

## **A Study on the Role of TEA Estates in Promoting Corporate Social Responsibility: The Case Study of Nchima, Kasembereka, Makande and Chizunga in Thyolo District, Malawi**

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### **Abstract**

This comprehensive exploration made a careful search for information on the Corporate Social Responsibility (CSR) initiatives done by Malawian tea estates with a specific focus on Nchima, Kasembereka, Makande and Chizunga estates in Thyolo District. The study reveals almost similar interventions done by these estates in the district. However, there are also some areas which are not done by the estates which are also very important such as payment of school bursaries to children whose parents work in the estates. The study has also revealed that estates are committed in investing funds in CSR initiatives in the district. However, the financial packages are not sufficient enough to cater for all initiatives in the district. The study has exposed that, CSR initiatives by estates have different impacts to the stakeholders especially promoting the socio-economic development of various stakeholders including the communities surrounding the estates and beyond. The discussion extends beyond the local context to the broader African perspective, emphasizing the disproportionate burden borne by implementation of CSR activities in the district such as theft of estates products, low funding and encroachments to estates, just to mention a few. Recommendations span on an increased funding to CSR initiatives and inclusion of school bursary to needy students surrounding tea estates. Additionally, the study advocates for continued collaboration, localized interventions, monitoring and evaluation, youth engagement, economic empowerment initiatives, and advocacy for policy change to foster sustainable community support structure.

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### **1.0 Introduction**

Corporate Social Responsibility (CSR) is a global issue which helps companies to provide initiatives to its stakeholders in order to promote the lives. Corporate Social Responsibility (CSR) is concerned with the way in which an organization exceeds its minimum obligations to stakeholders specified through regulation and corporate governance. The study focused on the role of tea estates in promoting CSR initiative to its stakeholders, the case study of Nchima, Kasembereka, Makande and Chizunga in Thyolo district in Malawi. For any business enterprise to thrive in the business environment it needs to integrate the economic, social and environmental aspects (triple bottom line) in its business operations. While a number of studies have explored corporate social

responsibility practices in other sectors in Malawi, none has explored the CSR practices in the tea estates of Thyolo in Malawi.

Corporate Social Responsibility (CSR) is a phenomenon that started in Asia in the early 90s and spread over the world throughout the years, based on the principle of being accountable to the environment and society in all the activities implemented. Despite the outright benefits of adopting the principles, some countries are yet to adopt these principles in law. Countries like Malawi up to now has no clear law that regulates CSR amongst the industries such as tea estates. In Malawi, CSR took root in 2004 when there was a favorable economic, social and political environment (Tambulasi, 2012). CSR in Malawi has “traditionally tended to be

philanthropic in nature, responding to perceived individual community needs in the location where a company tends to operate rather than setting up targeted strategic interventions to improve overall sustainable livelihoods at a country level". Malawi has been focusing on education and health on its development agenda as such the organization focus on their CSR activities is on areas that they feel are of real concern to the nation at large. Kambalame and De Cleene (2006:282) observe that CSR in Malawi has "traditionally tended to be philanthropic in nature, responding to perceived individual community needs in the location where a company tends to operate rather than setting up targeted strategic interventions to improve overall sustainable livelihoods at a country level". Lindgreen *et al.* (2010) concur that Malawi may be more prone to philanthropic activities given the country's socioeconomic conditions. Most of the company's philanthropic activities are towards developing the education and health sectors. Kayuni and Tambulasi (2012), report that the government of There are many benefits to Tea estates when they promote corporate Social Responsibility activities to the general public. However, many tea estate do promote CSR activities but are at a very low level hence its impact is not really known and appreciated by many. According to Kambalame and De Cleene (2006), indicated that CSR in Malawi is affected by perceived costs involved, lack of experience in CSR and Problems of community expectations among other factors.

This study is very significant as no study of this kind has been done in Thyolo especially on tea estates targeted. Specifically, the study will reveal many issues about CSR activities in Thyolo. First, Issues of CSR are said to not be known amongst the communities and industries, this study will highlight the gains that can be derived from both the industries and communities through implementing the principles of CSR in all their activities. In addition to that, it will create a better understanding of the perceptions managers and stakeholders of the firm hold about CSR. Further to that, this study will help gather information and data that can be used to better understand the views of Corporate s, of employees and communities around issues surrounding Corporate social responsibility. The qualitative methods that will be deployed in this study will produce views on how tea industries and communities understand Corporate social responsibility, these method will also give the researcher the chances to see firsthand the impact that the industries have on the environment and society at large. Finally, the results of this study will help the government and all stakeholders concerned reflect on enacting laws that will govern CSR in Malawi.

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders (UNIDO, 2022). This definition also resonates with the World Business Council of Sustainable Development (1998) who defined corporate social responsibility as "continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.

### 1.1 Problem Statement

There are many benefits to Tea estates when they promote corporate Social Responsibility activities to the general public. However, many tea estates do promote CSR activities but are at a very low level hence its impact is not really

known and appreciated by many. According to Kambalame and De Cleene (2006), indicated that CSR in Malawi is affected by perceived costs involved, lack of experience in CSR and Problems of community expectations among other factors.

When tea estates don't promote CSR activities, a lot of negative impacts happen to estates and general public at large. In Thyolo district alone, we have experienced high cases of conflicts between Tea Estates and communities. First, there have been cases of Community encroachment to estates land and Theft of Estates properties. Reports also show that these cases have increased because communities have less appreciation to the activities of these estates. They feel like estates are benefiting more in the area but fail to assist the communities from which they operate. Second, we have also experienced cases of low wages to workers, workers retrenchment and Poor living standards of workers. Due that, communities do not know the reason why estates are existing in their areas. They feel like having estates it's just wastage of time.

According to Malawi Tea report of 2021 produced by Malawi Career (2008) indicated a lot of negatives faced by plantation workers. First, Plantation workers wages are very low. They stressed that the work on the tea plantations is highly intensive; however in Malawi wages are very low. In all estates the basic wage for time work for all daily rated employees is US\$ 0.72 (MK101.00) per day42. The plucking rate seasonal and casual worker is as low as MK2.29 per kg of green leaf plucked. The minimum wage in tea estates is 25 US\$ (Mk. It is very surprising to note that all Estates foreign and local follow the same practices as far as wages, terms and conditions of employment are concerned. The possible explanation for this similarity is that it seems like the Tea Association of Malawi forces all estates to conform or risk isolation. However it must be noted that the problem is not for the Tea Association or Estate owners alone for coming up with low wages. The government of Malawi also share the blame for enacting labour registration that put minimum wage as low as 0.39 US\$ a day.43 Hence the members of tea association only utilize this loophole and nobody could take them to task. 3500) and maximum is 35.7 US\$ (Mk 5000) per month. For workers on temporary employment, they get 0.72 US\$ (Mk101.00) per day, which translates to about 21.64 US\$ (MK 3030) per month. The wages are determined by the Tea Association of Malawi Limited in which plantation workers have no representation.

### 1.2 Research Objectives

Corporate Social Responsibility (CSR) was very important topic in the present competitive business environment. Therefore, the research study tried to explore both general objectives and specific objectives which helped to determine either tea estates really promoted CSR or not in Thyolo.

#### 1.2.1 General Objective

To investigate and analyse the role of tea estates in promoting Corporate Social Responsibility (CSR) in Thyolo district of Malawi, with focus on Nchima, Kasembereka, Makande and Chizunga estates.

#### 1.2.2 Specific Objectives

1. To understand the existing CSR practices implemented by the tea estates, exploring initiatives related to education, healthcare, environmental sustainability, and community development.

2. To investigate the level of engagement and collaboration between the tea estates and relevant stakeholders in CSR activities.
3. To assess the social impact of CSR initiatives focusing on the improvements in education, healthcare, livelihoods, and overall community indicators.
4. To examine the environmental sustainability standards and practices of the tea estates in the study area.
5. To identify challenges and provide recommendations in implementing CSR that can further embrace the positive impact of tea estates' CSR initiatives aiming for sustainable and inclusive development.

### 1.3 Research Questions

1. What are the existing CSR initiatives implemented by the tea estates in relation to education, healthcare, environmental sustainability, and community development?
2. What is the level of engagement and collaboration between the tea estates and relevant stakeholders in CSR activities?
3. What can say about the social impact of CSR initiatives focusing on the improvements in education, healthcare, livelihoods, and overall community indicators?
4. What can you say about the environmental sustainability standards and practices of the tea estates in the study area?
5. What are some of challenges faced and provide recommendations in implementing CSR that can further embrace the positive impact of tea estates' CSR initiatives aiming for sustainable and inclusive development?

## 2.0 Literature Review

### 2.1 Theoretical Framework of Shareholder Value Theory (SVT)

Shareholder Value Theory (SVT) or Fiduciary Capitalism was the theory used in the study. The theory holds that, the only social responsibility of business is making profits and, as the supreme goal, increasing the economic value of the company for its shareholders (Crane, *et al.* 2008). "To maximize shareholder wealth, management must generate, evaluate, and select business strategies that will increase corporate value" (Morin, Jarrel, 2001). Referred to as classical (Karake, 1998; Rugimbana *et al.*, 2008) or fundamentalist (Curran, 2005) theory, shareholder theory holds that the firm is (and should be) managed in the interests of the firm's shareholders (Cochran, 1994).

According to this theory the purpose of the company is to provide return on investment for shareholders and thus corporations are seen as instruments of creating economic value for those who risk capital in the enterprise (Greenwood, 2001). Shareholder theory represents the classical approach to business, according to this theory a firm's responsibility rests solely with its shareholders (Cochran, 1994). Corporate expenditure on social causes represents a violation of management responsibility to shareholders to the extent that the expenditure does not lead to higher shareholder wealth (Ruf *et al.*, 1998). Any activity is justified if it increases the value of the firm to its shareholders and is not justified if the value of the firm is reduced (Cochran, 1994). This theory is precise, makes sense in a mechanistic way and provides clear guidelines for managerial behavior (Mudrack, 2007).

According to Levitt (1958) such an approach enhances the long-term survival and success of the firm. Adherents of this

view consider CSR as a threatening concept to shareholder profit maximization. According to this theory, the sole constituency of business management is the shareholders and the sole concern of shareholders is profit maximization. This view holds that, other social activities that organizations could engage in would be acceptable if they are prescribed by law or if they contribute to the maximization of shareholder value. Generally, shareholder value-oriented theory goes along with the Agency Theory (Jensen & Meckling, 1976), which has been dominant in many business schools in the last few decades. In this theory, owners are the principal and managers are the agent. In relation to Agency Theory, the conventional argument is that company managers and shareholders are involved in an agency relationship. The managers, acting as agents to their clients (the shareholders), have a responsibility to pursue their clients' best interest (Moore, 1999). In relation to shareholder theory, this implies that organizational executives are in fiduciary relationships with shareholders and are obliged to adhere to the objective of maximizing long-term shareholder value. The latter bear fiduciary duties toward the former, and are generally subject to strong financial incentives in order to align their economic interests with those of the shareholders, and with the maximization of shareholder value. Shareholder theory is the theory that underlies neoclassical economic theory, primarily concerned with shareholder utility maximization. This approach, which currently is presented as shareholder value-oriented, usually takes shareholder value maximization as the supreme and only reference for corporate governance and business management.

### 2.2 Conceptual bases for Shareholder Value Theory (SVT)

In the study, the conceptual part of the theory was also connected. According to The Noble laureate Milton Friedman (1962) said "In such an economy, there is one and only one social responsibility of business-to use resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (Friedman and Friedman, 1962, p. 133). "A corporate executive is an employee of the owners of the business and therefore he has a direct responsibility to his employers and his responsibility is to conduct the business in accordance with the owners' desires which generally will be to make as much money as possible" (Friedman, 1970, p.162). Friedman repeated and completed this approach by writing in a New York Times Magazine in 1970 that: "the only one responsibility of business towards society is the maximization of profits for the shareholders, within the legal framework and the ethical custom of the country" (1970). Friedman (1970) further argued that, extending the social responsibility of a business beyond profit-making initiatives contradict the principle of a free market economic system and forcing businesses to serve the community through philanthropy is akin to totalitarianism. According to Friedman (1970) corporate spending on CSR is not only irresponsible but it is illegal and involves theft of shareholder funds. Friedman (1970) did state that, the only acceptable reason for engaging in CSR was if it is motivated by self-interest and for the purpose of promoting the organization's interests, thus, if CSR contributes to corporate profit making then it is fully acceptable. Accordingly, the shareholder value theory represents the classical approach to business as an organization's responsibilities rest solely with equity owners, thus, an organization must be managed in the

singular interest of shareholders. According to this theory, the purpose of an organization is to provide maximum return on investment for shareholders and thus, corporations are seen as instruments of creating economic value for those who risk capital in the organization. Accordingly, the sole constituency of business management must be the shareholders and the sole concern of shareholders must be profit maximization. Moore (1999) justifies Shareholder Theory on the basis of Property Rights and Agency Theory. Sternberg (2000) strongly defends property rights, and argues that owners are legally entitled to the (residual) fruits of their financial investments and any other use is unjust. Property Rights posit that shareholders own a firm by virtue of owning equity shares and moreover, that they wish to maximize the value of those shares. Managers who fail to maximize shareholder wealth are violating a moral property right by spending, if not stealing shareholder money (Philips, 2004).

### 3.0 Research Methodology

#### 3.1 Research Design

Research design is a master plan of method, procedures that is used to collect and analyses the data needed for decision making (Kothari, 2014). The design of this research was a mixed design of application of both qualitative and quantitative studies. Qualitative research often concentrates on conversational and similar exchanges between people in interviews, the media, and counseling (Howitt and Cramer, 2011). Qualitative research methods are appropriate among other reasons when the researcher wishes to study the complexity of something in its natural setting and when there is generally little or no research into the topic (Howitt & Cramer, 2011).

#### 3.2 Research Gaps

Though a lot has done on CSR but gaps still exist on the role played by tea estates in Thyolo in promoting CSR initiatives. In reference to recent studies done by Agle and Mitchell (2008), found through a study of 100 of the Fortune 500 companies, that only four of ten companies espoused the 'pure shareholder' focus of value maximization for shareholders. Few companies focus on value maximization for its stakeholders through CSR initiatives. Many companies recently do not serve the interest of its stakeholders. This is contrary to originality of stakeholder value theory which stated that the purpose of the firm is to serve as a vehicle for coordinating stakeholder interests (Evan and Freeman, 1988). Further to that, many managers nowadays do not commit to implement and promote CSR initiatives which affect coverage of CSR activities in many companies. Wood (1991) in his article entitled 'the Principle of Managerial Discretion' implies that managers are moral actors, who are obliged to exercise such discretion, within the very domain of CSR, as is available to them, towards socially responsible outcomes. In order words, this principle implies that: "because managers possess discretion, they are personally responsible for exercising it and cannot avoid this responsibility through reference to rules, policies or procedures. Many companies nowadays do abuse their powers when performing their functions. According to corporate social performance theory, a business has the responsibility that goes with power, and this business has to use its powers properly which should have social impact, so consequently, business has to assume corresponding responsibility of power (Davies, 1973).

#### 3.3 Population of Study

The population of the study refers to the entire group or community that is the subject of research (Babbie, 2016). The researcher shall use an infinite universe as the number of items is infinite, i.e., we cannot have any idea about the total number of items. This is so, because the total number of population in targeted tea estate is not known (Kothari, 2004). In this research therefore, the population of study were the tea estate officials such as Human resource officers, estate supervisors, teachers and health personnel in facilities within the targeted tea estates.

#### 3.4 Data Collection Tools

In this study, the researcher used a questionnaire in collecting its data. The tool was administered to the respondents to solicit their views. The tool allowed the respondents to have time to reflect on the questions and respond to them without pressure.

#### 3.5 Data Analysis Tools

The data collected was analyzed using the Statistical Package for the Social Sciences (SPSS) version 27 then its hypothesis was interpreted using T-Test especially two-tailed test. The two ends of the normal curve are called two tails. This will help to indicate the area of acceptance or rejection of a hypothesis (Holloway & Todres, 2003). The hypothesis test will be done. The data will be analyzed using the testing of hypothesis. In simple terms, hypothesis refers to assumption of a relationship between two variables or difference between two or more groups. Hypothesis also contains the direction of relationship between the variables concerned. Alternative Hypothesis (H1) will be used. H1 is a statistical.

#### 4.0 Demographic Data

The study categorized the respondents based on sex, age, working experience, and marital status. Descriptive statistics, including frequency distributions and percentages, were used to summarize the demographic characteristics of the respondents. It was evident that the majority of the participants were male (87.5%), while females represented 12.5%. All participants were aged 26 years and above, with 100% having over 10 years of working experience. In addition, all participants were married. This demographic profile suggests a mature and experienced workforce, which could influence their perceptions and insights regarding CSR activities.

#### 4.1 Data Analysis and Discussions

- The study has indicated a unanimous agreement among respondents that various activities were being promoted by the estates. However, the promotion of charitable services and bridge construction services has a median of 1.00 but a higher standard deviation of 0.683, suggesting some variability in responses.
- The estates also promoted housing services to workers and provide better wages, with a median of 1.00 and a standard deviation of 0.544. Support for people with disabilities and those living with HIV/AIDS show more variability, with medians of 2.50 and 2.00, and standard deviations of 0.946 and 0.730, respectively.
- The estates also trying their best to invest in various CSR initiatives. However, there are concerns of low funding which affect the coverage of these initiatives.
- There are also other activities which are not done by estates such as promotion of school bursary and provision

of school meals services hence the estates has to consider doing them.

- These results suggest that while there is strong agreement on the promotion of core CSR activities, there is some variability in the perception of support services for vulnerable groups and additional educational support services. This variability may indicate areas where the estates could improve communication and implementation strategies to ensure a more consistent perception of their CSR efforts among stakeholders.

#### 4.2 Impact of CSR Initiatives

- The analysis reveals that the impact of several key CSR activities is highly positive and consistent among respondents. For instance, improvements in healthcare access, educational opportunities, environmental conditions, and infrastructure (including roads and bridges) have a median value of 1.00 with no variability (standard deviation of 0.000). This indicates unanimous agreement among respondents that these CSR activities have significantly benefited the community and workers. However, the impact of charitable services on community welfare shows some variability, with a standard deviation of 0.683 despite a median of 1.00. This suggests that while many respondents recognize the positive impact, there is some disagreement or variability in the perceived extent of this impact.
- Support for people with disabilities and those living with HIV/AIDS show higher variability, with medians of 2.50 and 2.00, and standard deviations of 0.946 and 0.730, respectively. This indicates that while some respondents perceive these initiatives positively, others may see room for improvement or have differing views on their effectiveness.
- However, there are areas such as charitable services, wage improvements, and support for vulnerable groups where perceptions vary more widely, suggesting potential areas for further enhancement and communication to ensure a more uniform and positive impact.

#### 4.3 Challenges Faced by the Estate

The research has revealed a number of challenges faced by tea estates in promoting CSR initiatives in Thyolo. First challenge is theft of estate products such as trees. That was indicated to be a major challenge faced which was rated at 43.8% basing on the responses from the respondent. The second challenge faced was vandalism of properties which was rated at 37.5%, 12.5% noted low funding and finally 6.2% for low coverage. This highlights the key challenges faced by the estates in their CSR efforts.

#### 4.4 Suggested Solutions to Improve CSR Initiatives

The half of the respondents suggested strengthening coordination with stakeholders (50%), while 43.8% of respondents recommended increasing funding for CSR, and 6.3% suggested incorporating district council development plans. This indicates a need for enhanced collaboration and resource allocation to improve CSR initiatives.

#### Conclusion

Based on the study findings, the researcher draws the following conclusions;

- The construction of social facilities such as school blocks improves the quality of lives of many people.

- An increasing funding for CSR initiatives will help to reach more areas of need hence advancing CSR initiatives in the estates.
- Strengthening coordination with stakeholders will help to solve various problems faced by estates and also help to integrate concerns of communities in estates plans.

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