
Local communities expect companies to contribute to society development by getting involved in community event in non-financial ways.	S.Dis	0	0.00%	3.47	.81
	Dis	25	8.46%		
	Neu	94	31.62%		
	Agree	142	47.79%		
	S.agree	36	12.13%		
Local communities expect companies to contribute to society development by providing jobs and treating their employees well.	S.Dis	0	0.00%	3.53	.94
	Dis	44	14.71%		
	Neu	81	27.21%		
	Agree	121	40.81%		
	S.agree	51	17.28%		
Overall mean				3.475	

Source: Survey Result (2025)

Regarding community participation, table 4.9 shows the overall score of respondents, the question “Local communities expect companies to contribute to society development by providing jobs and treating their employees well” rated the highest with mean = 3.53, standard deviation = .94 and 40.81% of respondents replied agree. The second highest rated question is “Communities expect companies to contribute to society development by volunteering time and effort to local activities” with mean = 3.47, standard deviation = 0.83 and 45.22% of respondents replied agree. However Our Company actively engage with local communities in its CSR initiatives” rated lowest with mean = 3.43, and standard deviation = 0.86 and the large number of respondents replied neutral. The second lowest rated question was “Local communities expect companies to contribute to society development by getting involved in community event in non-financial ways” with mean =3.47 and standard deviation = 0.81 and 47.79% of respondents replied agree.

### iii. Employee attitude

Table 4.10: Descriptive statistics of employee attitude related factors

Questions	Likert scales	Frequency	Percent	Mean	St. deviation
Our managers and employees perceive CSR as an important mechanism potentially contributing to the creation of corporate value.	S.Dis	0	0.00%	3.32	.78
	Dis	38	12.87%		
	Neu	144	48.53%		
	Agree	96	32.35%		
	S.agree	19	6.25%		
Our managers and employees perceive that CSR enhances competitive advantage, and eventually improves the economic value of the firm.	S.Dis	6	1.84%	3.53	.82
	Dis	26	8.82%		
	Neu	91	30.51%		
	Agree	154	51.84%		
	S.agree	21	6.99%		
Our managers and employees believe enterprises need to contribute to national and local levels, societies and markets.	S.Dis	0	0.00%	3.06	.91
	Dis	80	26.84%		
	Neu	154	51.84%		
	Agree	28	9.56%		
	S.agree	35	11.76%		
	S.Dis	0	0.00%		

Our managers and employees believe being ethical and socially responsible is the most important thing a firm should do.	Dis	38	12.87%	3.50	.83
	Neu	99	33.46%		
	Agree	132	44.49%		
	S.agree	27	9.19%		
Overall mean				3.36	

Source: Survey Result (2025)

Regarding employee attitude, table 4.10 shows the overall score of respondents, the question "Our managers and employees perceive that CSR enhances competitive advantage, and eventually improves the economic value of the firm" rated the highest with mean = 3.53, standard deviation = 0.86 and 51.84% replied agree. The second highest rated item was "Our managers and employees believe being ethical and socially responsible is the most important thing a firm should do" with mean = 3.50, standard deviation = 0.83 and 44.49% of respondents replied agree. The lowest rated item was "Our managers and employees believe enterprises need to contribute to national and local levels, societies and markets" with mean = 3.06, standard deviation = 0.91 and 51.84% of respondents replied neutral followed by "Our managers and employees perceive that CSR enhances competitive advantage, and eventually improves the economic value of the firm" with mean = 3.53, standard deviation = 0.82 and 51.84% of respondents replied agree.

iv. **Customer knowledge**

Table 4.11: Descriptive statistics of employee attitude related factors

Questions	Likert scales	Frequency	Percent	Mean	St. deviation
Respects customer rights beyond the legal requirements	S.Dis	0	0.00%	3.31	.88
	Dis	61	20.59%		
	Neu	105	35.29%		
	Agree	110	37.13%		
	S.agree	21	6.99%		
Customer satisfaction is highly important for our company.	S.Dis	0	0.00%	3.57	1.06
	Dis	52	17.65%		
	Neu	98	33.09%		
	Agree	70	23.53%		
	S.agree	76	25.74%		

Treats customers' complaints or suggestions seriously.	S.Dis	0	0.00%	3.42	.85
	Dis	115	38.60%		
	Neu	43	14.34%		
	Agree	111	37.50%		
	S.agree	28	9.56%		
Provides full and accurate information about its products to its customers.	S.Dis	6	1.84%	3.13	.96
	Dis	144	48.16%		
	Neu	68	22.79%		
	Agree	45	15.07%		
	S.agree	36	12.13%		
Overall mean				3.36	

Source: Survey Result (2025)

Regarding employee attitude, table 4.11 shows the overall score of respondents, the question “Customer satisfaction is highly important for our company” rated the highest with mean = 3.57, standard deviation = 1.06 and 33.09% replied neutral. The second highest rated item was” Treats customers’ complaints or suggestions seriously” with mean = 3.42, standard deviation = 0.85 and 38.60% of respondents replied disagree. The lowest rated item was” Provides full and accurate information about its products to its customers” with mean = 3.13, standard deviation = 0.96 and 48.16% of respondents replied disagree followed by” Respects customer rights beyond the legal requirements” with mean = 3.31, standard deviation = 0.88 and 37.13% of respondents replied agree.

#### v. Company’s humanistic culture

Table 4.12: Descriptive statistics of humanistic culture related factors

Questions	Likert scales	Frequency	Percent	Mean	St. deviation
Our company shows concern for the needs of others	S.Dis	0	0.00%	3.45	.82
	Dis	120	40.44%		
	Neu	35	11.76%		
	Agree	115	38.60%		
	S.agree	27	9.19%		
	S.Dis	0	0.00%		

Our company resolve conflicts constructively	Dis	28	9.56%	3.56	.90
	Neu	130	43.75%		
	Agree	83	27.94%		
	S.agree	56	18.75%		
Our company involve others in decisions affecting them	S.Dis	0	0.00%	3.31	.92
	Dis	109	36.76%		
	Neu	94	31.62%		
	Agree	69	23.16%		
	S.agree	25	8.46%		
Our company is a good listener	S.Dis	0	0.00%	3.39	.76
	Dis	25	8.46%		
	Neu	158	53.31%		
	Agree	87	29.41%		
	S.agree	26	8.82%		
Our company gives positive rewards to others	S.Dis	0	0.00%	3.41	.91
	Dis	37	12.50%		
	Neu	60	20.22%		
	Agree	151	50.74%		
	S.agree	49	16.54%		
Overall mean				3.24	

Source: Survey Result (2025)

Regarding employee attitude, table 4.12 shows the overall score of respondents, the question "Our Company resolve conflicts constructively" rated the highest with mean = 3.56, standard deviation = 0.90 and 3.75% replied neutral. The second highest rated item was "Our company shows concern for the needs of others" with mean = 3.45, standard deviation = 0.82 and 40.44% of respondents replied disagree. The third highest rated item was "Our company gives positive rewards to others" with mean = 3.41, standard deviation 0.91 and 50.74 % of respondents replied agree. The lowest rated item was "Our company involve others in decisions affecting them" with mean = 3.31, standard deviation = 0.92 and 36.76% of respondents replied disagree followed by "Our company is a good listener" with mean = 3.39, standard deviation = 0.76 and 53.31% of respondents replied neutral.

**vi. Grand mean and standard deviation of the variables**

Table 4.13: Grand mean and standard deviation of the variables

<b>Variables</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
Government policy	297	1.00	5.00	3.4485	1.24681
Community participation	297	2.00	5.00	3.6544	.92827
Employee attitude	297	2.00	5.00	3.5515	.91981
Customer knowledge	297	2.00	5.00	3.5331	1.06210
Company humanistic culture	297	2.00	5.00	3.4007	.99690
Corporate social responsibility practice	297	2.00	5.00	3.6213	1.00551

Source: Survey Result (2025)

The grand mean score and standard deviation result show that the grand mean score falls between  $M = 3.008$  and  $M = 3.6544$ , as shown in Table 4.13 above. The range of the standard deviation is  $SD = .91981$  to  $SD = 1.24681$ . The comparison of the mean score findings below showed that the company's humanistic culture scored the lowest ( $M=3.4007$ ), while employee attitude ( $M=3.5515$ ) and community participation ( $M=3.6544$ ) had the greatest mean scores. Government policy received the largest standard deviation ( $SD = 1.24681$ ), followed by customer knowledge ( $SD = 1.06210$ ), according to the comparison of the standard deviation statistics below. This suggests that the humanistic culture of the companies operating in the Gurage zone has a greater influence on their CSR.

**4.2. Inferential Statistics Results**

**4.2.1. Pearson Correlation Result**

According to Cohen, J. (1988) correlation analysis is a statistical method used to assess the relationship between two or more variables. The purpose is to determine whether and how strongly the variables are related. This study assesses how closely corporate social responsibility practices align with the five dependent variables (government policy, community participation, employee attitude, customer knowledge and company's humanistic culture). The researcher used the linear product-moment correlation coefficient, also known as Pearson's correlation coefficient ( $r$ ), to show how strong the link was. A measure of the linear relationship between two variables is Pearson's Correlation Coefficient, which is commonly represented by the letter  $r$ . It indicates the relationship's intensity and direction, with a range of  $-1$  to  $+1$  inclusive, meaning that  $-1 \leq r \leq 1$ . There is a direct

connection between two variables, Y and X, if they show a positive correlation as X rises. We refer to them as negatively or inversely connected, however, if Y falls as X rises (or vice versa) (Cohen, 1988). The researcher has observed that the phrases "direct" and "inverse" are used in relation to proportionality or variance.

A complete (positive or negative) correlation between X and Y is shown by extreme values of r, i.e., when  $r = \pm 1$ . On the other hand, it is feasible to state that there is no correlation at all if r is 0. We cannot claim that X and Y have no association at all when  $r = 0$ . The correlation values as: small/weak when the correlation value is  $r = .10$  to  $.29$  or  $r = -.10$  to  $-.29$ , medium/moderate when the value is  $r = .30$  to  $.49$  or  $r = -.30$  to  $-.49$ , and large/strong when the value is  $r = .50$  to  $1.0$  or  $r = -.50$  to  $-1.0$ . (Cohen, 1988).

Table 4.14: Pearson's Correlation Result

		Government policy	Employee attitude	Community participation	Customer knowledge	Company humanistic culture	CSR practice
Government policy	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	297					
Employee attitude	Pearson Correlation	.765**	1				
	Sig. (2-tailed)	.000					
	N	297	297				
Community participation	Pearson Correlation	.775**	.712**	1			
	Sig. (2-tailed)	.000	.000				
	N	297	297	297			
Customer knowledge	Pearson Correlation	.814**	.801**	.689**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	297	297	297	297		
Company humanistic culture	Pearson Correlation	.713**	.804**	.740**	.798**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	297	297	297	297	297	
CSR practice	Pearson Correlation	.769**	.825**	.776**	.798**	.870**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	297	297	297	297	297	297

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Result (2025)

Government policy and corporate social responsibility have a strong, positive, and significant association ( $r = 0.769$ ,  $N = 297$ ,  $p < 0.01$ ), as seen in Table 4.14 above. This aligns with prior research done by Aguinis & Glavas (2012) which highlighted that government incentives and legal frameworks drive CSR implementation, particularly in developing economies. Employee attitude

and corporate social responsibility have a strong, positive, and significant association ( $r=0.825$ ,  $N = 297$ ,  $p<0.01$ ). This was supported by prior research done by Rupp et al. (2018) and they demonstrated that CSR positively influences employee morale, retention, and productivity. Community involvement and corporate social responsibility have a strong, positive, and significant link ( $r= 0.776$ ,  $N = 297$ ,  $p<0.01$ ). This aligns with prior research done by Branco & Rodrigues (2006) they found that companies with strong community ties experience enhanced stakeholder trust and brand loyalty (*Corporate Social Responsibility and Environmental Management*). Customer knowledge and corporate social responsibility have a strong, positive, and significant link ( $r= 0.798$ ,  $N = 297$ ,  $p<0.01$ ). This aligns with prior research done by Sen & Bhattacharya (2001) which showed that customers who are knowledgeable about CSR initiatives are more likely to support ethical brands (*Journal of Marketing Research*) Corporate social responsibility and company's humanistic culture have a strong, positive, and significant association ( $r=0.870$ ,  $N = 297$ ,  $p<0.01$ ). There is a strong, positive and significant relationship between company humanistic culture and corporate social responsibility ( $r= 0.870$ ,  $N = 297$ ,  $p<0.01$ ). This aligns with prior research done by Matten & Moon (2008) which linked humanistic corporate cultures to stronger CSR commitments, as values-driven firms prioritize social impact

The results show that there was a significant strong positive lowest correlation ( $r = 0.769$ ) between CSR and government policy and a considerably strong positive biggest correlation ( $r = 0.870$ ) between CSR and the company's humanistic culture.

#### **4.2.2. Assumption Test**

Regression analysis is a potent statistical technique for comprehending the relationships between variables, according to Field, A. (2013). However, several pre-assumptions need to be true for a regression analysis's findings to be reliable. The reliability and accuracy of the regression model depend on these pre- assumptions.

##### **i. Assumption of Multi-collinearity**

According to Kothari (2004), we have a condition known as the problem of multi-collinearity if there is a high degree of correlation between the independent variables. This condition arises when some of the predictor variables in the model are correlated with other predictor variables (Ramadan, 2017). It occurs when there is a strong linear relationship between two or more explanatory variables in a multiple regression model. In real life, perfect multi-collinearity in a data set is uncommon. This problem typically occurs when two or more independent variables have an approximately linear connection.

Table 4.15: Multi- collinearity test result

	Collinearity Statistics	
	Tolerance	VIF
Government policy	.239	4.178
Employee attitude	.259	3.857
Community participation	.322	3.106
Customer knowledge	.224	4.457
Company humanistic culture	.253	3.946

a. Dependent Variable: Corporate social responsibility practice

Source: Survey Result (2025)

According to Field (2005), the linear regression's Variance Inflation Factors (VIF) showed how much multicollinearity increased the variances in the regression estimates; VIF values greater than 10.0 indicated a multicollinearity issue.

However, according to (Pallant & Tennant, 2007). A statistical technique called tolerance shows how different the given independent variable is from other independent variables in the model. If the tolerance is higher than 0.10, there is no multicollinearity issue. Because the Variance Inflation Factors (VIF) are less than 10 and the tolerance values are more than 0.20( table 4.15), the results of Tolerance and VIF indicate that multicollinearity is not detected among the independent variables.

**ii. Assumption of Linearity**

Draper, N. R., & Smith, H. (1998) stated that the degree to which changes in the independent variables are related to and have an impact on changes in the dependent variable is known as linearity. To do a linear regression analysis, the relationship and association between the independent and dependent variables must be a linear function (Darlington, 1968).

Using the theory of earlier research studies to guide the current analysis and assist in selecting the appropriate variables is one way to prevent non-linearity (Osborn & Waters, 2002). The relationship between the variables is assumed to follow a straight-line pattern, meaning changes in the independent variable(s) result in proportional changes in the dependent variable (Draper, N. R., & Smith, H., 1998). As seen from figure 4.1 the relationship between variables of this study is linear.

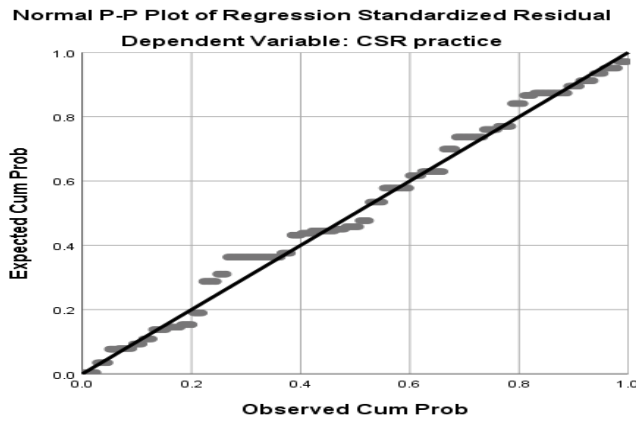


Figure4.1: linearity test result

Source: Survey Result (2025)

**iii. Assumption of Normality**

According to Kutner et.al (2005) Checking for **normality of residuals** is an important step in multiple regression analysis because it affects the validity of hypothesis tests, confidence intervals, and the efficiency of the regression estimates. Plotting a histogram of the residuals gives a visual sense of their distribution. For normally distributed residuals, the histogram should show a bell-shaped curve resembling the normal distribution (Kutner et.al, 2005). The data in this study were verified for normality, and the bell-shaped histogram is depicted in the figure 4.2, this suggests that the residuals have a normal distribution as the residual mean is zero and the standard deviation is getting close to zero. The symmetric histogram in this instance indicates that the assumption of normality is satisfied. Therefore, there are no assumptions about the normally distributed error term.

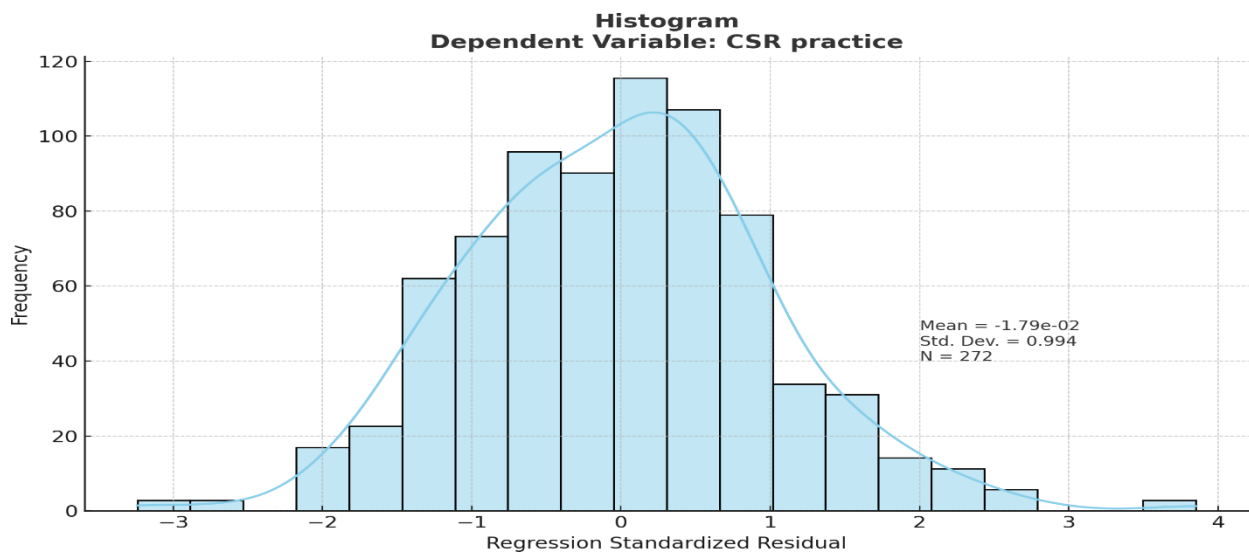


Figure 3.2: normality test result

Source: Survey Result (2025)

#### iv. Test of heteroscedasticity

According to Kutner et.al (2005), the assumption of homoscedasticity in a multiple regression model states that the variance of the residuals (errors) should be constant across all levels of the independent variables. This assumption is crucial for valid statistical inference, particularly for hypothesis testing and the construction of confidence intervals for regression coefficients (Kutner et.al, 2005). A plot of the standardized residuals by the regression standardized predicted value can be used to visually inspect the homoscedasticity (Osborn & Waters, 2002). The normalized residuals in this study are distributed uniformly in the same direction but over a greater range, indicating that heteroscedasticity wouldn't be a big problem for these data, despite the fact that numerous out layers are apparent in the plot figure 4.3. The graphs also seem to be a random collection of dots. A heteroscedasticity issue might occur if the dots actually show a pattern, like a funnel or a curve form, however in this case, the graph seems to be a random collection of dots, indicating that the models did not violate the assumption.

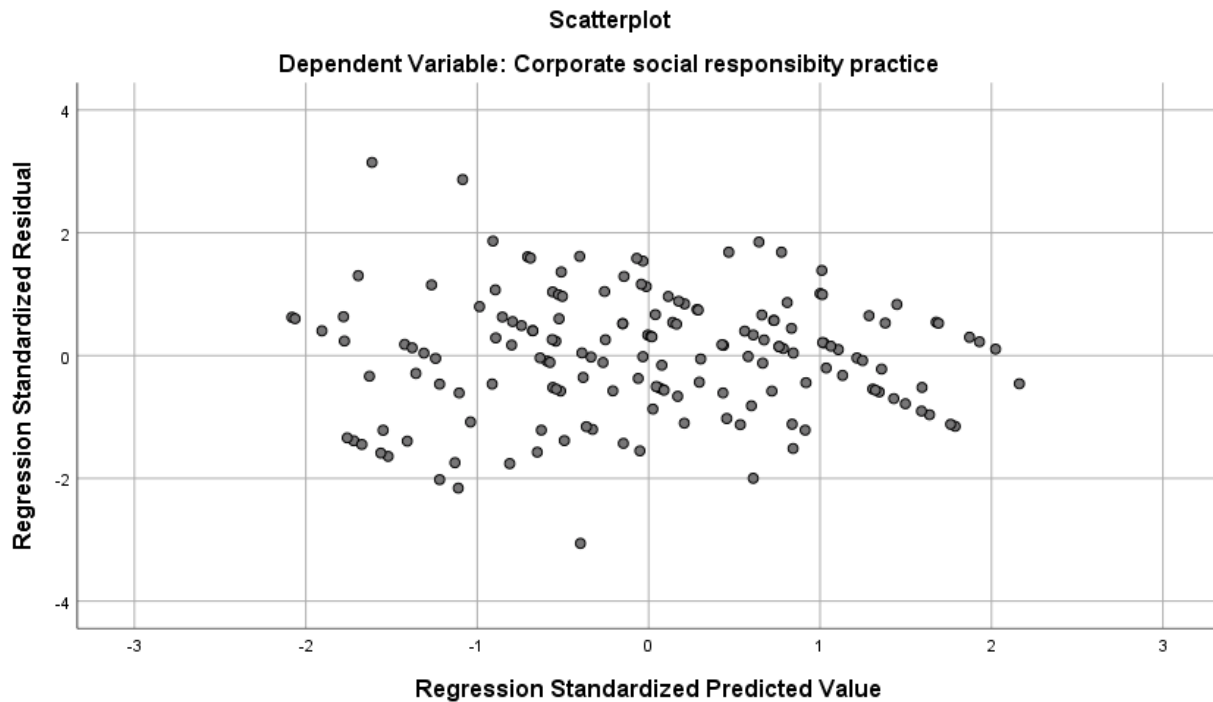


Figure4.3: Heteroscedasticity test result

Source: Survey Result (2025)

#### 4.2.3. Multiple Regression Analysis

Regression analysis was performed to determine whether there was any relationship between the dependent variable—corporate social responsibility practice—and the independent variables—government policy, employee attitude, community participation, customer knowledge, and company

humanistic culture—after correlation analysis and various assumption tests (linearity, normality, multicollinearity, and homoscedasticity) were finished. Multiple regression analysis, a type of general linear modeling, is a suitable statistical method for analyzing the relationship between a single dependent variable and multiple independent variables (predictors), claim Hair et al. (2007).

**i. Determining how well the model fits**

In the context of multiple regression, R, R-squared ( $R^2$ ), and Adjusted R-squared (Adj.  $R^2$ ) are important statistics used to assess how well a model fits the data (Kutner et al., 2005). R is a generalization of the multiple correlation coefficient, which quantifies the connection between the set of predictors and the dependent variable.  $R^2$  is the percentage of the dependent variable's variance that can be accounted for by the model's independent variables. It offers a general indicator of how well the model fits data (Kutner et al., 2005).  $R^2$  is altered by adjusted  $R^2$  to take into consideration the number of predictors in the model. It penalizes the insertion of irrelevant predictors in order to account for the model's complexity. This makes it more useful than  $R^2$  when comparing models with different numbers of independent variables (Kutner et.al, 2005).

Table 4.16: Model summary

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.910 <sup>a</sup>	.828	.825	.42085
a. Predictors: (Constant), company humanistic culture, Government policy, community participation, employee attitude, customer knowledge				
b. Dependent Variable: CSR practice				

Source: Survey Result (2025)

The multiple correlation coefficients, denoted as "R" values, are shown in the column labeled "R" in the model summary Table 4.16. An R value of 0.910 indicates a strong and positive relationship between the identified determinants and Corporate Social Responsibility (CSR), suggesting a high level of predictability. The R Square value of 0.828 reveals that approximately 82.8% of the variance in CSR at the study location can be explained by the combined influence of the determinants included in the model. Furthermore, the adjusted R Square value of 0.825 signifies that about 82.5% of the variation in CSR is accounted for by the joint impact of the specific determinants considered—namely, government policy, employee attitude, community participation, customer knowledge, and the company's humanistic culture.

**ii. Statistical significance of the model**

According to Fox (2016), ANOVA in the context of multiple regression is used to determine whether the group of predictor variables collectively accounts for a significant portion of the variance in the dependent variable. This process involves testing the null hypothesis, which assumes that none of the predictors contribute meaningfully to the model. The F-statistic serves to evaluate the overall significance of the regression by comparing the variance explained by the model to the variance that remains unexplained (Fox, 2016).

In Table 4.17 below, the F-ratio from the ANOVA assesses the overall fit of the regression model. The results indicate that the set of independent variables significantly predicts the dependent variable, as evidenced by an F-value of 256.205 and a p-value of .000, which is less than the conventional threshold of .05. This confirms that the regression model provides a statistically significant fit to the data.

Table 4.17: ANOVA Test Result

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	226.885	5	45.377	256.205	.000 <sup>b</sup>
	Residual	47.112	266	.177		
	Total	273.996	271			
a. Dependent Variable: CSR practice						
b. Predictors: (Constant), company humanistic culture, Government policy, community participation, employee attitude, customer knowledge						

Source: Survey Result (2025)

The Analysis of Variance (ANOVA) results for the regression analysis between the predictor variables and corporate social responsibility indicate that the probability value of 0.000 ( $p < 0.05$ ) demonstrates a highly significant relationship. This suggests that the factors—employee attitude, customer knowledge, community participation, government policy, and the company’s humanistic culture—play a significant role in explaining corporate social responsibility, as shown in Table 25 below.

### iii. Statistical significance of the independent variables

According to Fox (2016), in multiple regression analysis, determining the statistical significance of the independent variables (predictors) is essential for understanding whether these predictors have a meaningful relationship with the dependent variable. The aim is to evaluate whether each independent variable significantly contributes to explaining the variance in the dependent variable. Each coefficient ( $\beta_i$ ) in the multiple regression model is accompanied by a t-statistic and p-value, which help assess its statistical significance (Fox, 2016).

Table 4.18: Summary of hypothesis test

S.N	Hypothesis	Decision
1	<b>H<sub>01</sub></b> : Government policy has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.	Reject
2	<b>H<sub>02</sub></b> : Community demand has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.	Reject
3	<b>H<sub>03</sub></b> : Employees demand has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.	Reject
4	<b>H<sub>04</sub></b> : Customers demand has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.	Reject
5	<b>H<sub>05</sub></b> : Company's humanistic culture has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.	Reject

Source: Survey Result (2025)

#### a. Government policy has no positive and significant effect on CSR practice of manufacturing companies that operate in Gurage zone.

This study also made the assumption that government policy has no a statistically significant impact on businesses' CSR initiatives. But government policy was determined to be statistically significant at ( $\beta = .093$ ,  $p = .004$ ) according to table 4.19, indicating that government has a positive and significant impact on CSR practice of the manufacturing companies in Gurage zone. This discovery adds to the expanding corpus of research on the connection between CSR results and government measures. According to earlier studies, government influence and regulation can be an effective means of encouraging corporate social responsibility (Carroll & Shabana, 2010; Scholtens, 2013).

These conclusions are supported by the study's findings, which imply that businesses may be encouraged to adopt more ethical business practices by means of government pressure. The findings

of this study also have significant ramifications for regulators and politicians. It implies that even in the lack of laws, government initiatives can be used to advance favorable social and environmental results. This is consistent with the growing demands, especially in developing nations, for more proactive government involvement in CSR (Doh & Guay, 2006). It is crucial to remember that a variety of contextual elements, such as the regulatory framework, industry standards, and stakeholder demands, may affect how successful government pressure is (Delmas & Toffel, 2008; Grey, Stites, & Ammons, 2015).

**b. Community participation has no positive and significant effect on CSR practice of manufacturing companies that operate in Gurage zone.**

Additionally, the study suggested that the community participation had no a statistically significant impact on the company's CSR practices. But, according to the table 4.19, community participation was determined to be statistically significant at ( $\beta = .169$ ,  $p = .000$ ), indicating a positive and significant impact on the manufacturing company's CSR practices.

Empirical research strongly suggests that community pressure has a positive and significant impact on manufacturing company's corporate social responsibility (CSR) activities. A study by Kolk et al. (2018) found that communities and other stakeholders are important factors in determining how a firm approaches corporate social responsibility. According to the study, a company's CSR initiatives are impacted by the standards and demands from the community's members and other stakeholders.

In addition, a study by Du et al. (2020) discovered that community pressure significantly influences the Chinese ceramic industry's adoption of sustainable practices, such as CSR. In order to secure support for sustainability initiatives—which have the potential to result in better CSR practices—the study highlights the significance of interacting with the local community.

The beneficial impact of community pressure on CSR behaviors is further supported by more empirical research. For example, Chen et al.'s 2019 study discovered that community pressure had a favorable impact on the Chinese construction industry's adoption of environmental and social practices. Su et al.'s 2019 study also found a favorable correlation between community pressure and CSR performance in China's iron and steel sector.

Conclusively, the empirical data indicates that the CSR activities of corporations, such as the manufacturing companies in Gurage zone, are positively and significantly impacted by community pressure. As a result, it's critical that businesses interact with the communities in which they operate

and consider the needs and expectations of those communities while creating and carrying out CSR programmers.

**c. Employee's attitude has no positive and significant effect on CSR practice of manufacturing companies that operate in Gurage zone.**

The study's hypothesis was that workers has no a statistically significant impact on the company's CSR practices. But, employees were found to be statistically significant at ( $\beta = .210$ ,  $p = .000$ ) based on the data in table 4.19, indicating that they have a positive and significant impact on CSR practice of the manufacturing companies in Gurage zone. Empirical evidence from the literature supports the finding that manufacturing companies corporate social responsibility (CSR) activities are positively and significantly impacted by employee attitude and pressure. Employee participation in CSR efforts has been found to positively benefit organizations' CSR practices, according to Zhang and Zhu's 2020 study. Moreover, it is maintained that staff-initiated CSR initiatives encourage a feeling of pride and dedication to the business's CSR goals (Zhang and Zhu, 2020).

Employees who were more conscious of and concerned about social and environmental issues were more likely to participate in corporate social responsibility (CSR) efforts, according to a different study by Chen et al. (2019). It is often acknowledged that one significant factor influencing corporate social responsibility is the concept of stakeholder pressure, which includes pressure from employees (Wang and Qian, 2020). Indeed, some scholars contend that rather than government regulation, stakeholders like employees can have a greater influence on a company's CSR performance (Balmer et al., 2019).

Furthermore, strategic human resources policies that encourage employee participation in CSR activities can reinforce the impact of employee pressure on CSR practices (Krambia-Kapardis and Charalambous, 2020). These procedures could involve offering CSR training courses, offering rewards to staff members who participate in CSR initiatives, and providing chances for staff members to contribute to the formulation of business CSR policy.

**d. Customers demand has no statistically significant effect on CSR practice in manufacturing companies that operate in Gurage zone.**

This study used the assumption that the firm's CSR practices are not statistically significantly impacted by its customer's knowledge. But, Customers knowledge were found to be statistically significant at ( $\beta = .086$ ,  $p = .003$ ) based on the table 4.19 below, indicating that they have a positive

and significant impact on the manufacturing company's CSR practices in the study area. The study's findings clearly show that manufacturing companies that operate in Gurage zone CSR activities are positively and significantly impacted by consumer pressure.

These results are consistent with other research (Aguinis & Glavas, 2012; Gandia et al. 2016) that emphasized the significance of stakeholder pressure on corporate social responsibility (CSR) practices. This association may be explained, in part, by consumer pressure pushing businesses to take a more socially conscious stance. Businesses that wish to stay in good standing with their clients must address their issues and expectations, which frequently include requests for environmentally and socially conscious operations (Lanoie et al., 1998). Manufacturing companies that operate in the study area therefore believe that in order to maintain consumer satisfaction, they must exhibit their dedication to corporate social responsibility (CSR), which could account for why they are more inclined to adopt sustainable and socially conscious methods.

**e. The company's humanistic culture has no positive and significant effect CSR practice of manufacturing companies that operate in Gurage zone.**

The study also found that the company's humanistic culture has no a statistically significant effect on its CSR initiatives. Specifically, the humanistic culture variable was shown to be statistically significant ( $\beta = 0.441$ ,  $p = 0.000$ ) as indicated in Table 4.19 below, suggesting a positive and substantial influence on the CSR practices of manufacturing companies in the Gurage zone. There is increasing pressure from various stakeholders, such as shareholders, customers, and the broader society, for companies to implement corporate social responsibility (CSR) initiatives. Research has examined the factors that influence an organization's decision to adopt and integrate CSR practices, with one key factor being the company's humanistic culture. This culture, characterized by respect for individuals, justice, and ethical values, plays an important role in CSR adoption.

Empirical research has demonstrated that humanistic culture significantly and favorably influences corporate social responsibility (CSR) activities. For example, organizational culture and CSR implementation were found to be positively connected in a study conducted by Lin and Liang (2011). In a similar vein, Hsu and Chen's (2018) study discovered that businesses were more likely to adopt successful CSR strategies if they had an organizational culture that upheld moral principles and social responsibility.

According to research by Dhaliwal et al. (2011), there is a favorable correlation between a company's financial performance and its CSR policies. This suggests that the benefits of a

humanistic culture on corporate social responsibility (CSR) activities extend beyond the environment and society to include the company's financial line. In conclusion, empirical data from a variety of sources points to a strong, favorable influence of humanistic culture on corporate social responsibility (CSR) practices.

Table 4.19: Regression Coefficient Result

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.078	.117		.665	.507
	Government policy	.075	.042	.093	1.785	.004
	employee attitude	.230	.055	.210	4.214	.000
	community participation	.183	.049	.169	3.781	.000
	customer knowledge	.081	.051	.086	1.593	.003
	company humanistic culture	.445	.051	.441	8.727	.000

a. Dependent Variable: CSR practice

Source: Survey Result (2025)

#### iv. Estimated model coefficients

The Beta Coefficient (B) result shows the strength of the effect of each independent variable to the dependent variable (corporate social responsibility) as shown in table 4.19 above.

The multiple linear regression model that was used in this study was stated as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where,

Y = Corporate social responsibility practices

$\beta_0$  = Constant or intercept term,  $\beta_1, \beta_2, \dots, \beta_5$  = Parameter estimate associated with the influence of the independent variables on the dependent variable.  $X_1$  = Government policy,  $X_2$  = Community participation,  $X_3$  = Employees attitude,  $X_4$  = Customers knowledge,  $X_5$  = Company's humanistic culture and  $e$  = error term.

Thus, the equation of the linear regression model of the study was:-

Company's CSR practice = .078 + .075 Government policy + .183 Community participation + .230 Employees attitude + .081 Customers knowledge + .445 Company's humanistic culture +  $e$

Based on the coefficients presented in Table 27, the unstandardized coefficient for employee attitude indicates that it predicts 23.0% of corporate social responsibility, assuming other factors remain constant. Customer knowledge accounts for 8.1% of CSR, while community participation contributes 18.3%, each holding other variables constant. Government policy predicts 7.5% of CSR under the same condition, and the company's humanistic culture shows the strongest predictive power, accounting for 44.5% of CSR when all other factors are held constant.

The multiple regression analysis revealed that all five predictors—government policy, employee attitude, community participation, customer knowledge, and company humanistic culture—had statistically significant positive effects on CSR practices ( $p < 0.01$  for all except government policy at  $p < 0.05$ ). The strongest predictor was company humanistic culture ( $\beta = 0.441$ ,  $p < 0.001$ ), followed by employee attitude ( $\beta = 0.210$ ,  $p < 0.001$ ), community participation ( $\beta = 0.169$ ,  $p < 0.001$ ), customer knowledge ( $\beta = 0.086$ ,  $p = 0.003$ ), and government policy ( $\beta = 0.093$ ,  $p = 0.004$ ). The model explains a substantial portion of variance in CSR practices, with humanistic culture alone contributing nearly half of the predictive power. These findings underscore that internal organizational values (culture and employee attitudes) are more influential than external factors (policy, community, customers) in driving CSR implementation.

Therefore, the results suggest that among the identified predictors, the company's humanistic culture has the most substantial influence on corporate social responsibility, followed by employee attitude, community participation, customer knowledge, and government policy, in that order.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### Introduction

This chapter contains the summaries, conclusions and recommendations which are assumed to be useful to enhance the corporate social responsibility of manufacturing companies operating in Gurage zone and for other concerned organizations.

#### 5.1. Summary

This section summarizes the key findings derived from the overall analysis of the study. It includes the testing of research hypotheses, answers to the research questions, and a discussion of the results in comparison with findings from other related studies. Demographic data were presented using frequencies and percentages, illustrated through tables. Descriptive statistics, including means and standard deviations, were used to describe the data.

The study's findings were also discussed in relation to the impact of employee attitude, community participation, customer knowledge, government policy, and the company's humanistic culture on corporate social responsibility (CSR). Furthermore, inferential statistical tools—such as correlation and multiple regression analyses—were employed to gain deeper insights into the nature and strength of the relationships between the independent variables (employee attitude, community participation, customer knowledge, government policy, and company's humanistic culture) and the dependent variable (CSR practices).

The study revealed that, Customers knowledge were found to be strongly and statistically significant at ( $\beta = .086$ ) to predict the dependent variable (corporate social responsibility practice). These results are consistent with other research (Aguinis & Glavas, 2012; Gandia et al. 2016) that emphasized the significance of stakeholder pressure on corporate social responsibility (CSR) practices Businesses that wish to stay in good standing with their clients must address their issues and expectations, which frequently include requests for environmentally and socially conscious operations (Lanoie et al., 1998).

Community participation has a positive and statistically significant effect on corporate social responsibility (CSR), with a coefficient of  $\beta = 0.169$ , indicating its predictive power on the dependent variable—CSR practices. This finding aligns with previous empirical studies, which also highlight the significant role of community involvement in influencing CSR activities within manufacturing

companies. For instance, Kolk et al. (2018) emphasize that communities, along with other stakeholders, play a crucial role in shaping a company's approach to corporate social responsibility. According to the study, a company's CSR initiatives are impacted by the standards and demands from the community's members and other stakeholders. In addition, a study by Du et al. (2020) discovered that community pressure significantly influences the Chinese ceramic industry's adoption of sustainable practices, such as CSR.

Corporate social responsibility is positively impacted by government policy, and this effect is statistically significant at ( $\beta = .093$ ) to predict the dependent variable (CSR practice).

Similarly, the previous studies in the empirical concept show Government policy has a positive and significant impact on manufacturing company's corporate social responsibility (CSR) activities. A study by (Carroll & Shabana, 2010; Scholtens, 2013) found that government influence and regulation can be an effective means of encouraging corporate social responsibility. It is crucial to remember that a variety of contextual elements, such as the regulatory framework, industry standards, and stakeholder demands, may affect how successful government pressure is (Delmas & Toffel, 2008; Grey, Stites, & Ammons, 2015).

Employee attitude has a positive effect on corporate social responsibility and it has statistically significant at ( $\beta = .210$ ) to predict the dependent variable (CSR practice). Empirical evidence from the literature supports the finding that manufacturing companies corporate social responsibility (CSR) activities are positively and significantly impacted by employee attitude and pressure. According to Zhang and Zhu's 2020 study employee participation in CSR efforts has been found to positively benefit organizations' CSR practices. According to a study done by Chen et al. (2019) employees who were more conscious of and concerned about social and environmental issues were more likely to participate in corporate social responsibility (CSR) efforts.

Company's humanistic culture has a positive effect on corporate social responsibility and it has statistically significant at ( $\beta = .445$ ) to predict the dependent variable (CSR practice) and this leads us to reject the hypothesis stated in chapter one.

Empirical evidence from the literature supports the finding that manufacturing companies corporate social responsibility (CSR) activities are positively and significantly impacted by Company's humanistic culture. For example, organizational culture and CSR implementation were found to be positively connected in a study conducted by Lin and Liang (2011). In a similar vein, Hsu and Chen's (2018) study discovered that businesses were more likely to adopt successful CSR strategies if they

had an organizational culture that upheld moral principles and social responsibility. According to research by Dhaliwal et al. (2011), there is a favorable correlation between a company's financial performance and its CSR policies.

## **5.2. Conclusion**

The purpose of this study was to investigate the factors influencing CSR practice of manufacturing companies that operate in Gurage zone. The results highlight the important and advantageous influences that a number of elements have on the company's CSR practices. In particular, this study found that key factors influencing CSR efforts at manufacturing companies that operate in Gurage zone were the company's humanistic culture, consumer's knowledge, employee's attitude, community participation, and government policy.

First and foremost, the study discovered that company's humanistic culture in driving CSR practices. The results imply that a company's core values and culture significantly influence its engagement in CSR activities. The manufacturing companies that operate in Gurage zone should foster and promote a humanistic culture that values social responsibility and ethical behavior. This can be achieved through top-level commitment, internal communication, and embedding CSR principles into the company's values and operations.

Secondly, employee attitude emerged as a key determinant of CSR practices among manufacturing companies in the Gurage zone. The study identified a statistically significant positive relationship between employee attitudes and CSR initiatives. This finding emphasizes the critical role of internal stakeholders in shaping corporate social responsibility and highlights the importance of cultivating a workplace culture that encourages social responsibility. Manufacturing companies in the Gurage zone should actively engage and empower their employees in CSR-related decision-making processes, as employees can act as ambassadors for CSR initiatives and contribute to enhancing the organization's overall reputation.

Furthermore, the study demonstrated the significant positive impact of the community participation on manufacturing company's CSR practices. Community's participation play pivotal roles in influencing the direction and extent of the company's CSR engagement. The findings suggest that engaging with communities and building strong relationships with local stakeholders can enhance the CSR efforts of manufacturing companies that operate in Gurage zone.

Based on the study's result another factor that influence manufacturing companies CSR practice is customers' knowledge. The results indicate that customers have a significant positive influence on the factory's CSR initiatives, suggesting that they value and appreciate socially responsible behavior from businesses. This finding aligns with previous research that emphasizes the impact of customer demand and preferences on CSR practices. The manufacturing companies that operate in Gurage zone should, therefore, continue to prioritize and engage with their customers to ensure that their CSR activities align with their expectations.

Lastly, the study revealed the importance of the government policy in driving CSR practices. The results imply that a company's core values and culture significantly influence its engagement in CSR activities. Manufacturing companies that operate in the study area should collaborate with the government and adhering to their regulations and expectations to further strengthen the company's CSR practices.

To sum up, the findings from this study provide valuable insights into the determinants of CSR practices in manufacturing companies that operate in Gurage zone. Customers' knowledge, employees' attitude, community participation, government policy, and the company's humanistic culture were all identified as statistically significant and positively influencing the manufacturing company's CSR practice. Understanding and actively considering these determinants will help the manufacturing companies that operate in Gurage zone in formulating effective strategies to enhance their CSR initiatives, positively impact stakeholders, and ultimately contribute to sustainable development

### **5.3. Recommendations**

Here are some recommendations for the management of the manufacturing companies that operate in Gurage zone and the government based on the researcher's findings:

#### **Recommendations for management of manufacturing companies that operate in Gurage zone:**

1. Customers knowledge: Establishing trusting relationships with customers through proactive feedback collection and problem solving should be the management's top priority. Understanding client expectations and preferences can be facilitated by using customer satisfaction surveys and regular communication channels. In order to satisfy consumer demands for environmentally and socially conscious products, the company should also think about implementing eco-friendly procedures.

2. Employees attitude: The management should have placed more emphasis on improving worker satisfaction and engagement through a variety of strategies, including competitive pay packages, training and skill-development opportunities, and the promotion of a positive work environment. Engaging in regular evaluations of employee happiness and attending to their requirements will enhance corporate social responsibility initiatives.

3. Community participation: The management should take an active role in the community participation by funding social development programmers like those that promote healthcare, education, and environmental preservation. Finding and implementing effective projects that meet community needs might be facilitated by working with regional non-governmental organizations or setting up a department specifically for corporate social responsibility.

4. Government policies: When creating and executing CSR rules and regulations, management should work with the government. Manufacturing companies that operate in the study area may help develop successful policies that motivate and inspire other businesses to adopt CSR practices by actively participating in pertinent conversations and lending their experience. Keeping up transparent reporting and adhering to current CSR regulations are also essential.

5. Company's humanistic Culture: A humanistic culture should be fostered and supported by the management of the manufacturing company. This can be accomplished through cultivating an environment at work that prioritizes moral behavior, tolerance for other viewpoints, and worker welfare. The company's CSR practice can be further strengthened by promoting open communication, empathy, and the recognition and reward of socially responsible behavior.

### **Recommendations for the local Government:**

1. Develop Clear CSR Guidelines: The government should develop thorough and open regulations outlining what is expected of companies, including those in particular industries, in terms of CSR. To assist businesses such as manufacturing companies in aligning their operations with CSR practices, these recommendations ought to delineate the significance, advantages, and primary areas of concentration of CSR activities.

2. Incentivize CSR Efforts: To incentivize businesses to participate in corporate social responsibility (CSR) initiatives, the government ought to implement subsidies or tax cuts. Companies who priorities corporate social responsibility (CSR) will be encouraged to do the same by being acknowledged and rewarded, creating a more sustainable and socially conscious business environment.

3. Facilitate Collaboration: The government should support cooperative projects that involve businesses and NGOs or local communities. They can promote collaborations that successfully meet the requirements of the community by serving as mediators. Long-term sustainable development can be promoted by creating specialized forums or advisory councils that unite corporations, public servants, and representatives of civil society organizations.

4. Promote Awareness and Education: To highlight the advantages of corporate social responsibility (CSR) and motivate firms to get involved, the government ought to fund public awareness initiatives. Companies will learn about CSR practices through a variety of channels, such as seminars, workshops, and online platforms, empowering them to successfully adopt and enhance their CSR activities.

5. Monitoring and Reporting: The government should set up a thorough reporting and monitoring mechanism to make sure businesses follow CSR regulations. Frequent evaluations and audits will make companies answerable, encourage openness, and strengthen the legitimacy of CSR initiatives. Increased trust between organizations and stakeholders can also result from the public sharing of CSR achievements and efforts.

#### **5.4. Future Research Directions**

This study explored the determinants of corporate social responsibility (CSR) within manufacturing companies operating in the Gurage zone. Based on the findings, the researcher proposes the following suggestions for future research:

Future studies could expand the target area and sample size to include a wider range of Ethiopian manufacturing companies. Although the study identified several key determinants of CSR, it acknowledges that other factors may also influence CSR practices. Future research could explore additional determinants, such as organizational commitment, service provision, pressure groups, sustainability, and profitability.

Furthermore, the researcher suggests investigating CSR determinants using different methodologies and data collection tools, such as interviews or reviewing performance data over multiple years, which this study did not address.

Finally, the study suggests that further research is better to choose a longitudinal research design to examine the cause and effect association between determinants of corporate social responsibility and corporate social responsibility. A longitudinal study would permit assessment of the direction of the relationships between CSR and the determinants, both of which have been stated in the study and that did not.

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APPENDIX – QUESTIONNAIRE  
WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

MBA PROGRAM

**Questionnaires to Be Filled by Employees Working in Manufacturing Companies  
Operating in Gurage Zone**

Dear esteemed respondents,

I am a post-graduate (master's) student in Wolkite University College of Business and Economics in the MBA program. Now, I am conducting a study on the "factors affecting corporate social responsibility practices: A study on manufacturing companies operating on Gurage zone". The purpose of this questionnaire is to collect information on factors affecting practicing corporate social responsibility: A study on manufacturing companies operating on Gurage zone. It is purely for academic purposes and the information gathered will not be used for any other purpose other than for its proposed use and will be treated with the highest confidentiality. So, your genuine, honest and timely response is vital for the accomplishment of this study on time. Therefore, I kindly ask you to give your response to each question kindly and honestly.

If you have any questions, suggestions, and comments at any time, you can contact me at 0941016481 or Shemsedinawol410164@gmail.com

Thanks in advance for your cooperation!

Genera Instructions

- It is not necessary to write your name.
- You are not forced to fill this paper.
- Don't hesitate to ask questions for clarification.

Regards,  
Shemsedin Awol

**PART ONE - BACKGROUND INFORMATION (6 items)**

1. Name manufacturing company \_\_\_\_\_
2. Staff type: i) professional  ii) Administrative Staff
3. Sex: i) Male  ii) Female
4. Age: i) 20-30 years  ii) 31-40 years  iii) 41-50years   
iv) above 50 years
5. Experience: i) 0-5 years  ii) 6-10 years  iii) 11-15 years   
iv) 16-20 years  v) above 21years
6. Level of education: i) Diploma  ii) Bachelor Degree   
iii) Masters  iv) PhD and above.

**PART TWO – Questions regarding to factors affecting CSR practice of the manufacturing company**

Based on your experience and perception show your agreement with the following statements relating to the corporate social responsibility of the manufacturing company you are working on. Please, kindly tick (X) mark that describe your appropriate response in the box to the statements. Use scale of 1-5, where 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5= Strongly Agree

<b>N o</b>	<b>Government policy</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The government has stricter regulations to protect the consumers and services quality					
2	The government has effective regulations to encourage firms to improve their product					
3	There are complete laws and regulations to ensure fair competition					
4	Government-created programs to address social or environmental issues push companies to align their CSR strategies with national goals					
	<b>Community Participation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Communities expect companies to contribute to society development by volunteering time and effort to local activities.					
2	Our company actively engage with local communities in its CSR initiatives					
3	Local communities expect companies to contribute to society development by getting involved in community event in non-financial ways.					
4	Local communities expect companies to contribute to society development by providing jobs and treating their employees well.					
	<b>Employees Attitude</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Our managers and employees perceive CSR as an important mechanism potentially contributing to the creation of corporate value.					
2	Our managers and employees perceive that CSR enhances competitive advantage, and eventually improves the economic value of the firm.					

3	Our managers and employees believe enterprises need to contribute to national and local levels, societies and markets.					
4	Our managers and employees believe being ethical and socially responsible is the most important thing a firm should do.					
	<b>Customer knowledge</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Respects customer rights beyond the legal requirements.					
2	Customer satisfaction is highly important for our company.					
3	Treats customers' complaints or suggestions seriously.					
4	Provides full and accurate information about its products to its customers.					
	<b>Humanistic culture</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	Our company shows concern for the needs of others					
2	Our company resolve conflicts constructively					
3	Our company involve others in decisions affecting them					
4	Our company is a good listener					
5	Our company gives positive rewards to others					

### PART THREE: Measuring items of CSR Practice (Dependent variable)

Please indicate your response to the following aspects by ticking the appropriate choice. Use scale of 1-5, where 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5= Strongly Agree

No	Corporate social responsibility practices	1	2	3	4	5
<b>ECONOMIC RESPONSIBILTY</b>						
1	The company is paying decent wage comparing with others					
2	The firm strives to deliver high value, & quality products that meet and/or exceed the expectations of their customers					
3	The company provides a reasonable benefit for employees (medical services, performance bonuses, holiday pay, transport allowances etc.)					
4	Our company integrates CSR initiatives with its core business strategy.					
5	Our company invest in sustainable supply chains to ensure ethical sourcing and environmental responsibility.					
<b>LEGAL RESPONSIBILITY</b>						
1	Our company ensure compliance with local and international CSR-related regulations.					
2	The company protects employees against sexual harassment. Child labor, forced or compulsory labor					
3	The company has a clear human resource policy and guidelines on hour standards in accordance with local labor law and ILO standards					
4	The organization takes adequate procedures against discriminations (women, ethnic group, religion etc.)					
5	Our company has internal policies to ensure compliance with anti-corruption and fair trade laws.					
<b>ETHICAL RESPONSIBILITY</b>						
1	The firm respects the norms, or expectations that consumers, employees, shareholders, and the community regard as fair and just,					

2	The organizations account for the impacts of its decisions and activities on society and the environment.					
3	The company display openness and transparency in relationships with customers, employees, community groups, and governmental organizations					
4	Our company has ethical guidelines to follow when making business decisions.					
5	Our company have a whistleblower policy for reporting unethical practices.					
<b>PHILANTHROPIC RESPONSIBILITY</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The firm involves and supports highly appreciated projects by the community (supporting local schools, youth centers etc.)					
2	Our company encourage employee participation in volunteering and community service.					
3	The company gives money toward charitable for the local community.					
4	Our company partner with non-profit organizations for CSR projects					