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# LINKING CORPORATE SOCIAL RESPONSIBILITY TO FINANCIAL PERFORMANCE OF TELECOMMUNICATION FIRMS IN GHANA

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## ABSTRACT

*In recent years, interest has heightened among researchers to examine the potential linkage between CSR, corporate image and financial performance. The level of interest has become necessary due to the varied arguments raised in the literature in relation to CSR and its potential value creation or depreciation capabilities. This study examines the mediating role of corporate image in the relationship between Corporate Social Responsibility (CSR) and financial performance of Ghanaian firms operating within the telecommunication sector. With the use of a cross-sectional survey design, relevant data for the study were obtained from senior managers of MTN, Airtel-Tigo and Vodafone Ghana Limited; the leading telecommunication companies in Ghana. Convenient sampling technique was used to select 100 participants for the study using a path modeling method known as the Partial Least Squares (PLS), which is a variance-based structural equation model for testing the research hypotheses in order to achieve the objectives of the study. The study established that, the relationship between CSR and financial performance is mediated by the image of companies in the telecommunication industry in Ghana.*

***Keywords**: Corporate Social Responsibility, Corporate Image, Financial Performance, Telecommunication, Ghana.*

## 1.0 BACKGROUND OF THE STUDY

It is becoming increasingly apparent that, organizations in the telecommunication industry are constantly seeking for new ways and strategies to gain positional advantage over their competitors so as to increase profitability. Businesses have been urged to adopt strategies which go beyond financial and economic prospects and consider the social and environmental implications of their business operation (Ofori, & Hinson, 2007). A business concept and

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philosophy, gaining importance and significance in the field of strategic management in the 21st century, is corporate social responsibility (CSR). A growing number of organizations are shifting their attention towards the adoption of CSR as a major strategic tool to gain competitive advantage (Jamali, & Mirshak, 2007). For the purpose of this study, we adopt the definitions of CSR as given by Saeidi, et al., (2015) and Gideon-Jojo, and Baffour-Awuah, (2017. According to Saeidi, et al., (2015), CSR is seen as actions that enhance a firm's competitiveness and reputation. Gideon-Jojo, and Baffour-Awuah, (2017) similarly viewed corporate social responsibility as a firm's commitment to minimizing or eliminating any harmful influence and maximizing its long-run beneficial impact on society. The two definitions adopted for the study clearly show that, CSR has become a strategic tool in the area of businesses.

The general trend of increasing CSR engagements has become paramount among the leading telecommunication companies in Ghana, namely, Airtel -Tigo Ghana Limited, Vodafone Ghana Limited and Scancom Ghana Limited Ghana (MTN Ghana Limited). These major giants in the telecommunication industry in Ghana have been embarking on a number of social and life changing programmes in areas of health, education and general community development over the past two decades. To champion Vodafone's Ghana CSR initiatives, the company in 2009 established the Vodafone Ghana Foundation. The Foundation since its inception has supported and sponsored impactful projects which have improved the living standards of Ghanaians in various communities. In a similar vein, MTN Ghana in 2007 established the MTN Ghana Foundation. The company since the establishment of the foundation has made it a policy to annually set aside one per cent of its profit after tax for corporate social responsibility programs in the field of education, health and sanitation, among others (Danso, et al., 2017). As part of Tigo Ghana's, corporate social responsibility programme, it has also launched an initiative in partnership with Swedish based NGO, "Reach for change to improve the lives of children", across all African countries. The programme is aimed at supporting young entrepreneurs, through the provision of financial, business mentorship and professional supports (Danso *et. al*, 2017).

Since the propagation of the concept of CSR, there have been different opinions as to what CSR is intended to accomplish for a firm. Foss and Klein (2018) argues that, management has one responsibility and that is to maximize the profits of its investors or shareholders. According to Foss and Klein (2018), social issues are not the concern of business people, hence social issues should be resolved by the unconstrained activities of the free market system. Further, this view holds that, if the free market cannot solve the social problems, it falls not upon business, but upon government and legislation to find solutions to them. Another line of argument by Carroll and Buchholtz, (2015) is that, businesses already have enough power, and so why do we place in its hands the mandate of solving social problems which offers them the opportunity to wield additional power. A third objection raised by Asensio, Perán & Rodríguez (2016) is that, businesses make itself less competitive by pursuing the strategic concept of CSR since it depletes its profit which could be ploughed back into business.

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Advocates of CSR believe that, the adoption of CSR strategy has a direct and indirect impact on firm performance. Sodhi (2015), identifies CSR to wield many opportunities for the improvement of firms and the society they operate in. Also, business corporations have a social as well as an economic dimension since they have the power to affect the lives of most of their staff, their customers and the community generally (Sodhi, 2015). Cheng *et al.* (2014) argues that, CSR can strengthen the relationship with a company's stakeholders and reduce the capital constraints through enhanced access to bank loans which makes it easier to undertake strategic investments. Other arguments advanced in favour of CSR suggested that, by devoting resources to the fight against social ills, the community in which the firm operates will be a better environment and more conducive to commerce, with happier and healthier customers easier to recruit and retain (Maier, Brem, & Kauke 2016).

Due to the varied arguments raised in relation to CSR and its potential value creating capabilities, interest has heightened among researchers to examine the potential linkage between CSR, corporate image and financial performance. A study conducted in 2015 by Saeidi *et. al.*, to investigate the relationship between companies' CSR activities and financial performance revealed that, firm's low in social responsibility experienced weaker financial performance and this could expose such companies to higher level of risk compared to firms with higher social responsibility practices (Saeidi et. al., 2015). Several studies have also arrived at a positive relationship between CSR and financial performance (Simpson & Kohers, 2002; Lai *et al*., 2010; Lins, *et. al*. 2017). McWilliams and Siegel (2000), in their review of extant literature, however argued that, there have been mixed results of the financial impact of CSR on short and long-term profitability on the organization.

Although, many studies have been carried out to examine the relationship between CSR and financial performance, little or no credence has been given to the mediating role that corporate image plays in the financial performance of firms operating within Ghana's telecommunication industry. Considering this gap in research, the study seeks to examine the mediating role of corporate image in the relationship between Corporate Social Responsibility (CSR) and financial performance among the key telecommunication companies in Ghana.

## 2.0 THEORITICAL FRAMEWORK ON CORPORATE SOCIAL RESPONSIBILITY

### 2.1 Corporate Social Responsibility, Corporate Image and Financial Performance

Most employees would agree that a company that is known for its corporate social responsibility wields a better image than the one that is not (Foss & Klein 2018). Employees' perception of the organization is developed through their personal experience, interpersonal communication or mass media communication with the organization. The organization's CSR practices will convey its organizational values (such as honesty, integrity, responsibility and diversity) to its employees (Saeidi *et al.,* 2015; Robertson, 2017). These practices will influence the employees' perception about their organization. This perception of their organization will in turn become the mental image of the employees known as corporate image. How employees perceive their corporate image is important because the employees work in the organization and their organization's

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corporate image represent them as they are part of the organization. If they perceive their organization's image as good, this will mean that they are as good as the organization. If they perceive their organization's corporate image as poor, the employees might choose to disassociate themselves from the organisation (Malik, 2015; Robertson, 2017).

The empirical studies of CSR and financial performance started over three decades ago in Western countries and as such there were several studies based on data from developed markets or economies to justify and to test the extent to which CSR influences financial performance. According to (Griffin & Mahon, 1997) pioneers of CSR study who explored the effect of corporate social responsibility on financial performance, were often interested in a single dimension of social performance, such as environmental pollution. They also reviewed and summarized the findings of numerous studies discussing the effect of CSR on corporate financial performance for the periods; 1970s, (16 studies), the 1980s (27 studies), and the 1990s (8 studies) with the total of 51 articles. After analyzing these studies, Griffin and Mahon (1997) concluded that no definitive consensus exists on the empirical effect of corporate social on financial performance. McWilliams and Siegel (2000) in their analysis of extant literature, argued that, there have been mixed results of the financial impacts of such well doing strategies on short-term and long-term profitability on the organization.

Fauzi's (2004) study which used content analysis of annual reports of companies listed in the New York Stock Exchange for the year 2004 showed inconclusive results. Using a survey data from 280 firms operating in Dubai, Belaid, Anis and Kamel (2008) examined the effect of corporate social responsibility activities on organizational performance. Their result showed that, CSR has a positive effect on financial performance. Margolis and Walsh's, (2001) meta-analysis found that 55 per cent (55%) of the 160 studies examined indicated CSR has a positive effect on FP, 22 per cent (22%) reported no effect, and 18 per cent (18%) found mixed effects and 4 per cent (4%) negative effects. Orlitzky *et. al.* (2003) combined 30 years of research from 52 previous studies and used Meta analytical techniques to support the preposition that CSR and Corporate financial performance (CFP) are positively correlated and statistically significant. Interestingly, the Meta analysis found a higher correlation between financial performance and a company's management of its social impact than between financial performance and a company's management of its environmental performance. Simpson and Kohers (2002) also examined the effect of corporate social on financial performance. They used the Community Reinvestment Act (CRA) ratings as a social performance measure. The results solidly supported the hypothesis that, social performance has a positive effect on financial performance. Gray *et. al.* (1996) his review of studies investigating the effect of CSP on CFP had argued that, no sound theory exists to potentially create the implausible effect in addition to the methodological problems in the previous studies. Those can lead to the inconclusive result. This argument was also supported by Murray, Sinclair, Power and Gray (2006) in their cross –sectional data analysis. However, using the longitudinal data analysis, they found different results. Rhou, *et. al.* (2016) also suggested that, as a result of a firm engaging in social responsible practically, overall profitability of the firm is improved.

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From the above reviews, clearly there is a lack of consensus in the literature with regards to the effect of CSR on financial performance. These studies were also based on international data and also adopted different methodologies for measuring CSR and financial performance and also present quite different results (Margarita, 2004; Bainbridge, 2015). This means that, there is a gap in the literature with regard to the impact of CSR on corporate financial performance taking cognizance of the possible mediating role of corporate image in the developing world. The researchers therefore, seek to fulfill these research gaps by examining the impact of CSR on financial performance and the mediating role corporate image using the experiences of Vodafone Ghana Limited, MTN Ghana Limited, TIGO Ghana Limited and Airtel Ghana Limited.

### 2.2 Hypotheses of the Study

H1: CSR will positively relate to corporate image.
H2: Corporate image will positively relate to financial performance.
H3: Corporate image will mediate the relationship between CSR and financial performance.

## 3.0 RESEARCH METHODOLOGY

The survey research design was adopted for this study. To enable the researchers collect data from participants at a point in time and giving a fair representation to the members in the population, a cross – sectional research approach was used in this study. The adoption of the quantitative technique enabled the researchers to gather responses through the use of questionnaires from the sampled population. The population for this study was confined to the one hundred and sixty (160) management staff of MTN, Vodafone and Airtel-Tigo, Ghana Limited based in the various headquarters and branches across the ten regions in Ghana. A sample of one hundred (100) management staff from the headquarters and branches of the three telecommunication giants in Ghana (Vodafone, MTN and Airtel-Tigo Ghana Limited) were selected from the target population. The researchers employed the convenient sampling technique in selecting the research participants for the study. The adoption of convenient sampling technique was to enable the researchers obtain the views of the respondents in the most voluntary and convenient way (Creswell & and Creswell, 2017).

### 3.1 Measurement Instruments

CSR was measured using four out of the six dimensioned CSR questionnaire developed by (Maignan and Ferrel, 2004). The instrument has 20 items for the four CSR dimensions (Economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility). Respondents were asked to indicate the extent to which each item reflected their organization on a 5-point Likert scale, from 1=strongly disagree to 5= strongly agree. The reliabilities (Cranach's alpha -$\alpha$) were economic responsibility (5-item scale, $\alpha$=0.87), legal responsibility (5-item scale, $\alpha$=0.83), ethical responsibility (5-item scale, $\alpha$=0.76), and philanthropic responsibility (5-item scale, $\alpha$=0.73). However a composite of these dimensions was used in the analysis of the study.

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Corporate image was measured using five dimensional scale develop by Maignan and Ferrel (2004). The instrument has 16-item scale for the five dimensions (Emotional appeal, quality of product and service, vision and leadership, workplace environment and social and environment responsibility). Respondents were asked to indicate the extent to which each item reflected their organization on a 5-point Likert scale, from 1=strongly disagree to 5=strongly agree. The reliabilities (Cronbach's α) were emotional appeal (3-item scale, α= 0.79), Quality of product and service (4-item scale, α=0.82), vision and leadership (3-item scale, α=0.70), workplace environment (3-scale, α=0.81) and social and environmental responsibility (3-item scale, α= 0.81). A composite of the all five dimensions was used for the analysis of the study.

Financial performance was measured by five items on a 5-point Likert scale, ranging from 1=strongly disagree to 5=strongly agree. The items adopted from Samiee and Roth's (1992) scale which assessed return on investment, return on asset, sales growth, and profit growth compared with competitors was used to measure financial performance. Cronbach's alpha (α) for financial performance is 0.86 (Samiee and Roth, 1992).

## 4.0 FINDINGS AND DATA ANALYSIS

This study uses a path modeling method known as the Partial Least Squares (PLS), which is a variance-based structural equation model. PLS is a suitable approach for this study due to its accommodation of a comparatively modest sample size (approximately 100) and its predictive abilities (Henseler & Sarstedt, 2013). PLS can evaluate theoretical hypotheses as well as specify the existence of relationships for additional testing (Chin *et al*., 2003; Voorhees, *et. al.* 2016). PLS results can be examined in two parts; the assessment of outer and inner relationships. Outer relations or measurement models are relationships between observed indicators and latent constructs. Inner relations or structural paths represent relationships between different constructs (Silaparasetti *et al.* 2017). The major issues covered in the analysis section include the validation of our measures, descriptive statistics and inter-correlations and hypothesis testing using hierarchical linear modelling and bias-corrected bootstrapping technique.

### 4.1 Result of Measurement Model

First, the adequacy of the model of the relationship between the multiple items measuring the latent variables and the latent variables themselves was evaluated using the individual item reliability analysis, the convergent validity of the measures associated with the individual latent variables and discriminant validity of the study instruments.

### 4.2 Convergent Validity

According to Fornell and Larcker (1981), three procedures can be used to evaluate the convergent validity of the research model, namely reliability of measures, construct composite reliability and average variance extracted (AVE). The reliability of an item can be assessed through the factor loading of that item onto the underlying construct. In the view of Hair *et al.* (2006), a factor loading of .7 depicts that the validity of an item is acceptable. A Cronbach's alpha value above .7 is considered acceptable (Sekaran, 2003). Nunally and Bernstein (1994)

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suggested a value of .7 or higher as adequate for consideration for the composite reliability of a construct. All factors recorded a satisfactory level of Crombach's alpha and composite reliability as shown in Table 1.

The third index of convergent validity, AVE, is considered adequate if it is .50 or higher (Segars, 1997). All constructs in this study as indicated in Table 1 are acceptable per their AVE values which are approximately .50 or higher than .50. This indicates that at least 50% of measurement variance is explained by the latent variables (Corporate Social Responsibility and Corporate Image). From Table 1, all factor loadings for the study variables are higher than the threshold of .6 and meet the recommended guidelines. These results indicates that there is convergent validity and good internal consistency in the measurement model. This implies that the measurement items of each latent variable measures them well and not any other latent variable in the research model.

*Table 1: Factor Loading, Cronbach's Alpha Values, Composite Reliabilities and Average Variance Extracted.*

| Constructs | Indicators | Factor Loading | Cronbach's Alpha | Composite Reliability | Average Variance Extracted (AVE) |
|---|---|---|---|---|---|
| Corporate Social Responsibility | CSREC2 | 0.684 | 0.858 | 0.888 | 0.549 |
| | CSREC3 | 0.717 | | | |
| | CSRETC1 | 0.672 | | | |
| | CSRETC2 | 0.675 | | | |
| | CSRETC3 | 0.641 | | | |
| | CSRETC5 | 0.628 | | | |
| | CSRLC1 | 0.648 | | | |
| | CSRPHIL1 | 0.733 | | | |
| | CSRPHIL3 | 0.748 | | | |
| Corporate Image | CIEAP1 | 0.808 | 0.908 | 0.924 | 0.468 |
| | CIEAP2 | 0.765 | | | |
| | CIEAP3 | 0.775 | | | |
| | CIQPS1 | 0.726 | | | |
| | CIQPS4 | 0.638 | | | |
| | CISER1 | 0.764 | | | |
| | CIVL1 | 0.727 | | | |
| | CIVL3 | 0.703 | | | |
| | CIWPE1 | 0.729 | | | |
| | CIWPE3 | 0.761 | | | |
| Financial Performance | FPERF1 | 0.765 | 0.857 | 0.893 | 0.583 |
| | FPERF2 | 0.743 | | | |
| | FPERF3 | 0.804 | | | |
| | FPERF5 | 0.800 | | | |
| | FPERF7 | 0.711 | | | |
| | FPERF8 | 0.754 | | | |

Note: n=100, Note: n=100, CSR: Corporate Social Responsibility- CMAGE: Corporate Image, FPERF: Financial Performance.

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### 4.3 Discriminant Validity

There exist discriminant validity when the variance shared between a factor and any other factor is less than the variance that the factors share with their indicators (Fornell *et al*., 1982). This is determined by means of comparison between the AVE square root for a construct and the correlations that relate that factor to other factors. In a situation where the AVE square roots for the off-diagonal elements that correspond in the columns and rows is greater than the correlations that relate a construct to other constructs, it can be concluded that the correlations between a construct and its indicators is stronger than the correlations between the other constructs. Table 1 displays the replacement of the diagonal elements in the matrix of correlation with the AVE square roots which are higher or stronger the correlations between the other constructs (Fornell *et al*., 1982). Table 1 confirms that discriminant validity are satisfactory and acceptable for all constructs.

*Table 2: AVE values and Fornell–Larcker Test of Discriminant Validity.*

| | CIMAGE | CSR | FPERF |
|---|---|---|---|
| CIMAGE | **0.741** | | |
| CSR | 0.640 | **0.684** | |
| FPERF | 0.685 | 0.627 | **0.763** |

Note: n=100, CSR: Corporate Social Responsibility- CMAGE: Corporate Image, FPERF: Financial Performance.

### 4.4 Assessment of the Structural Model

It was revealed in the study that the measurement model has good individual item reliability, convergent validity and discriminant validity. The latent variables are also found to be within acceptable level of error. It can therefore be said that the measurement model demonstrates adequate robustness required to test the relationship among the latent variables and the dependent variable. The study further sought to assess the structural model after the determination of the satisfactory robustness of the measurement model, in order to determine the explanatory power of the model and to test the research hypotheses. Figure. 1 shows the result of the parameters of the structural model generated by PLS-Graph 3.0.

Some indicators were excluded from the various constructs in the initial model because they exhibited low loadings in the course of the indicator reliability assessment (below 0.60). The exclusion of some items was necessary to avoid adverse effects on the construct measures' convergent validity and internal consistency reliability (Diamantopoulos, *et. al.,* 2012).

The explanatory power of the structural model was determined by examining the amount of variance in the dependent variable which can be explained by the model. PLS-Graph 3.0 provided the squared multiple correlations ($R^2$) for the dependent variable in a model. The $R^2$ computed by PLS-graph 3.0 is comparable to the traditional regression. As a ''rough'' rule of thumb, $R^2$ values of 0.75, 0.50 and 0.25 may be considered substantial, moderate and weak, respectively (Hair *et al.,* 2011). The model showed that all the factors of CSR, explained 70.6% of the variance in corporate image ($R^2$= .706). Additionally, the combined effect of the factors of

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CSR and corporate image explained 47.8% of the variance in financial performance ($R^2$= .478). It could therefore be said that CSR activities substantially account for the level of corporate image that organisations wield. Also the financial performance of the institutions under study is substantially accounted for by both CSR activities and corporate image of that telecommunication institutions wield.

Finally, the significance and relevance of the structural model relationships were examined. Results from the bootstrapping procedure reveals that two out of three structural direct relationships are significant (p <0.01). CSR was found to have a significant positive relationship with corporate image of firms in the telecommunication industry (β = .840, *p*< .05). This result supports H1 of this study. Similarly, a significant positive relationship was found between corporate image and financial performance (β = .539, *p*< .05). This result also supports H2 of this study. However, insignificant relationships were discovered in the relationship between CSR and financial performance (β = .174, *p*> .05 of firms in the telecommunication industry.

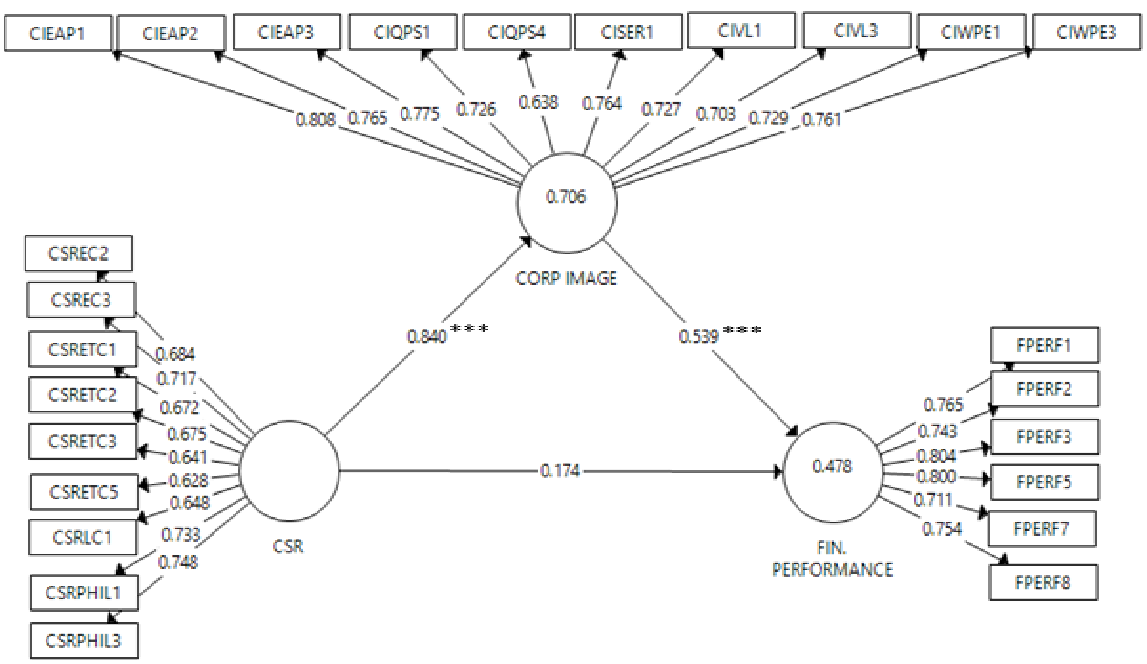


*Figure 1: Structural Model of CSR factors influencing Financial Performance with Corporate Image as a mediator*

## 4.5 Mediation Analyses

In order to establish the mediating role of corporate image in the relationship between CSR and financial performance, the following conditions as prescribed by Jenatabadi and Ismail (2014) have to be satisfied.

Condition 1: When the indirect effects of the independent variable (X) on Mediator (M) and Mediator (M) on dependent variable (Y) are both significant but there is no relation between X and Y, this is the indirect effect model.

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Condition 2: The full mediation model can be identified when the effects of X on M and M on Y are both significant but there is no significant relation between X and Y, albeit there exist mediation.
Condition 3: When all effects of X on M, M on Y and the interactions are significant, the partial mediation model may be established.
The result of this study as displayed in Table 3 shows that the effect of the CSR on corporate image and the effect of corporate image on financial performance are both significant but no relationship is found between CSR and financial performance. This means that the indirect effect of CSR on financial performance is significant. Hence, corporate image was found to fully mediate the relationship between CSR and financial performance. This result supports hypotheses H3 which asserts that corporate image mediates the relationship between CSR and financial performance.

*Table 3: Path Coefficients along with their Bootstrap Values and 'T' Values*

| Structural Path | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (\|O/STDEV\|) | P Values |
|---|---|---|---|---|---|
| *Standardised direct effects* | | | | | |
| CIMAGE → FPERF | 0.539 | 0.559 | 0.139 | 3.871 | 0.000 |
| CSR → CIMAGE | 0.840 | 0.847 | 0.028 | 30.350 | 0.000 |
| CSR → FPERF | 0.174 | 0.163 | 0.169 | 1.034 | 0.302 |
| *Standardised indirect effects* | | | | | |
| CSR → FPERF | 0.453 | 0.474 | 0.122 | 3.719 | 0.000 |
| *Standardised total effects* | | | | | |
| CIMAGE -> FPERF | 0.539 | 0.559 | 0.139 | 3.871 | 0.000 |
| CSR → CIMAGE | 0.840 | 0.847 | 0.028 | 30.350 | 0.000 |
| CSR → FPERF | 0.627 | 0.637 | 0.078 | 8.019 | 0.000 |

Note: n=100, CSR: Corporate Social Responsibility- CMAGE: Corporate Image, FPERF: Financial Performance.

## 5.0 DISCUSSION

To ensure organizational sustainability, firms have the responsibility to monitor their financial wellbeing in order to generate substantial returns on investments for their shareholders and also to compensate its employees effectively. According to Galbreath, (2006) many economic theories focus so much on the topic of profit maximization without mentioning the contributing effect of corporate social responsibility in the profit maximization quest. Whereas some studies over the years have tried to argue for the adoption of CSR activities by organisations in their strategies due to its tendency to help increase the long term profitability of firms, others have also refuted this claim (Fauzi 2004). Notwithstanding the enormity of studies on CSR and its impact on financial performance from Europe and the Americas, the findings of this study contributes to the debate using empirical evidence from an African perspective.

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The results of the study revealed a significant positive relationship between CSR and corporate image as well as corporate image and financial performance. However, the direct relationship between CSR and financial performance was found to be insignificant. Hence, a mediating role of corporate image in the relationship between CSR and financial performance was established. This implies that through CSR, organizations stand the chance of maximizing financial performance even though it might not be immediate. In the long run, CSR activities create quality brand and put the company in public domain which has the propensity of creating loyalty among customers. Some customers appreciate organizations who embark on such activities and would want to associate themselves with them. Giving back to the society is replenishing what is taken from it. That is to say, any alteration in the activities of a firm's CSR activities will affect the image and the brand of that firm and that in turn will affect the firm's financial performance. This finding is consistent with that of (Saeidi *et al.* 2015; Fauzi 2004) who examined the effect of corporate social responsibility activities on organizational performance taking into consideration the mediating role of competitive advantage, reputation and customer satisfaction. According to Saeidi *et. al.* (2015), the reputation of the firm is necessary in the relationship between CSR and the financial performance of the firm. It is believed that managers' values, attitudes and perceptions play a major role in a firm's environmental response, particularly now that the environmental concerns of stakeholders have become more than it used to be (Saeidi *et. al.* 2015).

On the other hand, the findings of this study refutes the claims of Crisóstomo *et al.* (2011) whose estimation of a set of econometric models provided results that exhibit a trend toward a negative effect of CSR on firm value in Brazil. Similarly, the findings of this study is inconsistent with claims by (Teoh, *et al.,* 1999; Wagner *et al*. 2002) who believe that social actions of firms depletes their profit. Ofori, *et al.,* (2014) argue that the ideal positive effects of CSR to the financial performance of the firm, found in some other works in different developed economies, are the consequence of a long process of firms' social actions. The claim that firms cannot meet all the needs of their stakeholders and remain profitable is flawed by the findings of this study. In order to ascertain whether CSR significantly impacts on organization's financial performance, it is important to allow the image of the organisation to be built over a period of time. The argument in literature that CSR does not influence organization's financial performance but rather reduces shareholders' returns on investment is flawed by the findings of this study. Even though undertaking CSR activities imposes some expenditure on the organization in the short run, as the organization continues with its good deeds of touching lives and improving the condition of lives of people in society, the image of the organization will be elevated and registered in the minds of all stakeholders.

## 6.0 CONCLUSION

Overtime, this good will enjoyed by the CSR practicing organisations could help to retain existing customers and bring on board new ones thereby increasing the sales and profitability of the firm. Corporate social responsibility is not limited to merely indulging in philanthropic activities only but also a form of business strategy of the firm that promotes a good image of a

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firm, increase goodwill and the customer base of the business which translates into profitability and high financial performance of firms.

### 6.1 Managerial Implications

Based on the findings and conclusions drawn from the study, the following recommendations are made. The researchers recommend that corporate managers should improve their CSR effort towards the community to enhance their image so as to improve on their financial success. Also, companies should comply with all environmental laws or regulations bordering on its operation to enhance their corporate image which will also help to improve their financial performance. Again, since CSR provides opportunity for enhanced financial performance in the long term, it was recommended that telecommunication firms in Ghana should continue to invest in both economic and philanthropic activities. Lastly, management in charge of CSR activities should put a lot of emphasis on directing its activities towards improving the image of the organization since organization with good reputation is more likely to have more competitive advantage over its competitors which will eventually enhance their financial performance.

### 6.2 Limitations and Further Research.

The present study was limited to the senior management staff of the major telecommunication firms operating in Ghana. The results can therefore not be generalized to cover other occupational contexts and regions. A further study may be conducted in the different sectors of the economy to provide further insights into the important issues of CSR's impact on the financial performance taking into consideration the mediating role of corporate image.

Furthermore, given the exploratory nature of the research design, the study could not provide statements about causation. The observed associations between the variables have therefore been interpreted rather than established. Notwithstanding these limitations, the study should be seen as a step towards making a positive contribution to improve corporate social responsibilities practices in the companies and also make the companies a paradise to leave. Some suggestions for other future studies have been provided below.

This research was cross sectional and was also restricted to the telecom industry in Ghana. It is therefore suggested that in future, other researchers will undertake a longitudinal study to assess the practices of CSR that affect firm performance over a period of time. Also, this study mainly employed quantitative methods. It is therefore suggested that future studies should employ mixed methods i.e. both quantitative and qualitative methods in order to obtain greater insights into the CSR as a strategic tool and its impact on financial performance taking into consideration the role of corporate image.

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