Effects of corporate social responsibility on firm performance: Evidence from Zimbabwe

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Abstract

This study sought to analyse the effect of corporate social responsibility (CSR) on firm performance in listed firms in Zimbabwe. The specific objectives of the study were to analyse the relationship between CSR and profitability, ascertain the effect of CSR on competitive advantage and establish the impact of CSR on sales revenue in listed firms in Zimbabwe. Quantitative research techniques anchored on the positivist research philosophy were the main methods used to undertake the study. A sample of 14 purposively selected firms engaged on CSR responded to questionnaires which were augmented by secondary sources such as annual reports as well as industry reports and RBZ publications. Regression analysis and correlation analysis were the main tools used to analyse the data. The study found a positive relationship between CSR and firm profitability in listed companies in Zimbabwe. It also found out that CSR has a positive effect on competitive

advantage and that CSR has a positive impact on sales in listed firms in Zimbabwe. Hence, the study recommends that firms should engage in social and environmental initiatives to improve their image in the eyes of stakeholders. Firms should also publicize their CSR initiatives and seek consensus with stakeholders with modern communication channels. In addition, they should cooperate with others in order to reduce the costs of engaging in CSR initiatives.

1. Introduction and Background

Since the proposal of the theory on corporate social responsibility (CSR) in the 20th century, companies have expressed a lot of interest in engaging in corporate social responsibility initiatives. Most companies have pursued CSR as a strategy to enhance their image among stakeholders. However, neither theory nor empirical investigation has confirmed beyond reasonable doubt the positive impact of CSR on firm performance. This study sought to investigate the effect of CSR on firm performance, so as to ascertain the usefulness of CSR as a strategy to enhance firm value.

Having evolved significantly over the last two decades, the concept of CSR now occupies a prominent place in the manner in which companies behave and are viewed by stakeholders. At first CSR was castigated by business practitioners and theorists alike as a way of wasting resources on activities not aligned to business processes. This originated from Milton Friedman's self-interest model which emphasised that businesses must concentrate mainly on activities that increase shareholders' wealth while leaving social and environmental issues to the government (Bruns, 2017). However, CSR is now considered one of the activities that businesses should engage in. Governments and nongovernmental organisations are now encouraging firms to engage in CSR initiatives. According to the European Commission (2015), CSR is now compulsory in Europe as firms are now asked to come up with CSR initiative reports. In Africa too, countries like Rwanda are pressuring firms to provide social services and participate in measures to preserve the environment so as to enhance socio-economic development (Hinson and Ndhlovu, 2011).

According to Babarinde (2011), the King's code of South Africa, which is a corporate governance framework, requires firms to also submit CSR initiative reports annually detailing what the firms are doing in the society and environment. In Zimbabwe the Indigenization and Economic Empowerment Act makes it mandatory for firms to engage in community share ownership schemes as well as participate in societal developmental projects like building roads and other infrastructure (Ministry of Youth, Indigenization and Economic Empowerment, 2016). This shows that CSR is no longer a choice in most countries but is now mandatory for all firms.

Proponents of CSR argue that it enables the firm to enjoy cordial relations with stakeholders. This view is supported by Saeidi et al. (2015), who argue that firms that are socially responsible are easily favoured by investors thereby making financial resources easily available. Shnayder et al. (2015) also opine that CSR helps build a good corporate image, which makes the firm more competitive to customers. This is seconded by Dolnicar (2007) who point out that customers now tend to buy more from businesses that are socially responsible. In addition, businesses that engage in social and environmental initiatives tend to get favours from the government such that they pay low tax, find it easy to get licenses and avoid stringent government regulations.

Meanwhile, Zimbabwean firms are facing a number of challenges some of which literature predicts could be alleviated by involvement in CSR initiatives. Most firms have witnessed declining sales volume ranging from 5% to 10% decrease as reported by the Confederation of Zimbabwean Industries (CZI) (2016). Liquidity challenges and cash shortages have been among the most influential factors hindering performance

of businesses in Zimbabwe (Damiyano et al., 2012). Banks do not have sufficient liquidity to support industry's investment and cash flow requirements. This has left firms, especially in the manufacturing sector having insufficient financial resources to invest in new technology and modernisation of productive techniques, thus affecting capacity utilisation. This scenario has also created competition for investment funds in the economy. Thus firms have been urged to implement strategies that attract investors. The CZI (2016) has also highlighted competition as being among the major factors leading to reduced performance for companies in Zimbabwe. The rise in globalisation and advances in information and communication technology has exposed businesses in Zimbabwe to competition from foreign companies. In addition the economy has continued to witness depressed demand as a result of the current macroeconomic environment (Kanyenze et al., 2017). Higher levels of unemployment have resulted in reduced disposable income among the populace thus reducing the number of customers able to purchase goods and services in the economy. This environment has left firms in Zimbabwe competing for fewer customers. Consequently, CSR could be a viable strategy for firms in Zimbabwe to improve their competitiveness and attract more customers. Businesses also have a chance to enhance their reputation and increase cohesion with stakeholders, including investors and the government. Although the link between CSR and financial performance has been a central topic of research for more than three decades, the majority of the studies in the literature have been conducted for developed economies rather than developing countries (Selcuk & Kiymaz, 2017) hence the desire to conduct this study in the Zimbabwean context. The main objective of the study was to analyse the effect of CSR on firm performance in listed firms in Zimbabwe. The study tested the following hypotheses:

1)　　H_0: There is a positive relationship between CSR and profitability in listed firms in Zimbabwe

H_1: There is a negative relationship between CSR and profitability in listed firms in Zimbabwe

2)　　H_0:CSR has a positive effect on competitive advantage in listed firms in Zimbabwe

H_1: CSR has a negative effect on competitive advantage in listed firms in Zimbabwe

3)　　H_0: CSR has a positive impact on sales revenue in listed firms in Zimbabwe

H_1: CSR has a negative impact on sales revenue in listed firms in Zimbabwe

2. Literature Review

2.1 Firm performance

Firm performance is among the major priorities of business managers and owners. This is confirmed by Liu and Lu (2019) who state that the advocators argue that CSR could be maximizing shareholders' wealth while achieving broader societal goals. Marcia et al. (2013) also hypothesise that increased performance entails increased assets and capital while reduced performance means the depletion of assets and capital, consequently a decrease in the value of the firm. The importance of firm performance to the survival of the business was explored by Dzingirai and Katuka (2014) whose study found poor performance to be the major cause of bank failure in Zimbabwe. Moon et al. (2014) also highlight the importance of performance in determining the extent to which the business abides by its mission, vision and objectives. Hence, there is consensus that firm performance occupies a key role in every firm's operations and activities.

2. 2 Measurement of firm performance

The study of the relationship between CSR and firm performance over the past decades has produced mixed results (Ahamed et al 2014 cited in Krunic, 2017). There have been positive, negative and neutral results across literature findings. Most scholars have used regression

analysis and other quantitative techniques to explore both accounting-based firm performance measures and market-based firm performance measures (Krunic, 2017). This study uses the two performance measures.

2.2.1 Accounting - based measurement techniques

Accounting-based measures are the most common measures of firm performance that are used in researches. According to Masa'deh et al (2015) researchers have used financial outcomes such as return on assets, market share, sales, and other financial ratios as well as profit measures such as ROA and ROS to demonstrate the efficiency of the firm's operation; growth measures such as sales growth show how open a firm is to new markets, or expansion in existing markets. Al-Matari et al (2014) state that accounting-based measurement is generally considered as an effective indicator of the company's profitability and the business when compared to benchmark rate of return equal to the risk adjusted weighted average cost of capital. The accounting-based measurement indicators to profitability of firms on the short term in the past years such as (ROA), (ROE), (PM), (ROI), (OCF), (EPS), (OP), (GRO), (ROCE), (ETA), (CTA), (STS) and others. Also, ROA, as an accounting-based measurement, gauges the operating and financial performance of the firm (Klopper & Love, 2002 cited in Al-Matari et al, 2014). The measurement is such that the higher the ROA, the effective is the use of assets to the advantage of shareholders. At the same time ROE is calculated by dividing profit before interest and tax with total assets, thus it also measures how effective the business' resources are used to come up with profit for the business (Wu and Shen, 2013).

According to Deng et al. (2013) accounting-based measures give a more reliable analysis of the extent to which a firm is performing. Also by using historical accounting, they facilitate comparisons of performance between firms and between financial periods. As a result, accounting-based measures have gained considerable ground in several researches

involving the computation of firm performance that has been carried out. These include Palmer (2012) who used ROA and ROE while investigating the effect of CSR on firm performance in the United States and Qiu (2012) who researched the relationship between CSR and firm performance in China. The same approach was also used by Kipruto (2014) in Kenya while investigating the same research phenomenon. However, these ratios have been criticised by scholars such as Oikonomou (2011) for using historical accounting data. In the same vein Singh (2014) argues that companies use different accounting methods thereby making it difficult to compare the performance of one firm with the other. At the same time, they have been criticised by some scholars who argue that accounting records are open to manipulation by management, thus giving a false impression of firm performance.

2.2.2 Market-based measurement techniques

Market-based measures have also been used in measuring the performance of business. According to Masa'deh et al (2015), they measure innovation, learning, and customer satisfaction as well as market growth, product service innovation, profitability, and company reputation. This is also highlighted by Kang et al. (2016) arguing that they make assessment on how effective a business is in increasing shareholder's wealth. With regard to this, there are many measures that fall under market-based measures. These include share price appreciation, market return and Tobin's Q. This is revealed by Singh (2014) who further highlight that total shareholder returns (TSR) has also become a popular market-based measure of firm performance. This is mainly because it is a combination of share price appreciation and dividends per share to produce one comprehensive measure of performance. Ntim and Soobaroyen (2013) define TSR as the portion of returns on shares that are attributed to gains in share prices and dividends.

Scholars such as Singh (2014) have heralded the importance of market-based measures of performance as reliable alternatives for

accounting-based measures. Shan and McIver (2011) also support the same notion by underscoring that market-based measures give investors a better impression of how viable it would be to carry out investments in a certain business. Mishra and Suar (2011) also contend that market-based measures are not easily manipulated by management. The same authors further opine that market-based measures do not suffer from having different accounting procedures. There are very few studies that have used these measures including Melin (2015) who investigated CSR and firm performance in Sweden. Furthermore, Oikonomou (2011) used market-based measures in researching the impact of CSR on firm performance in the United Kingdom.

However, critics of market-based measures such as Ghelli (2013) have proved that businesses which are not active socially and environmentally suffer from lower performance but fail to show whether responsible CSR behaviour results in increased performance. Yasser et al. (2011) also criticised market-based measures for exhibiting performance that is related to investors while ignoring that which is also useful to the plight of other stakeholders who also have interests in the activities of the business. The study adopted accounting-based measures as they make it easier to characterise the effectiveness and efficiency of the business.

3. Research Methodology

A sample of 14 purposively selected firms engaged on CSR responded to questionnaires. The study included all the industrial sectors of the Zimbabwean economy represented on the ZSE namely; retail, food and beverages, agricultural sector, tourism sector, financial services sector, paper, packaging, printing and publishing sector, engineering, technology and construction sector, mining sector, pharmaceuticals and chemicals sector, property sector, transport sector and industrial holdings. The listed firms were chosen because they are mandated to publish financial statements; hence their financial data was readily available for scrutiny (Saunders et al., 2016).

3.1 The research model

The study used a linear regression model to determine the main factors affecting firm performance. The model includes factors such as: sales, firm size, competitive advantage, leverage, liquidity and GDP growth. CSR was inputted as one of the explanatory variables, thus making it easy to determine the marginal effects of CSR on firm performance using panel data from 2012-2017. Panel data was very useful because it used data that was comprehensive and thus more reliable and generalisable across the majority of firms (Gujarati, 2004). The model was represented as follows:

$$FP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 SALES_{it} + \beta_3 LEV_{it} + \beta_4 CA_{it} + \beta_5 SIZE_{it} + \beta_6 LQ_{it} + \beta_7 EG_{it} + \mu_i$$

Where i represents firm i and t represents time period t

β_0 is the intercept coefficient

$\beta_{1 \text{ to } n}$ are coefficients of the explanatory variables

FP	Firm performance
CSR	Corporate social responsibility initiatives
SALES	Sales
LEV	Leverage
CA	Competitive advantage
SIZE	Firm size
LQ	Liquidity
EG	Economic growth
μ_i	Error term

3.2 Definition of variables

3.2.1 Firm performance

Firm performance was the dependent variable in the study as it was the variable being influenced by CSR and other variables. In this study, firm performance was defined as the effectiveness of the business in using its available resources to acquire higher profitability in line with Marcia et al. (2013). It was measured using the accounting-based method in terms of return on assets.

According to Hagel and Brown (2011), return on assets is calculated by dividing profit before interest and tax with total asset.

3.2.2 CSR

CSR was the main independent variable of interest in the study as the main purpose of the study was to investigate the impact of CSR on firm performance. This study defined CSR as the operations that firms voluntarily carry out to improve the quality of life of workforce, society and community as well as preserve the environment within which they operate in (Hopkins, 2011). In line with Werther and Chandler (2013), a business' involvement in CSR initiatives would improve its image, thus help attract more customers. It would also improve investor relations, reduce costs and attract favourable government regulation (Krishnan, 2012). Thus, because of these factors the study expected a positive relationship between CSR and firm performance. It anticipated a positive beta coefficient for CSR in the study.

3.2.3 Sales

Sales measure the amount of sales revenue acquired by a business over a period. Sales were an important independent variable in the study. In line with Palmer (2012) sales was measured by the sales revenue divided by total assets. There is general consensus among scholars that sales revenue has a positive impact on firm performance. Higher sales revenue would result in a firm earning higher profits thus increasing return on assets (Qiu, 2012). Hence, the study anticipated that the beta coefficient for sales would be positive.

3.2.4 Leverage

Chauhan and Amit (2014) define leverage as a measure of how far the business is financed by borrowed capital. It is calculated by dividing total long term liabilities with total capital in the business. Higher leverage would entail that a greater proportion of the business is financed by borrowed capital. It would allow the business to make large investments in the purchase of noncurrent assets. However, according to Oh et al. (2011) higher leverage has a negative impact on firm performance as it entails higher interest payments. The same authors also argue that higher leverage would result in investors losing confidence in the firm, thus lowering its market value. Hence, the study anticipated that the beta coefficient for leverage would be negative.

3.2.5 Liquidity

Liu and Wilson (2009) define liquidity as the ability of a business to finance its obligations in the short run. It is calculated by dividing total current liabilities with total current assets (Wood and Sandler, 2009). Higher liquidity entail that the business has enough cash or cash equivalence to support its operations in the short run. This would increase its effectiveness in fulfilling organisational goals thus enhancing firm performance. Thus, in this study liquidity was expected to have a positive impact on firm performance, meaning its beta coefficient was expected to be positive.

3.2.6 Competitive advantage

Porter and Kramer (2006) define competitive advantage as the ability to obtain more customers and perform higher than other firms in the same industry. Market share is the main proxy for competitive advantage. That is, the size of market belonging to a firm as a percentage of the total size of market. A business that has higher competitive advantage is considered by customers to offer better products and services than those of competitors (Kotler and Armstrong, 2008). As a result it would enjoy higher sales and lower marketing costs, resulting in higher firm performance. Therefore, this study anticipated a positive beta coefficient for competitive advantage.

3.2.7 Firm size

Firm size has been cited as an important explanatory variable in studies investigating CSR and firm performance. It measures how big a

business is. According to Niresh and Velnampy (2014), firm size is measured by the natural log of total assets; this method for measuring firm size was adopted in the study. Large businesses enjoy economies of scale in terms of buying at a discount, the ability to advertise, higher skilled labour and engage in research and development, among many other benefits (Suttipun and Stanton, 2012). For these reasons, it is expected that the larger the business is the higher it would perform financially. Hence, the study expected the beta coefficient of firm size to be positive.

3.2.8 Economic growth

Economic growth is the rate of increase of gross domestic product within a given period of time (Muriu, 2011). Most studies that look into firm performance incorporate economic growth as one of the control variables. Higher economic growth means that the economy would be in a recovery or a boom. Thus, it is expected that demand would be higher and prices would be encouraging which would boost business for firms (Suttipun and Stanton, 2012). Consequently, higher economic growth has always been associated with increased firm performance. Hence, the study expected that the beta coefficient for economic growth would be positive.

4. Findings and Discussion

4.1 Firm performance

Firm performance was measured by the level of return on assets (ROA) of the companies. The results indicate that the ROA for the top performing company was in the beverages which had 18.4%, followed by a telecoms one with 15.6%. The majority of the companies had 6 year average ROA which were below 10% while the worst performer had -5% ROA. Thus the general level of performance was low for most of the companies. This agrees with the CZI (2016) which highlighted that most firms in Zimbabwe are struggling with various challenges which include poor capacity utilization, depressed demand, liquidity shortages and lower levels of technology.

4.2.2 CSR

CSR was measured by the ratio of CSR expenses to total expenses. Based on the findings, the company with the highest CSR expenditure as a percentage of total expenditure was in the mining industry (10%) followed by a beverage company with 8.3% while the least CSR active firm was from the hospitality industry with 2%. The results indicate that the most CSR active firm was in actual fact under judicial management at the time of the study. However, this is not surprising considering that various scholars including Melo and Garrido-Morgado (2012) have asserted that firms that are involved in activities that cause environmental degradation are more likely to engage in CSR much more than those which are not. Thus the company being in the mining industry is obliged to participate more in CSR initiatives. At the same time beverage and a telecoms company were among the most CSR active firms. This concurs with Buckingham (2012) who underscore that the largest firms engage more in CSR as they attract more attention from stakeholders than smaller firms.

4.2.3 Sales

Sales were among the variables of interest in the study as the study analysed the impact of CSR on sales. Thus descriptive statistics were also computed for the variable. Sales were measured by the ratio of sales revenue to total assets. Based on the findings, firms that had the highest performance in terms of sales included a retail shop with 385% followed by most of the fast moving consumer goods shops while the least performing firm in terms of sales was in property with 5.3%. These findings indicate that most of the firms with the highest level of sales performance were also among the most profitable which is in agreement with Qiu (2012) who opines that sales revenue improves firm performance.

4.2.4 Competitive advantage

Competitive advantage was measured by the level of market share of the firms. The results of the study indicate that the most competitive firms in terms of CSR included a beverages company which had an average of 94.8% market share followed by a confectionary company with 57.4% market share. The least competitive firms in the study included banking with 7.2% market share, followed by properties with 17.2%. The results indicate that the most competitive firms were also the most profitable. This agrees with Kotler and Armstrong (2008) underscoring that competitive advantage ensures long term commitment of customers to the firm thus enhancing long run firm performance.

4.3 Diagnostic tests

Linear regression constituted the main analysis tool to examine the relationship between CSR and firm performance. The regression results were estimated using ordinary least square (OLS) estimation technique. Before linear regression was performed, diagnostic tests were performed on the data to find out how well it fitted the assumptions of the OLS technique. The OLS assumptions tested included stationarity test, heteroscedasticity test and test for multicollinearity. The results of the study with respect to these diagnostic tests are underscored below.

4.3.1 Stationarity test

The assumptions of the OLS estimation technique require that data must be stationary for it to produce data that is valuable (Eberhardt and Teal, 2011). The stationarity test of the data for the study was performed using the Runs test statistic in SPSS at 5% significance level. A p value higher than 0.05, was considered to show that data was nonstationary. Table 1 illustrates the results of the stationarity test.

Table 1: Stationarity test

Runs Test

	FP	CSR	SALES	LEV	CA	LQ	EG	FSIZE
Test Value[a]	.0544	.0346	.5765	.1201	.3700	1.1742	.0330	18.58
Cases < Test Value	42	42	42	42	40	42	42	42
Cases >= Test Value	42	42	42	42	42	42	42	42
Total Cases	84	84	84	84	82	84	84	84
Number of Runs	20	24	15	20	15	10	56	13
Z	-5.050	-4.171	-6.147	-5.050	-5.999	-7.245	2.854	-6.586
Asymp. Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.004	.000

a. Median

Based on results in Table 1, the Runs test indicate that the p values on all variables were less than 0.05. Thus, the results of the study indicate that the time series data was nonstationary. This meant that it could not be used for estimation of the linear regression model without any modifications. However, Gujarati (2004) recommends that one of the ways to conduct OLS estimation with nonstationary data is to add a T variable as part of the independent variables. Thus, a T variable was added to the independent variables in order to cater for nonstationarity.

4.3.2 Heteroscedasticity

The test for heteroscedasticity that was employed in the study was the Glejser test in SPSS. The null hypothesis H_0 for the test was that the data was homoscedastic while the alternative hypothesis H_1 was that the data was heteroscedastic. The results indicated that the p value for CSR was 0.118, of sales was 0.35, for leverage it was 0.588, of competitive advantage was 0.229, of liquidity was 0.122, of economic growth was 0.133 and of firm size was 0.235. The results show that all p values were greater than 0.05 implying data was homoscedastic and could be used for OLS estimation and testing of the significance of the results.

4.3.3 Multicollinearity test

The test for multicollinearity was performed using variance inflation factors (VIF) in SPSS. VIF values of more than 10 were taken to mean that there was multicollinearity among the variables while those less than 10 meant that there was no multicollinearity among the independent variables. The results of the multicollinearity test indicated that VIF value for CSR was 1.015, of sales was 1.282, of leverage was 1.525, of competitive advantage was 1.299, of liquidity was 1.289, of economic growth was 1.799 and of firm size was 1.408. This shows that all the VIF values were less than 10 thus indicating that there was no issue of multicollinearity among the independent variables.

4.4 Regression results

As indicated earlier, linear regression was the main tool used to analyse the causal relationship between CSR and firm performance. The dependent variable in the regression model was firm performance whose proxy was return on assets while the independent variable of interest was CSR whose proxy was the percentage of expenses attributed to CSR activities. The control variables included sales, leverage, competitive advantage, liquidity, leverage, firm size and economic growth. The results were analysed in terms of the beta coefficients which showed the marginal effects on the independent variables on the dependent variable. The beta coefficients were tested for significance using the t test statistic at 5% significance level. The null hypothesis was that the beta coefficients were equal to zero and the alternative hypothesis was that the beta coefficients were not equal to zero. Being equal to zero meant that the beta coefficients were insignificant and being not equal to zero showed that the beta coefficient were significant and valid for use in deriving conclusions for the study. The beta coefficients were judged to be significant if the p value was less than 0.05. The regression results showed that the constant coefficient had a value of -0.367. The p value was found to be 0.01 which indicated that constant coefficient was significant at 5% significance level. The constant coefficient represents the effect on the dependent variable in the absence of all the independent variables. Hence, the results indicate that if all the independent variables were zero firm performance would decrease by 0.367. This shows that the independent variables that were chosen for the study are very important in enhancing the performance of the firms.

In terms of CSR the results of the study indicate that the beta coefficient was 0.222. This value was positive indicating a positive relationship between CSR and firm performance. The results also indicate that a 10% increase in CSR would lead to a 2.22% increase in firm performance. The t tests results show that the p value was found to be 0.005. This p value was less than 0.05 thus showing that the regression result was significant and could be relied upon for further analysis. These findings are in line with several scholars including Krishnan (2012) underscoring that CSR enhances the relationship between the business and its stakeholders thus reducing the costs of doing business. In addition, the results also agree with a number of researches including Cornett et al. (2014) whose study in the US found that CSR had a positive influence on both adjusted return on assets (ROA) and return on equity (ROE).

The beta coefficient for sales was a positive 0.011 indicating that sales have a positive influence on firm performance. The findings indicate that a 10% increase in sales would lead to a 0.11% increase in firm performance. Thus, the results indicate that the influence of sales on firm performance is insignificant. However, the p value obtained from the t test for significance was found to be 0.122. This value is more than 0.05 which thus indicate that the beta coefficient for sales is insignificant at 5% significance level. This is contrary to literature which points to a significant positive relationship between sales and firm performance. Qiu (2012) is one of the scholars who contend that a rise in sales revenue would result in the business being able to cover all its costs and get more profit from its operations. However, too high expenses would reverse the benefits leading to poor profitability. CZI (2016) revealed that most firms in Zimbabwe are facing high costs of production and operation. This partly explains the insignificant relationship that was found between sales and firm performance in this study.

Concerning leverage, the results of the study indicate a beta coefficient of -0.108. This value is negative implying a negative relationship between leverage and firm performance. The results of the beta coefficient also indicate that a 10% rise in leverage would lead to a 1.08% decrease in firm performance thus showing a considerable influence. The significance of the beta coefficient was tested using the t test statistics and a p value of 0.02 was found. The p value was less than 0.05 which indicates that the relationship between leverage and firm performance was significant at 5% significant level. This concurs with a number of scholars such as Brammer, Brooks and Pavelin (2006) who argue that higher leverage would result in higher interest expenses leading to investors losing confidence in the firm thereby lowering its market value. These results are, therefore, congruent to the expectations of the study.

The beta coefficient measuring the effect of competitive advantage on firm performance was a positive 0.13, meaning that competitive advantage has a positive influence on firm performance. A 10% increase in competitive advantage would result in a 1.3% increase in firm performance. The p value for the test for significance was 0 and less than 0.05 implying that the beta coefficient for competitive advantage was significant at 5% significance level. The positive impact of competitive advantage has been supported by various scholarly postulations as well as empirical evidence. Kotler and Armstrong (2008) argue that higher competitive advantage shows that a business' products are favoured by the majority of customers. Thus, the firm will sell more products at lower marketing costs as well as being able to charge premium prices thus attaining higher profitability.

Liquidity had a positive beta coefficient of 0.02 which showed that liquidity has a positive effect on firm performance. A 10% increase in liquidity would result in a 0.2% increase in firm performance. Thus, the study indicated that there was a less than proportionate impact of liquidity on firm performance. The significance test results indicated a p value 0.05. This shows that the results were significant at 5% significance level. According to Liu and Wilson (2009) higher liquidity would enable firms to finance their operations in the short run thus sustaining the performance of the firm. Thus, the results of the study with respect to the impact of liquidity on firm performance were supported by literature.

Concerning economic growth, a positive beta coefficient of 0.308 implied a positive relationship between economic growth and firm performance. This meant that a 10% increase in economic growth would lead to a 3.08% increase in firm performance. However, the t test results produced a p value of 0.20. The p value was more than 0.05 signalling an insignificant relationship between economic growth and firm performance at 5% significance level. This is contrary to literature which argues that the macroeconomic environment influences the level of performance of firms. In line with Imal et al. (2012), higher economic growth is supposed to indicate higher demand for goods and services in the economy at better prices thus stimulating firm performance.

Hence, the results of the study with respect to the influence of economic growth on firm performance were contrary to literature.

The beta coefficient indicating the causative relationship between firm size and firm performance was found to be 0.021. The beta coefficient was positive thus showing a positive relationship between firm size and firm performance. A 10% increase in firm size would lead to a 0.21% increase in firm performance. Hence, the findings show that firm size had a weak positive effect on firm performance. The p value obtained from the t test for significance was 0 and less than 0.05 indicating that the effect of firm size on firm performance was significant at 5% significance level. This is supported by several scholars including Suttipun and Stanton (2012) asserting that bigger businesses enjoy economies of scale which make them carry out their operations at lower costs thus enjoying higher performance than smaller businesses.

4.4.1 Significance of the whole model

The regression model was also tested for significance using Ramsey RESET test. This was done in order to find out whether the model was valid or that its regression coefficients were useless. It also tested whether the model was correctly specified. Thus, the RESET test was performed using the F test statistic. The test tested the null hypothesis that all the regression coefficients were insignificant against the alternative hypothesis that all the regression coefficients were significant at 5% significance level. The F statistic was calculated as 13.390 with a p value of 0. The p value was less than 0.05 which means that the null hypothesis that the regression model was insignificant was rejected at 5% significance level. Thus, the model was significant and valuable for deriving conclusions in the study. It also indicates that the model was correctly specified with all the relevant independent variables.

4.4.2 R-squared

R-squared was also computed as part of testing the usefulness of the model in the study. R-squared is the coefficient of determination and tested the predictive ability of the regression model. The results of R-squared computation were found to be 0.595. This means that 59.5% of the changes in the dependent variable firm performance were explained by changes in the independent variables chosen for the study. Hence, since the coefficient of determination was more than 50% it means that the regression model had high predictive power thus being useful in this study.

4.5 Correlation analysis

Correlation analysis was also used to measure the extent to which the variables in the study moved together. It was particularly important in measuring the relationship between CSR and sales as well as the relationship between CSR and competitive advantage which were not computed by the regression analysis. The correlation coefficients computed were between -1 and 1 with positive correlation coefficients indicating a positive relationship while negative coefficients showed a negative relationship between two variables. Coefficients below 0.3 indicated a weak relationship, between 0.3 and 0.5 a mild relationship, above 0.5 a strong relationship while those above 0.7 showed a very strong relationship between two variables. The correlation results were tested for significance using the chi squared test at 5% significance level. The null hypothesis was that the correlation coefficients were insignificant and the alternative hypothesis was that they were significant and useful for the study. The rejection criterion was to reject the null hypothesis if the p value was less than 0.05.

The correlation coefficient between CSR and firm performance was a positive 0.341 implying a mild positive relationship between CSR and firm performance. The chi squared test for the significance of the correlation coefficient yielded

a p value of 0.042 indicating a significant correlation at 5% significance level. The positive influence of CSR on firm performance depicted by the correlation results tallied with the results of regression analysis. In addition, it was also in line with various scholars including Cruz and Wakolbinger (2008) who have argued that CSR initiatives reduce operating costs by aiming for efficiency thus enhancing firm performance. The correlation coefficient between CSR and sales was a positive 3.39 indicating that CSR had a mild positive relationship with sales. The p value from the chi squared test that was used to test for the significance of the correlation coefficient was 0.023 and less than 0.05 which showed that the coefficient was significant at 5% significant level. The positive impact of CSR on sales has been supported by various scholars in literature. Among these, Weber (2008) asserts that customers tend to buy more from firms that are socially and environmentally friendly.

In addition, the correlation coefficient between CSR and competitive advantage was 0.506, implying a strong positive correlation between CSR and competitive advantage. The chi squared test for significance produced a p value of 0. This value was less than 0.05 which showed that the correlation between CSR and competitive advantage was significant at 5% significance level. These results affirm the views of scholars such as Werther and Chandler (2013) who argue that CSR improves a firm's reputation in the eyes of customers thus gaining their trust and long term commitment. In the same vein, González-Rodríguez et al. (2015) also aver that CSR enables a firm to attract and retain highly skilled and motivated workforce, thus enhance its competitive advantage. Hence, correlation analysis results concur with most of the scholarly sentiments on the effect of CSR on firm competitive advantage.

5. Conclusion and Recommendations

5. 1 Conclusion

The study concluded that: CSR has a positive effect on firm performance; there is a mild

positive relationship between CSR and firm profitability in listed firms in Zimbabwe; CSR has a strong positive effect on competitive advantage in listed firms in Zimbabwe; and that CSR has a mild positive impact on sales in listed firms in Zimbabwe.

5.2 Recommendations

Based on the foregoing findings of the study, the following recommendations are proffered:

First, companies should appoint employees who are responsible for liaising with the community to find out their needs and expectations as well as opportunities for CSR involvement. This would help organisations align their goals with those of the community thus helping to foster good relations with stakeholders involved.

Secondly, firms should exploit information and communication technology in order to publicise their involvement in CSR initiatives. The positive impact of CSR on the firm's image and reputation can only cascade if stakeholders are aware of the CSR activities performed by the company. Hence they should use their websites and social media platforms to communicate their CSR vision and strategy as well as the activities they engage in that are related to social and environmental responsibility.

At the same time companies should build partnerships to cooperate with others in participating in CSR initiatives. Collaborating with other firms would enable the firms to reduce costs of CSR activities while enabling firms to share knowledge on areas of concern and help each other identify opportunities for doing good in the community.

Furthermore, firms should also make sustainable purchasing decisions when procuring materials for their use. They should make sure that they reduce the use of materials and services whose production contributes to environmental degradation and pollution. CSR expenditure should be allocated to sustainable choices and

those choices that are in line with global developmental initiatives so that the firm is regarded as a good corporate citizen.

Last but not least, government should also play an important role in the promotion of the private sector's involvement in CSR initiatives. The government should provide tax and other incentives in order to encourage businesses to engage in CSR initiatives. This would reduce costs for firms that engage in CSR thus encouraging more firms to be socially and environmentally responsible. Apart from that it would make a clear statement to the country and industry in particular that the government is committed towards social and environmental responsiveness.

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