

Original Article

Corporate Social Responsibility and Financial Performance in Zambia's Financial Sector: Exploratory Evidence from Two Institutions

¹GIFT MUKE KAZIKA, ²BERNADETTE KAULUNGOMBE, ³LINDA KIMONI, ⁴JESSY CHONGO MWEWA
^{1,2,3,4}School of Business, Northrise University, Ndola, Zambia.

ABSTRACT: Research on the relationship between corporate social responsibility (CSR) and financial performance remains concentrated in large listed firms and developed markets, while evidence from African financial institutions is limited. This exploratory comparative study examines two lending institutions in Kitwe, Zambia, using employee survey responses ($n = 19$; Institution X = 10, Institution Y = 9) and five years of reported accounting ratios (2021-2025). The analysis is explicitly associational. Statistics were audited using Welch's independent-samples t-test, Hedges' g, exact significance tests for Pearson correlations, and Fisher z confidence intervals. CSR-related perceptions were positively associated with perceived financial performance within Institution X ($r = .682$, $p = .030$) and Institution Y ($r = .854$, $p = .003$). Nevertheless, Institution X recorded a lower mean perceived financial-performance score than Institution Y (mean difference = -1.37 , 95% CI $[-1.68, -1.05]$, Welch $t(12.60) = -9.41$, $p < .001$, Hedges' $g = -3.98$). Institution X's mean ROA was 0.87% and mean ROE was 5.81%, with pronounced annual volatility. The coexistence of positive within-institution associations and lower cross-institution performance cautions against treating CSR as a binary intervention or inferring causality from cross-sectional comparisons. The findings indicate that strategic integration, implementation quality, stakeholder engagement, institutional conditions, and time lags are important boundary conditions in the CSR-performance relationship.

KEYWORDS: Corporate Social Responsibility, Financial Performance, Financial Institutions, Stakeholder Theory.

1. INTRODUCTION

Corporate social responsibility (CSR) has moved from a largely philanthropic concern to a strategic and governance issue that shapes how firms manage relationships with employees, customers, communities, regulators, investors and the natural environment. In financial institutions, the relevance of CSR extends beyond charitable giving. Responsible lending, financial inclusion, customer protection, ethical conduct, employee development, environmental and social risk management, and community investment can influence trust, legitimacy and long-run organisational resilience. These mechanisms are especially important in financial services because the sector sells credence-based products, depends heavily on public confidence and intermediates resources across the wider economy.

The business case for CSR remains contested. Meta-analytic and review evidence generally reports a modest positive association between corporate social or sustainability performance and financial performance, but the magnitude and direction vary across measures, sectors, time horizons and institutional settings [1] [2] [3] [4]. Recent reviews increasingly shift the question from whether CSR pays to when, how and for whom it pays. Strategic fit, materiality, governance quality, stakeholder salience, disclosure credibility, country institutions and time lags can all condition the relationship [5]. Accordingly, an observed association cannot automatically be interpreted as a causal effect: profitable firms may have more resources to invest in CSR, unobserved managerial quality may drive both CSR and performance, and benefits may appear only after reputational or relational assets have accumulated.

These identification problems are particularly acute in studies based on small cross-sectional samples. A positive correlation between CSR perceptions and perceived performance within a firm does not establish that CSR caused profitability, while a difference in mean performance between two firms cannot isolate CSR from firm size, capitalisation, market segment, asset quality, managerial capability, competitive strategy or macroeconomic exposure. Rigorous interpretation therefore requires a clear distinction between within-case association, between-case difference and causal effect.

African evidence is expanding but remains uneven. Studies from Kenya, Ghana and Zimbabwe show that employee-, customer-, community- and stakeholder-oriented CSR can be associated with accounting, reputational or market outcomes, although specific environmental or philanthropic dimensions are not uniformly significant [6] [7] [8]. In Zambia, [9] found positive longitudinal relationships between CSR dimensions and the financial performance of small and medium-sized enterprises, while more recent evidence from Copperbelt mining suppliers suggests that entrepreneurial leadership partly channels the CSR-performance relationship [10]. Nevertheless, financial institutions remain under-researched, and the sector

differs from manufacturing, mining and general SME settings because reputation, fiduciary responsibility, regulation, risk and information asymmetry are central to value creation.

This study was conducted in two financial institutions in Kitwe, Zambia. One institution, anonymised as Institution X, and the other as Institution Y. It utilized a small employee survey and a five-year series of return on assets (ROA) and return on equity (ROE) for Institution X. The article presents the inquiry as an exploratory comparative study. It makes three contributions. First, it offers context evidence from Zambia's financial sector, a setting rarely represented in the international CSR-financial performance literature. Second, it develops an instrumental stakeholder model in which CSR affects financial outcomes through trust, reputation, employee commitment, risk management and market access, subject to strategic integration, institutional context and time lags. Third, it demonstrates why positive within-institution correlations can coexist with lower between-institution performance and why such a pattern should be interpreted as contingency rather than contradiction.

The study addresses three research questions: (1) how is CSR understood and evaluated by employees in the two institutions? (2) What is the association between CSR-related perceptions and perceived financial performance within each institution? (3) What do the available comparative and accounting indicators imply (and not imply) about the CSR-financial performance relationship in this setting?

2. LITERATURE REVIEW AND THEORETICAL DEVELOPMENT

2.1. FROM CORPORATE PHILANTHROPY TO STRATEGICALLY INTEGRATED CSR

CSR is a multidimensional construct whose meaning varies across disciplines and institutional contexts. [11] Framework distinguishes economic, legal, ethical and philanthropic responsibilities, while [12] review shows that stakeholder, social, economic, voluntariness and environmental dimensions recur across definitions. In contemporary financial services, CSR also overlaps with environmental, social and governance (ESG) management, responsible banking and sustainability disclosure. CSR concerns organisational policies and practices directed towards stakeholders and society; ESG often refers to the operationalisation and measurement of environmental, social and governance risks and outcomes for decision-making and disclosure.

A distinction is necessary between peripheral and strategically integrated CSR. Peripheral CSR consists of disconnected donations or one-off community projects that may generate goodwill but have weak links to organisational capabilities or stakeholder priorities. Strategic CSR is embedded in governance, product design, risk management, employee systems, customer relationships and investment decisions. For a financial institution, this may include transparent pricing, responsible credit assessment, financial-literacy programmes linked to customer acquisition and retention, inclusive products, employee volunteering tied to professional expertise, or environmental and social screening in lending. Strategic integration increases the likelihood that social investment generates capabilities and relational assets rather than remaining a cost centre.

Research in African settings reinforces the importance of local fit and consultation. [6] Found that CSR predicted direct economic value as well as human-capital and reputational value among multinational subsidiaries in sub-Saharan Africa. [13] Argued that cultural and consultative dimensions are essential when CSR projects are designed in developing economies. Zambian mining research similarly warns that fragmented donations and weak community participation can produce limited or unsustainable development outcomes [14] [15]. These insights imply that CSR intensity alone is insufficient; implementation quality and stakeholder engagement are likely boundary conditions.

2.2. INSTRUMENTAL STAKEHOLDER THEORY AND RELATIONAL VALUE CREATION

Stakeholder theory provides the primary theoretical foundation for this study. The theory holds that firms depend on relationships with multiple stakeholders whose cooperation affects organisational survival and performance [16] [17]. Its instrumental interpretation predicts that responsible treatment of salient stakeholders can improve performance by reducing conflict, strengthening cooperation, improving information flows and building trust. In financial institutions, these benefits may be especially valuable because customer confidence, employee integrity, regulatory legitimacy and community acceptance are difficult to imitate and can lower transaction and monitoring costs.

The resource-based view complements this argument by explaining how stakeholder relationships become strategically valuable resources [18]. Reputation, employee commitment, trusted customer relationships and organisational legitimacy are intangible assets that may be valuable, rare, imperfectly imitable and organisationally embedded. CSR can help develop such assets, but only when stakeholders regard the practices as credible and consistent. Symbolic CSR or weak execution can generate scepticism, accusations of greenwashing, or resource diversion without corresponding benefits.

The resulting mechanism is neither immediate nor automatic. CSR initiatives first affect stakeholder attitudes and organisational capabilities; these intermediate outcomes may then influence customer retention, employee productivity, funding access, risk exposure and revenue. The process can involve time lags, and financial results may be moderated by firm size, capital structure, competitive conditions, governance and macroeconomic shocks. [5] Identify time lag, self-selection and

endogeneity as recurring explanations for mixed findings. The present study therefore treats strategic integration and contextual fit as boundary conditions rather than assuming a universal direct effect.

2.3. CSR AND FINANCIAL PERFORMANCE: EVIDENCE AND MEASUREMENT

Corporate financial performance is commonly measured using accounting indicators such as ROA and ROE, market indicators such as Tobin's Q or stock returns, and perceptual measures reported by managers or employees. These measures are related but not interchangeable. ROA captures the efficiency with which assets generate earnings, while ROE reflects returns to owners and is sensitive to leverage. Perceptual measures can be useful where audited data are unavailable, but they may be affected by common-method bias, respondent knowledge and organisational identification.

Large-scale evidence is broadly favourable to CSR but heterogeneous. [1] second-order meta-analysis found a positive and robust average relationship between corporate social and financial performance, with stronger effects for operational outcomes. [2] likewise concluded that CSR and ESG activities are generally associated with improved financial performance, although study design and measurement remain important. [4], synthesising 223 studies across countries, reported a positive overall relationship that was stronger in developing economies, consistent with the signalling and legitimacy value of CSR where formal institutions and information environments differ.

Banking-specific studies also point to conditional effects. [19], using 713 banks across 75 countries, found that access-to-finance sustainability practices were positively associated with bank performance in several specifications and that effects varied by bank size. [20] Reported positive relationships between environmental and social performance and the financial performance of emerging-market banks, while governance performance was not significant in their models. [21] Found a favourable relationship between CSR and the financial performance of listed financial institutions in Ghana. These studies use much larger panels and controls than the present exploratory study, but they establish that sectoral and institutional contingencies are theoretically relevant.

Contrary evidence and null findings remain important. CSR can absorb scarce resources, become detached from material stakeholder needs or fail to produce measurable returns within the observation period. The direction of causality may also run from financial performance to CSR through slack resources. [3] Conclude that unresolved endogeneity and conflicting hypotheses continue to characterize corporate-finance research on ESG and CSR.

2.4. AFRICAN AND ZAMBIAN INSTITUTIONAL CONTEXT

African firms often operate in institutional environments where businesses are expected to contribute directly to social provision, employment, infrastructure, skills and community welfare. Such expectations can increase the legitimacy benefits of CSR, but they may also encourage philanthropic projects that are weakly integrated with business strategy. Tarus (2015) found that employee, product/service and community CSR were positively related to ROA and ROE in Kenya, whereas environmental CSR was not significant. [7] Similarly found that some stakeholder dimensions predicted performance among firms in Zimbabwe while others did not. These patterns support a disaggregated, context-sensitive approach.

Zambia offers a particularly relevant setting because the Copperbelt has a long history of corporate-community relationships shaped by mining, urbanisation and expectations of private-sector contribution. [9] Longitudinal SME study found that social and environmental CSR were positively associated with financial performance over time, while reputational and employee-commitment outcomes were only partly significant. The study by [10] shows that entrepreneurial leadership can mediate the CSR-financial performance relationship among mining suppliers and contractors in the Copperbelt. The implication for financial institutions is that leadership, implementation capability and stakeholder engagement may be as important as the amount of CSR activity.

Zambia's current financial-sector policy also emphasises inclusion, resilience and sustainable economic development. The National Financial Inclusion Strategy 2024-2028 positions access, usage, quality and affordability of financial services as national priorities, while the Bank of Zambia's financial-stability framework underscores governance, risk management and system resilience [22]. CSR strategies in financial institutions can therefore be aligned with core sector responsibilities rather than treated as external philanthropy.

2.5. CONCEPTUAL MODEL AND RESEARCH EXPECTATIONS

Figure 1 integrates the literature into an instrumental stakeholder model. CSR practices in ethical conduct, community investment, environmental responsibility, employee-centred management, financial inclusion and customer protection are expected to influence performance through stakeholder trust, reputation, and employee commitment, risk management, operating discipline, innovation and market access. Financial outcomes can be perceptual or accounting based. Strategic integration, implementation quality, institutional conditions, firm characteristics, macroeconomic conditions and time lags moderate the conversion of CSR into financial value.

The model leads to two expectations rather than causal hypotheses. First, stronger CSR-related perceptions should be positively associated with perceived financial performance within each institution. Second, cross-institution differences in performance need not favour the institution with the more visible CSR programme because firm-level confounders and implementation quality may dominate in a small comparison.

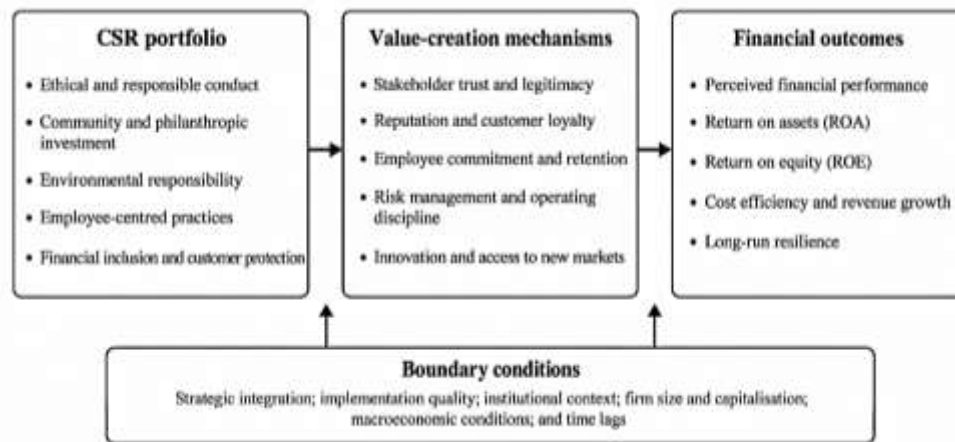


FIGURE 1 Instrumental Stakeholder Model of CSR and Financial Performance

As depicted in figure 1, CSR is expected to influence financial performance indirectly through relational and organisational mechanisms. The strength and timing of the relationship depend on strategic integration and contextual boundary conditions.

3. MATERIALS AND METHODS

3.1. RESEARCH DESIGN

This study uses an exploratory comparative case design with quantitative survey and archival components. The design compares two financial institutions in Kitwe and examines associations within each institution. Institution X was selected because it had a more visible programme of CSR activities; Institution Y was selected as a contrasting institution with less formal CSR engagement. The cases were chosen for relevance and access.

The study combines two forms of evidence. First, a cross-sectional employee questionnaire captured perceptions of CSR engagement and financial performance using five-point Likert-type items. Second, reported ROA and ROE ratios for Institution X were available for 2021-2025.

3.2. PARTICIPANTS AND SAMPLING

The employee sample comprised 19 respondents: 10 from Institution X and 9 from Institution Y. The field documentation utilized simple random selection within the participating institutions. The sample is treated as a small exploratory sample rather than a statistically representative sample of either institution or Zambia's financial sector. The small group sizes limit statistical power, precision and generalizability. They also make the estimates sensitive to individual observations. Therefore, confidence intervals and effect sizes are consequently reported alongside p-values, and the findings are interpreted as signals for theory development and larger confirmatory studies.

3.3. MEASURES

The CSR questionnaire covered environmental responsibility, ethical conduct, philanthropic and community activity, employee involvement, reputation, stakeholder outcomes and alignment with long-term organizational objectives. The findings contain narrative responses and institutional scores.

Financial performance was measured with a five-point composite score reported for each respondent. The statistics were Institution X: $M = 2.60$, $SD = 0.41722$, $n = 10$; Institution Y: $M = 3.9667$, $SD = 0.18257$, $n = 9$.

Accounting performance for Institution X was represented by return on assets (ROA) and return on equity (ROE). To match income earned throughout a financial year with the capital employed during that year, the preferred denominators are average total assets and average shareholders' equity. The ratios are therefore defined as follows:

$$ROA_t = \frac{Net\ income_t}{Average\ total\ assets_t} \times 100$$

$$\text{Average total assets}_t = \frac{\text{Total assets}_t + \text{Total assets}_{t-1}}{2}$$

$$\text{ROE}_t = \frac{\text{Net income}_t}{\text{Average shareholders' equity}_t} \times 100$$

$$\text{Average shareholders' equity}_t = \frac{\text{Equity}_t + \text{Equity}_{t-1}}{2}$$

Where t denotes the financial year, net income is profit after tax, and average assets or equity is the mean of opening and closing balances.

3.4. STATISTICAL ANALYSIS AND AUDIT OF CALCULATIONS

Descriptive statistics summarized the accounting ratios. Pearson correlations assessed the within-institution association between CSR-related scores and financial-performance scores. For each correlation, the significance test was recomputed from r and n , and a 95% confidence interval was calculated using Fisher's z transformation. The institutional mean difference was re-estimated using Welch's independent-samples t -test. Welch's test was selected because it is robust to unequal variances and unequal group sizes and is preferable as a default in small two-group comparisons. The analysis reports the mean difference, its 95% confidence interval and Hedges' g , which corrects Cohen's d for small-sample bias. All tests are two-sided at $\alpha = .05$. The statistics reported here were calculated from the sample sizes, means, standard deviations, and correlations. The group summaries were a Welch statistic of -9.41, while $r = .854$ with $n = 9$ implies $p = .003$. No multivariable, mediation, or causal model was estimated because $n = 19$ is inadequate for such analyses and the required covariates. Likert-type composite scores were treated as approximately continuous for the Pearson and Welch analyses.

3.5. ETHICS AND CONFIDENTIALITY

Participants were informed of the study purpose, participation was voluntary, informed consent was obtained, and confidentiality was maintained. The institutions are therefore identified only as X and Y.

4. RESULTS

4.1. EMPLOYEE PERCEPTIONS OF CSR

Employees in Institution X generally viewed CSR as aligned with the institution's long-term goals and as potentially beneficial to reputation, employee motivation, and retention and customer loyalty. Perceptions were less favorable regarding immediate investor attraction, operational efficiency, broad socio-economic development and the depth of employee or community participation. The pattern suggests a programme recognized symbolically and strategically but not consistently experienced as operationally embedded.

The findings also indicate internal disagreement. Positive views about reputation and long-term positioning coexisted with scepticism about measurable financial gains and corporate citizenship. This heterogeneity supports the distinction between CSR presence and CSR implementation quality.

4.2. ACCOUNTING PERFORMANCE OF INSTITUTION X, 2021-2025

Table 1 reports the available ROA and ROE series for Institution X. ROA ranged from 0.08% in 2024 to 1.67% in 2025, while ROE ranged from 0.45% to 13.64% over the same period. Both indicators declined sharply in 2024 and rebounded in 2025. The pattern is volatile and does not show a stable monotonic trend.

TABLE 1 Accounting Performance of Institution X, 2021–2025

Year	ROA (%)	ROE (%)
2021	0.41	2.48
2022	1.57	9.15
2023	0.61	3.32
2024	0.08	0.45
2025	1.67	13.64

Across the five years, mean ROA was 0.87% (SD = 0.71; median = 0.61; range = 0.08–1.67) and mean ROE was 5.81% (SD = 5.44; median = 3.32; range = 0.45–13.64). The high coefficients of variation indicate substantial instability relative to the means.

TABLE 2 Descriptive Statistics for Institution X Accounting Ratios

Measure	Mean	SD	Median	Minimum	Maximum
ROA (%)	0.87	0.71	0.61	0.08	1.67
ROE (%)	5.81	5.44	3.32	0.45	13.64

4.3. WITHIN-INSTITUTION CSR-PERFORMANCE ASSOCIATIONS

Table 3 present results of the Pearson correlations. Institution X showed a positive correlation of $r = .682$, 95% CI [.092, .918], $t(8) = 2.64$, $p = .030$. Institution Y showed a stronger positive correlation of $r = .854$, 95% CI [.439, .969], $t(7) = 4.34$, $p = .003$. The intervals are wide because the samples are small. Moreover, the Institution Y result indicates that respondents could report CSR-related variation even though the institution was characterised as having less formal CSR engagement; the binary X/Y label therefore does not capture the full range of responsible practices.

TABLE 3 Correlations between CSR-Related Perceptions and Perceived Financial Performance

Institution	n	R	95% CI for r	t	df	p
X	10	.682	[.092, .918]	2.64	8	.030
Y	9	.854	[.439, .969]	4.34	7	.003

4.4. BETWEEN-INSTITUTION DIFFERENCE IN PERCEIVED FINANCIAL PERFORMANCE

Institution Y had a higher financial-performance score ($M = 3.97$, $SD = 0.18$) than Institution X ($M = 2.60$, $SD = 0.42$). The mean difference was -1.37 points, 95% CI $[-1.68, -1.05]$. Welch's test indicated a statistically detectable difference, $t(12.60) = -9.41$, $p < .001$. The standardised difference was extremely large, Hedges' $g = -3.98$. Because this estimate is based on 19 self-reports from two non-randomly selected institutions, it should be interpreted as a descriptive case contrast rather than an estimate of the effect of CSR

TABLE 4 Comparison of Perceived Financial Performance

Group	n	Mean	SD	Mean difference	95% CI	Welch t	df	p	Hedges g
Institution X	10	2.60	0.417	-1.367	[-1.682, -1.052]	-9.41	12.60	< .001	-3.98
Institution Y	9	3.967	0.183						

4.5. INTEGRATING THE FINDINGS

The results produce an apparent paradox: CSR-related perceptions correlate positively with perceived performance within both institutions, yet the institution with the more visible CSR programme has the lower mean perceived-performance score. The findings are not mathematically contradictory because the correlation and mean comparison answer different questions. Correlations capture whether respondents who report stronger CSR also report stronger performance within a case. The mean comparison captures the average level of perceived performance across cases. A third variable such as management quality, institution size, market position or employee optimism could influence both.

The accounting series does not resolve the paradox. Institution X's ROA and ROE were volatile, with a pronounced 2024 trough and 2025 recovery, but no objective series for Institution Y or annual CSR measure were available. The evidence therefore supports association and contingency.

5. DISCUSSION

The study sought to clarify the CSR-financial performance relationship in two Zambian financial institutions while correcting the analytical and conceptual overreach common in small comparative studies. Three findings stand out. First, employees recognized the strategic and reputational relevance of CSR but were less convinced that it improved immediate operational or financial outcomes. Second, CSR-related perceptions were positively associated with perceived financial performance within both institutions. Third, Institution X nevertheless had lower average perceived performance and volatile accounting returns. Together, the findings support a contingent, mechanism-based interpretation.

The positive within-institution correlations are consistent with instrumental stakeholder theory. Employees who perceive stronger ethical, community or stakeholder-oriented practices may also perceive greater trust, reputation, commitment and long-term viability. Similar relational mechanisms have been documented in Ghanaian and broader sub-Saharan African research, where stakeholder engagement, reputation and human-capital value connect CSR to business outcomes [6][23]. The finding also aligns directionally with meta-analytic evidence that CSR is, on average, positively related to financial performance [1] [4].

However, the lower mean performance of Institution X demonstrates why a positive correlation should not be translated into a causal claim. CSR may be one contributor among many, and its benefits can be offset by weak strategic alignment, implementation costs, limited stakeholder participation, poor core operations or unfavourable financial structure. The survey narrative suggests that Institution X's CSR was more visible in reputation and long-term positioning than in operational efficiency, investor attraction or socio-economic outcomes. This pattern resembles the distinction between symbolic or peripheral CSR and strategically embedded CSR.

The Zambian evidence also reinforces the role of implementation capability. [9] Found positive longitudinal effects of CSR on SME financial performance but only partial effects on reputation and employee commitment. [10] Show that entrepreneurial

leadership partly mediates the CSR-performance relationship in Copperbelt SMEs. These studies imply that leadership, strategic coherence and organisational learning shape whether responsible practices become financially productive. The present employee perceptions are consistent with that argument: CSR appears valued, but its translation into operating outcomes may be incomplete.

Time lag provides another explanation. Reputation, loyalty and legitimacy accumulate over time, while CSR expenditure is recognised immediately. [5] Identify lagged effects as a major feature of the sustainability-financial performance literature. The five-year ROA and ROE series is too short and lacks annual CSR measures, but the sharp year-to-year variation suggests that concurrent correlations would be unreliable. Future models should test lagged CSR and distinguish short-run costs from long-run returns.

The study further highlights a measurement issue. Perceived financial performance and accounting returns should not be treated as equivalent. Employee perceptions can capture informed organisational judgements, but they can also reflect morale, communication and limited access to financial information. ROA and ROE are objective ratios but are affected by leverage, asset structure, loan quality and accounting policy. High-impact CSR research increasingly uses multiple performance measures and controls for endogeneity; the present findings show why such triangulation is necessary even in exploratory African studies.

The principal contribution of this study lies not in claiming a definitive CSR premium, but in showing how the relationship is experienced in a specific African financial-services setting. Kitwe's institutional history and community expectations make CSR salient, yet financial institutions must connect social responsibility to their core intermediation role. Responsible lending, transparent customer treatment, financial literacy, SME support, employee integrity, and environmental and social risk screening are more likely to create durable value than disconnected philanthropy.

5.1. THEORETICAL IMPLICATIONS

The findings refine the instrumental stakeholder model in three ways. First, they support an indirect pathway: CSR is more plausibly linked to performance through trust, reputation, employee commitment and stakeholder cooperation than through an immediate direct effect. Second, they identify strategic integration as a boundary condition. The mere presence of CSR activities does not ensure that relational assets are converted into financial returns. Third, the apparent divergence between within-case correlations and between-case means demonstrates that the unit and level of analysis matter. Individual perceptions, institutional averages and annual accounting ratios can yield different patterns without invalidating one another.

The evidence therefore favours a contingency proposition: CSR is most likely to contribute to financial performance when practices are material to stakeholder needs, embedded in organisational capabilities, implemented credibly and sustained long enough for relational benefits to emerge. This proposition is more defensible than a universal positive or negative effect.

5.2. MANAGERIAL IMPLICATIONS

Managers should move from activity-based CSR reporting to a strategy-and-outcomes approach. Each initiative should specify the stakeholder problem, business mechanism, implementation owner, resource commitment, expected social outcome and financial or risk indicator. For example, a financial-literacy programme can be evaluated not only by attendance but also by customer understanding, product suitability, and account retention and complaint reduction. Community support for entrepreneurs can be linked to responsible credit readiness, business survival and portfolio quality.

Employee participation requires particular attention. Respondents recognised potential motivation and retention benefits but reported limited involvement in volunteering and community projects. Participation should be designed around employee expertise and workload rather than symbolic events. Staff in credit, risk, and finance and customer service can contribute to financial education, SME mentorship and responsible-borrowing programmes while developing professional identity and stakeholder insight.

Institutions should also adopt balanced performance dashboards. Social indicators may include access to finance, customer protection, complaints resolution, employee participation, community outcomes and environmental risk screening. Financial indicators should include ROA, ROE, cost-to-income ratio, non-performing loans, revenue growth and customer retention. Lagged relationships should be assessed, and management should distinguish outputs from outcomes.

5.3. POLICY IMPLICATIONS

Regulators and industry associations can improve the evidence base by encouraging proportionate, standardised disclosure of material social and environmental practices. For financial institutions, disclosure should emphasise responsible lending, financial inclusion, customer outcomes, governance and environmental/social risk management rather than generic donation totals. Comparable disclosure would enable sector-level research and reduce reliance on employee perceptions.

CSR policy should also align with Zambia's financial-inclusion and financial-stability priorities. Programmes that expand appropriate access, improve financial capability and protect customers can advance public objectives while strengthening the legitimacy and resilience of institutions. However, disclosure requirements should focus on measurable outcomes and avoid encouraging box-ticking.

6. LIMITATIONS AND FUTURE RESEARCH

The study has substantial limitations that define the scope of its contribution. The institutional sample is limited to two cases in one city, and the employee sample is only 19. The cases were selected for access and contrast, not randomly from the Zambian financial sector. The design is cross-sectional at the survey level and cannot establish temporal order. Self-reported CSR and performance may share method variance, while respondents may have incomplete knowledge of financial outcomes. The objective accounting data cover only Institution X and only 2021-2025.

A follow-up study should construct a multi-institution panel covering at least 8-10 years and include annual CSR or ESG measures derived from reports, expenditure records and structured content analysis. Performance should include ROA, ROE, net interest margin, cost-to-income ratio, non-performing loan ratio and market indicators where available. Bank-specific controls should include total assets, capital adequacy, liquidity, loan growth, asset quality, ownership and age; macro controls should include inflation, GDP growth, policy rates and exchange-rate conditions.

Analytically, fixed-effects models can control for time-invariant institution characteristics, while dynamic system generalised method of moments can address persistence and some endogeneity concerns when the panel is sufficiently large. Lagged CSR variables should test delayed effects. If an institution adopts a clearly dated CSR or responsible-banking strategy, difference-in-differences with a credible comparison group may provide stronger identification. Qualitative interviews with customers, employees, regulators and community stakeholders can clarify mechanisms and distinguish substantive from symbolic CSR.

7. CONCLUSION

This exploratory study examined CSR and financial performance in two financial institutions in Kitwe, Zambia, using employee perceptions and archival ratios. The audited results show positive within-institution associations between CSR-related perceptions and financial performance, but the institution with the more visible CSR programme had lower average perceived performance. Institution X's ROA and ROE were also volatile over 2021-2025. These findings do not demonstrate that CSR increases or reduces profitability.

The more defensible conclusion is that CSR-performance relationships are contingent on strategic integration, implementation quality, stakeholder engagement, institutional context and time. CSR can create relational and organisational assets, but those assets must be connected to core financial-service capabilities and measured over an appropriate horizon. For Zambian financial institutions, the strongest opportunities lie in responsible lending, financial inclusion, customer protection, ethical governance, employee development and credible community partnership.

The study contributes a context-sensitive African perspective and a methodological caution: positive correlations, group differences and accounting trends answer different questions. Future research should use broader longitudinal data and designs capable of addressing confounding and reverse causality. Until then, CSR should be understood as a strategic capability whose financial consequences depend on how it is designed and executed, not as a binary treatment with an automatic profitability effect.

DISCLOSURE STATEMENT

The authors report no potential conflict of interest.

FUNDING

The study received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

DATA AVAILABILITY STATEMENT

The article is based on the institutional statistics and annual accounting ratios. Respondent-level data and the underlying financial statements are not available for public sharing. The numerical summaries used in the analysis are reported in Tables 1-4 and appendices 1-3.

ETHICS STATEMENT

Participants provided informed consent. Confidentiality and anonymity were maintained for the participants and the institutions. All monetary values are index units, not Zambian kwacha.

CONFLICTS OF INTEREST

The authors declare that there is no conflict of interest concerning the publishing of this paper

ACKNOWLEDGEMENTS

All the Authors contributed equally to this work.

REFERENCES

- [1] T. Busch and G. Friede, "The Robustness of the Corporate Social and Financial Performance Relation: A Second-Order Meta-Analysis," *Corporate Social Responsibility and Environmental Management*, vol. 25, no. 4, pp. 583–608, Mar. 2018, doi: 10.1002/csr.1480.
- [2] R. Coelho, S. Jayantilal, and J. J. Ferreira, "The Impact of Social Responsibility on Corporate Financial Performance: A Systematic Literature Review," *Corporate Social Responsibility and Environmental Management*, vol. 30, no. 4, pp. 1535–1560, 2023.
- [3] S. L. Gillan, A. Koch, and L. T. Starks, "Firms and Social Responsibility: A Review of ESG and CSR Research in Corporate Finance," *Journal of Corporate Finance*, vol. 66, no. 101889, Jan. 2021, doi: <https://doi.org/10.1016/j.jcorpfin.2021.101889>.
- [4] W. Li, T. Yan, and L. Yue, "Corporate Social Responsibility and Financial Performance in a Cross-Country Context: A Meta-Analysis," *Journal of Business Research*, vol. 190, p. 115218, Mar. 2025, doi: 10.1016/j.jbusres.2025.115218.
- [5] F. Rahi, J. Johansson, M. Blomkvist, and F. Hartwig, "Corporate Sustainability and Financial Performance: A Hybrid Literature Review," *Corporate Social Responsibility and Environmental Management*, vol. 31, no. 2, Aug. 2023, doi: 10.1002/csr.2600.
- [6] J. B. Abugre and A. Anlesinya, "Corporate Social Responsibility and Business Value of Multinational Companies: Lessons From a Sub-Saharan African Environment," *Journal of African Business*, vol. 20, no. 4, pp. 435–454, Mar. 2019, doi: 10.1080/15228916.2019.1581002.
- [7] C. Makanyeza, T. L. Chitambar, and N. Z. Kakava, "Does Corporate Social Responsibility Influence Firm Performance? Empirical Evidence From Harare, Zimbabwe," *Journal of African Business*, vol. 19, no. 2, pp. 155–173, Nov. 2017, doi: 10.1080/15228916.2017.1410047.
- [8] D. K. Tarus, "Corporate Social Responsibility Engagement in Kenya: Bottom Line or Rhetoric?," *Journal of African Business*, vol. 16, no. 3, pp. 289–304, Aug. 2015, doi: 10.1080/15228916.2015.1071998.
- [9] P. Choongo, "A Longitudinal Study of the Impact of Corporate Social Responsibility on Firm Performance in SMEs in Zambia," *Sustainability*, vol. 9, no. 8, p. 1300, July 2017, doi: 10.3390/su9081300.
- [10] B. M. Simaundu, N. Titova, and P. Choongo, "Corporate Social Responsibility and Financial Performance of SME Suppliers and Contractors in the Mining Industry in Zambia: Direct and Mediating Effects of Entrepreneurial Leadership," *Sustainability*, vol. 18, no. 7, p. 3410, Apr. 2026, doi: 10.3390/su18073410.
- [11] B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons*, vol. 34, no. 4, pp. 39–48, 1991, doi: [https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G).
- [12] Dahlsrud, "How Corporate Social Responsibility Is Defined: An Analysis of 37 Definitions," *Corporate Social Responsibility and Environmental Management*, vol. 15, no. 1, pp. 1–13, Nov. 2006, doi: <https://doi.org/10.1002/csr.132>.
- [13] O. M. Samuel and S. Mqomboti, "Developing an Integrative CSR Model: Imperative for Cultural and Consultative Dimensions," *Journal of African Business*, vol. 18, no. 1, pp. 50–69, Sept. 2016, doi: 10.1080/15228916.2016.1219174.
- [14] F. Mbilima, "Extractive Industries and Local Sustainable Development in Zambia: The Case of Corporate Social Responsibility of Selected Metal Mines," *Resources Policy*, vol. 74, p. 101441, Dec. 2021, doi: 10.1016/j.resourpol.2019.101441.
- [15] Mutale, I. B. Franco, and M. Jewette, "Corporate Sustainability Performance: An Approach to Effective Sustainable Community Development or Not? A Case Study of the Luanshya Copper Mine in Zambia," *Sustainability*, vol. 11, no. 20, p. 5775, Oct. 2019, doi: 10.3390/su11205775.
- [16] T. Donaldson and L. E. Preston, "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications," *Academy of Management Review*, vol. 20, no. 1, pp. 65–91, Jan. 1995, doi: <https://doi.org/10.5465/AMR.1995.9503271992>.
- [17] R. Edward Freeman, *Strategic Management: A Stakeholder Approach*, Boston, MA: Pitman, 1984.
- [18] Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management*, vol. 17, no. 1, pp. 99–120, Mar. 1991, doi: <https://doi.org/10.1177/014920639101700108>.
- [19] E. Nizam, A. Ng, G. Dewandaru, R. Nagayev, and M. A. Nkoba, "The Impact of Social and Environmental Sustainability on Financial Performance: A Global Analysis of the Banking Sector," *Journal of Multinational Financial Management*, vol. 49, no. 1, pp. 35–53, Mar. 2019, doi: 10.1016/j.mulfin.2019.01.002.
- [20] M. H. Shakil, N. Mahmood, M. Tasnia, and Z. H. Munim, "Do Environmental, Social and Governance Performance Affect the Financial Performance of Banks? A Cross-Country Study of Emerging Market Banks," *Management of Environmental Quality: An International Journal*, vol. 30, no. 6, pp. 1331–1344, Sept. 2019, doi: 10.1108/meq-08-2018-0155.
- [21] M. M. Saeed, M. Mudliar, and M. Kumari, "Corporate Social Responsibility and Financial Performance Nexus: Empirical Evidence From Ghana," *Corporate Social Responsibility and Environmental Management*, vol. 30, no. 6, pp. 2799–2815, May 2023, doi: 10.1002/csr.2516.
- [22] Bank of Zambia, *National Financial Inclusion Strategy 2024-2028*, Zambia: Republic of Zambia, pp. 1-83, 2024. [Online]. Available: https://www.boz.zm/sites/default/files/2026-03/NFIS_II_2024_-2028.pdf
- [23] Ansong, "Corporate Social Responsibility and Firm Performance of Ghanaian SMEs: The Role of Stakeholder Engagement," *Cogent Business & Management*, vol. 4, no. 1, p. 1333704, Jan. 2017, doi: 10.1080/23311975.2017.1333704.

APPENDIX 1

TABLE 5 Survey Statistics

Institution	ID	CSR Composite	Financial-Performance Composite
X	X01	2.64249	1.97989
X	X02	2.59984	2.11769
X	X03	3.05682	2.25549
X	X04	2.76435	2.39330
X	X05	3.47114	2.53110
X	X06	2.92886	2.66890
X	X07	3.88547	2.80670
X	X08	3.09337	2.94451
X	X09	4.29980	3.08231
X	X10	3.25788	3.22011
Y	Y01	2.50961	3.70004
Y	Y02	2.51697	3.76670
Y	Y03	2.84345	3.83337
Y	Y04	2.69124	3.90003
Y	Y05	3.17730	3.96670
Y	Y06	2.86552	4.03337
Y	Y07	3.51114	4.10003
Y	Y08	3.03979	4.16670
Y	Y09	3.84498	4.23336

APPENDIX 2

TABLE 6 Normalised Asset Values and ROA Series

Year	Opening Assets	Closing Assets	Average Assets	Net Income	ROA (%)
2021	95.000	105.000	100.000	0.410	0.41
2022	105.000	115.000	110.000	1.727	1.57
2023	115.000	125.000	120.000	0.732	0.61
2024	125.000	135.000	130.000	0.104	0.08
2025	135.000	145.000	140.000	2.338	1.67

APPENDIX 3

TABLE 7 Illustrative Normalised Equity Values That Reproduce the Reported ROE Series

Year	Opening Equity	Closing Equity	Average Equity	Net Income	ROE (%)
2021	15.500	17.565	16.532	0.410	2.48
2022	17.565	20.184	18.874	1.727	9.15
2023	20.184	23.912	22.048	0.732	3.32
2024	23.912	22.310	23.111	0.104	0.45
2025	22.310	11.972	17.141	2.338	13.64