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Article

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Corporate social responsibility in agro-processing and garment industry: Evidence from Ethiopia

Anteneh Mulugeta Eyasu^{1*} and Mamenie Endale²

Abstract: Currently, large industries like agro-processing and garment (Textile and Leather) industries in Ethiopia have interested to implement CSR activities. Hence, this study examined the causal relationship between stakeholders' and CSR implementation in agro-processing and garment industries based on employees' perceptions. After reviewing several works of literature we developed CSR implementation measurements. For analysis of CSR implementation, a total of 891 respondents were taken from agro-processing and garment industries of the Amhara region, Ethiopia. Then we applied frequency, percentage, Confirmatory factor analysis and structural equation model for this data analysis. The empirical result showed that environment, customer, owner/shareholder, community have a significant positive effect on CSR implementation in agro-processing and garment industries. However, it was also confirmed that employees have a negative significant effect on CSR implementation. Consider identified evidence of determinant factors of CSR implementation, managers of agro-processing and garment industries should take actions to improve CSR implementation and to alleviate those problems.

Subjects: Environment & Business; Statistics; Business, Management and Accounting

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Anteneh Mulugeta Eyasu is M.Sc. in Applied Statistics at Hawassa University, Ethiopia. His research interest includes econometric analysis of socio-economic issues, crop production, poverty, gender, climate change, corporate social responsibility, and marketing.

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PUBLIC INTEREST STATEMENT

Currently in Ethiopia, Agro-processing and garment industries have started to implement CSR activities. Therefore, this paper examines the contribution of the observed variables to the respective factor of CSR practice and measure of a causal relationship between the factors and CSR practice for selected industries in Ethiopia context using confirmatory factor analysis and structural equation modeling. Most of the investors in developing countries is make economic sense, they have adverse social and environmental effects, including the use of child labor, low or unpaid wages, unequal career opportunities, occupational health and safety concerns, and increased pollution. Hence, the finding of this study is one of the few empirical studies that assess the practical problems that industries are facing in their business to CSR implementation. It also contributed to the theoretical and empirical literature of measure of CSR implementation based on empirical evidence from the developing country perspective.

Keywords: agro-processing and garment industry; CFA; corporate social responsibility; structural equation model

1. Introduction

Corporate social responsibility (CSR) in Ethiopia has become an important aspect of managing industries like food processing, beverages, textiles, and leather. As well said by Hohenen (2007), the business can only flourish when the communities and ecosystems in which they operate are healthy. In a study by Ingley, Mueller, and Cocks (2010), CSR implies all the proper social, environmental and economic actions that a firm must incorporate to satisfy the concerns of stakeholders and the financial requirements of shareholders. CSR is the procedure for assessing an organization's impact on society and evaluating their responsibilities. And also is a form of corporate self-regulation integrated into a business modal. It is sustainable, involving activities that an organization can uphold without negatively affecting the business goals. It begins with an assessment of each business that should have a positive impact through its activities on; Customers, Suppliers, Environment, Communities, and Employees (Yasmin & Shamshuddin, 2014).

The CSR investments lead to higher levels of credibility (Lin, Chen, Chiu, & Lee, 2011), improved image or reputation (Tewari, 2011), higher employee retention (Kim and Park, 2011) and build customer relationships (Peloza & Shang, 2011). CSR is an organization's obligation to engage in activities that protect and contribute to the welfare of society, including general communities, customers, shareholders, the environment and employees (Davis & Frederick, 1984).

Henrique and Sadorsky (1999) pointed out that stakeholders can influence organizational behavior via direct pressure or by conveying information. Primary stakeholders (shareholders and investors, employees, customers, government) are essential for the survival of the company; secondary stakeholders (media, nonprofits) influence public opinion and thus can damage or enhance a company's reputation (Godfrey, Merrill, & Hansen, 2009; Harrison, Bosse, & Phillips, 2010). Author Clarkson (1995) stated that primary stakeholders influence CSR implementation more than do secondary stakeholders. According to Campbell (2007), secondary stakeholders could have a direct impact on CSR implementation. Also, secondary stakeholders exert indirect impacts by influencing primary stakeholders, usually through the provision of information or by setting social agendas, such as through mass media.

Traditionally improving the living standards and wellbeing of the society was solely imposed on the government and the sole purposes of corporations were maximizing profit for the interest of shareholders (Dima & Ramez, 2007). Corporations have long been criticized for irresponsible actions such as pollution, unfair treatment of employees and suppliers, selling shoddy products to consumers and a host of other activities. According to Murphy and Schlegelmilch (2013), businesses are expected at once to be profitable, socially and environmentally responsible, humane employers and globally good citizens. This involves being clear about the company's purpose and taking into accounts the needs of all the company's stakeholders: shareholders, customers, employees, business partners, governments, local communities, and the public (Esther, 2010).

As reported by IMF (2006) that Developing countries' economies are changing rapidly. Their organizations have a profit-making growth market for their operational activities. It also has significant social and environmental problems that may include civil wars, disasters and political instability (UNDP, 2006). Developing nations will be forced to adopt CSR practices in response to environmental and social factors such as globalization, economic growth, investment and business activity (World Bank, 2005). Besides, Visser (2007) showed that CSR in Africa is still at an early stage. The legal infrastructure is poorly developed; hence it is a less demanding driver of CSR. Carroll (2016) indicated that the majority of the world's population lives in developing countries and each country's experience its own unique social, political and environmental issues. These

countries are in the process of industrialization and are often characterized by unstable governments, higher levels of unemployment, limited technological capacity, unequal distribution of income, unreliable water supplies and underutilized factors of production.

As a result of rapid industrial development, policies are pursued that aim to attract greater foreign investment, and the investors are often keen to start benefitting from fiscal incentives and cheap labor. While these strategies make economic sense, they have adverse social and environmental effects, including the use of child labor, low or unpaid wages, unequal career opportunities, occupational health and safety concerns, and increased pollution (Carroll, 2016).

Academic and business people of Ethiopia were interviewed about CSR implementation and revealed that a handful of individuals control the majority of private sector wealth. Firms in Ethiopia do not think in terms of CSR while for the most part, are concerned with economic survival. Ownership structure has a decided impact on CSR in a given country. The proportion of public versus private ownership of firms matters because it influences how executives make decisions about CSR; in a publicly-traded company the interests of shareholders must be considered. As economies grow, the trend is often towards increasing market capitalization, which in turn should have some bearing on the nature of CSR (Robertson, 2009).

Several studies are dealing with descriptive research using frequency, percentage, mean, standard deviation, content analysis and binary logistic analysis of determinants of CSR practices for selected Industries in Ethiopia (Takele, 2018; Yusuf, 2013; Gereziher, 2019; Bimir, 2016; Elifneh, 2017; Alemayehu, 2017). However, Empirical studies that address the observed variables that contribute to the respective factor of CSR and measure of a causal relationship between the factors and CSR practice for selected industries in Ethiopia context using confirmatory factor analysis and structural equation modeling is not well documented. Therefore, the objective of this study to identify and rank the contributing factors on implementing CSR practice for selected industries operating in the Amhara region, Ethiopia based on employees' perceptions.

The structure and the content of this study sections are as follows: Section 2 introduces a CSR in Agro-processing and Garment industry in Ethiopia, Section 3 develops the theory of CSR, Section 4 shows the Empirical literature review and hypothesis development, Section 5 contains the research design, Section 6 presents the empirical results and discussion, and finally, section 7 provides the summary and conclusion.

2. Corporate social responsibility in agro-processing and garment industry in Ethiopia

In Ethiopia, profit is the sole purpose of a business that would be achieved at any cost; employees are a resource to be exploited and industries are treating suppliers and customers unfairly (Animaw, 2016). While the living standards of peoples can be improved through the realization of sustainable economic, social and environmental development (Elias, 2012), environmental degradation and pollution are common in Ethiopia (Selamawit, 2008). Studies by Animaw (2016); Assefa and Ayalew (2014); Abrehet, Shewit, and Belayneh (2015); and Fitsum and Fikirte (2014) shows how Leather industries (Tannery) operating in Amhara Region posing different health problems that worsen the livelihoods of the people which lead to poverty, human rights violation and other forms of exploitation.

There are foreign-owned companies in Ethiopia like Huajian Chinese world's largest shoemakers, Ayka Addis (Turkish textile) and Bangladesh garment factory. These companies claim to provide better working conditions than local firms and aim to prioritize a lasting and sustainable relationship with the country. It also contributes to economic growth and some players in the market have taken active efforts to promote positive environmental and labor conditions. The lack of minimum wage regulation poses specific issues concerning the garment industry; high unemployment and the underdeveloped culture of wage bargaining, particularly amongst female employees, may contribute to wages in the textile industry being driven downwards. Except for NGOs, almost no

Ethiopian organizations are working on labor rights issues, which limit the extent to which pressure can be imposed on the government to improve working conditions in the textile sector. The national development policy prioritizes economic growth over rights-based development. And also imposing CSR standards on firms operating in Ethiopia could go a long way towards ensuring that human rights are not violated during textile production (American Bar Association Rule of Law Initiative, 2017).

A study was done in Ethio-leather industries, Batu and New wing tanneries on CSR practices and determinants using data collected from 152 company employees and firm managers reveal that firms are; paying low wages, not fully protecting the environment and not helping the communities to solve their social problem. Challenges to the practice of corporate social responsibility in the firm are lack of specific legislation, lack of institutions assist or low government intervention, poor stakeholders' integration, lack of clear guidelines & standardized metrics and lack of corporate skill (Takele, 2018).

It has been studied by Yusuf (2013) used binary logistic regression analysis on comparative CSR practice and its determinants in Addis Ababa and Awash Tannery. According to his study Awash Tannery practices the labor standard of CSR in terms of skill and long-term career development, freedom of association, health and safety, and taking corrective action. While Addis Ababa Tannery practices the labor standard of CSR only in terms of skill and long-term career development. CSR activities for employees with Awash Tannery participate in the optimality of the company as well as the benefit of workers. Addis Ababa Tannery, however, seems as if it practices CSR for the success of the firm regardless of other interests of workers. Addis Ababa tannery is trying to make the local environment green and develop workers' awareness about it. Awash Tannery also practices environmental protection activities, which are parts of environmentally friendly tricks. It also mother company (MEDIROC Ethiopia) assisting the society in sport, health, and infrastructure. However, the observation held around the firm claims that waste avoiding pumps is open for a short distance and it has very badly odor or sniffs. Also, both tanneries are made waste material mix into the rivers.

The study was done on CSR activities in the case of Heineken Brewery in Ethiopia and identified that it didn't do any CSR practice to mitigate the company's impact on the natural environment in Kilinto. The company carried out its contribution to society is responsive instead of investing in sustainable social development issues. It also has an insignificant contribution to the health and education sectors. Finally, Heineken doesn't have a separately outlined policy regarding mitigating the environmental and social impact of the brewery plant in Kilinto (Gereziher, 2019).

The findings of Bimir (2016) showed that CSR in Ethiopian leather and footwear firms is at an early stage. Firms are engaged in social, environmental and economic responsibilities on compliance based CSR coupled with the absence of organized CSR plan shows superficial learning. This indicates for the adoption of CSR values is resulted from some pressures or regulations and is weak to bring an impact in development. It is found that working towards the environment is a central part of the leather industry since it determines economic performance. Wage is found to be the lowest in this industry despite other employee welfares are offered virtually in every firm.

CSR practices in Ethiopian brewery companies primarily focus on education, health care, creating employment opportunity for locals, employees development and learning, improving workplace health and safety, medical and insurance coverage to employees, promoting responsible consumption, building the capacity of small-scale farmers through contract farming, sponsorships, and extending support to disadvantaged communities with scholarship programs, women empowerment, and support to street children and persons with disabilities. It also emphasizes environmental protection practices such as wastewater treatment, participation in campaigns of planting trees and clean and green initiatives, and germination and development of tree seedlings to help support reforestation and afforestation activities throughout the country (Elifneh, 2017).

Alemayehu (2017) studied on summit plant of the MOHA soft drinks industry and found that the waste management system involves the release of its wastes through the city sewerage system, which is believed to be not designed for such purpose. Although, it also participated in environmental sustainability activities like planting trees. Additionally, CSR activities of the company related to community/society development are based on the requests of those beneficiary institutions in an irregular manner.

3. Theory

The theory of CSR in this study used to facilitate data analysis of the CSR implementation for industries. It has developed based on the research questions and the review of the literature. In other words, the theoretical literature would serve as a starting point in the research procedure for the empirical studies of this research.

3.1. Concept of CSR

The term CSR does not have a clear and consistent definition. Based on the World Business Council for Sustainable Development (WBCSD, 2001), CSR defined as the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Also, the European Commission defines CSR as companies' voluntary integration of social and environmental concerns in their business operations and their interactions with their stakeholders voluntarily" (EU Green Paper, 2002). Moreover, many jurisdictions have been using CSR as a tool for socio-economic development and recognizing that employees are a resource to be valued; ethical issues are central to the organization; corporations have been required working fairly with suppliers and customers (Murphy & Schlegelmilch, 2013). Business for Social Responsibility (BSR) has also defined CSR as being about companies achieving commercial success in ways that honor ethical values and respect people, communities and the natural environment.

CSR means the theory of the corporation that emphasizes both the responsibility to make money and the responsibility to interact ethically with the surrounding community. Besides, it also a specific conception of that responsibility to profit while playing a role in broader questions of community welfare.

3.2. Stakeholder theory

One of the theories of CSR is the stakeholder theory. Freeman (1984) stated that stakeholder theory suggests that a company's obligation is not only to maximize profit but also to increase stakeholder satisfaction. This theory of organizational management and business ethics that deals with principles and values in managing an organization (Freeman & Phillips, 2002). According to Freeman (1984); Friedman and Miles (2006), stakeholders are recognized as a group of people interested in the company's activities. The following are what stakeholders expect from their organizations; owners (financial, added value), Employees (pay, work satisfaction, training), customers (supply of goods and services, quality), community (safety and security, contribution to community) and government (compliance, improved competitiveness) (Cannon, 1994). Moreover, Different authors (Fassin, 2009; Kassinis & Vafeas, 2006), define stakeholder pressure as the ability and capacity of stakeholders to affect an organization by influencing its organizational decisions. With an extension to this theory, different researchers have pointed several dimensions of CSR: customers, employees, shareholders, society, environment, media and others (Decker, 2004; Maignan et al., 1999; Turker, 2009). Stakeholder perception is a more reliable way to measure CSR. Identifying and measuring CSR based on stakeholder perception is a complicated task (Turker, 2009). To capture a company's diverse responsibilities towards stakeholders, the stakeholder theory has been taken as a frame of reference (Decker, 2004; Oberseder, Schlegelmilch, Murphy, & Gruber, 2013; Perez, Salmons, & Bosque, 2013; Turker, 2009). Stakeholder theory can be used to describe the reasons for which a company may undertake CSR activities to gain maximized long-term returns (Samy, Odemilhin, & Bampton, 2010). As reported by Isaksson and Steimle (2009), stakeholders' pressure made companies more sustainable because of the formers' influence.

Sustainability, which depicts the necessity of corporations to give importance in issues as human resources and the environment as well as not to destroy resources needed for the next generations, becomes a way for companies to develop.

CSR represents the responsibility of businesses to integrate the interests of stakeholders including shareholders, employees, customers, suppliers, communities and the environment (Ismail, 2009). This study will be focused on examining the implementation of CSR for the selected companies to their shareholders, employees, environment, community, customers, and government.

4. Empirical literature review and hypotheses development

As pointed by Maimunah (2009), the stakeholder approach has been developed as one of the strategies in improving the management of the firm. It is also said as a way to understand reality to manage the socially responsible behavior of a firm. Hopkins (2003) provided that CSR means treating the stakeholders of the firm ethically or responsibly. Strategic CSR is when a firm undertakes certain caring corporate community service activities that accomplish strategic business goals (Lantos, 2002). Smith (2003) stated that CSR is the obligations of the firm to society, or more specifically, the firm's stakeholders those affected by corporate policies and practices. CSR is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This obligation shows that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-being of their employees and their families as well as for the local community and society at large (Maimunah, 2009). To measure CSR implementation within the organizational strategic planning systems. CSR is the continuous management of business processes to produce an overall positive impact on society. Hence, the Company and/or industries strategic planning systems provide the foundation for Owners/Shareholders, Employees, Environment, Community, Customers and Government. All these stakeholders influence CSR practices of the industries/company.

4.1. CSR and owner/shareholder

It is one of the important stakeholder groups that companies must serve (Freeman, 1984) and it can influence important organizational decisions (Lambooy, 2010). A firm's activities affect the employees, the environment and the society. Hence, it is evident that part of a business's CSR engagement may have to account for the interests of its shareholders from a CSR perspective. The result of previous studies shows that CSR aims to reduce the agency issue because CSR is considered to be a means of reconciling business goals with social and ethical ends and of avoiding a conflict of interest among managers, shareholders and other stakeholders, thus their finding confirms that CSR disclosure in the company may be used as a means of anticipating and avoiding social pressure to enhancing the firm's image or reputation status (Riyadh, Sukoharsono, & Alfaiza, 2019). Based on the literature review, this study proposes the following hypothesis:

H₁: The owner/shareholder of a corporation has a significant impact on CSR activities.

4.2. CSR and environment

An industry activity could have some environmental impacts. To start addressing them, the company needs to prioritize and develop a strategy on how to tackle these issues (UNDP, 2010). As stated by Turker (2009), today, the responsibility of Corporations to the natural environment is not only to avoid environmental harm but also to protect and improve the natural environment. The right of future generations is another important dimension in stakeholder management. Environment-friendly products, hazardous-waste management, pollution control, recycling (Sen & Bhattacharya, 2001). Integrating the environmental dimension in the management system of a business improves its environmental performance (Huang & Watson, 2015). The study of green human resource management practices showed most organizations that require survival, sustainability, and the creation of

a good positive image. As a result, most firms encouraged a green approach as a way of acting socially responsible and creating a sustainable environment. Hence, green human resource management has a significant effect on corporate social responsibility (Cheema & Javed, 2017). Regarding the previous studies, the following hypothesis is developed:

H₂: The Environment has a positive effect on CSR activities of industries

4.3. CSR and customer

Graafland, Eijffinger, and SmidJohan (2004) shared that CSR to customers should focus on safety and quality of the product, respect for customers, and supply of sustainable alternatives. Businesses may need to consider factors such as consumer information availability, truthful advertising, and advertising to children (Lambooy, 2010; Porter & Kramer, 2006). Berens, van Riel, and van Bruggen (2005) found that Consumers respond more positively to a company's CSR when its products are perceived as stand-alone brands (i.e., low corporate brand dominance) rather than as part of a monolithic corporate brand. Cone (2017) found that CSR is not only a moral imperative for businesses today but, increasingly, a business imperative as well, with consumers rewarding socially responsible companies by engaging in a host of pro-company behaviors (e.g., purchase, loyalty, advocacy). Consumers are willing to pay more for products from socially responsible organizations (Bhattacharya & Sen, 2004). Studies show that CSR activities can enhance the satisfaction and loyalty of banking customers. It also indicated that CSR activities can increase customer satisfaction. CSR activities can be considered as having a significant and strong positive relationship with customer satisfaction and loyalty. Customer satisfaction can lead to high levels of customer loyalty (Al-Ghamdi & Badawi, 2019). According to the prior literature, the following hypothesis will be tested:

H₃: Customer has a positive impact on CSR activities of industries

4.4. CSR and government

It has regulated firms to work with the legal framework to improve waste treatment & management as well as offer safe working conditions for employees. Campbell (2007) remarked that the European perception of CSR is strongly influenced by the normative research stream, with the state as a strong regulator, the assumption of the strong role of government. On the other hand, according to (Friedman, 1962; Helmig, Spraul, & Ingenhoff, 2016) confirmed that the notion that strong government regulations might not be necessary. The government has the weakest weight in the pressure from the primary stakeholders construct. Shahin and Zairi (2007), Social responsibility must be built into the management structure and processes of the organization so that, as far as possible, all social responsibility issues are foreseen, covered by corporate policy, and dealt with in a way that shows an understanding of the issues involved and a willingness to help solve societal problems, thus Corporate Governance is a critical element for driving excellence in CSR. Friedman (1970) demonstrates that governments themselves should set the agenda for social responsibility by the way of laws and regulations that will allow a business to conduct themselves without disadvantage or degradation. Hence, the current study proposes the following hypothesis:

H₄: Government has a positive impact on CSR activities of industries

4.5. CSR and employees

Socially responsible businesses take better care of the needs and interests of their employees and they seek to improve the employees' working conditions and well-being on an ongoing basis (Buciuniene & Kazlauskaitė, 2012). Lee, Park, and Lee (2013) found that when employees perceive CSR capabilities more positively, they see the company's CSR activities as being favorable. There was also remarked that as employees perceive CSR activities more positively, employee attachment toward the company increases. The more employees perceive an alignment between CSR

and the culture of their firm, the more likely they are to think that their firm is effectively executing CSR. Strengthening CSR capabilities is another important factor in ensuring employees' positive perception of CSR activities. Aguilera, Rupp, Williams, and Ganapathi (2007) confirmed that how employees might push corporations to engage in CSR initiatives, suggest that the perception of CSR shapes employee attitudes and behaviors towards companies. The CSR has a significant influence on employee's commitment towards rural and community banks in Ghana (Mensah, Agyapong, & Nuerthey, 2017). The human capital (HC) is constructed from the human competence (average annual salary, the average age of employees, and average years of service) and attitude components (regular employee ratio, employee retention rate, and initial three years'). Hence, various social activities are carried out by employing more skilled and motivated HC. The research analysis result suggests that increasing HC is effective in increasing CSR activities. Moreover, it suggests the importance of enhancing HC in a low birth rate and an aging society (Iwamoto & Suzuki, 2019). Thus, this study states the following hypothesis:

H₅: Employees have a positive effect on the CSR activities of the industries

4.6. CSR and community

The industry has a CSR to communities that involve socially responsible business practices that support social causes to improve community well-being (Kinder & Domini & Co., Inc., 1998; Kotler & Lee, 2005). It also Community support such as support of arts and health programs, educational and housing initiatives for the economically disadvantaged as well as generous/innovative giving (Sen & Bhattacharya, 2001). Concerning Agarwal (2008), Society expects that organizations will provide safety, improved lifestyle, employment, infrastructure, and environmental protection, without affecting cultural practices and benefits. Besides, Idemudia and Ite (2006) stated that company CSR practices mainly target poverty alleviation, the prevention of human rights violations and environmental protection. It can be observed through the sustainable activity which is most commonly found in small and medium-sized enterprises, the local communities are the stakeholders receiving the greatest attention. Moreover, Information and transparency to new candidates, which is related to providing equal opportunities for employment to all candidates interested in joining the company, which gives CSR practice great visibility (Larrán Jorge, Madueño, Lechuga Sancho, & Martínez-Martínez, 2016). Therefore, this reviewed literature leads to the formulation of the following hypothesis:

H₆: Community has a positive effect on CSR activities of industries

Hence this study focus on identifying and rank the causal relationship between stakeholders (owners/shareholders, employees, environment, community, customers and government) with selected company/industry's CSR implementation.

5. Research design

5.1. Data and sample

This research data was collected from primary sources. The researchers conducted a serious of interviews with stakeholder i.e., employees (managers, officers, experts, advisory, sanitarian, chemist, etc.) of the selected large corporations/industries in the year 2019. The Collection of data using the questionnaire is the basic data collection tool to measure CSR activities of a corporation. The sample survey of this study consists of three parts. The first part contains the socio-demographic background of respondent information in large industries of the Amhara Region, Ethiopia. The second part includes the company/industry profile and its prior information for the practice of CSR. Lastly, part three consists of the 55 measurement items. The questionnaire should be administered throughout the different dimensions of CSR. The respondents were requested to rate the observed variables (to indicate the extent to which the company/industry has experienced each suggested dimension to

specific CSR) on a five-point Likert scale, with ‘1’ being “not at all”, ‘2’ being ‘a little’, ‘3’ being “moderately”, ‘4’ being “high” and ‘5’ being “very high”.

The Amhara region investment bureau listed large industries that were used as the sampling frame. There are a total of 62 large industries/companies registered to the investment bureau and thirteen companies located in major cities were selected. In this study, the researcher used a stratified random sampling technique to select the study area and sample from the large corporations operating in Amhara regional state, Ethiopia. The five categories of major cities (Bahir Dar City Administration, Debre Birhan City Administration, Gonder City Administration, Kombolcha City Administration, and Debre Markos City Administration) of the Amhara region of large industries (garments and agro-processing) were considered as the five strata. The sample from each stratum is taken through a simple random sampling technique. The stratification was done the following principles that the industries in different cities are non-overlapping and together comprise the whole population and the industries in the same cities are homogeneous concerning the characteristics under study. Then stratified random sampling with proportion was used with 3% precision and 95% confidence level. Since there is no prior information on the strata proportions (in extent/degree of CSR implementation of a large industry of different cities), the conservative values ($p_1, p_2, p_3, p_4, p_5 = 0.5$) should be used. Where p_i is the subpopulation proportion for stratum (i), the sample size is estimated by using formula

$$n = \frac{\sum_{i=1}^5 \left(\frac{N_i^2 p_i (1-p_i)}{w_i} \right)}{\frac{N^2 e^2}{Z^2} + \sum_{i=1}^5 N_i p_i (1-p_i)} = 917.5438$$

$$w_i = \frac{N_i}{N}, \text{ weights}$$

$n = 917.5438 \approx 918$. Thus, the total sample size of 918 employees of selected large industries of major cities of the Amhara region was selected to examine the extent/degree of industries in corporate social responsibility implementation. The allocation of the samples to the different categories of cities of the Amhara region of corporations was carried out through the proportional allocation method of stratified random sampling. The allocation of a given sample of size n to different stratum was done in proportion to their sizes. i.e. in the i^{th} stratum, Applying the strata weights, the possible samples are $n_1 = w_1 n = 0.29 (918) = 265$; $n_2 = w_2 n = 0.36 (918) = 335$; $n_3 = w_3 n = 0.01 (918) = 9$; $n_4 = w_4 n = 0.16 (918) = 149$; $n_5 = w_5 n = 0.17 (918) = 160$; employees of garment and agro-processing industries were selected from stratum 1 (Bahir Dar city administration), stratum 2 (Kombolcha city administration), stratum 3 (Debre Markos city administration), stratum 4 (Debre Birhan city administration) and stratum 5 (Gonder City administration) respectively (Table 1).

5.2. Method of data analysis

For this study, to analyze the primarily collected data; frequencies, percentage, confirmatory factor analysis (CFA) and structural equation model (SEM) was used. SEM is stated to describe various causal connections between the six latent variables (Owners/Shareholders, Employees, Environment, Community, Customers and Government) and their associated observed ones. In this case, the latent variable structural model is used to represent the causal relationships among latent variables. For the requirements of corporate social responsibility evaluation, the system must deliver meaningful results in terms of causal relationships and a structural approach; that is to say that the analysis shall be model-based. SEM provides a means by which relationships can be tested. To estimate the strength of these causal connections, it is necessary for each of the latent variables to be operational in terms of manifest variables (measurement items). In reality, the manifest variables are measured by using measurement instruments, such as questionnaires; also, they serve as indicators of the latent variable.

In this research, the corporate social responsibility model (CSRSM) for Agro-processing and Garment industries strategic planning systems divides into six latent variables i.e., Owners/

Table 1. Distribution of Sample Employees by Category of Study Area of Large Industries

The study area of industries	Industries	No. of a permanent employee (N _i)	n		Category
Bahir Dar	Bahir Dar Textile S.C	1423	214	265	Garment (textile)
	East Africa bottling S.C, Coca Cola, soft drinks	167	25		Agro-processing
	Bahir Dar Tannery Factory	172	26		Garment(Leather)
Kombolcha	Kombolcha Textile S.C	1404	211	335	Garment(textile)
	Huaxu Textile Industry PLC	278	42		Garment(textile)
	BGI Ethiopia (St. Georgis Brewery)	542	82		Agro-processing
	Abat and mehari factory	63	9		Agro-processing
Debre Birhan	Habesha beer factory	140	21	149	Agro-processing
	Dashen beer factory	257	39		Agro-processing
	Debre Berhan Blanket Factory PLC	593	89		Garment(textile)
Gondar	Otto Kessler Gloves Ethiopian PLC	296	44	160	Garment(Leather)
	Gonder Soft drink factory (moha)	217	33		Agro-processing
	Dashen beer factory	550	83		Agro-processing
	Total	N = 6102	n = 918	918	

Shareholders (OWN), Employees (EMP), Environment (ENV), Community (COM), Customers (CUS) and Government (GOV).

6. Empirical results and discussion

6.1. Preliminary analysis

This paper addressed to what extent corporations are operating in the socially responsible way i.e., the causal relationship of stakeholders; owners/shareholders, Employees, Environment, Community, customers and government with CSR implementation in agro-processing and Garment (Textile and Leather) industries of Amhara Region, Ethiopia using structural equation model. All statistical analysis was performed using STATA 14 statistical software.

A total of 891 full responses were received for analysis of CSR implementation. Cases with missing values are deleted to prevent overestimation (Tabachnick & Fidell, 2007). Descriptive results showed in Table 2 that most (68.35%) large industries operating in the Amhara region had an independent budget for implementing CSR activities but there was no clear regular budget allocated for industry CSR implementation. Based on respondents response, the reasons of industries participating in CSR activities are; the first reason is because of competition in the industry both from domestic and international firms (97.08%), the second reason was the company has own rules and regulation to discharge CSR (96.52%), the third reason was discharging CSR has an effect on the profitability of the company (86.31%) and the last reason was commercial code/rule and regulation of Ethiopia forces to do so (77.1%). Currently, large industries in Ethiopia have interested to implement CSR activities for the sake of stakeholders. Now it has awareness of the importance of including budget to perform their CSR activities that increase their competition and profit.

The result of Gray and Gray (2011) showed that CSR is commonly measured using categorical indicators in addition to continuous ones. When there are five or more response categories, categorical indicators may be treated as continuous indicators (Rhemtulla, Brosseau-Liard, & Savalei, 2012). After reviewing different pieces of literature on CSR, we developed a questionnaire to measure different characteristics of CSR implementation of large industries of the Amhara region, Ethiopia. The questionnaires are measurement scales providing scores based on the sum of responses to items (questions). A CSR implementation measurement instrument is given in Table 3 and it includes 55 items grouped into six contributing factors and CSR implementation. Industries' level of social responsibility causes the respondent's response. The measure of CSR implementation specifically focused on internal stakeholder perception. The perception of employees concerning the responsibilities toward different stakeholders and the CSR activities of their industry was captured through a questionnaire instrument. The measurement items for the selected large industry sector (garments and agro-processing) of Amhara Region CSR activities for its owners/shareholders, Employees, Environment, Community, customers and government are given in Table 3.

6.2. Model estimation

6.2.1. Measurement model

This study used the methodology proposed by Anderson and Gerbing (1988) to perform structural equation modeling. They recommend analyzing the measurement model followed by the structural model. For assessing the measurement model, Table 4 indicated that the results of the confirmatory factor analysis (CFA). With a measurement model, CFA is used to test the hypothesis that a relationship between observed variables and their underlying unobserved latent variable (construct) exists. An observed variable of the CSR model must be valid and reliable. The standardized factor loading (λ), Cronbach's alpha (α) and average variance extracted (AVE) for each measurement observed or latent variable are shown in Table 4. Consider Hair, Black, Babin, and Anderson (2010), a factor loading represents the correlation between an observed variable and its construct. The average variance extracted is a measure of convergence among a set of observed variables representing a latent construct. It is the average percentage of variation explained by the

Table 2. Frequency and Percentage Distribution of CSR

Variables	Categories	Frequency	Percentage
Is there any independent budget for heading CSR activities	No	282	31.65
	Yes	609	68.35
Reasons for discharging CSR			
Commercial code/rule and regulation of the country forces to do so	No	204	22.9
	Yes	687	77.1
The company has own rules and regulation to discharge CSR	No	31	3.48
	Yes	860	96.52
Because of competition in the industry both from domestic and international firms	No	26	2.92
	Yes	865	97.08
Discharging CSR affects the profitability of the company	No	122	13.69
	Yes	769	86.31

observed variables of a construct. Cronbach's alpha is commonly used to establish internal consistency construct validity for similarity scales. As suggested by Campbell and Fiske (1959), two aspects to assess the construct validity of a test: the first is Convergent validity is the degree of confidence we have that a latent variable is well measured by its indicators. The second, Discriminant validity is the degree to which measures of different latent variables are unrelated. The criterion of Fornell and Larcker (1981) has been commonly used to assess the degree of shared variance between the latent variables of the model. According to this criterion, the convergent validity of the measurement model can be assessed by the average variance extracted (AVE) and Cronbach's alpha. According to the Fornell and Larcker testing system, discriminant validity can be assessed by comparing the amount of the variance captured by the construct and the shared variance with other constructs.

As shown in the bottom of Table 4 indicated to assess goodness of fit of measurement model using the likelihood ratio chi-square value of 34421.37, the degrees of freedom of 1419 and the significance of the chi-square test (i.e. p -value < 0.001). This preliminary goodness of fit statistics suggests a significant difference between the specified model and observed data. However, it was reported that chi-square values can be inflated by sample size and degrees of freedom, causing tests to be significant (Diamantopoulos & Siguaw, 2000; Yuen & Lim, 2016). This may be the case for this study since the measurement model has 1419 degrees of freedom which is large.

Moreover, the goodness of fit statistics based on fit indices are: root mean square error of approximation (RMSEA), Tucker Lewis index (TLI) and Standardized root mean square residual (SRMR). According to Hu and Bentler (1999) good fit indicated by RMSEA less than 0.06, since this study RMSE value is 0.057(<0.06). With TLI good fit indicated by TLI greater than 0.95. Table 4 result indicated TLI is 0.96(>0.95). Hair, Hult, Ringle, and Sarstedt (2014) suggest that SRMR values less than 0.1 and of 0.08 are considered a good fit. Table 4 confirmed that SRMR is 0.087(<0.1). Hence, these all indices are within the recommended cutting points which indicate a good model fit. As a result, the quality of the measurement and the suitability of the model were accepted.

In this study, construct validity was evaluated based on different components; convergent validity (or reliability), and discriminant validity. The evaluation of convergent and discriminant validity results presented in Table 4. The measurement items were derived from the existing literature that was used in past measurement studies. All items in a construct should converge to establish convergent validity. Convergent validity is established statistically when items that are

Table 3. Measurement Instrument of CSR Implementation

Constructs	Measurement items	Sources
Owners/Shareholders (OWN)	Fair and regular return on investment (x1)	
	Safe and study appreciation of investment (x2)	
	Preparing and issuing quality financial report periodically (x3)	Ayerst, 2015
	Reasonable representation to minority shareholders to participate in business management (x4)	
	The company have a vision, mission & regulations on CSR (x5)	Lee et al., 2013
	There is an independent budget for heading CSR activities (x6)	Ayerst, 2015
	Changes in its policies to behave responsibly due to pressure from its shareholders and investors (x7)	Kanji & Chopra, 2010
	Our company has internal control to monitor and enforce CSR (x8)	Laudal (2011)
	Doing everything ethically (x9)	Kanji & Chopra, 2010
Employees (EMP)	Fair wages (x10)	Matten and Moon (2008)
	Security of employment ((formal recruitment, promotion and firing system, Grievances handling, labor discrimination (women) and prevent child labor)) (x11)	Tilakasiri, 2012
	Share ownership (x12)	
	Pension/dividend funds (x13)	
	Safe and secure working conditions (x14)	Kanji & Chopra, 2010
	Representation in decision-making bodies (aware of the organization values and regulations) (x15)	
	Opportunity for personal advancement (financially supporting training and education for employees) (x16)	Schreck (2009)
	Meaningful freedom and Job satisfaction(welfare facilities: transport, insurance, organizing daycare centers and pre-school children, sports) (x17)	Tilakasiri, 2012
	The average monthly overtime within the limits set by national/international (e.g. ILO) standards (x18)	Kanji & Chopra, 2010
	There is a mechanism for child labor avoidance (e.g. a procedure for verifying the age of workers) (x19)	Tilakasiri, 2012
	Workers are members of a labor union or an alternate worker association (x20)	

(Continued)

Table 3. (Continued)

Constructs	Measurement items	Sources
Environment (ENV)	The company has an environmental permit (x21)	
	Environmental policy or company concern for the environment.(x22)	Lee et al., 2013
	Environmental management systems and Environmental audit (e.g. Organizing programs for cleaning environment). (x23)	Tilakasiri, 2012
	Environmental friendly product and processing system. (x24)	Lee et al., 2013
	Sustainability of environment protection (e.g. Planting trees). (x25)	Tilakasiri, 2012
	Environmental protection financially costs. (x26)	Lee et al., 2013
	The nature of activities is likely to affect air quality at the workplace, on the site and/or in the surrounding area (x27)	
	Maintain a healthy environment free from all sorts of pollution in and around the business area (x28)	Kanji & Chopra, 2010
Community (COM)	Support for education (providing scholarships for students for further education); Sponsoring education seminars, conferences, and workshops for students and teachers; donating books, uniforms, and foods and building up libraries in school level Organizing disability support activities for children (text to speech programs, learning aids for slow learners) (x29)	Tilakasiri, 2012
	Support for public health (supporting services to government hospitals, donating beds, equipment, additional buildings; organizing HIV preventive programs; organizing blood donation campaigns). (x30)	Tilakasiri, 2012
	Support for the arts and culture. (x31)	Tilakasiri, 2012
	Sponsoring sporting projects (x32)	Tilakasiri, 2012
	Creation of employment opportunities (x33)	Kanji & Chopra, 2010
	Supporting services for elders, children, and disabled person; Building houses for homeless people: displaced people (x34)	Tilakasiri, 2012
	Offer training opportunities for the local community (x35)	Ayerst, 2015
	Maintaining parks and roads (x36)	Tilakasiri, 2012

(Continued)

Constructs	Measurement items	Sources
Customers (CUS)	Supply goods of the right quality, right quantity at the right place and time at reasonable prices (x37)	Tilakasiri, 2012
	Avoid unhealthy trade practices like black-marketing, hoarding (x38)	Ayerst, 2015
	Provide goods and services according to the needs, tastes, and preferences of different classes of customers (x39)	Tilakasiri, 2012
	Provides information about its products and services (be honest and truthful in advertising, Inform and educate customers) (x40)	Lee et al., 2013, Ayerst, 2015
	Respect the rights of customers (x41)	Tilakasiri, 2012
	Customer satisfaction (x42)	Ayerst, 2015
	Consumer complaints (x43)	Tilakasiri, 2012
Government (GOV)	Pays taxes regularly and correctly (x44)	
	Applies faithfully and the laws governing the regulation of business (x45)	Ayerst, 2015
	It follows a fair trade policy and refrains from unhealthy practices. Avoids political lobbying through donations to political parties (x46)	Ayerst, 2015
	Contribute its role to the socio-economic growth and goals of the nation (x47)	Kanji & Chopra, 2010
Corporate social responsibility (CSR)	Our company performs CSR activities and has internal control to monitor and enforce CSR (y1)	Laudal (2011)
	Safe and secure working conditions for employees and encourages them to participate in voluntary activities. (y2)	Lichtenstein, Drumwright, & Braig, 2004; Montgomery & Stone, 2009
	Environmental policy or company concern for the environment. (y3)	Lee et al., 2013
	Contributions to local communities (Support for education, public health, and community problems) (y4)	Lichtenstein et al., 2004; Montgomery & Stone, 2009
	External audited annual reports on corporate social responsibility issues (y5)	Kanji & Chopra, 2010
	Provides information about its products and services (y6)	Lee et al., 2013
	Our company has an environmentally-related mission and makes an all-out effort to maintain and preserve the environment (y7)	Lee et al., 2013
	The company takes into account the sustainability of its actions by a proactive approach for CSR (y8)	Kanji & Chopra, 2010

Table 4. Result of Confirmatory Factor Analysis and outer Coefficient of SEM Path Diagram

Latent variable	Variables (items)	Outer coefficient	λ	α	AVE
OWN	x1	0.36	0.35	0.88	0.09
	x2	0.69	0.70		
	x3	0.72	0.74		
	x4	0.7	0.69		
	x5	0.73	0.74		
	x6	0.61	0.61		
	x7	0.77	0.75		
	x8	0.72	0.71		
	x9	0.74	0.74		
EMP	x10	0.59	0.63	0.87	0.61
	x11	0.6	0.59		
	x12	0.47	0.45		
	x13	0.58	0.58		
	x14	0.76	0.75		
	x15	0.63	0.64		
	x16	0.69	0.71		
	x17	0.69	0.68		
	x18	0.63	0.62		
	x19	0.53	0.50		
	x20	0.64	0.63		
ENV	x21	0.82	0.78	0.86	0.68
	x22	0.84	0.83		
	x23	0.73	0.74		
	x24	0.56	0.59		
	x25	0.76	0.74		
	x26	0.67	0.69		
	x27	0.28	0.25		
	x28	0.61	0.65		
COM	x29	0.78	0.80	0.91	1.52
	x30	0.78	0.77		
	x31	0.83	0.81		
	x32	0.82	0.82		
	x33	0.59	0.60		
	x34	0.68	0.69		
	x35	0.60	0.66		
	x36	0.78	0.77		
CUS	x37	0.69	0.70	0.88	0.42
	x38	0.75	0.76		
	x39	0.82	0.78		
	x40	0.82	0.81		
	x41	0.75	0.76		
	x42	0.77	0.76		
	x43	0.46	0.50		

(Continued)

Latent variable	Variables (items)	Outer coefficient	λ	α	AVE
GOV	x44	0.87	0.87	0.90	0.54
	x45	0.91	0.91		
	x46	0.87	0.86		
	x47	0.7	0.72		
CSR	y1	0.73	0.83	0.94	0.96
	y2	0.78	0.85		
	y3	0.74	0.83		
	y4	0.64	0.73		
	y5	0.67	0.72		
	y6	0.52	0.61		
	y7	0.88	0.89		
	y8	0.84	0.85		

Note: Model Fit Statistics χ^2 (1419) = 34,421.37, Prob > χ^2 = 0.0000, TLI = 0.96, SRMR = 0.087, RMSEA = 0.057

meant to converge (measure the same constructs) have similar scores. AVE measures the level of variance captured by a latent construct versus the level due to measurement error, values above 0.7 are considered very good, whereas, the level of 0.5 is acceptable. Convergent validity is established if an AVE of 0.50 or greater is achieved for the constructs (Fornell & Larcker, 1981). According to Table 4, AVE values for EMP (0.61), ENV (0.68), COM (1.52), GOV (0.54) and CSR (0.96) were acceptable convergent validity.

It is also observed from Table 4 that gives us standardized factor loading(λ) values for each of the 55 observed variables. According to Kline (1994), the majority of the variance of each indicator should be explained by the factor. In other words, standardized loadings should all be greater than 0.70. If all loadings on a factor are greater than 0.70, this is good evidence for convergent validity. In reality, the cutoff for “acceptable” is more like 0.40. Hence, the standardized factor loading of all indicators is greater than acceptable convergent quality (0.4) except for item x1 and x27. Hence, the convergent validity of the proposed model is confirmed. For example, the standardized factor loading for x2 onto the latent construct OWN was 0.7 with a standard error of 0.019. It was significant at $p < .001$ and had a 95% confidence interval that ranged from 0.64 to 0.72. This indicated that X2 is more explained by the owner/shareholder of industries.

Internal consistency or reliability refers to the extent to which a variable or set of variables is consistent in what it is intended to measure (Hair et al., 2010). The reliability of a scale indicates how free it is from random error: it is the degree to which the items that make up the scale are all measuring the same underlying attribute i.e. the extent to which the items “hang together” (Pallant, 2013). Internal consistency can be measured in several ways. The most commonly used statistic is Cronbach’s (1951) coefficient alpha, which is the most sophisticated test for measuring reliability (Hinton, Brownlow, McMurray, & Cozens, 2004). Cronbach’s alpha is commonly used to establish internal consistency construct validity for similarity scales, with 0.70 considered adequate for confirmatory purposes, and 0.80 considered good for confirmatory purposes. Cronbach’s alpha is both a validity coefficient and a reliability coefficient. As shown in Table 4, we found that Cronbach’s alpha value for OWN (0.88), EMP (0.87), ENV (0.86), COM (0.91), CUS (0.88), GOV (0.90) and CSR (0.94) were more than cutting value (0.8) which indicated that each latent variable was fit the model. Hence, the CSR measuring model is a high level of internal consistency or reliability for all seven constructs.

Anderson and Gerbing (1988) noted that to ensure discriminant validity, correlation values between latent constructs must be significantly different from zero, and there should not be any high or very high correlations. The criterion used to evaluate discriminant validity is that the square root of the AVE for each construct should be greater than the highest intercorrelations with any other constructs in the model (Fornell & Larcker, 1981). According to Table 5, the Convergent and discriminant validity result is shown. The cross-loadings were checked for discriminant validity and it was found that all the square root of the AVE of each construct was higher than the construct's highest correlation with any other construct in the model. Hence, each measurement item represents only its loaded construct.

6.2.2. Structural model

Structural equation modeling with a latent variable is a multivariate statistical technique. It encompasses a broad array of models from linear regression to measurement models to simultaneous equations.

Outer (measurement) coefficient shows how each question (indicator) loads into the respective factors (latent variable) in the corporate social responsibility model. Table 4 indicates how each observed variable contributes to the respective factors of the CSR model. The responses to the research questions have to be addressed; outer coefficients (weights) are analyzed to facilitate the interpretation of the results. Table 4 showed the outer coefficient for the owner/shareholders of the industry. The value 0.36 of the outer coefficient indicates that the fair and regular return on investment is not contributing much to the overall CSR implementation. Also, the industries in a dimension of owner/shareholders have required vision, mission and regulations on CSR, since it has an outer coefficient (0.73). On the other hand, industries as a dimension of owners/shareholders have to prepare quality financial reports periodically (outer coefficient is 0.72) contributing much to CSR implementation.

Share ownership of the industry as a dimension of the employees is also contributing little to the overall CSR implementation i.e., the outer coefficient is 0.47. Besides, as shown in the outer coefficient is 0.76, an industry has safe and secure working conditions for employees. And also industries gave training and education opportunities for employees, as indicated the outer coefficient is 0.69.

The nature of activities is likely to affect air quality at the workplace on the site and/or in the surrounding area of industry as a dimension of the environment is lower contributing to CSR (outer coefficient is 0.28). On the other hand, the companies had an environmental permit, environmental policy, environmental management system and sustainability of the environmental protection on the dimension of the environment; their outer coefficients are 0.82, 0.84, 0.73 and 0.76 respectively.

The industries offer little training opportunities for local communities for the dimension of community, as shown by the outer coefficient of 0.65. On contrary, industries were sponsoring

Table 5. Convergent and Discriminant Validity Result

Construct	OWN	EMP	ENV	COM	CUS	GOV	CSR
OWN	0.3						
EMP	0.19	0.78					
ENV	0.20	0.55	0.82				
COM	0.29	0.74	0.76	1.23			
CUS	0.14	0.36	0.43	0.61	0.65		
GOV	0.17	0.41	0.50	0.63	0.37	0.73	
CSR	0.23	0.53	0.69	0.90	0.53	0.52	0.98

Note: Values in main diagonal are the square root of average variance extracted; Values in off-diagonal are squared correlations

the sport, maintaining parks and roads, support for the arts and culture, supporting services for elders, children and disabled persons and support for public health of local communities; their outer coefficients are 0.85, 0.8, 0.78, 0.73 and 0.73 respectively.

The outer coefficient of 0.82 confirmed that the industries have a strong position in providing goods and services according to the needs, tastes, and preferences of different classes of customers. Also, industries are provided information about its products and services, respect the right of customers, and avoid unhealthy trade practice, rising customer satisfaction and supply goods of the right quality, quantity at the right place and time at reasonable prices with their outer coefficient 0.82, 0.75, 0.75, 0.77 and 0.69 respectively.

The outer coefficient or weight of 0.91, 0.87, 0.87 and 0.7; indicates that there was a proper way that a company/industry applies the laws governing regulation of business, follows a fair trade policy and refrains from unhealthy practices, pays taxes regularly and correctly and contribute to the socio-economic growth and goals of the nation respectively. In general, it was contributing much to the government dimension of CSR implementation.

Inner or path coefficients are indications of the relationship between the independent and the dependent latent variables of the structural or inner model. Estimated path coefficients are analogous to regression coefficients. These path coefficients can be interpreted similarly to standardized beta coefficients in a regression analysis. In this study, we have used the maximum likelihood method which means that we fit the SEM model; provided a measure of the strength of the causal connection (inner coefficients) between the model's constructs (factors) (Hair, Anderson, Tatham, & Black, 1998).

According to Hair et al. (2014), the coefficient of determination can be used to evaluate the accuracy of a structural model. The strength of the relationship is a proportion of the regression sum of squares corresponding to latent constructs. Table 6 indicated that the values for the coefficient of determination for the paths leading to corporate social responsibility. The higher the value of the coefficient of determination, the better the model fits the data. The values of coefficient of determination resulted for latent; OWN (0.69), EMP (0.64), ENV (0.83), COM (0.65), CUS (0.77), and GOV (0.65). The minimum value of at least 0.65 was considered a reasonably high indication of predictive model accuracy. In this study result, all coefficients of determination values were greater than 0.65 except one, meaning that the variations in the model explained more than 65% of the variance.

The measurement model was converted into a structural model by drawing a path diagram between each latent construct and CSR implementation to test all hypotheses. The constructed structural model is presented in Figure 1. All estimates were standardized in the model to aid interpretation. The coefficient of determination of the model is 97 percent which indicates that the six factors collectively accounted for a majority of the variances in CSR implementation in the Amhara

Table 6. Inner Coefficient of Determination of the Model

Path variables	Inner R squares
OWN	0.69
EMP	0.64
ENV	0.83
COM	0.65
CUS	0.77
GOV	0.65
CSR	0.97

Figure 1. SEM Path Diagram of Stakeholders' Effect on CSR Implementation in Agro-Processing and Garment (Textile, Leather) Industries.

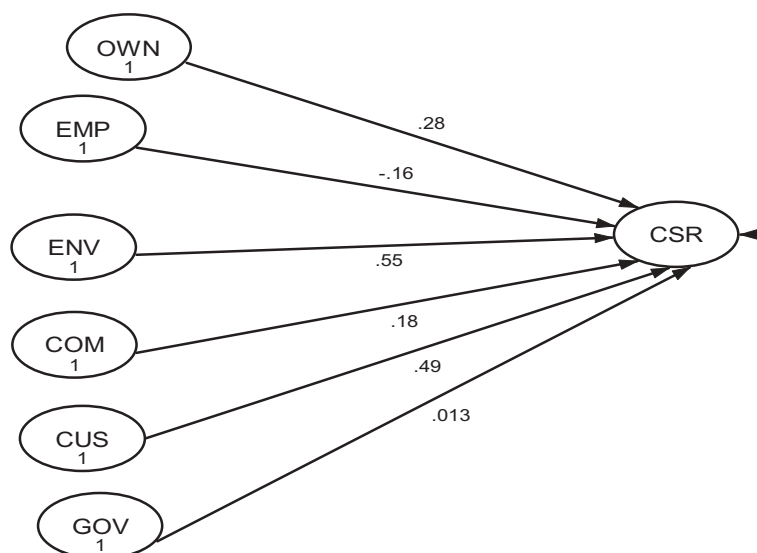


Table 7. Inner (Structural) Coefficient of CSR Model

	OWN	EMP	ENV	COM	CUS	GOV
CSR	0.28	−0.16	0.55	0.18	0.49	0.013
P-value	0.00	0.00	0.00	0.00	0.00	0.73

Region, Ethiopia. Regression coefficient estimates of the structural model are summarized in Table 7, the company will know how each criterion impacts on the overall corporate social responsibility implementation (structural or path coefficients) and where improvement efforts are more likely to have a greater impact. The structural paths that bring from the factors; OWN, ENV, COM and CUS to CSR implementation are all significant ($p\text{-value} < 0.01$) and all positive. While the employee hurts CSR implementation. Effect of factors from large to small on CSR implementation are; ENV, CUS, OWN, COM, and EMP. Their standardized estimates are 0.55, 0.49, 0.28, 0.18 and −0.16 respectively.

6.3. Discussions

This study examined the relationship between owner/shareholders, employees, environment, community, customer and government activities with CSR practice with empirical data. About Helmig et al. (2016), stakeholder pressure from employees, customers, investors, and the government encourages companies to implement CSR activities. The stakeholders model (Freeman, 1984) and claims that a firm is responsible not only to its shareholders (owners) but to all stakeholders (consumers, employees, creditors, etc.) whose contribution is necessary for a firm's success. Thus, CSR means that a corporation should be held accountable for any of its actions that affect people, communities and the environment in which those people or communities live (Frederick et al., 1992). The empirical results of this study suggest the following main conclusions. In particular, we confirmed that **Environment** is one of the greatest direct influencing factors on CSR implementation for large industries in the Amhara region, Ethiopia. Industries should give more emphasis on environment protection and sustainability for CSR implementation. From the survey, industries had an environmental permit, policy, and environmental management system and sustainability of the environmental protection on the dimension of the environment. This study contributes that environmental factors lead to stronger CSR implementation. This finding consistent with Alemayehu (2017), the preservation and protection of the natural environment component of CSR, the research result indicated that the company's CSR activities related to environmental protection is more of compliance to the rules and regulations stipulated by the Government of

FDRE related to environmental protection and pollution control. These rule compliance environmental-related activities involve waste management system, proper resource utilization and planting trees in its premises and the vicinity.

Customer is the second major factor affecting CSR implementation. The survey respondents felt that the industries provide information about its products, respect the right of customers, supply products of the right quality, right quantity at the right place and time at reasonable prices. There is also a good satisfaction with customers on company product. This finding consistent with Sen, Bhattacharya, and Korschun (2006); Helmig et al. (2016), the customers are primary stakeholders with the second-largest impact on CSR activities. It also showed that customers should be involved in the strategic prioritization of CSR activities. Also, Perez and Bosque (2015) showed that when customers perceive that companies have altruistic motivations for designing and implementing CSR initiatives, they are more credible and customers perceive more positive CSR images. In contrast, companies lose credibility when customers anticipate corporate intrinsic motivations for developing CSR initiatives. The loss of credibility contributes to the deterioration of the CSR image, which is an essential component of corporate image, can have direct on sequences for the company's reputation in the market as well as indirect effects in areas such as customer satisfaction, retention or identification with the company.

Owner/shareholders put as the third determinant factor of CSR implementation. From the survey, the companies have a vision, mission, and regulation on CSR and have an internal control system to monitor and enforce CSR. Hence, it was well contributed to CSR implementation. This result not confirmed with Fatma, Rahman, and Khan (2014); Brown and Dacin (1997) that identified the shareholder domain is least rated, as it has been demonstrated that the responsibilities towards the shareholders are the inherent activity of the organization and are not considered to be part of CSR.

The community is ranked fourth in terms of its effect on CSR implementation. According to the survey, an industry makes support for maintaining parks and roads, art and culture development, education, health, and sport. In other ways, industries were not contributed much to the creation of employment opportunities and support for elders, children, the disabled and displaced person of local communities. Fatma et al. (2014) suggested that the second-rated in implementing CSR activities is concerned with improving the general wellbeing of society.

The employee is the last and hurts the implementation of CSR. Survey respondents felt that companies gave training and further education opportunities for employees and also there were safe and secure working conditions and job satisfaction of employees. There was no way for employees to be a shareholder. While the important role of CSR perception of an employee in implementing CSR activities. Fatma et al. (2014) found that the most highly rated dimension is related to employee's safety at the workplace. Also, Helmig et al. (2016) revealed that pressure from primary stakeholders exerts a strong impact on CSR implementation. The stakeholders with the strongest influence on the pressure exerted by primary stakeholders are employees. Firm activities are always carefully observed by their employees. Therefore, acting in a socially responsible manner could be a source of competitive advantage concerning the role of employees in the firm (e.g., positive word of mouth, employee loyalty, and retention). This result not consistent with Alemayehu (2017) and indicated that the company is very considerate in undertaking CSR activities related to the safety, security, benefits, development and overall wellbeing of its employees.

7. Summary and conclusion

In this study, the determinant factors to the implementation of CSR practice in Agro-processing and garment (Textile and leather) industries of the Amhara region, Ethiopia have been identified, ranked, and discussed. After reviewing the previous literature, six factors of CSR practice were identified i.e., owner/shareholder, employee, environment, community, customer, and government. The sample survey was conducted and 891 full responses of employees of thirteen large

industries (agro-processing and garment) in the Amhara region, Ethiopia. It was confirmed that five factors (environment, customer, owner/shareholder, community) have a significant positive effect on CSR implementation in large industries. It was also confirmed that an employee hurts CSR implementation.

This study is one of the few studies that assess the practical problems that large industries are facing in their business to CSR implementation in the context of Ethiopia. It also contributed to the theoretical and empirical literature of measure of CSR implementation based on empirical evidence from the developing country. Consider identified evidence of determinant factors, managers of agro-processing and garment (Textile and leather) industries take actions to improve CSR implementation. Besides, policymakers should develop policies to improve the regulatory and institutional governance for CSR implementation of agro-processing and garment (Textile and Leather) industries. This research also recommended that managers of industries should make the main focus for the betterment of employees which in turn will increase the employee's commitment to facilitating and participating in strengthening CSR implementation of industries. The limitation of this study shows the sample size was inadequate for separate analysis of agro-processing (soft drinks, breweries) and garment (textile, leather) industries.

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