

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,  
KUMASI**

**SCHOOL OF BUSINESS**

**An Exploratory Study of Corporate Social  
Responsibility Practices among Rural and  
Community Banks in Ghana**

**By**

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Nkrumah University of Science and Technology, Kumasi, in  
Fulfilment of the Requirements for the Award of Doctor of  
Philosophy (Management Studies)**

**January, 2015**

**DECLARATION**

I hereby declare that, except for references which I have duly acknowledged, this dissertation is the result of my own research and that it has neither in part nor whole been presented elsewhere for another degree.

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## **DEDICATION**

This research is dedicated to the memory of my late grand mum, Charlotte Nancy Mensah.

## **ABSTRACT**

Rural and Community Banks (RCBs) were set up to provide banking services by way of funds mobilisation and offering of credit to cottage industry operators, farmers, fishermen and regular salaried employees. Over the years, RCBs have expanded their activities to include the granting of credits to customers for the payment of school fees, acquisition or rehabilitation of houses and settling medical expenses. These banks are not obliged to undertake Corporate Social Responsibility (CSR) activities but are expected by some stakeholders such as citizens in the community to devote part of their profits to meet social developmental activities. These can take the forms of donations to support education, health, traditional administration and the needy in the communities where they operate, and engagement in specific gender mainstreaming programmes for rural women. The aim of this thesis, therefore, is to examine the CSR practices among RCBs in Ghana and document the process that goes into planning and implementing CSR. The choice of the RCBs is crucial because they serve as both a tool for national development and a fertile area for management research. The study adopted a mixed method approach. In effect, a mixture of exploratory, case study, interviews and cross-sectional questionnaire survey was deemed most appropriate for this study because of the relatively new nature of CSR in Ghana and among RCBs in particular. Semi-structured interviews were used to gather detailed information from 50 managers or their representatives in charge of CSR in the selected RCBs. The 650 respondents of the cross-sectional surveys were the identifiable stakeholders: employees, customers and members of beneficiary communities. The case studies focused on two rural banks. The study found that the main areas that attract RCBs' CSR initiatives are education, health, agriculture, poverty reduction and other community social services. Additionally, the study revealed that RCBs are largely motivated by ethical and economic motives in undertaking CSR initiatives. The study revealed that against a background of unlimited demand for CSR activities from the communities the banks face the challenge of limited resources in meeting the demand. The study recommended that rural banks should broaden their interest in the community to include environmental issues.

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## LIST OF ACRONYMS

<b>ACIB</b>	Associate, Chartered Institute of Bankers
<b>ADB</b>	Agricultural Development Bank
<b>AGM</b>	Annual General Meeting
<b>ARB</b>	Association of Rural Banks
<b>BoG</b>	Bank of Ghana
<b>CDB</b>	Community Development Bank
<b>CSP</b>	Corporate Social Performance
<b>CSR</b>	Corporate Social Responsibility
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>GCB</b>	Ghana Commercial Bank
<b>GIPC</b>	Ghana Investment Promotion Council
<b>GNA</b>	Ghana News Agency
<b>GoG</b>	Government of Ghana
<b>ICAG</b>	Institute of Chartered Accountants Ghana
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund
<b>INGOs</b>	International Non-Governmental Organisation
<b>ISO</b>	International Organisation for Standardisation
<b>MDGs</b>	Millennium Development Goals
<b>MNEs</b>	Multi-National Enterprises
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PB</b>	Progressive Bank
<b>RCBs</b>	Rural and Community Banks
<b>RFP</b>	Rural Financing Project
<b>RFSP</b>	Rural Financial Services Project
<b>UN</b>	United Nations
<b>WBCSD</b>	World Business Council for Sustainable Development
<b>WTO</b>	World Trade Organisation

## CHAPTER ONE

### GENERAL INTRODUCTION

#### 1.1 BACKGROUND

The concept, Corporate Social Responsibility (CSR), has been widely used and debated differently by different people including investors, business people, government officials and the public in general. It is not a new concept, but the upsurge of the debate on CSR has made the concept seemingly new, particularly in Ghana. Dated back in Ancient Mesopotamia during the 18th century, King Hammurabi introduced a code in which builders, innkeepers or farmers were put to death if their negligence caused the deaths of others, or major inconveniences to local citizens. With the onset of industrialisation, the impacts of business on society and the environment in general assumed an entirely new dimension. Smith (2003) explains that in the aftermath of the industrial revolution, business leaders saw the need to build factory towns to provide employees and their families with housing and amenities. Clearly, in the event of this new dimension, “corporate paternalists” of the late nineteenth and early twentieth centuries began using some of their wealth to support philanthropic ventures. Popularly referred to as modern-day “Father of Corporate Social Responsibility”, Howard R. Bowen, in his book, *Social Responsibilities of the Businessman*, explained the concept of CSR as “*the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*” (Bowen in Carroll, 1999).

With recent events like the UN Climate Conferences held in Stockholm, Copenhagen and others, issues of sustainable development and the diverse debates have amplified the discussions on CSR (Bhattacharyya, 2008).

Today, the explosive global expansion of Multi-National Enterprises (MNEs) has contributed immensely to the growing demand for CSR, in the light of global challenges such as poverty, food and water shortages, pollution, human rights violation, unemployment, among others (Zadek, 2001). The complexities in business and the growing demand for corporations to find solutions to global problems make MNEs critical stakeholders in economic, social, political, ethical, legal and environmental issues. With a sole motive of making profit and satisfying shareholders, most MNEs have been criticised as being driven by motives that militate against concern for the common good. On several occasions, it has been argued that if businesses are to be allowed to get on with the creation of wealth, their operations must be informed by a combination of law and public pressure to make them discharge responsibilities that are additional to the maximisation of profit (Atuguba and Dowuona-Hammond, 2006; Ali-Nakyea, 2008 and captured in Owusu-Manu, 2010).

Several researchers (including Walker, et al. 2007; Nogeste, 2006; McAlister, et al. 2005 and captured in Owusu-Manu et al, 2010) on CSR have advocated MNEs to operate as citizens. Following from this, it behoves on corporations to support community-development processes through resource pooling and financing of infrastructural projects. Implications are that, the integration of Corporate Social Responsibility (CSR) into the development process of communities should be viewed beyond the traditional intangible deliverables perspective to embrace tangible deliverables (Owusu-Manu et al, 2010).

Porter and Kramer (2006) have also reiterated the interdependence between business and society, and the fact that operations of MNEs directly or indirectly affect

negatively or positively the social and physical environment. CSR practices should, therefore, be a considerable alternative or intervention to minimise the negative consequences of the operations of corporations. Ironically, in Ghana, CSR research, as stated earlier, has received minimal attention until recent times.

## **1.2 PROBLEM STATEMENT**

The concern for the future of Africa was showcased prominently in the Brundtland Report titled “Our Common Future”. The report highlighted the gradual erosion in governments’ ability to provide for the public and to provide common goods for its citizenry. One of the advocacies from the Brundtland Report was for improved governance and capacity-building, the pursuit of peace and security, investment in people, economic growth and poverty reduction, and increased and fairer trade, which lies in the core of government business. The increasing inability for governments to pursue this agenda has brought to the limelight the crucial role that businesses can play in this transformation process, with much of the contributions of businesses capable of being framed in terms of CSR (Visser, 2006). The argument has been and still rages that business and society are not mutually exclusive. The two are so knitted together and hence are inseparable. The suggestions across studies are that CSR could serve as an efficient tool to cement this relationship.

In Ghana, issues of CSR have become crucial only in recent times. Research on CSR assumed attention in the very recent past due to the role CSR has played in the development of communities affected by the operations of firms. It is obvious that CSR issues have become more or less a favour done by corporations, instead of obligations, as seen in other countries. Taylor (2011) indicated that the concept of CSR itself is fraught academically and practically with confusion, from the onset.

Apart from the varied plethora of definitions and conceptualisations of the CSR, it also appears that there is no clearly laid-down boundary and guidelines for its practice. For instance in Africa and particularly Ghana, given the diversity of the concept, its understanding or meaning would vary from industry to industry. While the banking industry for instance practices CSR in terms of social services and community development activities, the extractive industry rather focuses on environmental issues. This has led to the current situation where *“the concept is defined, approached and practised from different directions by various people based on the priorities and influenced by the needs and aspirations of their peculiar social, economic and political settings”* (quotes Taylor, 2011:19). Research studies (including Atuguba and Dowuona-Hammond (2006); Ofori and Hinson (2007); Boon and Ababio (2009); Hinson et al (2010); Amponsah-Tawiah and Dartey-Baah (2011), among others) on CSR in Ghana have largely focused on multinational enterprises. This is because corporations concerned with CSR are generally multinational. Small and medium-sized companies or born-local businesses do not appear to give much importance to CSR, perhaps because these companies typically do not have adequate economic or human means to implement a CSR policy (Meridian Group International, 2006). Notwithstanding the profit margins recorded by most of these local companies, there seem to be little or no contributions made to the communities in which they operate.

Much more crucial is the indication by Atuguba and Dowuona-Hammond (2006) that it has become more difficult to hold corporations responsible for their social responsibilities because there is virtually the absence of readily-available source document on CSR for reference.

Typical among these born-local firms are the rural and community banks (RCBs). The first Rural and Community Bank in Ghana was established in 1976 primarily to provide banking services by way of funds mobilisation and the provision of credit to cottage industry operators, farmers, fishermen and regular salaried employees. They were also to grant credits to customers for the payment of school fees, acquisition or rehabilitation of houses and for taking care of medical expenses. Fully owned by individual shareholders who are residents of communities in which they operate, RCBs are characteristically communally-owned. Arguably, with this relationship with local communities, these banks are expected to commit part of their profits to social developmental activities such as donations to support education, health, traditional administration and the needy in their respective communities, engagement in specific gender programmes focusing on women-in-development and credit-with-education activities for rural women (ARB APEX Bank Limited, 2012).

In the Ghana Club 100 Rankings in 2011, 27% of the 100 companies ranked were rural and community banks. Additionally, according to the sectoral ranking of the Ghana Club 100 Rankings, 43% of the 63 companies ranked for the financial services sector were RCBs (GIPC, 2011). This is an indication of growth in performance and expansion of RCBs in Ghana. For instance, Kaaseman Rural Bank Limited, which is the first among rural banks on the ranking in 2011, recorded 45.317% returns on equity, a growth rate of 45.88% and a net profit of GHc 912, 315.00 in 2011 over GHc 638776.00 recorded in 2010 (GIPC, 2011). The same trend in growth is manifested by all the 27 RCBs who made their way onto the rankings in 2011. Even though some of these RCBs purport to be engaged in some CSR activities, a scan through company annual reports on their websites indicate that there is a problem with CSR reporting and disclosure. For instance, even though Atwima Kwanwonma

Rural Bank, in 2011, recorded a 62.30% growth over 2010, in its annual report of 2011, the bank only reported on its continuous support to expand community infrastructure and make life worth-living for the under-privileged. Additionally, they reported that the year under review saw a lot of donations to support community projects, stretching from education, health, security and community infrastructure (AKRB Ltd, 2011). It would be admitted that CSR itself is in its early days in Ghana, which is reflective of the limited research studies on CSR in Ghana, but studies on CSR in RCBs in particular are very limited or virtually non-existent. More so, this study considers the fact that RCBs may be facing the same challenges faced by born-local companies and SMEs, such as lack of time, lack of motivation, insufficient resources and capabilities, inadequate knowledge about social responsibility and the perception that community involvement is not related to business. In addition, since there are virtually no clear guidelines within even the large multinational enterprises, it will not be far from true that RCBs in seeking to meet their CSR may not be certain about the exact parameters for CSR and if they are doing what they should be doing as CSR (Atuguba and Dowuona-Hammond, 2006).

In the light of this, the study attempts to examine the CSR practices among RCBs in Ghana, how they conceptualise the concept of CSR, the motives behind the planning and implementation of CSR and the barriers that inhibit effective CSR engagement. The choice of the RCBs is crucial, in that, by virtue of their location and relationship with local communities, ownership structure and the recent expansion in their operation, they have undeniably become a focal area for management research and a tool for national development. More interestingly, the rural banking industry is assuming a stiff and robust competition lately, and almost all the RCBs are expanding to especially peri-urban areas in Ghana. It has become necessary for them to deploy

various competitive tools to effectively hold on to their market share and expand. CSR has been one of the strategic tools that have been identified by management in recent times to compete.

### **1.3 RESEARCH OBJECTIVES**

Generally, the study examines the various CSR practices among Rural and Community Banks in Ghana and how they are planned and implemented. However, the study specifically seek to:

- i. Examine the perceptions about CSR within the selected RCBs.
- ii. Examine how CSR is conceptualised by the selected RCBs.
- iii. Identify the various CSR practices existing in the selected RCBs.
- iv. Examine factors that motivate selected RCBs to undertake CSR activities.
- v. Investigate the processes used in planning and implementing CSR activities within the selected RCBs.
- vi. Assess the extent of involvement of identifiable stakeholders in planning and implementing CSR in the chosen firms.
- vii. Examine the challenges involved in implementing CSR as a strategy within the selected RCBs in Ghana.

### **1.4 RESEARCH QUESTIONS**

Among other questions, the study is guided by the following research questions:

- i. What are the perceptions about CSR within the selected RCBs?
- ii. How do the selected RCBs conceptualise CSR?
- iii. What CSR practices exist in the selected RCBs?



- iv. What factors motivate the selected RCBs to undertake CSR activities?
- v. What processes are involved in planning and implementing CSR within the selected RCBs?
- vi. To what extent are the identifiable stakeholders involved in the planning and implementation of CSR in the selected RCBs?
- vii. What are the challenges involved in implementing CSR as a strategy within the selected RCBs in Ghana?

### **1.5 JUSTIFICATION OF THE STUDY**

Until recently, research on CSR in Ghana had received limited attention. The practice of CSR in Ghana has almost become synonymous to the extractive sector, perhaps due to its immense impact on the physical environment. Issues of rural poverty and environmental degradation emanating from activities of mining and construction industries have been debated in most circles of business and development in general. In recent times, the practice is actually re-focusing and fast becoming a strategic tool for competition across all sectors. The Financial Sector Liberalisation has resulted in stronger competition in the financial services sector. This has had a spillover effect on RCBs, especially those operating around the peri-urban areas in Ghana. Due to their very nature and location, RCBs have developed stronger ties with local communities. These ties are embedded in the CSR activities which these RCBs are engaged in.

A study, which chronicles CSR practices among RCBs, does not only assist in identifying how best CSR can be implemented to have its desired impact but also identify the challenges that inhibit the effective engagements in CSR. Additionally, it will assist policy makers to promulgate a clear-cut policy for the emerging CSR concept in the financial services sector in particular and Ghana in general.

## **1.6 SCOPE OF THE STUDY**

The study covers the subject matter of CSR and issues of motivation for CSR, its planning and implementation and the challenges inherent in CSR engagement. It also explores the concept of CSR in relation to various identifiable stakeholders – customers, employees and the communities where RCBs operate. The study is limited to the CSR activities of RCBs scattered in the ten regions of Ghana. It is not extended to other aspects of the operations of RCBs.

## **1.7 ORGANISATION OF THE STUDY**

This study is organised into nine (9) chapters, which are, to a large extent, interrelated. Chapter One focuses on the general introduction to the study, emphasising the background to the discourse on CSR, a contextual description of problems relating to CSR in the rural banking industry in Ghana. The chapter highlights objectives and scope of the study as well as the need for the research. Chapter Two reviews extant literature on the discourse of CSR. This is intended to provide the conceptual and theoretical underpinnings regarding CSR in general and Ghana in particular. Included in this chapter is a discussion on the evolution of the discourse on CSR, theoretical explanations of CSR, and the motives for engaging in CSR. Chapter Three makes a content analysis of the nature and practice of CSR from the global, African and Ghanaian perspectives. The chapter highlights a review of international agreements; principles and guidelines put forward by international bodies, such as UN, OECD, ILO, and ISO, among others. In this chapter also, the study proposes a conceptual framework based on which it discusses the CSR activities that RCBs undertake for their stakeholders. Chapter Four is devoted to a review of the Rural and Community Banking in Ghana. The chapter discusses the

evolution of RCBs and their main function and the reformation that has taken place since its inception. The chapter also throws light on the kind of products and services provided by RCBs and concludes with a discussion on the regulatory and supervisory environment that RCBs operate within. Chapter Five discusses the methods and approaches adopted during the study. It discusses the philosophical domain of the study, the research design, the population of study, sampling procedure and the processes employed in processing, analysing and presenting the data used in the study. Chapters Six and Seven present an empirical analysis of data reflecting the views of the banks and stakeholders respectively. Also in these chapters, the study, through the use of various statistical tools – descriptive and inferential, analyses the response of both banks and stakeholders on issues pertaining to the study objectives. Chapter Six, in particular, presents qualitative data analysed using the QSR Nvivo 7. Chapter Eight examines the major findings as indicated from the preceding chapters. In accordance with the study objectives, comparisons of results are made with reference to the theoretical and conceptual frameworks discussed in earlier chapters. Finally, Chapter Nine highlights summary of findings, major conclusions and recommendations of the study as drawn from the main findings. Also included in this chapter are the main contributions of this study to knowledge and how the findings of this study would help stimulate the uptake of CSR in the rural banking industry in Ghana. The chapter concludes with a highlight of the limitations of the study and suggests areas for further research in the growing CSR discourse.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

This chapter reviews existing work that has been done in CSR worldwide. It will take readers through the evolutionary stages of the discourse of CSR. The stages are captured in the pre to post 20th century and emerging issues with CSR in the 21st century. The chapter also reviews theoretical explanations to CSR, focusing on the classical view, stakeholder view and the setting in Carroll's four-part pyramid of CSR. Definitions by business entities are also reviewed. Finally, the chapter discusses the nature and practice of CSR in the context of developing nations and in the context of globalisation in general.

#### **2.1 EVOLUTION OF THE DISCOURSE OF CSR**

As controversial as the concept has been, CSR has a checkered history. Its evolution has been marked by series of shapes and shades, better fitting a chameleon character. This is verified by the fact that the concept is as old as business itself, even though it was not officially formulated until recently (Asongo, 2007). This means that CSR is being practised in different times of history and at different places. As Asongo (2007) admitted, the concept is still evolving, and its history is still being written. This section will discuss CSR as was practical before, during and after the 20th century.

##### **2.1.1 CSR in Pre-20th Century**

The widely quoted BRASS Centre traces CSR to almost 5000 years ago. According to them, Ancient Mesopotamia's King Hammurabi, around 1700 BC, introduced codes that purported to sanction builders, farmers as well as innkeepers to death should their actions and inactions cause the death of others or greatly inconvenience local citizens

(BRASS Centre, 2007). Around the same period, senators of Ancient Rome have had the cause to grumble and agitate on the failure of business entities to contribute taxes that are sufficient to finance their military escapades at the time. In his article “The History of CSR”, Asongo (2007) had documented his personal interaction with thinkers and business people in Africa, who affirmed that hunters in the Southern Cameroun and other parts of Africa brought part of their catch to their chiefs. Particularly in Nigeria, farmers were to bring their first harvest as their contribution to the famous Communal Yam Festival (Asongo, 2007). This actually affirms how deeply-rooted the contribution of business persons and tradesmen in the African society was. Interestingly, Asongo (2007) discusses traces of what could seemingly constitute CSR in the Bible. According to him, incidents relating to condemnation for charging interest on debt (Proverbs 28:8), the parable of Jesus on the Prodigal Son, the Good Samaritan (Luke 15:31-32 and Luke 10) and the issues of Beatitude (Matthew 5:3-12) are all pointers to sharing wealth, as loudly touted by the social teachings of the Catholic Church (Asongo, 2007). The Industrial Revolution of the 17th and 18th centuries presumably began the reshaping of social structures. Communities and the entire culture of societies witnessed growing industrial establishment and expansion in unregulated businesses whose owners, as espoused by Karl Marx and Friedrich Engels, amassed wealth at the expense of appalling wellbeing and working conditions of employees and the society in general. By the late 19th century, corporations had begun taking agitations and criticisms from society for exploitation and irresponsible business behaviour that had serious repercussions for the environment and society in general. CSR issues began assuming a new dimension. Corporations, at the point, began using part of their wealth to support philanthropic ventures in their societies.

### **2.1.2 CSR during the 20th Century**

The 20th century CSR actually marked the beginning of formal writings on social responsibility. Carroll (1999) dates this from the last 50 years of the century. Bowen (1953) explained that the modern era of social responsibility emanates from the seminal works on social responsibilities of the businessman, which actually saw the term changed from Social Responsibility of Business to the largely acclaimed CSR. The concept is also largely acclaimed to be a product of the tremendous contributions of H.R. Bowen, who later came to be known in CSR discourse as the father of CSR, (Carroll, 1979). The aftermath of the trauma of the World War II and its attendant agreement of the world to focus on peace and socio-economic development resulted in the emergence of new independent nations. By 1994, the Bretton Woods Conference had resulted in the formation of the World Bank and the IMF and then the formation of the General Agreement on Tariffs and Trade (GATT) in 1948 (Srivastava and Sahay, 1995). All these world bodies were set up in a bid to ensure growth and economic development and to avoid futile involvement in cold war (Srivastava and Sahay, 1995). The sudden focus on growth and economic development came with it, extreme exploitation of natural resources and the springing up of large factories in most cities and towns. According to Srivastava and Sahay (1995), this resulted in growth of urban population, pollution, reduction in natural resources, among others. Issues of sustainable development began assuming some serious attention, hence by 1987, the world had finally come to accept the Brundtland Commission's discourse on sustainable development. It is important to note that this did not happen at once, but as espoused by Srivastava and Sahay (1995), some major events had culminated into the modern-day sustainable development. For instance,

1. The hints of growth as published by the club of Rome in 1972

2. The Un Stockholm Conference on Human Environment in 1972
3. The World Conservation Strategy in 1980
4. The environmental disasters in the mid 1980s, among others.

All these events have actually sought to question the concept of economic growth and development and its implication for the environment and human kind in particular.

By the end of the 1970s, these events and the growth in concern for sustainable development had resulted in clearer definitions and boundaries for CSR as summarised by Srivastava and Sahay (1995) below:

**Table 2.1: Outline of Defining Outer Boundaries of CSR in the 1970s**

Year	Author(s)	Research	CSR Issues
1970	Morell Heald (1970):	The Social Responsibilities of Business	Concept of social responsibility must finally be sought in the actual policies
1971	Harold Johnson (1971):	Business in Contemporary Society	Multiplicity of interests, stakeholder approach, utility maximisation (multiple goals rather than only maximum profits),
	George Steiner (1971):	Business and Society	Lexicographic view of social responsibility (strongly profit-motivated firms may engage in socially responsible behaviour); Presented specific spheres, models & criteria for CSR
	Committee for Economic Development (1971):	Social Responsibilities of Business Corporations	Three Concentric Circle Theory of Social Responsibility
1973	Keith Davis (1973):	The Case for and against Business Assumptions of Social Responsibilities: Academy of Management Journal	Quoted Milton Friedman & Paul Samuelson: Social responsibility is beyond legal requirements

Source: Srivastava and Sahay (1995)

**Table 2.1: Cont'd**

Year	Author(s)	Research	CSR Issues
1973	Henry Eilbert and I Robert Parket (1973):	Current Status of Corporate Social Responsibilities	Practices-oriented survey, “good neighbourliness” two step (not doing bad & doing good)
1975	Jules Backman (1975):  S. Prakash Sethi (1975):  Lee Preston & James Post (1975)  Bowman & Haire (1975) & Sandra & Holmes (1976)	Social Responsibility & Accountability  Dimensions of Corporate Social Performance  Private Management & Public Policy  Operationalisation of CSR by Studying Annual Reports of Companies	The terms social accounting, social indicators & social audit cover social performance  Social responsibility being prescriptive goes beyond social obligation which is proscriptive  Drew attention on public responsibility, functions of OM within public life  Execution perception of corporate social responsibility with factors & outcomes
1979	Abbott & Mosen (1979) & Sandra & Holmes (1976); Thomas Zenisek (1979)	SID (Social Involvement Disclosure) from Content Analysis of Reports of Fortune 500 Companies;	Empirical investigation for CSR theory building

Source: Srivastava and Sahay (1995)

Perhaps the discourse of CSR reached its crescendo around the beginning of the 1980s. This seemingly loud advocacy for socially-responsible business was triggered by numerous environmental hazards, occupational safety issues and the concern for human security in general. Prominent among these high-profile environmental accidents are the Bhopal Gas Tragedy in India in 1984, which resulted in the long-term death of about 20,000 people and as many as 100,000 residents suffering from crippling disabilities (Van Zile, 2012); the nuclear-reactor disaster that occurred at Chernobyl (Ukraine) in 1986, which led to the death of a number of people and caused cancer among an estimated 2300 people, and the largest oil spillage by Tanker Exxon Valdez in Alaska in 1989, which led to the destruction of millions of birds and



aqua-lives and the contamination of several stretches of beaches. All the seemingly preventable and human-induced environmental disasters in the 1980s accounted for the growing concern that business must prove its position on social, ethical and environmental matters. Society, around this period, expected businesses to largely respond to how they would account for the impacts of their activities, both socially and environmentally. It is, perhaps, intriguing to note that, during this period, the focus of the CSR advocacy had assumed two broad themes as explained by Srivastava and Sahay (1995). They first sought to espouse how CSR was connected to the broader organisational framework and, more especially, the process of incorporating CSR activities into the business organisational setting. On the other hand, the second theme (which also resonates well with society) places emphasis on the linkages between business's social and financial performance. These two themes may probably be the source of related concepts such as Corporate Social Performance (CSP), Public Policy, Business Ethics and, more especially, Stakeholder Management, as captured by Carroll (1999). A scan through the literature and supported by the two broad themes above depicts that CSR was explained on the basis of the cost and the effects of undertaking CSR. Drucker (1984) supported this when he explained his perspective on the compatibility of profitability and responsibilities. In this, he explained that businesses, perhaps, ought to attempt to convert their social responsibilities into business opportunities by turning social problems into what he termed economic opportunity; economic benefits; productive capacity, human competence, well-paid jobs and wealth.

Perhaps, in a follow up, Cochran and Wood (1984), in their study, sought to test the correlation between CSR and financial performance of businesses, which they found to be positive. The rising interest in the research spheres on CSR culminated into the

continued expansion in the body of knowledge on the practice of CSR within the decade of 1980s. To end the decade of CSR discourse, perhaps the summary as done by Srivastava and Sahay (1995) and captured below will provide more insight for readers.

**Table 2.2: Research on the Financial Linkages of CSR**

Year	Author(s)	Research	CSR Issues
1980	Thomas M. Jones (1980):	Corporate Social Responsibility Revisited, Redefined	Emphasis on CSR not as a set of outcomes rather as a process
1981	Frank Tuzzolino & Barry Armandi (1981):	A Need Hierarchy Framework for	Depicted conceptual tool of organisational hierarchical needs from where social performance can be assessed
1982	Dalton & Cosier (1982):	The Four Faces of Social Responsibility	2X2 model describing legal and responsible and its opposite aspects; reoriented discretionary component of social responsibility into philanthropy
1983	Rich Strand (1983):	A System Paradigm of Organisational Adaptations to the Social Environment	Described how social responsibilities are connected to an organisation-environment model
1984	Peter Drucker (1984): Jeffrey S. Harrison	The New Meaning of Corporate Social Responsibility	Profitability and responsibility of business are compatible, conversion of social responsibilities into business opportunities
1984	R. Edward Freeman (1984):	Stakeholders, Social Responsibility, and Performance: Empirical Evidence and Theoretical Perspectives	Empirical, Reports 6 excellent efforts to tackle fundamental ideas about stakeholders, social responsibility, and performance
1984	Philip Cochran & Robert Wood (1984):	Corporate Social Responsibility & Financial Performance	Used "Reputation/ Moskowitz Index" as measure of CSR and surveyed the various ways in which social & financial performance were jointly operationalised

Source: Srivastava and Sahay (1995)

**Table 2.2 cont'd**

Year	Author(s)	Research	CSR Issues
1984	Aupperle Carroll & Hatfield (1985):	An Empirical Investigation of the Relationship between CSR & Profitability	First to use a definitional construct of CSR from the theoretical literature, clubbed 4 components of Carroll's earlier used definition into two main themes economic & social
1985	Steven Wartick & Philip Coehran (1985):	Evolution of CSP Model	3-dimensional integration of responsibility, responsiveness & social issues into a framework principals, process and policies
1987	Edwin M. Epstein (1987):	The Corporate Social Policy Process	Stated that the 3 dimensions of CSR are interrelated and overlapping
1988	McGuire, Sundgren & Schneewis (1988):	CSR & Firm Financial Performance	Analysed the relationships between firms' perceptions on CSR & measures of their financial performance, assessed by both stock- market returns and accounting-based measures, relation was found to be existing

Source: Srivastava and Sahay (1995)

The decade following the 1980s witnessed a surging involvement of international actors, such as individual governments, international Non-Governmental Organisations, the IMF and the World Bank, the WTO, among others, in the discourse of CSR. This may have been propelled by the IT revolution, which was funning globalisation. The involvement of these actors induced all forms of initiatives, policies and codes that placed some kinds of environmental and social restrictions on trade and business activities. Segerlund (2005) explains that an OECD (2001) inventory revealed that close to 250 different codes of conducts were issued by individual corporations, industry and trade organisations to specifically address CSR in different ways. According to Segerlund (2005), examples of these were the products of meetings, such as the Caux Round Table; Business for Social Responsibility and the Prince of Wales International Business Forum.

Beyond the individual corporations' involvement, the phenomenal contributions by governments need mention. As captured by Segerlund (2005), government initiatives, such as the Clinton Administration's Fair Labour Association, which was established in 1996 to fight sweatshop; The Ethical Trading Initiative of 1998 and the eventual appointment of a Minister for CSR by the UK government are all efforts by individual nation states. Perhaps this phenomenal involvement of these bodies may have been instigated by the rise in anti-corporate activism and an increasingly large and diverse set of protests as well as environmental and human-right issues which led to boycotts of products of a large number of corporations that are labelled anti-society (Milovanović et al, 2009).

Perhaps one of the dramatic corporate involvements in Europe was the case of The Royal Dutch Shell. Fomburn and Rindova (2002) affirmed that The Royal Dutch Shell hibernated into a long period of self-analysis after Greenpeace attacked it in 1995, over its alleged complicities in the execution of Ken SaroWiwa and eight other activists in Nigeria, as well as its attempted disposal plans for the oil rig, the 'Brent Spar'. These events led to negative publicity and a temporary loss of confidence of investors and the public in general. They further explain that these reputational attacks led Shell to undergo a global review of its activities with the intention of analysing what society expects of Shell and to strategise to become the world's most admired company through the process of transparency.

Another dimension of governments' involvement was through inter-governmental organisations such as OECD, EU, UNHCR, WTO, to mention but a few. As reported by Segerlund (2005), a plethora of initiative by the organisations mentioned above included the International Organization for Standardisation ISO14001 in 1996, the

Global Reporting Initiative and Sustainability Reporting Guideline in 1997, the Social Accounting International's SA8000 in 1998 and the UN Global Compact 1999, among others.

Most interestingly, during this period are the soaring activities of international NGOs regarding CSR issues. According to Segerlund (2005), about 40% of International NGOs (INGOs) existing in the world and predominantly located in North America and Europe engaged in an advocacy for the need for the business community to approach the issue of CSR with greater interest as well as the need for the development of a more transnational direction for dealing with global issues. In comparison, these 60% of existing INGOs engaged more in activism and campaigning to explicitly criticise business on issues relating to CSR, while the other 40% were largely moderate and positive in dealing with the negative aspect of corporate activities. The 60% rather concerned themselves with the self-image that organisations wanted to portray of themselves. Notwithstanding these differences in the approaches to CSR, they all advocated awareness creation, information exchange and promoted issues of CSR in the business environment in general. Particularly astonishing is the sudden emergence of a CSR industry, where major firms such as KPMG, PriceWaterHouse Coopers, Burson Marsteller and consultancies such as Sustainability, Business for Social Responsibility, CSR Europe, among others provide CSR services and consultancies to major businesses in a bid to protect them from protests and the ill products of activism against their operations.

### **2.1.3 Emerging Issues in CSR – The 21st Century**

Following from about two decades of discussions on Sustainable Development and its attendant agreements and compacts among the world's nations to tackle global issues

of environment and development, the Johannesburg World Summit in 2002 set out to review the implementation and progress thereof in the series of intra and inter-governmental summits – from Stockholm, 1987 to Rio, 1992 (UN, 2002).

It was observed that governments had been unable to come out with a binding legal framework on the environmental behaviour of global corporations, in spite of the loud advocacy for government action to hold corporations accountable for their activities (Bichta, 2003). The posture of governments and the agencies have been to accept a voluntary corporation's involvement and commitment to implementing the 'global compact' and 'Type II' partnership agreements (Bichta, 2003).

With the emergence of a widespread interest in the role of government and business alike for the natural environment, social development and social inclusion, CSR discourse has assumed a new dimension beginning the new millennium. In pursuant of an agenda of a corporation addressing the legitimate expectations of its investors and shareholders, governments have also been urged to take full responsibility of ensuring that the antecedents of market failures are appropriately regulated with the view of achieving the tenets of sustainable development, which includes Economic, Environmental and Social Sustainability. CSR, therefore, assumed an interface with laws and regulations (Bichta, 2003).

As indicated by Horrigan (2007), 21st-century CSR has been a story of progressive business sensitisation to systems and dynamics of governance beyond government, regulation beyond law, and responsiveness beyond responsibility. It is a story of a rapidly-growing alignment across many individual businesses, industrial sectors, and geopolitical regions between those systems and dynamics of governance, regulation, and responsibility, on one hand, and a company's business model, strategy, and

impact, on the other. These events culminated into the emergence of a distinctive body of laws and regulations that go beyond any corporate governance but re-orientate the doctrines of corporate laws which resonate with CSR.

Horrigan (2007), again, explains that there are emerging theoretical insights into corporations, corporate law and corporate governance that do not only question the conventional theories on such matters, but also illuminate matters of concern in assessing and implementing CSR. Thus, in the 21st century, series of laws and policy reforms relating to corporations' activities are likely to be aligned with CSR-related issues and societal development in general.

From another angle, Gjølborg (2011) explained that, on one hand, business is criticised for causing social and environmental damage in a reckless pursuit of profits, while in the same vein obstructing attempts to establish legal frameworks to govern the global economy as characterised by the 20th century CSR discourse. However, she admits that the popularity of Corporate Social Responsibility (CSR) during the late 20th century brought some kind of a shift in norms, one in which businesses increasingly accepted responsibility for their social and environmental impact, and changed those practices voluntarily. She is quick, however, to explain further that, in the absence of hard laws and legal frameworks to govern the global economy, CSR emerges as an alternative approach to global governance, based on self-regulation and soft law mechanisms. In her attempt to explore the migration from CSR soft laws to hard laws among Nordic Corporations, Gjølborg (2011) explained that CSR, as appeared in the 1990s, was closely linked to the anti-globalisation movement. In the new millennium, CSR is defined "beyond compliance," where companies voluntarily improve their social and environmental performance. CSR has come to be intertwined with global governance. For instance, CSR initiatives, which hitherto consisted of

unilateral or adhoc projects from single companies, such as developing a code of conduct, a CSR report or specific projects to improve social and environmental practices in the company without any wider governance implications transformed into soft law institutions with co-regulation through multi-stakeholder participation and monitoring of compliance. Such intergovernmental initiatives like the UN Global Compact, with weak compliance mechanisms translated into more stringent initiatives like the OECD Guidelines for Multinational Enterprises (Gjølberg, 2011). Contributing to the 21st century CSR, Horrigan (2007) writes that, at the G8 Summit of World Leaders in 2007, CSR clearly emerged from a secondary global concern into the spotlight as a primary international policy issue listed at par with climate change, international security, sustainable development and free trade and investment.

During this meeting, the world leaders committed their countries to ‘promoting and strengthening corporate and other forms of social responsibility’ as one of four priority areas for action, through ‘internationally agreed corporate social responsibility and labour standards’. This was done taking into consideration existing national and regional policy frameworks supporting CSR (Horrigan, 2007).

This according to Horrigan (2007), this was done by developing various strands of an emerging international law of corporate responsibility, including what has been captured in the table below:



**Table 2.3: Areas of Emerging International Laws on CSR**

SN	AREA OF CSR LAWS
1.	State liability for failing to prevent corporate abuses of human rights;
2.	Investment-attracting state obligations and arrangements favouring business entities under bilateral investment treaties;
3.	Corporation-affecting domestic laws of nation states in meeting their international legal obligations generally (labour conditions and workplace non-discrimination);
4.	Corporate complicity in human rights atrocities and other international crimes committed by state actors (crimes against humanity);
5.	Extension of corporate liability domestically for involvement in international crimes;
6.	Extra-territorial jurisdiction for international crimes committed by or against a state's citizens;
7.	Corporate civil liability in home countries for corporate wrongs committed in host countries (foreign direct liability laws such as the US Alien Torts Claims Act);
8.	Authoritative codes and other standards of corporate responsibility developed by intergovernmental bodies, including 'soft' law norms that draw heavily upon human rights enshrined in international human rights instruments (UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights);
9.	Corporate polluter responsibility under international environmental law;
10.	International standard-setting for corporate avoidance of corruption and bribery of foreign officials; and
11.	The impact upon business of economic sanctions imposed by the UN.

Source: Horrigan (2007)

These inter and intra-governmental initiatives emanating from the 20th century, coupled with events of the early 21st century, actually set the platform for and invigorated the development of complementary multi-stakeholder CSR initiatives that are applicable industry-wide, nationally and regionally, with support from the public,

private and community levels. Citing typologies from North American, European, Anglo-Commonwealth nations, Horrigan (2007) examined a body of CSR-related corporate laws and regulations which included:

1. Stakeholder-sensitive formulations of directors' duties;
2. Business judgment rules and defences with the capacity for advantaging or, at least, considering stakeholders in a company's wider interests;
3. Reporting of the relevance and impact of environmental and other societal factors for corporate operations;
4. Stakeholder participation or interest-representation of various kinds in corporate governance arrangements with emphasis on socio-ethically and environmentally minded shareholder proposals for corporate meetings, stakeholder board representation and stakeholder-orientated principles of corporate governance for publicly listed companies;
5. Inclusion of environmental, socio-ethical and governance considerations in regulated investment decision-making;
6. Advancement and protection, usually for the benefit of the overall business enterprise, of the interests of particular groups of non-shareholding stakeholders – most notably, employees and creditors.

Horrigan (2007) concludes that the 21st century business environment will continue to witness an increasing need for corporate responsiveness to a wide range of governance, regulatory and responsibility drivers. He identifies three major trends in this direction, which include the emergence of an array of CSR-related corporate law reforms, which are incorporated comparative models and regulatory measures from varying jurisdictions; the increasing intersection of business concerns with CSR-related concerns, for instance, corporate legal and regulatory measures, which are

formulated, emphasising SRI and ESG considerations in corporate and investment decision-making, business and operational review requirements, corporate responsibility and sustainability reporting and emerging CSR-related networks and standard-setting initiatives nationally and internationally.

In a recent article by Rahman (2011), an attempt was made at evaluating ten dimensions of the definitions of CSR as it developed through 1950 to date.

The table below captures the various eras and the dimensions that CSR took:

**Table 2.4: Ten Dimensions of CSR**

<b>Era</b>	<b>Dimension</b>
1950s	Obligation to the society
1960s	Relationship between corporation and society
1970s	Stakeholders involvement, well-beings of citizens, a philosophy that looks at the social interest, helps solve neighbourhood problems;  Improve the quality of life; economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility;
1980s	Voluntariness; economically profitable, law-abiding, ethical and socially supportive; economic, legal, ethical and voluntary or philanthropic
1990s	Stakeholders involvement; obligation to society; environmental stewardship; people, planet, profit;
2000s	Integration of social and environmental concern; voluntariness; ethical behaviour; economic development; improving the quality of life of the citizens; human rights; labour rights; protection of environment; fight against corruption; transparency and accountability;

Source: Rahman (2011)

## **2.2 DEFINING CSR**

Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses nationally and internationally. As globalisation accelerates and large corporations serve as global providers, these corporations have progressively recognised the benefits of providing CSR programmes in their various locations. CSR activities are now being undertaken throughout the globe. The argument, therefore, has been what constitutes CSR and at what point can a given corporate action be classified as CSR behaviour. In the sections that follow, the study explores these questions by analysing an array of definitions which CSR has assumed since the beginning of its popularity.

### **2.2.1 Finding a Befitting Definition**

The term CSR has been used interchangeably with several related concepts in many literatures such as Corporate Citizenship, Corporate Social Performance, Social Marketing, Corporate Philanthropy, among others (Waddock, 2004). Dating back to the early 1950s, Howard Bowen attempted the first notable definition of CSR in his book titled *The Social Responsibilities of the Businessman*. He explained CSR as “the obligations of business to pursue policies, decisions or lines of action that are desirable in terms of the objectives and values of our society” (Bowen, 1953:6). In this definition, he touched on what functions and obligations there are for businesses to pursue in terms of CSR, and this manifested in his query on what responsibilities to society are businessmen expected to assume.

Exploring the relationship between a firm’s financial performance and social responsibility, Keith Davis, in 1960, defined CSR as “businessmen’s decisions and actions taken for reasons that are, at least, partially beyond the firm’s direct economic

or technical interest”. In the attempt to establish this relationship, Davis (1960) argued that socially-responsible businesses stand to pay back by bringing long-run economic gains to the firm. He further justified an existing positive relationship between social responsibility and business power when he introduced the “Iron Law of Responsibility”. In a later explanation, Archie Carroll (1999), in support of Davis (1960), threw more light on this Iron Law of Responsibility by asserting, “social responsibilities of businessmen must be commensurate with their social power”. According to Carroll, assuming that social responsibility and power were to be relatively equal, then businesses in an attempt to avoid social responsibility will eventually erode their social power. It is, therefore, imperative for business to work hard to gain an increased social power by extensively engaging in CSR wherever they find themselves. In an apparent opposition to this positive relationship, Walton (1967) argued that this relationship is rather negative since there is always a cost to bear in any social action undertaken by companies. He argues that the social responsibility of a corporation assumes some degree of voluntarism. This is because there seems to be no measurable economic return on the cost involved in companies getting involved in social actions. Extending the definition that espouses a positive correlation between social responsibility and financial performance, Johnson (1971) argued that social responsibility programmes of firms could be seen as a tool for long-run profit maximisation. Johnson does this by introducing the concept of Stakeholder Approach in place of the long-standing Stockholder Approach stance held by most businesses. He asserts that a socially-responsible firm is one whose managerial staff balance a multiplicity of interests. The interests here include a mixture of maximum profits for its stockholders while at the same time ensuring that employees, suppliers, dealers, local communities and the whole nation are kept satisfied. In short, social

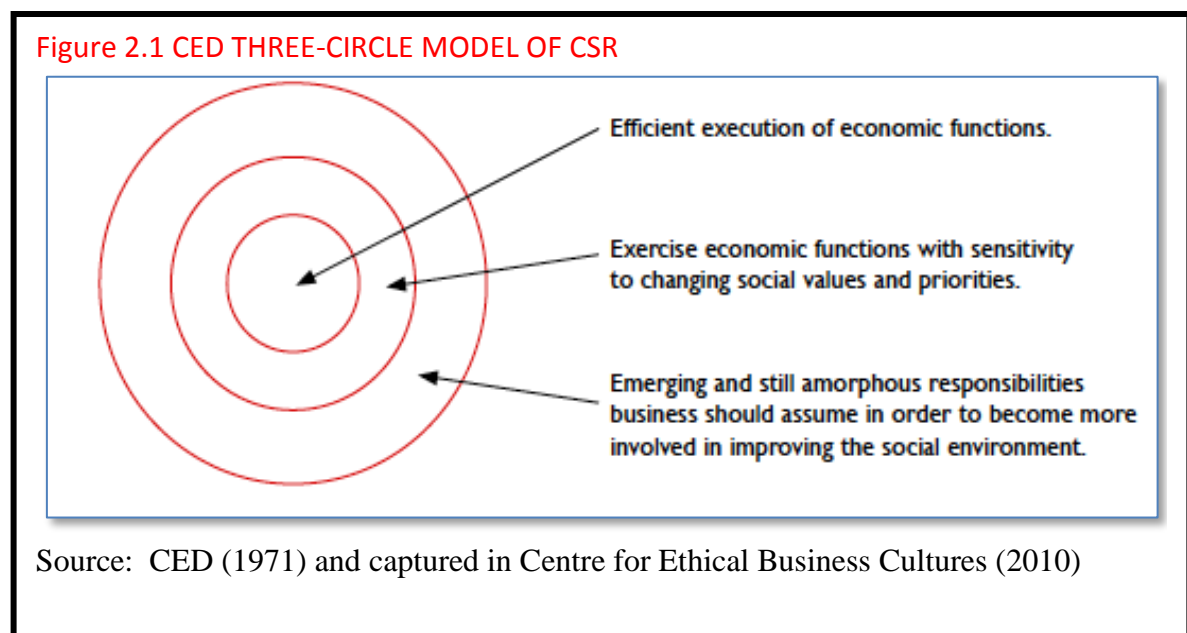
responsibility in business, in his view, is an action in pursuit of socio-economic goals through the elaboration of social norms in prescribed business roles that are pivoted within a certain socio-cultural system that prescribes the ways businesses must be conducted (Johnson, 1971).

From another angle and much earlier, McGuire (1963) had argued beyond business obligations as espoused by Bowen (1953). He was particularly interested in the idea that corporations did not have only economic and legal obligations but also certain responsibilities to society, which extend beyond these obligations. In his view, that should constitute social responsibility of businesses. Elaborating further on these economic and legal obligations, McGuire (1963) explained that businesses, by being socially responsible, must take an interest in issues such as the politics and the welfare of the community, in the education and the general “happiness” of its employees, and more especially in the whole social world within which they operate.

A Committee for Economic Development (CED), in 1971, also made some immense contribution toward the definition of CSR. In the view of this Committee, a business entity operates upon the consent of the public. Hence, its foremost duty is to constructively serve the needs of society. The Committee identifies a phenomenon of change in this social contract and argues that, by this change, businesses are expected to assume broader responsibilities to society (Carroll, 1999). This broader responsibility includes serving a wider range of human values and ensuring a high quality of management’s response to the ever-changing expectations of the public. The Committee further proposed a three overlapping circles representing the responsibilities of businesses. As captured in the figure below and summarised by Carroll (1999): “The inner circle represents businesses’ primary responsibilities to

efficiently execute their economic functions which include production of goods and services, provision of jobs and contributions to general economic growth. The intermediate circle represents businesses' responsibility to affect the above economic function having in mind the phenomenon of changing societal values and priorities. This may include issues relating to environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment and protection from injury.”

The outer circle espouses emerging responsibilities that businesses should assume in a bid to engage themselves in activities that tend to improve the overall social environment. This, according to Carroll (1999), includes, for example, poverty and urban blight.



Moving on from here, another prominent contribution was that from Eilbert and Parket (1973). They described CSR in terms of “Good Neighbourliness” - not doing things to destroy neighbourhood and businesses assuming voluntary obligation in

helping to solve neighbourhood problems. Some of these neighbourhood problems they identified are racial discrimination, pollution, transportation, and urban decay, among others (Eilbert and Paret, 1973).

In an attempt to contextualise CSR, Backman (1975) described CSR as the objectives or motives to be given weight by businesses in addition to economic performance. Thus, in addition to making profits for stockholders, businesses in pursuit of CSR were also to (as a matter of urgency) see to their effective participation in community improvement programmes, employment of minority groups, reduction in pollution, improvement of medical care of community members, improvement of industrial and occupational health and safety and more general activities that seek to improve the general quality of life (Backman, 1975).

Introducing Corporate Social Performance (CSP) into the discourse of CSR definitions, Sethi (1975) argued on some three dimensions of CSP to explain CSR. According to Sethi (1975) and captured by Carroll (1999), these dimensions include Social Obligation, Social Responsibility and Social Responsiveness. Every corporation behaves in response to certain market forces and certain legal constraints. This behaviour he describes as Social Obligation (the first dimension). He goes further to explain as Social Responsibility (Second dimension), bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations of performance. This, he emphasised, goes beyond the normal Social Obligation. The final dimension, Social Responsiveness, Sethi explains, is the attempt by corporations to adapt corporate behaviour to meet social needs (Sethi, 1975) and captured by Carroll (1999). Thus, by his explanation, it can be concluded that every corporation has a social obligation to adopt a corporate behaviour that is in



consonance with prevailing social norms, values, and expectations of performance (Social Responsibility) in a way that will not compromise the needs of society in general (Social Responsiveness). Perhaps, one of the corporate behaviours is what Fitch (1976) explains in his Social Problem-Solving perspective of CSR. According to Fitch (1976), a firm is said to be socially responsible when it is able to identify and define an array of social problems, and effectively decide which one of these to solve first. This, according to him, includes a firm's ability to make a distinction between social and non-social problems and then designate some effective ways of solving them. Expanding on the concept of Corporate Social Performance, Archie Carroll made a landmark contribution to CSR in 1979 when he analysed the conceptual model of CSP. Though this will be discussed later on under Theories of CSR, a summary of his definition will give some more understanding as to how CSR has, over the years, assumed its current definition. According to Carroll (1979), the social responsibility of a business encompasses the economic, legal, ethical, and discretionary (which he later modified into Voluntary or Philanthropic in 1983) expectations that society has of organisations at a point in time.

Another renowned author, Thomas Jones, entered the fray of CSR by introducing the concept of CSR as a process. Jones (1980) argues that CSR is not a set of outcomes but rather a set of processes that firms engage in, in making decision on which action should constitute their CSR behaviour. Drawing some inspiration from earlier explanations on Stakeholder interest, he defined CSR as a corporation's obligation to constituent groups in society other than stockholders and beyond what is prescribed by law and union contract (Jones, 1980). Making himself clearer, Jones (1980) distinguished between two dimensions of obligation captured in his definition. From one dimension, the firm's obligation, he explains, must be voluntarily adopted and

must be purged of influences of the coercive forces of law or union contract. The other dimension, he explains, are the obligation that is broad in nature and includes not only the traditional duty to shareholders but also groups such as customers, employees, suppliers, and neighbouring communities (Jones, 1980) and captured by Carroll (1999).

Riding on the issue of compatibility of profitability and responsibility, Peter Drucker, in 1984, introduced a new dimension to the meaning of the concept of CSR. In Drucker's view, "social responsibility' of business is an attempt to turn a social problem into economic opportunity and economic benefit, productive capacity, human competence, well-paid jobs, and into wealth" (Drucker, 1984:58). A corporation doing this business (in his view) will be converting its social responsibilities into business opportunities.

Interestingly, and in an apparent build-up to Carroll's four components of CSR expectation, which have been discussed earlier, Aupperle et al (1985) and Carroll himself, in a survey of opinions of executives, made an attempt to partition the four-component definition of Carroll into two; Economic, on one side, and Legal, Ethical and Discretionary (Voluntary or Philanthropic), on the other side. According to them, while the Economic dimension includes economic performance, which concerns businesses, the others (Legal, Ethical and Discretionary) concern the society. Thus, to the extent that economic responsibility cannot necessarily be counted as part of social responsibility but rather something businesses do for themselves, in their view, "*the social orientation of an organization can be appropriately assessed through the importance it places on the three non-economic components compared to the economic*" (Aupperle et al, 1985:452). Perhaps this argument is what Wood (1991)

supported, when he explained that society's expectation on the conduct and outcome of business surfaces at three different levels. These are the institutional level, the firm level and the individual level. The institutional level, according to Wood (1991), relates to the expectation of a business as an economic entity. The firm level includes expectations on specific firms due to, for example, what they produce, and the individual level consists of expectations on managers and others in the business to be moral actors. In this case, CSR is presented as a comprehensive set of activities ranging between such contrasts as inside *and* outside the firm, and care for the local community *and* the world in general.

Stakeholder issues in CSR, perhaps, received prominent attention in the late 1990s. For instance, the World Business Council for Sustainable Development, in 1999, asserted that CSR can be described as a corporation's ethical behaviour towards society. To them, CSR does not only constitute management of a corporation's affairs along responsible lines in its relationship with stakeholders, who have a legitimate interest in the corporation, but also the commitment of corporations to contribute to economic development, improving the quality of life of the workforce, their families and the local community in general (WBCSD, 1999). In extending this definition, the Conference Board of Canada (1999) introduced what they call Elements of CSR. According to them, these elements include employee relations, creation and maintenance of employment, financial performance, human rights, environmental responsibility, and investment in community outreach.

With environmental concerns reaching their crescendo in the beginning of the new millennium, CSR definition assumed a socio-environmental dimension. The European Commission, for instance, in 2001, explained that CSR is "*a concept whereby*

*companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on voluntary basis”* (pg 3). More so, CSR is the practice of managing the social, environmental and economic impacts of the company. Thus, in their view, CSR involves being responsive to stakeholders and behaving according to a set of values which are not codified in law, for instance, donating to charity and reducing carbon emissions (Corporate Watch, 2006).

From a more experiential point of view, CSR Network, a consultancy firm in CSR, described CSR as a company's commitment to be accountable to its stakeholders. They further explained that CSR is how businesses align their values and behaviours with the expectations and needs of stakeholders - not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole (CSR Network, 2008).

From the array of definitions discussed so far, it is invariably clear that CSR is voluntary in nature and transcends the requirement of law and is often undertaken in the interest of the corporation, its internal stakeholders and a variety of critical external stakeholders within the society in general. Thus, being socially-responsible means not only fulfilling legal expectations but also going beyond compliance and investing more into human capital, the environment and the relations with stakeholders.

At this point, the discussion so far has explored the issue of what constitutes CSR and at what point a given corporate action can be classified as CSR behaviour. In the ensuing section, the discussion will take a critical look at the question of how CSR is practised by business entities.

### **2.2.2 Exploring the Nature and Practice of CSR**

In the midst of a myriad of definitions, it is likely that one will get confused as to what actually constitutes CSR. The advocacy has, therefore, been that CSR must be largely pursued in a practical approach. In his words, Dunne (2008) emphasised that CSR has become a question more of a means than an end, a question more of how than of what, a question more of technique than of reflection. It is also imperative for a manager to know what to do in terms of CSR. Often, managers are confronted with a broad range of activities undertaken under the umbrella of CSR. Thus, a manager would have difficulty in choosing from this range of activities, especially in terms of its appropriateness, among other considerations. Especially in an increasingly volatile and competitive environment coupled with scarce resources as well as increasing expectations of shareholders and other stakeholders, there is no doubt that managers will, invariably, be faced with doubts and ambiguity regarding what activities to undertake as CSR.

The literature, however, identifies two major categories of practices that constitute CSR. According to Gill (2007), CSR can be practised as “social system interventions toward sustainability” (which, in another literature, is described as the “Traditional Practice of CSR”). From another angle, CSR can also be practised as a “Strategy” (which, in some literature, is referred to as “Strategic CSR”).

***Traditional Corporate Social Responsibility (CSR):*** Also known in some circles as Social System Interventions toward Sustainability, this is constituted in conventionally-accepted interventions that corporations make to society. It has always been one of “*doing good to look good*”. The argument here is that, good business thrives in a peacefully healthy society. So, for corporations to achieve their goals,

they will have to contribute to ensuring such environment, both within and outside the corporations. Traditional CSR practice is normally a product of the business-society relationship and comes in the form of employment benefits, community development and philanthropy. Instigated by the increasing pressure on corporations to make the world a better place to live, most corporations engaged in a wide range of CSR activities, dealing with a wide range of social and environmental issues, with the society in mind. Particularly, most CSR activities constituted interventions in the health sector, poverty-alleviation community development, employee motivation, and investment in local sports teams, among other philanthropic endeavours.

Notwithstanding all these efforts by corporations, there seemed to be an emerging discontent from among researchers and industry players alike. For instance, there was the argument that the CSR activities undertaken under the traditional practice were not making any impact as originally targeted. The reason is that, the social problems in themselves were too big, and businesses lack the expertise in effectively finding solutions for them (Porter and Kramer, 2006). Corporations will, therefore, be better off if they judiciously manage scarce resources by investing in activities that bring value to the corporation's business goals.

The events of the last two decades and the huge discontent for traditional CSR practice, coupled with increasing globalisation and its attendant increase in competitive pressures on corporations, have resulted in the need for corporations to rethink their CSR activities. Advisedly, Porter and Kramer (2006), cautioned that CSR, apart from bettering the society, should make business or strategic sense. Corporations' approach towards the practice of CSR from hence tilted towards what has come to be known as Strategic CSR, which is discussed in the section that follows below.

***Strategic Corporate Social Responsibility (CSR):*** Thriving on a wide range of research by Porter and Kramer, (2006); Windsor, (2006); Crawford and Scarletta, (2005); to mention but a few, Strategic CSR aims at achieving large and distinctive social and business benefits from a strategically-focused set of initiatives (Gill, 2007). More essentially, Porter and Kramer (2006) explained that the core of CSR must be whether a cause presents an opportunity to create shared value that is of a meaningful benefit for society and at same time valuable to the business alike. These CSR practices are structurally in alignment with the core business of the corporation and form an integral part of the corporate strategy of the corporation.

Initiating the discussion on Strategic CSR, Porter and Kramer (2006) asserted that social and economic issues by themselves create markets and market opportunities, and that companies, by finding solutions to and solving social problems, will go a long way to make profits and advance their reputations. They further explain that, in order for CSR to be strategic, it has to be seen to be contributing to firm value-chain practices and generally, to the improvement of the firm's competitiveness. They give the example that Strategic CSR activities must help corporations to secure purchased inputs, reduce operational costs, ensure a smooth inbound or outbound logistics and generally, contribute to the marketing and sales function of the value chain of the corporation.

It must be emphasised that there is always a price to be paid by corporations for their inability to find solutions to social problems. A corporation's price to pay includes loss of global competitiveness, greater waste, lagging technology, tighter regulation and reduction in market share, among others (Schreiber, 2011). According to Schreiber, Coca-Cola and Pepsi, for instance, cannot survive as businesses, should they renege on this strategy of investing to solve the world's shortage of water. To

him, there is rather a potential benefit to them when they invest to develop new technologies, solve social problems, develop new markets, and build a strong, differentiated reputation that attracts top talent and capital (Schreiber, 2011).

Writing on “Integrating Corporate Social Responsibility with Competitive Strategy”, O'Brien (2001) cited the example of corporations that advertently or inadvertently misaligned their CSR activities with their business strategy and the results thereof. According to him and also citing from Kulick (1999), a decision by Shell to sink the Brent Spar oil storage facility in the North Atlantic turns out to be an affront to Shell's own CSR effort, thereby, hurting its reputation and bottom-line in Europe. Apparently, after series of consultation with environmental experts, Shell agreed on a decision to sink the facility on site against the advice of its own CSR staff that the company should first gauge public reactions in Europe and consult with key environmental groups. The decision, thereby, resulted in the destruction of Shell gas stations and a boycott of its products. More devastatingly, some Shell subsidiaries lost as much as 40 percent of their sales overnight because of these events (Kulick, 1999).

As described by Bhattacharyya (2008), Burke and Logsdon (1996), in an attempt to describe the characteristics of a strategic CSR activity, conceptualised five ‘dimensions of strategic CSR’, which, according to them, represents possible features, results and outcomes from certain strategic CSR actions. These dimensions include Centrality, Specificity, Proactivity, Voluntarism and Visibility and are discussed below:

**Centrality:** This dimension espouses that, for CSR to receive much attention and priority from top management, it must be close to the corporation's mission and vision. It must be situated centrally close to the goals of the corporation since that will



tend to contribute immensely towards the corporation's profit-making agenda.

**Specificity:** The activity must specifically benefit the corporation and must be one whose benefits are easily captured and assimilated by the corporation. It must not just attempt to create a collective good that is sharable among industry and society at large but must assist in attaining competitive advantage for the corporation.

**Proactivity:** This dimension explains the planning nature of Strategic CSR. It explains that a Strategic CSR proactively forecasts future dynamics in stakeholder expectations. Managers of Strategic CSR, thus, need to foresee the changing socio-environmental conditions, vis-à-vis the changing political and technological situations and trends. By so doing, managers are able to appropriately roll out CSR initiatives that are timely and effective.

**Voluntarism:** Voluntarism refers to the sense in which social activities are undertaken freely, because the firms want to. Rather than, as a result of legal constraints or fiscal incentives, CSR, according to Carroll (1979), has always been a product of discretionary decision-making. To Bhattacharyya (2008), corporations must voluntarily pursue strategic CSR, without any compulsion.

**Visibility:** This dimension espouses the extent to which a corporation's social activities may be observed by its internal and external stakeholders. Visibility invariably triggers positive reputation and recognition for the corporation. As verified by Husted and Allen (2007), research has proven that a good corporate reputation has a significant potential for value creation, which is difficult to replicate. It is asserted that a Strategic CSR initiative should build a firm's image by creating favourable media attention and eventually eroding negative visibility, protecting firm reputation from being tarnished, attracting superior workers and providing leverage for

managing stakeholders (Bhattacharyya, 2008).

## **2.2 THEORETICAL EXPLANATIONS OF CSR**

CSR, arguably, has had quite a controversial evolution, and this is manifested at every facet of its development. Theoretically, neoclassical theorists have always explained that the very motive of the concept CSR runs at variance with the objective of doing business. However, theorists who fraternise with the CSR agenda also argue that the profit-maximisation agenda of corporations that tend to satisfy shareholders' interests cannot thrive in these globalised and well-connected modern economies. The result thereof is that varying theories have been propounded to explain these arguments. This section takes a look at various theoretical explanations, which have been used in the CSR discourse. As asserted by Garriga and Mele (2004), in addition to a landscape of theories, the field of CSR is also characterised by a proliferation of approaches which are controversial, complex and unclear. In an arguably subtle attempt, they grouped these theories into four, with an assumption that each may focus on one of the following aspects of social reality: economics, politics, social integration and ethics. To them, the CSR theories fall within the instrumental theories; political theories; integrative theories; or ethical theories (Garriga and Mele, 2004).

***Instrumental Theories:*** Propelled by economic motives, this group of CSR theories is pivoted on wealth creation for shareholders, and it sees a corporation as an engine for generating this wealth. This view on CSR has a long-standing tradition emanating from the view that the only responsibility of business towards society is the maximisation of profits to the shareholders within the legal framework and the ethical custom of the country (Freidman, 1970). Prominent among these theories are theories that focus on maximising the shareholder value; strategies for achieving competitive

advantages; and cause-related marketing. The argument of these theories, basically, corroborates the foundations of the classical view of CSR. So, in this study, these theories have been conflated under classical view (Garriga and Mele, 2004), (see Fig. 2.5).

***Political Theories:*** This set of CSR theories is pivoted on power and its inherent responsibilities as characterised in the business-society relationship. The focus, here, is on how the power wielded by corporations (by virtue of the position of corporations in the business-society relationship) is responsibly used. The assumption, here, is that, social responsibilities of corporations emanate from the social power that a corporation wields by virtue of the social contract it has with the society. In this regard, the corporation is seen more as a citizen with powers that allow it to get involved in community activities and to accept social duties and rights or participate in certain social cooperation (Garriga and Mele, 2004). Typical among these theories are Constitutionalism, Integrative Social Contract Theory and Corporate Citizenship, which are discussed under Corporate Citizenship in this thesis (see Fig. 2.5).

***Integrative Theories:*** These theories argue that social demands and issues must be integrated into corporations' activities. In the views of the proponents of these theories, corporations depend on society for their very existence, continuity and growth (Garriga and Mele, 2004). They also argue that these social demands are the vehicle on which businesses gain and strengthen legitimacy and prestige. It is, therefore, important that corporate management, as a matter of urgency, integrate social demands and values in their business operations. It is, thus, onerous on businesses to engage in activities geared towards scanning, detection and most importantly, responding to the social demands that will help achieve greater social

legitimacy, greater social acceptance and prestige (Garriga and Mele, 2004). Prominent among these are theories on issues of management, public responsibility, stakeholder management and corporate social performance, which are discussed broadly under stakeholder theory (see Fig. 2.5).

***Ethical Theories:*** In the view of this set of theories, the business-society relationship thrives on certain ethical considerations and requirements. Similar to the Integrative Theories, the focus here is business must seek the right thing to achieve a good society, which, according to Garriga and Mele (2004), leads to a vision of CSR from an ethical perspective. Consequently, corporations accept social responsibilities as a matter of ethical obligation. These theories cut across varying issues, ranging from fiduciary duties towards stakeholders of the corporations, human rights, labour rights and respect for environment and general sustainability of the society (Garriga and Mele, 2004). Among these theories are the Normative Stakeholder Theory, Universal Rights and Sustainable Development, which are also conflated into Stakeholder Theory, which is discussed later in this chapter.

In this thesis, the theories of CSR, as explained by Garriga and Mele (2004), have been conflated into a three individual but not mutually exclusive models for the purposes of analysis in the thesis. These are the Classical View, Corporate Citizenship and the Stakeholder Theory. In addition to these theories, the thesis also finds it interesting to discuss Carroll's four-part pyramid of CSR (1979 and 1990) and Van Marrewijk's (2003) model of ambition levels of CSR. These theories are necessary in view of their contribution to explaining the various issues raised in the objectives of this study. In the discussion that follows below, the study will highlight the various arguments advanced by the theories identified above and indicate the extent to which

they will aid the understanding and achievement of the issues in the research objectives.

### **2.3.1 Classical Theories on CSR – Shareholder/Stockholder View**

Taking its roots from economics, the classical theorists of CSR draw inspiration from the writings of Milton Friedman. Even though popularised by Friedman, the basic foundation of this theory can firmly be rooted in the economic theory of the firm, championed by Adam Smith and Coase (1960). Adam Smith, for instance, admits that the need for a balance between supply and demand in markets leads to an efficient resource allocation, which should maximise market profit and at the same time maximise the benefit for society. Also, admitting market failure, Coase (1960) explained that the imperfection of the market has necessitated the emergence of firms (companies) whose basic interest is to effectively allocate scarce resource to generate maximum profits for resource owners. These arguments have since become the foundation of the arguments of the Classical theorists. Thus, in the view of this theory, the singular objective of a firm is to maximize profits. In so doing, the firm will guarantee the maximisation of wealth for the society in general.

Relating this view to Corporate Social Responsibility, Friedman, in his first contribution, explained in his article “Capitalism and Freedom”, that there is one and only one social responsibility of business, and that is to use its 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 that it engages in open and free competition, without deception or fraud (Friedman, 1962).

According to Coelho, et al (2003), businesses are incorporated by government primarily to permit owners to undertake enterprises that are allowed by the state. This

means that corporations are legal entities assigned with peculiar responsibility of satisfying the owner's interest. This fiduciary responsibility (as commonly called) is undertaken within the legal framework of society and without deception, and increases the wealth that has been entrusted to them by shareholders (ibid). In a second publication on "Social Responsibility of Business", Friedman reformulates his earlier explanation and indicated that, in all free-enterprise private property systems, there is always a corporate executive who is hired by owners of the corporation (shareholders). As explained in the Agency Theory, there is always a supposed relationship between principals (such as shareholders) and agents of the principals (corporate executives). Corporate executives are hired to conduct business in accordance with the desires of their principals (shareholders), that is to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and in ethical custom (Freidman, 1970). He, however, agrees that, in some cases, principals may have a contrary objective from making profit. For instance, when a group of shareholders establish a corporation for the purpose of charity, a corporate executive may not necessarily pursue profit-making agenda but rather to render certain services.

In other words, social activities or services to the society are outside the mandate of corporations. These activities rather concern the State and other social groups created by society for that purpose. The State especially must function to promote activities and laws that protect and benefit the public (Brummer, 2010). Any social engagements on the part of corporation, in Friedman's view, are uncalled for, unless they are geared toward making the corporation more profitable (Garcia-de-Madariaga and Rodriguez-de-Rivera-Cremades, 2010).

To the Classical theorists, their model is the most socially-responsible since it is the most efficient for society. They argue that its efficiency lies in its ability to ensure that, and as summarised by Brummer (2010):

1. Shareholders get greater return on their investment. This is because any expenditure on social cause constitutes a reduction of the wealth of shareholders. Barring all such expenditure means a built up for the wealth of shareholders.
2. Consumers benefit from lower and stable prices
3. Employees also benefit since higher profits can translate into growth, wage increase, and further job creation
4. Society, in general, benefits since profitable businesses and their employees pay taxes to the State. And the State in turn uses this revenue to provide educational facilities, health facilities, roads, and social services.

Obviously, the Classical View has some inherent inadequacies, especially if one wants to enforce it in the current business settings, which have undergone tremendous changes over the years. Several criticisms have been made against the applicability of this theory in contemporary business operations.

Garcia-de-Madariaga and Rodriguez-de-Rivera-Cremades (2010) explain that the growing complexities of contemporary corporations, coupled with changing business environment and society in general, render the profit-maximisation objective obnoxious. Corporations now compete in a well-networked and globalised economy, which is purely knowledge-based. It has become necessary for corporations to develop relationships with several other like-minded corporations along the value-chain in order for them to succeed. Corporations, therefore, have an array of agents (stakeholders) who directly or indirectly influence their operation, and it is thus

difficult to pursue profit without catering for their interest (Garcia-de-Madariaga and Rodriguez-de-Rivera-Cremades, 2010).

Moreover, with a knowledge-based economy powered by information technology, competition has become keener than ever before. With easy access to information, consumers have varying options to choose from. Many factors have also come to influence consumer choice in this globalised market place. So, corporations have more to do than just making maximum profit for their shareholders. Other critical responsibilities add value to a corporation's competitive strategy, and that includes social responsibility (Garcia-de-Madariaga and Rodriguez-de-Rivera-Cremades, 2010).

Other critics allude to the fact that profit maximisation is in itself a product of imperfection of the market. According to Argandoña (1995), this imperfection of the global market results in externalities, which makes it imperative for corporations to give back to clear these externalities. Maximising profit alone cannot be the single responsibility but also by taking care of long-term impact corporation profit maximisation on the society at large.

In conclusion, while many critics, like Brummer (2010), agree in principle that profitable corporations benefit society through job and wealth creation among others, it is nonetheless obvious that corporations will necessarily be unable to strengthen the economy, should they also engage in social activities and promote ethical values like human rights. This and many other critiques have necessitated the emergence of the Stakeholder Theory, which will be discussed later on in this section.



### **2.3.2 Corporate Citizenship**

As political as it may sound, the concept of Corporate Citizenship has been characterised by a series of debates, which are still ongoing. Serially, Logsdon and Wood (2002) asserted that the concept of Corporate Citizenship appears to be replacing that of Corporate Social Responsibility (CSR) and that, this linguistic shift contains a profound change in normative understandings of how business organisations should act with respect to stakeholders. To them, corporations are characteristically not autonomous entities with inalienable rights to independent action. They are integral members of society charged with obligations and constraints as well as privileges and, therefore, must be a subject of social control.

Popularised by a number of major international bodies, such the US Chamber of Commerce, the OECD, the World Economic Forum and particularly the United Nations' "Global Compact" initiative, the concept has assumed immense attention among academic, NGOs, consultants, government units, among others. More interesting is the attempt to directly apply a term (citizenship) which is deeply rooted in Political Science to describe business activities. Be that as it may, the term still resonates the increasing demands for a critical review of the institutions of business and society interface. To a large extent, the concept has severally been used interchangeably with concepts such as Corporate Social Responsibility. Admittedly, the term, as predominantly used within corporate circles, is basically a way of describing and praising corporations that *“did a little more,”* or that *“gave back to community,”* or that *“recognized the interdependence of businesses and the communities in which they operate”* (Neron and Norman, 2008).

Beginning from the 1980s, corporations, especially those in the US, began popularising the use of Corporate Citizenship as the attractive way of labelling the social responsibilities and behaviour of corporations (Altman and Vidaver-Cohen, 2000). For instance, in their citizenship report of 2005, Microsoft highlighted that, as part of their ongoing work in the area of global citizenship, the company's focus is on mobilising their resources across the company to create opportunities in communities around the world, to foster economic growth, and to serve the public well through innovative technologies and partnerships with government, industry, and community organisations (Crane, et al, 2008). In another report dubbed Sustainability Report, 2006, Total Oil touted that, as a responsible corporate citizen with specialised expertise and an obligation to explain the realities and constraints of its businesses, Total Responsibility has a stake in certain public debates being conducted in France, Europe and worldwide (ibid). Notwithstanding its prominence in management discourse, the concept of Corporate Citizenship has had a characteristically inconsistent usage among practitioners, academics and others. To put it in simple terms, Crane et al (2008) suggest that there is yet to be a clear, specific and widely-accepted definition of Corporate Citizenship. In their analysis of four states of citizenship, Logsdon and Wood (2002) concluded on some three implications of the growing conception of business citizenship. These, according to them, are:

- i. Corporations are eventually going to be the primary driver of global human rights enforcement, and that is doable through a clear, operationalisable, and fundamental definition of business citizenship.
- ii. The definition of business citizenship will require corporations to affirm their primary mission as agents of their stakeholders, and to reorganise their policies, processes, incentives, and control systems in line with this mission.

- iii. Also, the definition will require human stakeholders to affirm their responsibility, as “principals” of business organisations, to monitor their agents’ behaviour, and to provide appropriate incentives so that stated goals are achieved and negative effects are avoided (Logsdon and Wood, 2002).

What constitutes Corporate Citizenship, as espoused in management research, has been consummated into two main perspectives. According to Neron and Norman (2008), these two conceptions or perspectives are explained under the “minimalist” conception and the “expansionist” conception. Thus, whatever constitutes Corporate Citizenship, as practised by corporations, is reduced to explanations as portrayed by either of the two or both perspectives.

**Minimalist Perspective of Corporate Social Responsibility:** The Minimalist usually construes Corporate Citizenship with corporate philanthropy and describes it in terms of the charitable projects that corporations usually sponsor. To the Minimalist, Corporate Citizenship implies the various ways through which the corporation engages with the community, especially the local communities in which it operates (Neron and Norman, 2008). As proposed earlier, Carroll (1991) emphasised that being a good corporate citizen is synonymous with philanthropic responsibilities which he describes as being a discretionary function which is beyond what is usually expected of corporations. To Carroll (1991), the decision to be a corporate citizen is a choice to give back to community. Interestingly, this activity, in Carroll’s view, is usually less important among his four categories of CSR. This is because the activity is normally desired by communities where corporations operate (Crane, et al, 2008). From a more scholarly angle, Neron and Norman (2008) discuss Reilly and Kyj (1994)’s description of Corporate Citizenship as requiring “an internalised sense of public good” or as “a civic involvement in the creation of the common good” as

indicated by Jeurissen (2004). At this level, Corporate Citizenship transcends into the core business activities of the corporations to include how it treats employees and their families, what impact it has on the local environment, and how it works with local authorities or NGOs to improve community life (Neron and Norman, 2008).

**Expansionist Perspective of Corporate Social Responsibility:** This, presumably, explains Corporate Citizenship in broader terms and is often used synonymously with Corporate Social Responsibility. To the Expansionist, Corporate Citizenship constitutes the process of identifying, analyzing and responding to the company's social, political and economic responsibilities as defined by law and public policy, stakeholder's expectations, and voluntary acts flowing from corporate values and business strategies (Post and Berman, 2001). Also explained by Dawkins (2002) and captured by Neron and Norman (2008), Corporate Citizenship actually extends corporate obligations beyond the fiduciary responsibilities to shareholders, to include a multiplicity of stakeholders, including employees, the community and the environment, among others.

The trend, in recent times, has been skewed towards the Expansionist view of Corporate Citizenship. According to Neron and Norman (2008), this is because, first, there has been an evolution in business circles from espousing the most “minimalist” sense of Corporate Citizenship, described above. Majority of the discussion seem to be comfortable with a slightly broader social role that includes some community relations and stakeholder dialogue. Furthermore, major stakeholders in the Corporate Citizenship discourse such as activists, NGOs and consultants to governments and academics seem to prefer the broader responsibilities as espoused in the Expansionist than the narrow Minimalist view.

Concluding their analysis on Corporate Citizenship, Neron and Norman (2008) summarised into five types, corporate behaviour that can be used as a yardstick to determine the extent to which a corporation is considered a good corporate citizen.

According to them, these behaviours include:

- i. The extent to which a corporation adequately obeys relevant laws and regulations, including paying its fair share of taxes.
- ii. The extent to which a corporation adequately contributes to the betterment of the community within which it operates. This could be done through charitable contributions such as paying employees for the time they contribute to non-profit organisations, and contributions to the publicity of public service, all geared towards achieving common good for society and for the corporation's own sake.
- iii. The extent to which corporations contribute to reducing the impact of their operations on the life of local communities. This can include contributing to reducing pollution and other negative externalities to below legal limits, all in a bid to improve the quality of life in and around their operational area.
- iv. The extent to which corporations adhere to certain economic virtues, which may include fair competition, competitive pricing, offering high-quality products or services, honest advertisement and prompt payment of suppliers and creditors.
- v. The extent of a corporation's involvement in the political process of its local community. This behaviour may include assisting in developing government regulations or industry-wide self-regulation regimes.

These Corporate Social Responsibility behaviours, if pursued by corporations, make them transcend from just being a business entity to an inherently social entity

conferred with inalienable rights and responsibilities as enjoyed by and expected of all members of the society. As indicated by Neron and Norman (2008), corporations are real members of some kind of our communities, with the power to contribute to or to diminish the common good and the right to influence political and legal processes.

### **2.3.2 Stakeholder View**

As indicated earlier in this section, the quest for an appropriate vehicle to explain the business and society relationship has resulted in the emergence of several theories. In a direct response to the inadequacies of the Classical View, which espouses predominantly shareholder interest, the Stakeholder's View has evolved as an appropriate alternative. Appearing originally in an internal memorandum at the Stanford Research Institute in 1963, the concept is meant to challenge the argument that stockholders are the only group to whom management needs to be responsive (Parmar et al, 2010).

Parmar et al, (2010) summarizes the views of Freeman (1984), Jones (1995) and Walsh (2005) into some three assumptions (which they call problems that the Stakeholder view seeks to solve). The Stakeholder view operates on the assumption that:

- i. Business can be understood as a set of relationships among groups that have a stake in the activities that make up the business. To better understand the operations of business effectively is to understand how these relationships are formed and changed overtime. Thus the duties of a manager are to effectively manage and shape these relationships to generate an optimum value for stakeholders in these relationships and to manage the distribution of that value (Freeman, 1984). The manager, therefore, to Parmar et al (2010), is about how

dynamics of the joint interactions between customers, suppliers, employees, stockholders, communities and managers are leveraged to create and trade value.

- ii. For business to survive and thrive well in a Capitalist system, it is important to effectively manage stakeholder relationships. That notwithstanding, managing stakeholders effectively is critical since it tends to deal with the questions of values, choices, and potential harms and benefits for a large number of groups and individuals (Parmar et al, 2010 and Phillips, 2003).
- iii. Focusing attention on the creation, maintenance, and alignment of stakeholder relationships goes a long way to create value and avoid moral failures (Parmar et al, 2010).

As a response to the Shareholder's View, there have been several admissions of differences in opinion over who or what exactly stakeholders are (though Mitchell et al, 1997 think it is not much). Through his seminal works on the need for the Stakeholder theory, Freeman (1984) attempted a distinction between those who affect or are affected by a decision or an action of a corporation as those who could be classified as stakeholders. Mitchell et al (1997) also identify that persons, groups, neighbourhoods, organisations, institutions, societies, and even the natural environment could generally qualify as actual or potential stakeholders. Defining who a stakeholder is, Clarkson (1994), explained that a stakeholder is one who bears some form of risk as a result of having invested some form of capital, human or financial, something of value, in a corporation or "is placed at risk as a result of a corporation's activities". To Donaldson & Preston (1995), a stakeholder is a person or group with legitimate interests in procedural and/or substantive aspects of corporate activity. Or

simply put, stakeholders are persons or groups who could impact or be impacted by the firm or organisation (Brenner, 1995).

At the core of the Stakeholder theory is value-creation that satisfies the interest of all stakeholders and not only shareholders. As explained by Venkataraman (2002) and captured by Freeman et al (2004), it is quite natural to suggest that the very idea of value creation and trade is intimately connected to the idea of creating value for stakeholders. They go further to explain that business is about putting together a deal so that stakeholders - suppliers, customers, employees, communities, managers, and shareholders - will all win continuously over time. Thus, whatever the ultimate aim of the corporation is, managers and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect (or be affected by) their activities (Freeman et al, 2004).

### **Characterisation of Stakeholders**

Clarkson (1995) has proposed typologies of stakeholders, which is widely cited in the stakeholder discourse. According to him, stakeholders could be classified into Primary and Secondary Stakeholders;

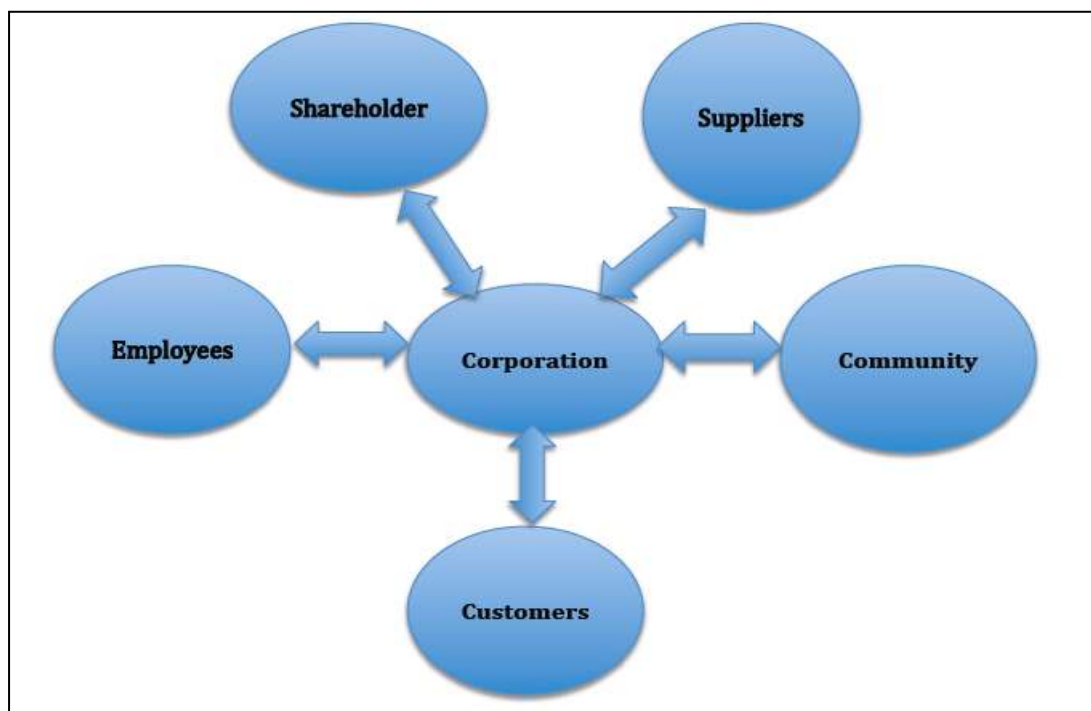
**Primary Stakeholders:** They include those individuals and groups whose continued participation in the corporation is crucial for its survival. They are so critical that, without them, the corporation cannot survive. He defines them to include shareholders, suppliers, employees, and customers. Also crucial are governments and communities who provide infrastructures and markets which corporations operate in and whose laws and regulations the corporation needs to adhere to, and most importantly, to whom the corporation is obligated to pay taxes.



**Secondary Stakeholders:** Secondary Stakeholders include individuals or groups who can influence or affect, or be affected positively or negatively by the corporation, even though they are not engaged in any direct transactions with the corporation and are not essential for its survival (Clarkson, 1995). These are affected by the externalities of the corporation's activities.

In this study, the concentration is on the primary stakeholders of the corporations under study, which is a merger of common key stakeholders of several multinational corporations – Tesco, McDonalds, Johnson and Johnson, among others. This has been captured in Figure 2.2 below, as adopted from Clarkson (1995):

**Figure 2.2: Primary Stakeholders of a Corporation**



**Source: Adopted from Clarkson (1995:102)**

It must be emphasized that, in this study, a critical addition is made unto the stakeholders as identified by Clarkson (1995). The study holds the view that the environment constitutes an important part of the community. This is because communities have their livelihood intertwined with the environment, and thus, any

serious damage done to it will directly or indirectly affect the livelihood of the community. Influenced by emerging issues on business and the deteriorating environmental quality, this study treats the environment as an independent stakeholder as will be seen in the conceptual framework captured in the next chapter.

In a similar illustration, Crane et al (2008) discussed four key focus arenas for the meaningful application of CSR. These include the marketplace, the workplace, the community and the ecological environment. Juxtaposing their explanation of these focus areas with that of Clarkson (1995) above, this thesis conceptualises its identifiable stakeholders as captured in the figure below:

**Table 2.5: Key Focus Areas and Stakeholders Involved**

<b>Crane et al (2008) Focus Arenas</b>	<b>Crane et al (2008) Focus Arenas</b>	<b>Clarkson (1995) Primary Stakeholders</b>
Marketplace	Marketplace includes consumer markets, financial markets and business-to-business markets. Issues revolve around 1) The kinds and quality of products that a company produces, 2) How and from where the resources for these products are procured and 3) The impact of these products in terms of health and safety on consumers and society.	Customers and Suppliers
Workplace	This relates to the internal functioning of corporations regarding workforce issues. It includes: working conditions, health and safety, equal opportunity, remuneration and benefits, and others.	Employees
Community	It relates to the kinds of corporate giving usually targeted at marketing and branding. This constitutes such initiatives as donations to good causes and involvement in local development initiatives	Community
Environment	It constitutes activities relating to conservation and recycling, strategies towards climate, biodiversity and resource security-change prevention of pollution and waste management, energy,	Community or society

**Source: Adopted from Crane et al (2008) and Clarkson (1995)**

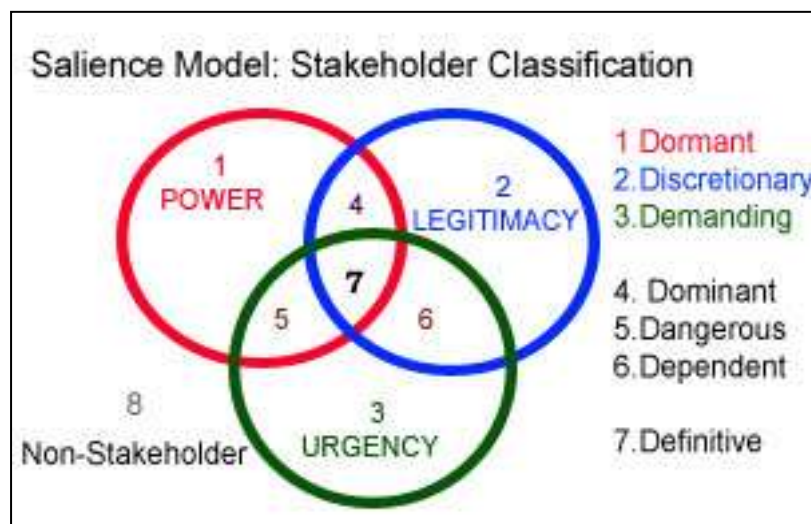
Perhaps one of the interesting classifications was the one put forward by Mitchell et al (1997). According to them, classification of stakeholders can be done based on their possession of one, two, or all three of the attributes listed below:

- i. The stakeholder's **power** to influence the firm,
- ii. The **legitimacy** of the stakeholder's relationship with the firm, and
- iii. The **urgency** of the stakeholder's claim on the firm.

Their thesis is actually pivoted on the extent to which a stakeholder is characterised by the variables – *Power, Legitimacy and Urgency*.

Based on their analysis, they produced what they called Stakeholder Saliency (Figure 2.4), based upon which one can predict and explain how managers prioritise stakeholder relationships. In addition, their theory on Stakeholder Saliency also allows for easy prediction of managerial behaviour in relation to each class of stakeholders and how stakeholders change from one class to another and what this means to managers (Mitchell et al, 1997).

**Figure 2.4: Saliency Model of Stakeholder Classification**



Source: Mitchell et al (1997)

**Description of Stakeholder Attributes by Mitchell et al (1997)**

**Power:** They adopt the Weberian definition of power as the probability that one actor within a social relationship can be in a position to carry out or realise his own will in others even against their resistance (Weber, 1947). They identified three typologies of power which stakeholders can possess. These are:

- a. *Coercive power*, which is leveraged, based on physical resources of force, violence, or restraint;
- b. *Utilitarian power*, which is also activated, based on financial or material resources and;
- c. *Normative power*, which is used, based on symbolic resources such as being able to command attention of the media.

**Legitimacy:** Dwelling on Suchman's (1995) view on Legitimacy, Mitchell et al (1997) explained the attribute as "a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially-constructed system of norms, values, beliefs, and definitions". They admit that this definition is imprecise and difficult to operationalise, nonetheless, its sociological basis makes it useful in their approach to stakeholder identification. To them, the definition makes legitimacy a desirable social good, which is larger and more shared than a mere self-perception (Mitchell et al, 1997).

**Urgency:** This is based on criticality and time sensitivity for the stakeholder. Defining urgency, they explained that urgency is that which is "calling for immediate attention" or "pressing", that which is "compelling," "driving," and "imperative". To them, the urgency attribute is activated only when

- i. A relationship or claim is of a time-sensitive nature and
- ii. That, that relationship or claim is important or critical to the stakeholder.

Thus, Urgency, as used in this context, is referring to the extent to which stakeholder claims require critical and immediate attention.

Based on the interaction between the above-mentioned attributes, as possessed by a stakeholder, Mitchell et al (1997) proposed seven (7) stakeholder types, as captured in Figure 2.4 above. According to them, the degree of prioritisation of a given stakeholder is dependent on the number of attributes a stakeholder possesses. This is what they refer to as Stakeholder Salience. Thus, a stakeholder is lowly prioritised if he possesses only one attribute (as in 1, 2, and 3 in Figure 2.4 above). He or she is moderately prioritised if he or she possesses two attributes (as is 4, 5 and 6 in Figure 2.4 above) and highly prioritised if the stakeholder is perceived as possessing all the three attributes (as in 7 in the figure above). The use of the Stakeholder theory largely depends on effective identification of stakeholders. As concluded by Mitchell et al (1997), the corporation's perception of a stakeholder's attributes is critical to the corporation's view of Stakeholder Salience, hence, its action and response towards satisfying the needs of the stakeholder.

### **Perspectives on the Use of Stakeholder Theory**

Donaldson and Preston (1995), who are widely cited, identify three different ways by which the Stakeholder Theory is used. In their article titled "*The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications*" they stated an array of theses which stated that the Stakeholder theory is used descriptively, instrumentally or normatively.

***Descriptive View of Stakeholder Theory:*** Citing instances from several works (Brenner and Cochran, (1991), Wang and Dewhirst, (1992), Kreiner and Bhambri, (1991), among others), Donaldson and Preston (1995) explained that the theory is

used to describe, and sometimes, to explain specific corporate characteristics and behaviours. To them, the theory, in some instances, has been used to describe:

- i. The nature of the firm
- ii. The way managers think about managing
- iii. How board members think about the interests of corporate constituencies
- iv. How some corporations are actually managed

***Instrumental View of Stakeholder Theory:*** The theory is instrumental when it is used to identify the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives, which was predominantly maximising profit to satisfy shareholder interest. As explained by Jawahar and McLaughlin (2001), the fundamental assumption has always been that the ultimate objective of corporate decisions is market place success, and stakeholder management presents an effective means to achieving that objective. In this vein, stakeholders' interest is a strong factor that is considered and managed while the company is engaged in maximisation of shareholders' wealth (Branco and Rodrigues, 2007). Thus, in their view, stakeholders' interests are considered as a vehicle for higher-level goals, such as profit maximisation, survival and growth of corporation.

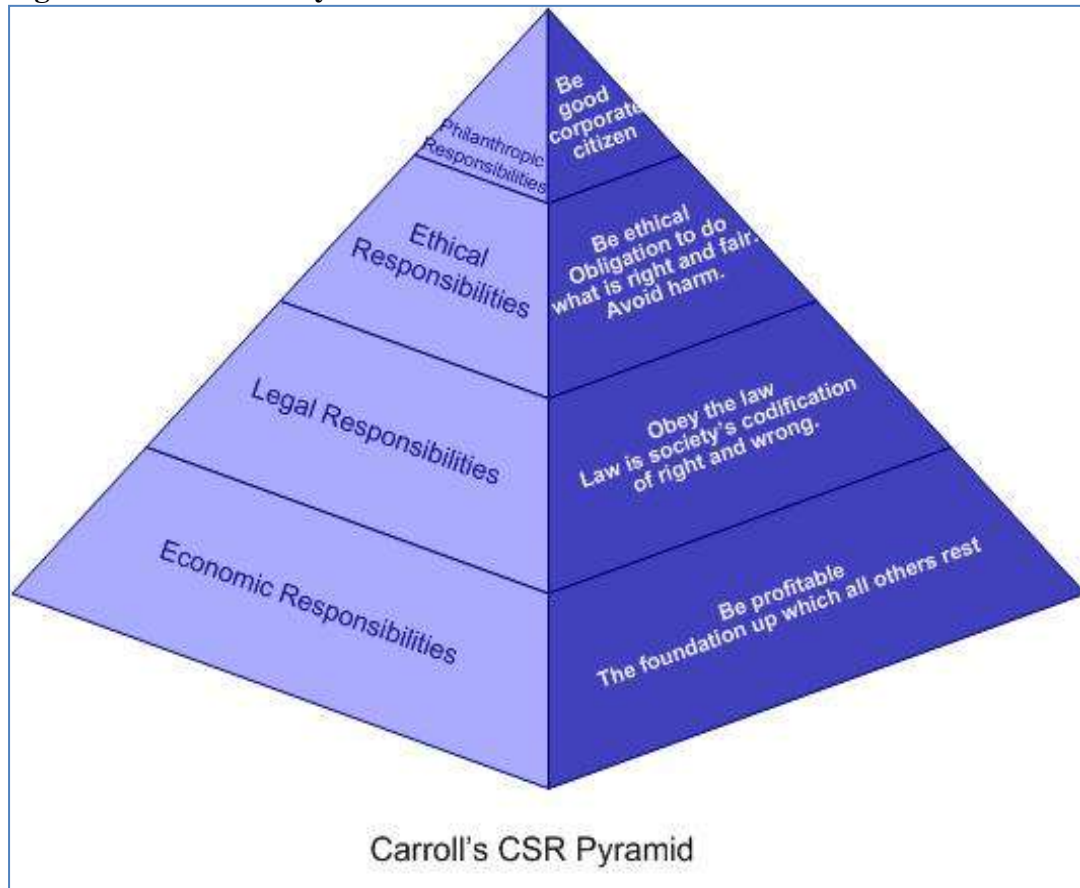
***Normative View of Stakeholder Theory:*** The theory is used to interpret the function of the corporation, which includes the identification of moral or philosophical guidelines for the operation and management of corporations (Donaldson and Preston, 1995). It describes and emphasises how things should be done and sees stakeholders as more of an "end" than a "means" as emphasised in the instrumental view. Primarily, it explains how businesses should operate, especially in relation to moral principles (Mainardes et al, 2011). In their analysis of the Normative View of

Stakeholder theory, Mainardes et al (2011) explained that the view actually verifies the thinking behind Stakeholder theory and then attempts to organise its principles towards the application of the theory as a proposed relationship between the company and its stakeholders within a fair, ethical and morally-correct framework where interests are not purely economic. This, to them, goes a long way to justify both the actions of management as well as the results obtained.

### **2.3.3 Carroll's Four-Part Pyramid of CSR**

Earlier in this chapter, the discussion touched on Archie B. Carroll's Pyramid of CSR, which is highly cited in the CSR discourse worldwide. In this, Carroll conceptualises the responsibilities of a corporation to society into four responsibilities - economic, legal, ethical and philanthropic. According to him, in order for CSR to be accepted by a conscientious businessperson, it should be framed in such a way that the entire range of business responsibilities to society is embraced (Carroll, 1991). He further explains that the corporation will fulfil its responsibilities in totality, only when it simultaneously adheres to its economic, legal, ethical, and philanthropic responsibilities, as captured in the pyramid in Figure 2.5. To him, the corporation which practises total CSR must strive to make profit, obey the law, be ethical, and be a good corporate citizen" simultaneously (Carroll, 1991).

**Figure 2.5: Carroll's Pyramid of CSR**



Source: Adapted from Carroll (1991)

**Economic Responsibilities:** In Carroll's illustration, economic responsibilities lie at the base of the pyramid. The foundation upon which all business activities rest is to satisfy this economic responsibility, by producing goods and services that consumers need and want, and in the process make acceptable profit for its shareholders (Carroll, 1991). In his view, all other responsibilities of a corporation, as captured on the pyramid, are consummated on these responsibilities. He summarises what characterises the economic responsibilities into what has been listed in the table below:



**Table 2.6: Economic Responsibilities of CSR**

SN	Characteristics of Economic Responsibilities
1.	It is important to perform in a manner consistent with maximising earnings per share.
2.	It is important to be committed to being as profitable as possible.
3.	It is important to maintain a strong competitive position.
4.	It is important to maintain a high level of operating efficiency.
5.	It is important that a successful firm be defined as one that is consistently profitable.

Source: Carroll (1991)

**Legal Responsibilities:** Above the economic are legal responsibilities which espouses that corporations are legal entities incorporated by government (society) to engage in enterprise activities that are allowed by the state. Corporations operate in a legal environment, and it is onerous on them to comply with the laws and regulations of the state and immediate communities as well. In Carroll's (1991), view, as a partial fulfilment of the "social contract" between business and society, firms are expected to pursue their economic missions within the framework of the law as summarised in Table 2.7:

**Table 2.7: Legal Responsibilities of CSR**

SN	Characteristics of Legal Responsibilities
1.	It is important to perform in a manner consistent with expectations of government and law.
2.	It is important to comply with various federal, state, and local regulations.
3.	It is important to be a law-abiding corporate citizen.
4.	It is important that a successful firm be defined as one that fulfils its legal obligations.
5.	It is important to provide goods and services that, at least, meet minimal legal requirements.

Source: Carroll (1991)

**Ethical Responsibilities:** In his illustration, Carroll (1991) explained that the ethical responsibilities include activities and practices that are expected or prohibited by

society even though they are not codified into law. He defines them to include standards, norms, or expectations that reflect what consumers, employees, shareholders, and the community regard as fair and just, which, when adhered to, will constitute respect or protection of stakeholders' moral rights. Though they do not exist in law, these are generally-accepted behaviour found in the form of convention, which eventually forms the basis for codifying them into laws. Carroll summarises them into the list captured in Table 2.8:

**Table 2.8: Ethical Responsibility of CSR**

SN	Characteristics of Ethical Responsibilities
1.	It is important to perform in a manner consistent with expectations of societal mores and ethical norms.
2.	It is important to recognise and respect new or evolving ethical or moral norms adopted by society.
3.	It is important to prevent ethical norms from being compromised in order to achieve corporate goals.
4.	It is important that good corporate citizenship be defined as doing what is expected morally or ethically.
5.	It is important to recognise that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations.

Source: Carroll (1991)

**Philanthropic Responsibilities:** These, in Carroll's (1991) view, constitute those corporate actions that are in response to society's expectation that businesses must be good corporate citizens. They include business contributions of financial and human resources or executive time, such as contributions to the arts, education, or the community and improving quality of life in general. Also described as discretionary, a corporation's inability to honour this responsibility cannot be considered as unethical, even though there is high societal expectation for corporations to endeavour to make such contributions. These responsibilities are characterised in the list captured in Table 2.9:

**Table 2.9: Philanthropic Responsibility of CSR**

<b>SN</b>	<b>Characteristics of Philanthropic Responsibilities</b>
1.	It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.
2.	It is important to assist the fine and performing arts.
3.	It is important that managers and employees participate in voluntary and charitable activities within their local communities.
4.	It is important to provide assistance to private and public educational institutions.
5.	It is important to assist voluntarily those projects that enhance a community's "quality of life."

Source: Carroll (1991)

### **Extensions in Carroll's pyramid of CSR**

Looking at the structure of the pyramid, one will not be wrong in interpreting the component as independent, but Carroll was quick to add that, even though they are treated separately and independently for discussion purposes, they are not mutually exclusive (1991). He argues that there has not been any attempt to place any of the components as more important than the others. He succumbs, though, to a critical tension between economic and legal, economic and ethical, and economic and philanthropic (Carroll, 1991). Notwithstanding the tension, the focus must be taking the total pyramid as a unified whole and how the firm might engage in decisions, actions, and programmes that simultaneously fulfil all its component parts.

In an attempt to make up for the inherent inadequacies in Carroll's Pyramid of CSR, Schwartz and Carroll himself together proposed a three-domain model purported to be an improvement and amendment of the four-part pyramid. In this proposition, they identified three basic issues regarding Carroll's model, which related to:

- a. The use of a pyramid to depict the relationships among the four components of the model;
- b. The role of philanthropy as a separate component in the model; and
- c. The incomplete theoretical development of the economic, legal, and ethical

domains.

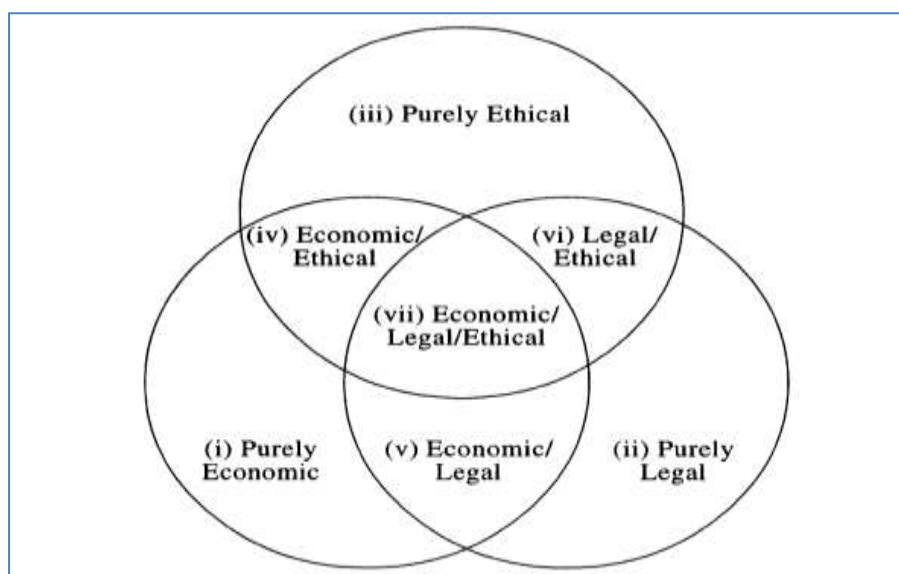
In their view, using a pyramid framework to depict CSR domains may be inherently confusing or inappropriate for some application. It presents the components in a hierarchical structure, pitching one above the other. For instance, one may be tempted to conclude that the philanthropic responsibilities are the most important or highly valued than, for instance, economic responsibilities since philanthropic responsibilities are at the top of the pyramid, while economic responsibilities are at the bottom. Conclusively, corporations must strive at all cost to achieve the philanthropic responsibilities over economic responsibilities (Schwartz and Carroll, 2003). In addition, a pyramid, as used in Carroll's model, cannot adequately capture the overlapping nature of the CSR domain.

Moreover, the use of philanthropy as a separate component in the pyramid is many a misnomer, inaccurate and, therefore, inappropriate (Schwartz and Carroll, 2003). This is because, according to them, philanthropy (by nature) is voluntary or discretionary and, therefore, must not be considered a duty or social responsibility of business. Rather, it is something that is merely desirable or beyond what duty requires.

Finally, they identify as incomplete, the limited discussion of criteria for assessing the various corporate activities that will constitute the various domains, particularly the economic, legal and ethical domains. To them, such a shallow discussion limits the theoretical foundation required to utilise the model for certain kinds of empirical study and for teaching purposes (Schwartz and Carroll, 2003).

On the basis of the aforementioned flaws, they proposed a three-domain model of CSR, which is captured in three overlapping responsibilities depicted in the Venn diagram below:

**Figure 2.6: The Three-Domain Model of CSR**



Source: Schwartz and Carroll (2003)

The model, as captured above, depicts three overlapping domains of economic, legal and ethical considerations with a resultant seven conceptualisation of CSR. These seven conceptualisations of CSR are summarised in Table 2.10:

**Table 2.10: Summary of the Seven Conceptualisation of CSR**

SN	CATEGORY	ACTIVITIES	ACCEPTABILITY
1.	Purely Economic	<ul style="list-style-type: none"> <li>Have a direct or indirect economic benefit, be illegal (criminally or civilly) or passively comply with the law,</li> </ul>	Considered amoral or unethical
2.	Purely Legal	<ul style="list-style-type: none"> <li>Have no direct or indirect economic benefit.</li> <li>Takes place because of the legal system and not in spite of it.</li> </ul>	Considered ethical
3.	Purely Ethical	<ul style="list-style-type: none"> <li>Have no direct or indirect economic or legal implications.</li> <li>Performed because they are considered ethical, based on at least one moral principle</li> </ul>	Considered moral and ethical

Source: Adapted from Schwartz and Carroll (2003)

**Table 2.10 cont'd**

SN	CATEGORY	ACTIVITIES	ACCEPTABILITY
4.	Economic/ Ethical	<ul style="list-style-type: none"> <li>• Have no legal basis, but are considerably ethical and economic simultaneously.</li> <li>• Motivated by the often-repeated maxim, “good ethics is good business.”</li> </ul>	Considered ethical and accepted
5.	Economic/Legal	<ul style="list-style-type: none"> <li>• Have legal and economic consideration</li> <li>• Could be opportunistic, especially when comply with the law but exploit legislative and administrative loopholes for economic gain</li> </ul>	Considered ethical but in some cases unethical
6.	Legal/Ethical	<ul style="list-style-type: none"> <li>• Have no economic benefit/basis, but are legal requirements and ethical in nature.</li> <li>• May provide indirect economic benefits in the long run</li> </ul>	Considered legal and ethical
7.	Economic /Legal /Ethical	<ul style="list-style-type: none"> <li>• Motivated by economic considerations, the legal system, and ethical principles simultaneously</li> <li>• Corporations should seek to operate whenever possible</li> </ul>	Highly recommended and ideal type

Source: Adapted from Schwartz and Carroll (2003)

Even though, Schwartz and Carroll’s new model sought to deal with the inadequacies of the four-part pyramid of CSR, its proponents themselves admit that it is not foolproof. They by themselves have identified some limitations in the use of the three-domain model. According to them, the new model is characterised by several major assumptions, which renders it typically conflicting to use. These assumptions include:

- a. The three domains of CSR are somewhat distinct: To them, the attempt to depict the domain as distinct brings to fray a question of which action could, for instance, be classified as “purely economic,” “purely legal,” or “purely ethical”. This is because, ideally, economic, legal, and ethical systems are all interwoven and inseparable, so the attempt to distinguish them, as seemingly

done by Schwartz and Carroll (2003), renders their model inadequate.

- b. The three domains of CSR are all encompassing: They also admit that there is no clarity as to which corporate activities can take place without recourse to at least their economic impact, the legal system, or ethical principles. To them, if, for instance, philanthropic activities exist as captured in the Four-Part Pyramid, it would have been subsumed into ethical and/or economic categories in the three-domain model, otherwise the model would have to be adjusted to account for such activities placed without recourse to at least their economic impact, the legal system, or ethical principles (Schwartz and Carroll, 2003).

## **2.4 MOTIVATION FOR CSR**

There is always a good reason why individuals or corporate bodies will act in one way or the other. The literature on CSR has serially discussed the factors that motivate corporations to undertake a certain action in relation to their stakeholders. These actions or behaviour, first and foremost, have the potential of bringing positive consequences or otherwise to the corporation. In this section, the study takes a look at what motivates corporations to undertake CSR activities. It is the view of this study that, these motivating factors are triggered by the motives or what corporations stand to gain from an intended action or behaviour. For instance, Moon (2001) argued that regardless of whether the action or behaviour is strategically driven for commercial purposes alone or otherwise, the motivation for engaging in CSR is always driven by some kind of self-interest. In their article titled “*Motives of Socially Responsible Business Conduct*”, Graafland et al (2010), identified two motives for corporations engaging in CSR. These are Extrinsic (financial) and Intrinsic (moral and altruism) motives.

**Extrinsic Motive:** Testing a hypothesis on a perceived positive effect on income and financial successes as a result of corporations engaging in CSR, Graafland et al (2010) argued that the executives who attach high value to financial successes are more likely going to be actively involved with CSR, especially if they expect more financial benefits. Thus, in this motive, financial benefit forms the basis for a corporation's engagement in CSR activities.

**Intrinsic Motive:** Graafland et al (2010) distinguish between two types of intrinsic motives – CSR as moral duty and CSR as a form of altruism. CSR as moral duty is undertaken on the basis of religious and ethical principles of moral philosophy. Thus, a corporation is unlikely to undertake a given CSR activity unless these acts are morally prescribed or prescribed as a way of fulfilling an ethical, civic or religious responsibility. On the other hand, they explain that CSR could also be undertaken as a form of altruism. Thus, beyond ethics and morality, corporations that are not egoistic are to contribute to the common wellbeing of communities just because they imbibe the principle or practice of unselfish concern for or devotion to the welfare of others.

Van Marrewijk (2003) also identified five motives, which he refers to as “*ambition levels of corporate sustainability*”. Given that corporate sustainability is synonymous with corporate social responsibility, and both are used interchangeably, one can conveniently address Van Marrewijk's (2003) model as ambition levels of CSR. These ambition levels, according to him, are a product of how a corporation's management relates to its social, economic, and environmental responsibility. He intimates that a corporation's motives for engaging in CSR must have been compliance-driven, profit-driven, care-driven and synergistic or holistic (2003).



***Compliance-Driven CSR:*** This motive constitutes a motivation to CSR driven by a perceived sense of duty and obligation to society. According to Van Marrewijk (2003), it includes provision of welfare to society within the limits of regulations from the rightful authorities (2003).

***Profit-Driven CSR:*** Induced by profit-making tendencies, this motive attempts to integrate social, ethical and environmental concerns into business operations and decision-making, most especially when it has some financial rewards or returns.

***Care-Driven CSR:*** Driven by care for the planet and human potential, this motive of CSR goes beyond legal and profit-making inducement to balance all other aspects such as economic, social and environmental concerns.

***Synergistic CSR:*** This motive makes a synergistic attempt at creating value within a mix of economic, social and ecological realms of corporate performance. The basic motivating factor is that, sustainability is important in itself.

***Holistic CSR:*** Driven by the motivation of sustainable development, this motive considers that all beings and phenomena are mutually interdependent and that, it pays to contribute to the quality and continuation of life of every being and entity, now and in the future.

Conclusively, Van Marrewijk (2003) admonished that corporations choose to adapt any of these ambitions but with recourse to the corporation's awareness of its own abilities and the challenges thereof posed by its environment.

Carroll's Four-Part Pyramid of CSR also presents another dimension on motivation for engaging in CSR. As indicated and explained earlier in this chapter, the resultant pyramid partitioned the motives into Economic, Legal, Ethical and Philanthropic/Discretionary motives of CSR as explained above.

As part of their contribution to the discourse of CSR, Munilla and Milles (2005) attempt to adapt and extend the Carroll (1991) and Van Marrewijk (2003) CSR frameworks to indicate how different levels of commitment to CSR will be related to an array of motives and outcomes, linking Van Marrewijk's (2003) CSR framework with Carroll's (1991) pyramid of CSR as indicated in Table 2.11:

**Table 2.11: Van Marrewijk's (2003) CSR Framework and Carroll's (1991) Pyramid of CSR - The Interrelationship**

CSR ambition level	Motives (Van Marrewijk, 2003)	CSR Categories (Carroll, 1991)
Compliance driven CSR	<ul style="list-style-type: none"> <li>• CSR is seen as social obligation; the perception of CSR's expenditures is that of simply a cost;</li> <li>• Economic responsibility is paramount.</li> </ul>	Legal
Profit-Driven CSR	<ul style="list-style-type: none"> <li>• CSR is seen as a strategic initiative - using CSR to create competitive advantage and superior financial performance;</li> <li>• CSR's expenditure is perceived as an investment in the creation and renewal of competitive advantage – resulting in an enhanced stream of future profits;</li> <li>• Economic responsibility is paramount.</li> </ul>	Economic
Care –driven CSR	<ul style="list-style-type: none"> <li>• CSR is used to balance the triple bottom line of: Profits, People, Planet;</li> <li>• Explicitly stating that the corporation will manage for social welfare, not simply to create wealth for shareholders;</li> <li>• Social and/or environmental responsibility trumps economic responsibility.</li> </ul>	Ethical and Philanthropic
Synergistic CSR	<ul style="list-style-type: none"> <li>• Use of CSR to attempt to create a “sustainable corporation” - that will be able to be an ongoing concern over the long run;</li> <li>• Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation's economic responsibilities.</li> </ul>	Economic, legal, ethical, and Philanthropic
Holistic CSR	<ul style="list-style-type: none"> <li>• CSR is seen as a corporate culture - similar to when firm adopts a marketing, entrepreneurial, or quality orientation</li> <li>• Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation's economic responsibilities</li> </ul>	Economic, legal, ethical, and Philanthropic

Source: Adapted from Munilla & Milles (2005)

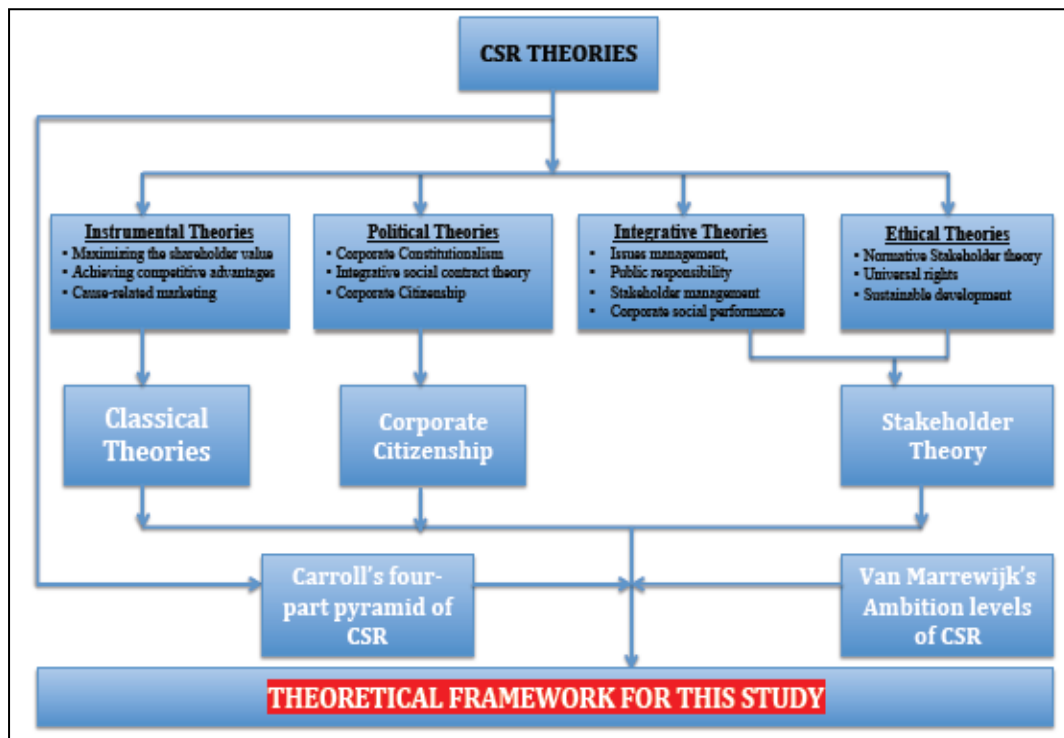
## 2.5 THEORETICAL FRAMEWORK FOR THE STUDY

The preceding discussion has highlighted the various theoretical arguments forwarded to explain the concept and practice of CSR. Of course, the theories are many, and for that matter, the study does not purport to have made an exhaustive highlight of all existing theories. However, it is the view of this thesis that, those that have been discussed are fundamental enough to the achievement of the objectives of the study.

In summary, the study puts forward the theoretical framework (fig. 2.5) as its theoretical basis. Among the theories discussed, the study is inclined to the groupings indicated by Garriga and Mele (2004), that are captured as the instrumental theories; political theories; integrative theories; or ethical theories. This study dwells much on the Integrative and Ethical theories, which are conflated into the Stakeholder theory as captured in Fig. 2.5 below. Even though the Stakeholder theory forms the basic theoretical foundation of this thesis, the study still makes reference to some argument of the other theories such as the Classical and the Corporate Citizenship theories. These theories are primarily going to set the basis for identifying and explaining the perceptions and conceptualisations in the practice of CSR in Ghana and the rural banking industry in particular.

More so, in exploring the motives for CSR engagement, the study identifies two theories – Carroll's Four-Part Pyramid of CSR (1979 and 1990) and Van Marrewijk's (2003) Model of Ambition Levels of CSR as the fundamental explanations to achieving these objectives. Thus, the study sees these two theories as mediating views to achieving the tenets of the stakeholder theory. Conclusively, based on this theoretical framework, the study seeks to bring to light the issues regarding the nature of CSR, the perceptions about CSR, how CSR is conceptualised, and motivations for its engagement.

**Figure 2.5 Theoretical Model for the Study**



Source: Author's Own Construct (2013)

## 2.6 CONCLUSION

This chapter has generally discussed how the concept of CSR has evolved up till now. It sought to document the evolution of CSR through three different periods – before the 20th century, during the 20th century and the 21st century. It has been revealed through this discussion that the concept is as old as business itself, and even though it is still evolving, the concept of CSR has been practised in different times of history and at different places. Following from here, the chapter tried to examine the different definitions that writers have given to the concept. The discussion on this has actually revealed the attempt in the literature to describe the concept with related concepts such as Corporate Citizenship, Corporate Social Performance, Social Marketing, Corporate Philanthropy, among others. It was also invariably clear from the definitions that, CSR is voluntary in nature and transcends the requirement of law and

often undertaken in the interest of the corporation, its internal stakeholders and a variety of critical external stakeholders within the society in general. This is critical in this thesis, in that, it gives the basis for the researcher to effectively explore the issue of what constitutes CSR and at what point a given corporate action can be classified as CSR behaviour as it exists among RCBs. The chapter further discusses the theoretical explanations of CSR. It has been revealed in this chapter that, in addition to a landscape of theories, the field of CSR is also characterised by a proliferation of approaches which are controversial, complex and unclear. These theories together with what Carroll (1991) described as pyramid of CSR formed the theoretical basis for understanding CSR as practised by RCBs in Ghana.

Finally, the chapter also attempted to explore the logic behind the choices to engage in CSR. As indicated earlier, there is always a good reason why individuals or corporate bodies will act in one way or the other. As per the discussion in this chapter, the thesis argues that the nature and practice of CSR vary for a number of reasons. Different firms engage in different activities within different contexts and place them under the context of CSR. The chapter conclusively summarises these discussions into a theoretical framework (Fig. 2.5), which will aid the analysis in this study. The next chapter extends the discussion into the current nature and practice of CSR and what benchmarks are used to plan and implement CSR in global and local contexts.

## **CHAPTER THREE**

### **THE NATURE AND PRACTICE OF CSR - A CONTENT ANALYSIS**

#### **3.0 INTRODUCTION**

This chapter provides an overview of the concept of CSR as organisational practices in MNEs globally. The thesis argues that the nature and practice of CSR vary for a number of reasons. For instance, Hohnen and Potts (2007) explain that there is no “one-size-fits-all” method for pursuing a CSR approach. Factors such as a corporation’s own unique characteristics and circumstances influence how it views its operational context and hence its definition of social responsibilities. A scan through the literature coupled with a content analysis of CSR reports of MNEs reveal a plethora of CSR activities, which invariably mimic several international agreements; principles and guidelines put forward by international bodies, such UN, OECD, ILO, and ISO, among others. The chapter also discusses processes evolved by MNEs in planning and implementing CSR activities; the benefits accrued to MNEs for engaging in CSR activities and the challenges they face thereof. The chapter also assumes that the aforementioned are international in character, therefore, it follows with a discussion of CSR in Africa and zeroing in on the Ghanaian context. The chapter ends by conceptualising issues regarding CSR activities, planning and implementation, stakeholder involvement and benefits and challenges of CSR into a framework as a basis for this thesis.

#### **3.1 THEMATIC FOCUS AREAS FOR CSR – GLOBAL GUIDELINES AND PRINCIPLES**

A cursory look at the global landscape of international initiatives to promote socially-responsible business practice depicts an increasingly and perhaps confusingly overcrowded landscape (Hohnen, 2009). One can identify a diverse array of voluntary

instruments, including several corporate codes of conduct, certification and labelling schemes, model codes, and sectoral initiatives, which have been primarily designed to assist private and civil society organisations in their bid to assess and respond to issues such as sustainable development, climate change or poverty alleviation.

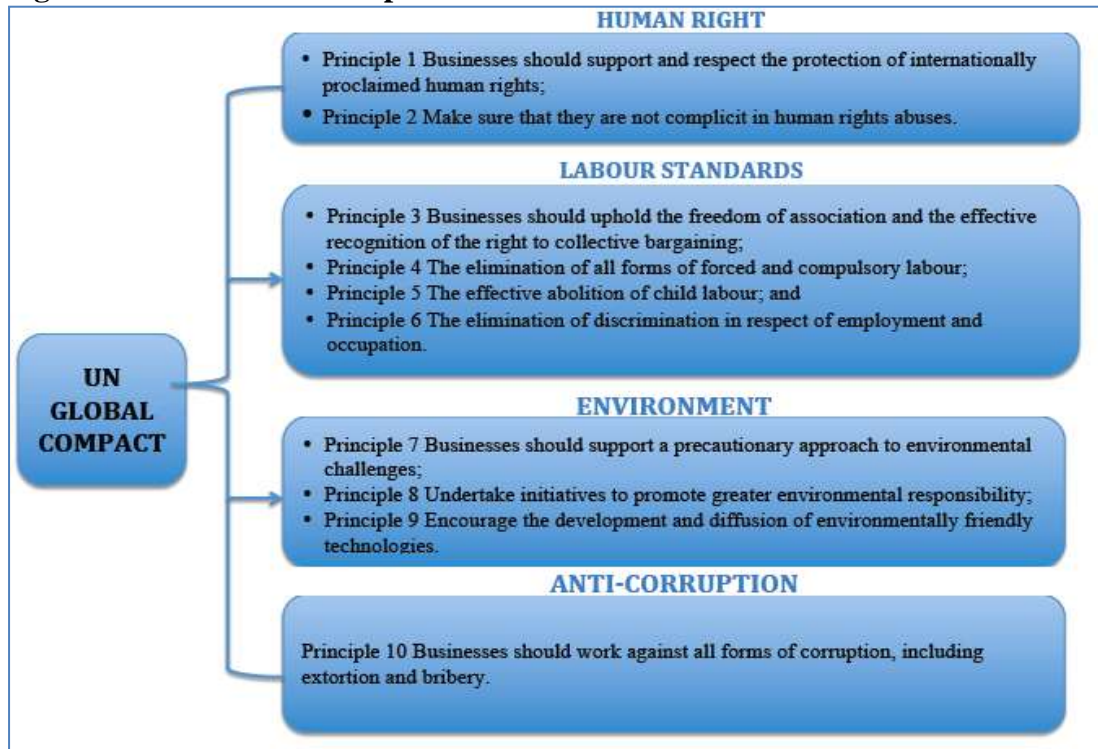
As explained earlier in this chapter, Hohnen and Potts (2007) admitted that there is no “one-size-fits-all” method for pursuing a corporate social responsibility (CSR). Different corporations take to different types of CSR activities that reflect and resonate well with their unique characteristics and circumstances. It is very imperative, therefore, that when selecting a CSR activity, corporations consider an alignment of that activity with their mission, values, culture risk profile and operating conditions in general. The practice has been that MNEs select their CSR activities in line with a number of governmental and partnership-developed initiatives that have emerged to provide guidance on governmental and societal expectations of business (Hohnen and Potts, 2007). Prominent among these governmental and partnership-developed initiatives are the UN Global Compact, the OECD Guidelines for MNEs, and the MDGs, which the study adapts and discusses as follows:

### **3.1.1 The UN Global Compact**

According to the proponent, the UN Global Compact argues that the initiative sets an avenue for the private sector to embrace universal principles and to partner with the United Nations. Ruggie (2002) also affirms that the Global Compact engages the private sector to collaborate with the United Nations in partnership with global labour, NGOs and academia to identify and spread good corporate practices in the areas of human rights, labour rights, protection of the environment and anti-corruption. It encourages the private sector to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the

environment and anti-corruption (Hohnen and Potts, 2007). The compact includes ten (10) principles segmented in terms of the four core value areas identify above and captured in Figure 3.1:

**Figure 3.1: UN Global Compact**



Source: Adapted from UN Global Compact (2000)

Analysing the importance of the Global Compact, Rasche (2009) explained that the Compact offers a stable institutional framework that is needed for doing business under the conditions of globalisation, where problems facing mankind are globalised coupled with an increasingly politicised role of multinational corporations. For corporations to be seen as a legitimate part of national societies and the emerging global order, it is necessary that they have a moral purpose for being incorporated (Williams, 2004). This is in line with the basic principles underlining CSR, as espoused in most CSR literature. It is, therefore, not out of place when the Compact is used as the basis for formulating CSR activities of MNEs globally.



### **3.1.2 The OECD Guidelines for Multinational Enterprises (MNEs)**

The guidelines, in the view of the proponents, are recommendations addressed to multinational enterprises operating in or from adhering countries by governments. According to OECD (2011), these are non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally-recognised standards. More so, the Guidelines are the only multilaterally-agreed and comprehensive code of responsible business conduct that governments have committed to promoting. These responsible business conducts include a variety of areas such as employment and industrial relations, human rights environment, information disclosure, competition, taxation, and science and technology.

Hohnen (2009) has admitted that among the diverse CSR initiatives around the globe, the OECD Guidelines for Multinational Enterprises (MNEs) occupy a special place. Tracing its relevance back to 1976, and revised in 2000, Hohnen (2009) explains that the Guidelines are one of the very earliest examples of comprehensive guidance on how to ensure that business operations are in harmony with government policies and the societies in which they do business. Adhered to by thirty (30) OECD member governments and eleven (11) non-OECD countries in close consultation with representatives of business and employee organisations and with NGO support, the Guidelines have become one of the widely used guidance standards for social responsibility. Thus, for corporations to act and operate responsibly, they should necessarily adhere to these guidelines as summarised in Table 3.1:

**Table 3.1: The OECD Guidelines for Multinational Enterprises (MNEs)**

<b>Themes</b>	<b>Guideline</b>
<b>Concepts and Principles</b>	Sets out the principles that underlie the Guidelines, such as their voluntary character, their application worldwide and the fact that they reflect good practice for all enterprises.
<b>General Policies</b>	Contains the first specific recommendations, including provisions on human rights, sustainable development, supply-chain responsibility, and local capacity building, and more generally, calls on enterprises to take full account of established policies in the countries in which they operate.
<b>Disclosure</b>	Recommends disclosure on all material matters regarding the enterprise, such as its performance and ownership, and encourages communication in areas where reporting standards are still emerging, such as social, environmental and risk reporting
<b>Employment and Industrial Relations</b>	Addresses major aspects of corporate behaviour in this area, including child and forced labour, non-discrimination and the right to bona fide employee representation and constructive negotiations.
<b>Environment</b>	Encourages enterprises to raise their performance in protecting the environment, including performance, with respect to health and safety impacts. Features of this chapter include recommendations concerning environmental management systems and the desirability of precaution, where there are threats of serious damage to the environment.
<b>Combating Bribery</b>	Covers both public and private bribery and addresses passive and active corruption.
<b>Consumer Interests</b>	Recommends that enterprises, when dealing with consumers, act in accordance with fair business, marketing and advertising practices, respect consumer privacy, and take all reasonable steps to ensure the safety and quality of goods or services provided.
<b>Science and Technology</b>	Aims to promote the diffusion by multinational enterprises of the fruits of research and development activities among the countries in which they operate, thereby contributing to the innovative capacities of host countries.
<b>Competition</b>	Emphasises the importance of an open and competitive business climate.
<b>Taxation</b>	Calls on enterprises to respect both the letter and spirit of tax laws and to co-operate with tax authorities.

**Source: Adopted from OECD (2001)**

### **3.1.3 The Millennium Development Goals (MDGs)**

Declared in September 2000, the MDGs offer a common and integrated vision on how to tackle some of the major challenges facing the world. As indicated by Nelson and Prescott (2003), the eight Millennium Development Goals (MDGs) focus on reducing poverty, improving the quality of peoples' lives, ensuring environmental sustainability, and building partnerships to ensure that globalisation becomes a more

positive force for all the world's people. To achieve these goals, some specific targets have been set, with some of them having direct implications for business, and others relating more broadly to the enabling framework and policy environment in which companies operate (Nelson and Prescott, 2003). Since its inception, reports on the progress of its achievements paint a gloomy picture. For instance, Cahyandito (2011) reports that the achievement of the MDGs target is faced with the reality of a limited ability of government funding, both at the central and regional levels. Public funding alone cannot help achieve these targets, unless there is a supplementary funding and involvement of a range of stakeholders, especially from the private sector. The advocacy, therefore, has been a synergistic effort from the government, private sector and communities to sustain and support the achievement of the targets. Cahyandito (2011) suggests that one of such synergy with government, coming from the private sector, targeted at the MDGs is CSR. There is no doubt that corporations can play a vital role in achieving these goals, especially by promoting this set of universally agreed core values, and by becoming more transparent and accountable for their economic, social and environmental impacts everywhere they operate (Nelson and Prescott, 2003). Below are the Goals and their corresponding targets as summarised by UN (2000):

**Table 3.2: The Millennium Development Goals (MDGs)**

<b>Millennium Development Goals (MDGs)</b>	
<b>MDGs</b>	<b>TARGETS</b>
<b>Goal 1: Eradicate extreme poverty and hunger</b>	<b>Target 1:</b> Halve, between 1990 and 2015, the proportion of people whose incomes are less than one dollar a day.
	<b>Target 2:</b> Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
<b>Goal 2: Achieve universal primary education</b>	<b>Target 3:</b> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Source: UN, 2000

**Table 3.2: Cont'd**

<b>Millennium Development Goals (MDGs)</b>	
<b>MDGs</b>	<b>TARGETS</b>
<b>Goal 3: Promote gender equality and empower women</b>	<b>Target 4:</b> Eliminate gender disparity in primary and secondary education, preferably by 2005 and to all levels of education no later than 2015.
<b>Goal 4: Reduce child mortality</b>	<b>Target 5:</b> Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
<b>Goal 5: Improve maternal health</b>	<b>Target 6:</b> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
<b>Goal 6: Combat HIV/AIDS, malaria and other diseases</b>	<b>Target 7:</b> Have halted, by 2015, and begun to reverse the spread of HIV/AIDS.
	<b>Target 8:</b> Have halted, by 2015, and begun to reverse the incidence of malaria and other major diseases.
<b>Goal 7: Ensure environmental sustainability</b>	<b>Target 9:</b> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
	<b>Target 10:</b> Halve, by 2015, the proportion of people without sustainable access to safe drinking water.
	<b>Target 11:</b> By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.
<b>Goal 8: Develop a global partnership for development</b>	<b>Target 12:</b> Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction, both nationally and internationally).
	<b>Target 13:</b> Address the special needs of the Least-Developed Countries (includes tariff and quota-free access for Least Developed Countries, exports, enhanced programme of debt relief for heavily indebted poor countries [HIPC] and cancellation of official bilateral debts, and more generous official development assistance for countries committed to poverty reduction).
	<b>Target 14:</b> Address the special needs of landlocked developing countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions).
	<b>Target 15:</b> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
	<b>Target 16:</b> In cooperation with developing countries, develop and implement strategies for decent and productive work for the youth.
	<b>Target 17:</b> In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
	<b>Target 18:</b> In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies.

**Source: UN, 2000**

### **3.1.4 International Labour Organisation's MNE Declaration**

Dating back to 1977, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy has become one of the important benchmarks for developing CSR activities among MNEs in recent times. Since its inception, the declaration has gone through series of reviews with the last update receiving approval in March, 2006 (ILO, 2007). According to the International Organisation of Employers (2004:6), the MNE Declaration is intended to: “... *encourage the positive contribution which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise.....*”. In the view of the Organisation, multinational enterprises contribute significantly to raising the quality and quantity of employment in the global economy. Their activities make them a crucial and a potential economic force and thus, they form an integral part of economic life.

The scope of the declaration provides guidance for firms, governments, and employers' and workers' organisations in areas such as employment, professional training, working and living conditions and labour relations, thus, making it a valuable instrument for promoting CSR (ILO, 2007). Even though it presents a platform upon which MNEs can advance their contribution towards the advancement of social progress, the Declaration is neither mandatory nor strict business code of conduct.

It must rather be seen as a checklist or reference point for corporations when they are developing their CSR activities (International Organisation of Employers, 2004). Among the array of characteristics, the Declaration is touted as the most comprehensive international instrument on the labour dimension of CSR. Its

uniqueness, according to ILO (2006), lies in its tripartite nature since it was negotiated by governments, employers and representatives of labour. Table 3.3 summarises the five thematic areas and the recommendation:

**Table 3.3: The ILO MNE Declaration**

<b>The ILO MNE Declaration</b>	
<b>General Policies</b>	• Obey national laws and respect international standards;
	• Contribute to the realisation of the fundamental principles and rights at work;
	• Consult with government, employers' and workers' organisations to ensure that operations are consistent with national development priorities
<b>Employment</b>	• Endeavour to increase employment opportunities and standards, taking the employment policies and objectives of governments into account;
	• Give priority to the employment, occupational development, promotion and advancement of nationals of the host country;
	• Use technologies which generate employment, both directly and indirectly;
	• Build linkages with local enterprises by sourcing local inputs, promoting the local processing of raw materials and local manufacturing of parts and equipment;
	• Extend equality of opportunity and treatment in employment;
	• Assume a leading role in promoting security of employment, providing reasonable notice of intended changes in operations and avoiding arbitrary dismissal;
<b>Training</b>	• Provide training for all levels of employees to meet needs of enterprises as well as development policies of the country;
	• Participate in programs to encourage skill formation and development;
	• Afford opportunities within MNEs for local management to broaden their experience.
<b>Conditions of work and life</b>	• Provide wages, benefits and conditions of work not less favourable than those offered by comparable employers in the country concerned;
	• Provide the best possible wages, benefits and conditions of work, within the framework of government policies, to meet basic needs of employees and their families;
	• Respect the minimum age for admission to employment;
	• Maintain highest standards of safety and health at work;
	• Examine the causes of industrial safety and health hazards, provide information on good practice observed in other countries, and effect necessary improvements;

Source: Adopted from ILO (2006)

**Table 3.3 Cont'd**

<b>The ILO MNE Declaration</b>	
<b>Industrial Relation</b>	• Observe industrial relations no less favourable than those observed by comparable employers;
	• Respect freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations;
	• Support representative employers' organisations;
	• Provide for regular consultation on matters of mutual concern;
	• Examine the grievances of the worker(s), pursuant to an appropriate procedure.

Source: Adopted from ILO (2006)

### **3.2 PLANNING AND IMPLEMENTATION OF CSR**

The critical nature of CSR demands that corporations do proper planning prior to their engagement in CSR activities. Hohnen and Potts (2007) have outlined an implementation framework which, according to them, will assist to assess a firm's impact on society, the challenges and opportunities associated with taking these impacts and how these can be inculcated into decision-making and business activities. The framework also attempts to assist corporations towards exploring ways to ensure that their individual and collective activities go a long way to advance progress of society and create an environment where business is in itself sustainable (Hohnen and Potts, 2007). To them, a well-designed CSR implementation framework integrates economic, social and environmental decision-making throughout a firm. As indicated in their four-part CSR implementation framework, Hohnen and Potts (2007) suggest that an ideal type of CSR implementation process must necessarily include four stages (based on the Plan – Do – Check – Improve management model), comprising six tasks including Conduct a CSR assessment, Develop a CSR strategy, Develop CSR commitments, Implement CSR commitments, Assure and Report on progress and Evaluate and Improve. The activities and tasks involved in their framework have been summarised below in Figure 3.2 and discussed in the text that follows.

**Figure 3.2: CSR Implementation Framework**



Source: Adopted from Hohnen and Potts (2007)

**Plan:** As a first step to the CSR implementation process, planning is critical since a well-planned process is a successful process effectively undertaken. At this stage, corporations are expected to conduct a CSR assessment and develop a CSR strategy based on the results. According to Hohnen and Potts (2007), these two activities comprise different sets of tasks.

In conducting a CSR assessment, corporations expect to assemble a CSR leadership team; Develop a working definition of CSR; Identify legal requirements; Review corporate documents, processes and activities, and internal capacity; and Identify and engage key stakeholders. This step actually provides the opportunity for management of corporations to better understand the nature of the problem areas, opportunities or challenges and their significance for the business. It also assists in identifying CSR gaps and opportunities and improves business decision-making (Hohnen and Potts, 2007).

On the other hand, undertaking the task above culminates into the development of a CSR strategy which, in itself, includes Building support with CEO, senior management and employees; Researching into what others are doing, and assessing



the value of recognised CSR instruments; Preparing a matrix of proposed CSR actions; Developing ideas for proceeding and the business case for them; and Deciding on direction, approach, boundaries and focus areas for CSR. In their view, the strategy provides a roadmap for corporations to proceed on CSR issues and set a long-term direction and scope for the corporation on issues relating to CSR (Hohnen and Potts, 2007).

**Do:** This stage is where a number of actions need to be taken regarding the plan. It is actually the stage where implementation of the plan and execution of the process begins. Hohnen and Potts (2007) identified two major activities – Development of CSR commitments and Implementation of CSR commitments – to be undertaken at this stage.

CSR commitments are policies or instruments that a corporation agrees on and signs to highlight the intent of the corporation to address its social and environmental impacts. Key activities that constitute the development of CSR commitments include Scanning of available CSR commitments; Holding discussions with major stakeholders; Creating a working group to develop the commitments; Preparing a preliminary draft; Consulting with affected stakeholders and then Revising and publishing the commitments. This will help the corporation to easily communicate the nature and direction of the corporation's social and environmental activities to stakeholders (Hohnen and Potts, 2007).

Having developed the CSR commitments, the next step is to implement the CSR commitments. This includes the day-to-day decisions, processes, practices and activities that ensure that the firm meets the spirit and letter of its CSR commitments as enshrined in the commitments discussed above. The implementation process

includes Developing an integrated CSR decision-making structure; Preparing and implementing a CSR business plan; Setting measurable targets and identifying performance measures; Engaging employees and others to whom CSR commitments apply; Designing and Conducting CSR training; Establishing mechanisms for addressing problematic behaviour; Creating internal and external communication plans; and Making the commitments public (Hohnen and Potts, 2007).

**Check:** The penultimate stage provides the opportunity for measuring targets and recognising progress to the implementation. The main activities that this stage entails include: Assuring and Reporting progress on the implementation of the CSR's commitments. Measuring and reporting on progress gives stakeholders an opportunity to have an idea about the impacts that the CSR commitment is having on stakeholders. Also known as verification, assurance, as an activity at this stage, comprises of on-site inspections and review of management systems to identify levels of conformity to particular criteria set out in codes and standards to which the corporation may have agreed to adhere (Hohnen and Potts, 2007). On the other hand, reporting includes communicating with stakeholders about the corporation's economic, environmental and social management and performance that have been measured during the assurance activity.

**Improve:** The final stage includes a combination of evaluation and improving on the results of the evaluation. Following from the information provided from the assurance and reporting, evaluation tracks the overall progress of a corporation's CSR approach and, based on that, makes it necessary for improvement and adjustment.

Having completed this cycle, corporations can now begin a new cycle of CSR implementation or take advantage of improvement, if necessary. The Hohnen and

Potts (2007) four-part CSR implementation framework has similarities with other existing frameworks, especially those that discuss stakeholder engagement. Typical among them are the stakeholder engagement toolkit by Altria Corporate Services Inc. (2004). In meeting the objective of documenting the processes involved in planning and implementing CSR engagements among RCBs, the study intends to use this framework as the basis. It is the view of this thesis that the individual activities that RCBs undertake to provide CSR must not directly fall within this framework, but should also not necessarily be vastly different from it.

### **3.3 BENEFIT OF CSR ENGAGEMENT**

Several arguments have been articulated in the literature on the motives for engaging in CSR. As explained by Kurucz et al (2008), a company can ‘do well by doing good’ (pg. 85): that is, it can perform better financially by attending not only to its core business operations, but also to its responsibility towards creating a better society. CSR benefits have always been explained in terms of the business or financial accruals of the engagements. But several examples could be cited of other areas where CSR has become more beneficial in terms of development. In this section, the study explores the benefits of CSR in terms of Business and Development.

#### **3.3.1 Business Benefit of CSR**

The business case for CSR has been widely researched. While there is a growing consensus establishing a link between CSR engagement and financial performance, there also seems to be a growing debate on whether there is really any clear market motivation for corporations to engage in socially-responsible behaviour (Kurucz et al, 2008). Notwithstanding these controversies, several empirical studies have showcased the business case for CSR in various ways. The study reviews two of such categorisations of the business case for CSR by Kurucz et al (2008) and Hohnen and

Potts (2007). Though no critical differences are identified within the two, the study captures these benefits into ten points under four categorical areas, as illustrated in Table 3.4 below:

**Table 3.4: An Integrated Table of Business Benefit of CSR**

SN	Hohnen and Potts (2007)	Kurucz et al (2008)
1.	Better anticipation and management of an ever-expanding spectrum of risk.	Cost and risk reduction
2.	Enhanced operational efficiencies and cost savings.	
3.	Improved innovation, competitiveness and market positioning.	Profit maximisation and competitive advantage,
4.	Improved ability to attract and build effective and efficient supply-chain relationships.	
5.	Access to capital.	
6.	Improved reputation management.	Reputation and legitimacy
7.	Enhanced ability to recruit, develop and retain staff.	
8.	Improved relations with regulators.	
9.	Enhanced ability to address change.	Synergistic value creation
10.	More robust “social license” to operate in the community.	
11.	A catalyst for responsible consumption.	

Source: Hohnen and Potts (2007) and Kurucz et al (2008)

### 3.3.2 Developmental Benefit of CSR

Perhaps it is safe to admit that the CSR agenda and the explanation of its benefits have always been skewed to the business case for CSR. Relegated to the background is the critical role that CSR can play in economic and social development in general. In an attempt to establish the link between CSR and development, Fox (2004) explained that there seems to exist, to a large extent, an ambiguous relationship between the CSR agenda and international development. According to him, CSR is most often regarded as a vehicle through which the private sector can contribute to poverty reduction, community development and other social objectives, which will otherwise not be achieved by governments acting alone. Until the 1980s, there was always some tacit acceptance that the private sector, basically, needs to generate

employment and contribute to government revenues, and not to be seen as the liberator of underdeveloped economies (Blowfield, 2005). The advocacy, in recent times, has been that the boundaries of CSR must extend beyond voluntary activity, as it has always been touted, otherwise, the agenda runs the risk of relegating to the background the notion that the private sector has a constructive role to play in achieving sustainable development (Fox, 2004). The increasing advocacy for a renewal of the CSR agenda to a more holistic and development-oriented CSR has been championed by various civil society players, prominently, the World Business Council for Sustainable Development (WBCSD), the International Business Leaders Forum (IBLF), Business for Social Responsibility (BSR), amongst others. In their view, the economic, political, and social power of business has actually grown over the years relative to other societal institutions (governments and organised religion, for example). This has necessitated the expansion of business responsibility to the provision of the kind of services that used to be offered by governments and community organisations, including the function of guarding and enabling citizens' rights (Kurucz et al, 2008). A skim through the literature identifies a wide range of development benefits of CSR, which are summarised below:

1. CSR set agenda for labour standards, human rights, education, health, child-labour, conflict and transparency in relation to government natural resource revenues (Fox, 2005). This happens, especially where (in the view of Moon, 2007) there are longstanding governance lacunae, either because governments have shown no willingness to regulate and deliver social well-being or because they lack implementation capacity. In such cases, corporations play a critical role of ensuring higher standards in this direction.

2. CSR define permissible limits of exploitations of developing countries' competitive advantage and redefines business practices in the interest of the poor and marginalised (Blowfield, 2005).
3. CSR assist corporations to maximise the spill-over effects of Foreign Direct Investment. By so doing, governments are able to ensure that foreign investors contribute to development through job-creation, knowledge and technology transfer, and the provision of infrastructure by adopting inward investment policies linked to CSR-friendly practices (Whellams, 2007 and cited from Fox et al, 2002).
4. Voluntary initiatives constituted in CSR indirectly relieve governments of the financial burden related to monitoring and regulatory enforcement. For Whellams (2007), CSR constitute some kind of 'voluntary regulation' agreed upon by corporations to go beyond what is legally required of them in terms of social and environmental regulations.
5. CSR set standards for higher levels of social and environmental performance, especially in developing nations. These standards are usually ones that are stronger than locally existing laws. By so doing, CSR assist in reducing social and environmental damages, which would, otherwise, have occurred in the absence of stronger regulations or even weaker laws.
6. CSR have the potential of contributing immensely to community development and long-term sustainability. It is common, nowadays, to see corporations collaborating with local governments and non-governmental organisations to design community development projects that best serve the long-term interests of community members (Whellams, 2007).

### 3.4 CHALLENGES OF EFFECTIVE CSR ENGAGEMENT

Several studies have actually discussed potential challenges and barriers to a successful CSR implementation. Studies conducted by Berad (2011); Laudal (2011) and Arevalo and Aravind (2011) have span from MNEs, SMEs, among others. Among others, the results of the survey conducted by these studies have been summarised in Table 3.5:

**Table 3.5: Summary of Barriers to Successful CSR Implementation/Engagement**

Studies	Challenges and Barriers
Berad (2011)	<ol style="list-style-type: none"> <li>1. Lack of community participation in CSR activities</li> <li>2. Need to build local capacities among local NGOs to contribute to the ongoing CSR activities</li> <li>3. Issues of transparency on the part of implementing agencies - inadequate efforts to disclose information on their CSR, audit issues, impact assessment and utilisation of funds</li> <li>4. Non-availability of well-organised Non-Governmental Organisations to assess and identify real needs of the community for designing CSR options</li> <li>5. Visibility factor</li> <li>6. Narrow perception towards CSR initiatives</li> <li>7. Non-availability of clear CSR guidelines</li> <li>8. Lack of consensus among stakeholders on implementing CSR issues</li> </ol>
Laudal (2011)	<ol style="list-style-type: none"> <li>1. Cost-Benefit Ratio - Due to sheer size and capacity, corporations do not possess the financial resources for CSR development</li> <li>2. External Control – lack of knowledge and monitoring capacity of their market environment and for integrating CSR</li> <li>3. Internal Control (risk) - complexity of implementing strategy across various business functions</li> </ol>
Arevalo and Aravind (2011)	<ol style="list-style-type: none"> <li>1. Lack of training opportunities or seminars to learn about CSR</li> <li>2. Insufficient financial resources for CSR implementation</li> <li>3. Lack of support from top management for CSR implementation</li> <li>4. Lack of support from Middle management for CSR implementation</li> <li>5. No significant benefits for our company from CSR implementation</li> <li>6. Implementation of CSR is too expensive</li> <li>7. The company has more important priorities at the moment</li> <li>8. CSR implementation is too complex</li> <li>9. CSR implementation is too time-consuming</li> <li>10. Insufficient knowledge about CSR implementation</li> <li>11. Inadequate training for management to implement CSR practices</li> <li>12. Employees lack the necessary skills or education for successful CSR implementation</li> <li>13. Difficulty obtaining information about CSR implementation</li> </ol>

Source: Adopted from Berad (2011); Laudal (2011) and Arevalo and Aravind (2011)

### **3.5 THE NATURE AND PRACTICE OF CSR: AN AFRICAN CONTEXT**

The focus of this section is to conduct an analysis of empirical studies on the practice of CSR in an African context. The section discusses what actually constitutes CSR, as practised by corporations operating in Africa (be it local or multinational or born-local or born-global). It also explores the concentration of CSR research in terms of state-based, and indicates specific examples of sector-based CSR activities in Africa. The section is concluded with problems associated with CSR implementation in Africa.

Series of studies justified the need for CSR in Africa. In a contextual analysis of Carroll's Pyramid in Africa, Visser (2006) argues that CSR in Africa is skewed toward development. According to him, the chequered nature of African development demands the active contributions of MNEs in CSR activities. He explains though, that the voluminous evidence of the benefits of business can be cited as in capital investment, job-creation, skills transfer, infrastructure development, knowledge sharing and other forms of social responsibility programmes abound countries throughout Africa. Studies in Nigeria, for instance, indicate that the CSR approach in Nigeria is primarily driven as a mean for solving existing societal problems, and at the same time, making life easier for companies operating within the Nigerian context (Helg, 2007).

Notwithstanding these benefits, it is the view of this study that, considering the large implication of the operations of business entities, especially MNEs, these efforts fall far below what would have ethically been expected of them. Admitting this fact, Visser (2006) himself identified that some shortcomings can be cited in corporate complicity in political corruption, environmental destruction, labour exploitation and



social disruption, stretching back more than 100 years. It is, therefore, not out of place that the advocacy has been that the private sector should still remain best-placed institutions to make a significant positive contribution towards improving social, economic and environmental conditions and development in general in Africa. Drawing inferences from similar works in Europe and the USA, Visser (2006) attempted the contextualisation of Carroll's four-part pyramid in Africa and explained that culture, to a large extent, may have an important influence on perceived CSR priorities. For him, economic responsibilities still rank higher in terms of emphasis, in Africa. While philanthropy ranks the second in importance, legal responsibilities rank third and were followed by ethical responsibilities. He also identified that, regarding economic responsibilities, corporations' social responsibilities were to generate investment and income; produce safe products and services; create jobs; invest in human capital; establish local business linkages; spread international business standard; support technology transfer and build physical and institutional infrastructure. Philanthropic activities of corporations in Africa included education funding, health funding (including HIV/AIDS), job-creation initiatives, training, social development, arts and culture, community and rural development, environment, sports development, safety and security, and housing (Visser, 2006). Admitting that there exist poor legal infrastructure and weaker government capacity for enforcement of effectiveness of legislation as a driver for CSR, Visser (2006) identified that corporations, by way of legal responsibility, ensured the respect for the laws of host countries and compliance with all laws and regulations applicable to all businesses and to the various kinds of relationships with all stakeholders. This was also verified in the Meridian Group International study that identified that, in Africa, legislation and enforcement are poor, civil society scrutiny is largely absent, and consumer

activism for responsibly-produced products is relatively weak.

Finally, even though ethical considerations for CSR were rated low in Africa, according to Visser (2006), several initiatives have been pursued to ensure corporations behave in an ethical manner. A typical example of such initiatives is the Extractive Industries Transparency Initiative (EITI), which aims to increase transparency over payments by companies to governments and government-linked entities, as well as transparency in revenues collected by governments of host countries. According to Visser (2006:6), corporations (especially the Anglo-American ones) purport to be using EITI “as a means of increasing stakeholder confidence, reducing opportunities for embezzlement and stimulating debate around how revenues are allocated most effectively in resource-dependent economies”. Furthermore, Anglo-Americans insist that they are implacably opposed to corruption, that they will not offer, pay or accept bribes or condone anti-competitive practices in their dealings in the marketplace and will not tolerate any such activity by their employees. Most of them have also introduced whistle-blowing facilities in order to allow employees to anonymously report any violations of Anglo-Americans’ business principles or any legal or ethical concerns (Visser, 2006).

In another study, the Meridian Group International (2006) reports that CSR in Africa generally focused on ethics, fair-labour issues, HIV/AIDS, education, and child labour. In their view, particularly prominent and perhaps due to their potentially negative social and environmental impacts, CSR of MNEs in Africa have been in such sectors as mining, oil, and gas. Their study also made an analysis of major international and African initiatives and actors of CSR in African business environments, a summary of which is presented in Table 3.6:

**Table 3.6: International and African Initiatives and Actors of CSR in African Business**

<b>CSR Initiative(s)</b>	<b>Major Player(s)</b>	<b>Focus Area</b>
<b>International Initiative</b>		
UN Global Compact	United Nations Development Program, the International Labour Organisation and UN Commissioner on Human Rights as well as global NGOs and business associations	Sets universal principles in the areas of human rights, labour standards, the environment and anti-corruption.
IFC's Corporate Citizenship Facility	\$15 million "facility" funded by IFC and bilateral donors	Focuses on supply chains, community and local economic development, biodiversity management and HIV/AIDS.
The World Business Council for Sustainable Development (WBCSD)	175 international companies focused on sustainable development (comprising members coming from more than 35 countries and 20 major industrial sectors)	Focuses on CSR and the environment, and global health systems
Business for Social Responsibility (BSR)	A global non-profit organisation	Provides information, tools, training and advisory services to corporations and promotes cross-sector collaboration and contributes to global efforts to advance the field of CSR
OECD Guidelines for Multinational Enterprises	International Government	Presents a set of principles including good-practice guidance on accountability and disclosure, employment and industrial relations, taxation, competition, human rights, health and safety, science and technology, bribery, consumer interests, and the environment
Global Reporting Initiative (GRI)	A multi-stakeholder process and independent institution	Develops and disseminates globally-applicable Sustainability Reporting Guidelines
Interfaith Centre on Corporate Responsibility (ICCR)	An association of 275 faith-based institutional investors, including national denominations, religious communities, pension funds, endowments, hospital corporations, economic development funds and publishing companies	Impresses companies to be socially and environmentally responsible

Source: Adopted from Meridian Group International, Inc. (2006)

**Table 3.6 cont'd**

<b>CSR Initiative(s)</b>	<b>Major Player(s)</b>	<b>Focus Area</b>
<b>African Initiatives</b>		
The New Partnership for Africa's Development (NEPAD)	NEPAD Business Group comprising of leading business organisations within and beyond Africa	Acts as an information hub on trade and investment opportunities in Africa, and encourages private sector involvement in sustainable development projects
The Centre for Corporate Governance (CCG), Kenya	An independent, not-for-profit organisation based in Kenya	Promotes corporate governance in Africa through training, education, awareness-raising and research
The African Leadership and Progress Network (ALPN)	A non-profit organisation comprising a network of African and non-African professionals located in Washington, DC, and Abuja, Nigeria	Focuses on education, training, research, analysis, information dissemination, networking, and advocacy in leadership and governance
Business Action for Africa	A business-led initiative funded by Anglo American, De Beers Group, GlaxoSmithKline, SABMiller, Shell, Unilever and the UK Department for International Development	Provides staff time, office facilities and other administrative support to organisations
The Business Ethics Network of Africa (BEN-Africa)	Comprises 25 African countries, with national chapters in Botswana, Kenya, Nigeria, South Africa, Tanzania and Cameroon	Brings together people with competence in teaching and managing business ethics
The African Institute of Corporate Citizenship (AICC)	An NGO	Focuses on strengthening responsible growth and competitiveness in Africa, through research, advocacy and network building. Also a focal point for various internationally-endorsed codes and standards and assists on trainings with the financial sector regarding their social and environmental protocols
West African Rural Foundation (WARF)	A development NGO based in Senegal	Focuses on capacity building and the environment

Source: Adopted from Meridian Group International, Inc. (2006)

**Table 3.6 cont'd**

<b>CSR Initiative(s)</b>	<b>Major Player(s)</b>	<b>Focus Area</b>
<b>African Initiatives</b>		
The Africa Corporate Sustainability Forum (ACSF)	A multi-stakeholder platform	Provides opportunity for business, government and broader civil society to discuss and act on corporate sustainability policy and practice in Africa. Also, it facilitates knowledge-exchange and research dissemination across the region and internationally, and to provide opportunities for training and skills development on corporate sustainability and other related issues
Private Enterprise Foundation (PEF)-Ghana	A private sector advocate, comprising Ghana Employers Association, the Association of Ghana Industries, the Federation of Associations of Ghana Exporters, the Ghana Association of Bankers, Chamber of Mines, and the Ghana National Chamber of Commerce and Industry.	Advocates for public-private partnerships and collaborates with Family Health International (FHI) on a workplace HIV/AIDS/STDs programs
Southern African Grantmakers Association (SAGA)	An association comprising corporations with social responsibility programs, international donor organisations, local private foundations, grant-making non-governmental organisations, community foundations and government funding agencies.	Provides support to the corporate social investment and donor community.

Source: Adopted from Meridian Group International, Inc. (2006)

The above information has largely been verified in another survey by GTZ (2009), showing the CSR practice alignment with global agreements. Their survey illustrates the extent to which initiatives such as the MDGs and the UN Global Compact are exerting influence on CSR strategies, policies and practices in six sub-Saharan countries.

Several ground-breaking initiatives have been documented in various studies. Forstater et al (2010) documented in a survey in Kenya that rated highly CSR initiatives such as health and medical provision; donations to education and training, HIV/AIDS, agriculture and food security and underprivileged children. In a similar survey in Zambia, they identified support for orphanages, sponsorship of sporting events, cultural ceremonies, education and health provision and donations to religious and arts organisations as the most predominant CSR initiatives (Forstater et al, 2010 and Kivuitu et al, 2005). A cursory look at the trend of CSR initiatives in most East African countries shows a consistent focus on HIV/AIDS and Education. This is consistent with the HIV/AIDS prevalence rates in Sub Saharan Africa and in Eastern and Southern Africa in particular. Further initiatives documented in GTZ (2009) focused on areas such as education and training, health, environment, sports and cultural event, welfare, skill development, economic development, governance and accountability, labour rights, downstream enterprise development and human rights.

### **3.6 THE NATURE AND PRACTICE OF CSR: THE GHANAIAN CONTEXT**

As indicated earlier, CSR is relatively new and still developing in Ghana. Research studies on CSR are still emerging and perhaps scattered within various institutions and corporate bodies. Notwithstanding its current status, the concept is seen to be, in fact, growing in Ghana's business environment due to the favourable conditions prevailing. Atuguba and Dowuona-Hammond (2006) identified some of these conditions as globalisation, the liberalisation of the economy, a government commitment to a Golden Age of Business; the creation of a Ministry for Private Sector Development (MPSD) to spearhead the realisation of a competitive and vibrant private sector, a promising and emerging capital market with remarkable performance, significant momentum and a determined will for improvement. This

conducive environment, arguably, has culminated into a strengthened private sector, hence the emerging discourse on CSR. In this section, the study attempts to discuss the take of corporate Ghana on CSR, how CSR is practised and regulated in corporate and a sectoral analysis of CSR, among others.

The practice of CSR in Ghana is predominantly in large multinational enterprises, while the relatively small-size, born-local enterprise rarely engages in CSR. Among other reasons, studies on perceived barriers to CSR engagements by SMEs indicated that lack of time, lack of motivation, insufficient resources and capabilities, inadequate knowledge about social responsibility and the perception that community involvement is not related to business inhibit the practice of CSR among local SMEs (Jenkins, 2005). However, large multinational corporations in various sectors are hugely engaged in CSR. These include the telecommunication sector – MTN, Vodafone and Airtel; the mining sector – AngloGold and Newmont; the oil sector – Tullow and Cosmos energy; the banking sector – Barclays, Standard Chartered, Ecobank Ghana Limited, among others (as indicated on their websites).

These firms strongly affirm in their values their commitments towards social responsibility. For instance, to Vodafone, CSR means applying its business aims responsibly with an awareness of its surroundings and environmental needs in order to fulfil stakeholders' demands, achieve profits and still remain competitive. The MTN Foundation also affirms its commitment to the socio-economic development of the country by improving the quality of people's lives through appropriate and sustainable social interventions in communities where it operates (MTN, 2013). AngloGold Ashanti explains its commitments to fulfilling its obligations and duties as a responsible corporate citizen, ensuring that its behaviour reflects its values and

concern for its stakeholders, including shareholders, employees, their families and the communities and environments in which they live and work (AngloGold, 2013). In their commitment statement, Newmont Ghana explains that, key to achieving that vision is their ability to make a lasting and positive contribution towards sustainable development through environmental stewardship, social responsibility, and the protection of the health and well-being of people within the communities in which they operate (NGGL, 2013).

In Ghana, corporations, in formulating their CSR activities, use various benchmarks. Beyond the plethora of social and environmental problems plaguing Ghana, corporations' social responsibilities are, in most cases, based on international frameworks and agreements on CSR and locally-brewed frameworks and agreements. Internationally, and as discussed earlier in the literature and reported by Atuguba and Dowuona-Hammond (2006), these frameworks include the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration on Principles Concerning Multinational Enterprises and Social Policy, the United Nations Global Compact, NEPAD, among others. Locally, several initiatives have been put in place to regulate or serve as benchmarks for CSR engagements. Fundamentally, the 1992 Constitution enjoins all individuals and persons to respect and uphold the right to life, the right to personal liberty and human dignity, protections from slavery and forced labour, the right to property and various other socio-economic rights, among others. The 1992 Constitution aside, there exist the Ghana Business Code (GHBC), which was launched by the Association of Ghana Industries (AGI), Ghana Employers Association (GEA) and the Ghana National Chamber of Commerce & Industry (GNCCI). The one modelled alongside the Global Compact, the Ghana Business Code, sought to introduce and deepen the practice of CSR in business operations



(Amponsah-Tawiah and Dartey-Baah, 2011). The Ghana Business Code enjoins the operations of member organisations to be reviewed along four broad categories of human rights, labour standards, environment and anti-corruption. Amponsah-Tawiah and Dartey-Baah (2011) explain that this initiative has enjoyed low patronage because of its voluntary nature. For instance, they indicated that, of the many Small & Medium-Size Enterprises (SMEs) and large-scale manufacturing industries that belong to the GNCCI and the AGI, less than 60 had signed up to the code.

In the mining sector, for instance, regulatory bodies, such as the Minerals Commission, are responsible for the regulation and management of the mineral resources of Ghana and the co-ordination of policies in relation to minerals. The Commission has developed CSR guidelines that complement applicable binding national and international regulations on corporate social responsibility. These guidelines focus on Corporate Governance and Ethics; Human Rights; Employment and Labour; Health and Safety; Environmental Stewardship; Risk Assessment and Management; Material and Supply-Chain Management; Community and Social Development; Stakeholder Engagement; and Compliance (GNA, 2012).

The Ghana Chamber of Mines also exists as a voluntary private-sector employers' association representing companies and organisations engaged in the minerals and mining industry in Ghana. It operates on the values of Honesty, Transparency, Good Governance, Good Corporate Citizenship, Commitment and Unity. More specifically, the Chamber encourages member companies to uphold fundamental human rights and respect culture, customs and values in dealing with employees and others who are affected by their activities. Additionally, the Chamber enjoins members to endeavour to conduct their operations with integrity; to be fair and honest in their dealings and

treat other stakeholders and persons with dignity (Atuguba and Dowuona-Hammond, 2006). Additionally, the Ghana Extractive Industries Transparency Initiative (GEITI), a subsidiary of the Extractive Industries Transparency Initiative (EITI), seeks to promote CSR in the extractive industry and operates on the principles of Transparency and Accountability (Amponsah-Tawiah and Dartey-Baah, 2011).

In the telecommunication sector, regulatory instruments and bodies such as the National Media Commission, the National Communications Authority and the National Communications Regulations, 2003 (LI 719) engage in CSR-related activities, including consumer protection and satisfaction, the need to regulate hazardous emissions from telecommunications equipment, rates and measures, billing irregularities, among others. Apart from these, individual companies have in place CSR foundations operating. MTN Ghana Foundation drives the CSR initiative of MTN. It focuses on Health and Education and manifests MTN's commitment to the socio-economic development of the country by improving the quality of people's lives through appropriate and sustainable social interventions in communities where it operates ([www.mtn.com](http://www.mtn.com)).

In the midst of the global financial crisis, the banking sector of Ghana has, over the years, become fairly robust. It has witnessed heightened competition with the influx of new foreign banks. The banking sector is now characterised by some surging CSR activities, which, in the view of Hinson et al (2010), have become extremely important for internal and external stakeholders of banks. In their study on Corporate Social Responsibility Activity Reportage on Bank Websites in Ghana, Hinson et al (2010) observed that, notwithstanding the CSR awards given during Ghana Banking Awards, awardees seem to have the poorest CSR communication content on their

corporate websites. Their findings suggest that there is scanty information on CSR communicated on the websites of ADB, UBA and SG-SSB, even though these banks have won awards of being the most socially-responsible banks at one time or the other. On the other hand, banks who had no awards seemed to have a better-organised structure in respect of their CSR activities on their websites. For instance, UT Bank (which is relatively new) communicates on all the dimensions of CSR information on its website including human resource, product and customer, environmental and community involvement (Hinson et al, 2010). Most of these banks, according to Hinson et al (2010), have internal perspectives that demonstrate disclosures on human resource as well as product and customer. According to them, human resource disclosure included elements on employee health and safety, employee training, and employee remuneration, while product and customer disclosure focused on product quality, customer complaints and satisfaction and provision for physically-challenged customers.

External perspective on disclosure also included environmental and community involvements. They explained that most banks' environmental disclosure included concern for the environment, their lending and investment policies as well as conservation of energy in business. On the other hand, their community involvement disclosures included contributions to community development, donations to needy individuals and communities and their support for education (Hinson et al, 2010).

Reflecting on the analysis so far, there seems to be an indication that CSR in Ghana is largely voluntary. Admitted that legally, once corporations abide by the tenets of the constitution of Ghana they are, in a way, practising some legal CSR, it is arguably true to mention that in the absence of any progressive provisions or a definite

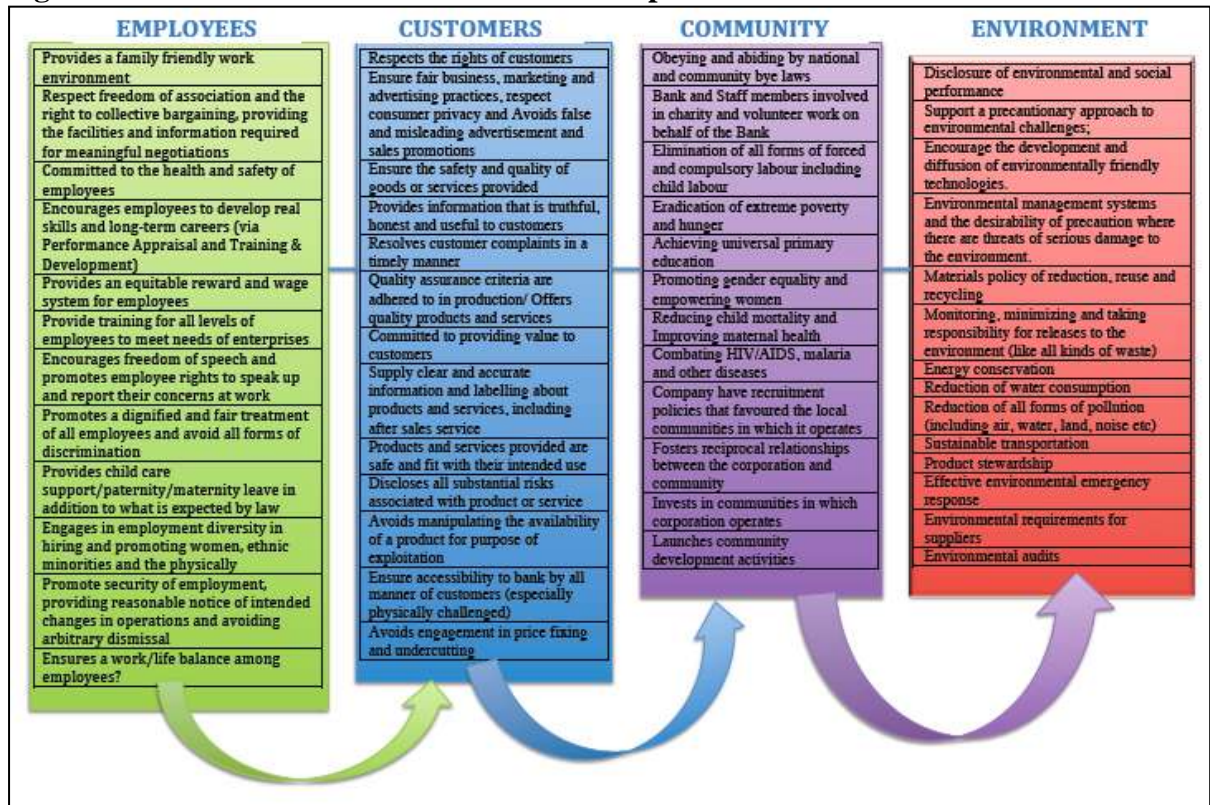
regulatory instrument, CSR will continue to be largely under the discretion of management of corporations. For instance, key CSR issues addressed by law include matters relating to the formation of a company, governance, raising capital and voluntary liquidation; the fiduciary responsibility of directors and their duty to promote the interests of all stakeholders, proper accounting and auditing practices, equality of shareholders of the same class, redress for violation of stakeholders' rights, rights of employees; safety products, tax obligations and the environmental impact of corporate activities (Atuguba and Dowuona-Hammond, 2006). Even though advocacy is high on CSR and the concept itself is fast surging as a very important management practice, there is virtually no policy benchmarking of CSR in the Ghanaian context. Sector by sector practise discretionary CSR, what they conceive as CSR that add value to the company's mandate. Amponsah-Tawiah and Dartey-Baah (2011), for instance, explain that, in Ghana, the concept of CSR has become synonymous to the mining industry. This is because there appear to be more environmental and human rights concerns. In the mining sector, so many interest groups are advocating ethical, social and environmental responsibility from companies operating in the area.

### **3.7 A UNIFIED FRAMEWORK OF CSR ACTIVITIES**

As indicated earlier, different firms pursue different practices as far as CSR is concerned, perhaps, due to the several benchmarks that exist. Admitted in OECD Report (2009), the current CSR landscape is complex and multi-faceted. Several initiatives can be cited as characterised by varying codes of standard and principles all in a bid to enhance corporations' contribution to improving social and environmental conditions, including labour and other human rights (OECD, 2009).

In order to understand CSR practice as adopted by this study and applied to the case study, a unified framework has been suggested below. This framework tries to merge the various international instruments and agreements discussed above into one conceptualised framework of benchmarks to be applied to the case and to enhance the understanding of the practice of CSR in Ghana in general, and among RCBs in particular. On the basis of the Stakeholder View discussed in the preceding chapter, the framework has been structured according to the peculiar need of various identifiable stakeholders – employees, customers and communities. It is also important to note that, as indicated earlier, it is the view of this study that, the environment constitutes an important part of the community. This is because communities have their livelihood intertwined with the environment, and thus, any serious damage done to it will directly or indirectly affect the livelihood of the community. Responsibilities relating to the environment can, therefore, be merged with the community, but since the environment is very crucial, it is in the view of the study to give it distinct attention. The Environment is, therefore, considered in the framework as an independent stakeholder. In this framework, the study highlights the corporation's responsibilities to various identifiable stakeholders, such as Employees, Customers, Communities and the Environment.

**Figure 3.7: A Unified Framework of Social Responsibilities**



Source: Author’s own construct (2013)

### 3.8 CONCEPTUAL FRAMEWORK

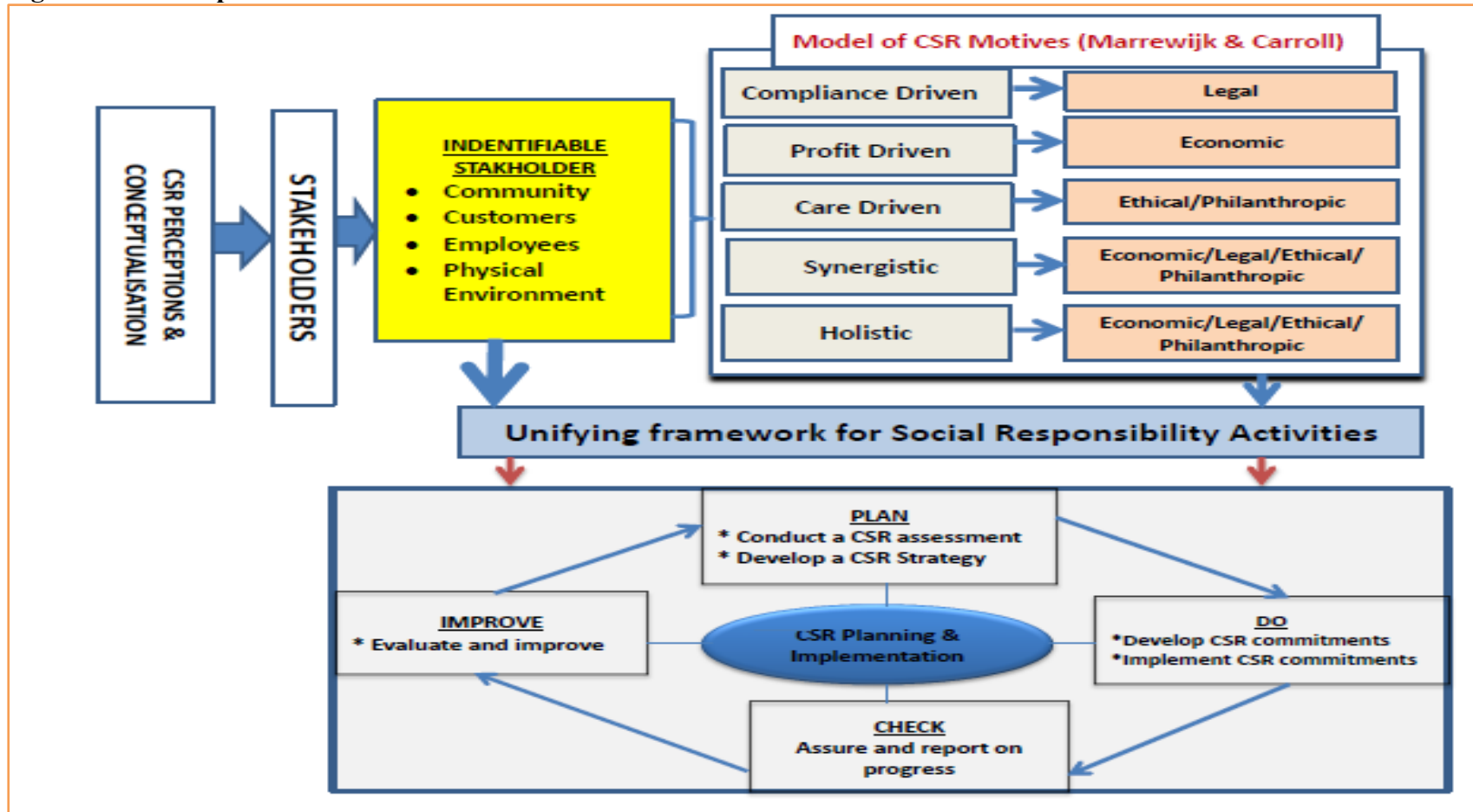
The study acknowledges the different meaning that CSR and its related concepts have assumed. It has, therefore, become necessary to conceptualise the practice of CSR as pertaining to the rural banking industry in Ghana, in a way to ease understanding. The CSR itself is in the developmental stage and studies here have been exploratory by nature. Conceptualising the practice of CSR and its related activities sets the platform for a more grounded study in this direction. This study conceptualises that CSR activities (yet to be identified) are targeted at some particular stakeholder groups, which are captioned identifiable stakeholders. Based on Clarkson’s (1995) Typologies of Stakeholders (discussed in Chapter Two), the study adapts four critical stakeholders, which are captioned “Identifiable Stakeholders”. The selection was done

based on their power, legitimacy and urgency, as explained in the Salience Model of Stakeholder Classification proposed by Mitchell et al (1997).

As indicated earlier, it is the view of this study that the environment constitutes an important part of the community. This is because communities have their livelihood intertwined with the environment, and thus, any serious damage done to it will directly or indirectly affect the livelihood of the community. Responsibilities relating to the environment can, therefore, be merged with the community, but since the environment is very crucial, it is in the view of the study to give it distinct attention. The Environment is, therefore, considered in the framework as an independent stakeholder.

The study also conceives that any CSR action undertaken by the various corporations are pivoted on some motives which are consummated in the integrated model of Van Marrewijk's (2003) CSR Framework and Carroll's (1991) Pyramid of CSR presented in Figure 3.8 below.

Figure 3.8: Conceptual Framework



Source: Author's own construct (2013)



The study further conceives that, based on the motives of the RCBs regarding CSR engagement, focus is given to various stakeholder-related CSR activities, which, according to this study, could be tailored around the various global initiatives of the UN Global Compact, the OECD Guidelines for MNEs, the MDGs and ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, among others. These activities are summarised in the unified framework for CSR (Figure 3.7).

In furtherance of these CSR activities, RCBs must engage in proper planning and implementation of these activities. This process, according to Hohnen and Potts (2007), assists in assessing a firm's impact on society, the challenges and opportunities associated with taking these impacts and how these can be inculcated into decision making and business activities. Thus, the study conceives a planning and implementation process based on Figure. 3.3 - CSR Implementation Framework and tailored along what has been suggested by Hohnen and Potts (2007).

The above, in the author's view, conceptualises issues in the research objectives regarding stakeholder identification and involvement and motives or drivers of CSR and most importantly the CSR planning and implementation process pertaining to Ghana's rural banking industry.

### **3.9 RURAL AND COMMUNITY BANKING IN GHANA**

The Rural Banking concept, since its inception in Ghana some three decades ago, has served the financial needs of the rural economy and its populace tremendously. From 1976 when the first RCB was established, the industry has grown rapidly to consist of 138 banks currently. This is an indication of how important the industry is, as far as the economy of Ghana is concerned. In this section, the study tries to review the operations of the RCBs in Ghana and the crucial role they

play in the financial sector. The section is divided into five subsections and includes an introduction and discussions on the evolution of rural banks in Ghana, main functions and operational activities of RCBs, framework for regulation and supervision of RCB; and the ARB-APEX Bank and its role in the Rural Banking Industry in Ghana

### **3.9.1 The Evolution of Rural Banks in Ghana**

Nissanke and Aryeetey (1998) explain Rural Community Banks as those unit banks that are owned by members of the rural community through purchase of shares. According to them, RCBs are licensed by the Bank of Ghana to provide financial intermediation. The evolution of the rural banking system could be traced to 1976, when the first RCB was established primarily to expand savings mobilisation and credit services in rural areas not served by commercial and development banks. Before its inception, several policy measures taken by the Government of Ghana to improve access to finance in rural areas had failed (Nair and Fissaha, 2010). Rural communities, whose dwellers were predominantly small farmers and fishermen, were left to depend heavily on credit from moneylenders and traders, who were charging exorbitant interest rates. Commercial banks (like GCB, ADB) that were sanctioned to open branches in rural areas and lend at least 20% of their portfolio for agricultural uses ended up using their rural branches primarily to make payments to cocoa farmers and collect deposits for lending in urban areas (Nair and Fissaha, 2010).

After series of consultations and a subsequent visit to the Philippines by a Bank of Ghana delegation to study the rural banking system there, the first rural bank was established in 1976 at Nyakrom (a farming community) in the Central Region of Ghana, with capital contributions drawn mainly from farmers in the community (Nair and Fissaha, 2010). Fuelled by the introduction of the Akuafu Check system and an increasing desire of rural folks to establish their

own banks, the number of RCBs increased to a record of 106 banks by 1984 and currently 138 (BoG, 2014).

The rural banking industry, however, began experiencing some downslide and deterioration from 1984. Apart from rapid expansion and its attendant challenges, with expanded clients and default rates, other operational factors were identified as having contributed to the deterioration. These factors as summarised by Nair and Fissha (2010) include those presented below:

1. Most of the banks had boards of directors with limited experience and understanding of the banking business. Basically, competences in bank governance were replaced with popularity in community, as far as the selection criteria were concerned.
2. Most of the banks were characterised by several instances of corruption among management and staff due to insufficient internal controls.
3. More so, the banks, by their location in rural communities with limited resources, were virtually eluded of well-qualified and experienced personnel. Moreover, employees were hired normally from their own communities, regardless of qualifications and experience, and were rarely given any training.
4. Also, most banks were saddled with many bad loans in their attempt to meet the 50% lending requirement for agriculture imposed by the BoG. This was also aggravated by the sector-specific credit quotas and other inappropriate regulatory requirements which virtually made banks unable to adequately respond to their market demands and risks.
5. The BoG, on the other hand, was unable to efficiently play its supervisory and regulatory role (in the face of the rapidly-rising number of rural banks) due to limited resources.

After series of interventions from the BoG, the deterioration began to correct itself. Prominent among these interventions was the implementation of the World Bank-supported Rural

Financing Project (RFP) between the period of 1989 and 1994. Primarily, this project sought to provide targeted support to the RCBs and contributed to improvement in their performance. According to Nair and Fissaha (2010), the project ensured these objectives by providing technical assistance for restructuring about 80 RCBs; strengthening the Association of Rural Bank (ARB) and credit unions, rationalising the roles of the Rural Banking Department of the BoG and the ARB, improving the rural credit appraisal capacity of RCBs and participating financial institutions and strengthening the BoG's capacity to supervise rural banks (Nair and Fissaha, 2010). All these measures led to an obvious improvement in the performance of RCBs, culminating into a record peak of 133 RCBs in 1998 (Andah and Steel, 2003).

Notwithstanding the gains made, the industry began witnessing another downturn, which led to the closure of 23 distressed banks, leaving 111 RCBs in 1999. To resuscitate RCBs from the dwindling performance at the time, the Government of Ghana, with the support of some development partners, sought to implement a follow-up programme under the name "Rural Financial Services Project (RFSP)" between the period 2001-2007. This project was primarily to address the inadequacies and inefficiencies that still bedevilled the operations of RCBs. The target was to strengthen the capacities of the RCBs individually and as a system, by offering extensive training to RCBs and supporting the establishment of Apex Bank, as a kind of pseudo central bank to the RCBs. Subsequent to this, the ARB Apex Bank became operational in 2002 with financial support provided under the RFSP, with the intention of leveraging economies of scale to address constraints faced by the rural banks in check clearing, specie supply, liquidity management, and training (Nair and Fissaha, 2010). The commencement of the operations of the ARB-Apex Bank saw BoG ceding some aspect of its bank supervision function to the ARB-Apex Bank. This development coupled with some other innovative products (Andah and Steel,

2003) resulted in an improvement in and expansion of the Rural Banking sectors. For instance, Nair and Fissha (2010) reported that, by 2008, the total number of RCBs had risen to 127 across the regions of Ghana, and currently, there are 137 rural banks with about 651 branches (agencies) in Ghana. Table 3.9.1 shows a summary of regional statistics of RCBs (as published by the BoG, 2013).

**Table 3.9.1: Summary of Regional Distribution of RCBs**

<b>SN</b>	<b>REGION</b>	<b>BRANCHES</b>
1.	ASHANTI	25
2.	CENTRAL	21
3.	EASTERN	22
4.	BRONG AHAFO	20
5.	WESTERN	14
6.	VOLTA	12
7.	GREATER ACCRA	7
8.	NORTHERN	7
9.	UPPER EAST	5
10.	UPPER WEST	4
	<b>TOTAL</b>	<b>137</b>

Source: BoG, 2013

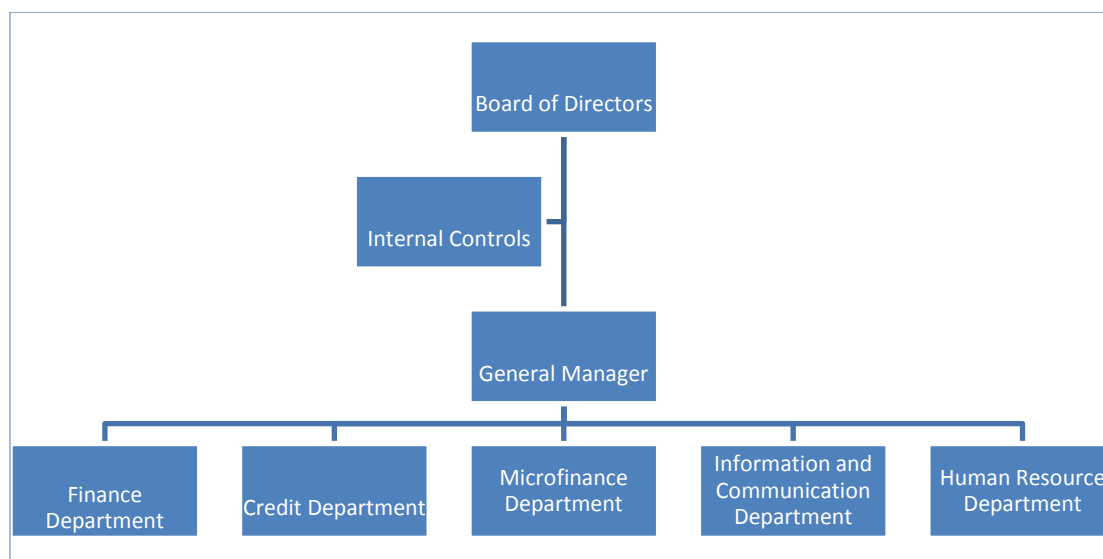
### **3.9.2 Main Functions and Operational Activities of RCBs**

Asiedu-Mante (2002) explained that the primary objectives of all rural banks are the mobilisation and channelling of rural savings for economic development within the communities in which they are located. Since their introduction, the RCBs have been at the fore-front of developing pro-poor innovative financial products and modifying their operations to suit the specific needs of the rural farmer, the underserved micro-enterprises and other low-income operatives of the rural economy (Obeng, 2009; Owusu-Ansah, 1999). These objectives of RCBs are achieved under series of operational structures and activities, which are discussed below.

### 3.9.2.1 Administrative Structure of RCBs

Characteristically, RCBs are communally-owned and are designed to operate within limited catchment areas (53 000 km<sup>2</sup> radius) and maintain concessionary prescribed minimum paid-up capital. The governance structure of an RCB comprises a board of directors that represents shareholders within the bank. The directors are elected from among the shareholders (who are typically from the local community). Board Members are elected every three years during annual general meetings (AGMs), on the basis of their reputation in the community and professional qualifications (Nair and Fissaha, 2010). Elected members are, however, validated by the BoG before they assume duties. The board of directors functions as the internal supervisors and audits the decisions of the management staff, headed by the general manager (as summarised in the organogram Figure 3.9.2.1).

**Figure 3.9.2.1: Typical Organogram of RCBs**



**Source: Adopted from Nair and Fissaha (2010)**

The organogram indicates that the core management staffs of RCBs are distributed into the various departments, including finance, credit, microfinance, ICT and human resource

departments. As explained by Nair and Fissaha (2010), some larger banks introduced additional departments, such as research and business development support units.

### ***3.9.2.2 Functions of RCBs***

The main functions of RCBs are, basically, to achieve the objectives for which they have been established. However, to achieve these objectives, Asiedu-Mante (2002) explains that RCBs perform certain functions, which he summarises as the following:

1. RCBs mobilise all available savings within their catchment area.
2. They also extend institutional credit to the rural dwellers in their respective areas of operation and, thereby, assisting in increased productivity to create wealth for improved standard of living.
3. RCBs act as catalyst institutions for rural development by identifying and promoting the development of rural projects.

Additionally, the ARB-Apex Bank also explains that:

1. RCBs undertake a mix of micro-finance and commercial banking activities structured to satisfy the need of the rural areas.
2. RCBs provide banking services such funds mobilisation and credit to cottage industry operators, farmers, fishermen and regular salaried employees.
3. RCBs also grant credits to customers for the payment of school fees, acquisition or rehabilitation of houses and for meeting medical expenses.
4. Also, some subsidiary companies of RCBs engage in consumer-credit and other developmental activities.

5. Part of the profits of RCBs is channelled into social developmental activities, such as donations to support education, health, traditional administration and the needy in the communities in which the RCBs operate.

It must also be emphasised that RCBs were expected to operate in an environment of high illiteracy rate and no financial sophistication. To a large extent, they were expected to depend on mobilised deposits, instead of government funds, in order to avoid high transaction cost and default rates associated with such government subsidised funds. As rural development institutions, rural banks require effective local participation, hence they are to be owned and managed by the communities within which they operate. The rationale behind the community ownership is to promote community identity, boost local patronage and support the processing of requests for facilities and loans (Bank of Ghana, 1997).

### ***3.9.2.3 Products and Services of RCBs***

RCBs offer a wide range of products and services to their catchment areas. These products and services (in this study) have been grouped into primary and secondary products and services. The primary ones include those products and services which RCBs were originally set up to provide and, in fact, form the largest part of their core business activities. These services and products are provided by all RCBs irrespective of their location, size and ownership. The secondary products and services, on the other hand, include those that are actually designed and offered peculiar to business environment and specific circumstances of individual RCBs. In fact, these products and services vary from one RCB to another in terms of names, clients and purpose. Table 3.9.2.3 below summarises the products and services of RCBs in Ghana:



**Table 3.9.2.3: Products and Services of RCBs**

PRIMARY SERVICES/PRODUCTS	SECONDARY SERVICES/PRODUCTS
<ul style="list-style-type: none"> <li>• <b><u>Deposits/Savings</u></b> <ul style="list-style-type: none"> <li>– Savings Accounts</li> <li>– Current Accounts</li> <li>– Time Deposits</li> <li>– Susu Deposits</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Social Investment/Community Development</li> </ul>
<ul style="list-style-type: none"> <li>• <b><u>Credit/Loans</u></b> <ul style="list-style-type: none"> <li>– Microfinance Loans</li> <li>– Personal Loans</li> <li>– Commercial Loans</li> <li>– Salary Loans</li> <li>– Susu Loans</li> <li>– Overdraft Facilities</li> <li>– Other forms of loans</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Special products and services provided on behalf of government and donor-financed programmes: <ul style="list-style-type: none"> <li>i. Microfinance and Small Loan Centre (MASLOC)</li> <li>ii. The Social Investment Fund, the Community-Based Rural Development Project</li> <li>iii. The Millennium Development Authority.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b><u>Payment/Transfers</u></b> <ul style="list-style-type: none"> <li>– Check payments</li> <li>– Salary and pensions payments</li> <li>– Cocoa farmers payment</li> <li>– Money transfer ( Western Union, Money Gram and Vigo)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Consumer credit schemes</li> </ul>

Author's own construct, 2014

**Deposits and Savings:** Deposits and savings mobilisation has been and continues to be the core activity of most RCBs in Ghana. This includes regular savings accounts, current accounts, fixed or time deposits and susu deposits. Savings accounts, which form the largest share of deposit portfolio, are characteristically small in size, short-term in nature and attract low interest rates normally tied to specific balances (Nair and Fissaha, 2010). Susu deposits (the second largest) are mobilised either daily or weekly and can be personal or group in nature. The banks normally mobilise this kind of susu deposits through the susu collectors, who are employees of the banks and paid on commission basis. These collectors visit individuals in their houses and business premises to collect the deposits and then pay on their behalf either at mobilisation centres or branches of the RCBs (Nair and Fissaha, 2010). RCBs also offer non-interest bearing current

accounts with cheque-writing facilities. The target group is normally salaried employees of both public and private institutions dotted around the catchment areas of the RCBs.

***Credits and Loans:*** These products include microfinance loans, personal loans, commercial loans, salary loans, Susu loans, and overdraft facilities. Nair and Fissha (2010) report that the microcredit portfolio of rural banks is larger than the sum of the microfinance and Susu loan portfolios shown in the loan classifications reported by the RCBs. However, microfinance loans and Susu loans predominantly featured as the two special loan products that most directly benefit the low-income population. It is worth noting that, most of these loans are channelled into agriculture, cottage industries, trading, and other personal endeavours.

***Payments and Transfers:*** With ARB Apex Bank acting as a clearinghouse, RCBs continue to provide payment and money transfer services to a large pool of clients. Most payments are characteristically made on behalf of central and local governments and private companies. They come in the forms of salary and pension payments to employees of these entities or payment to cocoa-producing farmers, as instructed by licensed buying companies (Nair and Fissha, 2010). Local and International money-transfer services include Western Union, Money Gram, and Vigo.

***Social Investment or Community Development:*** Another interesting dimension of the services of RCBs is the increasing interest in social investment and community development. This is normally discussed under the broad topic of Corporate Social Responsibility, and this happens to be the main thrust of this study. By their location and the composition of their shareholders, RCBs have increasingly grown to become partners in community development. Most RCBs have, as part of their mission and vision statement, a desire to pursue social development activities in the communities where they operate. In that regard, RCBs engage in community

investment activities, such as financing of infrastructure such as school buildings, community libraries, and community roads, as well as scholarships for needy but brilliant students.

*Special Products and Services:* This also forms part of the extra activities which are fast receiving the attention of RCBs. As a bank located in rural areas, RCBs have undertaken certain services provided on behalf of government and donor-financed programmes. Prominent among these are the Microfinance and Small Loan Center (MASLOC), the Social Investment Fund, the Community-Based Rural Development Project and the Millennium Development Authority.

*Consumer Credit Schemes:* This type of services is most contemporary among RCBs. Even though not all RCBs are engaged in it, it is seen to be one of the services that have a lot of benefits for a large pool of rural workers and dwellers alike. In this service, RCBs set up subsidiary companies which provide customers with a wide range of consumer or household goods, including refrigerators, television sets, video decks, sewing machines, textiles, clothing, cookers, fans, asbestos sheets, just to mention a few (LPRB, 2014). Customers of the bank are made to apply for such items and make payment by instalment. An example of such facilities is the Rural Assistance Limited (a trading commercial establishment) set up by Lower Pra Rural Bank limited.

### **3.9.3 Framework for Regulation and Supervision of RCBs**

Generally, the RCBs are regulated and supervised by the Bank of Ghana (BoG) under the Banking Act 2004 (Act 673) and Bank of Ghana Act 2002, Act 612. Under these Acts, the BoG is charged with the responsibilities of ensuring sound and efficient banking systems in the interest of depositors and other customers of these banking institutions and the economy as a whole (BoG, 2014, website information). This responsibility is pursued by the BoG in terms of

its regulatory and supervisory roles, which, over the years, have gone through series of reforms. In this section, the study attempts to review these roles – Regulatory and Supervisory, in order to understand the broad legal, regulatory and supervisory environments under which RCBs operate.

### ***3.9.3.1 Legal and Regulatory Environment***

As indicated earlier, RCBs are incorporated as limited liability companies and licensed by the BoG within the framework of the Banking Act and under the Companies Code of Ghana, 1963 (Act 179) and as indicated in the ARB Apex Bank Limited Regulations, 2006 (L.I. 1825). Defined by Act 612 and Act 673 (and summarised on BoG, 2014, website information), the statutory role of the BoG in the operation of rural banks includes the licensing of new banks, supervision, and liquidation (Nair and Fissaha, 2010). Under these legal and regulatory regimes, the RCBs are required by the BoG to adhere to some requirements. These requirements, as at 2008, are summarised in Table 3.9.3.1:

**Table 3.9.3.1: Legal and Regulatory Framework of Rural and Community Banks**

<p><b><i>1. Licensing requirements</i></b></p> <ul style="list-style-type: none"> <li>• Minimum paid-up capital of GH¢ 150,000</li> <li>• Ownership of shares by residents</li> <li>• Operation within a radius of about 25 miles</li> </ul>
<p><b><i>2. Prudential requirements</i></b></p> <ul style="list-style-type: none"> <li>• Minimum paid-up capital of GH¢ 150,000</li> <li>• Capital adequacy ratio of 10%</li> <li>• Liquidity reserve ratio of 43%</li> <li>• Exposure limits of 25% for secured loans, 10% for unsecured loans, and 2% for loans to members of board of directors</li> </ul>
<p><b><i>3. Tax requirements</i></b></p> <ul style="list-style-type: none"> <li>• Corporate income tax rate of 8%</li> <li>• Value-added tax of 15%</li> <li>• National Health Insurance Scheme tax of 2.5%</li> </ul>

Adopted from Nair and Fissaha (2010)

It must be noted that, as a penalty for a bank's inability to adhere to the above requirements, they are disallowed from paying dividends or setting up new branches or agencies until they adhere especially to the minimum level of capital adequacy.

### **3.9.3.2 Supervisory Framework**

Until the establishment of the ARB Apex Bank Limited, when part of the supervisory role of the BoG was ceded to them, the general banking supervision was the prerogative of the BoG. Primarily, the BoG does this supervision through its Banking Supervision Department (BSD). In general, the BSD conducts on-going monitoring of overall operations of banks and the enforcement of banking regulations and policies. This is done to ensure the safety, soundness and stability of banks and the banking system and more so, to promote efficiency and competition among banks in Ghana (MBendi, 2014). To achieve the overall supervisory objective of the central bank, the BSD is involved in series of activities, which are summarised in Table 3.9.3.2a:

**Table: 3.9.3.2a: Supervisory Activities of BSD of the Bank of Ghana**

<ul style="list-style-type: none"><li>i. Conducting on-site examinations of all banks at least once a year</li><li>ii. Performing follow-up and investigative tasks in banks to ensure corrective actions</li><li>iii. Collecting and analysing regular reporting returns and other financial data</li><li>iv. Providing guidance as to accounting policies and practices to be adopted by banks</li><li>v. Liaising with internal and external auditors to ensure that all high-risk areas are adequately audited</li><li>vi. Appraising applications for the issuance of banking license for prospective banks and authorising the opening, closing and relocating of bank branches, and</li><li>vii. Meeting top management of banks on regular basis to review their operational lapses.</li></ul>
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**Source: Adopted from MBendi (2014)**

More specifically to RCBs, Nair and Fissaha (2010) report that BSD supervision activities can be summarised, as in Table 3.9.3.2b:

**Table 3.9.3.2b: BSD Supervisory Activities to RCBs in Ghana**

<p>i. On-site and off-site inspection,</p> <ul style="list-style-type: none"><li>• An on-site examination of rural banks, at least, once a year.</li><li>• Annual on-site supervision takes about five days in each rural bank.</li><li>• The on-site supervision reviews various aspects of a bank’s operations, including books, records, and use of fixed assets</li><li>• The examination is carried out without prior notice to the rural banks.</li><li>• In the course of the examination, inspectors may also interview staff, clients, and directors where necessary</li></ul> <p>ii. Issuance of administrative directives.</p> <p>iii. Attendance of rural bank annual general meetings (AGM).</p> <p>iv. Rural banks are required to submit monthly, quarterly, and annual returns on a variety of financial and nonfinancial indicators.</p>
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Source: Nair and Fissera (2010)

However, due to the increasing expansion of the rural banking sector, the ARB Apex Bank was established in 2002 to undertake some supervisory role as discussed in section 3.9.4.

### **3.9.4 The ARB-APEX Bank**

As indicated in previous discussions, the ARB Apex Bank Limited is a mini central bank established by the Government of Ghana (GoG) under the Rural Financial Services Project (RFSP) with support from the World Bank primarily to address the operational bottlenecks of the rural financial sector and deepen financial intermediation in the rural areas (ARB-Apex Bank, 2013). Established originally as Association of Rural Banks (ARB) in 1980 by managers and directors of rural banks, with an original aim to promote the exchange of information and to improve the performance of rural banks as a whole, the bank has metamorphosed into the present-day pseudo central bank for RCBs. The ARB Apex Bank Limited was incorporated under the Companies Code 1963, Act 179, as a public limited-liability company in 2000 and

licensed by the Bank of Ghana under the then Banking Law, 1989 (PNDCL 225) as repealed by the Banking Act 2004, (Act 673) (ARB-Apex Bank, 2013).

With its shareholders predominantly being the rural and community banks operating in Ghana, the ARB Apex Bank has as its vision *“to leverage on leading edge technology to increase the satisfaction of RCBs and their customers and expand access to financial services in the rural economy”*. Its mission is also *“to provide sustainable banking and non-banking support services to the RCBs with the aim of improving their operational efficiency and customer service, thereby transforming them into efficient financial institutions, which can effectively address the banking needs of the communities in which they operate”*... (ARB-Apex Bank, 2013).

According to Andah and Steel (2003), the Apex Bank’s main role is to provide technical, financial and managerial support and ensure effective supervision to the rural banks under the umbrella of the central bank, the Bank of Ghana. In addition to the above, the ARB Apex Bank’s specific function, as explained by ARB Apex Bank (2013) and captured on their own website includes what has been summarised in Table 3.9.4.

**Table 3.9.4: Functions of ARB Apex Bank Limited**

<b>Functions of ARB Apex Bank Limited</b>	
i.	Provision of cheque-clearing services: This addresses the constraints of delays in cheque clearing through the big commercial banks.
ii.	Handling cash-movement and funds-management services: This ensures effective and efficient management of the cash of rural and community banks.
iii.	Development of new innovative banking products: This is to enable more rural dwellers to have access to banking products purposely designed to meet their needs.

Source: Adopted from ARB-Apex Bank website, 2014.

**Table 3.9.4 cont'd**

<b>Functions of ARB Apex Bank Limited</b>	
iv.	Provision of inspection services: The provision of both on-site and off-site inspection services addresses the problems of inadequate bookkeeping, non-observance of internal control measures and lack of regular inspection of the rural and community banks.
v.	Provision of Information Technology support to computerise rural and community banks' operations and ensure efficient handling of data or information, which will result in quality customer service.
vi.	Sourcing of funds for on-lending to the rural and community banks.
vii.	Training of staff and directors of rural and community banks. This ensures that the staff and the management of rural and community banks possess the requisite skills to operate professionally.
viii.	Guarantee payment instruments.
ix.	Develop credit assessment procedures and monitor loans and advances.
x.	Bail out distressed RCBs.
xi.	Provide ICT services.
xii.	Establish and manage the Rural Banking College.
xiii.	Provide a deposit insurance scheme to protect deposits of customers.

### **3.10 CONCLUSION**

This chapter has reported on the various international and inter-governmental guidelines and agreements that have been used in different countries as the basis to engage in CSR. As shown in the chapter, there is no “one-size-fits-all” method for pursuing a CSR approach, but corporations in different industries and countries have largely dwelled on a plethora of CSR activities which invariably mimic several international agreements, principles and guidelines. These include the UN Global Compact, the OECD Guidelines for MNEs, the MDGs and ILO Tripartite



Declaration of Principles Concerning Multinational Enterprises and Social Policy, among others. In their view, these initiatives have emerged to provide guidance on governmental and societal expectations of business.

More crucial in the chapter is the discussion on the framework for planning and implementing CSR. On the basis of stakeholder engagement theory, the chapter has discussed the various stages involved in planning and implementing CSR as put forward by Hohnen and Potts (2007). In this framework, they suggest that an ideal type CSR implementation process must necessarily include four stages (based on the Plan – Do – Check – Improve Management Model) comprising six tasks, including Conduct a CSR assessment, Develop a CSR strategy, Develop CSR commitments, Implement CSR commitments, Assure and report on progress and Evaluate and improve. In an attempt to contextualise the practice of CSR, the chapter discusses what actually constitutes CSR, as practised by corporations operating in Africa (whether local or multinational or born-local or born-global) and Ghana in particular. It also explores the concentration of CSR research in terms of the state-based and indicates specific examples of sector-based CSR activities in the African and Ghanaian contexts. The chapter also examines how the rural banking industry has developed since its inception in 1976, and concludes with a conceptual framework on a stakeholder-based CSR practice which will form the basis for analysing RCBs engagement in CSR activities relative to their identifiable stakeholders.

In the next chapter, the study will discuss in detail the methodological basis for this study. It will describe the various factors and considerations that informed the selection of the methodologies and strategies adopted for the study and outline the research design, methods and instruments used in collecting the data.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.0 INTRODUCTION**

A consideration of the methods and approaches for conducting a given study is an important aspect of doing research. Several factors influence the selection of appropriate methodologies to be adopted for a study. The very nature and scope of one's enquiry, the set objectives, among others are very important when selecting a methodology for a research study. This chapter has three different sections. The first section outlines a discussion on the philosophical domain within which the research is grounded. It examines the various factors and considerations that informed the selection of the methodologies and strategies adopted for the study. The second section delineates the research design, population of study, sampling procedure and sample size. Additionally, it discusses the sources and types of data, and the methods and instruments used in collecting the data. The section continues with processes employed in processing, analysing and presenting the data used in the study. Finally, it concludes with an examination of the extent of validity and reliability of the methods used in the study.

#### **4.1 RESEARCH PHILOSOPHY**

The foundation upon which all research lie includes its ontological, epistemological and methodological positions (Bryman, 2004). This together with other factors, such as the theoretical foundation; the researcher's values and other practical considerations has some appreciable implications on the entire research. A research philosophy, in Lewin's (1988) view, is a belief about the way data about a phenomenon should be collected and analysed. It is based on a set of shared assumptions, values, concepts and practices which, in the researcher's view,

could assist in developing knowledge (Johnson and Christensen, 2004). The use of appropriate paradigm or philosophy goes a long way to assist in reducing the implications of factors such as time constraint, budget constraint, availability of data and social phenomena being investigated. All these are grounded in the ontological, epistemological and methodological approaches of the study.

#### **4.1.1 Ontological Perspective**

This perspective attempts to answer the question of what reality is or what might exist in the field. To Smith (2003), ontology seeks to provide a definitive and exhaustive classification of entities in all spheres of being. Two strands of thought are identified in this regard. These are objectivism and subjectivism. According to Burrell and Morgan (1979), ontology relates to the nature of reality, that is, what things, if any, have existence or whether reality is “the product of one’s mind”. As explained by Bryman (2004), to the objectivists, social phenomena may confront us as external facts that are beyond our reach or influence. Hence, there is a real world which is absolutely independent of our knowledge and upon which life is built. On the other hand, the subjectivists (also in some cases referred to as constructionist) suggest that there is no real world but the world as it is socially and discursively constructed, hence, it is a product of time and culture (Marsh and Furlong, 2002). Put in another way, social phenomena can be handled and accomplished by social actors, and individuals create their own reality (Bryman, 2004). These considerations are very crucial, since the researcher necessarily needs to understand what reality is before pursuing it by conducting a social research.

It is the position of this study that a certain reality exists as far as CSR engagement among RCBs is concerned, however, this reality has been formulated with time and experience. It is more or less shaped by social, economic, ethnic, political, cultural, and gender values and they become

concretised over time (Perry *et al*, 1999). This position is verified by the many studies that have actually suggested that most CSR practices found worldwide tend to mimic international and transnational agreements, principles and guidelines.

#### **4.1.2 Epistemological Perspective**

This concerns knowledge and how it is constructed. It constitutes an understanding of what is entailed in “knowing and how we know what we know” (Crotty, 1998). Largely embedded in a study’s theoretical perspective, the epistemological position of a study explains its beliefs about how one might discover knowledge about the world. This, according to Saunders *et al* (2007), raises the question as to whether the social world can be studied using the same rigorous approach and procedure which are applied in the natural sciences. Thus, the researcher’s perspective of knowledge goes a long way to inform him or her about the method that can be used to acquire that knowledge. Two strands of paradigm – positivism and interpretivism – are identified by Bryman (2004). The former advocates the application of methods of the natural sciences to study social reality. The positivists hold the view that every rationally justifiable assertion can be scientifically verified through the use of the methods used in the natural sciences. More so, they maintain that a true explanation or cause of an event or social pattern can be found and tested by scientific standards of verification (Roth and Mehta, 2002). This is pursued based on systematic observation and experiment, with the goal of discovering social laws analogous to the natural laws uncovered by the methods of natural science.

On the contrary, the latter explains that the subject matter of social science and for that matter social reality is fundamentally different from that of the natural sciences, hence, it demands a different set of research procedures that are distinctively applicable to the study of social phenomena as against the natural science model (Bryman, 2004). To the interpretivists, it is only

through the subjective interpretation of and intervention in reality that the reality can be fully understood.

By reference to the strands in the preceding section (Ontological Perspective), while the positivists seek for the objective truths about the reality (objectivism), the interpretivists rather seek subjective truth about the reality (subjectivism). The reason being that, all versions of the truth are shaped by the viewers' perceptions and understanding of their world (Roth and Mehta, 2002). Arguably, they may be taken as two sides of the same coin with the same purpose of seeking the truth but probably using different methods. As explained by Roth and Mehta (2002), the positivist and interpretivist approaches are not fundamentally at odds with one another but simply require different analytical lenses for the same data. Many other researchers (Rappaport, 1979; Rosaldo, 1982; Shankman, 1984a, 1984b; Farrer, 1984) have also supported and maintained that the view of objective truth as unknowable need not prevent researchers from approaching that truth and should not be considered incompatible with interpretivist goals (Roth and Mehta, 2002).

Admittedly, and as explained by Benbasat *et al* (1987) and Kaplan and Duchon (1988), no single research methodology (research philosophy) is intrinsically better than any other methodology. It is obvious that a combination of research methods will go a long way to improve the quality of research. Against this background, this study is positioned between the two strands of seeking the truth about CSR as practised by RCBs in Ghana. CSR, as maintained by many studies, is predominantly a northern-brewed concept which has found its way into the business environment in Africa and, for that matter, Ghana. The implementation of CSR and its entire practice has been contextualised into the Ghanaian environment and, hence, would have been influenced by cultural values and practices. As a product of culture and social processes, it is the position of

this study to approach the reality of CSR in Ghana, as much as possible, with a combination of the methods of natural sciences and the tools for interpretive approach. In doing this, the researcher insulated himself of any personal or social biases and prejudices, which are likely to affect the objective reality. This position flows from and is compatible with the ontological position taken in the preceding section.

#### **4.2 RESEARCH APPROACH/STRATEGY**

Following from the philosophical position grounded in this study and espoused in the preceding sections, it demands that the study adopts an approach that allows for the combination of both objectivism and subjectivism on one hand, and positivism and interpretivism on the other hand.

The strategy, therefore, appropriately combines both qualitative and quantitative methodologies in achieving its stated objectives. As much as the study admits to a large volume of theories in the area of CSR (with some of them discussed in the literature), the study also seeks to test these theories in the context of Ghana and perhaps generally a contextually fitted sets of theories that can appropriately be used locally. In such a context, a multi-strategy research is deemed appropriate and offers the better of the two main approaches - qualitative and quantitative. This strategy is what has been popularised by researchers as mixed-methods or multi-strategy research (Bryman, 2004). The choice of mixed methods is grounded in [and discussed in Kaplan and Duchon (1988)] its ability to provide a richer, contextual basis for interpreting and validating results. A mixed method also brings testability and context into the research. Kaplan and Duchon (1988) further explain that mixed methods allow collecting different kinds of data by using methods and from different sources. Hence, it provides a wider range of coverage that may result in a fuller picture of the unit under study than would have been achieved otherwise (Kaplan and

Duchon, 1988). Additionally, this strategy tends to provide opportunities for triangulation, thereby, increasing the robustness of findings and results.

Furthermore, the research discourse in CSR and its related areas has been characterised by mostly quantitative methodologies with only a few cases of an application of qualitative strategy (De Silva, 2011). This situation, according to Brannen (2005) and Johnson and Onwuegbuzie (2004), is attributable to the popularity and identification of quantitative methods as an accepted research method, its ability to judge rigour in terms of reliability, replicability, generalisability and validity, data accessibility, time frame and time constraints, and researcher independence (De Silva, 2011). To this extent, content analysis was predominantly used during the period 1988-2003 as the main tool for collecting data in most CSR research. This was included in some findings of Parker (2005), when he examined methods used in top four interdisciplinary research journals on CSR and Environmental reporting. However, the trend, according to his examination, assumed a skew towards qualitative methods during the period of 1999-2003. He intimates that an approximately equal number of articles published in the top four interdisciplinary research journals employed the content analysis, case/field/interview study, or survey research methods. Thus, in recent research (Holcomb *et al*, 2007, Lee, 2009, Whiting and Miller, 2008), the need for alternative and additional research methods to the popular single method of content analysis or otherwise has been popularised in several accounting disclosure and corporate social responsibility (De Silva, 2011). The choice of mixed methods approach is, therefore, not out of place but will also add and explore new areas in methodologies for CSR research.

Within the mixed method approach, Creswell (2009) identified two in six major types of strategies that researchers who intend to use the mixed method can adopt. These include Sequential Design – (1) Sequential Explanatory Design; (2) Sequential Exploratory Design; and

(3) Sequential Transformative Design; and Concurrent Design – (4) Concurrent Triangulation Design; (5) Concurrent Embedded Design; and (6) Concurrent Transformative Design. These designs, according to Creswell (2009), are classified according to the priority given to qualitative method or otherwise quantitative method. In this study, Concurrent Transformative Design is considered the appropriate. This is because, and as explained by Creswell (2009), it allows for the use of a specific theoretical perspective by the researcher and also allows for the concurrent collection of qualitative and quantitative data. As indicated earlier, the study seeks to dwell on and test existing theories in the context of Ghana and perhaps generate a contextually-fitted set of theories that can appropriately be used locally. The choice of this strategy makes it easy for the study to pursue this intention.

Additionally, Concurrent Transformative Design makes a combination of triangulation and embedded strategy and, hence, allows the researcher the opportunity to triangulate qualitative data with quantitative data, as has been the intention in this study.

#### **4.3 RESEARCH DESIGN**

Research design, according to De Vaus (2001), is the overall strategy that you choose to integrate the different components of the study in a coherent and logical manner to enable the researcher gather the appropriate data to unambiguously achieve the study objectives. It outlines the processes that guide the collection, measurement, and analysis of data and generally finding answers to the research objectives/questions being studied. It gives an overall guidance on selection of appropriate methods of data collection and analysis for the study (Churchill, 1979). Based on the philosophical orientation of this study, coupled with the nature of questions that the study intended to find answers to, a mixture of exploratory, case-study and cross-sectional



designs were deemed most appropriate for the study. This actually flows from the mixed method approach of concurrent transformative design, which has been discussed in the preceding section.

#### **4.3.1 Exploratory Design**

Cuthill (2002) and Taylor *et al* (2002) explain that this research design focuses on gaining insights and familiarity on phenomena which have very few or no earlier studies to refer to. It is used largely when the problems being investigated are in a preliminary stage of investigation. In this study, the Exploratory Design, as used, is to gather data to give more understanding of, ideas about and insights into CSR as practised among RCBs in Ghana. This actually stems from the relatively new nature of the practice of CSR in Ghana and among RCBs in particular. To this extent, the study employs Exploratory Design methods, such as literature search, semi-structured interview, and content and archival analysis of individual practices in RCBs. These methods are qualitative in nature and actually assisted in generating descriptive and textual data that aided the analysis in this study.

#### **4.3.2 Cross-Sectional Survey Design**

The study conducted a cross-sectional survey of various identifiable stakeholders, which included employees, customers, and members of beneficiary communities. This design was used to identify the extent of prevalence and dominance of various patterns of CSR and how they vary across the industry and over time. It was also to enable the researcher conduct some form of triangulation for the data collected from the interviews.

#### **4.3.3 Case Study Design**

Another design which was deemed appropriate for the study is the Case Study Design. This enabled the researcher to make a comprehensive description and analysis of a single situation

(Aaker *et al*, 2008). Yin (1994:13) explained that the Case Study Design involves an empirical inquiry that investigates a particular contemporary phenomenon within its real-life context. This design was chosen due to its ability to allow investigators to retain the holistic and meaningful characteristics of real-life events” (Yin, 2003). As indicated earlier in this section, the study seeks to find answers to questions of *what, why and how* CSR has evolved and practices within the rural banking industry in Ghana. It is deemed appropriate to use case study to enhance the richness of data and to present an in-depth analysis of the CSR phenomenon.

Additionally, the design blended very well with other forms of methods used in the Exploratory Design. Particularly, as part of the case study, the researcher applied in-depth interview, focus group discussion, and content and archival analyses to gather the data used to describe the patterns of CSR practices within the selected cases. In all, out of the four cases that agreed to participate in the study, after a preliminary examination of their characteristics, two of them were selected based on the uniqueness of their characteristics and the record of their impressive strides made in the CSR practice.

#### **4.4 STUDY POPULATION**

The targeted population of the study was all RCBs in Ghana. According to the Bank of Ghana (2013), the total number of registered RCBs in the country stood at 137 as at January, 2013. Within these RCBs, the unit of analysis included Managers in charge of CSR and identifiable stakeholders – Employees, Customers and Members of beneficiary communities. Considering the size of this population, it became necessary to reduce it to a manageable size, using various sampling procedures, which have been discussed below.

## **4.5 SAMPLING PROCEDURE AND SAMPLE SIZE**

Considering the unit of analysis indicated above, there need to be appropriate sampling procedures to enable the researcher select a sample that is adequately representative of the target population. In view of that, the study first sought to reduce the size of RCBs to a manageable size based on which individual respondents were selected from the categories of stakeholders identified. Presented below is a discussion on the various sampling techniques used in the study.

### **4.5.1 Sample Size**

In this study, two (2) sets of respondents are used, constituting two (2) sets of samples. The first sample, which the study refers to as bank sample, represents selected banks for the study, and the second set included selected respondents from identifiable stakeholders of the selected cases – employees, customers and members of beneficiary communities. In all, there are 137 RCBs in Ghana, as reported by the Bank of Ghana (2013). Using a 10% margin of error and confidence level of 90%, the study adopted the Raosoft formula to calculate the appropriate sample size for the RCBs (Raosoft, 2004). Using the Raosoft (2004), the study settled on a sample size of 46 RCBs as the bank sample. However, the researcher was of the view that it is important that your sample size is large enough to provide you with the necessary confidence in your data. In order to ensure this, Saunders et al (2009) argue that the researcher needs to enlarge the sample size based on an estimated response rate. This will allow the researcher to figure out the actual sample size that is deemed appropriate for the study. Following from this explanation, the researcher calculated the actual sample, using the formula proposed by Saunders et al (2009), which is captured below:

$$n^a = \frac{n \times 100}{re\%}$$

where  $n^a$  is the actual sample size required,

$n$  is the minimum sample size (calculated by Raosoft, 2004)

$re\%$  is the estimated response rate expressed as a percentage.

Thus, with a minimum sample size (calculated by Raosoft, 2004) of 46, and an estimated response rate of 92%, the calculated actual sample came up to the figure below:

$$n^a = \frac{46 \times 100}{92\%}$$

$$n^a = 50$$

The second set of respondents included the identifiable stakeholders as indicated earlier. Due to the lack of sufficient data on the total number of Employees, Customers and Members of beneficiary communities for each of the selected RCBs, the study arbitrarily selected thirteen (13) identifiable stakeholders for each bank. In summary, the sample size for the stakeholders added up to 650 respondents. Table 4.5.1 below gives the detail of the sample size for the stakeholders.

**Table 4.5.1: Sample Size of Identifiable Stakeholders**

<b>Stakeholders</b>	<b>Banks Sample (N)</b>	<b>Study Sample (N x 50)</b>
Community Members	5	250
Customers	5	250
Employees	3	150
<b>TOTAL</b>	<b>13</b>	<b>650</b>

Source: Author's own construct (2014)

Where N = proposed sample

Total number of RCBs being studied = 50

#### 4.5.2 Quota Sampling

Following this sample size, the study, in order to ensure representativeness in the selection of banks, approached the selection on regional basis. Quota sampling, as explained by Bryman (2008), attempts to produce a sample that reflects the study population in terms of relative proportions of unit within the various categories being understudied. In this study, the quota was assigned to various regions based on the numerical strength of the RCBs within the ten (10) regions of Ghana. The quotas assigned were based on the percentage of the total RCBs in Ghana. Using the formula below, the study settled on the various quotas as indicated in Table 5.5.2 below:

$$n = \left( \frac{a}{N} * 100 \right) * b$$

where n = regional sample size

$a$  = Total regional RCBs

$N$  = Total national RCBs

$b$  = Sample size for the study

**Table 4.5.2: Regional Sample Size for RCBs**

SN	Regions	Code	No. of RCBs	%	Actual Sample
1	Ashanti	AR1 – AR9	25	18	9
2	Central	CR1 – CR8	21	15	8
3	Eastern	ER1 – ER8	22	16	8
4	Brong-Ahafo	BAR1 –BAR7	20	15	7
5	Western	WR1 – WR5	14	10	5
6	Volta	VR1 – VR4	12	9	4
7	Gr. Accra	GAR1 – GAR3	7	5	3
8	Upper East	UER1 – UER2	5	4	2
9	Upper West	UWR1	4	3	1
10	Northern	NR1 – NR3	7	5	3
			137	100	50

**Author's own construct (2013)**

### **4.5.3 Purposive Sampling Technique**

Purposive Sampling has been defined by Maxwell (1997) as the type of sampling in which “particular settings, persons, or events are deliberately selected for the important information they can provide that cannot be gotten elsewhere from other choices”. This may be due to some peculiar characteristics they possess. In this study, the purposive sampling technique was used to select individual RCBs within the regions that, in the opinion of the researcher, were appropriate for the study. The study, based on the criteria listed below, purposefully selected the 46 RCBs from the regions based on the quota assigned to them:

1. The bank must have made it to the Ghana Club 100 listing by GIPC (in which case, position on the ranking is critical).
2. The bank must have been in operation in the last 10years.
3. Evidence of an on-going CSR engagement.
4. Otherwise, select through simple random.

Based on the criteria above, a thorough archival search and telephone contacts were made on the RCBs to ascertain which of them qualified for selection. The study finally settled on the RCBs captured in Table 4.5.3 below as having met the criteria, hence, considered appropriate for the study.

**Table 4.5.3: Selected RCBs for the Study (with Their Codes)**

SN	Name of RCB	Region	Code
1	Nwabiagya Rural Bank	Ashanti	AR1
2	Odotobri Rural Bank	Ashanti	AR2
3	Asante Akyem Rural Bank Limited	Ashanti	AR3
4	Adansi Rural Bank Limited	Ashanti	AR4
5	Bosomtwe Rural Bank	Ashanti	AR5
6	Amansie West Rural Bank Limited	Ashanti	AR6
7	Sekyere Rural Bank Limited	Ashanti	AR7
8	Juaben Rural Bank limited	Ashanti	AR8
9	AtwimaKwanwoma Rural Bank Limited	Ashanti	AR9
10	Kintampo Rural Bank	Brong-Ahafo	BAR1
11	Wamfie Rural Bank Ltd	Brong-Ahafo	BAR2
12	Suma Rural Bank Ltd	Brong-Ahafo	BAR3
13	Baduman Rural Bank Ltd	Brong-Ahafo	BAR4
14	Asutifi Rural Bank Ltd	Brong-Ahafo	BAR5
15	NkoranzaKwabre Rural Bank Ltd	Brong-Ahafo	BAR6
16	Fiagya Rural Bank Ltd	Brong-Ahafo	BAR7
17	AwutuBawajise Rural bank	Central	CR1
18	Kakum Rural Bank Limited	Central	CR2
19	Nyakrom Rural Bank Ltd	Central	CR3
20	Mfantseman Community Bank Ltd	Central	CR4
21	Enyan Denkyira Rural Bank Ltd	Central	CR5
22	Gomoa Rural Bank Ltd	Central	CR6
23	NyankumaseAhenkro Rural Bank Ltd	Central	CR7
24	Assinman Rural Bank Ltd	Central	CR8
25	South Akim Rural Bank Limited	Eastern	ER1
26	Akwapim Rural Bank Limited	Eastern	ER2
27	Anum Rural Bank Limited	Eastern	ER3
28	Kwahu Rural Bank Limited	Eastern	ER4
29	Upper Manya Kro Rural Bank Limited	Eastern	ER5
30	Adonteng Community Bank Limited	Eastern	ER6
31	Asuopra Rural Bank Ltd	Eastern	ER7
32	Mumuadu Rural Bank Ltd	Eastern	ER8
33	Dangme Rural Bank Limited	Greater Accra	GAR1

Source: Author's own Construct (2013)

**Table 4.5.3: Selected RCBs for the Study (with Their Codes)**

SN	Name of RCB	Region	Code
34	Ga Rural Bank Limited	Greater Accra	GAR2
35	La Community Bank Ltd	Greater Accra	GAR3
36	Unity Rural Bank Limited	Volta	VR1
37	North Tongu Rural Bank Ltd	Volta	VR2
38	Asubonteng Rural Bank Ltd	Volta	VR3
39	Gbi Rural Bank Ltd Hohoe	Volta	VR4
40	Ahantaman Rural Bank Limited	Western	WR1
41	Lower Pra Rural Bank	Western	WR2
42	Fiaseman Rural Bank Limited	Western	WR3
43	Kaaseman Rural Bank Limited	Western	WR4
44	Upper Amenfi Rural Bank Limited	Western	WR5
45	Builsa Community Bank Ltd	Upper East	UER1
46	Bongo Rural Bank	Upper East	UER2
47	Nandom Rural Bank Ltd	Upper West	UWR1
48	Bonzali Rural Bank Ltd Kumbugu	Northern	NR1
49	Bangmarigu Community Bank Ltd Walewale	Northern	NR2
50	East Mamprusi Rural Bank Ltd	Northern	NR3

Source: Author's own Construct (2013)

Additionally, the purposive sampling technique was used to select the banks that participated in the case study. First, the researcher negotiated for the participation of the banks in the case study by sending letters to them. After a period of about two months, four banks communicated their willingness to partake in the case study. However, after a carefully-planned preliminary assessment of the major characteristics of the banks and the extent of their engagement in CSR, two banks were selected for the study, under a pseudo name – ***“Progressive Bank and Community Development Bank”***.

It is important to note, however, that respondents and companies especially were assured of utmost confidentiality as the information gathered in this study would be used solely for the purposes of academic work and not to be shared with a third party. Issues of corporate disclosure



have been considered as part of the core ethics of this study. The study used the views and information provided as the basis for aggregate analysis, without necessarily using it to reflect an individual company's viewpoint. Based on this, the thesis coded each of the selected RCBs based on the regional location as shown in Tables 4.5.2 and 4.5.3 above.

#### **4.5.2 Expert Sampling Technique**

Expert sampling, as defined by Trochim (2006), involves the assembling of a sample of persons with known or demonstrable experience and expertise in the area of the study. Even though some literature places it as a subset of the Purposive Sampling Technique, the study deemed it appropriate to separate it, since it was applied for some particular reasons. The study used the Expert Sampling Technique to select managers in charge of CSR or their representatives. This is because they are deemed to possess some specialised knowledge. Sampling experts who had specialised knowledge and experience in CSR within the selected RCBs enabled the researcher elicit, first, an expert opinion of individuals who were directly involved in the planning and implementation of CSR in the various RCBs. The study, therefore, sampled managers or representatives of the various RCBs, who were directly involved in the planning and implementation of CSR. This consisted of 50 experts, who formed the key informants for the study.

#### **4.5.3 Simple Random Sampling**

The study also selected a sample of respondents from identifiable stakeholders, which included Employees, Customers and Members of beneficiary communities. In selecting these respondents, the study applied the Simple Random Sampling. This was to ensure that each member within these categories had equal chance of being selected.

## **4.6 DATA COLLECTION**

Data collection is an essential aspect of every research. This is so because the data the researcher collects has an enormous implication on the successful achievement of the research objectives and, for that matter, the results of the study. This section discusses the methods and steps followed in gathering information for the research.

### **4.6.1 Sources of Data**

Both secondary and primary sources of data were used in this study. Secondary sources included journal articles, textbooks, and other publications on CSR and Rural banking in Ghana. These sources were gathered from the KNUST library, and other libraries and the internet in general. The study also made use of documents and annual reports from the selected RCBs and other sources such as the GIPC, the Bank of Ghana and the ARB-APEX Bank Limited. Primary sources used in the study included original data collected from respondents, which included Managers of the various RCBs or their representatives, Employees, Customers and Members from beneficiary communities. It must be emphasised that these sources were used with recourse to the exact research objectives it sought to achieve. This has been summarised in Table 4.6.1 below and discussed in a sub-section that follows:

**Table 4.6.1: Cross-Tabulation of Research Objective, Respondents and Methods**

	Research Objectives	Source/Respondents	Method of Collection
1.	Examine how CSR is conceptualised by the selected RCBs.	Managers of CSR in RCBs and Employees, Customers and Members of beneficiary communities	Interview, Focus Group Discussion and Questionnaire methods
2.	Identify the various CSR practices existing in the selected RCBs.	Managers of CSR in RCBs and Banks' Annual Reports	Interview, Focus Group Discussion and Content Analysis of reports
3.	Examine factors that motivate selected RCBs to undertake CSR activities	Managers of CSR in RCBs and Employees	Interview, Focus Group Discussion and Questionnaire methods
4.	Investigate the processes used in planning and implementing CSR activities within the selected RCBs.	Managers of CSR in RCBs and Employees	Interview, Focus Group Discussion and Questionnaire methods
5.	Assess the extent of involvement of identifiable stakeholders in planning and implementing CSR in the chosen firms.	Managers of CSR in RCBs and Employees, Customers and Members of beneficiary communities	Interview, Focus Group Discussion and Questionnaire methods
6.	Examine the challenges involved in implementing CSR as a strategy within the selected RCBs in Ghana	Managers of CSR in RCBs and Employees	Interview, Focus Group Discussion and Questionnaire methods

Author's own construct (2013)

#### 4.6.2 Interviews

A fieldwork interview, according to Arksey and Knight (1999), is a “conversation between people in which one person has the role of researcher”. Using interview as a method of data collection involves a researcher asking questions from selected respondents in order to obtain information on issues pertaining to the topics being researched. Interviews can be structured, semi structured or unstructured. According to Bryman (2008), in structured interview, the interviewer administers a strict and structured interview schedule for all respondents. This is to

ensure that all interviewees are given exactly the same context of questioning. On the contrary, unstructured interview is more flexible and does not follow any rigid guide. Minichiello *et al* (1990) describe unstructured interview as interviews in which neither the question nor the answer categories are predetermined. Respondents are allowed the extreme freedom to openly express their opinions and give as much detail as possible. Semi-structured interview, according to Bryman (2008), is the type in which the interviewer has a series of questions on a range of topics, themes and issues to be covered, often generally referred to as an interview guide based on which the research elicits responses from the interviewee. The advantage here is that the researcher is able to explore, probe, and ask questions that elucidate and illuminate various themes and issues being studied (Patton, 2002).

In this study, three sets of interviews were conducted. The first set was a form of cognitive interview conducted to ascertain the appropriateness of the research instruments and the variables they contained. The interviewees constituted conveniently sampled three experts in the fields of academia, rural banking (ARB-Apex Bank) and CSR research, who agreed to participate in the interviews to scrutinise the research instruments. The exercise assisted in correcting ambiguous sets of questions, reshaping of inappropriate variables and restructuring of the sets of instruments for the data collection. The interview period lasted for an average of one hour, with all three interviews recorded for transcription purposes.

Based on the insight from the cognitive interview, the interview instrument was refined to be used in the other set of interviews. The researcher scheduled a semi-structured interview to gather detailed information from 50 managers or representatives in charge of CSR in the selected RCBs. This was deemed appropriate because these managers or their representatives were deemed to have firsthand experience and knowledge on the practice of CSR in the various banks,

so they were in the position to give fine details on a wide range of issues captured in the interview instrument. Between October to December, 2013 the interviews with 50 RCBs across the nation were conducted. With the exception of two bank respondents, all others consented to the recording of the interviews for transcription purposes. Each interview session lasted on an average of 30 minutes. It must be noted that the initial interviews actually formed the basis for exploring emerging themes in subsequent interviews and also to reshape the survey instruments for the stakeholders.

The third set of interviews was conducted during the case study period. This was essentially focus group interviews (See Section 4.6.5 below). The interview was conducted as part of the case study, based on the findings of the earlier interview with managers of RCBs and the cross-sectional surveys conducted on identifiable stakeholders. This exercise enabled the researcher to collect more detailed information on the practice of CSR to validate the findings reported by the interview with managers and the cross-sectional survey. After initial contacts were made to several RCBs to seek their permission to participate in the case study, an initial response from four banks indicated their willingness to take part. However, this was reduced to two based on extent of involvement in CSR and accessibility to respondents.

Introductory letters (presented in Appendix H) were secured from the Office of the Vice-Chancellor, Kwame Nkrumah University of Science and Technology, Kumasi and submitted to each of the selected RCBs. Upon receiving approval (Appendix I) from management boards of the selected RCBs, an interview date was scheduled.

#### **4.6.3 Cross-Sectional Survey**

Bryman (2008) explains that Cross-Sectional Survey entails collection of data on more than one case at a single point in time, in most cases, to obtain some quantifiable data on the range of

issues being studied. The study conducted a cross-sectional survey on respondents made up of identifiable stakeholders – Employees, Customers and Members of beneficiary communities. In so doing, the researcher obtained information that actually verified what was obtained from the interview of managers of CSR.

#### **4.6.4 Focus Group Discussion**

Krueger and Casey (2000) explain that Focus Groups are appropriate for gathering in-depth information on past, current, or potential characteristics and patterns of a given phenomenon. Cronin (2008) defines Focus Group as a type of qualitative data collection technique which takes place as a discussion, typically, with a small group of between six to ten participants, with an interviewer setting the topic and guiding the discussion. While the group interaction allows the participants to “share and compare” experiences and attitudes with one another, it also affords the researcher an opportunity to learn what participants think, how they think about it, and why they think that way (Morgan, 1997). Groups such as this, usually, are special in terms of “purpose, size, composition and procedures” (Krueger and Casey, 2009).

One advantage is that they can be used in concert with quantitative methods or as a way of helping to explain findings from a survey. In this study, the Focus Group is used to gather fresh data to further explain and validate the findings of the cross-sectional survey and the semi-structured interview, as indicated above. The study conducted two different focus group discussions in two different locations for the two banks selected for the study. The process began with an open invitation to customers and community members and employees to participate in the focus group discussion. With the help of bank officials, the two groups were constituted for the two case study banks. As summarised in Table 4.6.4, Group One (focus group for Progressive Bank) constituted nine members, including three community members, three

customers, two employees and one manager, who willingly volunteered to participate, and Group Two (focus group for Community Development Bank) constituted nine members, including three community members, two customers, two employees and one manager.

**Table 4.6.4: Composition of Focus Group**

<b>GROUP I – Progressive Bank</b>		<b>GROUP II Community Development Bank</b>	
<b>Type of Participant</b>	<b>No. of Participant</b>	<b>Type of Participant</b>	<b>No. of Participant</b>
Community Members	3	Community Members	3
Customers	3	Customers	2
Employees	2	Employees	2
Managers	1	Managers	1
Total	9	Total	8

Author’s fieldwork notes (2013)

Prior to the discussion, the group members were given copies of the outline of themes to be discussed to enable them review and prepare adequately for the discussion. The consent of the participant was secured to enable the researcher to record proceedings of the meetings. The discussion, however, lasted 2 hours. The recorded proceedings were transcribed and analysed using QSR Nvivo 7.

#### **4.6.5 Content/Archival Analysis/Review**

The study conducted series of analysis of the extant literature in the area of CSR. In doing this, articles, books, and other publications on the evolution of CSR, theoretical explanations of CSR, motivations for CSR and emerging issues in CSR, among others, were analysed and discussed. This assisted the researcher to establish the theoretical and conceptual underpinnings of CSR discourse. As indicated earlier in this chapter, content analysis continues to be one of the widely

used methods in CSR research (Parker, 2005; Holcomb *et al*, 2007; Lee, 2009; Whiting and Miller, 2008 and De Silva, 2011). This method enabled the researcher to examine the extent of the reporting of CSR activities in various banks' publications, in particular, the annual report published for Annual General Meeting (AGM). To this extent, AGM reports of selected RCBs published between 2009 and 2012 were requested and content analysis conducted to identify the extent of CSR reportage, how it was reported, and the activities that were often reported.

#### **4.6.6 Instrumentation**

The selection of research instruments for the study was done based on the method of data collection used, as discussed in the preceding sub-sections (4.6.2, 4.6.3 and 4.6.4). The study used interview guide for both semi-structured interviews and the focus group discussions. Questionnaires were, however, used for the cross-sectional survey. These instruments covered a range of questions that bothered on CSR practices existing in the selected RCBs; factors that motivate selected RCBs to undertake CSR activities; processes used in planning and implementing CSR activities; involvement of identifiable stakeholders in planning and implementing CSR and challenges involved in implementing CSR as a strategy. The interview instrument for the semi-structured interviews consisted of a mixture of questions with answers measured on a five-point Likert scale (Likert, 1932) and others that allowed respondents to explain various processes involved in planning and implementing CSR activities. This allowed the study to collect both qualitative and quantitative data for the purposes of triangulation (which is discussed below). The instrument for the interview (Appendix A) consisted of various sections including the bank's characteristics; the bank's conceptualisation of the term CSR; CSR practices existing in the selected RCBs; factors that motivated the selected RCBs to undertake CSR activities; processes used in planning and implementing CSR activities; involvement of



identifiable stakeholders in planning and implementing CSR and challenges involved in implementing CSR as a strategy. Additionally, the interview guide for the focus group discussions and interview for the case study was prepared based on the findings reported from the use of the semi-structured interviews and the questionnaire. Basically, the themes in the guide related to the findings regarding the objectives of the study. Appendix B provides details of interview guide in this case.

The questionnaire, in particular, consisted of open-ended and close-ended questions and predominantly the Likert scale, which allowed the respondents to rank on a scale of 1 to 5 to indicate the extent of agreement or disagreement on the issues captured above. The scale of the Likert scale includes 1 = Strongly disagree/Not all prioritised, 2 = Disagree/Not prioritised, 3 = Not sure, 4 = Agree/Some extent and 5 = Strongly/Highly prioritised. There were three different stakeholder-specific questionnaires (Appendix C i, ii and iii) for the different stakeholders. This is so because, in the view of this thesis, the three different stakeholders, by their characteristics, would have some specific information and knowledge regarding the practice of CSR. However, there were some common overlaps in the section within the questionnaire, which included the sections in the interview instrument discussed above.

#### **4.6.7 Pre-Testing and Cognitive Interviews**

Roberts (1999) explains that pre-testing of data collection instrument aims at improving the reliability and validity of the data collected and the final response rate. Most invariably, it does that by checking question design, clarity of instructions and the time taken to complete. In this study, three sets of pre-testing procedures were followed. The first involved series of vetting and review of draft instruments (Interview and Survey instruments) by the two supervisors of the study. This process assisted in aligning the instruments to the intended research objectives and

the extant theories on CSR. In the second, as indicated earlier, were forms of cognitive interviews. This included three experts in the fields of academia, rural banking and CSR research. After the experts had agreed to participate in this pre-testing, the researcher visited them in their offices and engaged them in series of questioning and commentary on the instrument which lasted for thirty-five minutes on the average. This exercise resulted in some improvement in the design of the instrument in terms of wording and sequence of questions, correcting ambiguous sets of questions and reshaping of inappropriate variables. The third set of pre-testing involved five managers of RCBs in the Ashanti region, who granted the researcher permission and accepted to participate in the pre-testing. As supported by Zikmund (2000), the researcher engaged these five managers on clarity of instructions, appropriateness of variables relating to CSR in RCBs, issues of timing, conceptualisation of CSR in RCBs, among others. The results led to a great improvement in the design and content of the instruments.

## **4.7 DATA ANALYSIS PROCEDURES**

In this study, two sets of data were collected. The interviews with managers or their representatives generated both qualitative and quantitative data. While the qualitative data was analysed using QSR Nvivo 7 (a computer-assisted software for analysing qualitative data), the quantitative data was analysed using SPSS. The discussion that follows gives detailed procedures used to process the data and describes the programme used for the analysis and the tests and the types of analyses conducted in this study.

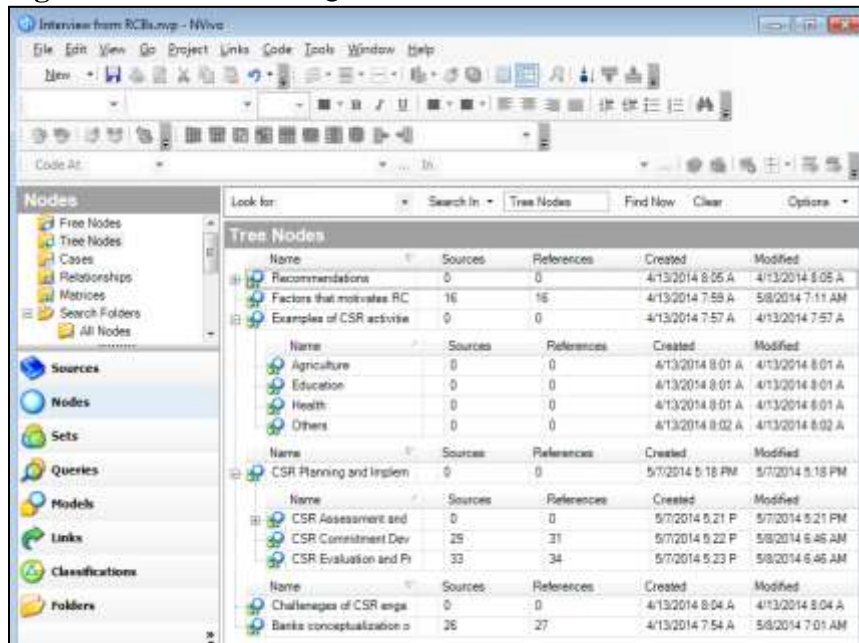
### **4.7.1 Qualitative Data Analysis**

The procedure for the analysis of qualitative data included 1) processing of the interview responses, 2) entry of the coded responses into QSR Nvivo, 3) classification and categorisation of data and 4) generating queries and models. This procedure follows Miles and Huberman's

(1994) prescription of qualitative analysis, based on a generic thematic analysis. It enabled the researcher to explore the themes and key issues across and within responses from the banks.

The first step of the analysis involved the transcription of the recorded interview data and converted into a digital format (Microsoft Word files). In all, 50 interviews were transcribed and digitised in preparation for the analysis. At this stage, the quantitative data within the transcripts were extracted and transferred to a new file to be analysed separately using SPSS. Additionally, all sections and materials or responses that were considered irrelevant were either removed or merged with others. This enabled the researcher to clean the data and make it wholesome for the analysis. The second stage involved coding of all the transcribed interview files. These codes were assigned to ensure confidentiality as explained in the 4.5.3. The coded responses were then uploaded into the QSR Nvivo 7. The analysis continued with a thematic classification and categorisation of the responses, based on the objectives of the study (as explained by Bryman, 2008). In creating these classifications, the QSR NVivo 7 allowed for creating what are known as ‘nodes’, which according to Bazeley and Richards (2000), are forms of containers in which responses for each topic or concept can be stored. In this analysis, six different nodes were created with themes, namely Bank Conceptualisation of CSR, Factors That Motivate Banks to Undertake CSR, Examples of CSR Activities Undertaken by RCBs, CSR Planning and Implementation; Challenges of CSR Engagements and Recommendations. Within these thematic classifications, the software allow for the creation of sub-categories, which make further analysis of differences in responses, if the need be. Figure 4.7.1 shows a screenshot of the nodes created in QSR NVivo 7.

**Figure 4.7.1: Nodes in QSR NVivo 7**



Name	Sources	References	Created	Modified
Recommendations	0	0	4/13/2014 8:05 A	4/13/2014 8:05 A
Factors that motivates RC	16	16	4/13/2014 7:58 A	5/8/2014 7:11 AM
Examples of CSR activities	0	0	4/13/2014 7:57 A	4/13/2014 7:57 A
Sub-nodes under Examples of CSR activities:				
Agriculture	0	0	4/13/2014 8:01 A	4/13/2014 8:01 A
Education	0	0	4/13/2014 8:01 A	4/13/2014 8:01 A
Health	0	0	4/13/2014 8:01 A	4/13/2014 8:01 A
Others	0	0	4/13/2014 8:02 A	4/13/2014 8:02 A
Sub-nodes under CSR Planning and Implem:				
CSR Assessment and	0	0	5/7/2014 5:21 P	5/7/2014 5:21 PM
CSR Commitment Dev	25	31	5/7/2014 5:22 P	5/8/2014 6:46 AM
CSR Evaluation and Pi	33	34	5/7/2014 5:23 P	5/8/2014 6:46 AM
Sub-nodes under Challenges of CSR enga:				
Challenges of CSR enga	0	0	4/13/2014 8:04 A	4/13/2014 8:04 A
Banks conceptualization o	26	27	4/13/2014 7:54 A	5/8/2014 7:01 AM

Source: Author's construct from QSR NVivo 7 (2014)

Having created these nodes, the researcher systematically selected all of the responses and segments of interviews that related to a particular theme and assigned them to the appropriate node. In summary, this process allowed the researcher to generate a summary of all that was said in relation to a given theme. The final stage of the analysis involved the running of queries and models. At this stage, the researcher ran queries to identify patterns and connections between words or phrases and responses in general. This also enabled the researcher to describe and explain patterns and relationships regarding the practice of CSR among RCBs. The researcher also developed a model from the software to show the connections between the various themes and sub-themes developed under the various nodes and also to demonstrate the processes and theories being built in the responses.

#### **4.7.2. Quantitative Data Analysis**

The cross-sectional survey also produced some quantitative data, which was processed using SPSS. In terms of the quantitative data analysis, the Statistical Package for the Social Sciences

(SPSS) was the statistical software used for the data analysis. At various stages, however, Microsoft Excel was used to edit tables generated from SPSS. The SPSS was used in view of its robustness with respect to the precision, accuracy and clarity of outputs of commands and syntaxes.

Data screening was basic to this study's quantitative data analysis. Screening of data was an exploratory process used to eliminate anomalous items from data entered into SPSS. Anomalous items removed or adjusted were outliers and data points wrongly entered into SPSS. As indicated by Sawilowsky (2005), this exercise forms an important part of the statistical data analysis, because anomalous items can alter the course of expected findings.

Much of data used in this analysis were continuous data. As a result, parametric statistical tools were used, with a limited application of non-parametric statistical tools. Parametric statistical tools are data analysis tools whose models specify conditions about the parameters of the population from which the sample was drawn (Rice, 1995; Sawilowsky, 2005). Meanwhile, the application of these statistical tools is generally coupled with the assumption that the continuous data analysed by them are normally or approximately normally distributed. By principle, this assumption must be satisfied to reach valid conclusions in a research. The normality assumption was verified in this research using the Shapiro-Wilk's test. The Shapiro-Wilk's test was preferred to the Kolmogorov-Smirnov test due to its robustness in the face of sample sizes less than 2000. Thus, the Shapiro-Wilk's test was used because sample sizes employed in this study were far below 2000.

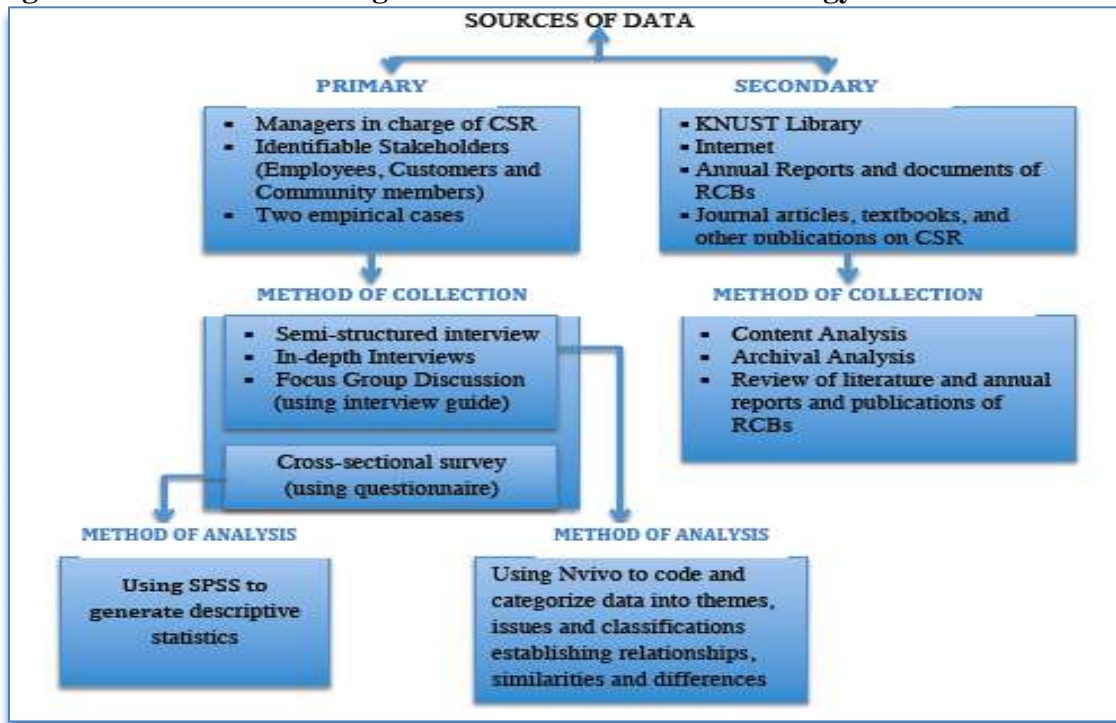
In this research, demographic characteristics of respondents were analysed and presented using frequencies and percentages. These statistical tools were appropriate for visualising the numbers

and proportions of respondents represented at each level of demographic and respondent-related variables (gender, education, work experience, etc.). The chi-square and binomial tests were the only non-parametric statistical tool used in this study. It was used to test for significant differences in frequencies using categorical data.

The parametric statistical tools applied in this research included One-Sample t-Test and Analysis of Variance (ANOVA). While the former was used in testing for differences between observed averages and the average of the scoring scale employed (2.50), the latter was used to test for differences in the means of three or more groups of variables. Additionally, the SPSS assisted in generating descriptive statistics, which was used to make inferences and generalisations.

Following from the procedures discussed above, the study summarises the methodological processes in Figure 4.7.2 below:

**Figure 4.7.2: Model Showing Process of Research Methodology**



Author's own construct (2013)

#### **4.8 VALIDITY AND RELIABILITY**

One of the important requirements of social research is justifying the validity and reliability of the instruments used in collecting data for a given study. This thesis took series of steps to ensure the validity and reliability of the instruments used to collect the data for this study.

Kjaer (2005) described validity as the degree to which a given research instrument measures the theoretical constructs under investigation. This study ensured that all instruments used contained constructs and contents that reflected the theoretical underpinnings of CSR. More so, these instruments were constructed based on internationally-accepted CSR guidelines and initiatives, such as the UN Global Compact, the OECD Guidelines for MNEs, and the MDGs, among others. It must be noted that these guidelines have served as benchmarks for most CSR research instruments in recent times (Atuguba and Dowuona-Hammond, 2006 and Nyuur, 2014).

To ensure reliability, however, this study first conducted a cognitive interview to ascertain the appropriateness of research instruments and the constructs they contained. In this exercise, three experts in the fields of academia, rural banking (ARB-Apex Bank) and CSR research, peer reviewed and scrutinised the research instruments. Secondly, apart from some scrutiny from the two supervisors of this thesis, the researcher also conducted a pre-testing of the instruments using five managers of RCBs in the Ashanti region. This also led to a great improvement on design and contents of the instruments, hence its reliability. Thirdly, one major role of the application of triangulation as a method in this thesis was, in itself, to ensure internal reliability in the instruments and, for that matter, the responses from the respondents. The mixed methods, as indicated earlier in this chapter, allowed the researcher to conduct a cross-sectional survey on stakeholders, whose responses were used as triangulation for the corporate responses. To further ensure the robustness and validity of the findings, the study conducted two case studies whose

results were used to consolidate what was reported in the previous two methods. Finally, the Cronbach's Reliability tests were computed to validate the extent of reliability in the four instruments used in this study. Table 5.8 summarises Cronbach's Reliability tests for the four questionnaires used in collecting data. The Table indicates that the instruments used in collecting data from banks, community members, customers and employees have Cronbach's alpha values of 0.869, 0.954, 0.961 and .921 respectively. In essence, with the alpha value of a  $> 0.7$ , all questions (cases) in the four instruments were appropriate and highly reliable. Though banks' questionnaire had the lowest reliability coefficient, all questionnaires could be found to be largely reliable. This may be because the bank instrument also consisted of a combination of interview guides and close-ended questions. Generally, this constituted a basis for making valid conclusions through the reliable data in this research.

**Table 4.8: Reliability Tests**

Instruments	Descriptive Statistics			Cronbach's Alpha
	Cases	N	%	
Banks	Valid	0	0	.869
	Excluded	50	100	
	Total	50	100	
Community Members	Valid	0	0	.954
	Excluded	244	100	
	Total	244	100	
Customers	Valid	0	0	.961
	Excluded	249	100	
	Total	249	100	
Employees	Valid	0	0	.921
	Excluded	247	100	
	Total	247	100	



## **4.9 CONCLUSION**

This chapter set out to discuss the research methodology adopted for this study. It has clearly outlined the research methodology and approach and the justification for the choice of the methods and the empirical cases used in the study. In this chapter, the researcher has indicated the appropriateness of a mixed-method approach to achieving the objectives of this study. In furtherance of achieving the research, a mixture of exploratory, case study and cross-sectional designs have been identified and clearly explained in this chapter as the most appropriate for the study. The chapter has also explained the reasons for the choice of the RCBs and their stakeholders as the main elements for the study. It explained the procedures undertaken in the study to select respondents and cases to be used in the study. The choice of interviews, survey focus group discussion, and content or archival analysis as methods of data collection in this study have also been justified in this chapter. The use of the mixed methods in this study also allowed the researcher to conduct cross-sectional survey on these stakeholders whose responses were used as triangulation for the corporate responses. The case study approach also further consolidated and validated the results of the semi-structured interviews and cross-sectional surveys as explained in this chapter. The next chapter presents empirical data as analysed from the responses from the semi-structured interviews with managers of RCBs or their representatives who are directly involved in CSR decision making and implementation within the context of the selected banks.

## **CHAPTER FIVE**

### **AN EMPIRICAL ANALYSIS OF CSR PRACTICES AMONG RCBs IN GHANA: THE PERSPECTIVE OF RURAL BANKS**

#### **5.0 INTRODUCTION**

This chapter presents an in-depth analysis of semi-structured interviews of managers or their representatives of the various RCBs. Due to the semi-structure nature of the interviews, the instrument used included a combination of open-ended questions that elicited lengthy elaboration and also those that allowed respondents to rank and indicate their preferences. The analysis is, therefore, done using descriptive and inferential statistics. While the statistical analysis helped in describing the important characteristics and patterns of the aspects of the interview that are quantitative in nature, the qualitative analysis enabled the study to classify and categorise aspects of the interview data (that are more qualitative in nature) into themes to aid textual and descriptive analysis. The chapter consists of seven sections. These include an analysis of the socio-demographic characteristics of the selected RCBs that participated in the study; rural banks' perception and conceptualisation of CSR; CSR focus areas among RCBs; stakeholder-related CSR practices among RCBs; drivers/motivating factors for RCBs' engagement in CSR; planning and implementation of CSR among the selected RCBs and the challenges of CSR engagements by RCBs.

#### **5.1 SOCIO-DEMOGRAPHIC CHARACTERISTICS OF SELECTED RCBs**

This section of the study attempts to examine the characteristics of the RCBs that were selected to participate in the study. The study gathered this information, primarily, to ascertain the size of the banks in terms of number of years of operation, number of branches, customer base and

employee base and percentage of after-tax profit that goes into CSR as well. These variables are considered very essential in determining the extent of coverage of the banks' CSR activities. Data gathered for this section actually formed part of the preliminary sections of the semi-structured interview guide administered on banks' managers or their representatives. The responses taken from the selected RCBs were used as the basis for an aggregate analysis without necessarily using it to reflect an individual bank's viewpoint. The total number of banks involved in the study (as indicated in the methodology chapter) was 50. These are RCBs operating in various communities in Ghana. The analyses below describe their aggregated characteristics.

**Table 5.1.1: Banks' Characteristics**

	N	Mean		Std. Deviation
		Statistic	Std. Error	
Years of Operation	50	26.21	1.14	7.87
Number of Branches	50	6.63	.44	3.04
Employee Base	50	106.10	9.06	58.73
Customer Base	44	5977.16	31.77	1286.744
Percentage of After-Tax Profit That Goes into CSR	12	6.83	.84238	2.92
Valid N (listwise)	12			

Source: Field data 2014

Table 5.1.1 above presents a descriptive statistics showing the years of operation of the banks, the number of branches, employee-base (the number of employees in the bank), customer-base (the number of customers of the bank has) and the percentage of after-tax profit that goes into CSR. The table indicates that the selected RCBs have operated or existed for an average of approximately 26 years ( $N = 50$ ,  $SD = 7.87$ ) and with an average of about seven branches with which they operate ( $N = 50$ ,  $SD = 3.04$ ). Additionally, the selected RCBs had an average employee base of about 106 employees ( $N = 50$ ,  $SD = 9.06$ ), and an average customer base of

about 5977 (N = 44, SD = 31.77). However, only 12 banks out of 50 banks were in the position to state the percentage of after-profit tax that was injected into CSR activities. The interviews revealed that it is either banks did not actually have a quoted percentage, or it was simply a corporate disclosure issue. That notwithstanding, on average, the 12 banks responded that they injected about 7% of after-tax profit into CSR (N = 12, SD = .84). The implication is that, with an average 26 years of operations, 7 branches, 106 employees, 5977 customers and 7% of after-tax profit injections into CSR, the selected banks were considered to have experience well enough to provide rich information for the study.

## **5.2 RURAL BANKS' PERCEPTION AND CONCEPTUALISATION OF CSR**

In exploring the nature and practice of CSR among the selected banks, the study sought to seek responses on the banks' perception and conceptualisation of the term CSR by seeking their familiarity with the concept of CSR and whether or not there existed an operational CSR policy in the banks. In addition, the study sought to examine how RCBs described or defined the practice of CSR. This was done by examining the common descriptions used in their AGM reports, the target groups for CSR and their prioritisation of various definitions of CSR as explained in the literature. These responses helped to benchmark the RCB-based conceptualisation and definition of CSR, in view of the fact that most studies – Carroll, 1979, Perrini, 2006 and Panapanaan et al, 2003 – have argued that the lack of consensus on the meaning of the concept of CSR was one major factor contributing to the growing ambiguity of CSR.

### **5.2.1 Banks' Familiarity with CSR and Existence of CSR Policy**

Table 5.2.1 shows the banks' familiarity with CSR and the availability of an operational CSR policy in these banks. The table indicates that about 92% of responses from the banks indicated

that banks were familiar with the concept of CSR, with only about 8% stating otherwise. With this significant difference between the proportions of responses agreeing or disagreeing to familiarity with the concept of CSR respectively ( $p = .000$ ) at 5% significance level, it can be concluded that RCBs are largely familiar with the growing phenomenon of CSR. It also verified the growing amount of literature that argued in support of the growing importance of CSR in business (Angelidis *et al*, 2008, Basu and Palazzo, 2008). Also, on the issue of availability of policy of CSR, the responses, as shown in Table 6.2.1, indicated that about 56% of banks do not have operational CSR policies, with 44% affirming the availability of CSR policy. It must be stated that the interview data indicated that the availability of CSR policy actually included banks that actually have a CSR plan they followed but which had not been put into a policy. That notwithstanding, the study observed that there was no significant difference between the proportions of banks agreeing or disagreeing respectively to the availability of CSR policy ( $p = .418$ ) at 5% significance level. Though the majority of banks indicated that they did not have policies for CSR, the proportion did not significantly differ from those who indicated that their banks had an operational CSR policy. Thus, although the banks are largely familiar with CSR, majority of them had no existing policy and plan for pursuing the CSR agenda.

**Table 5.2.1: Binomial Test: Banks' Familiarity with CSR and Existence of CSR Policy**

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Familiarity with CSR	Group 1	Yes	46	.92	.50	.000 <sup>a</sup>
	Group 2	No	4	.08		
	Total		50	1.00		
Availability of Policy of CSR	Group 1	No	28	.56	.50	.418 <sup>a</sup>
	Group 2	Yes	22	.44		
	Total		50	1.00		

a. Based on Z Approximation.

Source: Field data 2014

## 5.2.2 Common Description and Conceptualisation of CSR by RCBs

A content analysis of the AGM reports of the selected banks (issued between 2009 and 2012) showed that CSR was referred to by the banks in various ways. Common descriptions of CSR are captured in Table 5.2.2.1 below, with the most commonly used term being Community Support (44%), followed by Community Development and Assistance (24%). Corporate Social Responsibility as a term used constituted 14% and Social Responsibility (12%). The least used term is “Donation”, which accounted for only 6%, as reflected in the AGM reports. It can be deduced that, most invariably, the concept of CSR among RCBs has become synonymous with community support or community development and assistance.

Responding to the question of “how does your bank conceptualise CSR”, respondents from the bank gave varying responses, which verified the notion indicated above. For instance, while respondent BAR6 conceptualised CSR as:

*“a policy of applying a portion of the profits realised from business to assist individuals and communities in needy situations as a means of improving upon living standards within the catchment area”*,

respondent UWR1 explained that CSR constituted the:

*“provision of assistance to communities where the bank operates, especially in the forms of education and social infrastructure and donation”*.

More so, some respondents conceptualised CSR as a moral attempt of:

*“giving back to society what is due them and also strengthening a stronger relationship with the community in the area of operation; also as a way of appreciating the loyalty of the customers in its operations with the bank and to serve as a way of motivating the staff to increase their commitment level to their work” (ER8)*,

or as indicated by Respondent BAR2,

*“It is our view that the bank is a citizen that finds itself doing business with communities. It is therefore our conviction that contributing to social needs like education and health of the communities will place the business at a better place”*.

**Table 5.2.2.1 Common Description of CSR by RCBs (Content Analysis of AGM Reports)**

CSR Description	Frequency	Percent	Cumulative Percent
Corporate Social Responsibility	7	14	14
Social Responsibility	6	12	26
Community Support	22	44	70
Community Development and Assistance	12	24	94
Donations	3	6	100
<b>Total</b>	<b>50</b>	<b>100</b>	

Source: AGM Reports (2009-12)

The above discussion is further verified in the data captured in Table 5.2.2.2 below, which sought to analyse the awareness levels of RCBs about CSR activities for various identifiable stakeholders. In this table, banks were asked to indicate the extent of their awareness of CSR activities specific to various stakeholders and the result was that banks were completely aware of CSR for the community (M = 5.00, SD = .00), but their level of awareness of CSR activities for customers (M = 2.00, SD = 0.65), employees (M = 2.41, SD = 0.82) and physical environment (M = 2.26, SD = 0.44) was a little below average. Thus, RCBs largely practised CSR in terms of support to develop communities within which they operated.

**Table 5.2.2.2: Descriptive Statistics: Awareness of Banks about CSR Activities for Various Stakeholders**

	N	Mean	Std. Deviation	Std. Error Mean
Community	50	5.0000	.00000 <sup>a</sup>	.00000
Customers	50	2.0000	.64889	.10390
Employees	50	2.4103	.81815	.13101
Physical Environment	50	2.2581	.44480	.07989

Source: Field data, 2014

To further support the assertion that Banks' practices of CSR is largely constituted in community support and development, the study sought to seek the opinion of banks on the extent to which they prioritised the various descriptions of what constituted CSR (Table 5.2.2.3).

**Table 5.2.2.3: One-Sample Statistics (Prioritisation of What CSR is by Banks)**

	N	Mean	Std. Deviation	Std. Error Mean
Corporations Committing Themselves to Social Initiatives	50	4.20	.75593	.10690
Putting People before Profits and Creating a Sustainable Environment	50	4.40	1.21218	.17143
Philanthropic and Charitable Activities of the Bank	50	1.60	0.56024	.19378
Undertaking Public Service Tasks That Governments Should Be Doing	50	1.11	0.21218	.17143

Source: Field data, 2014

Table 5.2.2.3 shows that RCBs seem to highly prioritise “putting people before profits and creating a sustainable environment” (M = 4.40, SD = 1.21), followed by “corporations committing themselves to social initiatives” (M = 4.20, SD 0.76). These two areas had very high prioritisation by banks as to what constituted CSR. Banks, on the other hand, have very low prioritisation for “philanthropic and charitable activities of the bank” (M = 1.60, SD = 0.56) and “undertaking public service tasks that governments should be doing” (M = 1.11, SD = 0.21). Hence, most invariably, the banks practised CSR not in the lenses of doing philanthropic and charitable activities, as alluded to by Carroll’s Pyramid of CSR, or undertaking public service tasks that governments should be doing. Putting people before profits and creating a sustainable environment and corporations committing themselves to social initiatives were largely related to community support and development. Thus, the practice of CSR among RCBs can conclusively be explained in terms of their contribution to community support and community development in general.



### 5.2.3 Banks' Perceptions of CSR in Rural Banking in Ghana

This part of the study sought to examine banks' perceptions about the practice of CSR in the Rural Banking Industry in Ghana. From the ensuing analysis, banks were asked to indicate the extent to which they strongly agreed or strongly disagreed to series of statements which bothered on their perception of CSR. It is the belief of the study that, in an attempt to respond to these series of statements, RCBs would cumulatively address the question of their likelihood to actively engage in CSR or not.

**Table 5.2.3: Banks' Perceptions of CSR in Rural Banking in Ghana**

	Observed N	Expected N	Residual	df	Chi- Square	Asymp. Sig.
<b>Rural Banks should pay significant attention to their social and environmental responsibilities</b>						
Agree/Strongly Agree	50	50	0	1	18.000	.000
Total	50					
<b>Our Bank makes reference to CSR in its mission statement, vision and values</b>						
Indifferent	10	25	-15	1	14.011	.000
Strongly Agree	40	25	15			
Total	50					
<b>The CSR activities of my bank are conducted on a regular basis</b>						
Indifferent	5	25	-20	2	21.521	.000
Disagree	9	25	-16			
Strongly Agree	36	25	11			
Total	50					
<b>Our CSR activities are closely related to our business strategy</b>						
Indifferent	4	25	-21	2	23.004	.000
Disagree	7	25	-18			
Strongly Agree	39	25	14			
Total	50					
<b>Our bank believes that profit is equally important to socially, ethically and environmentally responsible behaviour</b>						
Indifferent	6	25	-19	2	16.321	.000
Agree	14	25	-9			
Strongly Agree	30	25	5			
Total	50					

Source: Field Data, 2014

Table 5.2.3 cont'd

	Observed N	Expected N	Residual	df	Chi- Square	Asymp. Sig.
<b>CSR creates value for the bank</b>						
Indifferent	7	25	-18	2	16.211	.000
Agree	18	25	-7			
Strongly Agree	25	25	0			
Total	50					

Source: Field Data, 2014

Table 5.2.3 shows the banks' perceptions about the practice of CSR in the Rural Banking Industry in Ghana. All the banks strongly agreed or disagreed that Rural Banks should pay significant attention to their social and environmental responsibilities (Chi-square = 18.00;  $p < .05$ ). The majority of banks also strongly agreed that they made reference to CSR in their mission statements, visions and values (Chi-square = 14.011;  $p < .05$ ). Similarly, most banks strongly agreed that they conducted CSR activities on regular basis (Chi-square = 21.52,  $p < .05$ ). Moreover, majority of the banks said that their CSR activities were closely related to their business strategies (Chi-square = 23.00;  $p > .05$ ). At a 5% significance level, banks also strongly agreed or disagreed that they believed profit was equally important to socially, ethically and environmentally responsible behaviour (Chi-square = 16.32,  $p < .05$ ). Last but not least, banks strongly agreed or disagreed that CSR created value for their banks (Chi-square = 16.211,  $p < .05$ ). In view of the fact that a significant majority of banks strongly agreed to each statement in Table 5.2.3, each could be thought of as banks' perceptions of situations that prevailed among banks. There seem to be a positive perception about CSR and, hence, RCBs were likely to engage in CSR to a large extent.

### 5.3 CSR FOCUS AREAS AMONG RCBs: BANKS' PERSPECTIVE

As discussed in the preceding chapter, engagements in CSR are summarised into seven focus areas where multinational banks normally concentrate. Similarly, these areas include health, agriculture, HIV-AIDS advocacy, rehabilitation, disaster management, poverty eradication and livelihood promotion and, finally, education. The study sought to elicit from the banks the extent to which they engaged in some activities within these areas or sectors. Again, this was in an attempt to ascertain which of these areas were predominantly receiving CSR engagements of the selected RCBs. Table 6.3.1 below shows a descriptive statistics that summarises banks' priorities in terms of the above CSR focus areas. It is observed from the table that banks predominantly engaged in CSR in three major areas – education received the highest focus (M = 4.80, SD = 0.40), followed by health (M = 4.60, SD = 0.49) and agriculture (M = 4.21, SD = .81). Relatively, HIV (M = 1.40, SD = 0.49), rehabilitation (M = 2.20, SD = 0.81), disaster management (M = 2.31, SD = 0.21) and poverty reduction and livelihood protection (M = 0.99, SD = 0.078) had low priorities of banks.

**Table 5.3.1: Banks' Perspective of CSR Focus Areas**

	N	Mean	Std. Deviation	Std. Error Mean
Health	50	4.60	.49487	.06999
Agriculture	50	4.21	.80812	.11429
HIV	50	1.40	.49487	.06999
Rehabilitation	50	2.20	.80812	.11429
Disaster Management	50	2.31	.21111	.004
Poverty Reduction and Livelihood Protection	50	0.99	.0781	.06999
Education	50	4.80	.40406	.05714

Source: Field data, (2014)

The study further asked the banks' respondents to indicate examples of the main activities that constituted CSR within the respective focus areas identified in Table 5.3.1. The researcher used QSR Nvivo 7 to summarise the responses, which had been presented in Table 5.3.2.

**Table 5.3.2: Details of CSR Activities within the Focus Areas/Sectors**  
**Source: A content analysis from annual (AGM) reports (2009-2012)**

Agriculture	Education	Health	Other
<ul style="list-style-type: none"> <li>– Sponsorship of National Farmers’ Day celebration.</li> <li>– Sponsorship of Farmers’ Awards (Farm implements and cash prizes)</li> <li>– Provision of Microcredit to farmers (with flexible term of payment)</li> <li>– Assistance for farmers’ groups in the area of farm inputs.</li> <li>– Sponsorship of Agriculture Extension Services and training for farmers.</li> </ul>	<ul style="list-style-type: none"> <li>– Scholarship scheme for needy but brilliant students (with emphasis was on children of stakeholders)</li> <li>– Sponsoring of Employee Training and Development.</li> <li>– Construction and rehabilitation of classroom blocks, teachers’ bungalows, community libraries and computer laboratories.</li> <li>– Donation of educational materials, such as books, dual desks, desktop computers, among others.</li> <li>– Donation of construction materials, such as packets of roofing sheets and bags of cement</li> <li>– Sponsoring of Mock Exams for JHS students,</li> <li>– Sponsoring of Quiz Competitions.</li> <li>– Sponsoring of Teachers’ Award</li> </ul>	<ul style="list-style-type: none"> <li>– Assisting in rehabilitation of health facilities in catchment areas.</li> <li>– Donation of hospital materials like beds, mattresses, cleaning materials, among others.</li> <li>– Sponsoring of community health outreach programmes and immunisation.</li> <li>– Supporting of primary healthcare activities.</li> <li>– Donation towards kidney transplant.</li> <li>– Contribution to support water and sanitation e.g. building water pump.</li> </ul>	<ul style="list-style-type: none"> <li>– Social services such as donation to the Ghana Police Service for patrols and security in general in and around catchment areas.</li> <li>– Sponsoring of sports events including schools and community sports events.</li> <li>– Support for key government agencies/ institutions like the Electoral Commission and the NCCE.</li> <li>– Donations such as streetlights, etc. to community</li> <li>– Sponsorship of traditional festivals</li> </ul>

**Source: A content analysis from AGM reports (2009-2012)**

## **5.4 STAKEHOLDER-RELATED CSR PRACTICES AMONG RCBs:**

### **PERSPECTIVE OF BANKS**

This section attempts to discuss the banks' views on the various stakeholder-based CSR practices among the RCBs. Data collected for this section was based on the Unified Framework of Social Responsibilities, which formed part of the conceptual framework for this study (see Figure. 3.8). The study applied this framework to test the extent to which selected RCBs were engaged in these activities for the various identifiable stakeholders. It must be emphasised that, through the interview sessions, it was identified that RCBs, actually, were not aware of CSR activities specific to the various stakeholders except to the community. As indicated in Table 5.2.2.1, RCBs largely practised CSR in terms of support to develop communities within which they operated. The discussion on this begins with the environment, the community, customers and then employees.

#### **5.4.1 Environment-Related CSR Activities of RCBs**

The physical environment is a crucial part of the operations of business entities. The emphasis on the environment in CSR literature cannot be overstated (Rahman, 2011 and Horrigan, 2007).

Most authors have incorporated the environment into the community as key stakeholder (Crane *et al*, 2008), because communities have their livelihood intertwined with the environment and, thus, any serious damage done to it would directly or indirectly affect the livelihood of the community. However, the study considered it crucial to decouple the two due to the special attention it had been giving various inter-governmental initiatives on CSR. Using the benchmark captured under environment activities in the conceptual framework in Figure 3.8, and on a

Likert scale of 1 to 5, respondents were asked to indicate the extent to which their banks engaged in various environment-related CSR activities.

Table 5.4.1 shows a descriptive statistics that reveals (from banks' perspective) the extent to which RCBs engage in the various CSR activities for the physical environment. From the table, there seems to be very low patronage among RCBs for environmental issues, regarding disclosure of environmental and social performance (M=2.18, SD=.39); environmental policies and management (M = 1.74, SD = 1.14); materials policy of reduction, reuse and recycling (M = 2.36, SD = 1.01) and monitoring, minimising and taking responsibility for releases to the environment (M = 2.33, SD = 1.33). These environmental activities had "means" that were below the average of 2.5, hence they were considered virtually not crucial to RCBs. Considering the fact that these were the core of environmental issues, the low patronage among RCBs may be due to (as asserted by one interviewee) the fact that:

*"the very nature of operations of RCBs has little implications for the physical environment as compared to industries like the mining and extractive ones"(ER 4).*

This finding also supports an earlier finding in the research conducted by Cooper *et al* (2001) and Carlisle and Faulkner (2004). In their research, they found a significantly low involvement of firms in the financial sector in major environmental activities as compared to firms in the extraction, construction, energy, transportation and manufacturing sectors. Consideration are, therefore, given to relatively minor environmental issues such as energy conservation (M = 3.77 SD = .742); reduction of water consumption (M = 3.36, SD = 1.013); reduction of all forms of pollution (including air, water, land, noise, etc) (M = 2.95, SD = 1.075); sustainable transportation (M = 3.795, SD = .767); waste management/reduction (M = 3.97, SD = .903); effective emergency response (M = 4.39, SD = .493); environmental

requirements for suppliers (M = 3.36, SD = 1.203) and environmental audits (M = 3.77, SD = .742), which was rated above the average of 2.5, as captured in Table 5.4.1. For instance, in one of the interview sessions, Respondent AR3 explained that:

*“Apart from ensuring that our generator does not release too much smoke and make too much noise, we have put in place fire-fighting (fire extinguishers and hydrants) and evacuation mechanisms to be used in case of fire outbreaks”.*

Bank Official CR2 also indicated that:

*“We make sure that all suppliers especially for air conditioners, computers, refrigerators and vehicles meet the ISO standards for environment. This is to avoid unnecessary consumption of energy, among others”*

**Table 5.4.1: CSR for the Physical Environment – Banks’ Perspective**

	N	Mean	Std. Deviation
Disclosure of environmental and social performance	50	2.1795	.38878
Environmental policies, organisation and management	50	1.7436	1.14059
Materials policy of reduction, reuse and recycling	50	2.3590	1.01274
Monitoring, minimising and taking responsibility for releases to the environment	50	2.33333	1.32453
Energy conservation	50	3.7692	.74203
Reduction of water consumption	50	3.3590	1.01274
Reduction of all forms of pollution (including air, water, land, noise, etc)	50	2.9487	1.07480
Sustainable transportation	50	3.7949	.76707
Waste management/reduction	50	3.9744	.90284
Effective emergency response	50	4.3846	.49286
Environmental requirements for suppliers	50	3.3590	1.20279
Environmental audits	50	3.7692	.74203

Source: Field data (2014)

#### **5.4.2 Community-Related CSR Activities of RCBs**

As alluded to earlier in this chapter and depicted in Table 5.4.2, the concept of CSR among RCBs has become synonymous with community support or community development and assistance. Gill (2007) explains this community engagement role of



business in his “traditional corporate social responsibility of business”, which constitutes social system interventions, such as interventions in the health sector, poverty alleviation and community development. The community as a stakeholder in CSR is thus crucial. This sub-section discusses, from the view of the banks, the extent to which various community-related CSR are pursued by the banks. These community-related CSR are benchmarks constructed in the conceptual framework (Figure 3.8) for this study. Table 5.4.2 shows a descriptive statistics that expresses the extent to which RCBs engaged in the various CSR activities for the community. From the table, the most predominant community-related CSR activities engaged in by banks include: “obeying and abiding by national and community bye-laws” (M = 4.97, SD = 0.90), “eradication of extreme poverty and hunger” (M = 4.75, SD = 49) and “achieving universal primary education” (M = 4.59, SD = 0.81). “Elimination of all forms of forced and compulsory labour, including child labour” (M = 1.97, SD = 0.11) and “combating HIV/AIDS, malaria and other diseases” (M = 1.77, SD = 0.74) had the least or lowest extent of engagement by the banks for the community. Even though engaged in at different levels and extents, it can be deduced from the table that from the banks’ view point, they engaged in almost all the listed community-related CSR activities, except the “Elimination of all forms of forced and compulsory labour, including child labour” and “combating HIV/AIDS, malaria and other diseases”, which scored below the average of 2.5.

**Table 5.4.2: Descriptive Statistics: Community-Related CSR**

	N	Mean	Std. Deviation
Obeying and abiding by national and community bye-laws	50	4.9744	0.90284
Bank and Staff members involved in charity and volunteer work on behalf of the Bank	50	4.1538	1.15937
Elimination of all forms of forced and compulsory labour, including child labour	50	1.9744	0.11183
Achieving universal primary education	50	4.5897	.81815
Eradication of extreme poverty and hunger	50	4.7846	.49286
Promoting gender equality and empowering women	50	2.9744	.62774
Reducing child mortality and improving maternal health	50	3.7692	.74203
Combating HIV/AIDS, malaria and other diseases	50	1.7692	.74203
Company donates to charity	50	4.3846	.49286
Company actively involved in a project(s) with the local community	50	3.7949	.40907
Company has recruitment policies that favour the local communities in which it operates	50	4.3846	.49286
Fosters reciprocal relationships between the corporation and the community	50	4.1795	.75644
Invests in communities in which Bank operates	50	4.3846	.49286
Launches community development activities	50	4.1795	.75644
Encourages employee participation in community projects	50	3.7692	.98573

Source: Field data (2014)

### 5.4.3 Customer-Related CSR Activities of RCBs

Customers are also considered crucial stakeholders in the CSR engagement of businesses. Classified among the primary stakeholders (Clarkson, 1995), customers' expectations and needs are to be aligned with business' values and behaviours (CSR Network, 2008). The crucial position of customers, therefore, cannot be over-emphasised. Using the benchmark captured in the conceptual framework (Figure 3.8), the banks were asked to indicate the extent to which banks were engaged in the

various customer-related CSR activities. The results are summarised in Table 5.4.3. From Table 5.4.3, there is an indication that all the customer-related activities attracted a considerable high level of engagement by the banks, with the highest extent of banks' engagement as "Banks respect the rights of customers" (M = 4.7, SD = 0.29) followed jointly by "Banks provide information that is truthful, honest and useful" (M=4.6, SD=.498), "Banks are committed to providing value to customers" (M=4.6, SD=.498), "Products and services provided are safe and fit with their intended use" (M=4.6, SD=.498), and "Banks avoid false and misleading advertising and sales promotions that are deceptive/manipulative" (M=4.6, SD=.498). Generally, banks had higher commitment to engaging in CSR meant for customers. This supports previous researches by Hamid (2004) and Sweeney and Coughlan (2008), which found a large concentration of CSR for customers among firms within the financial sector in Ireland.

**Table 5.4.3: Descriptive Statistics: Customer-Related CSR**

	N	Mean	Std. Deviation
Respects the rights of customers	50	4.7777	.29221
Provides information that is truthful, honest and useful	50	4.5897	.49831
Resolves customer complaints in a timely manner	50	4.1795	.99662
Quality assurance criteria are adhered to in production/ Offers quality products and services	50	3.9744	.90284
Committed to providing value to customers	50	4.5897	.49831
Supplies clear and accurate information and labelling about products and services, including after sales service	50	4.3846	.49286
Products and services provided are safe and fit with their intended use	50	4.5897	.49831
Avoids false and misleading advertising and sales promotions that are deceptive/manipulative	50	4.5897	.49831
Discloses all substantial risks associated with product or service	50	3.9744	.90284
Avoids manipulating the availability of a product for purpose of exploitation	50	4.3846	.49286

Source: Field data (2014)

#### **5.4.4 Employee-Related CSR Activities of RCBs**

The crucial nature of employees' position as stakeholders in business operation has been discussed extensively in the literature on employee engagement (Hopkins, 2003, Gross, n.d). Despite the crucial considerations given to the environment, the community and customers as major stakeholders for companies' CSR activities, in recent times, significant attention is being given to employee stakeholders regarding their status, treatment, rights, and satisfaction (Carroll and Buchholtz, 2009). Enterprises that are interested in reducing employee turnover and maintaining the best cream of employees owe it a responsibility to create the conditions for such goals to be achieved. In this sub-section, banks were asked to indicate the extent to which they agreed or disagreed to various benchmarks of CSR practices relating to employees. Table 5.4.4 shows descriptive statistics that reveals the extent to which RCBs engage in the various CSR activities for employees. Relative to findings in Table 5.4.3, banks' extent of involvement in CSR activities for employees is high throughout the variables. In this regard, banks are "Committed to the health and safety of employees" at a complete extent ( $M = 5.00$ ,  $SD = .00000^a$ ).

**Table 5.4.4: Descriptive Statistics: Employee-Related CSR**

	N	Mean	Std. Deviation
Provides a family-friendly work environment	50	4.7949	.40907
Committed to the health and safety of employees	50	5.0000	.00000 <sup>a</sup>
Engages in responsible human resource management	50	4.5897	.49831
Encourages employees to develop real skills and long-term careers (via Performance Appraisal and Training & Development)	50	4.5897	.49831
Provides an equitable reward and wage system for employees	50	4.4103	.49831
Respects freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations	50	4.2051	.40907
Engages in open and flexible communication with employees	50	4.7949	.40907
Invests in employee development	50	4.7949	.40907
Encourages freedom of speech and promotes employee rights to speak up and report their concerns at work	50	4.4103	.49831
Promotes a dignified and fair treatment of all employees	50	4.5897	.49831
Provides child care support/paternity/maternity leave in addition to what is expected by law	50	4.3846	.49286
Engages in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged	50	4.8205	.38878
Ensures a work/life balance among employees	50	4.3846	.49286
Ensures adequate steps are taken against all forms of discrimination	50	4.5897	.49831
Consults employees on important issues	50	4.6154	.49286

**Source: Field data (2014)**

## 5.5 DRIVERS/MOTIVATING FACTORS OF CSR: BANKS' PERSPECTIVE

In this section, responding banks were asked in the interview to indicate what peculiar factor motivated them to undertake CSR activities, and the responses indicated that banks were largely motivated by their mission and vision statements, which, most invariably, articulated their CSR agenda. For instance, while in the view of Respondent NR2:

*“the desire of fulfilling the bank’s mission statement and to build good image motivates us to do CSR”,*

Respondent NR3 was also of the view that:

*“The bank is motivated by our own mission to contributing to solving the social needs of our catchment areas”.*

On the other hand, some responding banks, for instance, BAR 5, explained that:

*“we are motivated by the desire to create value for the Bank and maximise shareholders’ wealth”.*

In a further attempt to verify what motivated RCBs, the study asked bank respondents to indicate the extent to which their banks were motivated by each of a fourteen-point summary of what the literature says are drivers or motivators for CSR engagement. The results are summarised in Table 5.5.1.

Table 5.5.1 comes with descriptive statistics that reveals the extent to which banks are motivated by various factors to engage in CSR. Relatively, “For moral and ethical reasons” (M = 3.89, SD = .40); “to improve community relations” (4.80, SD = 0.40), “to attract customers” (M = 4.40, SD = 0.49), “to improve customer loyalty” (4.80, SD = 0.41, “to improve employee motivation” (M = 4.40, SD = 0.80), “to improve relations with business partners/investors” (M = 4.20, SD = .40); “to improve economic performance” (M = 4.00, SD = .64); “to avail of public incentives (e.g. tax incentives) (M = 3.26, SD = 1.08); “to preserve or improve the reputation/image of the company” (M = 4.38, SD = 1.02); “a commitment to reducing the company’s impact on the environment” (M = 4.01, SD = 1.06) and “to give something back to the community” (M = 4.34, SD = 1.03) have high ratings of banks as factors that motivate them to engage in CSR. On the other hand, factors such as to “comply with legal requirements” to engage in CSR (M = 1.10, SD = 0.64); pressure from third parties like clients and competitors (M = 1.97, SD = 1.06) and a lobby against

regulations (M = 1.34, SD = 0.68) all rarely served as motivation for RCBs to engage in CSR.

**Table 5.5.1: Descriptive Statistics (Motivation for CSR Engagement)**

Variable	N	Mean	Std. Deviation
Ethical and moral reasons	50	3.89	0.40
To comply with legal requirements	50	1.10	0.64
To improve community relations	50	4.80	0.40
To attract customers	50	4.40	0.49
To improve customer loyalty	50	4.80	0.41
To improve employee motivation	50	4.40	0.81
To improve relations with business partners/ investors	50	4.20	0.40
To improve economic performance	50	4.03	0.64
Pressure from third parties (e.g. clients or competitors)	50	1.97	1.06
To avail of public incentives (e.g. tax incentives)	50	3.26	1.08
To preserve or improve the reputation/image of the company	50	4.38	1.02
A commitment to reducing the company's impact on the environment	50	4.01	1.06
As a lobby against regulations	50	1.34	0.68
To give something back to the community	50	4.34	1.03

**Source: Field data, 2014**

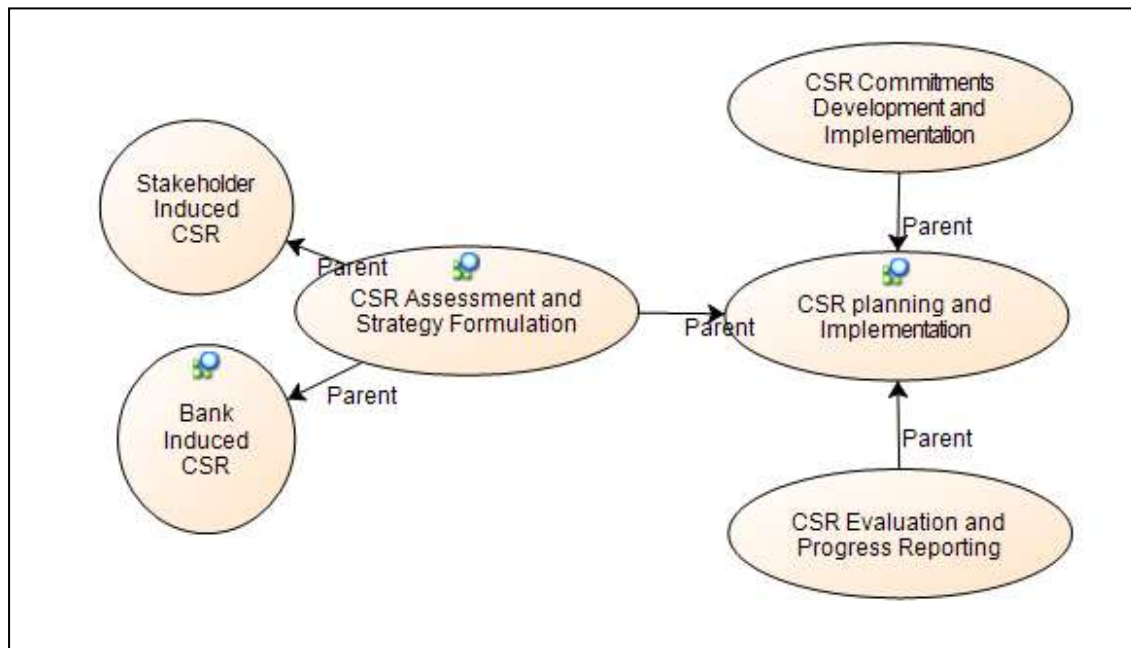
## 5.6 PLANNING AND IMPLEMENTATION OF CSR

As explained in the literature, the critical nature of CSR demands that corporations do proper planning prior to their engagement in CSR activities. In this section, the study tries to assess the extent to which the participating banks had adhered to the CSR Implementation Framework (Figure 3.3) in the literature. This was done by asking banks to indicate, in an interview, the processes involved in planning and implementing CSR within their banks. The results of the interview were analysed using QSR NVivo 7 (qualitative data analysis software) and presented in the sections that follow.

### 5.6.1 Processes of Planning and Implementation of CSR

Basically, this sub-section analyses responses taken from banks or their representatives during the interviews on how they plan and implement their CSR. The study used the model proposed in Figure 3.3 as the benchmark. However, the interview data reflected slightly different processes (not far from the model though). After inputting the responses into the QSR Nvivo 7, the study came out with the model below (Figure 5.6.1), summarising the planning and implementation processes for CSR within the RCBs.

**Figure. 5.6 1: Model of CSR Planning and Implementation**



**Source: Field Data, 2014 (constructed from QSR Nvivo 7)**

Figure 5.6.1 indicates that three main processes were involved in the Planning and Implementation of CSR activities among RCBs. These included CSR Assessment and Strategy Formulation; CSR Commitment Development and Implementation and CSR Evaluation and Progress Reporting. Each of the individual processes, according to the responses, included series of activities, which were also presented in subsequent discussions. Comparing them to the model captured in Figure 3.3, the processes do



not show any significant differences. It is, however, significant to indicate that some of the activities have only been consolidated into others, while some of them were overlapping in the case of RCBs in Ghana.

#### ***5.6.1.1 CSR Assessment and Strategy Formulation***

This is the initial stage of CSR planning and implementation, as indicated by the interview data and summarised in Figure 5.6.1.1 below. According to the figure, there are two ways RCBs conduct CSR assessment and formulate their CSR strategy of commitments. These included what they referred to as bank induced/initiated CSR and stakeholder induced/initiated CSR. In the view of respondents, bank induced/initiated CSR are the CSR activities that the bank itself puts together. In most of these cases, a team is put together to go through communities in the catchment area and conduct need assessment. The need assessment formed the basis for the CSR strategy formulation. On this, Respondent AR8 indicated, in the interview, that:

*“A team is put together by the board or management to go round the catchment areas to conduct an assessment of the needs of the communities and report back to the board”*

In other cases, the banks used their field officers (which included credit officers, mobile bankers and micro-finance officers), who conducted the need assessment in the communities and reported back to their respective managers. For instance, CR1 (a respondent of the bank) indicated that:

*“the bank normally uses its field officers like the mobile bankers and micro-finance officers to conduct need assessment and collate these needs and submit it to the bank through branch managers”*

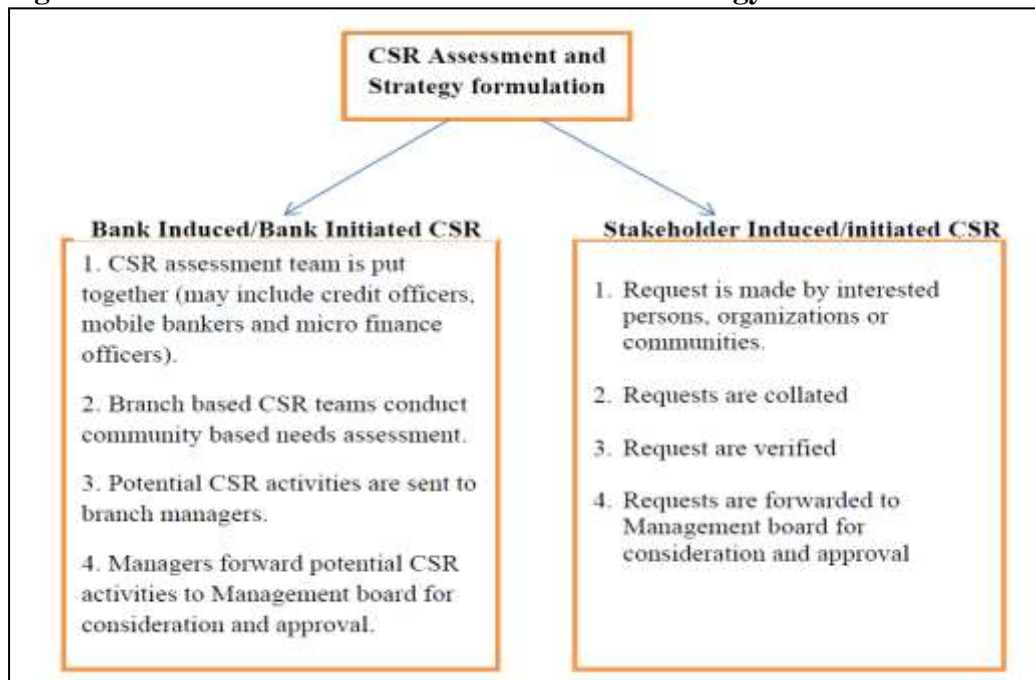
Having been reported to the managers, these array of potential CSR activities were put together for onward submission to the management board for further discussion. On the other hand, stakeholder induced/initiated CSR were those activities which came in the form of requests from communities and other identifiable stakeholders,

such as schools, hospitals, police services, among others. Banks received individual requests from interested persons, organisations and groups seeking support. Normally, these requests were advisedly made to the headquarters of the bank, where they were collated and submitted to the management board for consideration. Also, as indicated by Respondent CR1:

*“Sometimes the communities and various organisations also put forward requests to the bank and project officers (credit officers) are made to go to the field to verify”.*

So, sometimes, verification was done before a potential CSR activity is forwarded to the management board.

**Figure 5.6.1.1: Model of CSR Assessments and Strategy Formulation**



Source: Field data, 2014 (Author’s construct from QSR Nvivo 7)

### **5.6.1.2 CSR Commitment Development and Implementation**

The interview also revealed that the second stage of CSR planning and implementation was aggregated into what the study categorised as CSR Commitment Development and Implementation. This was normally done at the management board level. As indicated in Table 5.6.1.2 below, this stage dealt with consideration and

approval of all viable requests from stakeholders and those that were put together by the bank's own initiated assessment. The board further scrutinised the various CSR activities to agree on which one had to be approved. Regarding this, a respondent, CR1, explained that:

*“after collating and verifying the CSR needs of the communities, the bank puts forward these commitments and forwards them to a board meeting for approval and implementation”.*

In approving the CSR commitments (according to Respondent ER8):

*“the board checks the credibility of those seeking for the assistance and accounts are purposely created on their behalf through which funds are channelled”.*

According to Respondent AR6, the approval is given based on:

*“the attached budget and the relevance of the request (to social needs of community and boosting the bank's image) and the availability of funds”.*

The interviews also revealed that, after approval is given, the board authorises allocation of funds for implementation. On this, Respondent AR6 indicated:

*“A team is put in place to implement CSR project that has been approved by the board”.*

The implementation of CSR among RCBs can also be based on whether the activity is a long-term one or short-term. Respondent AR2 explained that:

*“These CSR activities can be long-term or short-term. The short-term ones are implemented right after approval is given based on the bank's financial capabilities and the relevance of the activity. The long-term ones go beyond one financial year, so a team is put together to oversee the implementation of the CSR activities”*

**Table 5.6.1.2: Activities for CSR Commitment Development and Implementation**

<ol style="list-style-type: none"><li>1. Collated and verified CSR activities are submitted to board</li><li>2. Board checks scrutinizes the credibility of those seeking for the assistance</li><li>3. Board checks scrutinizes the viability of CSR activities</li><li>4. Board gives approval based on economic potential, image building potential and availability of funds</li><li>5. Implementation team is formed based on long-term or short-term nature of the CSR activity</li><li>6. Implementation begins</li></ol>
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Source: Field Data, 2014 (constructed from QSR Nvivo 7)

### **5.6.1.3 CSR Evaluation and Progress Reporting**

The interview sessions also revealed that the final stage of CSR planning and implementation could be aggregated into what had been categorised as CSR Evaluation and Progress Reporting. As indicated in Table 6.6.13 below, the stage deals with measuring targets and reporting on progress of the implementation. The table indicates that, following from the implementation stage, a committee is formed to undertake monitoring and evaluation. For instance, Respondent AR3 asserted that:

*“depending on the type of project, project committees are set up to undertake these monitoring and reporting”.*

The members of the committee intermittently visited the project site to ascertain progress of work and reported back to the Board. However, Respondent AR3 explained that:

*“The report on progress depends largely on the type of CSR request/project in question. For instance, in terms of a school building, the bank releases funds/resources in bits and according to phases. So, progress report is given before funds are released. But in the case of monetary sponsorships, it is more instantaneous and hardly does the bank demand reports, etc”.*

In other cases, the branch manager reports to the board about the progress of the CSR project in their individual communities, and according to Respondent ER3:

*“When an officer in charge makes donation on behalf of the bank, he reports with appreciation letter or receipts, and then reports on its importance and how best it will positively influence the society and also build the company name in society”.*

Most importantly, in projects involving high expenditure and also those characterised by high-level technicalities (like setting up computer laboratories, building markets and community centres):

*“a team of officers with expertise in the area of the particular CSR is put together and this team visits the project site to see progress and report back to the bank. After completion, a team, which includes community members and a bank official, is also put in place to regularly evaluate and report on any needed improvement” (Respondent CR1).*

Also, in some cases (and as asserted by AR2):

*“especially with the long-term projects, after completion, one staff/board member is appointed to be part of the team that manages the project and reports regularly to the board on how useful the project has been and areas of improvement”.*

**Table 5.6.1.3: Activities for CSR Evaluation and Progress Reporting**

1. Committees are set up depending on the type of CSR project to undertake monitoring and reporting.
2. Committee members could be made up of officers with expertise in the area of the particular CSR project
3. The members of the committee intermittently visit the project site to ascertain progress of work and report back to the board.
4. Upon completion of a long-term project, a staff/board member is appointed to the team that manages it, and he reports regularly to the board on how useful the project has been and areas of improvement.
5. Report can come with appreciation letter or receipts and may include how best the CSR project will positively impact on the society and also build the company name in society.

**Source: Field data, 2014**

### 5.6.2 Levels of Engagement of Stakeholders in the Planning and Implementation of CSR

Table 5.6.2 comes with descriptive statistics which indicates the extent of stakeholder engagement in the processes of planning and implementing CSR. It appears that the highest stakeholder engagement, in this respect, takes place during “CSR Assessment and Strategy Formulation” (M = 4.48, SD = .51), followed by “CSR Commitment Development and Implementation” (M = 4.00, SD = .83). Though the least extent of stakeholder engagement takes place during “CSR Evaluation and Progress Reporting” (M = 3.56, SD = 1.37), all processes appreciably attract a high level of engagement of stakeholders from the perspective of RCBs.

**Table 5.6.2: Descriptive Statistics: Engagement of Stakeholders in Planning and Implementing CSR Processes**

	N	Mean	Std. Deviation	Std. Error Mean
CSR Assessment and Strategy Formulation	50	4.4839	0.50800	.09124
CSR Commitment Development and Implementation	50	4.0000	0.83406	.17025
CSR Evaluation and Progress Reporting	50	3.5641	1.37257	.21979

**Source: Field data, 2014**

### 5.6.3 Medium of Engagement of Stakeholders in the Planning and Implementation of CSR

Table 5.6.3 comes with descriptive statistics that reflects the extent to which banks used various mediums to engage stakeholders in their CSR activities. All mediums had appreciable extents of engagement, with “Community Durbars” having the highest extent of use as a medium of CSR engagement (M = 4.62, SD = 0.49), followed by Employee Durbars (M = 4.38, SD = 0.81) and Customer Durbars (M =

4.38, SD = 0.49) and then Focus Group Meetings (M = 4.18, SD = 0.76). Nonetheless, household visitation appeared to be the least used medium of engagement used by the banks (M = 1.77, SD = 0.18). Meanwhile, in the course of the interviews with the banks, some respondents indicated that, apart from these benchmarks identified above, another effective medium of engagement was the Community Information Centres. As reported by Respondents AR1, WR2 and ER1, apart from these, the information centres which were built by the banks were very effective avenues in disseminating information and engaging the community members.

**Table 5.6.3: Descriptive Statistics (Mediums of Engagement in CSR)**

	N	Mean	Std. Deviation	Std. Error Mean
Community Durbars	50	4.6154	.49286	.07892
Household Visitation	50	1.7692	.18013	.18897
One-on-One Discussion	50	4.1795	.75644	.12113
Focus Group Meetings	50	4.1795	.75644	.12113
Employee Durbars	50	4.3846	.81484	.13048
Customer Durbars	50	4.3846	.49286	.07892

**Source: Field data, 2014**

## **5.7 CHALLENGES OF CSR ENGAGEMENTS: BANKS' VIEW**

The process of CSR planning and implementation cannot be smooth-sailing. As indicated in Table 3.5 in the preceding chapter, the process can be bedevilled with several challenges. In this sub-section, the banks were asked in the interview to indicate challenges that were peculiar to their individual processes. The responses gathered were imported into the QSR Nvivo 7 software and were processed into

thematic areas under the category labelled “*Challenges and Barriers to CSR Implementation*”. The results are summarised into Table 5.7.1 below.

In Table 5.7.1 the banks indicated in the interviews that several challenges bedevilled the implementation of CSR. These challenges, as summarised, are in relation to community, finance policy and others.

On the other hand, respondents from the banks were further asked to indicate the extent to which some common identified challenges (summarised below) posed as barriers to their CSR implementation. The results thereof are summarised in Table 5.7.2, indicating the level to which various factors act as barriers to CSR implementation by banks.

**Table 5.7.1: Thematic Challenges/Barriers of CSR Implementation (Banks’ Specific View)**

Coded Themes	Challenges/Barriers Reported
Community-Related Challenges	<ol style="list-style-type: none"> <li>1. The bank is met with increasing demands for community development, but the bank is confronted with inadequate resources to do more CSR</li> <li>2. There are too many unplanned requests for CSR engagement</li> <li>3. Most beneficiaries are not aware of the CSR activities of the bank</li> </ol>
Finance-Related Challenges	<ol style="list-style-type: none"> <li>4. Inadequate financial resources</li> <li>5. One major challenge is with respect to the cost and economic importance of the appeals for support that are received.</li> <li>6. CSR involves high cost</li> </ol>
Policy Related Challenges	<ol style="list-style-type: none"> <li>7. Because of the absence of a clear policy and interest for CSR, the board and management in particular find it very difficult to take decisions on CSR commitments.</li> <li>8. The reluctance of the board to push for a policy on CSR makes it more difficult for the bank to practise it.</li> </ol>
Others	<ol style="list-style-type: none"> <li>9. Scramble for CSR projects to communities of board members.</li> <li>10. Banks are not able to account for the receipts of CSR projects done for communities to the IRS</li> </ol>

**Source: Field data, 2014 (Produced from QSR Nvivo 7)**



From the table, all the factors rarely serve as barriers to CSR implementation, except the “Lack of financial resources” (M = 3.26, SD = 1.60) and “No clear CSR regulations/guidelines” (M = 3.41, SD = 0.82). Lack of time, lack of commitment from top management, lack of human resources, issues of corporate disclosure, lack of trust in CSR benefits, CSR not related to the activities of banks and banks being unable to afford the expenditure of CSR may not be significant barriers in CSR implementation.

**Table 5.7.2: Descriptive Statistics: Barriers with the Implementation of CSR**

	N	Mean	Std. Deviation	Std. Error Mean
Lack of time	50	1.6410	1.20279	.19260
Lack of financial resources	50	3.2564	1.60128	.25641
Lack of commitment from top management	50	1.8205	.75644	.12113
Lack of Human Resources	50	1.8205	.75644	.12113
Issues of corporate disclosure	50	2.4359	1.51822	.24311
Lack of trust in CSR benefits	50	1.8205	.75644	.12113
No clear CSR regulation/guidelines	50	3.4103	.81815	.13101
CSR is not related to the activities of the banks	50	2.0256	.90284	.14457
Our bank cannot afford the expenditure of CSR	50	1.6154	.81484	.13048

**Source: Field data, 2014**

## 5.8 CONCLUSION

This chapter has outlined an analysis of results of the semi-structured interviews conducted on managers of various RCBs or their representatives. The main tools used for the analysis in this chapter include qualitative analytical tools extracted from QSR NVivo 7 and descriptive and inferential statistics generated from SPSS. While the statistical analysis helped in describing the important characteristics and patterns of

the aspects of the interview that are quantitative in nature, the qualitative analysis enabled the study to classify and categorise aspects of the interview data (that are more qualitative in nature) into themes to aid textual and descriptive analysis.

In this chapter, the study highlighted that, among the 50 banks selected, each bank has operated with at least 7 branches within an average of 26 years and with an employee and customer base of about 106 and 5977 respectively. The chapter also indicated that, although the banks exhibited a high level of familiarity with CSR, majority of them have no existing policy and plan for pursuing the CSR agenda. Additionally, there is also an indication that, among RCBs in Ghana, CSR is largely constituted in community support and development. In summary, the chapter explains that RCBs, indeed, have positive perceptions about CSR and, hence, RCBs are likely to engage in CSR to a large extent. This, according to the chapter, is reflected in the banks' affirmation that Rural Banks should pay significant attention to their social and environmental responsibilities, that they make reference to CSR in their mission statements, visions and values, and that they conduct CSR activities on regular basis, among others. There was also strong evidence in this chapter that RCBs generally focus on education, health and agriculture as their main areas for CSR engagement. Apart from these focus areas, RCBs also engage in some CSR activities related to some identifiable stakeholders, including the local community and the environment, customers and employees. In this chapter, the desire to fulfil the bank's mission statement and to build good image motivates RCBs to engage in CSR. Other motivating factors are to improve community relations, to improve customer loyalty, to preserve or improve the reputation/image of the company, to improve employee motivation, to improve relations with business partners/investors and to improve economic performance.

The study identified three main processes of CSR planning and implementation. These include CSR Assessment and Strategy Formulation, CSR Commitment Development and Implementation and CSR Evaluation and Progress Reporting. There is an indication that the banks involve, to a large extent, the various identifiable stakeholders in these processes, especially through mediums such as community durbars, employee durbars, customer durbars, one-on-one discussions, focus group meetings and, more importantly, community information centres. To conclude, the chapter summarises the main factors that inhibit effective CSR engagement as community-related challenges, finance-related challenges, policy-related challenges and others.

## **CHAPTER SIX**

### **AN EMPIRICAL ANALYSIS OF THE SURVEY OF CSR PRACTICES AMONG RCBs IN GHANA: THE PERSPECTIVE OF IDENTIFIABLE STAKEHOLDERS**

#### **6.0 INTRODUCTION**

This chapter reports on the results of the survey conducted on identifiable stakeholders on issues regarding the practice of CSR in the Rural and Community Banking Industry in Ghana. This was done, using descriptive and inferential statistics generated from various statistical tools. The two statistics mentioned above helped in describing the important characteristics and patterns of the data collected through the questionnaire method and also to make sound predictions and generalisations as to the reality of CSR practices among RCBs in Ghana. Most importantly, the chapter serves as a point of verification of the responses by the banks and their representatives, and also to be used as a triangulation of the methods applied in the preceding chapter. The chapter is composed of seven sections. These include an analysis of the socio-demographic characteristics of respondents within three identifiable stakeholders – Community Members, Customers and Employees, Stakeholders' perceptions and Conceptualisations of CSR Practices Existing in the Selected RCBs, CSR Focus Areas among RCBs, Stakeholder-Related CSR Practices among RCBs, Drivers/Motivating Factors for RCBs' Engagement in CSR; Planning and Implementation of CSR among Selected RCBs and the Challenges of CSR Engagements by RCBs.

## **6.1 SOCIO-DEMOGRAPHIC CHARACTERISTICS OF STAKEHOLDERS**

This section of the chapter presents information on the socio-demographic characteristics of respondents in general. It includes an analysis of stakeholders' Gender, Age Structure, Educational Background, among others, and how they reflect on the responses given. These characteristics are very important, in that, they tend to influence and reflect on the extent of CSR engagement within organisations (Schaper and Savery, 2004, Bessera and Miller, 2000).

### **6.1.1 Socio-Demographic Characteristics of Community Respondents**

Community members are a crucial component of the stakeholders of CSR, considering their relationship with the banks and the position they occupy in the business operations of the various banks. This makes them very critical respondents on issues of CSR, since most of the CSR activities (as is discussed later in this chapter) are targeted at them.

#### ***6.1.1.1 Gender of Community Respondents***

As indicated in Table 6.1.1.1 below, gender characteristics showed that, out of the 250 community members surveyed, 136 of them (representing 54.4%) were males, whereas 114 (representing 45.6%) were females. This was an indication that most respondents sampled from the communities were males. Yet, the difference in the proportions of males and females was not large. The difference of 22 respondents could rarely impede findings to be compared. With both males and females sufficiently represented, the study conveniently compared findings, without much bias, across gender of community members.

**Table 6.1.1.1 Gender of Community Respondents**

	Frequency	Percent	Cumulative Percent
Male	136	54.4	54.4
Female	114	45.6	100
Total	250	100	

Source: Field data 2014

### ***6.1.1.2 Age Structure of Community Respondents***

The data obtained on age structure showed that the Community respondents sampled were predominantly youthful. From Table 6.1.1.2, about 37% of all responding community members were between the ages of 16 and 25 years; about 26% were between 26 and 35 years; about 24% of all community members were between 36 and 45 years; and about 14% of community members were above 46 years. Cumulatively, majority of community respondents were at least 26 years old. This is an indication that the community respondents were sufficiently mature to give responses that were reflective of the practice of CSR of RCBs located in their communities.

**Table 6.1.1.2 Age Structure of Community Respondents**

Age	Frequency	Percent	Cumulative Percent
16-25	92	36.8	36.8
26-35	65	26	62.8
36-45	59	23.6	86.4
46 and above	34	13.6	100
Total	250	100	

Source: Field data, 2014

### ***6.1.1.3 Educational Background of Community Respondents***

The study is of the view that the educational levels of respondents play a crucial role in the quality of responses that a respondent is likely to give. To that effect, the study sought to elicit from community respondents their highest educational qualification, and the data obtained is summarised in Table 6.1.1.3. It is indicative from the table

that about 2% of all community members had postgraduate qualifications, about 14% had graduate qualifications, 44% had secondary education and about 11% had no education. However, the data indicated about 3% missing responses. From the table, most community members had secondary education. Secondary education could give community members ample knowledge to respond to the questions in this study. Even so, any deficiency in the education of community members was compensated for by the several years of knowing the CSR activities of the RCBs.

**Table 6.1.1.3 Educational Background of Community Respondents**

Education	Frequency	Percent	Cumulative Percent
Postgraduate	6	2.4	2.4
Graduate	35	14	16.4
Secondary	111	44.4	60.8
Basic	64	25.6	86.4
None	27	10.8	97.2
Missing	7	2.8	100
Total	250	100	

Source: Field data, 2014

### **6.1.2 Socio-Demographic Characteristics of Customer Respondents**

As explained in the conceptual framework captured in Figure 3.8, the role of customers as critical stakeholders in CSR cannot be over-emphasised. Particularly with RCBs in Ghana, their very survival is dependent largely on their customer base. The study, therefore, deemed it imperative to elicit responses from customers on the issues of CSR. The characteristics of the customers who formed part of the respondents are analysed in the following sub-sections.

#### **6.1.2.1 Gender of Customer Respondents**

Table 6.1.2.1 below shows the gender of customers of the RCBs in this study. In this regard, 141 customers were males, while 108 were females. These frequencies

represent about 56% and 43% of all customers respectively. It is, therefore, evident that there were more males than females in the study in terms of customers of the RCBs. Like in the case of the community members, the difference in the proportion of males to females was not substantial enough to have any implication for the comparison of findings across the customers.

**Table 6.1.2.1 Gender of Customer Respondents**

Gender	Frequency	Percent	Cumulative Percent
Male	141	56.4	56.4
Female	108	43.2	99.6
Missing	1	0.4	100
Total	250	100	

Source: Field data, 2014

#### **6.1.2.2 Age Structure of Customer Respondents**

Table 6.1.2.2 shows the age structure of responding customers of this study. In this vein, about 17% of all responding customers were between the ages of 16 and 25 years, about 37% of all responding customers were between 26 and 35 years, about 28% of all responding customers were between 36 and 45 years and about 17% of all responding customers were above 46 years. Therefore, a majority of customers were between 26 and 35 years. This means that the customers were sufficiently mature to adequately give crucial responses that enriched the findings of the study.

**Table 6.1.2.2 Age Structure of Customer Respondents**

Age	Frequency	Percent	Cumulative Percent
16-25	43	17.2	17.2
26-35	93	37.2	54.4
36-45	70	28	82.4
46 and above	43	17.2	99.6
Missing	1	0.4	100
Total	250	100	

Source: Field data, 2014



### **6.1.2.3 Educational Background of Customer Respondents**

Table 6.1.2.3 summarises the highest educational qualification of customers. It indicates that about 18% of all customers had postgraduate education with about 22% having graduate education. Also, about 30% had secondary education; about 18% had basic education while about 10% of them were not educated at all. It can be seen that most responding customers had secondary education. This was the same for community members, yet the number of customers with postgraduate education was higher. With a cumulative percentage of about 69% of customer respondents attaining the educational level of secondary school and above, customers could be considered knowledgeable enough to respond to questions on CSR without much difficulties.

**Table 6.1.2.3 Educational Background of Customer Respondents**

Education	Frequency	Percent	Cumulative Percent
Postgraduate	44	17.6	17.6
Graduate	54	21.6	39.2
Secondary	75	30	69.2
Basic	46	18.4	87.6
None	26	10.4	98
Missing	5	2	100
Total	250	100	

Source: Field data, 2014

### **6.1.3 Socio-Demographic Characteristics of Employee Respondents**

Clarkson (1995), in his stakeholder characterisation, identified employees as critical stakeholders, whose continued participation in the corporation is crucial for its survival. The study sought to take responses from this group of stakeholders who, by their positions in the operations of RCBs, are a hub of vital experiences relative to CSR engagement. The analysis that follows describes the characteristics of Employees of RCBs who formed part of the study.

### **6.1.3.1 Gender of Community Respondents**

The data, as summarised in Table 6.1.3.1, shows the gender of the employees of the selected RCBs in this study. The table indicates that 84 employees representing 56% were males, while 61 representing 41% were females. This meant that there were more male employee respondents in the study than females, and this could be as a result of the fact that there were more male employees in the sampling frame relative to female employees. It is, however, a belief of the study that the difference is not too large to negatively impact on the findings of the study.

**Table 6.1.3.1 Gender of Employee Respondents**

Gender	Frequency	Percent	Cumulative Percent
Male	84	56	56
Female	61	40.7	96.7
Missing	5	3.3	100.0
Total	150	100	

Source: Field data, 2014

### **6.1.3.2 Age Structure of Employee Respondents**

Table 6.1.3.2 shows the age structure of responding employees of this study. In this vein, about 7% of all responding employees were between the ages of 16 and 25 years, about 64% of all responding employees were between 26 and 35 years, about 19% of all responding employees were between 36 and 45 years and about 5% of all responding employees were above 46 years. Therefore, majority of employees were between 26 and 35 years. This meant that employees were sufficiently mature, and this would likely reflect in their many years of work experience.

**Table 6.1.3.2 Age Structure of Employee Respondents**

Age	Frequency	Percent	Cumulative Percent
16-25	11	7.3	7.3
26-35	96	64.0	71.3
36-45	29	19.3	90.7
46 and above	8	5.3	96.0
Missing	6	4.0	100.0
Total	150	100.0	

Source: Field data, 2014

**6.1.3.3 Educational Background of Employee Respondents**

Table 6.1.3.3 shows the highest educational level of employees of the RCBs. There were about 34% of the employees who had postgraduate education, about 50% had graduate education, about 7% had secondary education; and about 2% had basic education. Also, about 2% of respondents did not have any level of education, and about 5% represented missing response. This was an indication that, unlike the community members and customers (most of whom had secondary education), majority of the employees had graduate education. The level of high education among employees would, most likely, reflect credibly on the quality of responses gathered from them.

**Table 6.1.3.3 Educational Background of Employee Respondents**

Education	Frequency	Percent	Cumulative Percent
Postgraduate	51	34	34
Graduate	75	50	84
Secondary	11	7.3	91.3
Basic	3	2	93.3
None	3	2	95.3
Missing	7	4.7	100.0
Total	150	100	

Source: Field data, 2014

#### **6.1.3.4 Number of Years Employees Have Worked with the Bank**

Table 6.1.3.4 summarises the work experience of employees of the RCBs in this study. It can be reported that about 9% of all employees had worked with the banks for at most 5 years, while about 59% of them had worked with the banks for between 6 and 10 years. Also, about 21% of employees had worked with the banks for between 11 and 15 years and about 8% had worked with the banks for more than 16 years. There were about 3% missing items. This was an indication that most employees of the study had worked with the banks for between 10 and 15 years. Cumulatively, majority of the employees had worked with the banks for a considerable number of years. This implies that employees with ample experience are likely to be conversant with policies and activities of CSR in their banks. More so, this supports the age distribution of employees in Table 6.1.3.3 and would reflect credibly on the findings.

**Table 6.1.3.4 Number of Years Employees Have Worked with Bank**

Age	Frequency	Percent	Cumulative Percent
0-5 years	13	8.7	8.7
6-10 years	89	59.3	68.0
11-15 years	32	21.3	89.3
16 and above	12	8.0	97.3
Missing	4	2.7	100.0
Total	150	100.0	

Source: Field data, 2014

## **6.2 STAKEHOLDERS' PERCEPTIONS AND CONCEPTUALISATION OF CSR**

Stakeholders' perceptions, as discussed below, included the extent to which they are familiar with the concept of CSR in general and whether in their opinion their banks must generally be responsible for social and community development. Also included

in this discussion were the responses of stakeholders as to banks being socially-responsible. The responses gathered on these issues are presented according to the different stakeholders and captured below:

### **6.2.1 Stakeholders' Familiarity with CSR within the Banks**

In this sub-section, the various identifiable stakeholders were asked to indicate their familiarity with CSR activities of their respective banks, and the results thereof are captured in Table 6.2.1. The table indicates that 115 community members, representing about 46% of community members who participated in the survey, said that they were not much familiar with the banks' CSR activities, while 129 (representing about 52%) of participating community members were familiar with the banks' CSR. This means that majority of the respondents from the community were familiar with the banks' CSR; hence there were more people to provide reliable and accurate information. Even those without much familiarity could still have credible responses to offer as a result of their many years of experience with the banks and possibly their high level of education. Table 6.2.1 further indicates that about 87% (130) of employee respondents agreed to having some familiarity with the CSR activities of the banks, whilst about 5% (8) disagreed. In fact, a great majority of employees agreed that they were familiar with the banks' CSR, unlike the community members. This could be as a result of the fact that employees were closer to the banks and were involved in the development, implementation and monitoring of CSR activities in the banks. This situation of high familiarity among employees is likely to result in quality data.

Interestingly, about 52% (129) of customers affirmed their familiarity with their banks' CSR activities, while about 46% (115) affirmed their unfamiliarity. Majority

of the respondents, hence, agreed that they were familiar with the banks' CSR. Comparatively, the familiarity of respondents with the banks' CSR was higher among employees, though majority of customers and community members were likewise familiar with the banks' CSR. Practically, this would lead to appropriate findings in this study.

**Table 6.2.1 Stakeholders' Familiarity with Banks' CSR**

Response	Stakeholder		
	Community Members	Employees	Customers
Yes	115 (46%)	130 (87%)	129 (52%)
No	129 (52%)	8 (5%)	115 (46%)
Missing	6 (2%)	12 (8%)	6 (2%)
Total	250 (100%)	150 (100%)	250 (100%)

Source: Field data, 2014

### **6.2.2 Stakeholders' Perception about CSR in Rural Banking**

In order to understand the position of stakeholders on CSR practices of RCBs, a perceptual analysis was conducted on three different variables which, in the opinion of the study, clearly indicated the perceptions of stakeholders about the practice of CSR in their respective banks. These variables included the fact that Rural Banks must pay significant attention to social issues generally, whether their respective banks were socially-responsible and whether their respective banks had CSR policies. It was the belief of the study that, in an attempt to respond to these series of statements, stakeholders would invariably verify responses from RCBs on their likelihood to actively engage in CSR. The perceptions are presented according to the different stakeholders and indicated in Tables 6.2.2.1, 6.2.2.2, and 6.2.2.3.

Table 6.2.2.1 comes with binomial tests for the presence of some key perceptions of community members about CSR in the selected RCBs. These tests were for only community members. The table indicates that Rural Banks must pay significant

attention to social and community development generally (N = 186, p = .000) and that Rural Banks were socially-responsible (N = 165, p = .000). There is no significant difference in the proportions of community respondents who said their banks did not have CSR policies and those who agreed that the banks had CSR policies (N = 140, p = .092). The reason may be that community members did not know much about the availability of this policy in the banks, not forgetting that a high proportion of about 47% of them were not familiar with banks' CSR. Findings from employees and customers would provide substantial information about whether the banks really had policy for CSR or not.

**Table 6.2.2.1 Binomial Test – Community Members**

COMMUNITY						
		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Rural Banks must pay significant attention to social and community development	Group 1	Yes	186	.74	.50	.000 <sup>a</sup>
	Group 2	No	64	.26		
	Total		250	1.00		
The Banks are socially-responsible	Group 1	Yes	165	.66	.50	.000 <sup>a</sup>
	Group 2	No	85	.34		
	Total		250	1.00		
The Bank has a CSR Policy	Group 1	Yes	140	.56	.50	.092 <sup>a</sup>
	Group 2	No	110	.44		
	Total		250	1.00		

a. Based on Z Approximation.

Source: Field data, 2014

Table 6.2.2.2 also comes with binomial tests for the presence of the same key perception of employees about CSR in the selected RCB. In this case too, majority of employees were of the view that Rural Banks must pay significant attention to social and community development generally (N = 143, p = .000) and that Rural Banks were socially-responsible (N = 140, p = .000). More so, majority of employees affirmed that their banks had CSR policies (N = 125, p = .000).

**Table 6.2.2.2 Binomial Test – Employees**

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Rural Banks must pay significant attention to social and community development	Group 1	Yes	143	.95	.50	.000 <sup>a</sup>
	Group 2	No	7	.05		
	Total		150	1.00		
The Banks are socially-responsible	Group 1	Yes	140	.93	.50	.000 <sup>a</sup>
	Group 2	No	10	.07		
	Total		150	1.00		
The Bank has a CSR Policy	Group 1	Yes	125	.83	.50	.000 <sup>a</sup>
	Group 2	No	25	.17		
	Total		150	1.00		

a. Based on Z Approximation.

Source: Field data, 2014

Additionally, in Table 6.2.2.3, majority of the customers were of the view that Rural Banks must pay significant attention to social and community development generally (N = 213, p = .000) and that Rural Banks were socially-responsible (N = 182, p = .000). Customers also indicated significantly that banks had CSR policies (N = 147, p = .008). Based on findings of employees and customers, it can be said that banks had policies of CSR. Thus, the insignificance of the finding that banks had policies of CSR is neutralised and the presence of banks' CSR policy justified.

**Table 6.2.2.3 Binomial Test – Customers**

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Rural Banks must pay significant attention to social and community development	Group 1	Yes	213	.85	.50	.000 <sup>a</sup>
	Group 2	No	37	.15		
	Total		250	1.00		
The Banks are socially-responsible	Group 1	No	68	.27	.50	.000 <sup>a</sup>
	Group 2	Yes	182	.73		
	Total		250	1.00		
The Bank has a CSR Policy	Group 1	No	103	.41	.50	.008 <sup>a</sup>
	Group 2	Yes	147	.59		
	Total		250	1.00		

a. Based on Z Approximation.

Source: Field data, 2014



For robustness' sake, the results from Table 6.2.2.1, Table 6.2.2.2 and Table 6.2.2.3 were verified in another way. This was done through the Kruskal-Wallis Test, a non-parametric version of the Analysis of Variance (ANOVA). The test is to identify the extent of sameness in respondents' perceptions about CSR in terms of the four variables – familiarity with Banks' CSR activities, that Rural Banks must pay significant attention to social and community development generally, that the banks are socially-responsible and that banks have CSR policies. This was tested across the various identifiable stakeholders (community members, employees and customers). The data, as captured in Table 6.2.2.4 below, indicates that community respondents had the highest mean rank of familiarity with banks' CSR (N = 650, M = 352.98), followed by customers (N = 650, M = 336.21) and employees (N = 650, M = 205.64). This was the same for the other three variables.

**Table 6.2.2.4: Ranks – ANOVA of Perceptions of Identifiable Stakeholders**

	Respondent Category	N	Mean Rank
Familiarity with CSR	Community Members	250	352.98
	Employees	150	205.64
	Customers	250	336.21
	Total	650	298.28
Rural Banks must pay significant attention to social and community development	Community Members	250	345.12
	Employees	150	276.99
	Customers	250	313.03
	Total	650	311.71
The bank is socially-responsible	Community Members	250	347.44
	Employees	150	256.35
	Customers	250	326.57
	Total	650	310.12
The bank has a CSR Policy	Community Members	250	340.43
	Employees	150	249.04
	Customers	250	331.01
	Total	650	306.83

Source: Field data, 2014

Advancing further, the study sought to test the null hypothesis that “there is no significant difference in responses across the three stakeholders regarding their conviction and knowledge of CSR activities of selected RCBs”. Table 6.2.2.5 captures the Kruskal Wallis test computed for each of the four variables. As indicated earlier, this analysis was to test if there was a significant difference in the responses of the three groups across the four variables.

**Table 6.2.2.5 Test Statistics<sup>a,b</sup>**

	Familiarity with CSR	Banks must be responsible for social and community development	Bank is socially-responsible	Bank has a CSR Policy
Chi-Square	89.037	31.285	41.724	36.302
Df	2	2	2	2
Asymp. Sig.	.000	.000	.000	.000

a. Kruskal Wallis Test

b. Grouping Variable: Respondent Category

Table 6.2.2.5 above indicates that the opinions of the respondents about familiarity with banks’ CSR across the three groups (community members, employees and customers) were not the same ( $\chi^2 = 89.037$ ,  $p = .000$ ). This was also true for the fact that Rural Banks must pay significant attention to social and community development generally ( $\chi^2 = 31.285$ ,  $p = .000$ ) and, more so, that banks were socially-responsible ( $\chi^2 = 41.724$ ,  $p = .000$ ). The same finding applies to the issue of banks having CSR policies ( $\chi^2 = 36.302$ ,  $p = .000$ ). What this means was that the trend of employees’ responses was not the same as those of customers and community members. Of course, this situation could be very realistic, since the three groups of respondents had different levels of education and experience about banks’ CSR. Employees by their position and proximity to the bank are most likely to have better knowledge and positive perceptions about the banks’ CSR activities. The same could apply between

Customers and Community Members on the other hand. The hypothesis is, therefore, rejected. Notwithstanding the differences in the responses, it was sufficiently evident that all the identifiable stakeholders sufficiently agreed that the banks engaged in CSR and those respondents had sufficient knowledge to provide reliable information in this study.

### **6.3 CSR FOCUS AREAS AMONG RCBs: STAKEHOLDERS' PERSPECTIVE**

Following from the discussion in the literature on the nature and practice of CSR in the Ghanaian context, it was identified that firms in Ghana, especially the multinationals are hugely engaged in some CSR activities with varying focus areas or sectors of the economy of the nation. These different areas are summarised into seven focus areas, where CSR activities of multinationals are normally prevalent. These areas include health, agriculture, HIV-AIDS advocacy, rehabilitation, disaster management, poverty eradication and livelihood promotion and, finally, education. Based on these areas, the study sought to take views from respondents as to the extent to which their respective banks were engaged in some activities within these areas or sectors. This was done to ascertain which of these areas were predominantly receiving CSR engagements of selected RCBs.

Table 7.3.1 highlights Stakeholder responses on areas or sectors in which the RCBs carry out their CSR activities. At a 5% significance level and an average of 2.50, Table 7.3.1 indicates that, from the perspective of identifiable stakeholders, agriculture was the commonest sector ( $M = 4.39$ ,  $SD = 1.04$ ), followed by education ( $M = 4.24$ ,  $SD = 1.05$ ), then health ( $M = 4.12$ ,  $SD = 1.04$ ), while HIV/AIDS advocacy happened to be the least patronised ( $M = 1.79$ ,  $SD = 1.03$ ).

**Table 6.3.1 CSR Focus Areas Existing among RCBs**

Area of Activity	N	Missing	Total N	Average	Std. Deviation
Health	616	34	650	4.12	1.04
Agriculture	614	36	650	4.39	1.04
HIV/AIDS Advocacy	615	35	650	1.79	1.03
Rehabilitation	616	34	650	2.07	1.03
Disaster Management	614	36	650	2.01	1.03
Livelihood Promotion	608	42	650	1.89	1.04
Education	622	28	650	4.24	1.05

Source: Field data, 2014

Table 6.3.2 is a one-sample test associated with Table 6.3.1. Here, the study tests whether there was a significant difference in the banks' involvement in CSR activities in these sectors. This was done through ANOVA.

**Table 6.3.2 Test of Homogeneity of Variances**

	Levene Statistic	df1	df2	Sig.
Sector	18.531	2	613	.000

Source: Field data, 2014

A basic assumption in the ANOVA test is the need for variances to be equal or approximately the same across the group. In testing this assumption, Table 6.3.2 indicates that the variances across the identifiable stakeholders were not the same ( $p = .000$ ). This did not call for any form of data transformation as done for normality tests, but provisions were made for heterogeneity of variances in the ANOVA test, particularly in the post hoc section.

**Table 6.3.3 ANOVA: CSR Focus Areas Existing among RCBs**

Source of Variation	SS	df	MS	F	F crit	p-value
Between Groups	1167.58	6	194.597	93.718	2.1007	.000
Within Groups	8924.4	4298	2.07641			
Total	10092	4304				

Source: Field data, 2014

Table 6.3.3 is an F-test that tests the null hypothesis that RCBs engage in CSR in the various sectors (as in Table 6.3.1) at the same extent. The table indicates a significance of this test at 0.05 significance level,  $F(6, 4289) = 93.718, p = .000$ . This requires the rejection of the null hypothesis. So, it is worth concluding that the RCBs engaged in CSR in some of the sectors more frequently or at a larger extent than others. From Table 6.3.1, there is ample evidence that Agriculture is the sector that attracted the RCBs most with regard to CSR engagement, followed by Education and then Health.

## **6.4 STAKEHOLDER-RELATED CSR PRACTICES AMONG RCBs:**

### **PERSPECTIVE OF STAKEHOLDERS**

This section discusses various stakeholder-based CSR practices among the RCBs. Data collected here was based on the unified framework of Social Responsibilities, which formed part of the conceptual framework for this study (see Figure 3.8). The study applied this framework to test the extent to which selected RCBs were engaged in these activities for the various identifiable stakeholders. This analysis is in four parts under the various identifiable stakeholders - the environment, the community, customers and then employees.

#### **6.4.1 Environment-Related CSR**

The physical environment is a crucial part of the operations of business entities. Just like it was applied in the preceding chapter, using the benchmark captured under environmental activities in the conceptual framework in Figure 3.8, and on a Likert scale of 1 to 5, respondents were asked to indicate the extent to which their banks engaged in various environment-related CSR activities. The results are summarised in Table 6.4.1. At 5% significance level, the results indicate that RCBs' engagement in

five out of thirteen environment-related CSR activities was high or was above average ( $p < .05$ ). These activities include (in order of merit) Energy Conservation ( $M = 4.02$ ,  $SD = 1.54$ ), Waste Management/Reduction ( $M = 3.76$ ,  $SD = 1.02$ ), Monitoring, Minimising and Taking Responsibility for Releases to the Environment ( $M = 3.66$ ,  $SD = 1.36$ ), Reduction of Water Consumption ( $M = 3.76$ ,  $SD = 1.02$ ) and Environmental Requirements for Suppliers ( $M = 3.12$ ,  $SD = 1.66$ ). However, the situation was not the same for other environmental CSR activities. However, the table indicates that the remaining activities receive very low patronage by RCBs. For instance, Disclosure of Environmental and Social Performance ( $M = 1.33$ ,  $SD = 0.12$ ), Environmental Policies, Organisation and Management ( $1.76$ ,  $SD = 0.35$ ), Reduction of All Forms of Pollution (including air, water, land, noise, etc) ( $M = 1.22$ ,  $SD = 0.25$ ), Materials Policy of Reduction, Reuse and Recycling, Effective Emergency Response ( $1.55$ ,  $SD = 0.57$ ), Public Dialogue and Disclosure ( $M = 2.11$ ,  $SD = .89$ ) and Environmental Audits ( $M = 1.32$ ,  $SD = 0.65$ ) were all engaged in at a very low extent.

**Table 6.4.1 Environment-Related CSR Activities**

Variable	N	Missing	Total N	Mean	Std. Deviation	t	Sig.
Disclosure of environmental and social performance	623	27	650	1.33	0.12	-3.02	.000
Environmental policies, organisation and management	622	28	650	1.76	0.35	-3.24	.000
Materials policy of reduction, reuse and recycling	621	29	650	1.09	0.9	-3.76	.000
Monitoring, minimising and taking responsibility for releases to the environment	614	36	650	3.66	1.36	4.06	.000
Reduction of water consumption	632	18	650	3.09	1.02	4.06	.000
Reduction of all forms of pollution (including air, water, land, noise, etc)	611	39	650	1.22	0.245	-4.33	.000

Source: Field data, 2014

Test Value = 2.50

**Table 6.4.1 cont'd**

Variable	N	Missing	Total N	Mean	Std. Deviation	t	Sig.
Energy conservation	622	28	650	4.02	1.54	3.24	.000
Waste management/reduction	633	17	650	3.76	1.02	3.76	.000
Effective emergency response	632	18	650	1.55	0.566	-4.06	.000
Public dialogue and disclosure	633	17	650	2.11	0.89	-3.76	.000
Product stewardship	613	37	650	1.57	0.68	-4.06	.000
Environmental requirements for suppliers	614	36	650	3.12	1.66	3.43	.000
Environmental audits	615	35	650	1.32	0.65	-2.53	.000

**Source: Field data, 2014****Test Value = 2.50****6.4.2 Community-Related CSR**

Backman (1975) contextualises CSR into what he explains as businesses adhering to the effective participation in community improvement programmes, employment of minority groups, reduction in pollution, and improvement of medical care of community members. Much clearly, Gill (2007) explains this community engagement role of business in his “traditional corporate social responsibility of business”, which constitutes social systems interventions, such as interventions in the health sector, poverty alleviation and community development. The Community as a stakeholder in CSR is, thus, crucial. This sub-section discusses, from the view of identifiable stakeholders, the extent to which various community-related CSR activities are pursued by the banks. These community-related CSR are benchmarks constructed in the conceptual framework (Figure 3.8) for this study. Similarly, on a Likert scale of 1 to 5, respondents were asked to indicate the extent to which their banks engaged in various community-related CSR activities. Table 6.4.2 indicates that engagements in most of these community-related CSR activities by RCBs were significantly above average or high at a 5% significance level ( $M > 2.50$ ,  $p < .05$ ), except for the following activities: (1) Bank and staff members involved in charity and volunteer work on behalf of the Bank ( $M = 1.45$ ,  $SD = 0.76$ ), (2) Elimination of all forms of

forced and compulsory labour, including child labour (M = 2.10, SD = 1.45), (3) Promoting gender equality and empowering women (M = 1.33, SD = 1.02), (4) Reducing child mortality and Improving maternal health (M = 1.22, SD = .55), (5) Company actively involved in a project(s) with the local community (M = 1.55, SD = .07), (6) Fosters reciprocal relationships between the corporation and community (M = 1.33, SD = 0.56) and (7) Invests in communities in which corporation operates (M = 1.32, SD = 0.96).

**Table 6.4.2 Community-Related CSR Activities**

Variable	N	Missing	Total N	Mean	Std. Deviation	t	Sig.
Obeying and abiding by national and community bye-laws	623	27	650	4.34	2.33	5.34	.000
Bank and Staff members involved in charity and volunteer work on behalf of the Bank	622	28	650	1.45	0.67	-6.2	.000
Elimination of all forms of forced and compulsory labour including child labour	633	17	650	2.10	1.45	-1.4	.012
Achieving universal primary education	614	36	650	4.21	1.36	6.89	.000
Eradication of extreme poverty and hunger	618	32	650	4.34	1.87	7.56	.000
Promoting gender equality and empowering women	632	18	650	1.33	1.02	-4.7	.000
Reducing child mortality and improving maternal health	611	39	650	1.22	0.55	4.33	.000
Combating HIV/AIDS, malaria and other diseases	622	28	650	4.02	1.96	3.24	.000
Company donates to charity	621	29	650	3.08	1.09	3.76	.000
Company actively involved in a project(s) with the local community	632	18	650	1.55	0.07	-3.7	.000
Company has recruitment policies that favour the local communities in which it operates	633	17	650	3.79	1.43	5.32	.000
Fosters reciprocal relationships between the corporation and community	613	37	650	1.33	0.56	-3.2	.000
Invests in communities in which corporation operates	614	36	650	1.32	0.98	-4.3	.000
Launches community development activities	615	35	650	3.14	1.11	5.09	.000
Encourages employee participation in community projects	638	12	650	3.87	1.04	4.67	.000

Source: Field data, 2014

Test Value = 2.50



### **6.4.3 Customer-Related CSR**

Customers are also considered crucial stakeholders in the CSR engagements of businesses. Because customers are classified among the primary stakeholders (Clarkson, 1995), their expectations and needs are to be aligned with business' values and behaviours (CSR Network, 2008). The crucial position of customers, therefore, cannot be over-emphasised. Using the benchmark captured in the conceptual framework (Figure 3.8) on a Likert scale of 1 to 5, stakeholders (specifically customers and employees – N=400) were asked to indicate the extent to which their banks are engaged in the various customer-related CSR activities. Table 6.4.3 shows the results of the responses on CSR activities for customers. From the table, the various customer-related CSR activities were engaged in at a high extent or an extent above average at 5% significance level, except for: (1) Bank resolves customer complaints in a timely manner ( $M = 2.11$ ,  $SD = 1.02$ ), (2) Bank supplies clear and accurate information and labelling about products and services, including after-sales service ( $M = 1.68$ ,  $SD = 0.56$ ), and (3) Avoids engagement in price fixing and undercutting ( $M = 1.46$ ,  $SD = 0.98$ ). Invariably, apart from these three CSR activities, the extent to which banks engaged in the other CSR activities for customers was above average or relatively high at 5% significance level.

**Table 6.4.3: Customer-Related CSR Activities**

Variable	N	Missing	Total N	Mean	Std. Deviation	t	Sig.
Respects the rights of customers	344	56	400	4.51	2.33	5.34	.000
Provides information that is truthful, honest and useful	356	44	400	3.45	1.87	3.56	.000
Resolves customer complaints in a timely manner	346	54	400	2.11	1.02	-3.2	.032
Quality assurance criteria are adhered to in production/Offers quality products and services	312	88	400	3.94	1.77	6.89	.000
Committed to providing value to customers	333	67	400	4.09	1.96	5.09	.000
Supplies clear and accurate information and labelling about products and services, including after sales service	356	44	400	1.68	0.56	-4.3	.000
Products and services provided are safe and fit with their intended use	346	54	400	4.12	1.67	4.33	.000
Avoids false and misleading advertising and sales promotions that are deceptive/manipulative	312	88	400	3.87	1.04	3.24	.000
Discloses all substantial risks associated with product or service	333	67	400	3.88	1.09	3.76	.000
Avoids manipulating the availability of a product for purpose of exploitation	356	44	400	3.89	1.77	3.77	.000
Issues of accessibility (disabled customers for example) have been considered in the company	346	54	400	3.79	1.43	5.32	.000
Ensures accessibility to bank by all manner of customers (especially physically challenged)	312	88	400	3.66	1.22	4.98	.000
Avoids engagement in price fixing and undercutting	333	67	400	1.46	0.98	-4.3	.000

Source: Field data, 2014

#### **6.4.4 Employee-Related CSR**

The crucial role of employees as stakeholders in business operations has extensively been discussed in the literature and explained in the preceding chapter. The ensuing sub-section focuses on CSR activities that banks do to satisfy and retain employees. Table 6.4.4 shows a one-sample t-test which indicates the extent to which RCBs engaged in various CSR activities for employees. It can be noted that RCBs engaged in all activities of CSR at a high extent for employees, except for “engages in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged” ( $M = 2.01$ ,  $SD = 1.02$ ). Invariably, RCBs engaged in all CSR activities for employees at a high extent at a 5% significance level ( $p < .05$ ), however, the banks engaged in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged at a low extent or at an extent significantly below average ( $p < .05$ ). This finding corroborates opinions of banks. Unlike stakeholders, however, banks indicated that they engaged in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged at a high extent or at an extent significantly above average.

**Table 6.4.4: Employee-Related CSR**

	Total N	Mean	Std. Deviation	t	df	p-value
Provides a family-friendly work environment	150	3.98	1.43	8.99	142	.000
Committed to the health and safety of employees	150	3.58	1.22	6.78	143	.000
Engages in responsible human resource management	150	4.07	0.56	12.54	143	.000
Encourages employees to develop real skills and long-term careers (via Performance Appraisal and Training & Development)	150	4.87	1.43	15.13	146	.000
Provides an equitable reward and wage system for employees	150	4.21	2.09	13.09	144	0.000
Respects freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations	150	4.01	1.78	9.11	144	.000
Engages in open and flexible communication with employees	150	4.66	3.12	14.22	146	.000
Invests in employee development	150	3.91	1.64	8.02	147	.000
Encourages freedom of speech and promotes employee rights to speak up and report their concerns at work	150	4.43	1.43	14.67	145	.000
Promotes a dignified and fair treatment of all employees	150	4.27	1.11	12.99	146	.000
Provides child care support/paternity/maternity leave in addition to what is expected by law	150	3.53	1.22	6.56	144	.000
Engages in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged	150	2.01	1.02	1.23	144	.021
Ensures a work/life balance among employees	150	4.33	0.87	13.3	145	.000
Ensures adequate steps are taken against all forms of discrimination	150	4.58	1.09	13.93	144	.000
Consults employees on important issues	150	4.71	0.99	14.85	146	.000

**Source: Field data, 2014****Test Value = 2.50**

## **6.5 STAKEHOLDERS' PERSPECTIVE OF DRIVERS/MOTIVATING FACTORS OF CSR**

Broadly, this section analysed factors that motivate RCBs to engage in CSR at the various levels identified earlier. As explained by Munilla and Milles (2005), the different levels of firms' commitment to CSR are related to an array of motives and outcomes. More so, regardless of whether the action or behaviour is strategically driven for commercial purposes alone or otherwise, the motivation for engaging in CSR is always driven by some kind of self-interest (Moon, 2001). The section examined the drivers/motivating factors by testing the extent of stakeholders' prioritisation for some 14-point factors on a Likert scale of 1-5 at 5% significance level.

Table 6.5.1 indicates descriptive statistics that summarises the strength of factors that motivated RCBs to engage in CSR activities. The highest of the motivating factors in this case was to attract customers ( $M = 4.70$ ,  $SD = 1.02$ ), followed by to give something back to the community ( $M = 4.54$ ,  $SD = 1.03$ ), then to preserve or improve the reputation or image of the company ( $M = 4.38$ ,  $SD = 1.02$ ). However, "as a lobby against regulations" was the least motivating factor ( $M = 1.08$ ,  $SD = 0.68$ ), followed by "To comply with legal requirements" ( $M = 1.402$ ,  $SD = 0.026$ ), "To improve relations with business partners/investors" ( $M = 1.42$ ,  $SD = 1.08$ ), among others.

**Table 6.5.1 Descriptive Statistics: Factors That Motivated RCBs to Engage in CSR**

Groups	N	Average	Std. Deviation
Ethical and moral reasons	632	3.144	1.027
To comply with legal requirements	622	1.402	0.026
To improve community relations	629	3.782	1.017
To attract customers	626	4.704	1.016
To improve customer loyalty	624	3.313	1.074
To improve employee motivation	605	3.256	1.100
To improve relations with business partners/ investors	628	1.422	1.079
To improve economic performance	602	3.257	1.078
Pressure from third parties (e.g. clients or competitors)	610	1.967	1.056
To avail of public incentives (e.g. tax incentives)	623	2.279	1.023
To preserve or improve the reputation/image of the company	620	4.382	1.022
A commitment to reducing the company's impact on the environment	621	3.860	1.064
As a lobby against regulations	622	1.080	0.677
To give something back to the community	620	4.540	1.025

Source: Field data, 2014

## **6.6 PLANNING AND IMPLEMENTATION OF CSR**

In Section 5.6 of the preceding chapter, the study examined how RCBs plan and implement their CSR activities. It was indicated that these planning and implementation processes were largely done by the banks themselves and to, some extent, engage various stakeholders. In this section, the study tries to examine, from the point of identifiable stakeholders, the levels of engagement and the medium through which the engagement is pursued. The discussions that follow below summarise the responses from identifiable stakeholders in this direction.

### 6.6.1 Levels of Engagement of Stakeholders in the Planning and Implementation of CSR

As discussed in the preceding chapter (Table 5.6.2), the banks identified three main processes involved in the planning and implementation of CSR. Stakeholders were, therefore, asked to indicate the extent to which RCBs engaged them in these three processes. Table 6.6.1 shows descriptive statistics associated with the extent to which Stakeholders were involved in the various processes of CSR planning and implementation. The results, as indicated in the table, show that all the three processes had an average close to 3 (in approximate terms) and these averages cluster around the same point, otherwise, “When conducting CSR Assessment and Strategy Formulation” had the highest consideration (N = 640, M = 2.903), followed by “When developing CSR commitments” (N = 624, M = 2.850). All processes have an average more than 2.5, which means the level of consideration given to these processes in planning and implementing CSR was above average.

**Table 6.6.1: Levels of Engagement of Stakeholders in the Planning and Implementation of CSR**

	Mean	Std. Deviation	Analysis N
CSR Assessment and Strategy Formulation	2.9033	1.45287	640
CSR Commitment Development and Implementation	2.7900	1.64329	633
CSR Evaluation and Progress Reporting	2.7550	1.57027	641

**Source: Field data, 2014**

## 6.6.2 Medium of Engagement of Stakeholders in the Planning and Implementation

Having identified that stakeholders are actually involved in the planning and implementation processes, the study further sought to elicit from stakeholders the medium through which this engagement was pursued. This was done by asking the stakeholders to indicate the extent to which various media identified by the RCBs were used. The results are summarised in Table 6.6.2a, which presents one-sample statistics on mediums of engagement of identifiable stakeholders in CSR activities of the RCBs. All tests are likewise carried out at a 5% significance level.

**Table 6.6.2a: One-Sample Statistics – Mediums of Engagement in CSR**

	N	Mean	Std. Deviation	Std. Error Mean
Community Durbars	619	3.31	1.61	0.06
Household Visitation	619	3.05	1.60	0.06
One-on-One Discussion	620	3.04	1.54	0.06
Focus Group Meetings	619	3.37	1.56	0.06
Employee Durbars	617	3.20	1.69	0.07
Customer Durbars	609	3.23	1.73	0.07

Source: Field data, 2014

It is depicted from the table that the level of involvement in “Community Durbars” was almost the same as the other mediums. Yet, “Focus Group Meetings” had slightly the highest level of involvement (N = 619, M = 3.370), followed by “Community Durbars” (M = 619, M = 3.312). Interestingly, each medium had an average more than 2.5, which was the average of the scale of scoring these mediums. However, the study further attempted to test whether the level of involvement in all these mediums was the same for all the identifiable stakeholders. This was done using the ANOVA test captured in Table 6.6.2b.



Table 6.6.2b shows an F-statistic, which tests the null hypothesis that the level of engagement by RCBs in all CSR mediums is the same. This test is significant at a 0.05 level of significance,  $F(5, 3697) = 4.245$ ,  $p = .001$ . Thus, the null hypothesis is rejected, and the conclusion is that the RCBs engaged in some mediums (such as Focus Group Meetings and Community Durbars) more often or at a higher extent than others.

**Table 6.6.2b ANOVA – Level of Involvement in CSR Mediums**

Source of Variation	SS	Df	MS	F	F crit	P-value
Between Groups	55.82496	5	11.16499	4.245	2.217	.001
Within Groups	9723.495	3697	2.630104			
Total	9779.319	3702				

**Source: Field data, 2014**

## **6.7 CHALLENGES OF CSR ENGAGEMENTS; STAKEHOLDERS’**

### **PERSPECTIVE**

In the previous chapter, the bank interviewees identified some issues that served as barriers or challenges in their pursuit of CSR. In this section, the study tried to find out from Employees (as stakeholders) what, in their view, constitute challenges to the planning and implementation CSR in their respective banks. The concentration here was on employees because by their position and proximity to the bank, they constituted the category of respondents who would practically be familiar with barriers or challenges to CSR planning and implementation of their respective banks. Constituting a sample size of 150, the employees were asked to indicate the extent to which some common identified challenges (summarised below) posed as barriers to their banks’ CSR planning and implementation. The results thereof are summarised in Table 6.7.1, indicating the level to which various issues acted as barriers or posed as challenges to CSR planning and implementation by banks.

From Table 6.7.1, lack of time (M = 1.34, SD = 0.56); lack of commitment from top management (M = 1.14, SD = .55), lack of trust in CSR benefits (M = 1.91, SD = .53) and the opinion that CSR activities are not related to the activities of the banks (M = 1.21, SD = .71) were identified by employees as issues that rarely posed as challenges or barriers to CSR in the banks. This might mean that management commitment and trust was adequate for CSR engagement and that there was enough belief that CSR activities relate to the activities of their banks. However, the responses were also indicative of the fact that a number of issues also posed as challenges. These included the fact that there was “no clear CSR regulation/guidelines” (M = 4.82, SD = 1.55), there was “Lack of financial resources” (M = 4.13, SD = 1.56), “banks cannot afford the expenditure of CSR” (M = 3.78, SD = 1.66), there was “Lack of Human Resources” (M = 3.72, SD = 1.73) and there were “Issues of corporate disclosure” (M = 3.70, SD = 1.40).

**Table 6.7.1 One-Sample Statistics – Barriers/Challenges to CSR Implementation**

	N	Missing	Total N	Mean	Std. Deviation
Lack of time	142	8	150	1.34	0.56
Lack of financial resources	142	8	150	4.13	1.56
Lack of commitment from top management	140	10	150	1.14	0.55
Lack of Human Resources	142	8	150	3.72	1.73
Issues of corporate disclosure	142	8	150	3.70	1.40
Lack of trust in CSR benefits	142	8	150	1.91	0.53
No clear CSR regulation/guidelines	142	8	150	4.82	1.55
Not related to the activities of the firm	141	9	150	1.21	0.71
Our bank cannot afford the expenditure of CSR	142	8	150	3.78	1.66

Source: Field data, 2014

## **6.8 CONCLUSION**

This chapter has outlined an analysis of results of the cross-sectional survey of identifiable stakeholders of RCBs. These stakeholders included community members, customers and employees of the selected RCBs. The chapter also dwelled on descriptive and inferential statistics generated from SPSS to describe the important characteristics and patterns of the data collected through the survey and also to make sound predictions and generalisations as to the reality of CSR practices among RCBs in Ghana. Apart from a highlight on the socio-demographic characteristics of responding stakeholders, the chapter also indicated that most respondents were familiar with the banks' CSR. However, it explains that, while familiarity of respondents with the banks' CSR was higher among employees, customers and community members seem to be moderately familiar with the banks' CSR.

The chapter also indicated that, while all the stakeholders agreed that Rural Banks must pay significant attention to social and community development and that their banks are socially-responsible, community members and customers seem not to agree that their banks have CSR Policies. Additionally, the chapter reports that, from stakeholders' perspectives, agriculture was the sector that attracted the RCBs most with regard to CSR engagement, followed by education and then health. This verifies the opinion of banks that education, health and agriculture are their main areas for CSR engagement as indicated in the previous chapter. In addition to these focus areas, stakeholders also confirmed that RCBs also engage in some CSR activities related to the community environment, customers and employees alike.

Like it was reported in the preceding chapter, it has also been indicated here that stakeholders believe that RCBs are motivated to engage in CSR by factors, such as

“to attract customers, to give something back to the community, to preserve or improve the reputation or image of the company, among others”. However, stakeholders do not believe that RCBs engage in CSR for the reasons of lobbying against regulations, complying with legal requirements or to improve relations with business partners or investors.

The chapter also reports that, on the issue of planning and implementation of CSR, stakeholders indicated that they are actually engaged by the RCBs in all three processes at a considerably high extent. And this is done through community durbars, employee durbars, customer durbars, one-on-one discussions, and focus group meetings, as reported by the Banks in the previous chapter. To conclude, the chapter indicates that, in addition to the non-existence of clear CSR regulation/guidelines and lack of financial resource, employees believe that other challenges of effective CSR engagement include lack of human resources and issues of corporate disclosure.

In the next chapter, the study focuses on the case of two unique banks that have made quite some impressive inroads in the practice of CSR. The chapter brings to light a qualitative indication of what has been reported in this chapter and the preceding one by showcasing clear examples of what has been touted as CSR in the rural banking industry in Ghana. The two empirical cases are also used to consolidate the findings as reported in Chapters Five and Six and, most importantly, to validate and triangulate the methods applied in the study, as described in the methodology.

## **CHAPTER SEVEN**

### **CSR IN PRACTICE: THE TALES OF TWO RURAL BANKS IN GHANA**

#### **7.0 INTRODUCTION**

Having presented empirical chapters on the practice of CSR, based on the perspective of RCBs and stakeholders, the study proceeds with a detailed analysis of two cases of RCBs to further validate the findings in the preceding chapters. The chapter aims at showcasing a deeper understanding of the practice and adoption of CSR as a business strategy in the rural banking industry in Ghana. Additionally, the chapter is also used as a triangulation for the various methods used in collecting and analysing the data reported in the preceding chapters and validates the findings of this study. Two crucial cases are presented based on their strong performance when it comes to community engagement and CSR in general. Besides, these cases show several years of outstanding performance in the rural banking industry in Ghana. Their performance is reflected in increased profitability over the years and based on the principle of CSR. It is assumed that part of this profit may have to be ploughed back into the society. These case-study banks have, over the years, actively engaged in community engagement and hence present a good example for the case of CSR in the industry. Moreover, these case-study banks have extensive CSR disclosure and reportage in their annual reports, on their websites and in other publications, including newspapers, magazines, among others. The chapter discusses the cases in two different sections and summarises its findings into a summary section to conclude the chapter. However, each case is presented in terms of its perception and conceptualisation of the practice of CSR, motivation for CSR, the various CSR projects undertaken by the bank in relation to the various stakeholders, planning and

implementation of CSR and the challenges associated with the bank's CSR engagements.

### **7.1 EMPIRICAL CASE 1: PROGRESSIVE BANK**

This is a rural bank which is largely owned and operated by a community located in the Ashanti Region of Ghana. Established in 1987, the bank has expanded in its 27 years of operation to include 8 branches within three major districts in Ghana. The ownership of the bank includes about 5000 community members with 68% shares, directors with 9% shares, management with 4% and most recently 19% shares from an FDI from Goodwell West Africa Microfinance Company Limited (which is based in Netherland). It happens to be the first rural bank in Ghana to have attracted an FDI, constituting about US\$1,000,000 in the bank's equity shares. The bank attracts over 110,000 savers and about 13,000 credit clients, and has 185 staff strength. It has actually shown an impressive growth over the years with a record of extensive community development agenda and poverty-reduction activities. Its contribution towards community development earned it the prestigious National Good Corporate Citizenship Award in 1997, for satisfactory performance and assistance to community development. By 2012, the bank had invested over Gh₵365,348.20 in community development alone. It must be emphasised that, considering the margins of profits recorded by RCBs in general, this amount is quite substantial in terms of CSR. Besides its documented record of public disclosure and reporting of its CSR activities, the bank is known to be mentoring some twenty-five (25) RCBs located around the country. This coupled with other CSR-related activities make this bank an interesting case to study.

### 7.1.1 CSR Perceptions and Conceptualisation of the Bank

Over the years, the bank has shown some clear and positive perception about CSR. The bank's mission to provide efficient and effective financial services by adopting appropriate technology, increase market share, enhance optimal realisation of stakeholders' interests, human resource development and product innovations, shows some clear indications that they are likely to embrace CSR. It is clearly stated in its corporate plan that:

*“As part of the Bank's social responsibility, it seeks to be more responsive to our social issues within our catchment area and to become more environmentally friendly” (PB-CORP, 2010)*

To ensure this, a manager who participated in the focus-group discussion explained that:

*“The bank has over the years sought to identify and fund specific infrastructure within our catchment area(s) and provided support for education, health, sanitation, environmental awareness programmes and other social services” (PB09MANAG).*

Interestingly, among its major goals are: to ensure quality customer care, growth and human resource development and community development, which are the major pillars of CSR. Among the stakeholders who participated in the focus-group discussion, there seem to be some consensus that it is only appropriate and acceptable that a bank of its calibre looks back and reaches out to the community and the people it does business with. On this issue, a stakeholder (PB06COMM3) commented that:

*“Yes, the bank needs to pay attention to the community and other stakeholders. This is because, even if the bank has all the money to do business in the community, at the end of the day if the customers are not coming, if the community is always agitating, I do not think that the bank can operate very well”.*

In support of the above, another participant said:

*“I will also add that, in our traditional society, there is a saying that, “even the ghost/dead say they want more, how much more the living” Even though the bank came to do business and that they give so much credit to customers*

*and people in the community, it must not end there. There is always the reason to ask for more and for the bank to do more. The bank should look back on the customers and the community members to ensure that their operations are not inimical to the development of these stakeholders” (PB03COMM2).*

To conclude, another participant was of the view that:

*“We must also understand that this community is a farming community, most of the farmers have their farms in the deep forest. These farmers may not necessarily be customers of the bank, but their farm products are those that the customers of the bank do business in. These people also have needs which when not catered for will go a long way to impact on doing business in general in the community. It is therefore important that the bank extend their responsibilities to cover such group of people. For instance, if farm crops are stacked in the deep forest because the roads are bad, how can farmers bring these crops to the community market for trading activities to go on and for the bank’s customers to do business? It is very significant for the bank to pay attention to all this”. (PB01CUST1)*

This is an indication of a consensus among stakeholders that rural banks need to pay attention to the social needs of the people they are doing business with. The study further enjoined participants, especially the employees of the bank, to explain how the bank conceptualises the practice of CSR. As earlier findings indicated, there seems to be the usual inclination towards community development as what CSR constitute. A participant said that:

*“We understand that once a company is established in a community, it does business with the people in the community whether customers or non-customers. Once the company benefits from such relationship, there is the need for the bank to look back and reciprocate this relationship. For instance, unlike mining, banking has very limited impact on the environment. There is always the need to give back something to the society at least for the unidentified negative impact that the bank’s operation may cause and to establish a stronger relation with the community” (PB07EMP2...)*

In addition to the above, another participant who is a manager of the bank also indicated that:

*“Particularly with RCBs, CSR forms part of the mandatory activities required of us. That’s why they call us Rural and Community Banks. It is our mandate to assist the community to develop. Regulators even expect to see some community development projects being undertaken by the bank. In so*



*doing, government gives some tax incentives to the RCBs for their community development activities. For instance, while corporate tax is 30% for all businesses, for RCBs, it is only 8%. The idea is that, the profit that we get is not taxed more. This is to allow the banks to use part of this little profit to assist the communities the bank operates in” (PB09MANAG).*

These responses validate the industry findings, which indicated a constant reference to the community when RCBs were conceptualising CSR. It tells the extent of importance which RCBs attached to community development. Additionally, a content analysis of the corporate plan of the Bank indicated that some importance is attached to other stakeholders, such as the customers and employees alike. Included in their corporate values is that:

- i. Customer satisfaction is our hall mark
- ii. Maximisation of profit and protection of bank’s assets is our prime concern
- iii. Honesty, integrity and loyalty are core to our existence
- iv. Community and human resource development is our goal
- v. Poverty reduction is our dream (PB-CORP, 2010).

These values are not vastly different from the values that drive CSR engagement among banks in Ghana, as reported by Ofori *et al* (2014). In their study, they found that banks are motivated to engage in CSR by the values of fulfilling stakeholder expectations and to improving its reputation in addition to other profit-protecting reasons (Ofori *et al*, 2014).

### **7.1.2 Motivation for CSR**

The interaction with the bank indicated that various factors serve as motivation for engaging in CSR particularly in the local communities. These factors include mandatory requirements for RCBs in Ghana, the bank’s mission statement and other

value-creating abilities of CSR itself. A manager who participated in the discussion, for instance, indicated that:

*“In fact, we undertake CSR because it is part of our mandate and mission statement. The main reason for establishing rural banks is actually associated with rural and community development, which, in my opinion, is the basis for CSR. In fact, like I stated earlier, that is why the name is rural and community banks. As part of our mandates, the rural banks are to act as catalyst institutions for rural development by identifying and promoting the development of rural projects. For rural banks’ engagement in CSR is even having a national endorsement, and because of that, rural banks have a lot of reliefs”. An example is what I gave you earlier in terms of tax reliefs. In Ghana, while corporate tax is 30% for all businesses, for RCBs it is only 8%. This makes it mandatory for us to invest more in community development and CSR in general (PB09MANAG).*

This is an indication that, in terms of the above argument, CSR engagement by this bank is ethically motivated, in that, as Carroll (1991) explained, such motivations are rooted in non-codified laws and conventions that defined the activities and practices that are expected or prohibited by society. According to Carroll (1991), these include standards, norms, or expectations that reflect what consumers, employees, shareholders, and the community regard as fair and just, which, when adhered to, constitute respect or protection of stakeholders’ moral rights.

However, there were some other indications that suggested that CSR possess some value-creation abilities. In other words, CSR can create value for the bank, and the desire to enjoy those values actually motivates the bank to undertake CSR. For instance, an employee of the bank notes:

*“We also engage in CSR because of its value addition, because it comes with good image for the bank, improved community relationship, increased customer loyalty and above all a highly-motivated staff. These are all value addition which actually motivates the bank to pursue CSR” (PB07EMP2).*

This argument from the employee (PB07EMP2), undoubtedly, can be situated in economic responsibilities as identified in Carroll’s (1991) Pyramid of CSR Motives.

This is because the value creation, in this sense, will eventually culminate in making profit to satisfy shareholder interest. In summary, combining the responses relating to motivation for engaging in CSR, the study could report that, in this bank, the motive for engaging in CSR can ideally be situated in economic and ethical motives, as suggested by Schwartz and Carroll (2003), or it could also be said to be more care-driven and at the same time profit-driven, as explained by Van Marrewijk (2003).

### **7.1.3 CSR Practices**

This section tries to explore the various CSR projects undertaken by the bank in relation to the various stakeholders. As indicated earlier, this bank conceptualises CSR largely in the lenses of community development. Therefore, this section discusses largely the various community development projects undertaken by the bank. The section continues with some highlights on various customer and employee-related CSR activities which the bank has undertaken. It must, however, be emphasised that the analysis in this section is done with recourse to the objectives of the study and the industry findings captured in Chapters Six and Seven of this thesis.

#### ***7.1.3.1 Community-Related CSR Activities***

In an upbeat assessment of the performance of the Bank, in a press release, the board chairman of the bank reiterated that:

*“The bank is not only interested in making money but is equally concerned about improving the living conditions of the people in communities where it operates. To that effect, the bank has for the year 2013 alone, disbursed about GH¢75,106.00 on its education and health projects” (GNA, 2013).*

This is an affirmation of how important the community is to the bank. In their AGM reports of 2009 to 2012, community-related CSR could be grouped into four different areas. The study identified that the bank operates some three critical CSR programmes namely (a) Educational Development Programme, (b) Health programme

dubbed “Banking for Community Health and Sanitation Programme (BCHSP)”, (c) Agricultural or Farmers’ Credit Facility and (d) other community-service activities. These CSR programmes are detailed below:

***a) Educational Development Programme***

The bank’s educational development programme actually began with the establishment of the Barekese Senior High School to expand access to secondary school education in the bank’s catchment area. However, prior to this, the bank had been engaged in some development activities within some surrounding schools. The educational development programme focuses on expanding access to education both at the basic and secondary levels. The programme hopes to achieve this by establishing new schools and expanding existing facilities. Also, included in the programme is the establishment of a scholarship fund, which, until 2012, had recorded 250 beneficiaries at a cost of GH¢ 98,520.44 (PB-AGM Report, 2012). In elaborating further, a participant in the focus-group discussion indicated that:

*“I also think the bank does a lot when it comes to Education. The bank’s educational programme extends assistance in various forms to the development of education in this community. The focus on education includes the establishment of the senior high school, so that students from the community can have access to secondary education. Additionally, they operate a scholarship scheme which assists students to continue their high school education within and outside the community” (PB06COMM3).*

In summary, the bank’s AGM reports of 2009 - 2012 summarise the educational development activities of the bank since its establishment as in Table 7.1.3.1a.

**Table 7.1.3.1a: Education-Related CSR Activities of Progressive Bank**

SN	CSR Project/Activity	Date
1.	Establishment of Barekese Senior High School	2003/4
2.	Rehabilitation of Wurapong School	2004
3.	Rehabilitation of Maase R/C Primary and Junior High School	2005
4.	Rehabilitation of Achiase Methodist School and Marbang School	2008
5.	Construction of Barekese Community Library	2009
6.	Scholarship Fund (250 beneficiaries up to date)	2004 up to date
7.	Special Sponsorship for Girl Child Education Projects	2010 up to date
8.	School Donations to Otumfuo Educational Fund, Ghana Education Service and St. Lisbert School at Abuakwa	2011
9.	Sponsorship of Teachers' Awards Day Celebration	To date

Source: PB-AGM Reports, 2009-2012

The above discussion, among other related activities, has contributed extensively to the development of education in and around the catchment area of the bank. Most important among these contributions, according to a participant in the focus-group discussion, is the Scholarship Scheme set up by the bank as part of its CSR in the communities within its operational area. The aim of the Scheme is to encourage needy but brilliant children to have access to quality education and also extend some educational assistance to shareholders and customers of the bank (PB-CORP, 2010).

***b) Banking on Community Health and Sanitation Programme (BCHSP)***

The bank has vigorously implemented its programme of “Banking on Community Health and Sanitation” as part of its responsibilities to the communities it operates in. According to a project officer of the bank who participated in the focus-group discussion:

*“The programme seeks to expanding access to improved health service and ensures the reduction in communicable diseases through proper sanitation and hygiene practices. That is why you see the bank constructing new community health centres, public places of convenience and boreholes in various communities” (PB07EMP2).*

In addition to the above, the bank gives credit facilities for the payment of medical bills or even pays the medical bills of patients with acute ailments, in the communities. It was indicated in the submission by a manager of the bank that:

*“There are several areas the bank undertakes its CSR. For me, I can identify most of the CSR in Health and Education. Particularly with health, it comes in two forms. At times, using the primary mandate of the bank, we give loans for people to pay medical bills or pay for the medical bills of patients (like hole-in-heart patients, among others). Additionally, the bank also undertakes direct community projects like building health centres. A typical example is the bank’s project dubbed Banking on Community Health and Sanitation Projects, which saw to the construction of a health centre in the Adankwame community” (PB09MANAG).*

A content analysis of the Progressive Bank’s AGM reports of 2009-2012 summarises the bank’s CSR activities in the health sector in Table 7.1.3.1b:

**Table 7.1.3.1b: Health-Related CSR Activities of Progressive Bank**

SN	CSR Projects/Activities	Date
1.	Construction of a ward for urology at the Offinso Government Hospital	2010
2.	Renovation of the maternity ward at the Offinso Government Hospital	2011
3.	Renovation of Maase Hospital and Barekese Community Health Centre	2011
4.	Construction of Community Health Centre at the Adankwame community	On-going
5.	Construction of 20-seater Aqua Privy project (public toilet) at Fufuo community	2011
6.	Community water project at Maase	
7.	Sponsorship of mass immunisation or vaccination programme by the Ghana Health Service	Regularly
8.	Donation of plastic refuse containers to assemblies to collect refuse	Regularly
9.	Donation to the Ghana Cardio Centre at the Korle Bu Hospital, Accra	

Source: PB-AGM Reports, 2009-2012

### ***c) Agriculture***

Agriculture has been one of the main activities of the communities within the catchment area of the bank’s operations. As such, the bank has conducted some CSR

activities in the area of farming and investment in farming businesses. Though there is no deliberate policy or programme targeted at agriculture (as identified in the case of education and health), some achievements have been made in terms of community engagement. These include opening up farming areas and connecting them to market centres, offering farmers credit facilities with flexible terms of payments, and sponsorship of agriculture-related programmes. As indicated in the Bank's corporate plan, credit to farmers includes those who are engaged in agribusinesses such as farming (in forest products, food or tree crops, livestock and poultry), agro-processing and aquaculture. This was supported by the operations manager of the bank, when he explained in a focus-group discussion that:

*“You can see that these areas are predominantly agriculture, so most of the customers in the bank are full-time farmers or part-time farmers. Because of this, the bank has packaged a variety of supports for farmers in the community. Typical among these are the farmers' credit facility, which comes with flexible payment plans. Another area is sponsorship for farmers' day celebration. Here the bank's sponsorship comes in the form of cash and farm implements, which are awarded to award-winning farmers in the district” (PB07EMP2).*

In a further explanation to the bank's contribution to the agriculture sector, another employee responded that:

*“I also want to add on to the agriculture issue. If you take a look at this community, almost everyone is a farmer. We in the bank identified that it takes, sometimes, up to four months before most of these farmers are able to harvest their crops. It was, therefore, difficult for them to begin paying the credit right after they receive the credit. So the bank has designed small holder farmer's credit scheme with flexible terms of payment, which allows farmers to begin payment of their loans after four months when they have already began harvesting. This has reduced credit default tremendously” (PB08EMP3).*

In a related press release by the Ghana News Agency, the bank, in 2010 alone, disbursed 1.2 billion Ghana cedis to some of its customers, including farmers and organised groups under the bank's micro-financing facility. Out of this amount,

individual farmers received a total of 400 million Ghana cedis for the expansion and general maintenance of their farms at a very competitive interest rate and terms of payment (GNA, 2010).

Interesting among the bank’s contributions is the opening up of farming areas and connecting them to market centres. In this area, the bank deliberately funds the grading of feeder roads linking farming areas to major market centres. This is done to make these roads motorable for farmers to cart their farm produce to the markets. This is confirmed in a participant’s explanation that:

*“As I explained earlier on, the bank operates in a farming community. And so it is only fair for the bank to have some interest in the agricultural sector. This is because most of the bank’s customers are either farmers or they trade in farm crops and produce. I can say this bank has interest in most of the agricultural activities in our community. For instance, the regular grading and rehabilitation of roads linking the farms to the market areas are all aimed at making it easy for us to bring the crops from the farms which are normally in the deep forest” (PB01CUST1).*

In summary, the Chairman of the bank’s Board of Directors affirmed in the AGM report of 2012 that the bank will continue to engage farmers in diverse ways, which, in his view, will help to expand their farming businesses and improve their standards of living in general. He, however, summarises the contributions to agriculture in the bank’s AGM report (2012) as captured in Table 7.1.3.1c.

**Table 7.1.3.1c: Agriculture-Related CSR Activities of Progressive Bank**

SN	CSR Projects/Activities	Date
1.	Smallholder Farmers’ Credit facility (with competitive and flexible interest rate and term of payment)	On-going
2.	Reconstruction or Rehabilitation of Barekese–Kwaem Feeder Roads and others	2011/12
3.	Sponsorship of National or District Farmers Awards Day celebration (in 3 districts of Atwima Nwabiagya, Atwima Mponua and Offinso districts)	Annually

Source: PB-AGM Reports, 2009-2012



#### ***d) Other Community-Related CSR/Crucial Social Services***

The bank also engages in a variety of very crucial social services, which the study conveniently categorises under other community-related CSR/social services. These, according to their AGM reports, come in the form of requests from distressed government institutions, traditional leaders and the public in general. Up to date, the bank has provided community service in diverse ways. Typical among them, and as indicated in the bank's corporate plan, is that, as part of the bank's social responsibility, the bank engages natives of the community as casual workers, vacation trainees and mobile bankers. Similarly, young school graduates from the bank's catchment areas are also engaged by the bank for a renewable term of six months period to acquire industrial practical skills and experience (PB-CORP, 2010). Other such social services relate to donations to District Police Services, traditional councils for local festivals, among others. Table 7.1.3.1d summarises the bank's additional community services.

**Table 7.1.3.1d: Summary of Other Community Services by Progressive Bank**

<b>SN</b>	<b>Type of Project</b>	<b>CSR Activity</b>	<b>Beneficiary</b>
1.	Street-lighting projects	Donation of light poles and other wares	Barekese, Maabang and Aninkroma communities
2.	Community Security Improvement	Donation of ICT equipment and sponsorship of security patrols	4 Battalion of Infantry of the Ghana Armed Forces and the Ghana Police Services
3.	Festivals	Donation of cash and other material to traditional council for the annual celebration of traditional festivals	
4.	Community beautification	Painting of Palace	Barekese community
5.	Community employment services	Vacation trainees, mobile banking and contract work placement	All qualified natives of the operational communities

Source: PB-AGM Reports, 2009-2012

### 7.1.3.2 Customer-Related CSR Practices

This bank is noted for its excellence in customer service, which culminated into a Silver Award for Excellence in Customer Service in the rural banking industry in the Ashanti Region in 2012. In a response to issues of customer service in the focus-group discussion, a manager participant indicated that:

*“The bank actually places some importance on its cherished loyal customers, so management goes all length to ensure that customers are highly satisfied with our service delivery. This is why the bank has put in place a strategic customer-service policy which sets out the Client Service Standards for the Bank, applicable to all branches of the bank” (PB09MANAG).*

Examining the Bank’s customer-service policy, it was identified that the bank has identified seven (7) standards to adhere to when it comes to customer service. These are service delivery, timeliness, information, professionalism, staff, environment and access. A content analysis of the policy summarised targets and responsibilities of the bank to the customers in Table 7.1.3.2.

**Table 7.1.3.2: Responsibilities of Progressive Bank to Its Customers**

SN	SERVICE STANDARDS	QUALITY TARGET
1.	<b>Service delivery</b>	<ul style="list-style-type: none"> <li>• Keep all the promises to customers.</li> <li>• Provide adequate information on our services to customers</li> </ul>
2.	<b>Timeliness</b>	<ul style="list-style-type: none"> <li>• Provide service in a timely and prompt manner.</li> <li>• Advise the customer if there is delay in responding to his request.</li> <li>• Take immediate action to rectify any customer complaints.</li> </ul>
3.	<b>Information</b>	<ul style="list-style-type: none"> <li>• Provide timely, complete, accurate and comprehensive information to customers in a language they understand.</li> <li>• Keep customers informed of progress and new development in service delivery.</li> </ul>
4.	<b>Professionalism</b>	<ul style="list-style-type: none"> <li>• Treat client fairly and seek prompt feedback.</li> <li>• Deliver customer-centred service</li> </ul>
5.	<b>Staff</b>	<ul style="list-style-type: none"> <li>• Employ staff with the requisite skills, knowledge and attitude to provide appropriate service.</li> <li>• Have management who have knowledge, skills and commitment to make strategic customer-centred decisions.</li> </ul>
6.	<b>Environment</b>	<ul style="list-style-type: none"> <li>• To provide physical and visual aspects of service such as equipment, facilities, appearance, materials, and web pages - any environment that the customer operates in.</li> </ul>

7.	Access	<ul style="list-style-type: none"> <li>• Access to our products or services and the branches are customer-focused and designed for their ease and convenience.</li> </ul>
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**Source: PB-CORP, (2010)**

It must also be indicated that, to ensure that these responsibilities are adhered to by staff, the policy has to institute in all its branches “Client Service Managers” who, as part of their duties, are to communicate the standards to all staffs in the branch, regularly measure and report performance against the agreed targets and ensure that customer comments and complaints are managed according to agreed policy.

These responsibilities as indicated in Table 7.1.3.2 are not vastly different from what was reported in Sections 5.4.3 and 6.4.3 of this thesis. The study further sought confirmation from the focus group on the extent to which the bank adheres to the responsibilities above.

Particularly, customers who participated in the focus group discussion indicated a strong affirmation to all the responsibilities above as things that the bank is doing. For instance, commenting on the issue of information, a respondent indicated that:

*“One particular value they provide to customers is in relation to regular information on our accounts. The Bank has provided an electronic banking system which updates customers on all transactions that take place on their accounts through SMS. This, in my opinion, is a very efficient way of passing truthful and critical information that will help the customers to monitor their accounts” (PB04CUST2).*

On the issue of environment, another participant affirmed that the bank has actually provided a congenial environment for customers to transact their businesses. He said:

*“I am particularly amazed with the banking environment in their banking halls. Customers are provided with enough sitting space with some TV set to watch while you wait for your turn. Customers do not stay in queues for long since enough tellers have been provided. All these create some incentives for us to do business with the bank” (PB04CUST3).*

It was, however, intriguing to note that an additional responsibility which the bank has not actually captured as part of its responsibilities to the customers (according to the customers) relates to capacity building for customers. According to the responses on the issue of capacity building, the bank regularly organises some six-week training programmes for customers as soon as they grant them credit. In an explanation to this issue, a participant indicated that:

*“One very crucial activity the bank does for customers is the training and book-keeping workshops they organise for customers. They take six weeks off to engage customers in how to invest the credit they have given and how to manage the inflows and out flows of funds in our businesses. For me, that has really helped me to reduce wastage and my books are kept efficiently” (PB04CUST2).*

In addition to that above, a participant explained that:

*“I have a poultry farm and before my relationship with this bank, my farm used to be doing well but still I could not make any profit. Production was good but still the farm was not profitable. As I came for credit from this bank, they took me and some of my staff through training on stock-taking, poultry management, book-keeping and other entrepreneurial activities, which has actually helped me to manage my business very well. Now the poultry employs so many young men and women in this community” (PB01CUST1).*

These commentaries from participants sum up the indication that the capacity-building programme for customers is yielding positive impacts. This conclusion, in the view of the Operation Manager, supports the fact that the programme is yielding its intended objectives. According to him (PB07EMP2),

*“Just like they have said, the six weeks of training is given to all groups of customers who are given credit from this bank. The first week of this training is actually introductory in nature. The rest of the weeks are specific training in book-keeping, customer relationship management, stock taking among others. I must say that these trainings and capacity building have high success rate because the trainees are already in business and so they tend to easily apply and understand the modules as we take them through”.*

Another manager who participated in the discussion also indicated that this programme was initially organised in collaboration with the International Fund for

Agricultural Development (IFAD) under the Rural Enterprises Project, which actually necessitated that the bank employed a project officer with a background in agriculture and business management. According to him (PB09MANAG),

*“Because of capacity building, normally, when the bank is employing a project officer, one of the things the bank looks out for is someone who is agriculture and business inclined. These professionals are able to put together training programmes for the customers to build their capacity in the kind of business for which they have been given credits. Particularly with farmers, they are given training in modern farming practices, crop protection, among others. In collaboration with the IFAD, the bank also implemented the Rural Enterprises Project, which saw to the training of many rural businessmen and businesswomen in this community”.*

#### **7.1.4.3 Employee-Related CSR Practices**

Another area that the bank pays serious attention to is the responsibilities of the bank towards its staff. In the bank’s view, the attainment of corporate goals is dependent on well-motivated and highly-qualified employees. To that effect, Growth and Human Resource Development has become a major part of the bank’s corporate goal, as stated earlier in this section. To achieve this goal, therefore, the bank has put in place a human resource development plan, which seeks to attract, develop, motivate and retain skilled, efficient and competent human resource (PB, 2010).

In a further analysis, the study conducted a content analysis of the bank’s human resource development plan, and the results are summarised in Table 9.1.3.3.

**Table 7.1.3.3a: PB’s Human Resource Development Goals, Strategies and Indicators**

<b>HR Development Goals</b>	<b>Strategies to Achieve Goals</b>	<b>Indicators</b>
To ensure that staff are given the needed training to upgrade their skills	All staff and directors would have access to in-service training and external refresher courses	Good working environment ensured
Staff to be encouraged to embrace career development	Staff would be encouraged to further their studies, and the bank would pay their fees	Enhanced in-service training for staff achieved
To encourage staff to develop hidden skills which would be beneficial to the bank and themselves	Study leave without pay to be introduced	Quarterly external refresher courses for staff and directors
To introduce grievance procedure or channel for staff	Provide an attractive level of compensation and good conditions of service for all categories of staff	Staff needs and complaints addressed quickly and regularly
To become an equal opportunity employer	Ensure a package of motivational incentives tied to performance	Motivational package for staff established and made operational
To improve health and safety	Promote the idea of a healthy body in a sound mind	Arrange for annual medical check-ups for staff at a reputable health institution

Source: PB-CORP (2010)

The above discussion is an indication that the bank is likely to pursue an employee-friendly working relationship, which is advocated for by some of the major global instruments discussed in the unified framework for Social Responsibilities (Figure 3.7). The bank has put in place adequate measures to ensure that employees at all levels are well motivated and equipped with the necessary skills to deliver quality services to ensure that corporate goals are achieved.

The results of the focus-group discussion also indicated a strong affirmation for the existence and practice of these employee-related CSR by the bank. Particularly related to the issue of training and development of employees, a manager participant (PB09MANAG) stated that:

*“Let me say that the HR policy provides for scholarships for employees who aspire to develop their career in banking and business administration in*

*general. The bank provides sponsorship for continuous education, especially at the tertiary level. I am a typical example of such sponsorship. The bank sponsored my professional qualification in banking, and now, I am a full chartered member of the Associate of the Chartered Institutes of Bankers and Institute of Chartered Accountants, Ghana (ACIB and ICA Ghana)” (PB09MANAG).*

In a related contribution, a participant, PB07EMP2, also added that:

*“When it comes to HR practices in the bank, I can attest that the bank has an HR policy which is very inclusive. In that it caters for all levels of staff in the bank, including even the security men. One important aspect of the HR policy is training. The policy stipulates that there should be regular training for employees of the bank in their specific expertise and specialisation. Some aspects of the training are also across all the departments in the bank. This is because some staff can be transferred from one department to the other. So this type of training is more generic in nature so as to enable employees function effectively irrespective of the department they find themselves”.*

In relation to training and development of employees, a content analysis of the bank’s AGM reports indicates that, in the past 27 years, the Bank has undertaken very serious staff training and human resource development exercises, which have yielded quite incredible results. This agenda was deliberately pursued under the auspices of an employee scholarship fund set up by the bank. It is the belief of the bank (as indicated by the scholarship policy plan) that this fund would make available to staff who are desirous of pursuing programmes at the tertiary level, a sponsorship package, to enhance their job performance (PB, 2010). The AGM reports of 2009 to 2012 summarise the achievements of this fund into what has been captured in Table 7.1.3.3b.

**Table 7.1.3.3b: A Summary of the 27 Years of Human Resource Capability Development of Progressive Bank**

<b>Sponsorship Type</b>	<b>Qualification</b>	<b>Status</b>
<b>Sponsorship of 46 members of staff to pursue Bachelor degree</b>	BSc Accounting, Banking and Finance and Marketing	All are at post working efficiently

<b>programmes</b>		
<b>Sponsorship of 12 members of staff to pursue postgraduate programmes</b>	MBA Accounting, Banking and Finance	All are at post working efficiently
<b>Sponsorship of 4 members of staff to pursue professional programmes</b>	Associate, Chartered Institute of Bankers (ACIB)	All are at post working efficiently
<b>Sponsorship of a senior member of staff to pursue professional programmes in Accountancy</b>	Institute of Chartered Accountants Ghana (ICA Ghana)	At post working efficiently

Source: PB-AGM Reports, 2009-2012

Similarly, on the bank's contribution to the health and safety of its employees, a participant indicated that:

*“I am particularly interested in the occupational health and safety systems put in place. The office environment has been structured to cater for higher standards of occupational health and safety. As you can see from the banking halls, there is good lightning and ventilation, electrical fittings and other hard wares are adequately covered and caution notices are given. The bank has also provided fire hydrants and extinguishers, fire alarms and emergency and evacuation exits which can be used in time of any disaster. The security of workers is also paramount, that is why you see that apart from the security provided by the bank, the Ghana Police Service has also provided a police man to add to the security of the banking environment” (PB09MANAG).*

Responding from another angle and in support of the Bank's CSR related to the health of employees, Participant PB07EMP2 explains that the bank funds all the medical bills of the all the staff members. In his words:

*“When it comes to health and medicals of the staff, the bank allows that every staff member (whether with National Health Insurance Scheme (NHIS) or not) can submit the cost of his or her hospital or medical bills to the banks for refund”.*

The discussion continued on the issues of open and flexible communication among employees and the creation of a family-friendly working environment. The responses affirmed the existence of these practices. On this issue, a participant explains:



*“I can say that there is a fantastic nature of communication among staff here, in this bank. Here, in this bank, everyone is open to each other and there is an open and flexible communication between the top management and those of us below. I am able to tell any of the managers my problems and they are ready to assist me solve them. There are clearly outlined complaints and reporting procedures, which we follow in the bank. If I have any challenges, I am allowed to report to my immediate supervisor, who also reports to another person. So, the chain of command is clear and that makes it easy for us to work effectively” (PB08EMP3).*

In support of the earlier contribution, a participant indicated that:

*“In this bank, we all work here as one big family. There is no discrimination and conflict among us. That is why we operate an open office which allows us to interact freely among managers and ordinary staff. Even though there is free and open interaction, there is respect for each other and everyone works hard to achieve the goals of the bank” (PB07EMP2).*

#### **7.1.3.4 Environment-Related CSR Activities**

The bank does not have a specific policy on how it engages the physical environment in its operations. However, it has bits and pieces of statements that are perhaps indicative of their posture towards the environment. An examination of the corporate plan can report that, crucial among the factors considered in the credit risk analysis is in relation to a clear and careful identification of risk relating to environmental issues. Though quite minimal, this cannot be underestimated since ensuring that credit are environmentally sensitive can go a long way to reduce the impact the clients’ business activities may have on the environment. Contributing to a discussion on this issue during the focus-group discussion, a manager indicated that:

*“We actually do not have any direct environmental policy, but in the bank’s corporate plan, it has been captured that the bank shall be friendly to the physical environment. In my opinion, this is a commitment well-articulated and any activity that will be inimical to the environment is highly bemoaned by the bank. For instance, if a customer wants to take a loan facility to engage in chainsaw activities, the banks do not entertain that. So the bank ensures that credit facilities are given to business activities that are environmentally friendly” (PB09MANAG).*

In a related explanation, there seems to be the understanding that the activities of the bank do not have any direct impact on the physical environment, so what the bank does are some minor routine environmental activities. For instance, in her words, a participant explained that:

*“I am not too sure if the bank’s activities produce any form of pollution, but at least, I am aware that the bank ensures that any equipment purchased meet all environmentally-friendly specifications. For instance, this generator that we use when there is power outage hardly produces noise or even smoke. So in general I think the bank is environmentally friendly” (PB05EMP1).*

Additionally, an employee also indicated that:

*“I think other environmental activities of the bank have to do with how we manage our energy consumption. In fact, it is almost a rule that, before we close work for the day, all electrical gadgets in the offices are switched off. These include the air conditioners, computers, lights, TV and radio sets, and water dispensers, among others. This, in a long way, helps reduce energy consumption in the current energy crisis that has bedevilled the country. Apart from saving energy, it also prevents any possible disaster like fire outbreak resulting from electrical faults on fridges, air conditioners, fans and other gadgets” (PB08EMP3).*

#### **7.1.4 CSR Planning and Implementation**

As indicated earlier in this section, the bank does not have a clear policy for engaging in CSR. The effect, therefore, is that, there seems to be no clear process for implementing CSR in the bank. However, the indication was that, the responsibility of the bank’s CSR is attached to the project office. This was captured in a response by the project officer, who explained that:

*“The bank does not have a separate policy devoted for CSR. Because of the nature of CSR which we are engaged in, it is rather proper to attach it to the project office. This is because the project officer is always in touch with the community and hence better situated with the needs of the community” (PB07EMP2).*

This response seems to suggest that the concentration of the bank’s CSR is on the community. This is in support of the findings that, the concept of CSR among RCBs

has become synonymous with community support or community development and assistance and verifies the assertion by Porter and Kramer (2006) that companies seek to make profits and advance their reputations through finding solutions to and solving social problems in communities where they operate.

Notwithstanding the absence of a CSR policy, the bank seems to have devised an innovative way of dealing with its community engagement and CSR in general. The responses as to how the bank plans and implements CSR suggest that the bank has divided its catchment area into three zones headed by a member of the board of directors. It is upon this zone that the bank's community development projects are pursued. In explaining this, a community member said that:

*“What I know is the catchment area of the bank has been grouped into three zones headed by a board member. The bank's CSR engagement is focused on these zones and on rotational basis. CSR requests from the communities are submitted to the bank through the zonal board members and as and when it is the turn of the zone and there is availability of funds, the bank undertakes the projects” (PB03COMM2).*

The idea is that, the board member of the zone puts together a list of the needs the community, which he engages with the bank to be implemented. This is very important to the bank since the board member is a native of the zone and is very familiar with the needs of the communities within his or her zone. However, there was also an indication that some CSR come in the form of routine requests which the bank regularly attends to. In explaining this type of CSR, the manager notes that:

*“Some of the requests are also routine in nature, in that they come every year. These requests include sponsorship for Farmers' Day and Teachers' Day celebrations. With Farmers' Day, the bank gives awards in the form of farm implements like Wellington boots, cutlasses, among others” (PB09MANAG).*

The next stage of the planning process includes seeking for the approval to undertake a selected CSR project. The approval process begins with a board scrutiny of the

projects and a consideration of its viability, availability of funds and the urgency of the project. Explaining the process, the manager indicated that:

*“Approval of the CSR request lies within the board members’ power. It is the Board that takes the final decision on which CSR project is to be undertaken. In fact, the approval is given based on availability of funds, the urgency of the project/request, time for completion, and then the zone for the project” (PB09MANAG).*

The process continues with formation of an implementation committee which includes community members, a board member and a staff of the bank. The committee is charged with various responsibilities, which a community member who participated in the discussion indicates:

*“As soon as approval is given, the bank puts a team together to meet with the community leaders. After meeting the community, an implementation committee is constituted to decide on the modalities of implementation and the expected roles and responsibilities of stakeholders. The committee normally includes unit committee members, opinion leaders like the chief, the board member and a bank staff” (PB03COMM2).*

Additionally, another community member pointed out that:

*“Normally the community members, who are part of the implementation committee, supervise the execution of the project. However, there are regular visits to the project site by the bank staff to monitor progress of work and report to the board. When they come, some of the things they look out for is whether the project is meeting its completion schedule and whether it has outrun its expenditure. They send the feedback to the bank for the necessary action to be taken” (PB03COMM1).*

Summarising his thoughts on the management of the community projects undertaken by the bank, a community member notes:

*“When the project is completed, the bank hands it over to the community during a durbar organised for that purpose. At the durbar, the community is advised to put a management team together for the management of the facility. For instance, in my community, a three-member management committee was put in place to manage the public place of convenience, which was constructed by the bank. However, the bank also pays regular visit to see how best the project is being used and how it is helping the community” (PB06COMM3).*

Basically, it can be identified that the level of engagement of the stakeholders in the planning and implementation of CSR by the bank is high. It begins from the point of submission of request to the final point of handing over the completed project to the community. Even beyond that, the community is made to take absolute ownership and management of these projects with intermittent checks from the bank to ascertain the extent of impact and any possible improvement to be made.

### **7.1.5 Challenges of Implementing CSR**

The CSR engagement in the bank has, over years, faced some challenges, which the discussion identified as financial and procedural in nature. According to the bank, the cost of engaging in CSR is becoming more expensive due to mounting community needs and unfavourable economic conditions in the country. In his words, a manager of the bank indicated that:

*“One major problem we have is the increasing cost of community development projects. You see, the bank budgets some specific funds annually for undertaking these projects, but we have several cases and budgeted funds have, over the period, become inadequate to successfully complete such projects. This is very often due to increasing prices of materials used for these projects. A typical example is the price of cement which keeps increasing every other week. So, project committees have had cause to reluctantly request for additional funding which the bank is obviously unable to give until the beginning of another accounting year. As a result, there are delays in the completion of various community projects, and becomes additional cost to the bank” (PB09MANAG).*

Relating to the procedural challenges, there seems to be an indication that the absence of a clear policy on CSR in the bank impedes the process of planning and implementing community development projects. A staff of the bank, responding to this challenge, explains that:

*“In my opinion, sometimes it takes a long time for a request for CSR to be processed and final approval given. This is because everything needs to be submitted to the board, so until the board meets, all requests have to be put on standby. I think a clear guideline on such engagements will assign*

*responsibilities and ensure that some of these things are done on behalf of the board” (PB08EMP3).*

This is an indication that there is an urgent need for the bank to develop a CSR policy that will incorporate these challenges and seek to curtail them or reduce the impact it will have on the CSR engagements.

## **7.2 EMPIRICAL CASE II: COMMUNITY DEVELOPMENT BANK (CDB)**

The Community Development Bank (CDB) was established in Ghana in 1983 during a turbulent period of the country’s economic history. The period of its establishment was characterised by very precarious and turbulent economic downturn with a very slippery financial system; a period when it was very challenging for such start-ups to survive. Against all odds, the bank was able to survive. It has since established itself to become a household name and force to reckon with among its competitors in the rural banking industry in Ghana.

The bank started with an initial ordinary shares capital of One million Ghana cedis and GH¢125,000 preference shares, which was contributed by the indigenous people in the locality and the Bank of Ghana. In its 30 years of operation, the bank has experienced impressive growth with total assets increasing from GH¢8,22,719.01 in 2011 to GH¢10,631,737.75 in 2012, representing an increase of 20.89%. The bank’s net-profit also grew from GH¢127,945.75 in 2011 to GH¢141,690.74 in 2012.

With current branches standing at seven, employee strength of 190 and customer base of 157, 650 across some three neighbouring districts in the country, the bank, according to its supervising manager, hopes to continue to offer Ghanaian businessmen and businesswomen, particularly those stationed within the catchment area exquisite banking and advisory services that will translate into growth in especially the Small and Medium Enterprises (SME) sector of the economy.

With a vision to transform from rural bank into a full-fledged hybridised community bank cum micro-finance institution, the bank continues to show impressive performance and has been honoured with the GOLD award for being the best bank in CSR in 2011 (an award which it has enviously coveted till today). Meanwhile, the bank continues to mentor several rural banks in the industry, with records of being a pacesetter, as indicated in a speech by the Managing Director of ARB Apex Bank (GNA, 31<sup>st</sup> October, 2005). In his speech, he indicated that:

*“The bank continues to be the training institution for some rural banks in the country and in Africa and that the bank was truly a pacesetter and commended the visionary and exemplary leadership of the bank”.*

The bank obviously possesses unique characteristics interesting enough to study. Additionally, the bank is noted for its excellence in corporate disclosure, including CSR communication and reportage. So it renders itself an easy but appropriate case to be used to consolidate and validate the results of the preceding chapters.

### **7.2.1 CSR Perceptions and Conceptualisations of the Bank**

The bank’s impressive engagement in CSR activities and reports captured in series of press releases by the bank and the media, over the years, show CDB’s perception about the practice of CSR in general. Apart from actually engaging in aggressive community engagement and development, the bank’s corporate plan also reveals their perception about CSR. According to the corporate plan (CDB-AGM, 2012),

*“The Bank’s mission is to be the leading and preferred rural bank in Ghana, poised to transform the lives and businesses of our stakeholders through motivated and competent human resources; customer-driven products and the use of modern technology”*

The vision of the bank, as stated above, summarily suggests the likelihood for CDB to aggressively pursue the CSR agenda, with the perception that the interest of all critical stakeholders are important for the bank to succeed. In furtherance of this

mission, the bank, on several occasions, has made this position clear in series of publications, some of which have been quoted below:

*“This sterling performance has not been achieved in a vacuum but through the institutionalisation of our core values of Customer Delight, Integrity, Efficiency and Teamwork and with Corporate Social Responsibility (CSR) being a prime concern to the Bank” (Corporate News, 2013).*

*“The board chairman said, as part of the efforts of improving efficiency and quality delivery of services to its cherished customers, the bank had networked all its branches. The aim of the bank is to maximise profit by mobilising savings and granting loans, but we have not lost sight of applying the end results to community development and improving the lives of the rural folks, he noted” (Asare, 2008).*

These public indications are evident of the bank’s posture towards CSR. The bank, at this point, has shown enough willingness, acceptance and readiness to engage in CSR, but as to what constitutes CSR in the bank is what has been described in a representative’s opinion that:

*“In summary, CSR, in our bank, constitutes setting aside part of the bank’s profit to invest in the community we operate in. We have set aside 2% of the bank’s profit to undertake various community projects all in the name of giving back to society what the society has invested in the bank” (CDB02EMP03).*

The above conceptualisation is indicative of the community inclination when it comes to defining CSR. Just as was found in the other case, there seems to be an ingrained tendency among RCBs to explain CSR in terms of community development as has been exhibited in the response above.

### **7.2.2 Motivation for CSR**

The bank continues to maintain the enviable position of the best bank for CSR in Ghana and continues to make strides in community development. They identify a number of factors that continue to motivate CDB to do more in this area. Among these factors is the “Best CSR Bank” award in particular. The HR Manager (CDB07MANG), responding to a question on their motivation, said:



*“You see, the vital role the bank is playing in society is recognised by many institutions over the years. Our awards only serve as motivation to the bank to expand its operations and continuously make outstanding contributions to the socio-economic development of our communities and also support Medium and Small Scale Businesses that are springing up in our rural and sub-urban communities”.*

Additionally, the bank also seems to be taking advantage of the benefits that come with engagement in these CSR practices. These complements, according to the HR Manager (CDB07MANG), include the good image, the cordial bank-community relationship, satisfied customers and a highly-motivated staff. She added that:

*“Now the bank has become a household name in all the communities we are engaged with. Our greatest motivation is the smiles on the faces of our cherished customers and employees when they happily engage with the bank when we make these giant strides in community development. Our communities are cordial with us, customers are satisfied, the staff members all over are in high morale, and above all, businesses are booming. These, among other things, are our motivation” (CDB07MANG).*

These factors identified in her explanation are in consonance with what other studies have reported and what has been identified in the preceding chapters. Even though all these factors could have been motivated by a care-driven motive, as indicated by Van Marrewijk (2003), or ethical and philanthropic responsibilities as argued by Carroll (1991), it is clear that they all end up in improved performance and increase in profitability, which actually serves the interest of shareholders.

### **7.2.3 CSR Practices**

This section of the chapter is devoted to discussing the actual CSR practices that CDB is engaged in. In the preceding chapters, the study identified the industry’s focus on Education and Health. Thus, this section looks at CSR in this case in terms of education and health but goes beyond these to discuss existing employee and customer-related CSR activities which the bank engages in. In this bank, the concentration is on community development, poverty reduction and other social

services. Their customer and employee-related CSR are generic to those that have been put in place by the Association of Rural Bank (ARB) which is operational for the industry.

### **7.2.3.1 Community-Related CSR Activities**

As highlighted earlier, this bank has vigorously implemented a community-based development agenda under the auspices of a community development fund, which was established to extend support to stakeholders of the bank, especially within the communities in its catchment areas. It was indicated on its website that:

*“As a development-oriented institution, the bank has provided funding for a number of development projects. The bank's focus is to assist the communities to help themselves and their environment by providing resources, sharing knowledge and building capacity. In pursuant of this agenda, CDB maintains a large budget for community development and that is why the bank is making giant strides in this direction. It must be added that the bank has developed a trademark for social philanthropy. Our impact can be seen in areas like education, health, sanitation and water supply, poverty reduction, and electricity” (CBD09WEB).*

Following from the preceding explanation, the study discusses the community-related CSR according to the focus areas mentioned above, including education, health (including water supply and sanitation), poverty reduction and other social services.

#### **a) Education**

It is the belief of the bank that the future of the country lies in the quality of education for the young ones. In fact, this belief was actually formed as a result of the findings of a committee set up to study the special needs of the communities. The committee identified that ignorance and illiteracy were a major problem impeding progress of the communities within which the bank operates. According to information gathered from the bank's website, the committee considered the role education plays in the human resource development and therefore threw its searchlight on the state of primary schools in the bank's catchment areas. The committee's findings also indicated that

there was a state of poor enrolment and a high drop-out rate in most of the primary schools. According to the committee's assessment, this was because of:

- i. Many primary pupils dropping-out because of lack of school desks or facilities.
- ii. Parents' inability to pay their wards' school fees and provide them with study materials.
- iii. The deplorable and risky conditions under which pupils study, for instance, loose and hanging roofs and dusty classroom floors (CDBCORP, 2009).

Based on these findings, the bank began to pursue an aggressive educational development agenda which sought to focus on three areas of education. In explaining this agenda, an officer in charge of the educational development programmes explained that:

*“The agenda on education focused on three main elements which include access, quality and progress. It was our view at the time that, rehabilitating and improving on the infrastructure will go a long way to improve access and increase enrolment. Additionally, provision of various materials like books, desks, and others in addition to building libraries and computer laboratories will also improve quality. Finally, providing opportunity for continuity to secondary or vocational school after the basic level will ensure a progressive education for the communities. In view of that, our agenda has been to expand in all these areas and it has yielded enough fruit” (CDB02EMP03).*

The study, therefore, identified what it calls the “Three-Edged Focused” CSR agenda in the educational sector which the bank pursues. These are 1) Expansion and Improvement in Basic Education, 2) Provision of Educational Materials, Scholarship Scheme and Complementary Facilities and 3) Expansion of Senior High School (SHS) Education.

**1) Expansion and Improvement in Basic Education:** Here, CDB sought to rehabilitate many basic schools within its catchment areas and provide other

educational infrastructure, which expanded and improved on the state of education in the communities. This led to a major improvement in access to basic education and the teaching and learning environment. Consequently, this has motivated teachers to give out their best to the community. Reporting on this, CDB explained on its website that:

*“As the bank's contribution to do away with the problems in the basic education, 113 duplet desks, 12 cupboards, and 15 teachers' tables were distributed to 35 basic schools in 2000 and 73 pupils were granted scholarships by paying their fees and books. 12 schools were renovated while a Junior High School workshop and 9-classroom school blocks were completed at Kwanwoma and Afrancho respectively. In 2002, the bank helped to construct two Nursery Schools at Atasomanso and Broyeduru, while 805 duplet desks were distributed to 32 basic schools in 2003. A scholarship of Gh¢ 6,000 was also granted to 150 pupils to pay for their fees and study materials in 2004” (CDB09WEB).*

## **2) Provision of Educational Materials, Scholarship Scheme and Complementary**

**Facilities:** In addition to the provision of educational infrastructure and logistics, another flagship CSR activity of the bank is the scholarship scheme which it established to cater for pupils' school fees and school materials. This was to deal with the incidence of dropout due to parents' inability to pay school fees and encourage more children of school-going age to go to school. To improve on the quality of education, the bank has built an estimated GH¢13,500 42-seating-capacity library, stocked with varieties of books in one of the communities to improve on the reading habits of school pupils. Handing over the library to the community, the CEO of the bank noted that:

*“This gesture of the bank is to inculcate the culture of reading in the youth in its catchment area as a way of making them well-accomplished students ready to support the sustainable socio-economic development of the area in future” (CDB10MANG).*

In a further confirmation, a headmaster remarked about the library that:

*“The provision of a library by the bank was a good omen, and this has checked the movement of students, especially during the night. It has*

*improved the standard of education of the pupils in the community as they are always seen using the facility (Adjei, 2013).*

**3) Expansion of Access to Senior High School Education (Construction of Presbyterian SHS):** To expand access and enhance the standard of secondary school education in the bank’s catchment area and beyond, the bank developed a model Senior High School for the communities. As part of this process, the Presbyterian Church of Ghana granted the bank a four (4)-acre land in one of the communities to construct the school. With an initial estimated 1.5 billion Ghana cedis cost for the first phase, the bank has invested GH¢ 514,048. The school has become operational since the 2011/12 academic year and is yielding some benefits to the communities as was reported by Adjei (2013). In this study, a teacher of the school intimated that:

*“We are motivated by the huge classroom block and other materials that have been provided by the bank to offer our best. This has improved the standard of teaching tremendously. This has accounted for an increase in the quality of education and student performance. Now, most of the students proceed to further their education in the Universities, Polytechnics and Training Colleges”.*

Reporting the progress of the model Senior High School, the bank, in its Annual Report of 2012, explained that:

*“The bank has invested GH¢ 450,000 to develop the first phase of the school and additionally provided other infrastructures like mono-desks, furniture and steel cabinets, computer sets for office set up, poly-tanks and water pumping machines. To ensure a smooth take-off, the bank has released a total of GH¢ 73, 650 to fund auxiliary items for the school” (CDB-AGM Report, 2012).*

Table 7.2.3.1a provides a summary of educational development activities undertaken by the bank up to 2012.

**Table 7.2.3.1a: Education-Related CSR Activities of CDB**

SN	CSR Project/Activity	Date
1.	113 duplet desks, 12 cupboards, and 15 teachers’	2000

	tables were distributed to 35 basic schools	
2.	Construction of two Nursery Schools at Atasomanso and Brofoyeduru	2002
3.	12 schools were renovated while a Junior High School workshop was completed at Kwanwoma	2002
4.	Provision and distribution of 805 duplet desks to 32 basic schools	2003
5.	A 9-classroom school block was completed at Afrancho	2003
6.	A scholarship of Gh¢ 6,000 was granted to 150 pupils to pay for their fees and study materials	2004
7.	73 pupils were granted scholarships which paid for their fees and provided books	2008
8.	Construction of a 42-seating-capacity library, stocked with varieties of books	2011
9.	Completion of the first phase of a model Senior High School	To date

Source: CDB-AGM Reports, 2009-2012

***b) Health (Including Water and Sanitation)***

The Health concerns of stakeholders of the bank continue to be paramount to the bank. To demonstrate its commitment to improvement of community health and quality health delivery in general, the bank embarked on a campaign in support of disease prevention and expansion of infrastructure of existing health facilities. The bank's website summarises its CSR activities on health into three major areas. This includes 1) expansion and rehabilitation of health facilities, 2) donations to health facilities and 3) water and sanitation.

**1) Expansion and Rehabilitation of Health Facilities:** The CDB's CSR activities in this area began with the adoption of a mission hospital in its catchment area in the year 2000. This hospital, according to Adjei (2013), has an average of 100 out-patients daily and serves as a referral point for several medical cases. The adoption of this hospital was, in no doubt, going to assist in the health agenda of the bank. So far, the bank has supported the construction of a nurses' quarters with a tune of GH¢ 6,000.00.

**2) Donations to Health Facilities:** The bank has supported the adopted hospital with five hospital beds with mattresses, furniture for the out-patient department, one colour television and a video deck and has sponsored several health educational and outreach programmes of the hospital to create awareness on health issues in the communities. Apart from this hospital, the bank has also extended some CSR activities to other government hospitals. For instance, a major government hospital in Kumasi received two 21-inch colour televisions and a video deck to entertain patients and a cash donation of GH¢ 2,000 towards a blood donation campaign. These activities in the health sector assisted the hospitals to enhance the delivery of quality health care to the communities. According to the management of the bank, the donation to the various health institutions was to support them in their quest to enhance the delivery of quality health care to the public (CDB-AGM Reports, 2012). Finally, the bank also went into collaboration with another hospital to embark on a free breast screening exercise within various communities in the bank's catchment area.

**3) Community Water and Sanitation and Disease Prevention:** Reportage on this health issues indicates that the bank has been encouraging environmental cleanliness to prevent diseases. In view of this concern, the bank donated GH¢ 1,000 to purchase wheel barrows, shovels, and pickaxes for clean-up campaigns in some communities within its catchment area. Additionally, the bank has provided KVIPs (places of convenience) in several communities including Dominase, Kantinkyeren, Konkori, and Konkomase near Atasomanso (CDB-AGM Reports, 2012). In order to improve on potable water supply and sanitation in its catchment areas, CDB sponsored various projects in sanitation and water supply. These included fencing of refuse dumps, construction of gutters and other drainage systems and support for the construction of

boreholes in several communities. Regarding the bank's contributing to the construction of the boreholes, a community leader indicated that:

*“The construction of the boreholes has eased the problems of spread of water-borne diseases which were prevalent in this community. Particularly, I am happy with the fact that children now go to school early as they no longer travel long distances to fetch water from streams. We no longer see them loitering about just because they were late for school as a result of going to fetch water from long distance” (CDB02COMM03).*

Table 7.2.3.1b below provides a summary of health-related CSR activities undertaken by the bank up to 2012.

**Table 7.2.3.1b: Health-Related CSR Activities of CDB**

SN	CSR Project/Activities	Date
1.	Adoption of SDA Mission Hospital, Dominase	2000
2.	Support for the construction of nurses' quarters with an amount of GH¢ 6,000	2000
3.	Provision of five hospital beds with mattresses, furniture for the out-patient department, one colour television and a video deck and has sponsored health, educational and outreach programmes of the SDA hospital	Regular
4.	Provision of two 21-inch colour televisions and a video deck and a cash donation of GH¢ 2,000 towards a blood donation campaign of the Komfo Anokye Teaching Hospital	2005
5.	Collaborating with another hospital to embark on a free breast-screening exercise within the various communities	2011
6.	Donation of GH¢ 1,000 to purchase wheel barrows, shovels, and pickaxes for clean-up campaigns in Old-Tafo and its environs	No date
7.	Provision of KVIPs (places of convenience) to several communities, including Dominase, Kantinkyeren, Konkori, and Konkomase near Atasomanso	No date
8.	Fencing of a refuse dump at Old-Tafo	No date
9.	Construction of gutters and drainages at Old-Tafo and Adompom	
10	Support for the construction of boreholes at Pakyi No. 1 and Pakyi No. 2.	No date

Source: CDB-AGM Reports, 2009-2012

### *c) Poverty Reduction*



One major function of the rural bank is to act as a catalyst institution for rural development by identifying and promoting the development of rural projects and, by extension, reducing the incidence of poverty in rural areas. From the preceding discussions, one can admit that this bank has made and continues to make impressive strides in the performance of this function. In the recent past, poverty reduction has become one of the major concerns for the bank. The bank continues to introduce to its customers and the market in general products targeted at poverty reduction. This is done by fulfilling its mandate of extending institutional credit to the rural dwellers in their respective areas of operation and thereby assisting in increased productivity to create wealth for improved standard of living. In doing so, the bank reports on its website that:

*“One of the recent directions of this Bank is to make financial services, especially savings and loans, accessible to low income people in both rural and sub-urban areas so that they can generate wealth to cater for their basic needs and improve their quality of life” (CDB09WEB).*

Under this programme, the bank, since 2001, has been able to mobilise GH¢ 1,883,597.85 from 8,368 clients and has disbursed a total of GH¢1,697,374.26 as credit to 1,323 Susu clients so that, as it were, they can generate wealth to cater for their basic needs and improve their quality of life. These Susu clients, according to the bank, include carpenters, hairdressers, petty traders, mechanics, bakers, fishmongers, food vendors, among others, who, following the standard credit requirement of the bank, will not have qualified for a loan from the bank.

Another dimension of the bank’s poverty reduction activities includes capacity building for its clients. Initially, operated under the Credit with Education (CWE) scheme, the bank takes some six weeks to train clients, especially women, in credit and financial management. Additionally, the training also aims at educating them on

environmental and domestic hygiene, family planning, home management, HIV/AIDS and ecological protection. This cumulatively increases their ability to improve on the quality of their lives and their income in general and thereby reduce the incidence of poverty in the various communities.

***d) Other Community-Related CSR/Crucial Social Services***

There are other crucial services which the bank attends to as and when request comes through. In this bank, several of such CSR requests have been rendered to various institutions and individuals. One of such activities is what the bank reports as the desire to defend and protect the needy, children, the infirm, the disabled and the socially vulnerable. To demonstrate this, the bank engaged in various activities, which are summarised in Table 7.2.3.1d.

**Table 7.2.3.1c: Summary of Other Community Services by CDB**

SN	Type of Project	CSR Activity	Beneficiary
1.	Deplorable conditions at the Central Destitute Infirmary	Donation of food items for the up-keep of the inmates.	Central Destitute Infirmary at Bekwai
2.	Donation to SOS	Donation of cash and food items to the Westphalia Village at Oyoko	Westphalia Village at Oyoko
3.	Safety of SOS Village inmates	Repairing of a broken-down vehicle of the Kumasi Children's Home to facilitate their movements.	Kumasi Children's Home
4.	Assistance to the physically challenged	Donation of a wheel chair to a physically-challenged and sponsoring of his 3-year HND programme	A student of the Kumasi Polytechnic
5.	Community security and protection	Renovation of Old Tafo Police Station in 2004 at a cost of GH¢ 850	Old Tafo community and Ghana Police Service
6.	Community security and protection	Donation of office logistics (steel cabinet, tables and chairs)	Police Station at Pakyi No. 2
7.	Community Security and protection	Assistance for the supply of electricity to Pakyi No. 2	Pakyi No. 2 community
8.	Road construction	Construction of culverts and bridges to link various suburbs in the catchment area	Moshie-Zongo, New-Tafo, Tafo Nhyieso and Santasi

Source: CDB-AGM Reports, (2009-2012)

Another CSR project that put the bank in the limelight is the support the bank gave for the beautification project in the Kumasi Metropolis. As part of its social responsibility, CDB solely funded the beautification of a roundabout in Kumasi at a cost of GH¢ 17,500. As reported on the bank's corporate website:

*“The beautification comprises of mounting a gigantic metallic horse to beautify the roundabout, redecorating the lawn and flowers around and painting. This is aimed at facilitating a speedy integration of the rural economy into the overall economic and development process of the region” (CDB09WEB).*

However, the study was of the view that, apart from contributing to the beautification of the city, the project, intrinsically, is beneficial to the bank to a very large extent. With the Bank's name boldly inscribed on the project, it has added to publicity for the bank and translated into good image for the bank. This is a clear case of the value creation ability of CSR, which the HR Manager explained earlier in this section.

### **7.2.3.2 Other Stakeholder-Related CSR Practices**

Even though it can be confirmed that the bank's stakeholders included customers and employees, very little was found as to the bank's policy statement on customer service delivery and its employee engagement plan. It appears the concentration is and has always been on community development. Responding to a related question, an employee of the bank explains that:

*“You see..... [Sighs], our foremost obligation lies with ensuring a safe and congenial environment for business to thrive. So the concentration is on the community, of which all the stakeholders of the bank are part, including shareholders, customers and employees alike. So the bank believes that a satisfied community invariably includes satisfied customers and employees. However, it is also our obligation as expected by ARB-Apex, to adhere to excellence in quality customer service and employee development. So, that has been a major part of our corporate goals, as indicated earlier” (CDB05EMP04).*

However, skimming through the various publications and the corporate website, it was gathered that the bank actually pays attention to the satisfaction of its customers. For instance, among its core values are *Customer Delight, Integrity, Efficiency and Teamwork*, which form the basis for customer satisfaction. Additionally, the bank states as its mission:

*“To be the leading and preferred rural bank in Ghana, poised to transform the lives and businesses of our stakeholders through motivated and competent human resources; customer-driven products and the use of modern technology”*(CDBCORP, 2009).

Similarly, in webpage news from the CEO, he confirms that:

*“Our greatest motivation is the smile on the faces of our customers and business relations when services are rendered perfectly and timely. For this reason, we continue to review our product lines and services to meet the changing needs of our customers through modern banking technology”* (CDBIOMANG).

Notwithstanding the absence of a clear policy of customer engagement, this indication above (even though scanty) is enough to surmise the extent to which the bank engages customers in quality services delivery, which corroborates what was reported in the preceding chapters.

More so, the seeming silence on employee-related CSR activities is an indication that, in the CDB, employee issues may not be considered as part of CSR. This, in context, could be explained in terms of the fear of poaching, after huge investment is made on employees. This reason is solidly reiterated by a board member in a speech that:

*“...rural banks must be cautious about moves by the commercial banks, especially the emerging ones, to poach their staff. These commercial banks have realised the professional capabilities of the staff of the rural banks and are doing everything to poach some of them. The situation, in my view, is a threat to the operational capabilities of the rural banks and we better move fast to curtail the threat”* (Asare Boadu, 2008).

Surprisingly, with the exception of the beautification of the roundabout, the physical environment has characteristically not appeared in any bank documents and

publications which this study has come across. In all the responses, it appears no reference has been made to the physical environment.

This, clearly, is an indication of the level of prioritisation of the physical environment as far as the operations of RCBs are concerned. Probing for reasons, the HR Manager subtly defends this by saying that:

*“Perhaps we need to do more when it comes to environmental issues. But, come to think of it, which aspect will directly concern us except probably keeping the bank’s surroundings clean and making sure our clients engage in environmentally-sound practices in their business activities. If it is so, then I can point to several campaigns on environmental cleanliness that the bank has undertaken. Look,...example (if I can cite) is a recent donation of GH¢ 1,000 made to purchase wheel barrows, shovels, pickaxes for clean-up campaigns in the communities around. This is a clear demonstration of the bank’s resolve to advocate environmental cleanliness to avert diseases in our catchment areas” (CDB07MANAG).*

#### **7.2.4 CSR Planning and Implementation**

Even though there seems to be no policy indicating who is responsible for CSR, there was an indication that responsibility for CSR is strongly attached to the HR department. When quizzed on whether there is a department devoted to CSR engagement, the HR Manager explains that:

*“In my opinion, there exists a department responsible for the bank’s community engagement just that it is not called CSR department or whatever. The management thought it wise to assign it to the HR department. And this responsibility has been executed very well by the department as you can see” (CDB07MANAG).*

Thus, the HR department is charged to oversee the implementation of the CSR agenda, as far as this bank is concerned. This buttresses the argument that, CSR as a practice is still evolving generally in Ghana and in the rural banking industry in particular. It would have been ideal if there was a separate department for CSR, but notwithstanding the location of its responsibility, the pursuit of CSR and its implementation, in the view of a branch manager, should not be hampered.

Responding to a question on how the absence of a department would impede the planning and implementation of CSR, the branch manager, in an interview, explained that:

*“The planning and implementation of CSR has been done efficiently, in spite of the absence of a separate department devoted to CSR. The catchment area of the bank and the CSR we engage in do not demand that a whole department is devoted to its implementation. This is because, over the years, CSR has become a routine engagement, and in fact, planning for it begins with allocation of funds into the community development fund. This is done at the management level. That is why we always need to seek approval to carry out any of such requests that come in the form of CSR” (CDB05EMP01).*

On consensus, respondents were, however, of the view that, the bank puts together its CSR projects based on what the bank itself goes out there to assess and put together or what comes to the bank in the form of requests from communities, distressed institutions and individuals. Explaining the process, the HR Manager indicated that:

*“There are two sources where we generate our CSR activities. The bank through its branch managers and field officers summarily puts together what they consider as community needs and submit to the head office as potential CSR activities. On the other hand, individuals, including government institutions, community leaders or even individuals, submit such requests for assistance. I can conveniently cite the district assemblies, the district police command and the local councils as typical examples” (PB09MANAG).*

So conclusively, CSR commitments in the bank are initiated from both within or without, as evident in the explanation by the official. The process continues with seeking approval to undertake the CSR from management. The approval, according to the HR manager, is given based on availability of funds, economic potential of the community from which the CSR request is coming and other factors as deemed appropriate. She further indicated that:

*“Before the selected CSR activities are sent to management, a committee assesses these requests on the basis of relevance and the bank’s ability to support. Upon series of scrutiny, management approves and authorises for funds to be released” (PB09MANAG).*

Once an approval is given, the bank puts together a team, based on expertise, to implement the projects. It must, however, be emphasised that during the implementation period, members of the implementing team intermittently visit the project site to ascertain progress of work and report back to the management.

### **7.2.5 Challenges of Implementing CSR**

Characteristically, and perhaps not surprisingly, inadequate financial resources were persistently mentioned as a crucial challenge to deal with. There also appears to be a mounting pressure on the bank to do more, even though it keeps outstretching its CSR budget. Typical sources of this pressure can be cited in an acceptance speech by a Priest, after the bank handed over a CSR project to his church. In his speech, the Priest indicated that:

*“While I highly commend the bank for the investments it has made so far, I also remind you (the bank) that what is left to be done is far more and therefore, in order not for other donors to try to outshine you (the bank) in the future, it is important for you (the bank) to remain relevant”.*

In addition to the above, other respondents referred to the non-existence of a policy guideline, apathetic posture of some communities and manipulations of the CSR selection process by some management members as the main challenges of implementing CSR in CDB. Reporting the barriers to effective CSR engagement, an employee of the bank indicated that:

*“For me.... there are quite a number of challenges. Apart from the usual lack of funds, the bank seems to be attending to too many unplanned requests for CSR engagement. But most disturbing is the absence of a clear guideline for these engagements, which has resulted in a seeming scramble for CSR projects to communities of board members. This is a very crucial challenge that must be dealt with to avoid any derailment in the fortunes that accompany CSR activities” (CDB02EMP03).*

The two cases have exemplified the extent to which the practice of CSR is deeply rooted in the rural banking industry in Ghana and to them (the cases) in particular. In the discussion that follows, the study presents a comparative analysis of the CSR activities within the two empirical cases. This is to identify areas of peculiarity, divergence and convergence in the practice of CSR within the rural banking industry in Ghana.

### **7.3 CROSS-CASE COMPARISON OF CSR ISSUES OF PB AND CDB**

There is no doubt that both banks have made some giant strides in CSR as evident in the discussion above. In this section, the study attempts to make a cross-case comparison of the CSR issues presented in the two cases. This is done in an attempt to identify areas of convergence and divergence, to enable the study to make conclusions. To aid the analysis in this section, the CSR issues discussed in both cases have been summarised into Table 7.3.. Apart from the brief characteristics and operational activities of the cases, the main CSR issues highlighted include issues of CSR within the mission statements of the banks, perception or conceptualisation of CSR, the motivation or motives for CSR, focus stakeholders and sectors, planning or implementation of CSR and challenges of implementing CSR.

As indicated in Table 7.3., both Progressive and Community Development Banks bare similar characteristics and are engaged in similar operational activities. They have all operated above the average of 26 years, as reported in Table 5.1.1 in chapter five on the industry-based analysis. They also have eight (8) and seven (7) branches respectively, which are just about the average of seven branches reported in Table 5.1.1. They are all engaged in similar banking products and service delivery but probably packaged under different names. By the nature of their operations and the



products and services delivered, as indicated in Table 7.3, it appears that both banks are all playing the mandatory role of mobilising all available savings within their catchment areas, extending institutional credit to the rural dwellers in their respective areas of operation and, thereby, assisting in increased productivity to create wealth for improved standard of living and, most importantly, acting as catalyst institutions for rural development by identifying and promoting the development of rural projects, as reported by Asiedu-Mante (2002) and Nair and Fissaha (2010).

It also appears that both banks have CSR issues captured as part of their mission statement. While Progressive Bank seeks to enhance optimal realisation of stakeholders' interests and human resource development, Community Development Bank is poised to transform the lives and businesses of their stakeholders through motivated and competent human resources and customer-driven products. Both issues are situated at the core of CSR and indicate an alignment of CSR with the business strategies of these banks. It can be inferred that with this clear indication of CSR issues in their mission statement, the two banks have largely integrated into and aligned CSR issues with their business strategies as was advocated for by Porter and Kramer (2006) and McElhaney (2009).

It also appears that there exists a thin difference between the two cases when it comes to how they conceptualise CSR as a practice. Even though there seems to be a strong conviction about the importance of CSR within both banks, their descriptions of the concept of CSR are looked at with different lenses. While Progress Bank sees it as “mandatory responsibilities that the bank has towards the social issues within communities in its catchment area”, Community Development Bank conceives it as “setting aside part of the bank’s profit to invest in the community they operate in”.

However, in spite of this thin divergence, the end beneficiaries in both cases are the community and, perhaps, by extension the banks' customers and other stakeholders who may necessarily be living within the communities within the banks' catchment area. This finding, most importantly, buttresses the point of lack of consensus on the meaning of the concept of CSR (Carroll, 1979, Perrini, 2006 and Panapanaan, 2008) and the seeming tendency for organisations to describe the practice of CSR in the lenses of community development and social support.

As can be seen from table 7.3 while PB is motivated especially by a supposed mandatory requirement for RCBs to engage in CSR and the bank's own mission statement, CDB, however, is motivated by their desire to hold on to the coveted Best CSR Bank award. By extension, the motivation suggests that the motive for engaging in CSR by both banks could be situated in ethical and philanthropic responsibilities or, better still, within care-driven motives (Carroll, 1991 and Van Marrewijk, 2003 respectively). Additionally, the two banks are similarly motivated by the value creation abilities of CSR. Thus, both banks are motivated by the economic benefits that are accrued from good image for the bank, improved community relationship, increased customer loyalty and highly-motivated staff.

The main focus stakeholders of the banks for their CSR engagement include the community, customers and shareholders for both banks and employees, and the physical environment, particularly with PB. It appears that emphasis on the physical environment is very low among the two banks and, in fact, virtually absent in CDB's CSR engagements. However, in relation to the community, both banks are engaged in various types of CSR projects. While education and health are the major concentration sectors for both banks, PB, additionally, engages in some CSR in

agriculture, and CDB also focuses, additionally, on poverty reduction. More so, both banks are hugely engaged in a variety of community-related social services. Interestingly, while PB places some crucial importance on its customers and employees to the extent of having separate policies for them, CDB is silent on these issues. There is a clear indication that, to CDB, customer-management issues and particularly employee issues do not constitute a major CSR issue. Particularly, with regard to employee issues, the reason may be sought in the context of recently reported cases of poaching, which, according to reports, has been there for years (Asare Boadu, 2008). In their view, by fulfilling the needs of the larger community, the needs of other stakeholders, including customers and employees, are also fulfilled. This may be in contravention to the advocacy raging among inter and intra-governmental institutions evident in numerous instruments and guidelines. That notwithstanding, by the operational capabilities of most RCBs, PB and CDB, with such strides, could only be encouraged to do more.

From Table 7.3, there seems to be an indication that, in both cases, there is no clear policy for engaging in CSR, however, the CSR function is absorbed by the project office and HR department of PB and CDB respectively. Similarly, the planning and implementation of CSR happens to be the same for both cases, except that, while board members assume the CSR needs assessment for PB, in CDB, the bank itself does the assessment. That notwithstanding, in both cases, the generation of CSR projects and commitments is done both from within and without. The planning and implementation processes of both banks are, however, inhibited by a few but similar challenges. These include, among others, inadequate financial resources as the demand for community-based CSR keeps increasing and, largely, the absence of clear policy guidelines for the CSR engagement.

**Table 7.3.0: Cross-Case Comparison of CSR Issues**

CSR Issues	Case I – PB	Case II - CDB
Operational Characteristics	<ul style="list-style-type: none"> <li>• Community-owned bank</li> <li>• Operated for 27 years with 3 districts</li> <li>• 8 branches</li> <li>• 123,000 customers</li> <li>• 185 employees</li> </ul>	<ul style="list-style-type: none"> <li>• Community-owned bank</li> <li>• Operated for 31 years with 3 districts</li> <li>• 7 branches</li> <li>• 157, 650 customers</li> <li>• 190 employees</li> </ul>
Products and Services	<ul style="list-style-type: none"> <li>• Savings/current accounts, fixed deposits, micro-enterprises loans, funeral/social loans salary advances, Susu loans, farmers loans, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Savings/current accounts, fixed deposits, micro-enterprises loans, funeral/social loans, church loans, salary advances, Susu loans, farmers loans, etc.</li> </ul>
CSR element in mission statement	<ul style="list-style-type: none"> <li>• to provide efficient and effective financial services by adopting appropriate technology, <b><u>increase market share, enhance optimal realisation of stakeholders' interest, human resource development and product innovations</u></b></li> </ul>	<ul style="list-style-type: none"> <li>• to be the leading and preferred rural bank in Ghana, poised <b><u>to transform the lives and businesses of our stakeholders through motivated and competent human resources; customer-driven products and the use of modern technology</u></b></li> </ul>
Perception/Conceptualisation of CSR	“Mandatory responsibilities that the bank has towards the social issues within communities in its catchment area”	“Setting aside part on the bank’s profit to invest in the community they operate in”.
Motivation/Motives for CSR	<ul style="list-style-type: none"> <li>• mandatory requirements for RCBs to engage in CSR</li> <li>• the bank’s own mission statement</li> <li>• value-creation abilities of CSR (good image for the bank, improved community relationship, increased customer loyalty and highly-motivated staff)</li> </ul>	<ul style="list-style-type: none"> <li>• the desire to hold on to the coveted Best CSR Bank award</li> <li>• value-creation abilities of CSR (good image for the bank, improved community relationship, increased customer loyalty and highly motivated-staff)</li> </ul>
focus stakeholders and sectors	<ul style="list-style-type: none"> <li>• Community</li> <li>• Customers</li> <li>• Shareholders</li> <li>• Employees and</li> <li>• The physical environment</li> </ul>	<ul style="list-style-type: none"> <li>• Community</li> <li>• Customers</li> <li>• Shareholders</li> </ul>

Source: Author’s own construct from Interviews and Focus Group Discussions (2014)

**Table 7.3.0 cont'd**

CSR Issues	Case I – PB	Case II - CDB
focus sectors	<ul style="list-style-type: none"> <li>• <b><u>Education:</u></b> The educational programme focuses on expanding access to education both at the basic and secondary levels through;               <ul style="list-style-type: none"> <li>✓ Establishing new schools and expanding existing facilities.</li> <li>✓ Establishment of a scholarship fund</li> </ul> </li> <li>• <b><u>Health:</u></b> A Banking on Community Health and Sanitation Programme (BCHSP)               <ul style="list-style-type: none"> <li>✓ Expansion and rehabilitation of health facilities</li> <li>✓ Donations to health facilities</li> <li>✓ Credit facility for medical bills</li> <li>✓ Water and sanitation.</li> </ul> </li> <li>• <b><u>Agriculture:</u></b> <ul style="list-style-type: none"> <li>✓ Opening up farming areas and connecting them to market centres,</li> <li>✓ Farmers’ credit facility with flexible terms of payment,</li> <li>✓ Sponsorship of agriculture-related programmes</li> </ul> </li> <li>• <b>Other community-related CSR/Crucial Social Services</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b><u>Education:</u></b> A three-edged focused CSR agenda which seeks to:               <ul style="list-style-type: none"> <li>✓ Ensure expansion and improvement in basic education,</li> <li>✓ Provision of educational materials, Scholarship Scheme and complementary facilities</li> <li>✓ Expansion of Senior High School education.</li> </ul> </li> <li>• <b><u>Health:</u></b> Commitment to improvement of community health and quality health delivery by:               <ul style="list-style-type: none"> <li>✓ Expansion and rehabilitation of health facilities</li> <li>✓ Donations to health facilities</li> <li>✓ Water and sanitation.</li> </ul> </li> <li>• <b>Poverty Reduction:</b> Introduce to its customers and the market in general products targeted at poverty reduction through               <ul style="list-style-type: none"> <li>✓ Credit to rural entrepreneurs</li> <li>✓ Credit with Education (CWE) scheme</li> </ul> </li> <li>• <b>Other Community-Related CSR/ Crucial Social Services</b></li> </ul>
Customer-Related CSR	<ul style="list-style-type: none"> <li>• Customer Service policy which ensures standards for service delivery, timeliness, information, professionalism, staff, environment and access</li> </ul>	N/A
Employee-Related CSR	<ul style="list-style-type: none"> <li>• Manpower development plan which seeks to attract, develop, motivate and retain skilled, efficient and competent manpower</li> </ul>	N/A

Source: Author’s own construct from Interviews and Focus Group Discussions (2014)

**Table 7.3.0 cont'd**

CSR Issues	Case I – PB	Case II - CDB
Employee-Related CSR	<ul style="list-style-type: none"> <li>• Manpower development plan which seeks to attract, develop, motivate and retain skilled, efficient and competent manpower</li> </ul>	N/A
Planning/Implementation of CSR	<ul style="list-style-type: none"> <li>• No existing CSR policy/guidelines</li> <li>• Project Office is responsible for the bank's CSR</li> <li>• Three CSR zones headed by a board of director</li> <li>• Zone head generates CSR needs of each zone</li> <li>• Other CSR come in the form of requests from public institutions, etc.</li> <li>• Bank puts all CSR commitments together and submits them to management for approval</li> <li>• CSR implementation team is formed to execute project</li> <li>• Completion and handing over to community with regular visit for evaluation and impact assessment</li> </ul>	<ul style="list-style-type: none"> <li>• No existing CSR policy/guidelines</li> <li>• HR Department is responsible for the bank's CSR</li> <li>• CSR commitment is generated from bank's own community needs assessment or regular request from public institutions, etc.</li> <li>• Bank seeks approval to undertake some selected from management.</li> <li>• Formation of CSR team based on expertise to implement the projects</li> <li>• Team intermittently visits the project site to ascertain progress of work and reports back to the management.</li> </ul>
Challenges of Implementing CSR.	<ul style="list-style-type: none"> <li>• Increasing cost of community development projects and CSR in general</li> <li>• Procedural challenges resulting from the absence of clear policy guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate financial resources and outstretched CSR budget</li> <li>• Non-existence of a policy guideline</li> <li>• Apathetic posture of some communities</li> <li>• Manipulations of the CSR selection process by some management members</li> </ul>

Source: Author's own construct from Interviews and Focus Group Discussions (2014)

## 7.4 CONCLUSION

This chapter has showcased a clear example of the practice of CSR in the rural banking industry in Ghana. In this chapter, issues discussed within the case banks have added deeper understanding of the practice and adoption of CSR as a business

strategy among RCBs in Ghana. While the chapter succeeded in using qualitative methods in presenting what has been reported previously with quantitative methods, it has also validated the findings reported by other methods and studies as discussed in the preceding chapters. Using predominantly in-depth interviews, focus group discussions, content and archival analysis of corporate document, website information, bank publications and press releases, the chapter has reported on issues relating to how each case conceptualises the practice of CSR, the motivation for CSR, the various CSR projects undertaken by the banks in relation to the various stakeholders, planning and implementation of CSR and the challenges associated with the bank's CSR engagement. The findings as summarised in Table 7.3 set the grounds for conclusions to be made as far as the study is concerned. In the next chapter, the study reports on its findings using the results of the perspectives of rural banks, identifiable stakeholders and the empirical cases reported in chapters five, six and seven respectively. In the view of the researcher, a combination of the results of these two perspectives is strong enough to consolidate the findings reported in this study.

## **CHAPTER EIGHT**

### **THE NATURE AND PRACTICE OF CSR IN THE RURAL AND COMMUNITY BANKING INDUSTRY IN GHANA: DISCUSSION OF MAJOR FINDINGS OF THE STUDY**

#### **8.0 INTRODUCTION**

The main purpose of this study is primarily to gain some understanding of CSR as practised in the rural banking industry in Ghana. This objective was informed based on the relatively new nature of CSR research in Ghana and in particular within the rural banking industry. It is the belief of the study that the major findings of this thesis would serve as the baseline for further research into the different aspects of CSR in the banking and finance sector of Ghana's economy. In pursuant of the study's main purpose, the study sought to achieve some six specific objectives. These include 1) Conduct a literature review to establish the theoretical and conceptual underpinnings of CSR; 2) Identify the various CSR practices existing in the selected RCBs; 3) Examine factors that motivate selected RCBs to undertake CSR activities; 4) Investigate the processes used in planning and implementing CSR activities within the selected RCBs; 5) Assess the extent of involvement of identifiable stakeholders in planning and implementing CSR in the chosen firms and 6) Examine the challenges involved in implementing CSR as a strategy within the selected RCBs in Ghana. In this chapter, the study seeks to present the major findings as far as these objectives are concerned. Here, the study also attempts to analyse and link the findings on the nature and practice of RCBs' CSR to theory, as discussed in chapters two and three. Moreover, in this discussion, the chapter merges the empirical findings of perspectives of rural banks, identifiable stakeholders and the empirical cases reported



in chapters five, six and seven respectively and presents them with respect to the research impetus, scope, and objectives or questions as indicated in the introductory chapter. Most of the discussions here are extensively with reference to the different theoretical and conceptual frameworks suggested in chapters two and three (Figure 2.5 and Figure 3.8) respectively.

## **8.1 PERCEPTION AND CONCEPTUALISATION OF CSR AMONG RCBs IN GHANA**

To gain an understanding of how RCBs conceive CSR, the study sought Banks' and Stakeholders' perception of the term CSR, by seeking their familiarity with the concept of CSR, perceptions about RCBs' responsibility for social and community development in general and whether or not there exists an operational CSR policy in the banks. Additionally, the study sought to examine how RCBs describe or define the practice of CSR, by examining the common descriptions used in their AGM reports, the target groups for CSR and their prioritisation of various definitions of CSR as explained in the literature. This was done in an attempt to benchmark the RCB-based conceptualisation of CSR in view of the fact that most studies (Carroll, 1979, Perrini, 2006 and Panapanaan, 2008) have argued that the lack of consensus on the meaning of the concept of CSR is one major factor contributing to the growing ambiguity of CSR.

### **8.1.1 Familiarity with CSR and Existence of CSR Policy**

Findings, as indicated in Tables 5.2.1 and 6.2.1, show a high popularity of CSR among the respondents. With about 92% of banks and an average of 62% of stakeholders affirming their familiarity with CSR activities of their respective RCBs, it can be concluded that RCBs and their stakeholders are largely familiar with the growing phenomenon of CSR. This verifies the growing amount of literature that

argues in support of the growing importance of CSR in business (Angelidis *et al*, 2008, Basu and Palazzo, 2008). Even though the data on stakeholders' response indicated that majority (52%) of the community members were not familiar, this would not extensively impact on the familiarity in general of the total stakeholders who were surveyed. However, the study is of the view that the seemingly low familiarity of CSR within the community may be explained in terms of educational background as described in Table 6.1.1.3, or possibly, communication on CSR by RCBs is very low.

### **8.1.2 Perception of CSR in Rural Banking in Ghana**

Generally, the study observed some positive perceptions about CSR among both the RCBs and their stakeholders. As indicated earlier, (it is the belief of the study that), in an attempt to respond to these series of issues discussed below, RCBs and stakeholders alike would encapsulate how deeply-rooted CSR is in the rural banking industry in Ghana.

#### ***8.1.2.1 RCBs and Social and Community Development***

As indicated in Tables 5.2.3, 6.2.2.1, 7.2.2.2, and 6.2.2.3, both the Banks and their Stakeholders were of the view that RCBs must pay significant attention to social, environmental and community development in general. Additionally, the empirical cases also revealed that mission statements in both cases are inclined towards accepting the significant attention that they need to pay to social, environmental and community development. For instance, mission statements of the empirical cases suggest that RCBs seek to be more responsive to the social issues within their catchment areas and to become more environmentally-friendly.

The study assumes that the respondents and participants' support for the issue that RCBs must pay significant attention to CSR issues constitutes a willingness on the part of RCBs to engage in CSR activities. In fact, in the case study, there was a strong indication that the two banks are actually engaged significantly in various aspects of CSR. Both banks have, over the years, sought to identify and fund specific infrastructure and provided support for education, health, sanitation, environmental awareness programmes and other social services within the communities in which they operate.

This finding of a high score (Chi-square = 18.00;  $p < .05$ ) as reported in Table 5.2.3 and support for RCBs to pay more attention to these CSR issues substantially validates the findings reported by Ofori and Hinson (2007). In their study, Ofori and Hinson (2007) reported that the high score may be attributable to the fact that firms in Ghana (and in this case RCBs) are realising that public perceptions are being positively influenced by they increasingly seen to be doing public good on community specific basis. The foregoing discussion is an indication that the likelihood of RCBs engaging in CSR is very high, and this complements the earlier finding of high familiarity of the concept of CSR among both banks and their stakeholders.

#### ***8.1.2.2 Extent of Social Responsibility***

The study also sought to examine the extent of CSR engagement in the rural banking industry in Ghana. This was done by asking respondents to indicate the extent to which their respective banks could be classified as socially-responsible. As summarised in Tables 6.2.2.1, 6.2.2.2, and 6.2.2.3, there was a strong indication that stakeholders knew that their respective banks are socially-responsible (Community

Members - N = 165, p = .000; Employees - N = 140, p = .000 and Customers - N = 182, p = .000). This is in line with the findings by Hinson et al (2010) that the banking sector is now characterised by some surging CSR activities and that CSR has become extremely important for both internal and external stakeholders of banks.

### **8.1.2.3 Existence of CSR Policy**

Following from a high familiarity with CSR and a subsequent agreement that RCBs are socially-responsible, the study assumed that this must translate into an existing and operational CSR policy. To that effect, respondents were asked to indicate whether there was a CSR policy in their respective banks. It was observed from the results (as indicated in Tables 5.2.1 and 6.2.2.1, 6.2.2.2, and 6.2.2.3) that majority of RCBs (56%) did not have an operational CSR policy. As indicated earlier, even though a majority of banks indicate that they do not have policies for CSR, the proportion does not significantly differ from those who indicated that banks have an operational CSR policy. However, majority of the stakeholders (Community Members - N = 140, p = .000; Employees - N = 125, p = .000 and Customers - N = 147, p = .000) indicated that their respective banks have a CSR policy. This is at variance with banks' own responses. This is so because the banks themselves admitted to the fact that the availability of CSR policy actually included banks that actually have a CSR plan they follow but which has not been put into a policy. Similarly, the empirical case study also revealed that there seems to be an indication that, in both cases, there is no clear policy for engaging in CSR, to the extent that, the CSR function is absorbed by the Project Office and HR Department of PB and CDB respectively. The finding is not far from about 66% of participating organisations who admitted to having an operational CSR policy reported in Nyuur *et al* (2014).

#### ***8.1.2.4 RCBs' CSR and Their Business Strategies***

Porter and Kramer (2006) found in their study that disconnecting CSR from business strategy is a “terrible waste” and so has been espoused by most literature on instrumental CSR (Lantos, 2002; Johnson, 2003; Husted, 2003; Greenfield, 2004, etc). In an attempt to establish whether there was an alignment between CSR and the business strategy of RCBs, banks were asked to indicate the extent to which they make reference to CSR in their mission statement, vision and values and the fact that CSR activities are closely related to their banks’ business strategies. The finding was that, at 5% significance level, majority of banks strongly agreed that they make reference to CSR in their mission statements, visions and values (Chi-square = 14.011;  $p < .05$ ) and that their CSR activities are closely related to their business strategies (Chi-square = 23.00;  $p > .05$ ). In the two cases that were studied closely, it was revealed that both banks have CSR issues captured as part of their mission statements. While PB seeks to enhance optimal realisation of stakeholders’ interest and human resource development, CDB is poised to transform the lives and businesses of their stakeholders through motivated and competent human resources and customer-driven products. Both issues are situated at the core of CSR and indicate an alignment of CSR with the business strategies of these banks.

These findings indicate that RCBs are largely practising strategic CSR as espoused by Bhattacharyya (2008). According to Bhattacharyya (2008), a strategic CSR initiative should build a firm’s image by creating favourable media attention and eventually erode negative visibility, protecting firm reputation from being tarnished, attracting superior workers and providing leverage for managing stakeholders. Even though RCBs may not be classified as large multinational as described by Porter and Kramer (2006), the findings verify the example they cited on whole Food Market, Toyota and

Volvo to illustrate that interlinking CSR with business strategy can result in CSR becoming a source of innovation and competitive advantage. Therefore, in the rural banking industry in Ghana, CSR seems to have been integrated into and aligned with the business strategies of RCBs unlike in other sectors where CSR is pursued on ad hoc and a non-integrated basis (McElhaney, 2009). Surprisingly, this finding contravenes the findings reported by Ofori and Hinson (2007), which explain that there are a low percentage of SMEs in Ghana that believe that CSR must be a major component of companies' corporate strategy formulation. And more recently, this finding seems to contradict what was reported by Nyuur et al (2014) which suggested that CSR activities of the organisations they studied in Sub-Sahara Africa had no bearing on the core businesses of these organisations. This study even though agrees with Nyuur et al (2014) on the view that CSR projects are mainly aimed at philanthropic initiatives focusing on education, health, environment, poverty alleviation, agriculture, sport, technology and culture (as is reported in this study), among RCBs, this study can report that there is a strong alignment between the core business strategy and the CSR activities that they undertake.

#### ***8.1.2.5 CSR and Value-Creation among RCBs***

One of the major dimensions of strategic CSR is "visibility". According to Bhattacharyya (2008), visibility constitutes the extent to which a corporation's social activities may be observed by its internal and external stakeholders. Earlier, Husted and Allen (2007) found in their study that a good corporate reputation (resulting from visibility) has a significant potential for value-creation, which is difficult to replicate. Thus, corporations that believe in this would be more inclined towards doing activities that will bring positive visibility and hence value-creation. To test this belief among RCBs, therefore, the study sought to elicit from banks the extent of their

agreement or otherwise to the fact that CSR create value for their respective RCBs. The finding was that, most banks strongly agreed or agreed that CSR create value for their banks (Chi-square = 16.211,  $p < .05$ ). Similarly, the case study revealed that, RCBs in general and the two cases (PB and CDB) in particular have embraced the value-creation abilities of CSR and are actually benefiting from it. It forms one basic motivation for PB and CDB for engaging in CSR. RCBs in general are motivated to do more CSR because their customers and employees alike are happy to see them support community development. While customers become satisfied and encouraged to stay with the bank, employees are highly motivated to be part of a bank whose name has become a household name and is well-accepted by the communities they operate in.

This is in support of the findings by Rahman and Iqbal (2013), which indicated that CSR creates value for the banks through establishing a positive image for them. It also underscores the premium that RCBs place on the business case for CSR as reported in literature (Porter and Kramer, 2006; Windsor, 2006; Hohnen and Potts, 2007 and Kurucz et al, 2008).

## **8.2. DESCRIBING CSR IN THE RURAL BANKING INDUSTRY IN GHANA**

To further understand the practice of CSR among RCBs, the study sought to explore how the concept is described and defined by RCBs. The concept, admittedly, is still evolving and its history is still being written (Asongu, 2007), hence there continues to be the lack of consensus on the meaning of the concept of CSR (Carroll, 1979, Perrini, 2006 and Panapanaan, 2008). Carroll (1999), for instance, intimated that “CSR means something, but not always the same thing, to everybody”.

To benchmark a RCB specific description of the concept and provide a greater understanding of how RCBs describe the term, the study conducted a content analysis of annual general meeting (AGM) reports to document various descriptions given to the concept in the reports. Furthermore, banks were asked to indicate what constitute CSR in their respective banks. The content analysis revealed that, most invariably, the concept of CSR among RCBs has become synonymous with community support or community development and assistance. As indicated in Table 5.2.2.1, it was found that the most commonly used terms included community support (44%), community development and assistance (24%), corporate social responsibility 14% and social responsibility (12%). This actually verifies Sweeney's (2009) findings that there is the tendency that the word "Social" in CSR may unrealistically confine CSR to the social activities of the firm, such as charitable donations, among others.

Another interesting finding relates to "how the banks conceptualise CSR". In the interviews with the banks, it came out that Banks conceptualise CSR:

- i. As a policy of applying a portion of the profits realised from business to assist individuals and communities in needy situations within the banks' catchment areas
- ii. As provision of assistance to communities where the bank operates, especially in the form of education and social infrastructure and donation.
- iii. As giving back to society what is due them and also strengthening a stronger relationship with communities in the area of operation.
- iv. As a way of appreciating the loyalty of the customers of the bank and as a way of motivating the staff to increase their commitment level to their work.

Interestingly, the empirical studies reported similar conceptualisation for the two cases but with a thin difference. As indicated earlier in chapter seven, while PB



conceptualises the practice of CSR as “*mandatory responsibilities that the bank has towards the social issues within communities in its catchment area*”, CDB conceives it as “*setting aside part on the bank’s profit to invest in the community they operate in*”. It must, however, be admitted that, in spite of this thin divergence, the end beneficiaries in both cases is the community and, perhaps, by extension the banks’ customers and other stakeholders who may necessarily be living within the communities within the bank’s catchment area.

These definitions support the notion in the literature that suggests that CSR means different things to different people or firms (Carroll, 1999). However, constantly, there seems to be a reference to the community in particular in all the definitions. These findings support Sweeney’s (2009) report which suggested that firms, especially those in the category of SMEs, tended to describe CSR vaguely, citing the wider community and making it seem like they are the only important stakeholder.

The study further enjoined RCBs to indicate their priority for the various definitions summarised from the literature. The finding, as indicated in Table 5.2.2.3, was that RCBs seem to be highly inclined to defining CSR as “putting people before profits and creating a sustainable environment” ( $M = 4.40, SD = 1.21$ ), and as “corporations committing themselves to social initiatives” ( $M = 4.20, SD 0.76$ ). It is obvious that “putting people before profits and creating a sustainable environment and corporations committing themselves to social initiatives” are largely related to community support and development. Thus, the practice of CSR among RCBs can be explained in terms of their contribution to community support and community development in general. It must, however, be noted that, even though banks strive to be socially, ethically and environmentally responsible ( $\text{Chi-square} = 16.32, p < .05$ ) as

indicated Table 5.2.3, that is not done at the expense of profit. This actually supports Porter and Kramer's (2006) argument that companies, by finding solutions to and solving social problems, will go a long way to make profits and advance their reputations. Furthermore, placing profit at par with responsible business among RCBs verifies Carroll's (1991) economic responsibility, which espouses that it is important for firms to be committed to being as profitable as possible and maintaining a high level of operational efficiency. More to the point, this finding also validates Schwartz and Carroll's (2003) economic and ethical domain of CSR, which explains that firms actually take to CSR a considerably ethical and economic basis and are motivated by the often-repeated maxim of "good ethics is good business". It must also be noted that the responses of the banks as analysed in Table 5.2.3 indicate cumulatively that CSR has gained grounds among RCBs in Ghana. This is actually in consonance with the position which has been reported earlier in other studies that advocacy is high on CSR, and the concept itself is fast surging as a very important management practice, (Atuguba and Dowuona-Hammond, 2006, Hinson et al, 2010 and others).

### **8.3 CSR FOCUS AREAS AMONG RCBs**

One secondary function of the RCBs (as indicated in chapter four) is to serve as catalyst institutions for rural development by identifying and promoting the development of rural projects. This is provided under the broad service of social investment and community development, which findings in this study have actually shown to be synonymous with CSR. The study, at this point, sought to ask RCBs and their stakeholders to indicate which focus areas or sectors are prioritised by the banks in CSR activities. The findings were that, from the perspective of RCBs, they seem to give high priority to CSR focused on education ( $M = 4.80$ ,  $SD = 0.40$ ), health ( $M = 4.60$ ,  $SD = 0.49$ ) and agriculture ( $M = 4.21$ ,  $SD = .81$ ). This is not entirely different

from the perspective of stakeholders who actually identified the priority areas as agriculture (M = 4.39, SD = 1.04), education (M = 4.24, SD = 1.05) and health (M = 4.12, SD = 1.04). In support of this, the case studies also revealed that, while education and health are the major concentration sectors for both banks, PB additionally engages in some CSR in agriculture and CDB also focuses additionally on poverty-reduction. The study can report that PB, for instance, focuses on educational development programme, health programme dubbed “Banking for Community Health and Sanitation Programme – BCHSP”, agriculture or farmers’ credit facility and other community service activities, while similarly, CDB pursues its CSR in terms of educational expansion programmes, health (including water supply and sanitation), poverty-reduction and other social services.

Conclusively, the main focus areas that attract most CSR engagements within the rural banking industry in Ghana could be said to be education, health, agriculture and other social services. This could be explained in terms of the mere location of the banks. Most RCBs are characteristically located in rural areas which are predominantly agriculture-based and characterised by problems in education and health. These focus areas are not vastly in variation to what has been advocated in a number of inter-governmental initiatives that have emerged to provide guidance on governmental and societal expectations of business included in the UN Global Compact, the OECD Guidelines for MNEs, and the MDGs (Hohnen and Potts, 2007). Particularly in Sub-Sahara Africa (including Ghana), this finding is in support of Nyuur *et al*’s (2014) findings that, to a large extent, international standards influence the CSR activities within organisations in Sub-Sahara Africa. In their study, they found that more than 50% of their respondents (organisations) pointed out that UN Global compact, the MDGs and other similar initiatives influenced their CSR

strategies, policies and practices. In the same study, Nyuur et al (2014) reported that, from a CSR point of view, both Multinational and Local Companies were identical in their focus on community and environmental considerations, as well as the kind of initiatives they predominantly select to engage in, namely education, health and environment. These findings are clearly corroborated by what has been reported in this study.

More so, these findings support a large pool of literature, which espouses the role of CSR in development. 20th century CSR, as explained by Srivastava and Sahay (1995), Bichta (2003) and others, is geared towards sustainable development and, more so, businesses that generate growth that are more inclusive, equitable and poverty reducing (Jenkins, 2005). In addition, it appears that the practice of CSR among RCBs in Ghana is both traditional and strategic (as indicated earlier). This is so because, like Gill (2007) explains, traditionally, CSR in this case is practised as “social system interventions toward sustainability”. Therefore, most CSR activities constituted interventions in the health sector, poverty alleviation, community development, employee motivation, and investment in local sports teams, among other philanthropic endeavours, as will be identified later in this study.

A content analysis of AGM reports of the RCBs identified several specific projects and activities in the focus areas identified in Table 6.2.1. To a very large extent, the various activities summarised here demonstrate the pivotal role CSR plays in development, as explained in many literature (Fox, 2004, Blowfield, 2005, Whellams, 2007, Kurucz *et al*, 2008). For instance, Fox (2004) found that CSR is most often regarded as a vehicle through which the private sector can contribute to poverty

reduction, community development and other social objectives, which will otherwise not be achieved by governments acting alone.

Thus, through the vehicle of CSR, RCBs are effectively contributing to the development of agriculture, education, health and other critical social sectors in the communities in which they operate and Ghana in general.

#### **8.4 STAKEHOLDER-RELATED CSR PRACTICES AMONG RCBs**

In this section, the study attempted to implement the unified framework of Social Responsibilities, which formed part of the conceptual framework for this study (see Figures 3.7 and 3.8). The objective here was to document the extent to which selected RCBs are engaged in various CSR activities for the various identifiable stakeholders. As indicated earlier, the interview sessions revealed that, even though they are engaged in these activities, RCBs were actually not aware of CSR activities specific to the various stakeholders, except to the community. Asked to indicate their awareness levels for the various identifiable stakeholders in the conceptual framework, it was found that banks are completely aware of CSR for the community ( $M = 5.00$ ,  $SD = 0.00$ ), but their levels of awareness of CSR activities for customers ( $M = 2.00$ ,  $SD = 0.65$ ), employees ( $M = 2.41$ ,  $SD = 0.82$ ) and the physical environment ( $M = 2.26$ ,  $SD = 0.44$ ) is a little below average. This is an indication that RCBs do not necessarily make reference to stakeholders, as reported among other firms and sectors (Prado-Lorenzo et al, 2008; Agle and Mitchell, 2008, Sweeney, 2009). If there is any reference at all, the “community” is the reference point. This was also found in the case of the empirical case studies. Particularly, with CDB, it was evident that, even though the bank accepts that its stakeholders include customers and employees, very little was found as to the bank’s policy statement on customer-

service delivery and its employee-engagement plan. The reason being that, in the view of the bank its foremost obligation lies with ensuring a safe and congenial environment for business to thrive. Hence, it is preoccupied with satisfying community interest, and in so doing, the interest of all other stakeholders (who ironically are part of the community) are satisfied too.

Motivated by recent literature, Agle and Mitchell (2008); Vaaland *et al* (2008) and Sweeney (2007) observe that CSR, in most cases, are implemented through stakeholder theory and the main stakeholders include the environment, the community, customers and employees. This study sought to interrogate existing practices that are in relation to the above stakeholders. The findings are discussed below in terms of the Environment, the Community, Customers and Employees.

#### **8.4.1 Environment-Related CSR**

The conceptual frameworks (Figures 3.7 and 3.8) suggested that based on some international guidelines for CSR, firms are expected to perform certain environment-related CSR activities. When RCBs were asked to indicate which of these receives much of their attention, it was observed (in Table 5.4.1) that consideration is rather given to relatively minor environmental issues such as effective emergency response ( $M = 4.39$ ,  $SD = .493$ ), waste management or reduction ( $M = 3.97$ ,  $SD = .903$ ), sustainable transportation ( $M = 3.795$ ,  $SD = .767$ ); energy conservation ( $M = 3.77$   $SD = .742$ ), environmental audits ( $M = 3.77$ ,  $SD = .742$ ), reduction of water consumption ( $M = 3.36$ ,  $SD = 1.013$ ), environmental requirements for suppliers ( $M = 3.36$ ,  $SD = 1.203$ ), reduction of all forms of pollution (including air, water, land, noise, etc) ( $M = 2.95$ ,  $SD = 1.075$ ). This is also verified by the responses from stakeholders. The stakeholders, on the other hand, indicated (in Table 6.4.1) that banks' environmental

activities included, energy conservation ( $M = 4.02$ ,  $SD = 1.54$ ), waste management or reduction ( $M = 3.76$ ,  $SD = 1.02$ ), reduction of water consumption ( $M = 3.76$ ,  $SD = 1.02$ ), monitoring, minimising and taking responsibility for releases to the environment ( $M = 3.66$ ,  $SD = 1.36$ ) and environmental requirements for suppliers ( $M = 3.12$ ,  $SD = 1.66$ ). The study, however, conducted a Pearson's correlation test on CSR activities for the environment to identify the extent to which stakeholders' responses correlated with those of the banks. The results, as summarised in Appendix D, show that the correlation test is positively significant for each variable at 5% significance level ( $p < .05$ ). In other words, the responses of banks and stakeholders on the manifest variables in Tables 5.4.1 and 6.4.1 are consistent or approximately the same. Thus, banks and stakeholders provided almost the same responses on each of the manifest environmental variables.

Consolidating these findings, the case studies also revealed that emphasis on the physical environment is very low among the two banks and, in fact, virtually absent in CDB's CSR engagements. PB, for instance, noted that credit risk assessment can be made environmentally-sensitive in order to reduce the impact that clients' business activities have on the environment. On the other hand, CDB is of the view that the implication of the bank's operations on the physical environment is very low, hence, very little priority is given to direct environmental activities. Some of the minor environmental activities the study can report on included keeping the bank's surroundings clean, sponsoring campaigns on environmental cleanliness and beautification of community surroundings. Additionally, RCBs also engage in energy-saving activities, such as switching off all air conditioners, computers, lights, TVs and radio sets, and water dispensers, among others, to reduce energy consumption. These findings constitute an indication that, even though the physical environment is of

minor significance to the operations of RCBs, it is still given some considerable attention.

However, substantially, with the kind of environmental CSR activities that RCBs are engaged in, the environment as a stakeholder is more secondary than primary as Clarkson (1995) explained. Their engagement in CSR for the environment may probably be explained on the basis that it is affected by the externalities of the RCBs' activities. More so, as indicated earlier, this finding also supports an earlier finding in the research conducted by Cooper *et al* (2001) and Carlisle and Faulkner (2004). In their research, they found a significantly low involvement of firms in the financial sector in major environmental activities as compared to firms in the extractive, construction, energy, transportation and manufacturing sector. To some extent, the findings are also consistent with the recommendations in various global inter and intra-governmental initiatives and agreements. For instance, the UN Global Compact (2000) recommends that businesses should support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies. With RCBs ensuring effective waste reduction management, sustainable transportation; energy conservation; environmental audits; reduction of water consumption, environmental requirements for suppliers and reduction of all forms of pollution (including air, water, land, noise, etc), it can conclusively mean that these recommendations are, to some extent, being met by RCBs.

#### **8.4.2 Community-Related CSR**

As indicated earlier in this chapter, the CSR activities of RCBs are almost focused on the community, and more so, the concept has become synonymous with community



development. This demonstrates the importance that RCBs attached to their relationship with the community in which they operate. The unified framework of Social Responsibilities (Figures 3.7 and 3.8) summarised recommendations of community-related CSR activities, as suggested by various inter and intra-governmental initiatives and agreements. In an attempt to identify which of these practices are predominantly engaged in by RCBs, the study enjoined RCBs to indicate the extent to which they are engaged in these activities for the communities. Out of fifteen (15) points of community-based CSR activities, the Banks indicated that they are highly engaged in twelve (12) of them, while Stakeholders admitted to only eight (8) of them. From Tables 5.4.2 and 6.4.2, the only point of convergence were on the issues of RCBs obeying and abiding by national and community bye-laws, assisting in achieving universal primary education, the fact that RCBs are engaged in activities for the eradication of extreme poverty and hunger, donation to charity, the banks having recruitment policies that favoured the local communities in which they operate, the banks launching community development activities and encouraging employee participation in community projects. In addition to these, RCBs themselves indicated that they also engage in reciprocal relationships with the community, invest in communities in which the banks operate, they are actively involved in a project(s) with the local community, they assist in reducing child mortality and improving maternal health, and staff members are involved in charity and volunteer work on behalf of the bank. In spite of these differences, there was a demonstrable evidence to show in the findings and with reference to Table 5.2.1 that RCBs place a huge premium on the Community as a stakeholder. This finding is strongly supported in the case studies, which found that the concentration of both banks' CSR activities is on the community. All activities which were found in the two cases are intertwined with

the needs of the communities within which the bank operates. In fact, there was all indication that these banks are not only interested in making money but are equally concerned about improving the living conditions of the people in communities where they operate.

It will not be far from right to conclude that RCBs classify the community as a primary stakeholder. In that case, the finding (though expected) corroborates Clarkson's (1995) classification of community as a primary stakeholder and the findings of Hamid (2009) that suggest that primary stakeholders in the financial services industry include customers and communities. As a primary stakeholder, the community possesses a high stakeholder salience as described by Mitchell et al (1997). In a direct verification of Mitchell et al's (1997) proposition, the community is characterised by all three attributes of power, legitimacy and urgency, hence, the level of importance placed on them. Particularly, in Ghana, this finding supports the findings of Hinson et al (2010), which indicated that, in Ghana, banks tend to disclose more on their contribution to community development than any other aspects of CSR activities.

#### **8.4.3 Customer-Related CSR**

The results on customer base CSR activities indicated that all activities summarised in the conceptual framework were engaged in by the RCBs at a considerably high level. As indicated in Table 5.4.3, RCBs reported of high engagement in all activities but stakeholders on the contrary suggested a high engagement in all customer-related CSR activities except the fact that banks resolve customer complaints in a timely manner, supply clear and accurate information and labelling about products and services, including after-sales service and avoid engagement in price fixing and

undercutting (see Table 6.4.3). Additionally, the case studies revealed that while PB places some crucial importance on its customers to the extent of having a separate policy for them, CDB was silent on these issues. PB, for instance, has instituted a customer service policy (as summarised in Table 7.1.3.2), which is clearly not different from what was reported above. On the other hand, CDB indicates as its core values - *Customer Delight, Integrity, Efficiency and Teamwork*, which form the basis for customer satisfaction. CDB continues to review its product lines and services to meet the changing needs of our customers through modern banking technology.

Arguably, RCBs, to a large extent, respect the rights of customers and provides information that is truthful, honest and useful. More so, quality assurance criteria are adhered to, RCBs offer quality products and services, they are committed to providing value to customers, products and services provided are safe and fit with their intended use, RCBs avoid false and misleading advertising and sales promotions that are deceptive or manipulative, and they also disclose all substantial risks associated with a product or service. These activities compare well with what Hinson *et al* (2010) reported as product and customer disclosure of commercial banks in Ghana. The level of concentration on customers, as indicated by the findings, largely reflect how important customers are to RCBs. Using Schwartz and Carroll's (2003) model of social responsibility, RCBs may possibly be engaging in these customer-related activities for economic and ethical reasons. Thus, RCBs are extrinsically motivated to satisfy their economic responsibilities, by producing goods and services that consumers need and want and, in the process, make acceptable profit for its shareholders. In addition, RCBs engage in these activities intrinsically to satisfy the often-repeated maxim, "good ethics is good business" (Schwartz and Carroll, 2003, Graafland *et al*, 2010).

#### 8.4.4 Employee-Related CSR

Finally, the banks' employees are yet another stakeholder considered crucial in CSR among RCBs in Ghana. As reported in other studies (Hinson et al, 2010), one internal disclosure in Ghanaian banks relates to human resource which was reportedly low among commercial banks in Ghana. According Hinson *et al* (2010), out of sixteen (16) commercial banks studied in Ghana, only two (2) had CSR disclosure on human resource involvement. This disclosure included employee training and employee remuneration.

On the contrary, RCBs reportedly showed a strong concern for human resource issues as indicated in the unified framework for social responsibilities (Figures 3.7 and 3.8). To compare the responses from the banks and employees, a Pearson's correlation test on CSR activities for employees based on responses from banks and employees (Tables 5.4.3 and 6.4.3 respectively) was conducted. The findings, as shown in Appendix E, indicate that the correlation test is positively significant for each variable at 5% significance level ( $p < .05$ ), except for "*in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged*", which is negatively significant at 5% significance level ( $p < .05$ ). In other words, the responses of banks and employees as stakeholders on all manifest variables in Tables 5.4.3 and 6.4.3 are consistent or approximately the same, except *in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged*". Thus, to a very large extent, RCBs are conscious of the important roles undertaken by their employees in their operations. This is reflected in the provision of a family-friendly work environment, commitment to the health and safety of employees and engagement in responsible HRM practices. Additionally, RCBs encourage employees to develop real skills and long-term careers, they respect freedom of association and

the right to collective bargaining, provide the facilities and information required for meaningful negotiations and engage in open and flexible communication with employees.

Similarly, the case studies can also report some recorded indication regarding the support for employee CSR. Even though there appears to be some variations in the approach, both PB and CDB showed the importance of human resource development and highly satisfied and motivated employee. This is indicated in core values and mission statements as captured earlier in this chapter. However, the emphasis and the extent of engagement vary between the two cases. While, PB has instituted a clear policy on growth and human resource development to attract, develop, motivate and retain skilled, efficient and competent human resource (as captured in Table 7.1.3.3a), CDB purported to be adopting what has been put together as mandatory condition of service by the Association of Rural Banks and the Industry and Commercial Workers Union (ARB/ICU). The reason for this adoption, according to the HR Manager, was the fear of poaching, after huge investment is made on employees. Notwithstanding this posture of CDB, adherence to the mandatory service conditions of ARB/ICU upon which PB instituted their HR development policy, it could be argued that CDB adheres to some CSR for employees.

In that case, then there is some variation in the findings in this study and others like Hinson et al (2010), regarding employee-related CSR. While the study found that almost all RCBs reportedly engaged in these employee-related CSR activities to a very large extent, findings in Hinson et al (2010) show the opposite among commercial banks in Ghana. According to Hinson et al (2010), out of 16 commercial banks they studied in Ghana, only two reportedly engaged in or disclosed employee-

related CSR. A possible explanation to this might be variations in sample size or, typically, differences in salience associated with employees with the commercial banks, on one hand, and RCBs, on the other. While among RCBs employee-related CSR is pursued based on employees possessing a definitive salience of power, legitimacy and urgency, employees in commercial banks may be lowly prioritised because they possess only one attribute (legitimacy), hence employee-related CSR among commercial banks in Ghana is pursued on discretionary basis as explained by Mitchell *et al* (1997).

## **8.5 DRIVERS/MOTIVATING FACTORS OF CSR ENGAGEMENTS**

Another objective of this study was to identify the various factors that motivate RCBs to undertake CSR. As indicated in the literature, several arguments have been articulated on the motives for engaging in CSR. For this study, these motivating factors for CSR engagement are triggered by what corporations stand to gain from the intended action or behaviour. In their explanation, Kurucz *et al* (2008) state that a company can ‘do well by doing good’. This section summarises the findings on what motives form the basis for RCBs’ engagement in the various forms of CSR activities discussed in the preceding sections. The results indicate that RCBs are motivated by several factors. Most importantly, banks indicated that they are motivated by “the desire of fulfilling the bank’s mission statement of creating value and maximising shareholders’ wealth, and to build a good image by contributing to solving the social needs of our catchment areas”. Other findings (as indicated in Tables 5.5.1 and 6.5.1) are that, RCBs are motivated highly by factors such as to improve community relations, to attract customers and to improve customer loyalty, to preserve or improve the reputation or image of the company, to improve employee motivation, to

improve economic performance, their commitment to reducing the company's impact on the environment and, generally, to give something back to the community. Moreover, there was a strong indication that RCBs engage in CSR activities for ethical and moral reasons. These findings are also verified and validated by what was found in the empirical cases. As reported earlier, PB, for instance, is largely motivated by a supposed mandatory requirement for RCBs to engage in CSR and the bank's own mission statement, and CDB, however, is motivated by their desire to hold on to the coveted best CSR Bank award. Additionally, there was also the indication that both cases (PB and CDB) are all motivated by the value-creation abilities of CSR. These values include improved customer satisfaction and loyalty, highly motivated employees and endorsement from various communities in which the bank operates. These findings are not vastly different from what Ofori *et al* (2014) reported in their recent study on Corporate Social Responsibility and Financial Performance among Ghanaian Banks. Their study reported that banks in Ghana are motivated to practise CSR for legitimacy reasons, as much as they are motivated by profit-protecting and sustainability reasons. Legitimacy reasons included serving long-term objectives, to fulfil stakeholder expectations and to improve its reputation. Profit-protecting reasons were also included to remain competitive, to meet shareholder demands and to create financial opportunity and, finally, sustainability reasons, including concern for society's future, to prevent future business problems and strengthen global networks. With reference to Graafland *et al* (2010), RCBs are motivated by a combination of both intrinsic and extrinsic motives. The extrinsic ones are because of the motives of improving economic or financial performance and attracting customers and improving their loyalty. On the other hand, intrinsic motives are because of morality and ethics associated with preserving or improving the reputation or image of the company,

commitment to reducing the company's impact on the environment and giving something back to the community. Thus, RCBs' engagement in CSR is synergistic in motive, in that RCBs use CSR to create value within a mix of economic, social and ecological realms of corporate performance, as was indicated in Van Marrewijk's (2003) *Ambition Levels of CSR*. Another interesting finding (though not surprising) is the disagreement in responses between banks and the stakeholders regarding the motives of improving relations with business partners or investors and to avail itself to public incentives, for example tax incentives. While RCBs admit that they are motivated by these two factors, stakeholders affirm the opposite. There is no immediate explanation to the differences except differences in the subjective understanding of these motives on the part of stakeholders. However, the empirical cases confirm that there is ample evidence that there are some public incentives in the form of tax waives accrued to RCBs for engaging in CSR. For instance, (as one manager indicated), while corporate tax is 30% for all businesses, RCBs pay only 8% corporate tax. This is to enable them to reinvest windfall in community development and other social services.

Certainly, this kind of CSR engagement by RCBs is situated in ethical motive, in that, as Carroll (1991) explained, such motives are rooted in non-codified laws and conventions that defined the activities and practices that are expected or prohibited by society. According to Carroll, these include standards, norms, or expectations that reflect what consumers, employees, shareholders, and the community regard as fair and just, which, when adhered to, will constitute respect or protection of stakeholders' moral rights (1991).

On a more interesting note, the study also found that RCBs were not the least motivated by factors such as to comply with legal requirements, pressure from third



parties (for example clients or competitors) and CSR as a lobby against regulations. This verifies the position of this study that there is an indication that CSR in Ghana is largely voluntary. This is because, in the absence of any progressive provisions or a definite regulatory instrument, CSR will continue to be largely under the discretion of management of corporations as reported in the case of RCBs in Ghana. Conclusively, the motivations for RCBs to engage in CSR activities are outside the domain of law or any legal system. Instead, they can be traced to economic and ethical factors as explained by Carroll (1991) and extended by Schwartz and Carroll (2003).

## **8.6 PLANNING AND IMPLEMENTATION OF CSR**

In the absence of a clear regulatory regime on CSR, it has been suggested that corporations practise discretionarily or voluntarily what they conceive as CSR. Atuguba and Dowuona-Hammond (2006) cautioned that the situation has the tendency to limit the CSR agenda to market driven “voluntary” action beyond minimum legal requirements and has the potential to constrict the exact purview and parameters of CSR. In addition to clarifying the concept of CSR in Ghana, Atuguba and Dowuona-Hammond (2006) recommended that there should be a firm and consolidated policy and legal basis for the practice of CSR in Ghana. In the view of this study, the policy must clearly outline the planning and implementation processes of CSR for firms to follow. It is in this light that this study sought to document the processes involved in planning and implementing CSR among RCBs in Ghana.

In the first place, the study found that, even though RCBs purport to have incorporated CSR in their business strategies and have actually shown evidence of extensive CSR engagement, there is a recurring absence of a department or a manager devoted for the management of CSR activities of the RCBs. However, from the

empirical cases, it can be reported that the CSR function is absorbed by the project office and HR department of most RCBs as reflected in PB and CDB respectively. Additionally, ad hoc committees are put together as and when the need arises, based on individual expertise of employees, to execute various CSR activities.

Another finding from the interviews with RCBs indicates that the CSR planning and implementation processes among RCBs are not entirely different from what has been proposed in Figure 3.3 - the CSR Implementation Framework (as adopted from Hohnen and Potts, 2007). It is observed from the findings that some of the processes have only been merged because they overlap in the case of RCBs. A Three-stage processes of planning and implementing CSR was identified and summarised in Figure 5.6 1. They include CSR assessment and strategy formulation, CSR commitment development and implementation and CSR evaluation and progress reporting. Similarly, the case study also reported processes that are situated in these three stages, as indicated in Table 7.3.

As indicated in Figure 5.6.1.1, the first of the processes is to conduct a CSR assessment and strategy formulation. According to the banks, this assessment can be bank initiated or stakeholder initiated, as explained in chapter six and summarised in Figure 5.6.1.1. Both cases are consistent with the first stage described as “PLAN” in the framework adopted from Hohnen and Potts (2007). The RCBs, at this stage, among other activities, assemble a CSR team to conduct need assessment or receive requests from communities and other identifiable stakeholders, based on which a strategy is put together. As explained by Hohnen and Potts (2007), this stage actually provides the opportunity for management of corporations to better understand the

nature of problem areas, opportunities or challenges and their significance for business.

The next stage of the process is to develop CSR commitments and implement them. This stage is in accordance with the stage described in the framework as “DO” According to Hohnen and Potts (2007), it is actually the stage where implementation of the plan begins. In the case of RCBs, this stage is where management considers, scrutinises and approves of all viable requests from stakeholders and those that were put together by the bank’s own initiated assessment. As usual, these activities will help the bank to easily communicate the nature and direction of the Bank’s social activities to stakeholders (Hohnen and Potts, 2007).

Finally, CSR evaluation and progress reporting form the last stage of the process as, indicated by RCBs. The main purpose of this stage, as the findings indicated, is to deal with measuring targets and reporting on progress of the implementation. Activities here include, intermittent visit to the project site to ascertain progress of work and report back to the board and undertaking monitoring of and reporting on CSR implementation. This finding corroborates what has been described in the framework and verified by Hohnen and Potts (2007) as “CHECK” and “IMPROVE”. It is important to note that these two stages, even though mutually exclusive, the study merges them in the case of RCBs because they are executed simultaneously and by the same group of officials.

## **8.7 LEVELS OF ENGAGEMENT OF STAKEHOLDERS IN THE PLANNING AND IMPLEMENTATION OF CSR**

The study also sought to examine the extent to which RCBs engage their stakeholders in the planning and implementation process. Several literature and case studies have showcased the extant role that stakeholder engagements play in effectively managing the business-society interface. While Altria Corporate Services Inc. (2004) argues that stakeholder engagement provides opportunities to further align business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value, Hohnen and Potts (2007) state that stakeholder engagement is a great way to check whether a firm's CSR approach resonates with stakeholders' needs and desires. To that effect, the study sought from both RCBs and their stakeholders the levels of engagement in the processes of planning and implementing CSR. The finding was that, both RCBs and stakeholders expressed a fairly strong affirmation for engagement in all the three process - CSR assessment and strategy formulation, CSR commitment development and implementation and CSR evaluation and progress reporting. To test the extent of robustness in this finding, the study conducted a Pearson's correlation test on the levels of engagement of stakeholders in the planning and implementation of CSR. The findings, as indicated in Appendix F, show that the correlation test is positively significant for each variable at 5% significance level ( $p < .05$ ). Thus, invariably, the responses of banks and stakeholders on the manifest variables in Tables 5.6.2 and 6.6.1 are consistent or approximately the same. This means that RCBs, to some extent, are engaging stakeholders in all the stages in the processes of planning and implementing CSR.

## **8.8 MEDIUM OF ENGAGEMENT OF STAKEHOLDERS IN THE PLANNING AND IMPLEMENTATION OF CSR**

The critical role played by medium of engagement in ensuring a successful stakeholder engagement process has been discussed in several studies and guidelines on stakeholder engagement (Sharma, 2008, and UNEP, 2005). The argument has been that getting it right depends on picking the right combination of approaches and techniques for your particular situation, business and stakeholders. UNEP (2005), for instance, is of the view that selection of the most appropriate medium depends largely on a number of factors, including the type of stakeholder, the situation, and the needs. This shows how engagement methods invariably contribute to successful engagement. In the light of this, the study sought to identify the various media that RCBs use in engaging their stakeholders in the CSR planning and implementation. The finding was that a variety of media are used, depending on the stakeholder involved. Tables 5.6.3 and 6.6.2a clearly indicate that, with the exception of “*household visitation*”, all other media of engagement were agreeably used at a large extent (as indicated by both banks and stakeholders). To verify this conclusion further, a Pearson’s correlation test on media of engagement in CSR was conducted. The results (as summarised in Appendix G) show that the correlation test is significant for each variable at 5% significance level ( $p < .05$ ). All correlations are positive, except for *household visitation*. This means that responses on this manifest variable are significantly divergent in terms of the responses of banks and stakeholders. This peculiarity may be attributed to random variations in the study. This notwithstanding, there is a demonstrable evidence that the most frequently used media of engagement include *community durbars, employee durbars, customer durbars and then focus group meetings*. It is also worth noting that, in the interviews, the banks indicated that

another emerging efficient medium is community information centres (CIC) which are built by the banks as part of CSR. According to the banks, the information centres are very effective media in disseminating information and engaging the community members.

However, an ANOVA to test whether the level of involvement in all these media is the same for all the identifiable stakeholders (Table 7.6.2b) showed that the test is significant at a 0.05 level of significance,  $F(5, 3697) = 4.245$ ,  $p = .001$ . Thus, the null hypothesis is rejected, and the conclusion is that the RCBs engaged in some media (such as Focus Group Meetings and Community Durbars) more often or at a higher extent than others, according to the responses from identifiable stakeholders. This is not surprising, in that, as indicated earlier, CSR among RCBs is almost synonymous with community development. Besides, the banks themselves rated the community higher than customers, employees and the environment when it comes to doing CSR. By and large, the finding on the medium is largely consistent with what has been suggested in most of the stakeholder-engagement guidelines, such as UNEP, 2005, Hohnen and Potts, 2007, Sustainability, 2007, IFC, 2007 and Sharma, 2008.

## **8.9 CHALLENGES OF CSR ENGAGEMENTS: BANKS' VIEWS**

Finally, the study anticipated that the planning and implementation of CSR among RCBs is not smooth sailing. Many studies have reported different kinds of challenges from different industries and periods (Berad, 2011, Laudal, 2011 and Arevalo and Aravind, 2011). Banks were asked to indicate challenges that inhibit the effective planning and implementation of their CSR, and the findings, as indicated in Table 5.7.1, shows that RCBs are faced with challenges that are related to community, finance, policy and what the study classifies as others. Community-related challenges

include increasing demand from community for social and community development, unplanned requests for CSR engagement from stakeholders, and the fact that most beneficiaries are not aware of the CSR activities of the banks. This challenge was also revealed in the empirical case studies, where the study identified that there appears to be a mounting pressure on the bank to do more, even though they keep outstretching its CSR budget.

In terms of finance, the study found that RCBs are bedevilled with inadequate financial resources, high cost of CSR engagements and the fact that most of the requests or appeals for support that are received lack economic importance coupled with a volatile economic conditions.

Additionally, policy issues include the difficulty that board and management face in taking decision on CSR commitments in the absence of clear policy guidelines and interest for CSR. From the case studies, it can be reported that the absence of a clear policy on CSR in the banks impedes the processes of planning and implementing community development projects to the extent that there are delays in approving CSR requests and manipulations of the CSR selection process by some management members.

To further verify what has been reported in other studies, the banks together with their employees were asked to indicate the extent to which various constructs reported in other studies serve as barriers to the practice of CSR in their respective banks. The study can report that, in addition to the challenges reported earlier, banks also face other challenges reported in other studies (as indicated in Tables 5.7.2 and 6.7.1). These include lack of financial resources and the absence of clear CSR regulations or guidelines (policy). However, employees were of the view that, issues such as lack of

human resources in CSR and issues of corporate disclosure serve as barriers to effective CSR planning and implementation.

It is interesting to note that these findings are not at variance with what has been reported in other studies. Atuguba and Dowuona-Hammond (2006), for instance, reported that several challenges continue to exist in connection with Ghana's corporate governance and the absence of CSR policy and legal framework. Similarly, Katamba *et al* (2012) also reporting on cross-sectorial CSR analysis from Uganda identified that, among institutional challenges to CSR include lack of policy guidelines, both at the state level and the organisational level. In addition, operationally, there were budgetary limitations, inadequate or the absence of data in a number of sectors, lack of expertise in CSR among the staff of companies implementing CSR and, more seriously, financial allocations for CSR projects are so limited that they are insufficient even to allow for completion of the planned activities. More recently, Nyuur *et al* (2014) reported of hindering factors of CSR planning and implementation, some of which are supported by the finding in this study. These include the absence of CSR policy and lack of sufficient financial resources. However, while they found low executive-management commitment and support as hindering factors, findings in this study actually proved otherwise. In the view of both banks and stakeholders, lack of commitment from top management does not pose any challenge. This underscores the fact that executive-management commitment to CSR engagement among the RCBs is actually high.



## **8.10 FRAMEWORK FOR CSR PRACTICE AMONG RURAL BANKS IN GHANA**

Based on the findings discussed in this chapter, the study proposes an integrated framework for practising CSR in Ghana and among rural banks in particular. It is the view of the researcher that this framework will not only serve as benchmark to the practice of CSR in general, but it will also be the basis for drawing the long-awaited and desired CSR policy guideline in Ghana and in other developing nations.

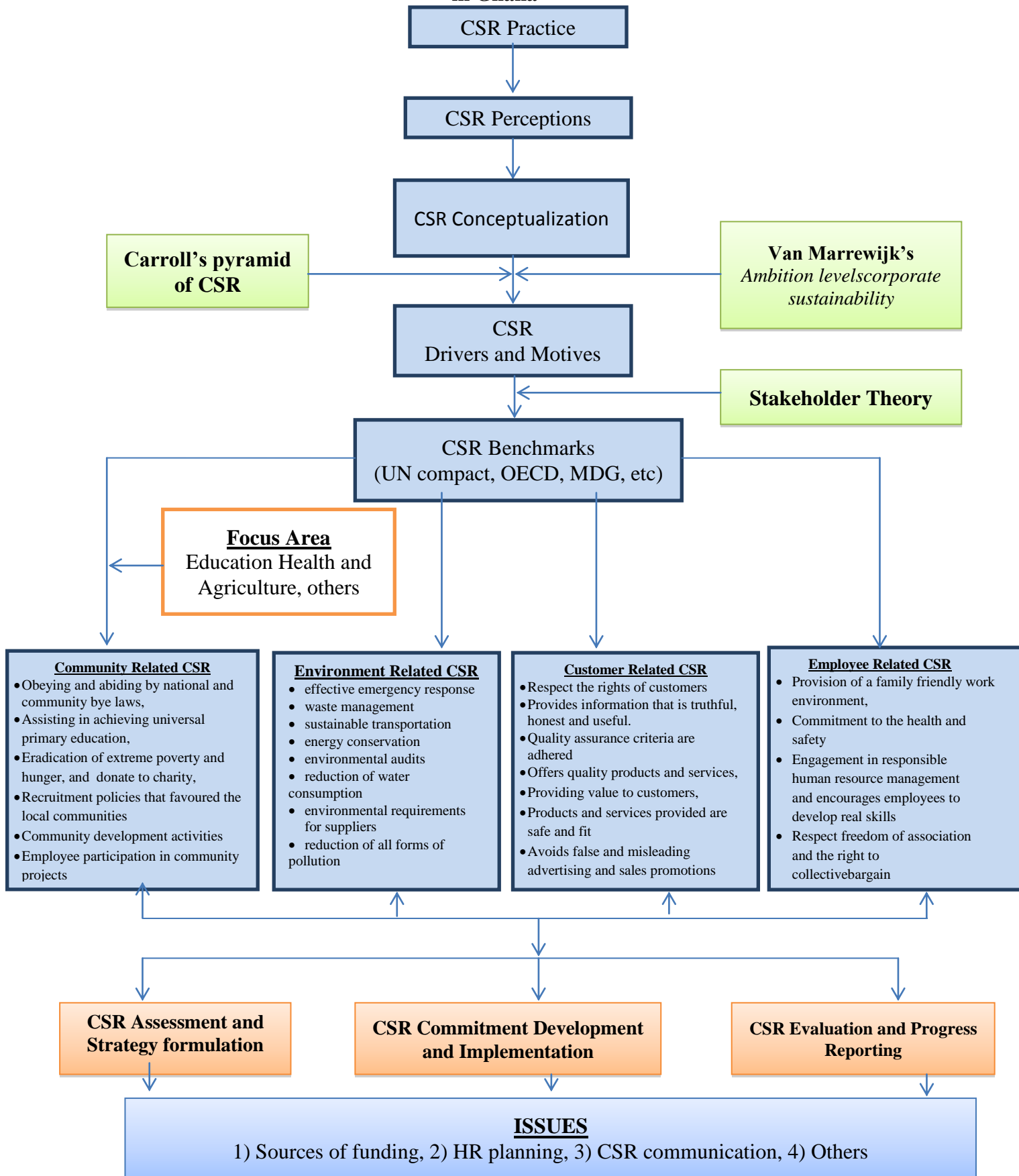
In this framework, it is suggested that the beginning of a CSR practice is fundamentally associated with the bank's perception about CSR, which the study found to include their familiarity with the concept and practice of CSR, their agreement with the notion that banks should pay significant attention to their social and community responsibilities, their belief in the value-creation abilities of CSR and how CSR activities are closely related to the bank's business strategy, among others. To this study, these perceptions translate into acceptance of CSR and in fact the likelihood of RCBs to engage in CSR. This actually sets the background for the RCBs to conceptualise what constitute CSR in their business strategy. In this vein, the study suggests that RCBs, in their bid to conceptualise CSR, do this with reference to their stakeholders, as explained in several studies (WBCSD, 1999 and European Commission, 2001). In doing that, the stakeholder theory is very influential in determining which stakeholders possess the strategic characteristics to attract the focus of the bank. Carroll's Pyramid of CSR (1991) coupled with Van Marrewijk's (2003) Model of Ambition Levels of CSR additionally serve as mediating theories for motivating RCBs to engage in CSR. Thus, the stakeholder-based CSR activities are found, based on the benchmarks set out by various international initiatives such as the UN Compact, OECD, and the MDG. With Clarkson's (1995) characterisation of

stakeholders coupled with Mitchell et al's (1997) stakeholder-salience model, the study identified stakeholders of the RCBs as community, customers and employees. However, due to emerging premium placed on the physical environment in CSR discussions and, as indicated, the direct link found between community livelihood and the environment, the study deemed it appropriate to decouple the physical environment from the community as a stakeholder. The physical environment, therefore, is classified as an independent stakeholder in this framework. It is also very important to note that, in spite of the individual stakeholder-based CSR activities identified, RCBs predominantly focus their CSR activities on three major areas or sectors. These are associated with the Community as a stakeholder, given the background that CSR among RCBs is synonymous with community development and social interventions. These areas or sectors, as indicated in Figure 8.10, are education, health and agriculture.

The study also posits that the planning and implementation of CSR in the rural banking industry in Ghana involves three stages. This includes CSR assessment and strategy formulation, CSR commitment development and implementation and CSR evaluation and progress reporting. The study conclusively suggests that, based on the implementation, the bank is able to document challenges or barriers that inhibit the effective practice of CSR. However, in view of the findings of this study, anticipated challenges reportedly relate to policy issues, funding of CSR, CSR expertise and community awareness of CSR engagements. To deal with these challenges in anticipation of its occurrence, the study suggests that this framework itself should serve as the basis for drawing CSR policy guidelines for RCBs, and within the policy, banks may necessarily need to indicate the sources of funding and human resource training on CSR. Additionally, as recommended in other studies (Hinson et al, 2010),

RCBs must put together a CSR communication plan to create more awareness on their CSR activities. This will cumulatively assist in maximising the value accrued from engaging in CSR.

**Figure 8.10: An Integrated Framework for Practising CSR among Rural Banks in Ghana**



## **8.11 CONCLUSION**

The discussion in this chapter focused on presenting the major findings of this study in relation to theory, the current literature and the context of this study. The results, as discussed in this chapter, indicate that the level of familiarity of CSR among respondents is an indication of the growing popularity of the practice of CSR in the Ghanaian business environment in general and the rural banking industry in particular. Overall, the chapter reports of a positive perception of CSR among RCBs. There is a strong conviction that RCBs are socially-responsible and that they engage in CSR because it creates value for them. CSR has also been conceptualised among RCBs in different ways. Significantly, there is a reference to the community in particular in all the conceptualisations. Summarising all the conceptualisations, the study can report that CSR in the rural banking industry of Ghana constitutes a policy of applying part of the profit of the bank in providing assistance to communities they operate in, and also in programmes and activities that appreciate the loyalty of customers and motivates the staff of the bank to increase their commitment to the banks.

The chapter has also reported that, as suggested in the UN Global Compact, the OECD guidelines for MNEs, and the MDGs, the main focus areas that attract most CSR engagements within the rural banking industry in Ghana could be said to be education, health and agriculture. Beyond this, they also practised some stakeholder-related CSR activities, which overall, the chapter indicated as encouraging. Additionally, the chapter can also report that the motivations for RCBs to engage in CSR activities are outside the domain of law or any legal system, instead, it can be traced to economic and ethical factors as explained by Carroll (1991) and extended by Schwartz and Carroll (2003). These included the bank's desire of fulfilling its mission

statement of creating value and maximising shareholders' wealth, and to build good image by contributing to solving the social needs of catchment areas. Others are factors such as to improve community relations, to attract customers and to improve customer loyalty, to preserve or improve the reputation or image of the company, to improve employee motivation, to improve economic performance, the company's commitment to reducing its impact on the environment and, generally, to give something back to the community.

Another interesting finding reported in this chapter relates to the processes taken by RCBs to plan and implement CSR engagements. It is reported that RCBs first conduct a CSR assessment and then, based on that, formulate a CSR strategy. This is followed by the development of CSR commitments and then implementation. Finally, RCBs conduct series of evaluation of CSR activities and then report on the progress of implementation. Throughout all the processes, the chapter reports that RCBs ensure the involvement of all identifiable stakeholders through mediums such as community durbars, employee durbars, customer durbars and then focus group meetings and, most importantly, community information centres. In concluding, the chapter identifies various factors that serve as barriers to effective CSR engagement. This includes lack of policy guidelines, inadequate resources and time constraints.

## **CHAPTER NINE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **9.0 INTRODUCTION**

The focus of this study has been to investigate the CSR practices among Rural and Community Banks in Ghana. In the attempt to achieve this broad objective, the study examined how the concept of CSR is conceptualised among players in the rural banking industry in Ghana. Additionally, the study sought to examine the various CSR activities and focus areas, and also interrogated the motivational basis for engagement in these CSR activities. The study also attempted to document the process by which RCBs plan and implement CSR commitments, the extent of engagement of stakeholders and the challenges thereof in CSR engagements. In this concluding chapter, the Researcher seeks to summarise the major findings of this study, regarding the theoretical underpinnings of CSR, the research objectives and the extent to which the investigation has achieved its intended purposes. The chapter is presented in six (6) sections. Section 9.1 presents a summary of the research findings, which attempts to show in brief the extent to which the stated objectives have been achieved. The conclusion of the whole study is presented in Section 9.2, which also reiterates the thoughts and arguments and their wider implications for CSR practice, particularly within the rural banking industry in Ghana. Section 9.3 outlines the recommendation following from the study and what respondents actually suggested. The contribution of the study is also summarised into academic and practical or managerial contributions and captured in Section 9.4. Finally, the chapter discusses the limitations of the study and suggests areas for further research in Sections 9.5 and 9.6 respectively.

## **9.1 SUMMARY OF FINDINGS**

This section discusses the extent to which the overall objectives of the study have been achieved. This is done on the basis of the specific objectives and how the study addressed issues within the objectives. In addition to exploring the theoretical underpinnings of the concept and practice of CSR, the study also set out to address six specific objectives, including examining the perceptions about CSR and how it is conceptualised by the selected RCBs, identifying the various CSR practices existing in the selected RCBs, factors that motivate selected RCBs to undertake CSR activities, processes used in planning and implementing CSR activities within the selected RCBs, the extent of involvement of identifiable stakeholders in planning and implementing CSR in the selected RCBs and the challenges involved in implementing CSR as a strategy within the selected RCBs in Ghana.

### **9.1.1 Theoretical Issues Underpinning the Concept and Practice of CSR**

The literature review revealed that, in addition to a landscape of theories, the field of CSR has been characterised by a proliferation of approaches which are controversial, complex and unclear (Garriga and Mele, 2004). These theories, according to Garriga and Mele (2004), can be grouped under instrumental, political, integrative or ethical theories. They, however, emphasised that irrespective of the group to which the theory is aligned, the assumption is that they tend to focus on some aspects of social reality such as economics, politics, social integration and ethics. Additionally, the study identified other theories as classical or shareholder (Adam Smith and Coase, 1960, Freidman, 1970), corporate citizenship (Logsdon and Wood, 2002) and stakeholder theories (Clarkson, 1994, Mitchell et al, 1997). This study, however, settled on a combination of the stakeholder theory and what Carroll (1991) described as pyramid of CSR; the theoretical basis for understanding CSR as practised by RCBs



in Ghana. The discussion on CSR definitions in the literature review chapter also revealed the extent to which CSR has undergone so many changes due to the changing demands of global business environment. As a result, the concept is still constructing a widely acceptable definition. The absence of a consensual definition of the concept, therefore, can be conclusively attributable to the existing plethora of theories on the concept and its resultant definitions, which are typically controversial, complex and unclear (Garriga and Mele, 2004). However, the study can conclude that, within this limited conceptual understanding and the absence of widely accepted definition, there is some consensus at defining the concept as responsibility to stakeholders of business entities.

### **9.1.2 Perceptions about CSR in the Rural Banking Industry in Ghana**

The first objective of the study was to examine the perceptions about CSR within the rural banking industry in Ghana. In addressing this objective, the study sought to explore issues such as the extent of familiarity with the concept and practice of CSR, perceptions about the fact that RCBs must pay significant attention to social and community development, the extent to which RCBs are socially-responsible and whether or not there exists an operational CSR policy. The finding was that, overall, there is a positive perception about CSR among RCBs. There was a high level of familiarity of CSR among respondents, indicating a growing popularity of the practice of CSR in the rural banking industry in Ghana. Stakeholders, for instance, had a strong conviction that RCBs must pay significant attention to social and community development. Interestingly, even though stakeholders affirm that their RCBs are socially-responsible, they also indicate that RCBs did not have any operational CSR policy. Significantly, RCBs indicated a strong conviction in the ability of CSR to create value for their banks. Consequently, banks indicated that they have aligned

CSR activities to their business strategies and invariably make reference to CSR in their mission statements, visions and values. This is an indication of a perception that is likely to support effective CSR agenda in the rural banking industry in Ghana.

### **9.1.3 Conceptualisation of CSR in the Rural Banking Industry in Ghana**

As indicated earlier in this chapter, the discourse of CSR practice is characterised by lack of consensual definition of what the concept is and how it must be pursued. Varying definitions have been put forward by different theorists using different contexts and conceptions (Bowen, 1953, McGuire, 1963, Backman, 1975, Carroll, 1999, Aupperle et al, 1985 and European Commission, 2001, among others). In an attempt to contextualise the definition of CSR, the study sought to interrogate how the concept is conceptualised or described in the rural banking industry in Ghana. Just like the literature indicated, the study can report that CSR is conceptualised among RCBs in different ways. Significantly, there is a recurring reference to the community in particular in all the conceptualisations. Summarising all the descriptions, the study can conclude that CSR in the rural banking industry of Ghana constitutes “a policy of applying part of the profit of the bank in providing assistance to communities they operate in and in programmes and activities that appreciate the loyalty of customers and motivate the staff of the bank to increase their commitment to the banks”.

### **9.1.4 CSR Practices Existing in the Rural Banking Industry in Ghana**

As reported in chapter two, Hohnen and Potts (2007) explain that there is no “one-size-fits-all” method for pursuing a CSR approach. Factors such as a corporation’s own unique characteristics and circumstances influence how it views its operational context and, hence, its targets for social responsibilities. Upon this basis, the study sought to benchmark the CSR practices and activities that are prevalent in the rural

banking industry. This objective is achieved by addressing the prevalent practices and activities in terms of sectors and in stakeholder-specific activities.

#### ***9.1.4.1 CSR Focus Areas***

It was found that the CSR activities among RCBs focus on three different areas, including education, health and agriculture. The study can report that these focus areas are not vastly in variation to what has been advocated in a number of inter-governmental initiatives that have emerged to provide guidance on governmental and societal expectations of business. These include the UN Global Compact, the OECD Guidelines for MNEs and the MDGs and reported by Hohnen and Potts (2007) and Nyuur (2014). In the education sector, CSR comes in the form of scholarship schemes, sponsoring of employee training and development, sponsoring of teachers' awards, construction and rehabilitation of classroom blocks, teachers bungalows, community libraries and computer laboratories, donation of educational materials, such as books, dual desks, and desktop computers, among others. In the health sector, it can be reported that CSR comes in the form of contributions to support water and sanitation, for example, building water pumps, assisting in the rehabilitation of health facilities in catchment areas, donation of hospital materials like beds, mattresses, cleaning materials, sponsoring of community-health outreach programmes and immunisation and supporting primary healthcare activities. Those of the agriculture sector constitute sponsorship of National Farmers' Day celebration, sponsorship of Farmers' Awards (farm implements and cash prizes), provision of microcredit for farmers (with flexible terms of payment) and sponsorship of agriculture-extension services and training for farmers. Others include social services such as donation to the Ghana Police Service for patrols and security in general in and around catchment areas, sponsoring of sports events, including school and community sports events,

supports for key government agencies or institutions like the Electoral Commission and NCCE and sponsorship of traditional festivals.

#### ***9.1.4.2 Stakeholder-Specific CSR Activities***

Applying the Stakeholder Salience Analysis espoused by Mitchell et al (1997), the study identified that, when it comes to CSR, RCBs place emphasis on the community, customers and employees. The study, however, argued out the need to decouple the physical environment from the community since the two demand different activities and have actually been given separate emphasis in various studies. In effect, the study documented various CSR activities specific to the community, environment, customers and employees as stakeholders. In terms of the physical environment, the study identified that emphasis on the physical environment is very low among RCBs. The reason is that, the implication of the bank's operations on the physical environment is very low, hence, the banks rather engaged relatively minor environmental issues, such as waste management or reduction, sustainable transportation, energy conservation, environmental audits, effective emergency response, reduction of water consumption, environmental requirements for suppliers, and reduction of all forms of pollution (including air, water, land, noise, etc.). Community-specific CSR activities included RCBs obeying and abiding by national and community bye-laws, assisting in achieving universal primary education, the fact that RCBs are engaged in activities for the eradication of extreme poverty and hunger, RCBs donate to charity, banks have recruitment policies that favoured the local communities in which they operate, the banks launch community development activities and encourage employee participation in community projects. It was also found that, in terms of customer-specific CSR, RCBs are engaged in respecting the rights of customers, and provide information that is truthful, honest and useful. More

so, quality assurance criteria are adhered to, RCBs offer quality products and services, they are committed to providing value to customers, products and services provided are safe and fit for their intended use, RCBs avoid false and misleading advertising and sales promotions that are deceptive or manipulative, and they also disclose all substantial risks associated with products or services. Employee-specific CSR included provision of a family-friendly work environment, commitment to the health and safety of employees and engagement in responsible human resource management. Additionally, RCBs encourage employees to develop real skills and long-term careers, they respect employees' freedom of association and the right to collective bargaining, they provide facilities and information required for meaningful negotiations, and they engage in open and flexible communication with employees.

#### **9.1.5 Drivers and Factors That Motivate RCBs to Undertake CSR Activities**

Moon (2001) explained that, regardless of whether the action or behaviour is strategically-driven for commercial purposes alone or otherwise, the motivation for engaging in CSR is always driven by some kind of self-interest. Different industries with different firms are motivated in different ways to undertake CSR activity or otherwise. In order to document what factors motivate RCBs to undertake CSR activities or otherwise, the study sought to interrogate the banks on what motivates them to engage in CSR. To verify what has been reported in other literature, the study additionally enjoined both banks and their employees to indicate the extent to which they are motivated by some widely acclaimed drivers of CSR engagement. The study found that the motivations for RCBs to engage in CSR activities are outside the domain of law or any legal system. Instead, it can be traced to economic and ethical factors as explained by Carroll (1991) and extended by Schwartz and Carroll (2003). To the banks, their engagement in CSR is motivated by their desire to fulfil the bank's

mission statement of creating value and maximising shareholders' wealth, and to build good image by contributing to solving the social needs of their catchment areas. Additionally, there is a strong indication that other motivating factors include the desire to improve community relations, to attract customers and to improve customer loyalty, to preserve or improve the reputation or image of the company, to improve employee motivation, to improve economic performance, commitment to reducing the company's impact on the environment and generally to give something back to the community. With reference to the literature, the study can also report that RCBs' engagement in CSR is synergistic in motives, in that RCBs use CSR to create value within a mix of economic, social and ecological realms of corporate performance as was indicated in Van Marrewijk's (2003) ambition levels of CSR.

#### **9.1.6 Planning and Implementing CSR Activities within the Rural Banking**

##### **Industry**

One crucial achievement of this study is the documentation of the processes of planning and implementing CSR activities. Most studies (Jenkins, 2005, Visser, 2006, Atuguba and Dowuona-Hammond, 2006, Forstater et al, 2010, Hinson et al, 2010, Amponsah-Tawiah and Dartey-Baah, 2011, Ofori et al, 2012 and, most recently, Nyuur, 2014) in Sub-Sahara Africa and Ghana in particular have not reported on the planning and implementation process of CSR. With the aforementioned serving as a motivation, the study sought to engage banks to explain the processes involved in planning and implementing their CSR activities. As indicated earlier, CSR among RCBs is almost synonymous with community development, so the processes found are more reflective of how they engage communities. That notwithstanding, the finding was that RCBs first conduct a CSR assessment and then, based on that, formulate a CSR strategy. This is followed by the development of CSR commitments

and then implementation. Finally, RCBs conduct series of evaluation of CSR activities and then report on the progress of implementation. It can also be reported that these processes are not entirely different from what has been proposed by Hohnen and Potts (2007). It is observed from the findings that some of the processes have only been merged because they overlap in the case of RCBs.

#### **9.1.7 Involvement of Stakeholders in Planning and Implementation of CSR**

Following from Hohnen and Potts' (2007) argument that stakeholder engagement is a great way to check whether a firm's CSR approach resonates with stakeholders' needs and desires, the study sought to examine the extent of Stakeholder involvement in the CSR planning and implementation process, and through which medium is this involvement ensured. The finding was that RCBs and stakeholders expressed a fairly strong affirmation for engagement in all the three processes of CSR assessment and strategy formulation, CSR commitment development and implementation and CSR evaluation and progress reporting. The findings also indicate that the involvement is done through mediums such as community durbars, employee durbars, customer durbars and then focus group meetings and, most importantly, community information centres.

#### **9.1.8 Challenges Involved in Implementing CSR in the Rural Banking Industry**

The final objective of this thesis was to identify the various barriers that inhibit the effective implementation of and engagement in CSR activities within the rural banking industry in Ghana. This was done considering the fact that many studies have reported different kinds of challenges from different industries and periods (Berad, 2011, Laudal, 2011 and Arevalo and Aravind, 2011). Particularly in Ghana and Sub-Saharan Africa in general, various studies have indicated diverse challenges, ranging

from institutional, financial, policy to other social issues (Atuguba and Dowuona-Hammond, 2006, Katamba et al, 2012 and Nyuur, 2014). In this study, the findings regarding challenges related to the community, finance, policy issues and others. The study found that community-related challenges included increasing demand for social and community development by the communities, unplanned request for CSR engagement from stakeholders, and the fact that most beneficiaries are not aware of the CSR activities of the banks. Finance-related challenges also included inadequate financial resources, high cost of CSR engagement and the fact that most of the requests or appeals for support that are received lack economic importance. Additionally, there was also the indication that management boards face some difficulties in taking decisions on CSR commitments due to the absence of a clear policy guideline and interest for CSR. These policy-related issues appear to have been found in all the studies indicated above. Other critical barriers were found in the scramble for CSR projects to communities of board members and banks' inability to account for the receipts of CSR projects done for communities to the Ghana Revenue Authority.

## **9.2 CONCLUSION**

This thesis set out to explore the CSR practices existing in the rural banking industry in Ghana. This was done by investigating how the concept itself has been conceptualised by RCBs and the different perceptions about the necessity of the practice within the industry. Additionally, the thesis also explores its objective by benchmarking the actual CSR activities or practices and the sectors that attract these activities and how they are planned and implemented. The literature review in this thesis has discussed theoretical underpinnings of the concept of CSR and how it has developed up until now. There is an indication in the literature that the concept and its



practice are still developing, hence, the mirage of arguments for and against its potential to create value for the business. This notwithstanding, there is a noticeable convergence in the literature that firms largely make reference to their stakeholders in conceptualising CSR. Among RCBs in particular, reference is made primarily to the community and then to the customers and employees. It was conclusive that CSR has become synonymous to community and social development. This, perhaps, may be the basis for RCBs' consensual description of CSR as a policy of applying part of the profit of the bank to provide assistance to communities they operate in and to undertake programmes and activities that appreciate the loyalty of customers and motivate the staff of the bank to increase their commitment to the bank.

The finding of the high familiarity of CSR among banks and stakeholders alike is an indication of the growing popularity of the concept of CSR in the Ghanaian business environment and, most importantly, the realisation of the value that CSR can create in business. It is also noticeably clear that several factors serve as motivators for CSR engagements in Ghana as reported in other studies (Ofori et al, 2014). Particularly in this study, these factors are fundamentally described outside the domain of law or any legal system. Instead, they can be traced to economic and ethical factors as explained by Carroll (1991) and extended by Schwartz and Carroll (2003).

In scouting for the best practices for CSR in the rural banking industry and Ghana as a whole, it can be argued that international initiatives like the UN Global Compact, the OECD Guidelines for MNEs, and the MDGs serve as avant-garde to RCBs, in that these initiatives do not only serve as models but also as benchmarks for CSR practice among RCBs in particular and in Ghana as a whole. Largely, these initiatives point to various focus areas, which, in terms of RCBs, constitute contributions to the

development of agriculture, education, health and other critical social sectors. Based on these international initiatives, the study proposed to test a unified framework of stakeholder specific CSR activities. These include specific activities relative to the community, the physical environment, customers and employees.

The drive towards the promotion of CSR as a strategic tool for doing business cannot be completed without reference to a framework for planning and implementing CSR. Few studies have actually documented the planning and implementation processes with an extensive focus on business and community engagement and a limited reference to CSR as a practice (UNEP, 2005, Hohnen and Potts, 2007, SustainAbility, 2007, IFC, 2007, and Sharma, 2008). Particularly in Ghana and Sub-Sahara Africa, all the studies reviewed (Jenkins, 2005, Visser, 2006, Atuguba and Dowuona-Hammond, 2006, Forstater et al, 2010, Hinson et al, 2010, Amponsah-Tawiah and Dartey-Baah, 2011, Ofori et al, 2012 and, most recently, Nyuur, 2014) either did not report or had limited reference to the planning and implementation process. This study has documented three major stages involved in this process, focusing on the rural banking industry in Ghana. It must be emphasised that these stages have the potential of generically being applied in other industries, for instance, among SMEs, commercial banks and mining firms. The study can also report of some major challenges that inhibit the engagement in CSR. Prominent among them are the absence of policy guidelines and inadequate financial resources. Admittedly, these challenges have come up in most CSR studies (Atuguba and Dowuona-Hammond, 2006, Ofori *et al*, 2012 and, most recently, Nyuur, 2014) in Ghana and Sub-Sahara Africa in general, it could be concluded that these challenges keep lingering due to the absence of a clear policy guideline for CSR engagement. A clear policy guideline on CSR, in the view of Nyuur *et al* (2014), will very much be a valuable factor that would enhance CSR

initiatives and activities. To this study and many others, this policy should contain a CSR strategy and, at the same time, also clarify other issues, such as the rules of engaging with other stakeholders, how to fund CSR activities, what to report to the public and a clearly spelt out process for planning and implementation of CSR.

### **9.3 RECOMMENDATIONS**

This thesis has documented several findings on the practice of CSR in the rural banking industry in Ghana. Based on these findings, the study deems it appropriate to make recommendations which relate to policy guidelines, diversification of stakeholder focused activities and CSR communication.

Firstly, the study recommends that there must be a concerted effort by RCBs and, in fact, firms in Ghana to put together CSR policy guidelines, which will form the basis for CSR engagements in their respective banks and firms. This policy must first outline the bank's conceptualisation of CSR and clearly align the practice to their business strategies. It is also recommended that, in this policy, banks must indicate focus areas for CSR, sources of funding and, most importantly, the planning and implementation processes. This, in the view of the study, will help avoid most of the challenges reported as inhibiting the pursuit of CSR. Additionally, the guidelines must also outline the roles and responsibilities of players and stakeholders within the CSR discourse. This will ensure an increased commitment from leadership, management and stakeholders alike. In this regard, the integrated framework suggested by this study (in Figure. 8.10) will serve as a useful model for drawing this policy guideline.

Secondly, in order for CSR implementation to be effective, the study re-echoes the need for the establishment of a separate department and the assignment of a manager

for CSR or, as Hinson et al (2010) put it, situating of the CSR function within a clearly defined department with clear responsibilities. This will solidify the notion of importance that RCBs attach to their CSR activities.

Thirdly, the study also recommends that RCBs must gradually work towards diversifying their concentration on community as the major stakeholder in the CSR agenda. By their location, customers and employees alike are likely to be members of the community, hence, most invariably any CSR activity for the community would be beneficial to the other stakeholders as well. The study however argues that, regarding the differences in stakeholder-specific CSR activities, banks must additionally show concern for the specific CSR activities for especially customers and employees. This will not only assist in the value-creation process but also strengthen the already reported loyalty and motivation among customers and employees respectively.

Fourthly, particularly with the physical environment, the study reported that the interview sessions indicated a notion that the operations of RCBs do not have any direct implication for the physical environment. Admitted that this is true, it is still the view of the study that RCBs deal with suppliers and clients whose operations may have some dire impact on the physical environment. The study, therefore, recommends that, in a bid to contribute to environmental sustainability, RCBs must include environmental sustainability plans in their credit and supplier requirements to impress on clients and suppliers to ensure the use of environmentally-sound technologies.

Finally, even though familiarity with RCBs' CSR activities was cumulatively high, majority of the community respondents (52%) actually indicated a non-familiarity. This is an indication that some stakeholders may not be aware of the CSR activities of

the RCBs. The study concludes that CSR communication within the rural banking industry as a whole may be very low, as reported among commercial banks in Ghana by Hinson et al (2010). As a recommendation, therefore, the study suggests that RCBs put in place a CSR communication strategy which will incorporate various platforms and media to communicate or report their CSR activities to all stakeholders. This strategy, which can be part of their public relations activities, can utilise media such as their websites (if any), publications in print and electronic media, poster exhibitions at banking halls and inscription of banks' names on community projects. This will not only communicate and report on the specific CSR activities but also help maximise the value that is accrued to RCBs from CSR.

#### **9.4 CONTRIBUTIONS OF THE STUDY**

This study has documented a number of findings related to the practice of CSR in the rural banking industry in Ghana. These findings, primarily, are targeted at filling the gaps that currently exist in the literature as well as the practice of CSR in various industries in Ghana. These gaps, as indicated in the objectives of this study, were in the areas of conceptualisation of the concept and practice of CSR, benchmarking existing practices relative to different stakeholders and, most importantly, the processes used in planning and implementing, and the extent of involvement of stakeholders. As indicated earlier, CSR itself is in its early days in Ghana, so is reflective of the limited research studies on CSR in Ghana and developing nations in general. Apart from contributing to the body of knowledge and literature in the area of CSR, the findings in the study also set the grounds for practitioners to begin to efficiently leverage the practice of CSR in order to maximise the perceived benefits accruing from it. This section presents the contributions of this thesis in terms of academic contribution and contribution to practice.

### **9.3.1 Academic Contribution**

In chapter two of this thesis, the study sought to trace the evolution of CSR from the 19th century up to the present moment. It also discussed the theoretical explanations to the concept and practice of CSR. It was found that CSR as a concept has been practised for a long time and that it has been characterised by a checkered evolution and saddled with definitional problems. Like Garriga and Mele (2004) will summarise it, the field of CSR has been characterised by a proliferation of approaches, which are controversial, complex and unclear. By way of contribution, this study has put forward a RCB-specific conceptualisation of CSR, which also has the potential of being applied in other industries, especially in Ghana. To the rural banking industry, CSR constitutes “a policy of applying part of the profit of the banks in providing assistance to communities they operate in and in programmes and activities that appreciate the loyalty of customers and motivate the staff of the banks to increase their commitment to the banks”. This has not only contributed to the discourse of finding a consensually-acceptable definition of the concept, but then, it can also form the basis for other industry-specific definitions to be given.

Earlier, the study had admitted to CSR being in its early days in Ghana, and for that matter, there are limited research studies on CSR in Ghana and developing nations in general. With most of the studies in Ghana concentrating on mining, commercial banks and some other listed companies on the Ghana Stock Exchange, the results of this study serve as a major contribution to the developing discourse of CSR research in Ghana by bringing to perspective the practice as pertaining to the rural banking industry. The study has reported that the practice of CSR is very popular among RCBs and that the motivations for RCBs to engage in CSR activities are situated outside the domain of law or any legal system. Instead, they can be traced to

economic and ethical factors, as explained by Carroll (1991) and extended by Schwartz and Carroll (2003). More so, RCBs' engagement in CSR is synergistic in motives, in that, RCBs use CSR to create value within a mix of economic, social and ecological realms of corporate performance as was indicated in Van Marrewijk's (2003) Ambition Levels of CSR. In summary, their engagement in CSR is motivated by their desire to fulfil the bank's mission statement of creating value and maximising shareholders' wealth, and to build good image by contributing to solving the social needs of their catchment areas.

The limited research studies in Ghana also suggested that there is the absence of benchmarks for the practice of CSR specific to Ghana and for that matter the rural banking industry. As a contribution, this study has benchmarked stakeholder-specific CSR activities proposed in the unified framework for CSR (Figure 3.7). This is a major contribution because the few studies that have been conducted in Ghana (Hinson *et al*, 2010, Amponsah-Tawiah and Dartey-Baah, 2011, Ofori *et al*, 2012 and, most recently, Nyuur, *et al*, 2014) actually concentrated on responses from only companies and firms as a sample, without the explicit opinion of the stakeholders to whom these activities are targeted. By extending the sample to include identifiable stakeholders, such as community members, customers and employees, the study did not only add to the growing support for the stakeholder theory as the theoretical basis for studying CSR (Freeman, 1984; Jones, 1995; Walsh, 2005 and Parmar *et al*, 2010), but also, has succeeded in highlighting the importance of the various global instruments and initiatives - the UN Global Compact, the OECD Guidelines for MNEs, and the MDGs to benchmarking a country-specific CSR practice. Additionally, by expanding the sample to include the various stakeholders, the study

has validated these benchmarks with the views from the stakeholders, which were not reported in other studies.

Finally, another major academic contribution of this study is the documentation of a Three-Stage Model for planning and implementing CSR. Exploratory as this study was, the study was to gather data to give more understanding, ideas and insights on the CSR as practised among RCBs in Ghana. This was informed by the relatively new nature of the practice of CSR in Ghana and among RCBs in particular. The three-stage process of planning and implementing CSR documented in this study is potentially generic to other industry (example the Financial services, Telecommunication and Extractive Industries). These processes include CSR assessment and strategy formulation, CSR commitment development and implementation and CSR evaluation and progress reporting. In addition, the study also suggests that, through a variety of mediums, businesses can involve their stakeholders in the processes identified above. These mediums include community durbars, employee durbars, customer durbars, focus group meetings and, most importantly, community information centres.

### **9.3.2 Contribution to Practice**

Another major contribution of this study is in the area of the practice of CSR in Ghana and the rural banking industry in particular. To the best of the researcher's knowledge, this is the only study in Ghana that has gone beyond the usual CSR and corporate performance and profitability, CSR reporting, CSR motivation and challenges of CSR engagement to include stakeholder-specific activities and the processes involved in planning and implementing CSR. More so, the proposed integrated framework for practising CSR (Figure 8.10) will serve as a useful model



for managers and industry as a whole to develop their CSR policy guidelines as this was reported as a major challenge. With the model detailing what goes into practising CSR, it is the belief of the researcher that the way has been cleared for firms in Ghana to maximise the value created from CSR, by leveraging their corporate strategies with the practice of CSR and expanding their competitive advantage.

Additionally, the results and findings of this study provide a rich feedback to management of RCBs in Ghana on their CSR practices. This is so because the study included respondents from all identifiable stakeholders at whom CSR activities are targeted. Particularly with the physical environment, the findings suggested that RCBs need to do more to support the mantra of environmental sustainability. For instance, the study recommended that, in a bid to contribute to environmental sustainability, RCBs include environmental sustainability plans in their credit and supplier requirements to impress on clients and suppliers to ensure the use of environmentally-sound technologies.

## **9.5 LIMITATIONS OF THE STUDY**

This study acknowledges a number of limitations, which actually form the basis for some further studies. These limitations relate to the study's methodology and resource challenges. The discussion that follows will explain these limitations and the steps the study took to reduce the impact it could have had on the results and findings of the study.

### **9.5.1 Methodological Limitations**

Primarily, the study is based on a combination of semi-structured interviews, cross-sectional survey, case-study approach and content analysis. These methods of data

collection have their own inadequacies that are reported in several studies. Even though the study agrees that these methods are complementary and that they create a backup for each other's inadequacies, there are still some reported challenges in their usage, which needs to be dealt with. For instance, the use of the cross-sectional survey and interviews, as reported in other studies, denies the study of rich longitudinal evidence on indicating how RCBs, over time, use CSR practice to maximise competitive advantage.

More so, considering the busy schedules of managers, the interview sessions which were originally purported to take 35 minutes ended up, sometimes, in an hour due to interruptions from phone calls or clients of the bank. This, in the researcher's opinion, made Managers hastily give responses without necessarily giving a thought of them. However, besides the recordings of this interaction, the researcher also made follow-up interventions to seek clarity and further elaborations.

Additionally, the survey and interview instruments were all prepared based on internationally-prepared principles and guidelines put forward by international bodies, such as the UN, OECD, ILO, and ISO. It is admitted that contextualising it is likely to be problematic. But then, again, the study applied cognitive interviews and pretesting to make the issues captured in these instruments more specific to Ghana and, for that matter, the rural banking industry.

The study focused on RCBs with operational CSR activities and that agreed to participate in the study. With such sample characteristics, the study admits that the results and findings stand to miss some interesting submissions as to reasons for non-engagement in CSR. Again, the focus on only four stakeholders (community, environment, customers and employees) of the banks, clearly, makes the study

skewed. Given that other stakeholders include shareholders, suppliers, government, and NGOs (Clarkson, 1995), the study would have missed some more insightful submissions from these group.

The use of the QSR Nvivo 7 certainly came with some limitations, which, admittedly, would have had some impact on the analysis, though very little. Apart from the version of the software being very low and the fact that it might be unable to deliver certain levels of analysis, the use of the software is relatively new and thus, demanded a lot of time for learning and using it. By and large, the researcher, as much as possible, completed the learning process and can report that the levels of analysis conducted were adequately catered for in the QSR Nvivo 7. However, as indicated in other reports (Welsh, 2002), the software is less-useful in addressing the issues of validity and reliability, regarding the thematic ideas that are created during the analysis. In this study, the thematic ideas are summaries of recurring issues that, on the surface, do not give any deeper understanding to the data unless further checks are done on the content of various nodes. This makes the software a bit too laborious to use. However, at a certain point in the analysis, the researcher supplemented this electronic analysis with manual analysis to cater for the potentially missed understanding.

### **9.5.2. Resources Limitation**

The rural banking industry in Ghana is characteristically large, given that every region in Ghana has a rural bank. The study covers the whole of Ghana and that demanded huge resources in term of time, energy and finance. The study admits that this may have had some impact on the data collection, but then, again, this was intended to make the study more representative and generalisable. However, the researcher

ensured that, as much as possible, at each stage of the data collection, the impacts of these mediating challenges are reduced to the barest minimum.

## **9.6 AREAS FOR FURTHER RESEARCH**

This study admitted that CSR research has a very large scope and keeps expanding and that the study does not purport to have covered all areas in the practice of CSR. Given the reported inadequacies in this study and the limitations thereof, the study recommends the following areas for further research.

Using the same procedures and methods applied in this study, consideration must be given to testing the reproducibility or replicability of results indicated in this study, using different industries in Ghana or elsewhere. In so doing, the results of other studies could be used to verify the applicability of the framework suggested in this study in understanding the phenomenon of CSR and how it is practised in different industries. In this direction, the test could be extended to make a cross-industry study or a comparative study of commercial or universal and rural banks in Ghana.

Just as this study expanded the samples of other studies to include four stakeholders – community, environment, customers and employees, it is recommended that other studies focus on expanding further to include other stakeholders such shareholders, government, suppliers and NGOs as well. This will add some more insight into the practice of CSR. More so, the samples of the firms studied could be expanded beyond those that are actually practising CSR to include those that are not engaged in CSR. This will bring some divergent views on why they are not engaging in CSR.

Other emerging issues in global CSR discourse are in the area of environment and sustainable development. Given the nature of relationship that businesses have with their local communities, it has become very imperative that this interface be well

researched to elucidate the implication of CSR for the business-society interplay. In this direction, the study recommends that other important areas for further research could relate to CSR and sustainable livelihood of local communities and how CSR interplays with sustainable development in Ghana.

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## APPENDICES

### APPENDIX A

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI



#### INTERVIEW GUIDE FOR MANAGEMENT

##### TOPIC

This survey looks into various issues under the subject matter of CSR, it tries to probe into the various CSR practices, their prospects and challenges and how they impact on the beneficiaries as prevailing in Ghana's Rural Banking Industry. As outline in the cover letter, your participation in this survey enables the researcher to get credible data on CSR initiatives undertaken by your bank, the current practices, policies and any inherent challenges in the pursuit of CSR as business strategy. Respondents and Banks especially are assured of utmost confidentiality, as the information gathered in this study will be used solely for the purposes academic work and not to be shared with any other third party. Issues of corporate disclosure have been considered as part of the core ethics of this study. The study will use the views and information provided as the basis for aggregate analysis without necessarily using it to reflect an individual bank's viewpoint. In appreciation the research will be glad to offer your bank a summary of the key findings and recommendations on completion of this study.

##### **SCALE INTERPRETATION**

1 – Strongly Disagree, 2 – Disagree, 3 – Not Sure, 4 – Agree, 5 – Strongly Agree

1 – Less Prioritized. 2 – Some extent. 3 – Not sure. 4 – Prioritized. 5 – Highly prioritized

**SECTION A: Bank Characteristics**

1. Name of Bank:.....
2. Years of operation:.....
3. Number of Branches:.....
4. Employee Base:.....
5. Customer Base:.....

**SECTION B: The Bank’s Conceptualization of the Term CSR**

6. Are you familiar with the concept of CSR?
7. Does your company have a CSR Policy?
8. How does your bank conceptualize the term CSR?
9. What percentage of your bank’s profit after tax goes into CSR?
10. How would you like to prioritise (rank) the following options for your Bank in terms of what constitute CSR?

		Less prioritized –Highly prioritized				
		1	2	3	4	5
i.	Corporations committing themselves to social initiatives					
ii.	Putting people before profits and creating a sustainable environment					
iii.	Philanthropic and charitable activities of the Bank					
iv.	Undertaking public service tasks that governments should be doing					
v.	Specify your opinion below;					

**SECTION C: CSR practices existing in the selected RCBs.**

11. What is your Banks opinion on the following views about CSR in the Banking industry?

		Strongly Disagree - Strongly Agree				
		1	2	3	4	5
i.	Rural Banks should pay significant attention to their social and environmental responsibilities					
ii.	Our Bank make reference to CSR in its mission statement, vision and values					
iii.	Our bank is a socially responsible bank					
iv.	The CSR activities of my bank are conducted on a regular basis					
v.	Our CSR activities are closely related to our business strategy					



vi.	Our bank believe that profit is equally important to socially, ethically and environmentally responsible behaviour					
vii.	CSR is create value for the bank					

12. Indicate below how would you like to prioritize (rank) the following CSR focusareas for your Bank?

		Description of activities	Less prioritized –Highly prioritized				
			1	2	3	4	5
i.	Health						
ii.	Agriculture						
iii.	HIV,						
iv.	Rehabilitation						
v.	Disaster Management						
vi.	Livelihood promotion						
vii.	Education						

**SECTION D: Factors that motivate selected RCBs to undertake CSR activities.**

13. What motivates your bank to engage in CSR activities?  
 14. How would your Bank like to prioritise (rank) the following motivations for engaging in CSR?

		Less prioritized –Highly prioritized				
<b>Drivers/Motivators for CSR</b>		1	2	3	4	5
i.	Ethical and moral reasons					
ii.	To comply with legal requirements					
iii.	To improve community relations					
iv.	To attract customers					
v.	To improve customer loyalty					
vi.	To improve employee motivation					
vii.	To improve relations with business partners/ investors					
viii.	To improve economic performance					
ix.	Pressure from third parties (e.g. clients or competitors)					
x.	Opportunity for public incentives (e.g. tax incentives)					
xi.	To preserve or improve the reputation/image of the company					
xii.	A commitment to reducing the company’s impact on the physical environment					
xiii.	As a lobby against regulations					
xiv.	To give something back to the community					
xv.	Other, please specify:					

**SECTION E: Processes used in planning and implementing CSR activities**

15. Is there a manager or department devoted to the management of CSR?  
 16. How long has the manager or department been in place?  
 17. How does your bank conduct a CSR assessment?  
 18. How does your bank develop and implement CSR commitments?  
 19. How does your bank report on progress of CSR activities?  
 20. How does your bank evaluate and improve the planning and implementation of CSR?

**SECTION F: involvement of identifiable stakeholders in planning and implementing CSR**

21. What Stakeholders are the targets of your banks CSR activities?  
 22. How does your Bank prioritize (rank) the stakeholders identified above for engaging in CSR?

		Less prioritized –Highly prioritized				
Reasons		1	2	3	4	5

i.	Shareholders							
ii.	Communities							
iii.	Customers							
iv.	Employees							
v.	Government							
vi.	Environment							
vii.	Others (Specify)							

23. To what extent is your bank involved in the following CSR activities for bank's Communities? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
		1	2	3	4	5
i.	Obeying and abiding by national and community bye laws					
ii.	Bank and Staff members involved in charity and volunteer work on behalf of the Bank					
iii.	Elimination of all forms of forced and compulsory labour including child labour					
iv.	Achieving universal primary education					
v.	Eradication of extreme poverty and hunger					
vi.	Promoting gender equality and empowering women					
vii.	Reducing child mortality and Improving maternal health					
viii.	Combating HIV/AIDS, malaria and other diseases					
ix.	Company donate to charity					
x.	Company actively involved in a project(s) with the local community					
xi.	Company have recruitment policies that favoured the local communities in which it operates					
xii.	Fosters reciprocal relationships between the corporation and community					
xiii.	Invests in communities in which Bank operates					
xiv.	Launches community development activities					
xv.	Encourages employee participation in community projects					
xvi.	Other, please specify					

Comments:.....  
.....  
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24. To what extent is your bank involved in the following CSR activities for bank Customers? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
		1	2	3	4	5
i.	Respects the rights of customers					
ii.	Provides information that is truthful, honest and useful					

iii.	Resolves customer complaints in a timely manner					
iv.	Quality assurance criteria are adhered to in production/ Offers quality products and services					
v.	Committed to providing value to customers					
vi.	Supply clear and accurate information and labeling about products and services, including after sales service					
vii.	Products and services provided are safe and fit with their intended use					
viii.	Avoids false and misleading advertising and sales promotions that are deceptive/manipulative					
ix.	Discloses all substantial risks associated with product or service					
x.	Avoids manipulating the availability of a product for purpose of exploitation					
xi.	Ensure accessibility to bank by all manner of customers (especially physically challenged)					
xii.	Avoids engagement in price fixing and undercutting					
xiii.	Other, please specify					

Comments:.....  
.....  
.....

25. To what extent is your bank involved in the following CSR activities for bank Employees?  
(Please TICK ONE from EACH row)

		Not at all – to a great extent				
		1	2	3	4	5
i.	Provides a family friendly work environment					
ii.	Committed to the health and safety of employees					
iii.	Engages in responsible human resource management					
iv.	Encourages employees to develop real skills and long-term careers (via Performance Appraisal and Training & Development)					
v.	Provides an equitable reward and wage system for employees					
vi.	Respect freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations					
vii.	Engages in open and flexible communication with employees					
viii.	Invests in employee development					
ix.	Encourages freedom of speech and promotes employee rights to speak up and report their concerns at work					
x.	Promotes a dignified and fair treatment of all employees					
xi.	Provides child care support/paternity/maternity leave in addition to what is expected by law					
xii.	Engages in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged					

xiii.	Ensures a work/life balance among employees					
xiv.	Ensure adequate steps are taken against all forms of discrimination					
xv.	Consult employees on important issues					

Comments:.....  
.....  
.....

26. To what extent is your bank involved in the following CSR activities in relation to the physical environment? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
		1	2	3	4	5
i.	Disclosure of environmental and social performance					
ii.	Environmental policies, organization and management					
iii.	Materials policy of reduction, reuse and recycling					
iv.	Monitoring, minimizing and taking responsibility for releases to the environment					
v.	Energy conservation					
vi.	Reduction of water consumption					
vii.	Reduction of all forms of pollution (including air, water, land, noise etc)					
viii.	Sustainable transportation					
ix.	Waste management/reduction					
x.	Effective emergency response					
xi.	Environmental requirements for suppliers					
xii.	Environmental audits					
xiii.	Other, please specify					

Comments:.....  
.....  
.....

27. To what extent does your bank engage these stakeholders in CSR planning and implementing process below? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
<b>CSR implementation process</b>		1	2	3	4	5
i.	When conducting a CSR assessment					
ii.	When developing a CSR strategy/commitments,					
iii.	When reporting on progress					
iv.	When Evaluating and improving on commitment					
v.	Other, please specify					

Comments:.....  
.....  
.....

28. To what extent does the bank use the following medium to engage you in the process?  
(Please TICK ONE from EACH row)

	Medium of CSR engagements	Not at all – to a great extent				
		1	2	3	4	5
i.	Community Durbars					
ii.	Household Visitation					
iii.	One-On-One Discussion					
iv.	Focus Group Meetings					
v.	Employee Durbars					
vi.	Customer durbars					
vii.	Local fm station					
viii.	Other, please specify					

Comments:.....  
.....  
.....

**SECTION G: Challenges involved in implementing CSR as a strategy**

29. What challenges do you encounter in planning and implementing CSR?

30. Please indicate the extent to which any of the following act as a barrier to furthering your Bank's CSR activities. Please tick ONE from EACH row

	Barriers/Challenges to CSR implementation	Not at all – to a great extent					
		1	2	3	4	5	Don't Know
i.	Lack of time						
ii.	Lack of financial resources						
iii.	Lack of commitment from top management						
iv.	Lack of Human Resources						
v.	Issues of corporate disclosure						
vi.	Lack of trust in CSR benefits						
vii.	No clear CSR regulation/guidelines						
viii.	Not related to the activities of the firm						
ix.	Our bank cannot afford the expenditure of CSR						
x.	Other, please specify						

31. What recommendation will you give to surmount these challenges?

*NB: It will be appreciated if officials will be kind to submit in addition to the above any annual reports, corporate plan and policy on CSR among others.*

## APPENDIX B

### FOCUS GROUP INTERVIEW PROTOCOL COMMUNITY MEMBERS/CUSTOMERS/EMPLOYEES/MANAGERS

Dear Sir or Madam:

I am currently a PhD student at the Kwame Nkrumah University of Science and Technology, Kumasi, conducting a study on Corporate Social Responsibility Practices Among Rural and Community Banks in Ghana and I would appreciate your participation in this interview.

The discussion looks into various issues under the subject matter of CSR, it tries to probe into the various CSR practices, their prospects and challenges and how they impact on the beneficiaries as prevailing in Ghana's Rural Banking Industry. As outline in the cover letter, your participation in this survey enables the researcher to get credible data on CSR initiatives undertaken by your bank, the current practices, policies and any inherent challenges in the pursuit of CSR as business strategy. Respondents and Banks especially are assured of utmost confidentiality, as the information gathered in this study will be used solely for the purposes academic work and not to be shared with any other third party. Issues of corporate disclosure have been considered as part of the core ethics of this study. The study will use the views and information provided as the basis for aggregate analysis without necessarily using it to reflect an individual bank's viewpoint.

This interview is expected to last about an hour, it is voluntary and all the information you provide will be considered **STRICTLY CONFIDENTIAL**. The data will be coded to ensure that no unauthorised person can identify or interpret your return or responses. In addition, the results will be reported in aggregate form and it will not be possible to identify any data or predict a coherent pattern of competitive information provided by your organisation.

In appreciation the research will be glad to offer your bank a summary of the key findings and recommendations on completion of this study.

Just in case you have any further questions about this interview please contact **Henry Mensah on: 0202525004/0242448020**

**Main Supervisor:** Professor Yaw A. Debrah (Professor of Human Resource and International Business Management) **Second Supervisor:** Prof. E. Badu (Professor in construction management)

### **PART A: CSR PERCEPTIONS/CONCEPTUALISATION**

In this section, I would like participants to share with me their perceptions and Conceptualisation of CSR as a practice

1. May you please describe to me the relationship between the bank and the community, customers and employees
2. Do you agree that Rural Banks should pay attention to their responsibilities to the community, customers and employees at large
3. Please explain to me how your bank describes CSR
4. Can you tell if the bank has a CSR policy

### **PART B: CSR PRACTICES**

In this section, I would like to know some of the main CSR practices and project that has been undertaken by this banks

1. Could you please tell me some of the main sectors or areas where the bank engage in CSR
2. Can please describe any CSR project in the community undertaken by the bank
3. Please can you tell me if and how the bank engage in the following activities for the various stakeholders

#### **i. Community**

1. Obeying and abiding by national and community bye laws.
2. Bank assists in eliminating of all forms of forced and compulsory labour
3. Bank assists in achieving universal primary education
4. Bank assists in eradicating extreme poverty and hunger
5. Bank promotes gender equality and empowering women
6. Bank assists in reducing child mortality and improving maternal health
7. Bank has recruitment policies that favoured the local communities in which it operates
8. Bank fosters reciprocal relationships between the corporation and community
9. Bank launches community development activities

#### **ii. Customers**

1. Bank respects the rights of customers
2. Bank provides information that is truthful, honest and useful
3. Bank resolves customer complaints in a timely manner
4. Bank is committed to providing value to customers
5. Bank avoids false and misleading advertising and sales promotions
6. Bank discloses all substantial risks associated with product or service
7. Bank ensure accessibility to bank by all manner of customers (especially physically challenged)



### **iii. Employee**

1. Provides a family friendly work environment
2. Committed to the health and safety of employees
3. Engages in responsible human resource management
4. Encourages employees to develop real skills and long-term careers
5. Provides an equitable reward and wage system for employees
6. Respect freedom of association and the right to collective bargaining,
7. Engages in open and flexible communication with employees
8. Promotes a dignified and fair treatment of all employees
9. Ensure adequate steps are taken against all forms of discrimination
10. Consult employees on important issues

### **iv. Environment**

1. Environmental management policies
2. Materials policy of reduction, reuse and recycling
3. Monitoring, minimizing and taking responsibility for releases to the environment
4. Reduction of water consumption
5. Reduction of all forms of pollution (including air, water, land, noise)
6. Energy conservation
7. Waste management/reduction
8. Effective emergency response
9. Environmental requirements for suppliers
10. Environmental audits

### **PART C: MOTIVES/DRIVERS OF CSR**

In this section, I would like to know some information about factors which influenced your bank's decision to engage in CSR as mentioned above

1. Can you please explain the main motivations of the bank to engage in CSR activities?
2. Do you think the bank engage in CSR for ethical/moral reasons and why?
3. Does the bank engage in CSR to comply with legal requirements (mention some of the laws)?
4. Does the banks engage in CSR to improve community relations and how?

5. Does the banks engage in CSR to attract customers and how?
6. Does the banks engage in CSR to improve customer loyalty and how?
7. Does the banks engage in CSR to improve employee motivation and how?
8. Does the banks engage in CSR to improve relations with business partners/  
investors and how?
9. Does the banks engage in CSR to improve economic performance and how?

**PART D: CSR PLANNING AND IMPLEMENTATION**

In this section, I would like to know some information about how your bank plan and implement its CSR activities.

1. Does your bank have any office/department/officer in charge of CSR and why?
2. Please describe the process you go through to plan and implement CSR in your bank.
3. Do you do any needs assessment or put together some potential CSR activities?
4. Please describe the process of approving which CSR activities to implement.
5. Does the bank do any monitoring and evaluation and how?
6. Do you encounter any challenges in your CSR activities?

**APPENDIX Ci**  
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI



SURVEY QUESTIONNAIRE FOR DOCTORAL RESEARCH WORK (COMMUNITY)

TOPIC

**An Exploratory Study of Corporate Social Responsibility Practices Among  
Rural and Community Banks in Ghana**

Dear Respondent,

This survey looks into various issues under the subject matter of CSR, it tries to probe into the various CSR practices, their prospects and challenges and how they impact on the beneficiaries as prevailing in Ghana's Rural Banking Industry.

As outline in the cover letter, your participation in this survey enables the researcher to get credible data on CSR initiatives undertaken by your company, the current practices, policies and any inherent challenges in the pursuit of CSR as business strategy.

Respondents and the Rural Banks especially are assured of utmost confidentiality, as the information gathered in this study will be used solely for the purposes academic work and not to be shared with any other third party. Issues of corporate disclosure have been considered as part of the core ethics of this study.

The study will use the views and information provided as the basis for aggregate analysis without necessarily using it to reflect an individual's viewpoint. In appreciation, the research will be glad to offer your institution a summary of the key findings and recommendations on completion of this study.

**SCALE INTERPRETATION**

1 – Strongly Disagree, 2 – Disagree, 3 – Not Sure, 4 – Agree, 5 – Strongly Agree

1 – Less Prioritized. 2 – Some extent. 3 – Not sure. 4 – Prioritized. 5 – Highly prioritized

**A: Biodata**

1. Name of Rural Bank:.....
2. Gender:  Male  Female
3. Age:  0 - 15  16 – 25  26 – 35  36 – 45  46 - above
4. Education:  Postgraduate  Graduate  Secondary  Basic  
 None

**B. CSR within the Bank- Community’s perception about the Bank’s Corporate Social Responsibility**

1. Are you familiar with the term Corporate Social Responsibility?  Yes  No
2. In general, do you perceive that the bank has a responsibility for a social issue?  
Yes  No
3. Do you perceive the Bank to be socially responsible? Yes  No
4. Do you think the Bank has a CSR Policy?  Yes  No

5. Please indicate the extent to which you agree or disagree with the following statements below.

		Strongly Disagree -Strongly Agree				
		1	2	3	4	5
vi.	Rural Bank should pay significant attention to their social and environmental responsibilities					
vii.	CSR is create value for the bank					

**C: Motivation for CSR engagement**

1. In your perspective, to what extent does each of the following factors motivate the Bank to undertake CSR?

		Not at all – to a great extent				
<b>Drivers/Motivators for CSR</b>		1	2	3	4	5
xvi.	Ethical and moral reasons					
xvii.	To comply with legal requirements					
xviii.	To improve community relations					
xix.	To attract customers					
xx.	To improve customer loyalty					
xxi.	To improve employee motivation					
xxii.	To improve relations with business partners/ investors					
xxiii.	To improve economic performance					
xxiv.	Pressure from third parties (e.g. clients or competitors)					
xxv.	To avail of public incentives (e.g. tax incentives)					
xxvi.	To preserve or improve the reputation/image of the company					
xxvii.	A commitment to reducing the company’s impact on					

	the environment					
cxviii.	As a lobby against regulations					
xxix.	To give something back to the community					
xxx.	Other, please specify:					

**D: The Bank's CSR Practice**

**Bank's CSR focus areas**

1. To what extent is the Bank involved in the following? (Please TICK ONE from EACH row)

Please describe any CSR activities appropriately;

	Description of activities	Not at all – to a great extent				
		1	2	3	4	5
viii.	Health					
ix.	Agriculture					
x.	HIV,					
xi.	Rehabilitation					
xii.	Disaster Management					
xiii.	Livelihood promotion					
xiv.	Education					
xv.	Health					
xvi.	Other, please specify					

Any Comments

.....

.....

**CSR Activities Towards the Environment**

2. To what extent is the Bank involved in the following? (Please TICK ONE from EACH row)

	Description of activities	Not at all – to a great extent					Don't know
		1	2	3	4	5	
xiv.	Disclosure of environmental and social performance						
xv.	Environmental policies, organization and management						
xvi.	Materials policy of reduction, reuse and recycling						
xvii.	Monitoring, minimizing and taking responsibility for						

	releases to the environment						
xviii.	Energy conservation						
xix.	Reduction of water consumption						
xx.	Reduction of all forms of pollution (including air, water, land, noise etc)						
xxi.	Energy conservation						
xxii.	Waste management/reduction						
xxiii.	Effective emergency response						
xxiv.	Public dialogue and disclosure						
xxv.	Product stewardship						
xxvi.	Environmental requirements for suppliers						
xxvii.	Environmental audits						
xxviii.	Other, please specify						

3. To what extent does the Bank consider environmental impact when developing new products (such as energy usage, recyclability, pollution)?

Not at all    1   2   3   4   5            A great extent    6 (Don't Know)

4. To what extent does the Bank use environmentally friendly (i.e. biodegradable/ recyclable) packaging/containers?

Not at all    1   2   3   4   5            A great extent    6 (Don't Know)

5. Please describe any CSR activities carried out by the Bank that are oriented toward the ENVIRONMENT, or any comments on the questions above.

.....  
.....

**CSR Activities for the Community**

6 To what extent is the Bank involved in the following? (Please TICK ONE from EACH row)

		Not at all – to a great extent					Don't Know
		1	2	3	4	5	
xvii.	Obeying and abiding by national and community bye laws						
xviii.	Bank and Staff members involved in charity and volunteer work on behalf of the Bank						
xix.	Elimination of all forms of forced and compulsory labour including child labour						
xx.	Achieving universal primary education						
xxi.	Eradication of extreme poverty and hunger						
xxii.	Promoting gender equality and empowering women						
xxiii.	Reducing child mortality and Improving maternal health						
xxiv.	Combating HIV/AIDS, malaria and other diseases						
xxv.	Company donate to charity						
xxvi.	Company actively involved in a project(s) with the local community						
xxvii.	Company have recruitment policies that favored the local communities in which it operates						
xxviii.	Fosters reciprocal relationships between the corporation and community						
xxix.	Invests in communities in which corporation operates						
xxx.	Launches community development activities						

xxxi.	Encourages employee participation in community projects						
xxxii.	Other, please specify						

7 Please describe any CSR activities carried out by the Bank that are oriented toward the community, or any comments on the questions above.

.....

.....

**E: Involvement in the processes used in planning and implementing CSR activities**

1. To what extent does the bank involve you or the community in the following process? (Please TICK ONE from EACH row)

	CSR implementation process	Not at all – to a great extent				
		1	2	3	4	5
vi.	When conducting a CSR assessment					
vii.	When developing a CSR strategy					
viii.	When Developing CSR commitments,					
ix.	When Implementing CSR commitments					
x.	Assure and report on progress					
xi.	How does your bank Evaluate and improve					
xii.	Other, please specify					

2. To what extent does the bank use the following medium to engage you in the process? (Please TICK ONE from EACH row)

	Medium of CSR engagements	Not at all – to a great extent				
		1	2	3	4	5
ix.	Community Durbars					
x.	Household Visitation					
xi.	One-On-One Discussion					
xii.	Focus Group Meetings					
xiii.	Employee Durbars					
xiv.	Customer durbars					
xv.	Other, please specify					

3. Please indicate the extent to which any of the following act as a barrier to furthering the Bank's CSR activities. Please tick ONE from EACH row

Barriers/Challenges to CSR implementation	Not at all – to a great extent					Don't Know
	1	2	3	4	5	
Lack of time						
Lack of financial resources						
Lack of commitment from top management						
Lack of Human Resources						
Issues of corporate disclosure						
Lack of trust in CSR benefits						
No clear CSR regulation/guidelines						
Not related to the activities of the firm						
The bank cannot afford the expenditure of CSR						
Other, please specify						

4. Any recommendation on how to address these challenges?

.....

.....

.....

**THANK YOU**



## APPENDIX Cii

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI



SURVEY QUESTIONNAIRE FOR DOCTORAL RESEARCH WORK (CUSTOMERS)

TOPIC

### **An Exploratory Study of Corporate Social Responsibility Practices Among Rural and Community Banks in Ghana**

Dear Respondent,

This survey looks into various issues under the subject matter of CSR, it tries to probe into the various CSR practices, their prospects and challenges and how they impact on the beneficiaries as prevailing in Ghana's Rural Banking Industry.

As outline in the cover letter, your participation in this survey enables the researcher to get credible data on CSR initiatives undertaken by your company, the current practices, policies and any inherent challenges in the pursuit of CSR as business strategy.

Respondents and the Rural Banks especially are assured of utmost confidentiality, as the information gathered in this study will be used solely for the purposes academic work and not to be shared with any other third party. Issues of corporate disclosure have been considered as part of the core ethics of this study.

The study will use the views and information provided as the basis for aggregate analysis without necessarily using it to reflect an individual's viewpoint. In appreciation, the research will be glad to offer your institution a summary of the key findings and recommendations on completion of this study.

#### **SCALE INTERPRETATION**

1 – Strongly Disagree, 2 – Disagree, 3 – Not Sure, 4 – Agree, 5 – Strongly Agree

1 – Less Prioritized. 2 – Some extent. 3 – Not sure. 4 – Prioritized. 5 – Highly prioritized

**A: Biodata**

- 5. Name of Rural Bank:.....
- 6. Gender: ( ) Male( ) Female
- 7. Age: ( ) 0 - 15 ( ) 16 – 25 ( ) 26 – 35 ( ) 36 – 45 ( ) 46 - above
- 8. Education: ( ) Postgraduate( ) Graduate ( ) Secondary ( ) Basic ( ) None

**B. CSR within the Bank- Customer’s perception about the Bank’s Corporate Social Responsibility**

- 1. Are you familiar with the term Corporate Social Responsibility (CSR)? ( ) Yes ( ) No
- 2. In general, do you perceive that a bank should involve itself in social issues/ CSR?  
Yes ( ) No ( )
- 3. Do you perceive the bank to be socially responsible? Yes ( ) No ( )
- 4. Do you think the Bank has a CSR Policy? ( ) Yes ( ) No
- 5. Please indicate the extent to which you agree or disagree with the following statements below.

		Strongly Disagree - Strongly Agree				
		1	2	3	4	5
viii.	Rural Banks should pay significant attention to their social and environmental responsibilities					
ix.	My bank believes that profit is equally important to socially, ethically and environmentally responsible behaviour					
x.	CSR creates value for the bank					

**C: Motivation for CSR engagement**

- 1. In your perspective, to what extent does each of the following factors motivate the Bank to undertake CSR?

		Not at all – to a great extent				
<b>Drivers/Motivators for CSR</b>		1	2	3	4	5
xxxi.	Ethical and moral reasons					
xxxii.	To comply with legal requirements					
xxxiii.	To improve community relations					
xxxiv.	To attract customers					
xxxv.	To improve customer loyalty					
xxxvi.	To improve employee motivation					
xxvii.	To improve relations with business partners/ investors					
xxviii.	To improve economic performance					
xxxix.	Pressure from third parties (e.g. clients or competitors)					
xl.	To avail of public incentives (e.g. tax incentives)					
xli.	To preserve or improve the reputation/image of the					

	company					
xlii.	A commitment to reducing the company's impact on the environment					
xliii.	As a lobby against regulations					
xliv.	To give something back to the community					
xlv.	Other, please specify:					

**D: The Bank's CSR Practice**

**Bank's CSR focus areas**

1. To what extent is your Bank involved in the following? (Please TICK ONE from EACH row)

Please describe any CSR activities appropriately;

	Description of activities	Not at all – to a great extent				
		1	2	3	4	5
xvii.	Health					
xviii.	Agriculture					
xix.	HIV,					
xx.	Rehabilitation					
xxi.	Disaster Management					
xxii.	Livelihood promotion					
xxiii.	Education					
xxiv.	Health					
xxv.	Other, please specify					

Any Comments

.....

.....

**CSR Activities Towards Customers**

2. To what extent is your bank involved in the following? (Please TICK ONE from EACH row )

	Description of activities	Not at all – to a great extent				
		1	2	3	4	5
xiv.	Respects the rights of customers					
xv.	Provides information that is truthful, honest and useful					
xvi.	Resolves customer complaints in a timely manner					
xvii.	Quality assurance criteria are adhered to in production/ Offers quality products and services					
xviii.	Committed to providing value to customers					
xix.	Supply clear and accurate information and labeling					

	about products and services, including after sales service					
xx.	Products and services provided are safe and fit with their intended use					
xxi.	Avoids false and misleading advertising and sales promotions that are deceptive/manipulative					
xxii.	Discloses all substantial risks associated with product or service					
xxiii.	Avoids manipulating the availability of a product for purpose of exploitation					
xxiv.	Issue of accessibility (disabled customers for example) have been considered in the company					
xxv.	Ensure accessibility to bank by all manner of customers (especially physically challenged)					
xxvi.	Avoids engagement in price fixing and undercutting					
xxvii.	Other, please specify					

3. Please indicate the impact of the CSR activities of the banks on your loyalty.

Strong Negative Impact    1    2    3    4    5    Strong Positive Impact

4. Please describe any CSR activities carried out by the firm that are oriented toward

Customers or any comments on the questions above.

.....

.....

**CSR Activities Towards the Environment**

15. To what extent is your Bank involved in the following? (Please TICK ONE from EACH row)

		Not at all – to a great extent					Don't Know
		1	2	3	4	5	
xxix.	Disclosure of environmental and social performance						
xxx.	Environmental policies, organization and management						
xxxi.	Materials policy of reduction, reuse and recycling						
xxxii.	Monitoring, minimizing and taking responsibility for releases to the environment						
xxxiii.	Energy conservation						
xxxiv.	Reduction of water consumption						
xxxv.	Reduction of all forms of pollution (including air, water, land, noise etc)						
xxxvi.	Sustainable transportation						
xxxvii.	Energy conservation						
xxxviii.	Waste management/reduction						
xxxix.	Effective emergency response						
xl.	Public dialogue and disclosure						
xli.	Product stewardship						
xlii.	Environmental requirements for suppliers						
xliii.	Environmental audits						
xliv.	Other, please specify						

16. To what extent does your Bank consider environmental impact when developing new products (such as energy usage, recyclability, pollution)?

Not at all      1   2   3   4   5      A great extent                      6 (Don't Know)

17. To what extent does your Bank use environmentally friendly (i.e. biodegradable/ recyclable) packaging/containers?

Not at all      1   2   3   4   5      A great extent                      6 (Don't Know)

18. Please describe any CSR activities carried out by the Bank that are oriented toward the ENVIRONMENT or any comments on the questions above.

.....

.....

**CSR Activities for Towards the Community**

1. To what extent is your Bank involved in the following? (Please TICK ONE from EACH row)

		Not at all – to a great extent					Don't Know
		1	2	3	4	5	
xxxiii.	Obeying and abiding by national and community bye laws						
xxxiv.	Bank and Staff members involved in charity and volunteer work on behalf of the Bank						
xxxv.	Elimination of all forms of forced and compulsory labour including child labour						
xxxvi.	Achieving universal primary education						
xxxvii.	Eradication of extreme poverty and hunger						
xxxviii.	Promoting gender equality and empowering women						
xxxix.	Reducing child mortality and Improving maternal health						
xl.	Combating HIV/AIDS, malaria and other diseases						
xli.	Company donate to charity						
xlii.	Company actively involved in a project(s) with the local community						
xliii.	Company have recruitment policies that favoured the local communities in which it operates						
xliv.	Fosters reciprocal relationships between the corporation and community						
xlv.	Invests in communities in which Bankoperates						
xlvi.	Launches community development activities						
xlvii.	Encourages employee participation in community projects						
xlviii.	Other, please specify						

Please describe any CSR activities carried out by the Bank that are oriented toward the community, or any comments on the questions above.

.....

.....

**E: Involvement in the processes used in planning and implementing CSR activities**

1. To what extent does the Bank involve the Bank's customers in the following process? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
<b>CSR implementation process</b>		1	2	3	4	5
xiii.	When conducting a CSR assessment					
xiv.	When developing a CSR strategy					
xv.	When Developing CSR commitments,					
xvi.	When Implementing CSR commitments					
xvii.	Assure and report on progress					
xviii.	How does your bank Evaluate and improve					
xix.	Other, please specify					

2. To what extent does your bank use the following medium to engage you or customers in the process? (Please **TICK ONE** from **EACH** row)

		Not at all – to a great extent				
<b>Medium of CSR engagements</b>		1	2	3	4	5
xvi.	Community Durbars					
xvii.	Household Visitation					
xviii.	One-On-One Discussion					
xix.	Focus Group Meetings					
xx.	Employee Durbars					
xxi.	Customer durbars					
xxii.	Other, please specify					

3. Please indicate the extent to which any of the following act as a barrier to furthering your Bank's CSR activities. Please tick ONE from EACH row

<b>Barriers/Challenges to CSR implementation</b>	Not at all – to a great extent					
	1	2	3	4	5	Don't Know
Lack of time						
Lack of financial resources						
Lack of commitment from top management						
Lack of Human Resources						
Issues of corporate disclosure						
Unconvinced about CSR benefits to bank/community?						
No clear CSR regulation/guidelines						
Not related to the activities of the firm						
Our bank cannot afford the expenditure of CSR						
Other, please specify						

4. Any recommendation on how to address these challenges?

.....

.....

.....

**THANK YOU**

## APPENDIX Ciii

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI



SURVEY QUESTIONNAIRE FOR DOCTORAL RESEARCH WORK (EMPLOYEES)

TOPIC

### **An Exploratory Study of Corporate Social Responsibility Practices Among Rural and Community Banks in Ghana**

Dear Respondent,

This survey looks into various issues under the subject matter of CSR, it tries to probe into the various CSR practices, their prospects and challenges and how they impact on the beneficiaries as prevailing in Ghana's Rural Banking Industry.

As outline in the cover letter, your participation in this survey enables the researcher to get credible data on CSR initiatives undertaken by your company, the current practices, policies and any inherent challenges in the pursuit of CSR as business strategy.

Respondents and the Rural Banks especially are assured of utmost confidentiality, as the information gathered in this study will be used solely for the purposes academic work and not to be shared with any other third party. Issues of corporate disclosure have been considered as part of the core ethics of this study.

The study will use the views and information provided as the basis for aggregate analysis without necessarily using it to reflect an individual's viewpoint. In appreciation, the research will be glad to offer your institution a summary of the key findings and recommendations on completion of this study.

#### **SCALE INTERPRETATION**

1 – Strongly Disagree, 2 – Disagree, 3 – Not Sure, 4 – Agree, 5 – Strongly Agree

1 – Less Prioritized. 2 – Some extent. 3 – Not sure. 4 – Prioritized. 5 – Highly prioritized

**A: Biodata**

9. Name of Rural Bank:.....
10. Gender: ( ) Male ( ) Female
11. Age: ( ) 0 - 15 ( ) 16 – 25 ( ) 26 – 35 ( ) 36 – 45 ( ) 46 - above
12. Education: ( ) Postgraduate ( ) Graduate ( ) Secondary ( ) Basic  
( ) None
13. No. of years with the Bank  
( ) 0-5 ( ) 6-10 ( ) 10 - above

**B. CSR within the Bank- Employee’s perception about the Bank’s Corporate Social Responsibility**

1. Are you familiar with the term Corporate Social Responsibility? ( ) Yes ( ) No
2. In general, do you perceive that a bank has a responsibility for a social issue?  
Yes ( ) No ( )
3. Do you perceive the bank to be socially responsible? Yes ( ) No ( )
4. Does the Bank have a CSR Policy? ( ) Yes ( ) No

5. Please indicate the extent to which you agree or disagree with the following statements below.

		Strongly Disagree - Strongly Agree				
		1	2	3	4	5
xi.	Rural Banksshould pay significant attention to their social and environmental responsibilities					
xii.	My Bank make reference to CSR in its mission statement, vision and values					
xiii.	My bank is a socially responsible bank					
xiv.	The CSR activities of my bank are conducted on a regular basis					
xv.	Our CSR activities are closely related to our business strategy					
xvi.	My bank believe that profit is equally important to socially, ethically and environmentally responsible behaviour					
xvii.	CSR is create value for the bank					



### C: Motivation for CSR engagement

1. Please indicate the extent to which each of the following factors motivated your Bank to undertake CSR.

	<b>Drivers/Motivators for CSR</b>	Not at all – to a great extent				
		1	2	3	4	5
xlvi.	Ethical and moral reasons					
xlvii.	To comply with legal requirements					
xlviii.	To improve community relations					
xliv.	To attract customers					
l.	To improve customer loyalty					
li.	To improve employee motivation					
lii.	To improve relations with business partners/ investors					
liii.	To improve economic performance					
liv.	Pressure from third parties (e.g. clients or competitors)					
lv.	To avail of public incentives (e.g. tax incentives)					
lvi.	To preserve or improve the reputation/image of the company					
lvii.	A commitment to reducing the company's impact on the environment					
lviii.	As a lobby against regulations					
lix.	To give something back to the community					
lx.	Other, please specify:					

### D: The Bank's CSR Practice

#### Bank's CSR focus areas

1. To what extent is your Bank involved in the following? (Please TICK ONE from EACH row)

Please describe any CSR activities appropriately;

		Description of activities	Not at all – to a great extent				
			1	2	3	4	5
xxvi.	Health						
xxvii.	Agriculture						
xxviii.	HIV,						
xxix.	Rehabilitation						
xxx.	Disaster Management						
xxxi.	Livelihood promotion						
xxii.	Education						

xxiii.	Health						
xxiv.	Other, please specify						

Any Comments

.....

.....

**CSR Activities Towards Employees**

2. To what extent is your firm involved in the following? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
		1	2	3	4	5
xvi.	Provides a family friendly work environment					
xvii.	Committed to the health and safety of employees					
xviii.	Engages in responsible human resource management					
xix.	Encourages employees to develop real skills and long-term careers (via Performance Appraisal and Training & Development)					
xx.	Provides an equitable reward and wage system for employees					
xxi.	Respect freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations					
xxii.	Engages in open and flexible communication with employees					
xxiii.	Invests in employee development					
xxiv.	Encourages freedom of speech and promotes employee rights to speak up and report their concerns at work					
xxv.	Promotes a dignified and fair treatment of all employees					
xxvi.	Provides child care support/paternity/maternity leave in addition to what is expected by law					
xxvii.	Engages in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged					
xxviii.	Ensures a work/life balance among employees					
xxix.	Ensure adequate steps are taken against all forms of discrimination					
xxx.	Consult employees on important issues					

3. Please indicate the extent to which you agree or disagree with the following statement

“This Bank finds it easy to attract new recruits”.

Strongly Disagree    1   2   3   4   5    Strongly Agree

4. Please indicate the impact of the CSR activities of the Bank on employee recruitment.

Strong Negative Impact    1    2    3    4    5    Strong Positive Impact

5. What is the average length of employment (tenure) in your bank?

Less than 1 year    1 - 3 years    3 - 5 years    5 - 10 years    over 10 years

5. Please indicate the level of job satisfaction among employees in this bank.

Highly Dissatisfied      1 2 3 4 5      Highly Satisfied

7. Please indicate the impact of the CSR activities of the firm on employee retention.

Strong Negative Impact      1      2      3      4      5      Strong Positive Impact

8. Please indicate the level of motivation of employees in this bank.

Highly De-motivated      1      2      3      4      5      Highly Motivated

9. Please indicate how you would describe the relationship between management and employees in the bank.

Highly Negative Relationship      1      2      3      4      5      Highly Positive Relationship

10. Please indicate the impact of the CSR activities of the bank on employee motivation.

Strong Negative Impact      1      2      3      4      5      Strong Positive Impact

11. Please describe any other CSR activities carried out by the Bank that are oriented toward EMPLOYEES, or any comments on the questions above.

.....  
 .....

**CSR Activities Towards Customers**

12. To what extent is your bank involved in the following? (Please TICK ONE from EACH row )

		Not at all – to a great extent				
		1	2	3	4	5
xxviii.	Respects the rights of customers					
xxix.	Provides information that is truthful, honest and useful					
xxx.	Resolves customer complaints in a timely manner					
xxxi.	Quality assurance criteria are adhered to in production/ Offers quality products and services					
xxxii.	Committed to providing value to customers					
xxxiii.	Supply clear and accurate information and labeling about products and services, including after sales service					
xxxiv.	Products and services provided are safe and fit with their intended use					
xxxv.	Avoids false and misleading advertising and sales promotions that are deceptive/manipulative					
xxxvi.	Discloses all substantial risks associated with product or service					
xxvii.	Avoids manipulating the availability of a product for purpose of exploitation					
xxviii.	Issue of accessibility (disabled customers for example) have been considered in the company					
xxxix.	Ensure accessibility to bank by all manner of customers (especially physically challenged)					
xl.	Avoids engagement in price fixing and undercutting					
xli.	Other, please specify					

13. Please indicate the impact of the CSR activities of the banks on your loyalty.

Strong Negative Impact    1    2    3    4    5    Strong Positive Impact

14. Please describe any CSR activities carried out by the Bank that are oriented toward

Customers, or any comments on the questions above.

.....  
 .....

**CSR Activities Towards the Environment**

15. To what extent is Bank involved in the following? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
		1	2	3	4	5
xliv.	Disclosure of environmental and social performance					
xlvi.	Environmental policies, organization and management					
xlvii.	Materials policy of reduction, reuse and recycling					
xlviii.	Monitoring, minimizing and taking responsibility for releases to the environment					
xlix.	Energy conservation					
i.	Reduction of water consumption					
ii.	Reduction of all forms of pollution (including air, water, land, noise etc)					
iii.	Sustainable transportation					
iiii.	Energy conservation					
lv.	Waste management/reduction					
lvi.	Effective emergency response					
lvii.	Public dialogue and disclosure					
lviii.	Product stewardship					
lix.	Environmental requirements for suppliers					
lx.	Environmental audits					
lxi.	Other, please specify					

16. To what extent does your Bank consider environmental impact when developing new products (such as energy usage, recyclability, pollution)?

Not at all    1    2    3    4    5    A great extent

17. To what extent does the Bank use environmentally friendly (i.e. biodegradable/recyclable) packaging/containers?

Not at all    1    2    3    4    5    A great extent

18. Please describe any CSR activities carried out by the Bank that are oriented toward the ENVIRONMENT, or any comments on the questions above.

.....  
 .....

**CSR Activities Towards the Community**

1. To what extent is the Bank involved in the following? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
		1	2	3	4	5

xlix.	Obeying and abiding by national and community bye laws					
l.	Bank and Staff members involved in charity and volunteer work on behalf of the Bank					
li.	Elimination of all forms of forced and compulsory labour including child labour					
lii.	Achieving universal primary education					
liii.	Eradication of extreme poverty and hunger					
liv.	Promoting gender equality and empowering women					
lv.	Reducing child mortality and Improving maternal health					
lvi.	Combating HIV/AIDS, malaria and other diseases					
lvii.	Company donate to charity					
lviii.	Company actively involved in a project(s) with the local community					
lix.	Company have recruitment policies that favoured the local communities in which it operates					
lx.	Fosters reciprocal relationships between the corporation and community					
lxi.	Invests in communities in which Bank operates					
lxii.	Launches community development activities					
lxiii.	Encourages employee participation in community projects					
lxiv.	Other, please specify					

Please describe any CSR activities carried out by the Bank that are oriented toward the community, or any comments on the questions above.

.....  
.....

**E: Involvement in the processes used in planning and implementing CSR activities**

1. To what extent does the bank involve its employees in the following process? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
<b>CSR implementation process</b>		1	2	3	4	5
xx.	When conducting a CSR assessment					
xxi.	When developing a CSR strategy					
xxii.	When Developing CSR commitments,					
xxiii.	When Implementing CSR commitments					
xxiv.	Assure and report on progress					
xxv.	How does your bank Evaluate and improve					
xxvi.	Other, please specify					

2. To what extent does the bank use the following medium to engage you in the process? (Please TICK ONE from EACH row)

		Not at all – to a great extent				
<b>Medium of CSR engagements</b>		1	2	3	4	5
xxiii.	Community Durbars					
xxiv.	Household Visitation					
xxv.	One-On-One Discussion					
xxvi.	Focus Group Meetings					
xxvii.	Employee Durbars					

xxviii.	Customer durbars						
xxix.	Other, please specify						

3. Please indicate the extent to which any of the following act as a barrier to furthering your Bank's CSR activities. Please tick ONE from EACH row

	<b>Barriers/Challenges to CSR implementation</b>	Not at all – to a great extent					
		1	2	3	4	5	Don't Know
xxx.	Lack of time						
xxxi.	Lack of financial resources						
xxxii.	Lack of commitment from top management						
xxxiii.	Lack of Human Resources						
xxxiv.	Issues of corporate disclosure						
xxxv.	Lack of trust in CSR benefits						
xxxvi.	No clear CSR regulation/guidelines						
xxxvii.	Not related to the activities of the firm						
xxxviii.	Our bank cannot afford the expenditure of CSR						
xxxix.	Other, please specify						

4. Any recommendation on how to address these challenges?

.....

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.....

**THANK YOU**

## APPENDIX D

### ROBUSTNESS TEST FOR CSR ACTIVITIES FOR ENVIRONMENT

Variable	df	Pearson's correlation test	
		r	p-value
Disclosure of environmental and social performance	671	0.632	.000
Environmental policies, organization and management	670	0.665	.000
Materials policy of reduction, reuse and recycling	681	0.653	.000
Monitoring, minimizing and taking responsibility for releases to the environment	662	0.702	.000
Energy conservation	666	0.432	.000
Reduction of water consumption	680	0.564	.000
Reduction of all forms of pollution (including air, water, land, noise etc)	659	0.702	.000
Energy conservation	670	0.342	.000
Waste management/reduction	669	0.785	.000
Effective emergency response	680	0.771	.000
Public dialogue and disclosure	681	0.732	.000
Product stewardship	661	0.543	.000
Environmental requirements for suppliers	662	0.753	.000
Environmental audits	663	0.884	.000

Source: Field data (2014)

## APPENDIX E

### ROBUSTNESS TEST FOR CSR ACTIVITIES FOR EMPLOYEES

Variable	df	Pearson's correlation test	
		r	p-value
Provides a family friendly work environment	198	0.633	.000
Committed to the health and safety of employees	198	0.743	.000
Engages in responsible human resource management	198	0.875	.000
Encourages employees to develop real skills and long-term careers (via Performance Appraisal and Training & Development)	198	0.542	.000
Provides an equitable reward and wage system for employees	198	0.321	.000
Respect freedom of association and the right to collective bargaining, providing the facilities and information required for meaningful negotiations	198	0.654	.000
Engages in open and flexible communication with employees	198	0.432	.000
Invests in employee development	198	0.701	.000
Encourages freedom of speech and promotes employee rights to speak up and report their concerns at work	198	0.437	.000
Promotes a dignified and fair treatment of all employees	198	0.675	.000
Provides child care support/paternity/maternity leave in addition to what is expected by law	198	0.865	.000
Engages in employment diversity in hiring and promoting women, ethnic minorities and the physically challenged	198	-0.354	.000
Ensures a work/life balance among employees	198	0.876	.000
Ensure adequate steps are taken against all forms of discrimination	198	0.543	.000
Consult employees on important issues	198	0.704	.000

Source: Field data (2014)



## APPENDIX F

### ROBUSTNESS TEST FOR LEVELS OF ENGAGING STAKEHOLDERS IN CSR PLANNING AND IMPLEMENTATION

Variable	df	Pearson's correlation test	
		r	p-value
CSR assessment and strategy formulation	688	0.876	.000
CSR commitments development and Implementation	672	0.673	.000
CSR Evaluation and Progress Reporting	689	0.789	.000

Source: Field data (2014)

## APPENDIX G

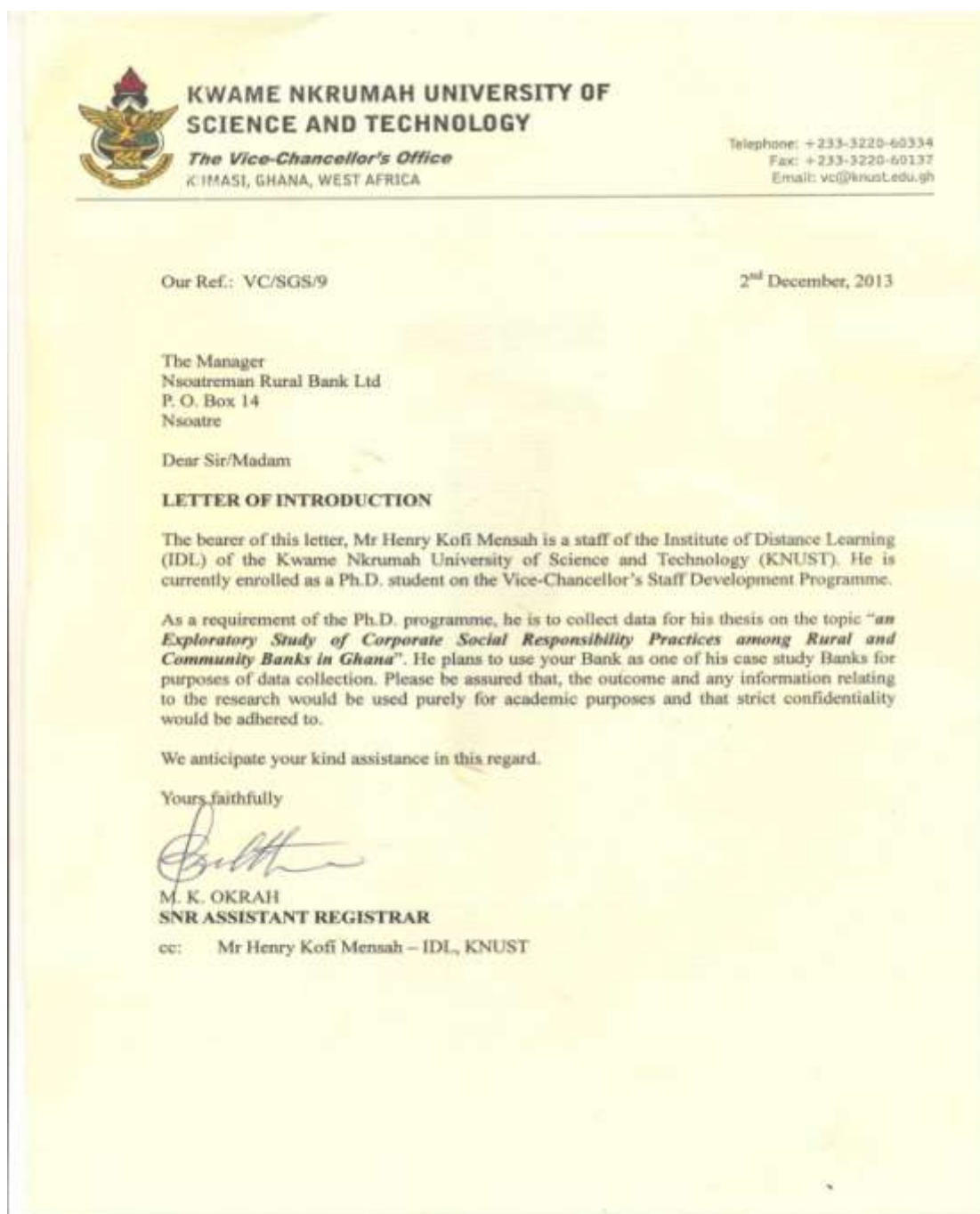
### ROBUSTNESS TEST FOR MEDIUMS OF ENGAGING STAKEHOLDERS IN CSR PLANNING AND IMPLEMENTATION

Variable	df	Pearson's correlation test	
		r	p-value
Community Durbars	667	0.511	.000
Household Visitation	667	-0.243	.024
One-On-One Discussion	668	0.543	.000
Focus Group Meetings	667	0.764	.000
Employee Durbars	665	0.345	.000
Customer durbars	657	0.601	.000
Employee Durbars	665	0.345	.000
Customer durbars	657	0.601	.000

Source: Field data (2014)


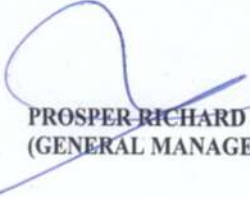
## APPENDIX H

### SAMPLE OF INTRODUCTORY LETTERS FROM KNUST



## APPENDIX I

### SAMPLE OF LETTERS OF APPROVAL FROM BANKS

<b>BOSOMTWE RURAL BANK LIMITED</b>			
EXPERTS IN UNIT BANKING			
P. O. Box 13 KUNTANASE - ASHANTI GHANA - W/A AFRICA Central Office : 03220-98074 Western Union: 0289-523365 Email: bosomtwerb@yahoo.com		FAX: 03220-28248 TEL: 0289100016 0289523328 03220-98076 0289-523328	
<hr/>			
Our Ref: <u>BRB/</u> Your Ref: .....	Date: <u>6<sup>th</sup> November, 2013</u>		
<p>Mr. Henry Kofi Mensah Institute of Distance Learning Kwame Nkrumah University of Science and Technology Kumasi- KNUST</p> <p>Dear Sir,</p> <p><b>RE: LETTER OF INTRODUCTION</b></p> <p>We refer to your introductory letter dated 1<sup>st</sup> October 2013 and wish to inform you that the Board at its regular sitting on 30<sup>th</sup> October 2013 granted your request.</p> <p>Accordingly, you are directed to see the General Manager for any assistance that you may require.</p> <p>We wish you well.</p> <p>Yours faithfully,</p> <p> <b>PROSPER RICHARD ASIEDU</b> (GENERAL MANAGER)</p>			
<b>AGENCIES TELEPHONE NOS.</b>			
ATONSU: 03220-28248	TREDE: 03220-94516	KOKOFU : 03220-94517	KUNTANASE: 0289-524045
JACHIE : 0277-007971	AMANFROM : 0289-102507	KOKOBEN : 03220-94516	DADIESOABA: 03220-28247