

# **THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) PERFORMED BY PRIVATE COMMERCIAL BANKS IN ETHIOPIA**

*A Thesis Submitted to the School of Graduate Studies of Jimma University in  
Partial Fulfillment of the Requirements for the Award of the Degree of Master  
of Business Administration (MBA)*

**By**

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## DECLARATION

I declare that this thesis (The Practice of Corporate Social Responsibility (CSR) performed by Private Commercial Banks in Ethiopia) is my original work. It has not been submitted for a degree in any other universities and all the materials used in this study have been properly acknowledged.

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## STATEMENT OF CERTIFICATION

This is to certify that, I, Mr. Dereje Weldesemayat have carried out this research work entitled “The Practice of Corporate Social Responsibility Performed by Private Commercial Banks in Ethiopia” for the partial fulfillment of Masters of Arts in Business Administration at Jimma University, College of Business and Economics Department of Accounting and Finance. This study is original and is not submitted for any degree in this university or any other universities and is suitable for submission of Masters of Arts in Business Administration.

Confirmation by Advisor: **Shimeles Zewude (Ph.D)** \_\_\_\_\_  
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## Table of Contents

DECLARATION .....	ii
STATEMENT OF CERTIFICATION .....	iii
ACKNOWLEDGEMENT .....	vii
Acronyms .....	viii
List of Tables .....	ix
List of Figures .....	x
Abstract .....	xi
<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>12</b>
1.1 Background of the Study.....	12
1.2 Statement of the Problem.....	17
1.3 Research Question .....	19
1.4 Objectives of the Study .....	20
1.4.1 General Objective .....	20
1.4.2 Specific Objectives .....	20
1.5 Significance of the Study .....	20
1.6 Scope of the study .....	21
1.7 Organization of the Paper .....	22
<b>CHAPTER TWO: RELATED LITERATURE REVIEW .....</b>	<b>24</b>
2.1 Theoretical Literature Review .....	24
2.1.1 The Concept & History of CSR .....	24
2.1.1.1 The Origin of CSR .....	24
2.1.1.2 Expansion of CSR.....	25
2.1.1.3 CSR Theories .....	26
2.1.1.4 Benefits & Costs of having CSR.....	29
2.1.2 The Role of Banks in CSR.....	29
2.1.3 CSR in Ethiopia .....	31
2.2 Empirical Literature Review .....	32
2.3 Conceptual Framework .....	34
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>36</b>
3.1 General Description about the study area .....	36
3.2 Research Approach .....	37
3.3 Research Design.....	37
3.4 Population and Sample Design .....	38

3.4.1	Population of the Study.....	38
3.4.2	Target Population.....	39
3.4.3	Sample Design.....	40
3.4.3.1	Sample Size.....	40
3.4.3.2	Sampling Techniques.....	41
3.5	Sources of Data and Data Collection Techniques.....	42
3.5.1	Data Type and Source.....	42
3.5.2	Data Collection Methods.....	43
3.5.3	Data Collecting Instruments.....	43
3.6	Response Rate.....	44
3.7	Methods of Data Analysis.....	45
3.8	Validity of the Questionnaire.....	46
3.9	Reliability.....	46
3.10	Variable Description.....	47
3.11	Ethical Consideration.....	48
<b>CHAPTER FOUR: ANALYSIS, DISCUSSION AND RESULTS.....</b>		<b>49</b>
4.1	Analysis of the Questionnaire.....	49
4.1.1	Socio-demographic Characteristics of Respondents.....	49
4.1.2	The Awareness level of Private Commercial Banks about CSR.....	52
4.1.2.1	Familiarity and Availability of CSR in Private Commercial Banks.....	52
4.1.2.2	CSR focus areas among Private Commercial Banks: Employees' Perspective.....	54
4.1.3	Extent of CSR activities in Private Commercial Banks.....	54
4.1.3.1	Environment Protection Activities.....	55
4.1.3.2	Community-Related CSR Activities.....	56
4.1.3.3	Customer – Related CSR Activities.....	56
4.1.3.4	Employee – Related CSR Activities.....	57
4.1.3.5	Stakeholders' Engagement in CSR Planning & Implementation.....	58
4.1.3.6	Contribution to Governmental Development Plan.....	59
4.2	Findings and Discussion of Results.....	60
<b>CHAPTER FIVE – SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....</b>		<b>66</b>
5.1	Summary of Major Findings.....	66
5.2	Conclusions.....	68

5.3	Recommendations.....	70
5.4	Areas for Future Research.....	72
	References.....	73
	Appendix.....	77
	Appendix A: Questionnaire for Marketing Department of the Bank.....	77

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## Acronyms

WBCSD	World Business Council for Sustainable Development
US	United States of America
EU	European Union
CSP	Corporate Social Performance
GDP	Gross Domestic Product
NBE	The National Bank of Ethiopia
SPSS	Statistical Package for the Social Sciences
ANOVA	Analysis of Variance

## **List of Tables**

Table 3.1: List of Private Commercial Banks in Ethiopia (as of Dec, 2019)

Table 3.2: List of Target Population

Table 3.3: Proportionate Stratified Sample

Table 3.4: Questionnaire structure of the study

Table 3.5: Response rate of respondents across Private Commercial Banks

Table 3.6: Response rate across strata in Private Commercial Banks

Table 3.7: Reliability Analysis

Table 4.1: Number of Respondents across Private Commercial Banks

Table 4.2: Demographic Information of Respondents

Table 4.3: Binomial Test: Private Commercial Banks' Familiarity with CSR & Existence of CSR Policy

Table 4.4: Private Commercial Banks' Perspective of CSR focus areas

Table 4.5: CSR for Environment Protection – Private Commercial Banks' Perspective

Table 4.6: Descriptive Statistics: Community – Related CSR

Table 4.7: Descriptive Statistics: Customer – Related CSR

Table 4.8: Descriptive Statistics: Employee – Related CSR

Table 4.9: Descriptive Statistics: Stakeholders Engagement in Planning & Implementing CSR

Table 4.10: Descriptive Statistics: Contribution Governmental Development Plan

Table 4.11: Means and Standard Deviation of the Eight Fields of the Study

## **List of Figures**

Fig 2.1: The pyramid of Corporate Social Responsibility, Carroll, 1991

Figure 2.2: Company Stakeholders, inspired by Donaldson & Preston, (1995) as cited in Bimir (2016)

Figure 2.3: Conceptual Framework

## Abstract

*The objective of the study was to assess the practice of CSR by private commercial banks in Ethiopia. The research has followed quantitative research approach, survey as a strategy and structured questionnaire adopted from previous works of Samour (2016), Kesto (2017), & Mensah (2015) as data collection instrument. The research used census method on the private commercial banks in Ethiopia since the target population is simple to manage to collect the data from the target population. The data was collected from staff of marketing department found at head offices of each private commercial bank. Proportionate stratified sampling method along with random sampling techniques was applied in order to identify respondents proportionately from each private commercial bank. Both primary and secondary data sources were used to gather data. The study has utilized a statistical tool called SPSS V.25 for doing the analysis. Descriptive statistics such as frequencies, percentage, mean, and standard deviation were used for summarizing and presenting the data. The study found that there is modest extent and practice of corporate social responsibility (CSR) across private commercial banks in Ethiopia. Furthermore, the study revealed that private commercial banks in Ethiopia are largely familiar with the concept of CSR. The study concluded that private commercial banks in Ethiopia tends to disclose more on their contribution to government development plans than any other aspects of CSR activities. In contrary, the engagement of private commercial banks in Ethiopia in community development among other CSR activities considered as the least followed by stakeholders' engagement in planning and implementing CSR activities. The study recommended that Corporate Social Responsibility requires more for the private commercial banks to pay special attention towards integration CSR activities in their business operations.*

**Keywords:** *Corporate Social Responsibility, Private Commercial Bank*

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Corporate Social Responsibility (CSR) was first noticed in the world in 1950s with the idea of contributing societal welfare and environmental responsibility (Kostyuk *et al.*, 2008). According to Maignan & O’Ferrell (2001), Corporate social responsibility (CSR) is a citizenship function with moral, ethical as well as social obligations between a companies & its consumers. The concept of corporate social responsibility (CSR) refers to the general belief held by many that; modern businesses have a responsibility to society that extends beyond the interest of stockholders or investors in the firm. These other societal stakeholders typically include consumers, employees, the community at large, government, & the natural environment.

Corporate Social Responsibility (CSR) is a widely used business strategy in customer-oriented markets. According to Archie Carroll (2003), CSR defined as: “The social responsibility of business encompasses the economic, legal, ethical and discretionary [community leadership] expectations that society has of organizations at a given point in time”. Whereas, European Commission (2001) argues that CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance...” This implies generally, CSR is defined as the voluntary activities undertaken by a company to operate in an economically, socially and environmentally sustainable manner.

Changes in social system circumstances, sped up by economic process or political innovations, have created new social demands and requirements of responsible firms. The attention of company social responsibility is frequently viewed as a possible device for taking care of social demands and response as firms consciously assume obligation for society (Weygant *et al.*, 2011). With the continued development of the concept, the need to explore what CSR really means & what it implies for business became the major agenda for many academicians and practitioners. First, social issues were viewed as belief and interest developed within the business (Azim *et al.*, 2011).

The definitions are numerous and the number of related concepts such as, corporate responsibility adds confusion to the responsibilities of firms. For instance it can be a matter of charity, but CSR can also be linked to a firm's core business activities. The open rules of application and the absence of one agreed upon definition makes it challenging for firms to respond to the numerous pressures introduced above. In addition, the concepts are understood differently depending on the context. What firms do as CSR in some countries, corresponds to legal requirements in others. As firms are embedded in different national business systems, they will experience divergent degrees of internal, external and lateral pressures to engage in CSR (Matten & Crane, 2005).

In the new development trends of economics, the use of new technologies and economic globalization presents new challenges not only to the business community of different countries but also, to the whole of mankind. According to different researches, today's world is living in such a period when the future of the earth and mankind depends solely on our knowledge and the willingness to change (Das, 2012). In the recent years the concept of Corporate Social Responsibility (CSR) is spreading very rapidly in the whole world and all the sectors including banking (Chaudhury *et al.*, 2011; Das, 2012; Omur *et al.*, 2012). This prevalence is because the fast pace of globalization and social development appeals to all corporations, big or small, local or international, to take their CSR into account by improving the social and environmental performance (Qi Lai, 2006). Of late, there has been growing demand for companies to intensify its corporate social responsibility (CSR). It is no longer one of the responsibilities of the companies but has become the responsibility of companies to give back to the society in which it has been operating and making huge profit.

Unfortunately, there appears to be a wide gap between the level of CSR awareness between companies from developed countries and those from the developing countries. Companies from developed countries have higher CSR level of awareness and faced no difficulty in disclosing their CSR activities relatively to the companies in the developing countries, like Ethiopia. According to the United Nations Development Program UNDP, 2013; World Bank, 2013; Africa came up with the idea of sustainable economic growth, particularly. According to the report, Ethiopia is the one that has been able to achieve continuous economic growth, among some African countries. The principles of developmental state underscore the importance of balancing the economic growth and social development with a focus on tackling poverty (pro-poor growth) and expanding economic opportunities (Samir Bakri, 2013).

CSR differs from place to place, from industry to industry and over time (Richard Welford *et al.*, 2007). Given the lack of consensus of CSR definition among academicians and practitioners (Abagial McWilliams *et al.*, 2003), it is obvious that CSR can bring many advantages for the banking sector. Corporate Social Responsibility (CSR) in banks has become a worldwide demand. Now days, by recognizing CSR, banks from all over the world endorse programs of educational, cultural, and environmental, as well as health initiatives. Besides, they implement sponsorship actions towards vulnerable groups and charitable nonprofit organizations (Polychronidou *et al.*, 2013).

In Ethiopia, though, there is a tangible economic growth, achieving the goals of social development has been minimal, especially with private companies. Even, government wise, it has not been enthusiastic in adopting CSR guideline and has not encouraging the business sector to adapt it. The private sector, on its part, has not been integrating CSR in their business model (Tedla, 2013). Among those sectors, Private commercial banks are our main issue in this thesis. In our country, Ethiopia, the emergence of private commercial banking service has taking a lion share in supporting the business in the economy. Since the purpose of any financial company is to provide return on investment for shareholders, corporations are seen as instruments of creating economic value for those who risk capital in the enterprise (Greenwood, 2001). Therefore, this study concentrates on examining the intensity of CSR practices done by private commercial banks in Ethiopia.

Ethiopia's first bank was the Bank of Abyssinia, which was founded in 1905. By 1915, the same bank began issuing the first Ethiopian bank notes (All-about-Ethiopia, 2019). Paper money was considered something of a revolutionary aspect and was not immediately accepted by the population at large. By 1931, following the liquidation of the Bank of Abyssinia, the Bank of Ethiopia would be formed. They would issue Ethiopian bank notes based largely on the animal motifs used by the now defunct Bank of Abyssinia. By 1964, the National Bank of Ethiopia or the NBE began its operations (All-about-Ethiopia, 2019). The role of this bank to this day is to act as the Ethiopian central bank which issues banking licenses and supervises other banks in the country. Other responsibilities of the NBE include regulating the supply, availability, and the price of Ethiopia's credit and money; manage and administer the country's international reserves, and initiate and control foreign exchange rates.

The Ethiopian banking sector is believed to be growing in recent times as the number of banks escalates and branch outreach also diversified. As stated in Wikipedia, as of the end of December 2019, there are 16 private commercial banks in Ethiopia. These are; Awash International Bank S.C, Wegagen Bank S.C, Bank of Abyssinia, Nib International Bank S.C, United Bank S.C, Dashen Bank S.C, Cooperative Bank of Oromia S.C, Oromiya International Bank S.C, Lion International Bank S.C, Zemen Bank S.C, Bunna International Bank S.C, Birhan International Bank S.C, Abay Bank S.C, Addis International Bank S.C, Debut Global Bank S.C & Enat Bank S.C.

CSR has become a more and more important concern in today's business world. It is a business philosophy covering a wide range of aspects such as human rights, environmental protection, and well-being of employees and other stakeholders; and its ultimate aim is the sustainability of the business (Wong, 2015). Nowadays, it seems that in banking sector the most important capital is the relational capital (Marcinkowska, 2013). But, largely the banking industry does not realize the central importance of having a defined CSR policy and also they do not fully understand the worth of CSR. Yet, there are banks that do well in this area (Hany, 2019). Advocates argue that banks benefit in many ways by operating with a perception broader and longer than their own immediate, short-term profits. For instance, Hany (2019) stated that there are obvious and real gains on hand for banks which have well-designed and successful CSR strategies. The advantages for banks lie in the following areas: encourage sustainable behavior by customers; support development of separate business models for various segments; provide real benefits for the society as a whole; create higher employee motivation, and superior performance levels; and make banks more aware of their potential role in society.

The Ethiopian banking sector is believed to be growing in recent times as the number of banks escalates and branch outreach also diversified. Repeatedly spoken in the literature, banks being part of business community need to work with social responsibility beside the profit motive and it will benefit all stakeholders. However, previous studies on CSR practice in Ethiopia are very limited. In her comparative case study Diana (2009) wrote that CSR in Ethiopia is a concept known in the academics only, not well understood by the rest of the society. As of the knowledge of the researcher, few researches like a study by Bimir (2016) and others had conducted on CSR in Commercial Bank of Ethiopia & Kesto (2017) on the impact of CSR on financial performance of banking sector in Ethiopia; there are insignificant

research conducted on commercial private banks. As of the knowledge of the researcher, a study by Kassie (2015) and Atraga (2014) are among the few studies focused on the practice of CSR on commercial private banks in Ethiopia.

A study conducted by Bimir (2016) revealed that though commercial bank of Ethiopia is making efforts in the CSR areas, still there are gaps in implementing well planned CSR and making disclosure. It also shows that existing altruistic practices in this bank are of reactive to meet the interests of social and community concerns and the bank lacks proactive involvement. A study conducted by Kassie (2015) on selected commercial banks in Ethiopia such as Wegagen Bank S.C, Bunna International Bank S.C, Awash International Bank, United Bank, Abay Bank S.C, Zemen Bank S.C and NIB International Bank S.C indicated that private commercial banks of Ethiopian has looser attitude to support greener industries, lower lending options to low income individuals and small business, less engage in community development and less understanding on poor financial management in banking organizations which results to adverse effect to the environment and society, and less understanding on the idea that it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower. The study has conclude that Corporate Social Responsibility requires more for the private commercial banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainability.

Atraga (2014) in his study on NIB International Bank S.C revealed that the least existence of socially responsible actions rather than fulfilling the minimum requirements by the law, the non-existence of credit access by the bank to poor and disadvantaged social groups, the bank's good commitment in full and timely payment of tax obligations and the bank's goodwill in fulfilling some of the components of economic responsibility are the major practices of CRS in the bank. He concluded that there is minimum involvement of the bank in community activities and the need for the existence of access to financial products and services by the bank in helping the poor and disadvantaged group of the society.

## 1.2 Statement of the Problem

CSR differs from place to place, from industry to industry and over time (Richard Welford *et al.*, 2007; as cited in Mohd & Kaushal, 2019). In the recent years the concept of Corporate Social Responsibility (CSR) is spreading very rapidly in the whole world and all the sectors including banking (Omer *et al.*, 2012). Given the lack of consensus of CSR definition among academicians and practitioners (McWilliams *et al.*, 2006), it is obvious that CSR can bring many advantages for the banking sector. The most important is to enhance banks' reputation and financial performance because, for bank, its reputation is a determining factor to retain old clients and attract new ones, which eventually enhances banks financial status. Besides, if a bank pays attention to social responsibilities, the bank can get profits for themselves through better risk management, employee loyalty and higher reputation. Corporate Social Responsibility (CSR) in banks has become a worldwide demand. Now days, by recognizing CSR, banks from all over the world endorse programs of educational, cultural, and environmental, as well as health initiatives (Mohd & Kaushal, 2019).

CSR reporting can be a significant part in the financial reporting while it provides information to different stakeholders (Weygant *et al.*, 2011) and as an additional part social report would provide information relating to whole environmental concern to society. The system of providing information may vary from company to company, country to country (Azim *et al.*, 2011) but the common media of providing information is financial statement. However, there does not exist a universally accepted theoretical framework for corporate social and environmental reporting (Choi J.S, 1999).

The National Bank of Ethiopia (NBE) has mainly play role of regulation on the financial performance of commercial banks as pertain to the rules and regulations set by the country so as to protect the public and develop confidence on the services provided by banks. NBE enforces all banks to issue annual reports once in a year and to show their status on discharging CSR. The Kesto (2017) in his stated that the accounting reports and disclosures issued by firms are uniform, just copy and paste, across the year. This shows that, reports produced by firms in Ethiopia are just for formality and as a means of pretending the regulators that is why reports are not available on some firms' website timely (Kesto, 2017). The study of Kesto also revealed that the accounting reports of Banks in Ethiopia disclose in their report only the customers and employees aspect by ignoring the community at large as well as the environmental issues. In addition to Kesto, Atraga (2014) in his study revealed

that the adoption, practice and reporting of CSR in private commercial banks in Ethiopia is very low. This implies that the intensity and practice of private commercial banks is not well known. This was the first reason for the researcher to decide to conduct the study on this area.

On the other hand, a study by Tilahun (2011) indicated that some business firms including banking sector in Ethiopia are discharging their social responsibility although the approach used while implementing CSR seems unsystematic and which may adversely affects financial performance. This implies that their provision and practice of CSR is unsystematic and this implies that their practice may adversely affect their financial performance. This is the second reason for the researcher to decide to conduct this study and indicate the problems existing in the system.

Tadesse (2015) in his study revealed that private commercial banks of Ethiopian has looser attitude to support greener industries, lower lending options to low income individuals and small business, less engage in community development and less understanding on poor financial management in banking organizations which results to adverse effect to the environment and society. Beside this, different studies revealed that majority of the business firms in Ethiopia are more concerned on making profit. For instance, Kesto (2017) in his study concluded that majority of the business firms in Ethiopia were in the lower layer of Carroll's 1991, CSR pyramid, which is profit maximization, ignoring the other three pillars even though top-management has an understanding/awareness. This implies that, firms in the Banking sector are much more concerned about the competition and totally ignoring their role in the community and environmental concern. As a third reason, this problem has also triggered the researcher to assess practice & intensity of CSR in private commercial banks in Ethiopia.

Another study was conducted by Ayalew (2018) with regard to the understanding of corporate social responsibility (CSR) practices by Addis Ababa University, the largest and the oldest university in Ethiopia. The study revealed that the issue of CSR in the context of higher learning institutions is one of the least studied subjects in Ethiopia in terms of what social responsibility considerations a higher learning institution is expected to discharge and what it is actually doing. The study noted that there is still the need for more efforts to improve the social responsibilities of the university. This also triggered the researcher to conduct this research and fill this gap.

As it is indicated in different literatures, the practice of CSR is different in developing and developed country. Developed countries, such as the US, Australia, and regional such as the OECD and the EU, have incorporated CSR into their business lexicon. But in developing countries, it is hard to find CSR practices as Western and American model. For instance, Jamali (2007) and Kassaye (2016) as cited in Ayalew (2018) used a pioneer CSR model described by Carroll to study CSR practices in Lebanon and Ethiopia respectively. They argue that, irrespective of whether corporations in Lebanon and Ethiopia are multinational or national, CSR is practiced in a philanthropic way. There is no defined CSR framework that exists in the countries. Hence, the researcher was intended to assess the practice of CSR in private commercial banks and tried to examine the result of these findings.

### **1.3 Research Question**

The central tent of the study was to assess the practice of CSR performed by private commercial banks in Ethiopia. In specific terms, the study addressed the following basic research questions:

- How is the awareness level & the existing practice of CSR in private commercial banks in Ethiopia?
- How do private commercial banks engage stakeholders in planning & implementing CSR?
- To what extent do private commercial banks involved in CSR activities for its employees?
- To what extent do private commercial banks involved in CSR activities for its clients?
- To what extent do private commercial banks involved in CSR activities for its community?
- To what extent do private commercial banks involved in CSR activities for environment protection?
- To what extent do private commercial banks involved in CSR activities for governmental development plans?

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

Generally, the study was intended to assess the practice of CSR in private commercial banks in Ethiopia.

### **1.4.2 Specific Objectives**

Despite the aforementioned general objective of the study, the study specifically seeks to:

- To examine the awareness level & the existing practices of CSR in private commercial banks in Ethiopia.
- To assess the extent of involvement of stakeholders in planning and implementing CSR in private commercial banks in Ethiopia.
- To examine the extent of involvement of private commercial banks in CSR activities for its employees.
- To examine the extent of private commercial banks involvement in CSR activities for its clients.
- To examine the extent of private commercial banks involvement in CSR activities for its community.
- To examine the extent of private commercial banks involvement in CSR activities for environment protection.
- To examine the extent of private commercial banks involvement in CSR activities for governmental development plans.

## **1.5 Significance of the Study**

CSR has witnessed revival in management literature in recent years probably due to a renewed focus on corporate governance and ethical practices of companies world-wide (Hinson *et al.*, 2010; as cited in Tadesse, 2015). The output of this study is assumed to have significance for the banking sector in general and private commercial banks in particular, clients of the banks, academicians and policy makers.

For the banking sector in general and private commercial banks in particular in Ethiopia, the study is believed to generate knowledge about their CSR practice, intensity and indicate their understanding of CSR thereby indicate areas of intervention to take some remedial actions or

corrective measures on the problems identified in the research. The study also helps in improving the understanding of CSR, not just as a management tool or instrument that ensures informed policy making, but also as a form of social order that encourages institutional commitment to fully humanizing the business environment particularly the banking industry in Ethiopia. The study is also expected to have a great role in motivating the banks to allocate part of their profits and investments to serve their community.

For the clients, in addition to providing an in-depth overview of the concept of CSR & providing awareness of an ethical and moral value of banks, this research is believed to educate them in deciding on whether the industries are really fulfilling its responsibility to the elements of CSR or is just showing off to promote its business.

For the academic purpose, the study serves as a stepping stone for other researchers who aspire to make depth study about the issue under the study. Besides, the study is believed to have a significant role in attracting potential researchers to continue conducting studies and to tackle other effects related to CSR. Conducting this research surely develops the researcher's writing and researching skills. It also provides the researcher to increase his knowledge and experience in the concept of CSR in general and how CSR should have to be practiced in banking sector.

For the policy makers, the findings of this research indicates the practice, intensity and contribution of private commercial banks for their community besides generating profit. In addition to this, since the research identified the major problems in implementing CSR in banking sector, the policy makers may identify areas that they may intervene to tackle the problems or ideas that may need policy amendment or new policy initiation.

## **1.6 Scope of the study**

The researcher is intended to conduct this study on banking sector due to the following three major reasons. The first reason is due to the importance of the firms in enhancing economic growth through discharging CSR activities properly. The other reason is due to the sensitivity natures of the industry as it deals with different stakeholders as stated by Kesto (2017). The third reason is that the level of competition in discharging CSR activities among the firms in the sectors is tough so as to maximize market share and even to sustain in the future as stated in Kesto (2017).

Moreover, the scope of the study was limited to private commercial banks in Ethiopia. State owned commercial banks are not included in the population since the nature of formation is different from private commercial banks. State owned banks are not formed by as many shareholders as private commercial banks (Kesto, 2017).

Besides this, rather than considering all departments within all private commercial banks, the researcher preferred to choose the most responsible department for CSR activity. Census surveys will be carried out due to the small number of the population and the intention of reaching concrete findings. As it is stated in Kothari (2008), a census is feasible when the population is small and necessary when the elements are quite different from each other. As it was indicated in Wikipedia, as of December 2019, only 16 private commercial banks are operating in Ethiopia. As it was indicated in Kassie (2015) & Atraga (2014), marketing department is the most responsible department for CSR in all private commercial banks in Ethiopia. Hence, marketing department found in the head offices of private commercial banks will be the center of (target population) collecting the primary data. Head offices are selected because such big activities are lead mostly by head offices.

In order to address extensive scope of CSR, the researcher has reviewed a number of literatures and identified as vast as possible variables for measuring the practice and intensity of CSR in private commercial banks. CSR will be assessed with framework of different factors extracted from different literatures and assessment of different conceptual frameworks. These are; Awareness about CSR, Major practices of CSR in private commercial banks, Taking Care of Employees, Taking care of clients, Helping community and solving societal problems, Concern for Environment, Contribution to Governmental Development Plans and Stakeholders engagement in planning and implementing CSR.

## **1.7 Organization of the Paper**

The study is structured in 5 chapters. The first chapter introduces the study, specifying the rationale and objectives of the research. It stipulates clearly what the aim, research question and objectives are and significance of the study as well as the scope of the study. The second chapter examines theoretical and empirical literatures. Moreover, it examines the nature of corporate social responsibility by drawing on a wide range of literature. It further explores the evolution of this concept, the theory and its applicability. The growth of banks in Ethiopia and the history of CSR in Ethiopia is also reviewed. After having an intense look of CSR, the

conceptual framework is developed and set the platform on which this thesis is based. In third chapter, the research methodology is addressed. The third chapter i.e. Research Methodology, indicates the entire research process including its philosophy, strategy, approach, as well as, its data collection methods. The sampling procedure in addition to the ethical considerations was also discussed within this chapter as well. The fourth chapter i.e. Findings and Discussion, presents the analysis and discussion of findings generated from data collection techniques being applied. The last chapter i.e. Conclusion, presents a summary of achieved results, reminds the reader about limitations, and proposes areas for further study.

## CHAPTER TWO: RELATED LITERATURE REVIEW

### 2.1 Theoretical Literature Review

#### 2.1.1 The Concept & History of CSR

Corporate Social Responsibility (CSR) as a concept has no consensus definition. Various writers defined it based on their background, interest, exposure, as well as values embodied in the writer's frame of reference. CSR was first used and defined as a concept by Bowen (1953) & according to him; CSR refers to 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. A lot of the ambiguity behind CSR seems to derive from the lack of universal definition to the subject. While corporations today are encouraged to behave socially responsible on a wide array of issues, there is confusion in both the corporate and academic world as how to define the concept of CSR (Dahlsrud, 2006; as cited in Bimir, 2016). In the context of increasing importance of CSR among financial companies, some of the existing definitions of CSR are summarized in table 2.1 as below;

Definition Source	Definition
Commission of the European Communities, 2001	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis
World Business Council for Sustainable Development, 1999	The commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve their quality of life
Business for Social Responsibility, 2001	Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment
IBLF, 2003	Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success
CSR wire, 2003	CSR is defined as the integration of business operations and values, whereby the interests of all stakeholders including investors, customers, employees and the environment are reflected in the companies policies and actions

Source: Dahlsrud (2008)

##### 2.1.1.1 The Origin of CSR

Carroll (1999), one of the prominent figures of CSR, divided the development in different time periods. He claimed that, CSR emerged during the mid-20s century, before 60 years from now. He further claimed that USA played a key role in the emergence of the concepts of CSR with the birth of modern activists movement between 1950s and 1960s (Cochran, 2007) although other developed countries also showed vigorous contributions.

He divided the development of CSR concept into every 10 years period where 1950 remained as the modern area of social responsibility; 1960 as expansion period of CSR literature; 1970 as proliferation of CSR definitions; 1980 as more researches and the emergence of alternative themes; and 1990 as further expansion of CSR themes. He further clarified alternative themes as CSP, stakeholder theory and business ethics theory (Carroll, 1999). Further attempts also made to define CSR approaches at the same time. Preston and Post's (1975) thought of public responsibility; Carroll's categorization of CSR into four-part responsibility as economic, legal, social and philanthropic and Sethi's (1979) division of corporations in terms of reactive, defensive and responsive remained as one of the prominent cornerstones in the history of CSR development (Wood, 2010).

#### *2.1.1.2 Expansion of CSR*

CSR gradually gained enough attention from theorists and practitioners. After noticing considerable environmental related problems created by firms in United States and other industrial countries, Sethi (1979) classified corporate psychology into three segments as corporate behavior or social obligation, social responsibility and social responsiveness. In addition, Sethi classified businesses response to the society into two ways; market and non-market. Since media influence increased significantly in 70s decade, the managers diverted their attention slightly towards Corporate Social Performance (CSP) and Corporate Social Responsiveness (CSR) from the mainstream of CSR. Before that, CSR2 and CSP considered as a synonym of CSR (Wartick and Cochran, 1985; as cited on Adhikari, 2013). Later, Carroll (1979) described CSP in a broad way including three areas of corporate duty- CSR, CSR2 and Social Responsiveness. Eells and Walton also contributed to expand CSR models to some extent during 60s (Zenisek, 1979: as cited on Adhikari, 2013). Eells presented CSR model with a continuum from the perspective of organizational behaviors on which minimum responsibility showed on the left side and vice versa. On the other hand, Schwartz and Carroll developed a new three-domain approach after reviewing and modifying the Carroll's previously presented four-domain and Pyramid of CSR approach. their revised three-domain (Venn diagram) model including economic, legal and ethical domains attempts to address previous shortcomings by discovering some overlapping categories (Schwartz and Carroll, 2003) which also does not remain without criticisms. The main conceptual viewpoints that have emerged out of the literature over time, as captured in Table 2.2 illustrate CSR as a social obligation, CSR as stakeholder obligation, CSR as ethics-driven and CSR as managerial processes.

### 2.1.1.3 CSR Theories

In the literature on corporate social responsibility, there are different theories developed by different writers. This encompasses the stakeholders approach, Carroll's Pyramid, legitimacy theory ISO 2600 etc.

#### I. Carol's CSR Pyramid

Carroll initially developed the CSP model in response to Friedman's critique and the overall responsibility confusion among academics and managers. The CSP model contained a three-fold purpose; (1) to define the essential aspects of CSR, (2) connect them to the relevant social issues and (3) aid practitioners to choose a responsive corporate philosophy to address those issues (Carroll, 1979). In 1991 the CSP model was further developed and depicted in a pyramid model that addressed the four responsibilities that businesses have towards society at any given point in time (Carroll, 1991). Carroll argued that the total responsibility of business should entail the simultaneous fulfillment of economic, legal, ethical and philanthropic dimensions by the company.

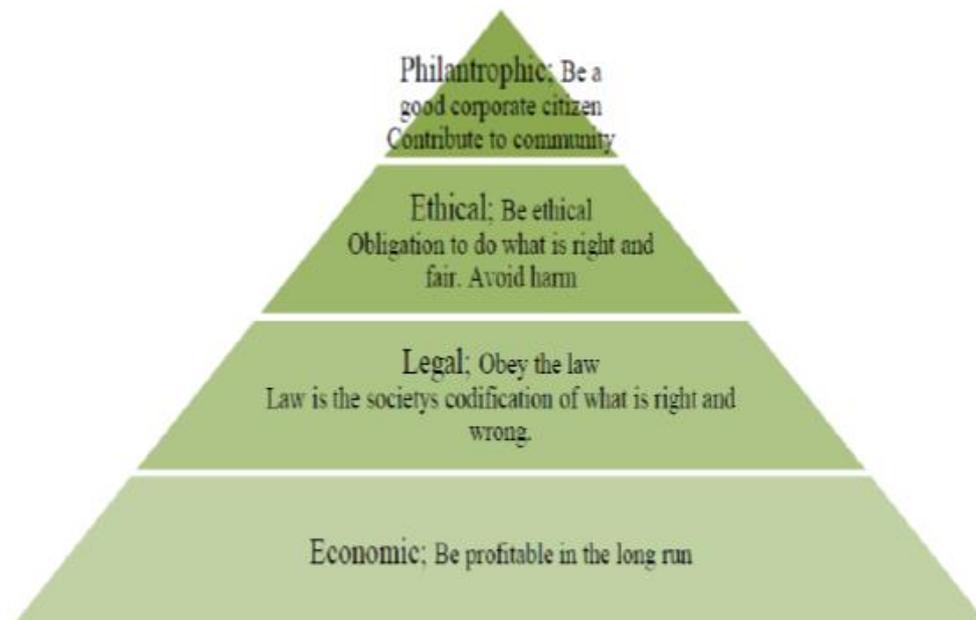


Fig 2.1: The pyramid of Corporate Social Responsibility, Carroll, 1991

**Economic Responsibility;** According to Carroll (1991) the bottom responsibility of a company is to produce “goods and services that the society wants and sell them at a price that society thinks represents their true values”, this eventually benefits the company with profits. Profits serve as return on investments to owners and shareholders resulting in jobs and fair pay for workers.

**Legal Responsibility;** According to Carroll (1991) because society has granted companies to assume the productive role, they must always keep in mind that expectation exists for them to fulfill their economic mission within the framework of legal requirements. Carroll (1991) concluded that this was part of the social contract between business and society.

**Ethical Responsibilities;** According to Carroll (1991) ethical responsibilities overcome the limitations of law concerning the difficulty to legislate morality. Although the two first categories shall always embody ethical behavior, there are activities and practices that are expected by the society but not covered by legislation. Carroll (1991) emphasized the focus on voluntariness - that society keeps expectations of business over and above the legal requirements.

**Discretionary (Philanthropic) Responsibilities;** According to Carroll (1991) the last obligation concern responsibilities that society has no clear-cut message for business, it is up to the individual company's judgment and choice. From this perspective business is expected to contribute to enhanced quality of life in society. The difference between ethical and philanthropic responsibilities is that the latter is not regarding moral and ethics (Carroll & Buchholtz, 2008).

Carroll's (1979) model of four dimensions including economic, legal, ethical and discretionary responsibilities remained as the backbone during 80s and 90s. The model has also included six extra dimensions as consumerism, environment, racial/gender discrimination, product safety, occupational safety and shareholder.

## **II. Stakeholders Theory**

The core of the stakeholder theory steps away from the shareholder capitalism orientations that see business as an instrument for profit maximization (Freeman *et al.*, 2010; as cited in Bimir, 2016). It presents an alternative that has been very suitable in regard to the parallel development of corporate responsibility and sustainability in the business community. The stakeholder theory concerns how to manage a business effectively while creating shared value between a company and its surroundings. According to Lee (2008) in Emil and Dennis (2013), the development of CSR has been inspired and propelled by the notion of stakeholder theory. The rational connection between CSR and stakeholder theory is that if CSR explains *what* responsibilities business ought to fulfill, the stakeholder concept addresses the question of to *whom* business should be accountable to.

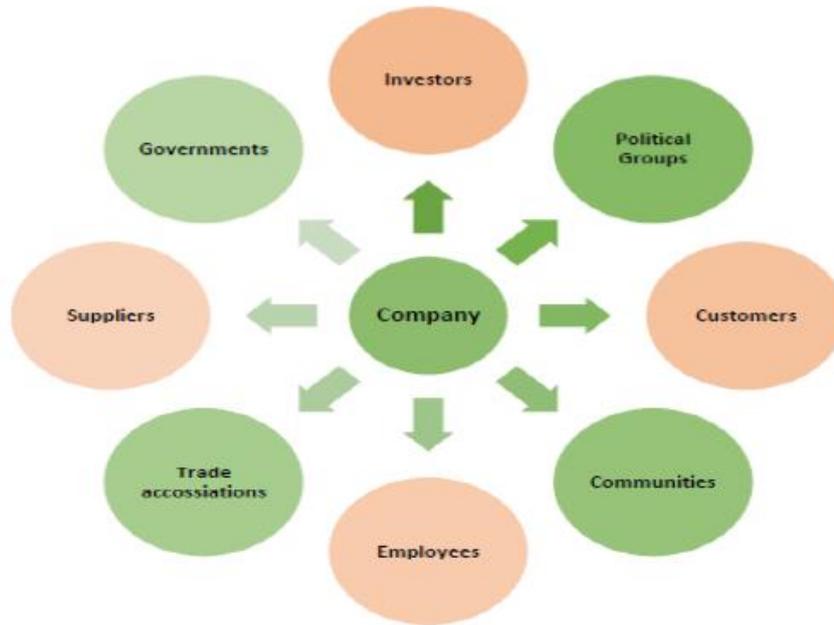


Figure 2.2: Company Stakeholders, inspired by Donaldson & Preston, (1995) as cited in Bimir (2016)

### III.ISO 26000

ISO standards in general are commonly adapted and certified among companies and products around the world, usually they are used as a mean to ensure quality of products and operations. International Organization for Standardization (ISO, 2010) has identified six areas of corporate sustainability that companies face in society. These are environment, human rights, consumer issues, fair operating practices, labor practices and community involvement. This is one of the major frameworks for companies to shoulder their social responsibilities.

Despite the aforementioned theories are popular in CSR literature, Maignan and Ralston (2002) developed five categories as community stakeholders, customer stakeholders, employee stakeholders, shareholders and suppliers including 11 dimensions of CSR. They are- art and culture, education, quality of life, safety and environmental protection, product/service quality and safety, equal opportunities, health and safety, profit creation commitment, information disclosure, corporate governance and equitable opportunity (Maignan and Ralston, 2002).

#### *2.1.1.4 Benefits & Costs of having CSR*

Proponents of CSR argue that company can benefit from having CSR, such as enhancing reputation, generating greater employee and customer loyalty and retention (Lance, 2001). Firstly, CSR can generate reputation and then create business value to the social responsible company. CSR can maintain customer loyalty which is important for company because it is more costly to attract new customers than to retain existing customers. Secondly, adopting CSR can make company more profitable. Company can increase sales revenue by gaining customer support and reduce cost by having environmental friendly approach in production. More tax reduction will be obtained by using environmental friendly machinery or making charitable donations. Having environmental-friendly production can also achieve cost efficiency position. Thirdly, CSR has positive impact on strategic decision of the company. CSR facilitates product differentiation strategy to be successful and a higher price can be charged for the product. For instance, differentiating through the use of CSR resources like recycled products or organic pest control. Company can also gain competitive advantage since the company shows the uniqueness of the value to community (Holme, 2010).

However, implementing CSR is not without costs. Firstly, using new machinery in production will involve intensive capital investment which may then result in liquidity problem (Yeoh, 2007). Higher capital cost may shake the position of cost leadership of the company. Secondly, company may hire additional staff to advocate and conduct CSR through affirmative action, community outreach, and improved labor relations (McWilliams & Siegel, 2001), therefore higher wages and benefits have to be provided. Thirdly, CSR may require higher cost of materials or inputs from suppliers. For instance, Body Shop purchases special ingredients and formulas that have not been animal tested (McWilliams & Siegel, 2001).

#### **2.1.2 The Role of Banks in CSR**

Some scholars consider CSR is a public relations issue. Frankental P. (2001) suggested that CSR is an invention of public relations and CSR can only have real substance if it considers all stakeholders and it is reinforced by changes in company law or rewarded in financial markets.

Yeung (2011) has described role of banks in CSR that global regulations imposed for banks is holding reserve against loans and achieving AAA grade ratings. Yeung (2011) defines key element of CSR in the banking sector such as: understanding of financial services

complexity, risk management, strengthen ethics in the banking business, strategy implementation for financial crisis, protection of customers' rights and channels settings for customer complaints. Yeung (2011) concluded that CSR in banking industries shall comprise the above-mentioned elements: risk assessment, effective and efficient internal audit process with value added to stakeholders. Hence, in order to maintain competitiveness in the market and responsible to customers, bankers need to understand the economic situation, re-focus marketing strategy with prudent risk management system, identify the concerns of customers, implement fair operation procedures to protect customers and the community as a whole.

Largely, the banking industry does not realize the central importance of having a defined CSR policy. Many banks do not fully understand the worth of CSR. Yet, there are banks that do well in this area (Hany, 2019). It is not surprising to see that the role of banks in CSR is subject to considerable amount of debate and criticism. Advocates argue that banks benefit in many ways by operating with a perception broader and longer than their own immediate, short-term profits. For instance, Hany (2019) argued that there are obvious and real gains on hand for banks which have well-designed and successful CSR strategies. The advantages for banks lie in the following areas: encourage sustainable behavior by customers; support development of separate business models for various segments; provide real benefits for the society as a whole; create higher employee motivation, and superior performance levels; and make banks more aware of their potential role in society. But, opponents argue that CSR diverts from the basic economic role of banks; others argue that it is nothing more than superficial window-dressing (Hany, 2019).

Nowadays, it seems that in banking sector the most important capital is the relational capital (Marcinkowska, 2013). Implementing CSR is one of the most important instruments of building the relational capital with the banks' stakeholders. Today the social, environmental and ethical investing is a way to strengthen the corporate competitiveness strategy. Therefore, as an important driver for the development of CSR, social responsibility measures must be formalized under legal regulations that require economic operators to include and implement CSR principles in their business practice (Adamczyk, 2013; as cited in Bimir, 2016). Formal regulations for specific requirements do not include limitations regarding environment and occupational safety. They provide the businesses with the ability to voluntarily take various measures and social initiatives aimed at improved competitiveness.

Contrarily, CSR consist of actions that companies undertake to become environmentally and socially sustainable beyond their legal obligations. They know that in the short run CSR means a decrease in profits for the sake of social and environmental investments, but in the long run CSR is a value driver through risk reduction and increases the business's profits (Bosch-Badia, *et al.*, 2013).

### **2.1.3 CSR in Ethiopia**

In Ethiopia, the concept of CSR is new; its functioning has already started in multinational companies and NGOs formally and a very few in national companies informally (Kassaye, 2016). These initiatives are mainly philanthropic with practices and understanding to a large extent imported from the developed countries. Until 1992 the Ethiopian government was fully socialistic and private ownership of firms did not exist. Hence, firms do not think in terms of CSR, but instead, for the most part, are concerned with economic survival. "The private sector is not taking the leadership in CSR and private-public partnership is very limited. When the private sector grows stronger and starts to have a say, CSR will experience parallel growth" (Shiferaw, 2007). This implies that corporate governance appears to be at a stage in which it is only discussed at the university and government levels, not implemented.

As the informal sector grows and more privatization takes hold, attention to corporate governance issues is expected to increase. At present the scale of business is too small to warrant attention to corporate governance. Government priorities are more fundamental: health care, education, and employment creation. Ethiopia's priorities are in capacity building, not in refinement of corporate governance (Robertson, D. C., 2009). In Ethiopia, CSR (where it exists) is characterized by firms partnering with NGOs to deliver aid and education. The importance of foreign aid and NGOs in Ethiopia suggests that these may be significant influences on the form of CSR in similar developing economies (Robertson, D. C., 2009).

Bedada *et al.*, (2011) had conducted research on the practice of corporate social responsibility and the related governance on Ethiopian flower industry and found that since Ethiopia is one of the developing countries the philosophy of corporate social responsibility is not well developed and also the governance system takes the form of mere control and decision making rather than well-developed ethical code of conduct.

Tewelde (2012) had also made a study on the context of CSR in Ethiopia and revealed that like many other African countries, the practice of CSR gives much emphasis for economic aspect at the expense of other dimensions. He also indicated that the legal and ethical responsibility dimensions of CSR have got the least emphasis as it is the case in most of African countries context.

Divergence on policies and practices of CSR between developed and developing countries are evident in the literatures. For instance, developed countries, such as the US, Australia, and regional such as the OECD and the EU, have incorporated CSR into their business lexicon (Ayalew, 2018). But the literature reveals that a range of models and frameworks of CSR practices are different from country to country and even business to business. On the other hand, in developing countries it is hard to find CSR practices as Western and American model (Ayalew, 2018). For instance, Jamali (20017) and kassaye (2016) used a pioneer CSR model described by Carroll to study CSR practices in Lebanon and Ethiopia respectively (Ayalew, 2018). He argues that, irrespective of whether corporations in Lebanon and Ethiopia are multinational or national, CSR is practiced in a philanthropic way. There is no defined CSR framework that exists in the countries. Hence, an observable gap exists between developed and developing countries in regard to CSR practices.

## **2.2 Empirical Literature Review**

According to the theoretical findings philanthropic responsibility is highly rated in Ethiopia (Kassaye, 2016). The empirical findings support this statement since all the people interviewed in Ethiopia evidenced the need for companies and organizations to engage in philanthropy since the government and institutions not succeed to support the socioeconomic needs of the Ethiopia society. According to the theoretical findings CSR is socio culturally implanted. With regard to Ethiopia and the empirical findings in the field study there is an obvious relation between CSR activities and cultural or societal circumstances (Kassaye, 2016). Philanthropic activities are main activities since social needs in Ethiopia are so endemic.

In Ethiopia there is no understandable connection between CSR activities and cultural situations meaning that there is a disconnection between philanthropic motives and business motives (Kassaye, 2016). Businesses in Ethiopia cannot function if employees are affected by different problems or if infrastructure is unavailable and therefore philanthropic motives and business motives are closely interconnected. Likewise, almost all national companies and

government organizations have not developed CSR policy and a strategy since CSR is not operated on a formal basis. Besides, the challenges that affect the practices and implementations of corporate social responsibility, according to recent research findings there are a number of factors which decisively affect the nature or outcome of CSR, are known as determinants of CSR (Reverte, 2009).

In Ethiopia corporate governance is a topic that is recognized by the academics and government level, not implemented, but it does not seem to be a priority given Ethiopia's serious problems, and few steps have been taken to assure that adequate corporate governance measures are in place (Ayalew, 2018). This is due to the private sector is not taking the leadership in CSR and private-public partnership is very limited (Robertson, 2009).

A study conducted on CSR practices and understandings of multinational companies (MNC), national companies, government organizations and NGO regard to Ethiopian perspectives revealed that CSR as idea is new and started off as a retort by multinationals and NGOs to remedy the effects of their extraction activities on the local communities (Kassaye, 2016). Consequently, the result has been viewed as two-fold. Firstly, there is the recent development of formal CSR practices mainly driven by MNCs and NGOs. Secondly almost all of national companies and government organizations have not developed a concept of CSR. However, some of Ethiopian companies have a tradition of partnership and dialogue with their communities and stakeholders in the form of informal CSR practices. The study further indicated there are no CSR practices being integrated into management systems and daily business operations within many companies and organizations. But there is an enhancement of philanthropic initiatives in Ethiopia to a great amount has been institutionalized. Therefore, there are a number of traditional institutions that can be taken as major external factors governing social responsibility practices in Ethiopia. These institutions are being serving as instruments to organize socio-economic collaboration and mutual assistance among villagers (Poluha, 1995). According to Tewelde (2012), as per the discussion of CSR in Ethiopia it is clear that the legal and ethical responsibilities are the least in terms of practice as it is the case in most of African countries context. A study conducted by Bimir (2016) revealed that though commercial bank of Ethiopia is making efforts in the CSR areas, still there are gaps in implementing well planned CSR and making disclosure. It also shows that existing altruistic practices in this bank are of reactive to meet the interests of social and community concerns and the bank lacks proactive involvement.

A study conducted by Kassie (2015) on selected private commercial banks in Ethiopia such as Wegagen Bank S.C, Bunna International Bank S.C, Awash International Bank, United Bbank, Abay Bank S.C, Zemen Bank S.C and NIB International Bank S.C indicated that private commercial banks of Ethiopian has looser attitude to support greener industries, lower lending options to low income individuals and small business, less engage in community development and less understanding on poor financial management in banking organizations which results to adverse effect to the environment and society, and less understanding on the idea that it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower. The study has conclude that Corporate Social Responsibility requires more for the private commercial banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainability.

Atraga (2014) in his study on NIB International Bank S.C revealed that the least existence of socially responsible actions rather than fulfilling the minimum requirements by the law, the non-existence of credit access by the bank to poor and disadvantaged social groups, the bank's good commitment in full and timely payment of tax obligations and the bank's goodwill in fulfilling some of the components of economic responsibility are the major practices of CRS in the bank. He concluded that there is minimum involvement of the bank in community activities and the need for the existence of access to financial products and services by the bank in helping the poor and disadvantaged group of the society.

### **2.3 Conceptual Framework**

After going through a critical review of theories & approaches to assess CSR such as Stakeholders approach, Carroll's Pyramid, Legitimacy theory, ISO 2600 & others, the researcher has developed its own conceptual framework as indicated on Figure 2.3 below. In this research, it is planned to assess the practice of CSR in private commercial banks in Ethiopia. This means that the study majorly will focus on CSR practices of private commercial bank; and the extent of involvement/intensity of private commercial banks on different CSR activities. Hence, variables which enable to assess the awareness and practice of CSR on private commercial banks in Ethiopia as well as different intensity of CSR practice measurement variables were identified after reviewing the aforementioned literatures. Therefore, the following conceptual framework is designed for conducting this study.

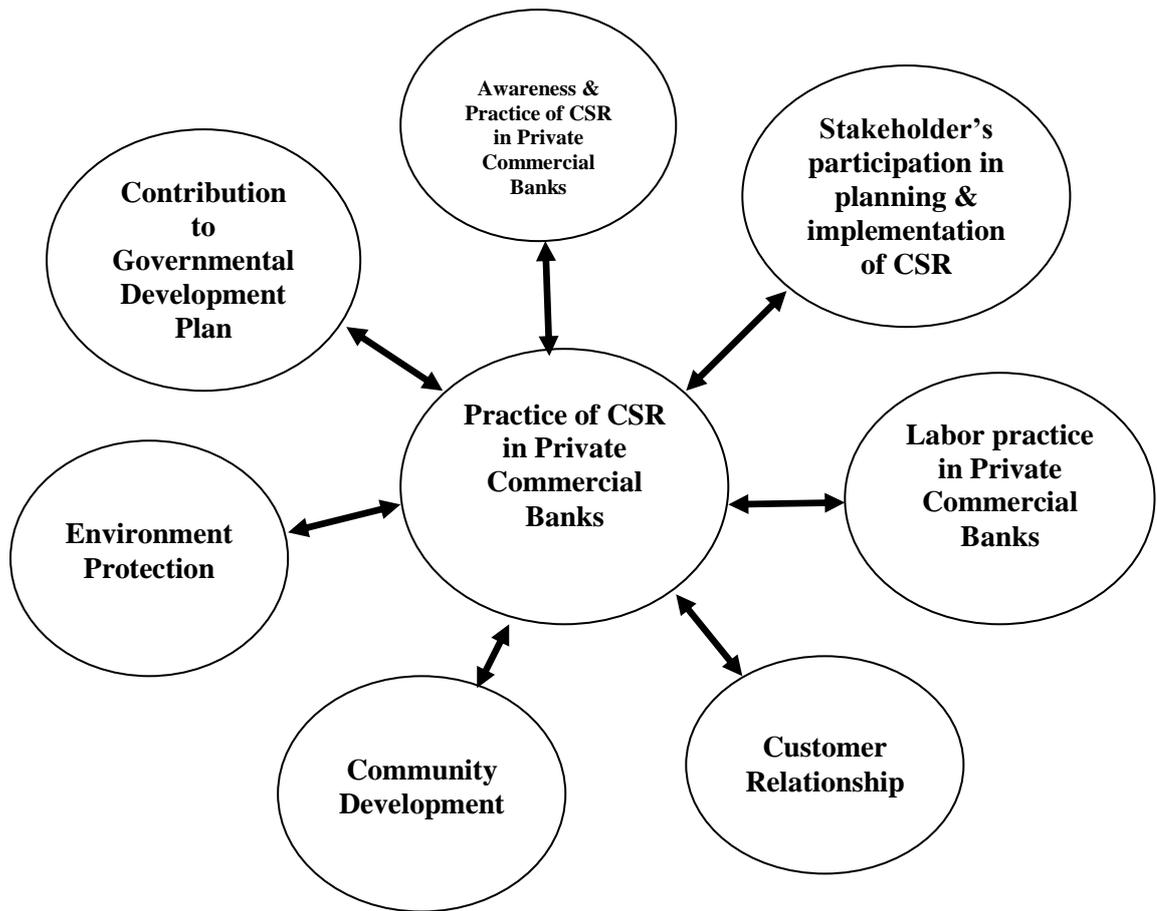


Figure 2.3: Conceptual Framework (conceptualized by researcher)

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 General Description about the study area**

Ethiopia's first bank was the Bank of Abyssinia, which was founded in 1905. By 1915, the same bank began issuing the first Ethiopian bank notes (All-about-Ethiopia, 2019). Paper money was considered something of a revolutionary aspect and was not immediately accepted by the population at large. By 1931, following the liquidation of the Bank of Abyssinia, the Bank of Ethiopia was formed. By 1964, the National Bank of Ethiopia or the NBE began its operations (All-about-Ethiopia, 2019). The role of this bank to this day is to act as the Ethiopian central bank which issues banking licenses and supervises other banks in the country. Other responsibilities of the NBE include regulating the supply, availability, and the price of Ethiopia's credit and money; manage and administer the country's international reserves, and initiate and control foreign exchange rates.

The Ethiopian banking sector is believed to be growing in recent times as the number of banks escalates and branch outreach also diversified. As stated in Wikipedia, as of the end of December 2019, there are 16 private commercial banks in Ethiopia. These are; Awash International Bank S.C, Wegagen Bank S.C, Bank of Abyssinia, Nib International Bank S.C, United Bank S.C, Dashen Bank S.C, Cooperative Bank of Oromia S.C, Oromiya International Bank S.C, Lion International Bank S.C, Zemen Bank S.C, Bunna International Bank S.C, Birhan International Bank S.C, Abay Bank S.C, Addis International Bank S.C, Debut Global Bank S.C & Enat Bank S.C.

Corporate Social Responsibility (CSR) as a concept has no consensus definition. Various writers defined it based on their background, interest, exposure, as well as values embodied in the writer's frame of reference. CSR was first used and defined as a concept by Bowen (1953) & according to him; CSR refers to 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. Some scholars consider CSR is a public relations issue. Frankental P. (2001) suggested that CSR is an invention of public relations and CSR can only have real substance if it considers all stakeholders and it is reinforced by changes in company law or rewarded in financial markets. Yeung (2011) defines key element of CSR in the banking sector such as: understanding of financial services complexity, risk management, strengthen ethics in the banking business, strategy implementation for financial

crisis, protection of customers' rights and channels settings for customer complaints. Hence, the purpose of this study was to assess the practice & intensity of CSR in private commercial banks in Ethiopia.

### **3.2 Research Approach**

The purpose of this study was to assess the practice & intensity of CSR in private commercial banks in Ethiopia. On the bases of this, the researcher was intended to use quantitative approach that will enable us to answer the research questions and meet the objectives of the study. A quantitative approach is one in which the investigator primarily use post positivist claim for developing knowledge (i.e. cause and effect thinking), reduction of specific variables and question (Cresswell 2003). Quantitative approach enables the researcher to gain better knowledge and understanding of the results. Quantitative research relies on deductive reasoning or deduction (Sekaran and Bougie, 2010).

For the purpose of this study, in order to answer the research questions and meet the general & specific objectives, descriptive design was used. Descriptive design was used to explore to what extent the private commercial banks in Ethiopia practice CSR. The descriptive design describes the basic features of the data in the research, it presents quantitative descriptions of large amount of data in a manageable form that helps to simplify it in a sensible way; it compares, explains, and evaluates data in order to generalize meaningful results to enrich knowledge in the field of the research (Trochim & Donnelly, 2006). On the other hand regarding data collection techniques, qualitative techniques and procedures was used. Questionnaires were prepared and used as tools for collecting the data.

### **3.3 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 appropriate data to unambiguously achieve the study objectives.

There are different types of research designs or research types depending on the purpose and or objectives of the research. Based on the purpose of the research, according to De Vaus (2001), research design can be categorized as exploratory, descriptive, explanatory and cross-sectional design; as Robson (2002) also pointed out.

Based on the nature of the research questions stated in this study, a mixture of exploratory and cross-sectional approach were deemed most appropriate for this study. Cuthil (2002) and Taylor *et al* (2002) explains that exploratory research design focuses on gaining insights and familiarity on phenomenon 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 research design was used to gather data to give more understanding of, ideas about and insights into CSR as practiced among private commercial banks in Ethiopia. To this extent, the study employs exploratory design methods, such as a literature search and structured interview.

The study conducted a cross-sectional survey of various identified stakeholders mainly marketing department of each private commercial banks found in head offices. 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.

### **3.4 Population and Sample Design**

#### **3.4.1 Population of the Study**

According to Tilahun (2011) quoting the works of Babbie (1989) that the aggregation of elements from which the sample is actually selected is called population. The sample frame was designed from the total number of private commercial banks in Ethiopia. As stated in Wikipedia, as of the end of December 2019, there are 16 private commercial banks in Ethiopia. For the purpose of this study, the population was identified as all private commercial banks in Ethiopia. State owned commercial banks were not included in the population. This is because the nature of formation of state owned commercial banks are different from private commercial banks. For instance, state owned banks are not formed by many shareholders and as a result management and control are different. Private Banks are established with major objective of generating profit. The total lists of population are presented in table 3.1 as below.

**Table 3.1: List of Private Commercial Banks in Ethiopia (as of Dec, 2019)**

S.N	List of Banks in the Population
1	Awash International Bank S.C
2	Wegagen Bank S.C
3	Bank of Abyssinia S.C
4	Nib International Bank S.C
5	United Bank S.C
6	Dashen Bank S.C
7	Cooperative Bank of Oromia S.C
8	Oromia International Bank S.C
9	Lion International Bank S.C
10	Zemen Bank S.C
11	Bunna International Bank S.C
12	Birhan International Bank S.C
13	Abay Bank S.C
14	Addis International Bank S.C
15	Dehub Global Bank S.C
16	Enat Bank S.C

### 3.4.2 Target Population

As it was indicated in the previous part, currently there are 16 private commercial banks in Ethiopia i.e. also termed as population/sample frame. Census surveys were carried out due to the small number of the population and the intention of reaching concrete findings. As it is stated in Kothari (2008), a census is feasible when the population is small and necessary when the elements are quite different from each other. Besides this, rather than considering all departments within all private commercial banks, the researcher preferred to choose the most responsible department for CSR activity. As it was indicated in Kassie (2015) & Atraga (2014), marketing department is the most responsible department for CSR in all private commercial banks in Ethiopia. Hence, marketing department found in the head offices of private commercial banks were the center of (target population) primary sources of collecting data.

From the preliminary collected data from HR of each bank, the number of marketing department staffs across each private commercial bank in Ethiopia is indicated in table 3.2 below;

**Table 3.2: List of Target Population**

S.N	List of Target Banks	No of Target Population (Marketing Department Staffs)
1	Awash International Bank S.C	25
2	Wegagen Bank S.C	14
3	Bank of Abyssinia S.C	15
4	Nib International Bank S.C	16
5	United Bank S.C	10
6	Dashen Bank S.C	23
7	Cooperative Bank of Oromia S.C	14
8	Oromia International Bank S.C	11
9	Lion International Bank S.C	18
10	Zemen Bank S.C	10
11	Bunna International Bank S.C	13
12	Birhan International Bank S.C	15
13	Abay Bank S.C	11
14	Addis International Bank S.C	10
15	Debut Global Bank S.C	14
16	Enat Bank S.C	12
	<b>Total Target Population</b>	<b>231</b>

Source: Data from each Private commercial banks in Ethiopia (as of Sep, 2019)

### 3.4.3 Sample Design

A sample design is a defined plan for obtaining a sample from a given population (Kothari, 2004). So in this section the sampling frame, sampling size & the sampling techniques were described as follow.

#### 3.4.3.1 Sample Size

Use of a sample enables a researcher to save time and money hence get more detailed information for its respondents. In this study, the target population and the sample frame was considered to be the same because the number of respondents is not large. Therefore, number of respondents to the questionnaire were selected from the staff of marketing department in each private commercial bank found in the head offices of each private commercial banks.

In order to determine the sample size from the population, the researcher used Slovin's formula statistics Canada (2010) as cited by (Kebite, 2018) as well as Yamane's (1967) formula as cited in Alemu (2018). He provided a simplified formula to calculate the sample size. This formula is based on a 95% desired confidence level and a 5% desired level of precision. The formula is described as follow;

$$n = N / [1 + N(e^2)]$$

Where: n = Sample size  
 N = Population size i.e. 231  
 E = Level of precision or acceptable sampling error (0.05)

$$\text{Sample size (n)} = 231 / [1 + 231(0.05)^2]$$

$$\mathbf{n = 146}$$

Based on the above formula a sample of 146 employees were selected from the target population i.e. private commercial banks in Ethiopia.

### 3.4.3.2 Sampling Techniques

Due to time and resource constraints it will be difficult to study all the population of the study and taking a sample is necessary. Sekeran, (2001) defines a sample as a portion of the population that has attributes as the entire population. A random probability sampling method was used to select the participants from the population. In probability sampling, all people within the research population have a specifiable chance of being selected. These types of sample are used if the researcher wishes to explain, predict or generalize to the whole research population (Dawson, 2002).

Stratified sampling method was utilized for selecting the focused employee groups found in head offices of the private commercial banks. Stratified sampling is a type of sampling method in which the total population is divided into smaller groups or strata to complete the sampling process (Kothari, 2004). The strata were formed based on their common characteristics in the population data. After dividing the population into strata, the researcher randomly selected the sample proportionally across all private commercial banks. While conducting a proportionate stratified sampling technique, the number of sampling unit drawn from each stratum were in proportion to the population size of that stratum.

A formula provided by Kothari (2004) to calculate the number of elements selected from each stratum was applied: -

$$i = n \cdot p_i \quad p_i = \text{strata } i / N$$

Where **i** = number of items selected from stratum **i**

**P<sub>i</sub>** = proportion of population included in stratum **i**

**n** = total sample size

**N** = total population size

Accordingly after applying the above formula the number of respondents which were selected from each stratum was illustrated in the following table 3.3.

**Table 3.3: Proportionate Stratified Sample**

S.N	List of Target Banks	Total Strata Size	Proportionate Sample Size
1	Awash International Bank S.C	25	16
2	Wegagen Bank S.C	14	9
3	Bank of Abyssinia S.C	15	9
4	Nib International Bank S.C	16	10
5	United Bank S.C	10	6
6	Dashen Bank S.C	23	15
7	Cooperative Bank of Oromia S.C	14	9
8	Oromia International Bank S.C	11	7
9	Lion International Bank S.C	18	11
10	Zemen Bank S.C	10	6
11	Bunna International Bank S.C	13	8
12	Birhan International Bank S.C	15	9
13	Abay Bank S.C	11	7
14	Addis International Bank S.C	10	6
15	Dehub Global Bank S.C	14	9
16	Enat Bank S.C	12	8
	<b>Total Sample Size</b>	<b>231</b>	<b>146</b>

Source: Data from each Private commercial banks in Ethiopia (as of Sep, 2019)

Based on the size of each stratum the respondents were selected using a simple random sampling technique. Simple Random Sampling provides the opportunity for each member of the population understudy to have an equal chance of being selected (Dawson, 2002). The questionnaires were distributed randomly across each private commercial banks.

### 3.5 Sources of Data and Data Collection Techniques

#### 3.5.1 Data Type and Source

The main purpose of this research was to assess the practice of CSR in private commercial banks in Ethiopia. In order to achieve the general & specific objectives, both primary and secondary data sources were utilized. A range of secondary data source were reviewed, including banks' reports, manuals and booklets. In addition, the researcher reviewed some of the banks' strategic plans and practices. Furthermore, many textbooks, journals, academic thesis, internet websites and other literature in the field of CSR practices were reviewed and used in this research. Additional information about each bank was retrieved from the banks' websites and manuals. Whereas primary data sources were those data which were collected from private commercial banks for this study for the first time. The main advantages of these sources are more reliable than the secondary one, but with their limitations too (Cooper and

Schindler, 2008). Primary sources of data were collected from all private commercial banks especially from marketing department found in the head offices of each private commercial bank since these departments are the most responsible bodies for CSR in Ethiopian banks as it was indicated in Kassie (2015) & Atraga (2014); hence this department is assumed to have enough information about the subject matter.

### **3.5.2 Data Collection Methods**

According to Cooper and Schindler (2008), data collection is the systematic and calculated gathering of information based on research variables. For collecting data from primary data sources i.e. from private commercial banks in Ethiopia, the researcher has utilized survey data collection method. Cooper and Schindler (2006) defined a survey as an instrument process used to collect information during a highly structured interview through use of structured questionnaires. The data were collected particularly from employees of marketing department found in head offices of each private commercial banks. Relevant data were also collected, reviewed and utilized from secondary sources of data such as banks' reports & strategic plans, manuals, booklets in the field of CSR practices.

### **3.5.3 Data Collecting Instruments**

As it was stated in the previous section, to accomplish the research objectives the researcher has utilized both primary and secondary data sources. The researcher applied survey data collection method and structured close ended questionnaire was used. The questionnaire was designed accordingly with the research questions, objectives, variables and conceptual framework. The questionnaires were adopted from previous works of Samour (2016), Kesto (2017) & Mensah (2015). The questionnaire was designed in the English language as indicated in Appendix A. The questionnaire was provided to the target population with a covering letter which explains the purpose of the study, the way of responding, the aim of the research and the security of the information in order to encourage high response. The questionnaire was composed of three main parts and has a total of (48) questions.

The first part contains personal information about the population in the private commercial banks and contains 5 questions. The second part of the questionnaire has 5 questions and it states about the awareness & practice of CSR in private commercial banks. The third part of the questionnaire contains 38 questions and it states about the extent/intensity of CSR practice in each private commercial banks. The third part of the questionnaire has six

different sub-sections as it was stated in the conceptual framework. These sub-sections are, labor practice in each bank (7 questions), customer relation (7 questions), community development (6 questions), environment protection (7 questions), contribution to governmental development plans (6 questions) & stakeholders engagement in CSR planning and implementation process (6 questions). The name of sections, sub-sections & number of questions are presented as below;

**Table 3.4: Questionnaire Structure of the Study**

No.	Sections	Questions	No. of Questions
1	General background of respondents	Question No. 1 - 5	5
2	Awareness & Practices of CSR	Question No. 6 - 10	5
3	Extent/intensity of CSR activities in the banks	Question No. 11 - 49	39
A	<i>Labor practice in your bank</i>	<i>Question No. 11 - 17</i>	7
B	<i>Customer relation</i>	<i>Question No. 18 - 24</i>	7
C	<i>Community development</i>	<i>Question No. 25 - 30</i>	6
D	<i>Environment protection</i>	<i>Question No. 31 - 37</i>	7
E	<i>Contribution to government development plan</i>	<i>Question No. 38 - 43</i>	6
F	<i>Stakeholders engagement in CSR planning &amp; implementation</i>	<i>Question No. 44 - 49</i>	6
	<b>Total Questions</b>		<b>49</b>

The corporate social responsibility scale was adapted from a scale developed by Davis, K. (1967) with a Likert scale scoring format ranging from “Very low extent/Strongly disagree” (coded as 1) to “Very high extent/Strongly agree” (coded as 5). Relevant data were also collected, reviewed and utilized from secondary sources of data such as banks’ reports & strategic plans, manuals, booklets, textbooks, journals, academic thesis, internet websites and other literature in the field of CSR practices.

### 3.6 Response Rate

Self-completion questionnaires which are simple and easy to understand were designed to collect data from employees of marketing department found in head offices of each private commercial banks. Structured interview questions were designed to collect data. The questionnaires contained close-ended questions with a five-point Likert scale on which the respondents were asked to tick the boxes that apply to them. The researcher distributed the questionnaires in person to the sample respondents. The response rate is shown in Table 3.5.

**Table 3.5: Response rate for respondents across Private Commercial Banks**

No.	Description	Respondents/Employees
1	Sample selected	146
2	Questionnaires distributed	146
3	Questionnaires returned	114
4	Response rate (%)	78%
5	Usable responses	114

Source: - Computed by the researcher, 2020

In this study, as it was shown in the previous section, proportionate stratified sampling were applied. The response rate across the strata/departments is presented as below;

**Table 3.6: Response rate across strata in Private Commercial Banks**

S.N	List of Target Banks	Questionnaire Distributed	Questionnaire Returned	Response Rate (%)
1	Awash International Bank S.C	16	13	81%
2	Wegagen Bank S.C	9	6	67%
3	Bank of Abyssinia S.C	9	7	78%
4	Nib International Bank S.C	10	9	90%
5	United Bank S.C	6	4	67%
6	Dashen Bank S.C	15	12	80%
7	Cooperative Bank of Oromia S.C	9	6	67%
8	Oromia International Bank S.C	7	6	86%
9	Lion International Bank S.C	11	8	73%
10	Zemen Bank S.C	6	4	67%
11	Bunna International Bank S.C	8	7	88%
12	Birhan International Bank S.C	9	7	78%
13	Abay Bank S.C	7	7	100%
14	Addis International Bank S.C	7	6	86%
15	Debub Global Bank S.C	9	6	67%
16	Enat Bank S.C	8	6	75%
	<b>Total Sample Size</b>	<b>146</b>	<b>114</b>	<b>78%</b>

Source: Source: - Computed by the researcher, 2020

A pilot test involving 14 respondents group (10% of the desired respondents) were carried out to evaluate the completeness, precision, accuracy and clarity of the questions toward addressing the research objectives and the overall objective of the study. The changes and suggestions of the respondents were then incorporated to the questionnaires to ensure all aspects were sufficiently covered.

### 3.7 Methods of Data Analysis

In this study as it was indicated in the previous parts, quantitative data was collected from the target population. The quantitative data was analyzed by using SPSS v.25). The SPSS was preferred due to its robustness with respect to the precision, accuracy and clarity of outputs of commands and syntaxes.

Before directly starting making the analysis, the collected data was passed through data screening process and checked for completeness and consistency. Identified mistakes and data gaps were rectified. Screening data is an exploratory process used to eliminate anomalous items from data entered in to SPSS (Kothari, 2004). Anomalous items were removed or adjusted outliers and data points wrongly entered in to 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.

In this research, demographic characteristics of respondents were analyzed and presented using frequencies and percentages. These statistical tools were appropriate for visualizing the numbers and proportions of respondents at each level of demographic and responded-related variables (gender, education, work experience, etc.). In addition to these, by using SPSS different descriptive statistics was generated to help the researcher to make inferences and generalizations.

### **3.8 Validity of the Questionnaire**

Validity refers to the degree to which an instrument measures what it is supposed to be measuring (Pilot *et al.*, 2002). Validity is a general term denoting “correctness of measure” (Almaquist *et al.*, 2016). To be valid instrument the survey questions must measure the identified dimension or construct of interest (Almaquist *et al.*, 2016). Validity has a number of different aspects and assessment approaches. Statistical validity is used to evaluate instrument validity, which includes internal validity and structure validity (Shehadah, 2017).

There are several ways of establishing validity such as content validity; convergent validity concurrent; predictive validity; construct validity; and convergent validity. The validity of this research paper, as it was stated in the literature review part, all the variables are adopted from previous research works such as Samour (2016), Kesto (2017) & Mensah (2015). Therefore, this study addressed content validity through the review of literature and adapting instruments used in previous studies.

### **3.9 Reliability**

Reliability is the extent to which a study’s operations can be repeated with the same results and it involves the accuracy of the chosen research (Wiedersheim-Paul and Eriksson as cited on Endale, 2016). Cronbach’s coefficient alpha was used to measure the reliability of the questionnaire between each questions and the mean of the major variables (mentioned as “sub-sections” in the questionnaire) and whether all items within the instrument measure the same thing. The normal range of Cronbach’s coefficient alpha value between 0.0 to +1.0, and the higher values reflects a higher degree of internal consistency (Almaquist *et al.*, 2016).

Therefore, the reliability of the questionnaire was analyzed by using Cronbach's alpha statistics. As it is indicated in the table 3.7 below, all Cronbach's alpha indexes are above 0.7 suggesting that the variables are consistent.

**Table 3.7: Reliability Analysis**

No.	Variables	Cronbach's Alpha	No. of Items
1	Awareness & Practices of CSR	.810	4
2	Extent/intensity of CSR activities in the banks	.929	38
A	<i>Labor practice in your bank</i>	.827	7
B	<i>Customer relation</i>	.803	7
C	<i>Community development</i>	.784	6
D	<i>Environment protection</i>	.877	7
E	<i>Contribution to government development plan</i>	.788	6
F	<i>Stakeholders engagement in CSR planning &amp; implementation</i>	.767	5
	<b>Total</b>	<b>.936</b>	<b>42</b>

Source: Authors' Computation (2020)

The above table 3.7 shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha were in the range from 0.767 to 0.929. This range is considered as high and the result ensures the reliability of each field of the questionnaire. The Cronbach's Alpha value of the entire questions were equals 0.936 (93.6%) and this indicates very good reliability of the entire questionnaire. This means that there is very high internal consistency and reliability in the questionnaire. Therefore, the level of alpha was considered to be reliable enough to proceed with the data analysis. Thereby, it can be said that the researcher proved that the questionnaire was valid, reliable, and ready for distribution to the population sample. Generally, this constituted a basis for making valid conclusions through the reliable data in this research.

### 3.10 Variable Description

After having intensive theoretical and empirical literature review, as it was shown in the previous chapter the researcher has developed a conceptual framework for assessing the practice and intensity of CSR in private commercial banks in Ethiopia. For addressing the research questions and objectives of the study, the major variables that was used as a tool were the awareness and practice of CSR, labor practice in their bank, customer relation, community development, environment protection, contribution to governmental development plans, & stakeholders engagement in CSR planning and implementation process.

### **3.11 Ethical Consideration**

The researcher addressed ethical considerations of confidentiality and privacy throughout the research process. A written guarantee was given to the respondents that their names will not be revealed in the questionnaire and the research report. Moreover, the participants were given a verbal and written description of the study, and informed consent before the survey. Participation in the study was held through only voluntarily and also, they were assured that the responses would be kept confidentially and only be used for the purpose of this study.

## **CHAPTER FOUR: ANALYSIS, DISCUSSION AND RESULTS**

This chapter presents in-depth analysis of structured interviews of employees of marketing department found in head offices of each private commercial banks. The close-ended questionnaires 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 patters of the aspects of the interview that are quantitative in nature. The chapter consists of three major sections. These includes an analysis of the socio-demographic characteristics of the selected respondents that participated in the study, awareness of private commercial banks about CSR and the extent/intensity of CSR activities in private commercial banks i.e. labor practices, customer relation, community development, environmental protection, contribution to government development plans and stakeholders engagement in CSR planning & implementation.

### **4.1 Analysis of the Questionnaire**

#### **4.1.1 Socio-demographic Characteristics of Respondents**

The socio-demographic data was taken to know certain characteristics personal to the respondents which seem relevant to the study. The areas covered include gender, age, academic level, years of experience in their respective banks and their current job position with in their working banks.

As it was indicated in the previous parts, as stated in Wikipedia, as of the end of December 2019, there are 16 private commercial banks in Ethiopia. As it was indicated in research methodology part of this study, the employees of marketing department working in these private commercial banks were the target group.

As it was indicated in Kassie (2015) & Atraga (2014), marketing department is the most responsible department for CSR in all private commercial banks in Ethiopia. Hence, marketing department found in the head offices of private commercial banks were the center of (target population) primary sources of collecting data.

The planned sample size were 146 but the researcher was able to collect the filled questionnaire from 114 employees. Hence, the response rate were 78%. The characteristics of private banks is presented as below;

**Table 4.1: Number of Respondents across Private Commercial Banks**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Awash International Bank S.C	13	11.4	11.4	11.4
	Wegagen Bank S.C	6	5.3	5.3	16.7
	Bank of Abyssinia S.C	7	6.1	6.1	22.8
	Nib International Bank S.C	9	7.9	7.9	30.7
	United Bank S.C	4	3.5	3.5	34.2
	Dashen Bank S.C	12	10.5	10.5	44.7
	Cooperative Bank of Oromia S.C	6	5.3	5.3	50.0
	Oromia International Bank S.C	6	5.3	5.3	55.3
	Lion International Bank S.C	8	7.0	7.0	62.3
	Zemen Bank S.C	4	3.5	3.5	65.8
	Bunna International Bank S.C	7	6.1	6.1	71.9
	Birhan International Bank S.C	7	6.1	6.1	78.1
	Abay Bank S.C	7	6.1	6.1	84.2
	Addis International Bank S.C	6	5.3	5.3	89.5
	Dehub Global Bank S.C	6	5.3	5.3	94.7
	Enat Bank S.C	6	5.3	5.3	100.0
Total	114	100.0	100.0		

Source: Survey, 2020

As it indicated in the above table, the researcher has reached to all the targeted private commercial banks in Ethiopia. Large number of respondents (11.4%) were from Awash International Bank S.C, followed by Dashen Bank S.C and Nib International Bank S.C by having a total share of 10.5% and 7.9% out of the targeted population respectively. This implies that these banks relatively have large number of market employees in their head offices. In contrary, least number of respondents were from United Bank S.C and Zemen Bank S.C by having a share of 3.5% each out of the total respondents. This also implies these banks relatively have small number of employees in the marketing department found in the head offices.

The socio-demography of the respondents is summarized as follow;

**Table 4.2: Demographic Information of Respondents**

Variable	Category	Frequency	Percent	Valid Percent	Cumulative Percent
Sex	Male	80	70.2	70.2	70.2
	Female	34	29.8	29.8	100.0
Age groups	Below 25	13	11.4	11.4	11.4
	26 – 30	45	39.5	39.5	50.9
	31 - 35	37	32.5	32.5	83.3
	36 – 40	13	11.4	11.4	94.7
	41 – 45	2	1.8	1.8	96.5
	Above 46	4	3.5	3.5	100.0
Education Background	≤ grade 12/10	1	.9	.9	.9
	Diploma	3	2.6	2.6	3.5
	Degree	45	39.5	39.5	43.0
	Master Degree	65	57.0	57.0	100.0

Variable	Category	Frequency	Percent	Valid Percent	Cumulative Percent
Year of experience	Less than 5 year	61	53.5	53.5	53.5
	5 – 10 years	37	32.5	32.5	86.0
	11 – 15 years	11	9.6	9.6	95.6
	Above 16 years	5	4.4	4.4	100.0
Current position in the bank	Director	3	2.6	2.6	2.6
	Manager	22	19.3	19.3	21.9
	Branding manager	4	3.5	3.5	25.4
	Officer	45	39.5	39.5	64.9
	Junior officer	10	8.8	8.8	73.7
	Senior officer	22	19.3	19.3	93.0
	Secretary	8	7.0	7.0	100.0

Source: Survey, 2020

**Gender of Respondents;** Out of the 114 respondents for the study, 80 were male (70.2%) whilst 34 were female (29.8%). It is obvious that the data was bias towards male. Even though the focus of the study is to measure CSR Practice which has no gender consideration, the proportion of male to female is not proportion.

**Age Distribution of Respondents;** The age distribution of respondents reported in Table 4.2 above shows that majority of the respondents fell within the age group of 26-30 years (39.5%). This is followed by 31-35 age groups which represent 32.5% of the total sample. Respondents who fell within 41 – 45 age groups constituted the least share followed by age groups of above 46; which represents 1.8% and 3.5% of the sample respectively. This implies that above three-fourth (i.e. 83.3%) of the marketing department in the head offices of private commercial banks are occupied by young age groups i.e. below 35 ages.

**Educational Background of Respondents;** with the educational background, 57% of respondent said that they possessed MA educational qualifications; and 39.5% possessed first degree educational level. Hence, 96.5% of the respondents of working in marketing department in the head offices of private commercial banks have possessed first degree and master degree of educational level.

Education is important in the assessment of CSR practice because education provides light for correct appreciation of every aspect of situation and researcher is also targeted managers, owners and supervisors. Therefore, majority of the respondents being educated to the higher level that adds some inputs to the quality of the data gathered for the study.

**Year of experience in the banks;** in order to gauge the quality of data for the study the respondents were asked to indicate the length of time they had spent with farms. The results indicate that 53.5 per cent of the respondents had spent between less than/equal to 5 years with the banks; and 32.5 per cent of the respondents has spent 5 – 10 years in their respective banks. This implies that 86% of the respondents have a work experience in their respective banks for up-to 10 years. Out of the entire respondents, 14% have worked in their respective banks for above 11 years.

#### 4.1.2 The Awareness level of Private Commercial Banks about CSR

In exploring the awareness of CSR among the private commercial banks, the study sought to seek response on the bank’s perception about the term CSR by seeking their familiarity with the concept of CSR, if they are familiar with CSR how they come to know about CSR, the availability of CSR policy in their banks. In addition, the study sought to examine whether their banks disclose its CSR policy or not and the respondents were requested to rank 1 – 3 the major activities of CSR which their banks mostly involved in. these responses helped to benchmark the private commercial banks awareness of CSR, in view of the fact that most studies such as Carroll (1979), Perrini (2006) and Panapanan *et al* (2003) as cited in Menash (2015) have argued that the lack of awareness about CSR was one major factor contributing to the growing ambiguity of CSR.

##### 4.1.2.1 Familiarity and Availability of CSR in Private Commercial Banks

Respondents were requested about their familiarity with CSR and the availability of an operational CSR policy in their banks. The result of the analysis is presented as follow;

**Table 4.3: Binomial Test: Private Commercial Banks’ Familiarity with CSR & Existence of CSR Policy**

		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
Are you familiar with the concept of Corporate Social Responsibility (CSR)?	Group 1	Yes	110	.96	.50	.000
	Group 2	No	4	.04		
	Total		114	1.00		
Does your bank have a CSR policy?	Group 1	Yes	90	.79	.50	.000
	Group 2	No	24	.21		
	Total		114	1.00		
Does your bank disclose its CSR?	Group 1	Yes	66	.58	.50	.111
	Group 2	No	48	.42		
	Total		114	1.00		

Source: Compiled from Survey Questionnaires using SPSS V 25, 2020

The above table 4.3 indicates that about 96% of responses from private commercial banks indicated that banks were familiar with the concept of CSR, with only about 4% 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 private commercial banks in Ethiopia are largely familiar with the concept and growing phenomenon of CSR. Besides this, more than half of the respondents (51.8%) stated that their awareness about the concept of CSR has come through formal education; while 28.1% of the respondents stated that they became aware of CSR through their own reading. The study revealed that only 4.4% of the respondents stated that they became aware of CSR through trainings provided by their banks about CSR. This indicates that private commercial banks didn't give emphasis about awareness creation of CSR to their employees.

On the other hand, on the issue of availability of policy of CSR, the responses, as shown in table 4.3, indicated that 21% of the respondents do not have operational CSR policies, with 79% affirming the availability of CSR policy. With this significant difference between the proportions of responses agreeing or disagreeing to the availability of policy of CSR respectively ( $p = .000$ ) at 5% significance level, it can be concluded that private commercial banks have CSR policy in their banks.

After knowing the availability CSR policy in private commercial banks, respondents were requested to responded for whether their banks disclose CSR policy or not. The result as indicated in table 4.3 above, 58% of the respondents revealed that their banks have disclosed CSR policy while 42% affirming that their banks don't disclose CSR policy. That notwithstanding, the study observed that there was no significance between the proportion of respondents agreeing or disagreeing respectively to the disclosing of CSR policy ( $p = .111$ ) at 5% significant level. Though the majority of respondents indicated that their banks have disclosed CSR policy, the proportion didn't significantly differ from those who indicated that their banks haven't disclose CSR policy. Thus, although the banks are largely familiar with CSR and CSR policy for pursuing the CSR agenda, they didn't disclose their CSR policy.

#### 4.1.2.2 CSR focus areas among Private Commercial Banks: Employees' Perspective

As discussed in the preceding chapter, engagements in CSR are summarized into seven focus areas where multinational banks normally concentrate as indicated in Menash (2015). Similarly, these areas include health, agriculture, HIV-AIDS advocacy, rehabilitation, disaster management, poverty eradication and livelihood promotion and education. The study sought to elicit from the banks the extent to which they engaged mostly 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 private commercial banks in Ethiopia. Respondents were requested to rank the aforementioned activities in which their banks mostly engaged 1 -3 ranks. Table 4.4 below shows the summary of the findings.

**Table 4.4: Private Commercial Banks' Perspective of CSR focus areas**

Options	1st Rank	2nd Rank	3rd Rank
Health (such as HIV, Child care & etc)	25%	16%	12%
Agricultural input support	4%	5%	6%
Rehabilitation	18%	18%	11%
Disaster management	12%	11%	11%
Livelihood promotion	4%	4%	5%
Education	10%	17%	12%
Human rights	0%	2%	0%
Environment protection	7%	16%	23%
Sponsorship in publicity	20%	11%	20%

Source: author computation, 2020

It is observed from the above table that private commercial banks have given the highest percentage (25%) for health to be the first area that their banks have mostly engaged in. In the second rank, majority of the respondents (18%) have given their votes for rehabilitation. On the third rank, majority of the respondents (23%) have mentioned environmental protection as their focus activities of CSR. Hence, health, rehabilitation and environmental protections are perceived as the major activities of CSR that private commercial banks mostly engaged in Ethiopia.

#### 4.1.3 Extent of CSR activities in Private Commercial Banks

This section attempts to discuss the extent/intensity of CSR practice among private commercial banks depending on the perception of employees. As it was indicated in the conceptual framework, six variables were identified for measuring the intensity of CSR

practice. These are labor practice, customer relation, community development, environment protection, contribution to governmental development plan and stakeholders engagement in CSR planning and implementation. The result of the analysis is presented as follow;

#### 4.1.3.1 Environment Protection Activities

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 4.5 shows a descriptive statistics that reveal (from banks' perspective) the extent to which private commercial banks engage in the various CSR activities for physical environment.

**Table 4.5: CSR for Environment Protection – Private Commercial Banks' Perspective**

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
The bank considers environmental sides when providing services and carries out its activities.	114	1.00	5.00	3.7105	.98415
The bank conducts activities and provides services that encourage concern for environment.	114	1.00	5.00	3.6491	.94056
The bank gives importance to increasing green space, beautifying and reforesting the country.	114	1.00	5.00	3.7456	.98494
The bank implements and participates in environmental protection and pollution reduction programs.	114	1.00	5.00	3.2895	1.14230
The bank helps and supports institutions that deal with environment.	114	1.00	5.00	3.3860	1.10916
The bank funds eco-friendly projects.	114	1.00	5.00	2.8860	1.15796
Valid N (listwise)	114				

Source: Survey, 2020

As indicated in the above table, there seems to be high patronage among private commercial banks for environmental issues mainly for focusing for increasing green space, beautifying and reforesting the country (M=3.75, SD=.98), considering environmental sides when providing services and carries out its services (M=3.71, SD=.98) & conducting activities and provides services that encourage concern for environment (M=3.65, SD=.94). In contrary, relatively private commercial banks are weakly involved in supporting institutions that deal with environment (M=2.89, SD=1.16). However, from this analysis we can conclude that CSR practice in environmental protection among private commercial banks were above the average of 2.5, hence they were considered virtually crucial to private commercial banks i.e. private commercial banks have perceived to engaged in environmental protection activities of CSR. As it was indicated also in table 4.4, environmental protection were ranked in the third place among the rest of CSR activities.

### 4.1.3.2 Community-Related CSR Activities

This section discusses the extent to which various community related CSR are pursued by the banks. These community-related CSR are the involvement of private commercial banks on providing services to the community, scholarship, health, donation and charities and other activities. Table 4.6 shows a descriptive statistics that expresses the extent to which private commercial banks engaged in the various CSR activities for the community.

**Table 4.6: Descriptive Statistics: Community – Related CSR**

	N	Minimum	Maximum	Mean	Std. Deviation
The bank regularly donates and provides services for the community.	114	1.00	5.00	3.6316	.98001
The bank provides scholarships for needy students.	114	1.00	5.00	2.3947	1.29409
The bank sponsors the institutions that provide free health services for the community.	114	1.00	5.00	2.8596	1.05493
The bank employs people with special needs.	114	1.00	5.00	2.9298	.98412
The bank donates for charities.	114	1.00	5.00	3.8509	1.00646
The bank supports and stimulates the national economy through supporting small and medium enterprises.	114	1.00	5.00	3.4386	1.17522
Valid N (listwise)	114				

Source: Survey, 2020

From the above table, the most predominant community-related CSR activities engaged in by private commercial banks include: donation for charities (M=3.85, SD=1.01), donating & providing services for the community (M=3.63, SD=.98) and supporting and stimulating the national economy through supporting small & medium enterprises (M=3.44, SD=1.18) respectively.

Even though engaged in at different levels and extents, it can be deduced from the table that from the private commercial banks' view point, they engaged in almost all the listed community-related CSR activities, except providing scholarships for needy students in the community by scoring below the average of 2.5 as indicated in the above table.

### 4.1.3.3 Customer – Related CSR Activities

Customers are also considered crucial stakeholders in the CSR engagement of businesses. Classified among the primary stakeholders (Clarkson, 1995 as cited by Menash, 2015), customers' expectations and needs are to be aligned with business' values and behaviors. Respondents were asked to indicate the extent to which private commercial banks were engaged in the various customer-related CSR activities. The respondents were asked about issues related to the availability of branch offices, consideration of complaints from the

customer, the quality of service rendered to customers and other related questions. The result is summarized in table 4.7 as below;

**Table 4.7: Descriptive Statistics: Customer – Related CSR**

	N	Minimum	Maximum	Mean	Std. Deviation
The bank branches are around the country so that clients can access bank services easily and conveniently.	114	1.00	5.00	3.6579	1.06288
The bank considers clients' suggestions and complaints.	114	1.00	5.00	3.8070	1.02945
The bank ensures providing its services with high quality	114	1.00	5.00	3.6491	.78687
The bank ensures creating place to receive clients comfortably and appropriately in terms of heating, air conditioning, lighting etc.	114	1.00	5.00	3.6053	.84789
The bank provides the necessary information to its clients and deal with them transparently.	114	1.00	5.00	3.6930	.93247
The bank takes into account providing services for all segments and strata of community, especially for low-income people.	114	1.00	5.00	3.3860	1.17879
Employees interact with clients gently during working hours.	114	1.00	5.00	3.8158	.80448
Valid N (listwise)	114				

Source: Survey, 2020

From the above table, 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 "employees interact with clients gently during working hours" (M=3.82, SD=.80); followed by "The bank considers clients' suggestions and complaints" (M=3.81, SD=1.01) and "The bank provides the necessary information to its clients and deal with them transparently" (M=3.69, SD=.93) respectively. Generally, private commercial banks in Ethiopia has higher commitment to engaging in CSR meant for customers.

#### 4.1.3.4 Employee – Related CSR Activities

As it was indicated in the conceptual framework, labor practice in the banks was considered as one of the variables. Respondents were asked to indicate the extent of the engagement of private commercial banks in CSR labor practice activities. The findings are summarized as follow;

**Table 4.8: Descriptive Statistics: Employee – Related CSR**

	N	Minimum	Maximum	Mean	Std. Deviation
The bank organizes training courses to improve employees' capacity and efficiency.	114	1.00	5.00	3.6053	1.28034
The bank ensures safe and healthy working conditions for all employees.	114	1.00	5.00	3.6228	.98115
The bank has a fair and just pay system.	114	1.00	5.00	3.2018	.95176
The bank has a satisfactory pension scheme.	114	1.00	5.00	3.6754	.96391
The bank has a satisfactory health insurance.	114	1.00	5.00	3.9474	.98522
The bank applies a fair promotion and incentive system and policy.	114	1.00	5.00	3.0877	1.00935
The bank staff participates in external volunteer activities concerning corporate social responsibility.	114	1.00	5.00	3.2632	1.08939
Valid N (listwise)	114				

Source: Survey, 2020

The above indicates that private commercial banks' extent of involvement in CSR activities for employees is high throughout the variables (i.e. above the average of 2.5). In this regard, private commercial banks are committed to the health and safety of employee's i.e.  $M=3.95$ ,  $SD=.98$ ) followed by pension scheme ( $M=.3.68$ ,  $SD=.96$ ).

#### 4.1.3.5 Stakeholders' Engagement in CSR Planning & Implementation

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 indicates the extent of stakeholder engagement in the processes of planning and implementing CSR across private commercial banks in Ethiopia. The result of descriptive statistics is presented as follow;

**Table 4.9: Descriptive Statistics: Stakeholders Engagement in Planning & Implementing CSR**

	N	Minimum	Maximum	Mean	Std. Deviation
Shareholders	114	1.00	5.00	3.1491	1.04950
Communities	114	1.00	5.00	3.2719	.92445
Customers	114	1.00	5.00	3.1053	.94418
Employees	114	1.00	5.00	3.6579	.92964
Government	114	1.00	5.00	3.5702	1.03880
Valid N (listwise)	114				

Source: Survey, 2020

As indicated in the above table, private commercial banks highly involve its employees while planning and implementing CSR activities ( $M=3.66$ ,  $SD=.93$ ); followed by government bodies and communities. Relatively, private commercial banks rarely engage their customers during the planning and implementing process of CSR.

#### 4.1.3.6 Contribution to Governmental Development Plan

As explained in the literature, the practice and intensity of CSR has to reach in to involving and contributing to governmental development plan. In this section, the study indicates the extent of contribution of private commercial banks on governmental development plan. The result of descriptive statistics is presented as follow;

**Table 4.10: Descriptive Statistics: Contribution to Governmental Development Plan**

	N	Minimum	Maximum	Mean	Std. Deviation
The bank cooperate with the public sector to handle the community challenges such as poverty, employment etc.	114	1.00	5.00	3.5789	.94910
The bank is committed to the legislations and rules issued by government.	114	2.00	5.00	4.2719	.83385
The bank pays the financial benefits, taxes and other fees in a timely manner.	114	1.00	5.00	4.4912	.70705
The bank contributes in supporting public sector intuitions that care for children, youth and sport.	114	1.00	5.00	3.5965	1.05360
The bank, in collaboration with the concerned government body like Ministry of Social Affairs and others provide financial aids for poor families.	114	1.00	5.00	3.2544	1.25375
The bank provides financial support for the health sector.	114	1.00	5.00	3.2281	1.03081
Valid N (listwise)	114				

Source: Survey, 2020

As indicated in the above table, respondents were agreed that private commercial banks cooperate with the public sector and has great contribution to governmental development plan since the mean value of all questions under this parameter is significantly above the average mean i.e. 2.5. The study indicates that respondents has shown greatest agreement for a paragraph stating that “The bank contributes in supporting public sector intuitions that care for children, youth and sport” (M=4.49, SD=.71); followed by “The bank is committed to the legislations and rules issued by government” (M=4.27, SD=.83). The study also revealed that the average mean of “Participation in governmental development plans.” equals (M=3.74, SD=.68) which is higher than the average mean 2.50. This mean that the respondents have agreed that private commercial banks are participating in governmental development plans.

This proves that private commercial banks are committed to pay taxes and other fesses to the government and all in time. The banks donate portion of their CSR budget to support the health sector, and sponsored sustainable programs and projects with the aim of supporting and improving the health sector in Ethiopia.

## 4.2 Findings and Discussion of Results

The main purpose of this study is to assess the practice of CSR performed by private commercial banks in Ethiopia. This objective was informed based on the relatively new nature of CSR research in Ethiopia and in particular within the private commercial 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 Ethiopian economy.

As it was indicated in the previous parts, there are 16 private commercial banks in Ethiopia. All these private commercial banks were participated in this study. As it was indicated in Kassie (2015) & Atraga (2014), marketing department is the most responsible department for CSR in all private commercial banks in Ethiopia. Hence, marketing department found in the head offices of all private commercial banks were the target population for primary sources of collecting data. The planned sample size were 146 but the researcher was able to collect the filled questionnaire from 114 employees. Hence, the response rate were 78%.

In pursuant of the study's main purpose, the study sought to achieve the specific objectives mentioned at the first chapter of the study. In this section, the study seeks to present the major findings as far as these objectives are concerned. The findings along with the discussions is presented as per the research questions as follow;

### **1. How is the awareness level & the existing practice of CSR in Private Commercial Banks?**

In exploring the awareness of CSR among the private commercial banks, the study sought to seek response on the bank's perception about the term CSR by seeking their familiarity with the concept of CSR, if they are familiar with CSR how they come to know about CSR, the availability of CSR policy in their banks. In addition, the study sought to examine whether their banks disclose its CSR policy or not and the respondents were requested to rank 1 – 3 the major activities of CSR which their banks mostly involved in.

The study revealed that private commercial banks are familiar with the concept of CSR, with only about 4% stating otherwise. With this, it can be conclude that private commercial banks in Ethiopia are largely familiar with the concept and 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).

Besides this, more than half of the respondents stated that their awareness about the concept of CSR has come through formal education & through their own reading. The study revealed that only 4.4% of the respondents stated that they became aware of CSR through trainings provided by their banks about CSR. This indicates that private commercial banks did not give emphasis about awareness creation of CSR to their employees. The study also indicated that private commercial banks have CSR policy in their banks. However, although the banks are largely familiar with CSR and CSR policy for pursuing the CSR agenda, they did not disclose their CSR policy. The finding is not far a study conducted by Menash (2015) in Rural and Community Banks in Ghana. Menash (2015) revealed that, from a majority of stakeholders (community members, employees and customers) admitted that their respective banks have a CSR policy in Rural and Community Banks in Ghana.

Regarding the existing practice of CSR in private commercial banks, as discussed in the literature review, engagements in CSR summarized into seven focus areas where multinational banks normally concentrate as indicated in Menash (2015). These areas include health, agriculture, HIV-AIDS advocacy, rehabilitation, disaster management, poverty eradication and livelihood promotion and education. The study sought to elicit from the banks the extent to which they engaged mostly in some activities within these areas or sectors. Respondents were requested to rank the aforementioned activities in which their banks mostly engaged 1 -3 ranks. The study concluded that health, rehabilitation and environmental protections are perceived as the major activities of CSR that private commercial banks mostly engaged in Ethiopia. This finding has a slight similarity with a study conducted by Menash (2015).

## **2. To what extent do private commercial banks involved in CSR activities for environment protection?**

As indicated in literature review and conceptual framework, based on some international guidelines for CSR, firms are expected to perform certain environment related CSR activities. Respondents were requested to reveal the extent to which their respective private commercial banks engagement in the various CSR activities for environment protection. The study indicates that CSR practice in environmental protection among private commercial banks

were above the average of 2.5, hence environmental protection is considered virtually crucial to private commercial banks. As indicated also in the previous research question, environmental protections ranked in the third place among the rest of CSR activities.

However, substantially, with the kind of environmental CSR activities that private commercial banks in Ethiopia engaged in, the environment protections are more secondary than primary as Clarkson (1995) explained. 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 that a significantly low involvement of firms in the financial sector in major environmental activities as compared to firms in engaged in other sector.

It is well known that the operations of private commercial banks in Ethiopia do not have any direct implication for the physical environment. Participation on environmental protection means that private commercial banks deal with suppliers and clients whose operations may have some direct impact on the physical environment.

### **3. To what extent do private commercial banks involved in CSR activities for its community?**

These community-related CSR are the involvement of private commercial banks on providing services to the community, scholarship, health, donation and charities and other activities. The result of descriptive statistics that express the extent to which private commercial banks engaged in the various CSR activities for the community indicates that, the most predominant community-related CSR activities engaged in by private commercial banks include: donation for charities, donating & providing services for the community and supporting and stimulating the national economy through supporting small & medium enterprises respectively. The study also revealed that private commercial banks are engaged in almost all the listed community-related CSR activities, except providing scholarships for needy students in the community by scoring below the average of 2.5.

### **4. To what extent do private commercial banks involved in CSR activities for its clients?**

Customers are also considered crucial stakeholders in the CSR engagement of businesses. Classified among the primary stakeholders (Clarkson, 1995 as cited by Menash, 2015), customers' expectations and needs are to be aligned with business' values and behaviors.

Respondents were asked to indicate the extent to which private commercial banks were engaged in the various customer-related CSR activities.

The study implied that all the customer-related activities attracted a considerable high level of engagement by private commercial banks in Ethiopia. Generally, private commercial banks in Ethiopia have higher commitment to engaging in CSR meant for customers. This supports previous researches by Hamid (2004), Sweeney and Coughlan (2008), which found a large concentration of CSR for customers among firms within the financial sector in Ireland. Manesh (2015) also indicated in his study that banks have higher commitment to engage in CSR related to customers in Ghana.

#### **5. To what extent do private commercial banks involved in CSR activities for its employees?**

As it was indicated in the conceptual framework, labor practice in the banks was considered as one of the variables. Respondents were asked to indicate the extent of the engagement of private commercial banks in CSR labor practice activities. The result of the analysis indicates that private commercial banks' extent of involvement in CSR activities for employees is high throughout the variables (i.e. above the average of 2.5). In this regard, private commercial banks are highly committed to the health and safety of its employees; followed by pension scheme. Menash (2015) supports this finding and he concluded that banks in Ghana are committed to the health and safety of employees.

#### **6. How do private commercial banks engage stakeholders in planning & implementing CSR?**

As explained in the literature, the critical nature of CSR demands that corporations do proper planning prior to their engagement in CSR activities. The major stakeholders under analysis were shareholders, communities, customers, its employees and government. Respondents were requested to indicate the extent of stakeholder engagement in the processes of planning and implementing CSR across private commercial banks in Ethiopia. The result of descriptive statistics revealed that private commercial banks highly involve its employees while planning and implementing CSR activities than other stakeholders followed by government bodies and communities respectively. Relatively, private commercial banks rarely engage their customers during the planning and implementing process of CSR.

## 7. To what do extent private commercial banks involved in CSR activities for governmental development plans?

As explained in the literature, the practice and intensity of CSR has to reach in to involving and contributing to governmental development plan. Respondents were requested to indicate the extent of contribution of private commercial banks on governmental development plan. The result of descriptive statistics revealed that private commercial banks cooperate with the public sector and has great contribution to governmental development plan since the mean value of all questions under this parameter is significantly above the average mean i.e. 2.5. The study also revealed that the average mean of “Participation in governmental development plans.” equals (M=3.74, SD=.68) which is higher than the average mean 2.50. This mean that the respondents have agreed that private commercial banks are participating in governmental development plans.

This proves that private commercial banks in Ethiopia are committed to pay taxes and other fesses to the government and all in time. The banks donate portion of their CSR budget to support the health sector, and sponsored sustainable programs and projects with the aim of supporting and improving the health sector in Ethiopia. This finding agree with the (Popa, 2015) research which analyze the role of CSR initiatives in achieve the sustainable development, this study assure that when the company involve in the development plan, it can gain both benefits, social and business.

## 8. Summary of the Study Questions

Despite the availability of different variables under each major variables, Table 4.11 below shows the average Means and Standard Deviations for the eight (8) fields of the study:

**Table 4.11: Means and Standard Deviation of the Eight Fields of the Study**

	N	Minimum	Maximum	Mean	Std. Deviation
Awareness of CSR	114	1.00	2.25	1.4364	.35482
Labor Practice	114	1.71	5.00	3.4862	.73256
Customer Relation	114	2.00	5.00	3.6591	.64549
Community Development	114	1.17	4.67	3.1842	.75368
Environmental Protection	114	1.14	5.00	3.3835	.80752
Contributions to Governmental Development Plan	114	1.83	5.00	3.7368	.68553
Stakeholders Engagement	114	1.40	5.00	3.3509	.70425
Valid N (listwise)	114			3.1767	

Source: Survey, 2020

The summary report depicts that the proportion mean for all fields equal 3.1767 which is slightly greater than the average mean i.e. 2.50, which mean that there is moderate extent and practice of corporate social responsibility (CSR) across private commercial banks in Ethiopia. This study concludes that, private commercial banks in Ethiopia, tends to disclose more on their contribution to government development plans (M=3.74, SD=.686) than any other aspects of CSR activities. Besides this, the extent and practice of engagement in customer relation activities by private commercial banks in Ethiopia is perceived as the second important activities of CSR (M=3.66, SD=.645); followed by labor practice in the banks and environmental protection activities respectively. In contrary, the engagement of private commercial banks in Ethiopia in community development among other CSR activities is considered as the least as indicated in the above summary followed by stakeholders' engagement in planning and implementing CSR activities.

## **CHAPTER FIVE – SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter consists of conclusion derived from the study and provides appropriate recommendations to private commercial banks in Ethiopia regarding the CSR practices and programs to be implemented as one breadth of operation.

### **5.1 Summary of Major Findings**

In pursuant of the study's main purpose, the study sought to achieve the specific objectives mentioned at the first chapter of the study. In exploring the awareness of CSR among the private commercial banks, the study revealed that private commercial banks are familiar with the concept of CSR, with only about 4% stating otherwise. With this, it can be conclude that private commercial banks in Ethiopia are largely familiar with the concept and growing phenomenon of CSR. Besides this, more than half of the respondents stated that their awareness about the concept of CSR has come through formal education & through their own reading. The study revealed that only 4.4% of the respondents stated that they became aware of CSR through trainings provided by their banks about CSR. This indicates that private commercial banks did not give emphasis about awareness creation of CSR to their employees. The study also indicated that private commercial banks have CSR policy in their banks. However, although the banks are largely familiar with CSR and CSR policy for pursuing the CSR agenda, they did not disclose their CSR policy.

Regarding with the existing practice of CSR in private commercial banks, the study revealed that health, rehabilitation and environmental protections are perceived as the major activities of CSR that private commercial banks mostly engaged in Ethiopia. Furthermore, the study indicates that CSR practice in environmental protection among private commercial banks were above the average of 2.5, hence environmental protection is considered virtually crucial to private commercial banks. As indicated also in the previous research question, environmental protections ranked in the third place among the rest of CSR activities.

The result of descriptive statistics that express the extent to which private commercial banks engaged in the various CSR activities for the community indicates that, the most predominant community-related CSR activities engaged in by private commercial banks include: donation for charities, donating & providing services for the community and supporting and

stimulating the national economy through supporting small & medium enterprises respectively. The study also revealed that private commercial banks are engaged in almost all the listed community-related CSR activities, except providing scholarships for needy students in the community by scoring below the average of 2.5. The study further implied that all the customer-related activities attracted a considerable high level of engagement by private commercial banks in Ethiopia. Generally, private commercial banks in Ethiopia have higher commitment to engaging in CSR meant for customers. The result of the analysis also indicates that private commercial banks' extent of involvement in CSR activities for employees is high throughout the variables (i.e. above the average of 2.5). In this regard, private commercial banks are highly committed to the health and safety of its employees; followed by pension scheme.

The result of descriptive statistics also revealed that private commercial banks highly involve its employees while planning and implementing CSR activities than other stakeholders followed by government bodies and communities respectively. Relatively, private commercial banks rarely engage their customers during the planning and implementing process of CSR. The result of descriptive statistics further revealed that private commercial banks cooperate with the public sector and has great contribution to governmental development plan since the mean value of all questions under this parameter is significantly above the average mean i.e. 2.5. The study also revealed that the average mean of "Participation in governmental development plans." equals ( $M=3.74$ ,  $SD=.68$ ) which is higher than the average mean 2.50. This mean that the respondents have agreed that private commercial banks are participating in governmental development plans. This proves that private commercial banks in Ethiopia are committed to pay taxes and other fesses to the government and all in time. The banks donate portion of their CSR budget to support the health sector, and sponsored sustainable programs and projects with the aim of supporting and improving the health sector in Ethiopia.

Finally, the study indicates that there is moderate extent and practice of corporate social responsibility (CSR) across private commercial banks in Ethiopia. This study concludes that, private commercial banks in Ethiopia, tends to disclose more on their contribution to government development plans ( $M=3.74$ ,  $SD=.686$ ) than any other aspects of CSR activities. Besides this, the extent and practice of engagement in customer relation activities by private commercial banks in Ethiopia is perceived as the second important activities of CSR

(M=3.66, SD=.645); followed by labor practice in the banks and environmental protection activities respectively. In contrary, the engagement of private commercial banks in Ethiopia in community development among other CSR activities is considered as the least as indicated in the above summary followed by stakeholders' engagement in planning and implementing CSR activities.

## **5.2 Conclusions**

Corporate social responsibility over the past half a century evolved into a modern and widely accepted concept. It represents a comprehensive concept related to the role of business in global market and development. CSR is based on the presumption that the stakeholders expect companies to perform responsibly in terms of reducing negative outcomes resulting from their operation and for the most part profit-orientated objectives of their undertaking. Various definitions and approaches to CSR coexist today, some determined by socio-cultural and economic situation in a given country, some by the political system and belief.

The Ethiopian banking sector is believed to be growing in recent times as the number of banks escalates and branch outreach diversified. Private commercial banks have played significant role for the growth of financial sector. Repeatedly spoken in the literature, banks being part of business community need to work with social responsibility beside the profit motive and it will benefit all stakeholders.

The central tent of the study was to assess the practice of CSR in private commercial banks in Ethiopia. Furthermore, the study aimed to examine the awareness level & the existing practices of CSR in private commercial banks in Ethiopia, the extent of involvement of stakeholders in planning and implementing CSR in private commercial banks in Ethiopia, the extent of involvement of private commercial banks in CSR activities for its employees, the extent of private commercial banks involvement in CSR activities for its clients, the extent of private commercial banks involvement in CSR activities for its community, the extent of private commercial banks involvement in CSR activities for environment protection, and the extent of private commercial banks involvement in CSR activities for governmental development plans. Within this framework, the conclusion of the study is summarized as follow.

In exploring the awareness of CSR among the private commercial banks, the study concluded that private commercial banks are largely familiar with the concept of CSR. However, their

awareness about the concept of CSR has come through formal education & through their own reading. This indicates that private commercial banks did not give emphasis about awareness creation of CSR for their employees. Besides this, private commercial banks in Ethiopia have CSR policy. However, they did not disclose their CSR policies. In addition to this, private commercial banks highly involve their employees while planning and implementing CSR activities than other stakeholders followed by government bodies and communities respectively. Relatively, private commercial banks rarely engage their customers during the planning and implementing process of CSR. The study also concluded that among the major activities of CSR, private commercial banks in Ethiopia mostly engaged in health, rehabilitation and environmental protections in their descending order.

In general, the study concluded that there is moderate extent and practice of corporate social responsibility (CSR) across private commercial banks in Ethiopia. This study also concludes that, private commercial banks in Ethiopia, tends to disclose more on their contribution to government development plans than any other aspects of CSR activities. Besides this, the extent and practice of engagement in customer relation activities by private commercial banks in Ethiopia perceived as the second important activities of CSR followed by labor practice in the banks and environmental protection activities respectively. In contrary, the engagement of private commercial banks in Ethiopia in community development among other CSR activities is considered as the least followed by stakeholders' engagement in planning and implementing CSR activities. The study finally conclude that Corporate Social Responsibility requires more for the private commercial banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainability.

### **5.3 Recommendations**

This study has documented several findings on the practice of CSR in private commercial banks in Ethiopia. Based on these findings, the study deems it appropriate to make the following recommendations accordingly with the objectives of the study.

#### **1. The Awareness & Practice of CSR**

The study revealed that private commercial banks in Ethiopia are largely familiar with the concept and growing phenomenon of CSR. However, their awareness about the concept of CSR has come through formal education & through their own reading. Hence, it is recommended that: -

- Private commercial banks in Ethiopia should give much emphasis for enhancing their employee's awareness about CSR through internal capacity programs such as trainings.
- Private commercial banks in Ethiopia should disclose their CSR policy for their employees as well as customers.
- In order for CSR implementation to be effective, the study recommends that private commercial banks in Ethiopia has to establish a separate department and assign manager for CSR with clear responsibilities. This will solidify the notion of importance that private commercial banks in Ethiopia attach to their CSR activities.

#### **2. CSR activities for Environment Protection**

The study indicates that CSR practice in environmental protection is considered virtually crucial to private commercial banks. However, substantially, with the kind of environmental CSR activities that private commercial banks in Ethiopia engaged in, the environment protections are more secondary than primary. Hence,

- Private commercial banks in Ethiopia should give priority for environmental protection since it affects human life and the world in general. This can be through preparing a dedicated green area for each banks along with accountability.
- The bank's has to contribute portion of its profit in the form of tax, loans to projects that meet environmental and social standards and acceptable level of non-performing loans (NPL) has to be maintained every time.

### **3. CSR activities for Community**

Though private commercial banks involve in different community works, the extent is different across each activities. Especially they do not have any support program for the the students. Hence: -

- The banks has to establish a system to support good scoring students of their main customer through a scholarship program.
- It is also recommended for the private commercial banks to clearly indicate focus areas for CSR, sources of funding and, most importantly the planning and implementation processes.
- The policy outline has to be communicated to private commercial banks and each private commercial banks has to disclose their policies to all stakeholders.

### **4. Stakeholder's engagement in planning & implementing CSR?**

The study revealed that private commercial banks in Ethiopia rarely engage their customers during the planning and implementing process of CSR. Hence: -

- The banks should participate stakeholders during the planning and the implementation of CSR in order to incorporate their interests.
- The implementation report has to be presented to the stakeholders periodically.
- The CSR policy of the banks has to disclose to the stakeholders
- The study also recommends that private commercial banks in Ethiopia must gradually work towards diversifying their concentration on community as the major stakeholder in the CSR agenda.
- Besides this, private commercial banks has to consider their employees as a major stakeholder while planning and implementing CSR activities.
- The policy makers (it may be national banks) has to design CSR policy guidelines for private commercial banks, which will form the basis for CSR engagements in private commercial banks. This policy must first outline the bank's conceptualization of CSR and clearly align the practice to their business strategies.

#### **5.4 Areas for Future Research**

This study admitted that CSR research has a very large scope and keeps expanding and that the study does not support to have covered all areas in the practice of CSR. Hence, the study recommends that using the same procedures and methods applied in this study, consideration must be given to testing the reproducibility of replicability of results indicated in this study.

As it was indicated in this study, the study was focused on head offices of private commercial banks especially marketing department employees. So it is recommended to widen the scope of the target population. Besides, stakeholders' perspective assessment has to be worked in order to get a generalized conclusion about the practice of CSR in banking industry in Ethiopia.

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4. Years of experience in the bank  
 A. Less than/equal to 5 year       B. 5 – 10 years       C. 11 – 15 years   
 D. Equals to/Above 16 years
5. Your current position in the bank  
 B. Director       B. Manager       C. Branding Manager       D. Officer   
 E. Junior Officer       F. Senior Officer       G. Secretary       H. If other, please mention it .....

**II. Awareness & Practice of CSR in your bank**

**Please Tick only one box for the following questions**

6. Are you familiar with the concept of Corporate Social Responsibility (CSR)?  
 A. Yes       B. No
7. If you know the concept of CSR, how do you come to know about CSR?  
 A. Through formal education       C. Through my own reading   
 B. Through training provided by the bank       D. Your company's code   
 C. From commercial code
8. Does your bank have a CSR policy?  
 B. Yes       B. No
9. Does your bank disclose his corporate social responsibility policy?  
 C. Yes       B. No
10. In which activities of CSR your bank most involved? Please write your top three ranks 1 – 3 for the following activities?

S.N	CSR activities	Write your rank 1 – 3 Only
1	Health (such as HIV, Child care & etc)	
2	Agricultural input support	
3	Rehabilitation	
4	Disaster management	
5	Livelihood promotion	
6	Education	
7	Human rights	
8	Environment protection	
9	Sponsorship in publicity	

### III. Extent/intensity of CSR activities in your bank

To what extent is your bank involved in the following CSR activities? (Please tick one from each row). 1 denotes for least extent & 5 denote great extent.

No	Statement	Not at all – to a great extent				
		1	2	3	4	5
<b>A</b>	<b>Labor Practice in your Bank</b>					
11	The bank organizes training courses to improve employees' capacity and efficiency.					
12	The bank ensures safe and healthy working conditions for all employees.					
13	The bank has a fair and just pay system.					
14	The bank has a satisfactory pension scheme.					
15	The bank has a satisfactory health insurance.					
16	The bank applies a fair promotion and incentive system and policy.					
17	The bank staff participates in external volunteer activities concerning corporate social responsibility.					
<b>B</b>	<b>Customer Relation/ taking care of clients</b>					
18	The bank branches are around the country so that clients can access bank services easily and conveniently.					
19	The bank considers clients' suggestions and complaints.					
20	The bank ensures providing its services with high quality.					
21	The bank ensures creating place to receive clients comfortably and appropriately in terms of heating, air conditioning, lighting etc.					
22	The bank provides the necessary information to its clients and deal with them transparently.					
23	The bank takes into account providing services for all segments and strata of community, especially for low-income people.					
24	Employees interact with clients gently during working hours.					
<b>C</b>	<b>Community Development/helping community &amp; solving societal problems</b>					
25	The bank regularly donates and provides services for the community.					
26	The bank provides scholarships for needy students.					
27	The bank sponsors the institutions that provide free health services for the community.					
28	The bank employs people with special needs.					
29	The bank donates for charities.					
30	The bank supports and stimulates the national economy through supporting small and medium enterprises.					
<b>D</b>	<b>Environment Protection</b>					
31	The bank considers environmental sides when providing services and carries out its activities.					
32	The bank conducts activities and provides services that encourage concern for environment.					
33	The bank gives importance to increasing green space, beautifying and reforesting the country.					
34	The bank implements and participates in environmental protection and pollution reduction programs.					
35	The bank helps and supports institutions that deal with environment.					
36	The bank invests in projects that produce eco-friendly products.					
37	The bank funds eco-friendly projects.					

No	Statement	Not at all – to a great extent				
		1	2	3	4	5
<b>E</b>	<b>Contribution to Governmental Development Plans</b>					
38	The bank cooperate with the public sector to handle the community challenges such as poverty, employment etc.					
39	The bank is committed to the legislations and rules issued by government.					
40	The bank pays the financial benefits, taxes and other fees in a timely manner.					
41	The bank contributes in supporting public sector intuitions that care for children, youth and sport.					
42	The bank, in collaboration with the concerned government body like Ministry of Social Affairs and others provide financial aids for poor families.					
43	The bank provides financial support for the health sector.					
<b>F</b>	<b>Stakeholders engagement in CSR Planning &amp; Implementation</b>					
44	Shareholders					
45	Communities					
46	Customers					
46	Employees					
47	Government					
48	Others (specify)					