

ABSTRACT

This study aiming at looking on corporate social responsibility and perceived financial performance: customer's views from selected banks in Arusha. It examines the link among firm relationship with key stakeholders with the aim to find out if there is a competitive advantage in practice Corporate Social Responsibilities practices. The study used primary and secondary data, focus on banking industry, and the sample was taken from the banks around Arusha town, the selected representative sample was 215 which includes internal and external bank customers. Purposive sampling was used by the researcher. Documentations and questionnaires were used as tools for data collection. SEM-PLS was used to test the relationship by using Smart PLS. The study documented suggestion for a mechanism through which CSR will leads in financial performance of firms. Banks with improved CSR practices are in a better position to engage more with their stakeholders, which will lead into better performance. Stakeholder was used as the mediating factor while corporate social responsibility was used as the independent variable, firm performance and competitive advantage was used as a dependent variable in the study.

The study results showed mixed relationship between CSR and perceived financial performance, where by a positive relationship appeared between corporate social responsibility (CSR economics, legal, Philanthropic activities) and perceived financial performance, but also finding shown a negative relationship between corporate social relationships (CSR environmental activities) and perceived financial performance. By ranking the results CSR economics activities shown a higher t-value, which indicates that's the banks can continue to practice CSR economic activities as they are beneficial and can bring about a positive impact on to the firm perceived performance.

The study recommended that, banks should improve the reporting of CSR activities in their financial statement, but also creating awareness on the importance of reporting CSR activities to the stakeholder. The study resulted is expected to be of useful to the banks institutions.

