



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY PACTICE  
AND CHALLNGES: ENAT BANK S.CO.**

**BY MEKDES GIZAW**

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**ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITY PRACTICE  
AND CHALLENGES: ENAT BANK S.CO.**

**BY  
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**SCHOOL OF GRADUATE STUDIES**

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## **DECLARATION**

I, the undersigned declare that this thesis titled Assessment of Corporate Social Responsibility Practice and Challenges - Enat Bank S.Co., is my original work prepared under the guidance of Maru Shite (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

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Signature

**St. Mary's University College, Addis Ababa May 2018**

## **ENDORSEMENT**

This research paper titled “Assessment of Corporate Social Responsibility Practice and Challenges - Enat Bank S.Co.” has been submitted to St. Mary’s University School of Graduate Studies, with my guidance and approval as a university advisor.

**Maru Shite (PhD)**

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**Advisor**

**Signature**

## Table of Contents

DECLARATION.....	i
ENDORSEMENT.....	ii
ACKNOWLEDGMENTS .....	v
List of Abbreviations / Acronyms.....	vi
List of Tables.....	vii
List of figures .....	viii
<i>ABSTRACT</i> .....	ix
CHAPTER ONE: INTRODUCTION .....	1
1.1 Background of the Study.....	1
1.2 Statement of the problem .....	3
1.3 Basic research questions.....	5
1.4 Objectives of the study .....	5
1.4.1 Specific Objectives.....	6
1.5 Significance of the study .....	6
1.6 Scope and limitation of the study.....	6
1.7 Organization of the thesis.....	7
CHAPTER TWO .....	8
REVIEW OF LITERATURE .....	8
2. Theoretical Review.....	8
2.1. Definition of Corporate Social Responsibility.....	8
2.2 Theories of corporate responsibility.....	11
2.2.1 Stakeholders Theory.....	11
2.2.2 Fiduciary Contracts Theory.....	12
2.2.3 Corporate Citizenship .....	12
2.3 Corporate Social Responsibility Strategies.....	12
2.4 Corporate Social Responsibility in Banks .....	13
2.5 CSR conceptual Views.....	15
2.5.1 Social Obligation Driven.....	15
2.5.2 Marketing Driven .....	15
2.5.3 Stakeholder Relation Driven .....	16
2.5.4 Integrated Strategy Driven.....	16

2.5.5 Leadership Driven.....	16
2.6 CSR Communication .....	17
2.7 CSR Challenges .....	17
2.8 Empirical Studies .....	18
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY .....	20
3.1. Research Approach and Design .....	20
3.2. Sample and Sampling Techniques.....	20
3.2.1. Target Population .....	20
3.2.2. Sampling Techniques .....	20
3.2.3. Sample Size .....	21
3.3 Data Collection Tools.....	21
3.4 Methods of Data Analysis .....	22
3.5 Validity and Reliability.....	23
3.5.1 Validity.....	23
CHAPTER FOUR .....	24
RESULTS AND DISCUSSION .....	24
4.1 Introduction .....	24
4.2 Summary of responses given for open ended question, how do you understand the concept of corporate social responsibility? (Bank) .....	24
4.3 CSR Policy and Practice .....	26
4.4 Summary of Responses for CSR Strategies.....	27
4.5 Challenges to CSR .....	30
4.6CSR Communication Strategy (Bank).....	31
4.7 CSR Contributions.....	32
CHAPTER FIVE .....	35
SUMMARY, CONCLUSIONS AND RECOMMEDATIONS .....	35
5.1 Introduction .....	35
5.2 Major Findings .....	35
5.3 Conclusions .....	36
5.4. Recommendation .....	37
References.....	39

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## **List of Abbreviations / Acronyms**

CSR- Corporate Social Responsibility

EB- Enat Bank S.Co

WFSD–Women Financial Services Department

USAID- United States Agency for International Development

SIDA- Sweden International Development Agency

FI: - Financial Institutions

## **List of Tables**

Table 3.1 Sample Size Determination .....	21
Table 3.2 Reliability Cranach's alpha .....	23
Table 4.1 Summary of responses for concept of CSR (Customer) .....	25
Table 4.2 Summary of responses for CSR Policy and practice .....	26
Table 4.3 Summary of Responses for CSR Strategies .....	27
Table 4.4 Summary of responses showing the difference between EB and other FI loan (Customer) .....	28
Table 4.5 Summary of Responses for Challenges to CSR.....	28
Table 4.6 Summary of Responses for CSR Communication Strategy.....	29
Table 4.7 Summary of responses how they know about Enat Bank's WFSD (Customers) .....	30
Table 4.8 Summary of responses for CSR contributions (Bank) .....	31
Table 4.9 Summary of responses for answers about what the women's were doing (customer) .	31
Table 4.10 Summary of responses for change in living standard (customer) .....	31
Table 4.11 Summary of responses for past credit history (customer) .....	32

## **List of figures**

Figure 2.1 The pyramid of social responsibility .....	10
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## ***ABSTRACT***

*This research titled Assessment of Corporate Social Responsibility Practice and Challenges - Enat Bank S.Co was conducted in order to assess the practice of CSR and how the bank has performed so far. The researcher aimed to analyze EB-WFSD performance from CSR point of view and in order to do that the researcher used descriptive research design. Relevant data was collected using questionnaire which was prepared separately for employees, management and customers of Enat Bank S.Co. Both close and open ended questions were included in the questionnaire. The data was analyzed using SPSS16 by incorporating six aspects of CSR like CSR concept, CSR policy and practice, CSR strategy, Challenges of CSR, Communications and contribution of CSR. The results of the data are interpreted and discussed using tables, frequencies, mean, standard deviation and percentages. The major findings of this research indicate the bank is in right track in the practice of CSR and the community recognizes it from its CSR activities. The drawback is the bank lacks proper communication channel for its CSR practice. Recommendations were suggested to develop formal communication channel to address its CSR activities.*

*Key words: CSR-Corporate Social Responsibility, Concept of CSR, CSR, EB-Enat Bank , WFSD-Women Financial Services Department*

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Corporate social responsibility (CSR) has been debated and practiced since 4,000 years back. CSR is also practiced because customers as well as governments today are demanding more ethical behaviors from organizations. In response, corporations are volunteering themselves to incorporate CSR as part of their business strategies, mission statement and values in multiple domains, respecting labor and environmental laws, while taking care of the contradictory interest of various stake holders (Kashyap et al, 2006). Another justification in favor of CSR actions by the leading corporations today is to gain competitive advantage which may not be enjoyed by the peer corporations. CSR actions in this respect also help corporations to attract and retain not only customers but also motivated employees, which in turn ensure long-term survival of the corporation.

The concept of CSR has long been raised and practiced by different scholars in longer period of time but it has gained its popularity in the 1950s with R. Bowen's landmark book, Social Responsibilities of the Businessman. Later in 1960s and 1970s, the concept was further confronted and strengthened. In 1970, the leading definition of CSR has been developed by Archie Carroll, which includes economic, legal, ethical and philanthropic responsibilities. These aspects of CSR have then become the CSR Pyramid or CSR code of conduct. In 1980, quality management and responsible care came to application in running the issue of CSR. In 1989, CSR was included in standards like ISO 14001 and SA 8000, these affected companies in many different ways. Here there are rules to be followed by companies in order to be considered as social responsible one which mainly includes as being an ISO certified, a company should comply with issues like compensation, standard working hours, occupational health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices and management system. The 1990's inclusion of CSR in ISO standards further widened the scope of CSR in relation to employees and their working environment. From then on wards the issue of CSR and its practice has been widened and strengthened as the today's competitive world demands application of CSR for smooth running of businesses and becoming competent and profitable.

To have a better understanding of the concept of CSR, we can see a statement of Dahlsrud(2008) who states that, “the business as a producer of economic wealth does not only have economic impacts’. CSR as it has no definite definition and practices; it has also raised questions as to its limits of application. Kotler and Lee (2005) mention a definition of international organization business for “Social Responsibility which defines CSR as managing of business in such a way that surpasses ethical, legal, commercial and social expectations”. The major parties in any business organizations in its socio-economic process are two, shareholders and stakeholders. Any business organizations are responsible for the needs and interests of its stakeholders as stakeholders are the ones who invested to start up the organizations. Here CSR of any business organization focuses on how to balance the needs and interests of stakeholders and shareholders and become profitable.

Friedman (1970) in his famous criticism of CSR states that the only social responsibility of companies is to utilize resources and to participate in activities that lead to increased profit. In his opinion, as business organizations whose main purpose and aim is becoming profitable, investment of companies’ wealth in CSR activities is unreliable. His criticism has been argued by different scholars and finally CSR is perceived to bring better economic benefit to any company which applies it in the long run.

The issue of Corporate Social Responsibility (CSR) and sustainable development has attracted worldwide attention, especially in the media and in academia (Odetayo, AdeyemiandSajuyigbe, 2014). Corporate social responsibility is a contemporary issue in which anyone and everyone in any line of business activity is concerned about. CSR has irreversibly become part of the corporate fabric (Pearce and Doh, 2005). Many public companies have developed extensive corporate social responsibility (CSR) programs designed to generate stakeholder goodwill and boost market value.

Banks are key players in financial markets and play an important role in keeping any economy running smoothly (Khan and Fasih, 2014). Chaterjee and Lefcovitch (2009) admit that commercial banks are strongly focused on profit and financial aspects of the business therefore; implementing CSR may be accompanied by difficulty. The application of CSR in the financial

sector is critical because banks take the high risk of running business with money of other people. Banks should make cautious decision as to how to implement CSR in ethical, legal and economic standards. The practice and implementation of CSR in banks have the highest importance in order to achieve better financial performance.

Based on previous studies of Belás et al. (2014; 2015) and Chochol'áková et al.(2015), implementation of CSR in banks have economic, social and environmental elements. When seeing the economic aspect of CSR, here the main focus is on the financial or economic performance of banks which is also the major aim of their establishment. Here by providing better services gaining an economic benefit is the major reason. When seeing the social aspect of CSR in banks includes workplace rules and regulations, philanthropic activities and protection of human rights. The bank's policy towards the protection of the environment and the degree of financing socially responsible projects is referred as banks environmental aspect of CSR. Banks involvement in activities that benefit the society in one way or another is the Philanthropic aspect of CSR. In recent periods, banks are investing in CSR strategies in order to gain competitive advantage over their competitors, to build image and other related benefits.

In this research the researcher will try to assess of Corporate Social Responsibility Practice and Challenges - Enat Bank S.Co., one of the private commercial banks of Ethiopia.

## **1.2 Statement of the problem**

Bank's main aim is providing services and becoming profitable. In addition to the above aim of any commercial banks, EB has a department of women financial services which focuses on women's empowerment and financial strengthen. The bank has been working on funding 5% of its net income to the department which then will be financed to middle class women who have no income but have the initiation and energy to work and improve their life. As per the bank's credit policy and procedure, the bank is lending the money with minimum interest rate and without any collateral. Besides the bank's contribution to the fund, other willing and potential customers of the bank, NGOs, reputable personnel of the country donate Birr 300,000.00 to the fund to be used by the women financial services department. In addition to the Birr 300,000.00 loan, the bank has also made an agreement with USAID and SIDA which give collateral coverage to its woman borrowers. To be beneficial of this scheme, the borrower should be

woman and if it is a company, woman's shareholding should be 51% and above. In this agreement the bank can grant a maximum of USD 2,000,000.00 per borrower which fulfills the bank's credit policy and procedure and requirements of USAID and SIDA agreement.

Corporate social responsibility in the banking sector in Ethiopia especially private commercial banks of Ethiopia is not well addressed. Banks are now engaging and investing the CSR activities in different areas of CSR like economic, ethical, social and philanthropic. Here the researcher intended to see CSR from both economic and social point of view taking in to account the bank's woman financial services. There are few studies done to assess the practice of corporate social responsibility in our country.

Melese (2014), corporate Social responsibility and commercial banks, the case of Nib International Bank S.Co., a research conducted to study the practice and components of CSR in Nib International Bank S.Co., focused on the bank's tax obligations, responsible lending, employee development and involvement of the bank in society's benefits. The researcher was able to investigate the bank's CSR from the above listed objectives and concluded that the bank has to work towards involving the community, enhance employee development, and help small amount low cost and short term credit facility borrowers.

Yeneneh (2015), the role of private commercial banks on corporate social responsibility in Ethiopia has been conducted to investigate how CSR is implemented by the private commercial banks by integrating the social and environmental concerns. The study was conducted focusing on how to understand the CSR as an integral part of functioning of Ethiopian commercial banks. The researcher study was conducted on eight private commercial banks of Ethiopia. The researcher was able to find out that private commercial banks of Ethiopia are at low attitude to finance greener industries, low lending options to low income individuals, less engaged in community development and poor financial management. Finally, the researcher concluded that private Commercial banks of Ethiopia are required to pay more attention for the integration of social and environmental concerns in their business operations.

The above two studies were about bank's financial reporting, prudent lending, employee development and tax obligations. Both concluded in that the bank's should work towards the practice of CSR as what has been done is not enough. In this study the researcher will mainly



focus on the bank's practice of CSR activity of financing the missing middle class women and playing the role of empowering women financially and morally. EB has already started practicing CSR in its WFSD. So the researcher will assess how has the bank so far performed in this line of activity? How is the life of those who had the chance to take loan from the bank are benefited? This study is different from that of the above two studies in that it will try to assess CSR from economic and philanthropic aspects on the bank's WFSD. The bank is unique with having separate WFSD and brand that can distinguish it from other private commercial banks. The study is mainly to see the bank's women financial empowerment and collateral free credit facility from CSR point of view. The findings of this study will be used as basis for other commercial banks to engage in CSR activities. The major difference from the above two studies is that here the bank has already started practicing CSR and the researcher will disclose what has been done so far and how can be improved for better performance of it.

### **1.3 Basic research questions**

The study will mainly seek to get answer for the following questions:-

- About EB CSR Policy
- What strategies have been taken by EB in order to practice corporate social responsibility?
- What are the major challenges to the practice corporate social responsibility in the bank?
- How does the bank transfer knowledge about its CSR activities to its employees and external parties?
- What are the returns of implementing CSR by EB?

### **1.4 Objectives of the study**

The general objective of this study is to examine the practice and challenges of corporate social responsibility in EB and to evaluate how the bank has performed so far and also the outcomes of implementing CSR. Finally if there is gap to suggest better ways for the future.

### **1.4.1 Specific Objectives**

The specific objectives are:-

- Examine the bank's CSR policy
- Assess the strategies of EB in the practice corporate social responsibility
- Examine the major challenges to practice corporate social responsibility.
- Determine the benefits of implementing CSR by EB

### **1.5 Significance of the study**

Corporate social responsibility has witnessed revival in management literature in recent years probably due to a renewed focus on corporate governance and ethical practices of companies worldwide (Hinson, Boateng, Madichie, 2010). When choosing with this research topic, the researcher aimed at examining how EB is practicing CSR. It will also it will provide awareness to the concept of in the financial sector of the country and will increase the understanding of CSR for anyone who are interested in the subject matter.

The study will also serve as a background for other researchers who want to make in depth study about the issue at hand. In addition, the concerned parties in this study, which are employees and customers, will see the banks position in the socially responsible activities it is providing to the community in general.

### **1.6 Scope and limitation of the study**

There are some limitations of this study. Out of the sixteen private commercial banks in Ethiopia, its scope is only in EB. Therefore, it is hard to generalize the outcome of the thesis. If more banks were covered for the study, then the results would have more accuracy and applicability. EB is chosen because the researcher will try to assess the bank's CSR practice in having separate WFSD with regard to economic and philanthropic aspects of CSR. Here only economic and philanthropic concepts of CSR are addressed. The second constraint of this study relates to its sample. Here staffs of the bank working at the head office, and women who took loan from the bank are contacted for the study. Here the researcher will assess CSR form its

economic and philanthropic aspects only and on one bank that is EB. More could be done to examine CSR practice in banks if the limitation of time and recourses are not there.

### **1.7 Organization of the thesis**

The research paper is composed of five chapters. Chapter one is the introduction part covering background of the study and the organization, statement of problem, basic research questions, major and specific objective of the study, significance of study, scope and limitation of study. Chapter two will discuss about literature review of the research topic. In Chapter three, the research deigns and methodology will be dealt, here data collection and analysis is conducted. Chapter four will summarize the findings and interpret them. Finally, in Chapter five, there will be summary of the findings, followed by conclusions and at the end the recommendations part which the researcher will suggest should be based the findings of the research paper.

## CHAPTER TWO

### REVIEW OF LITERATURE

#### 2. Theoretical Review

##### 2.1. Definition of Corporate Social Responsibility

There is no single clear definition of CSR that can be used in different lines of business activity and situation. Different academicians defined the term differently based on their perspective and period of time they defined the concept of CSR. CSR has been developing through time with the development of human thinking, the technology and other socio-economical activities of the society. The concept of corporate social responsibility (CSR) was introduced in the early 20th century, when some scholars explored the idea that companies should be responsible not only to shareholders, but also to the public (Dodd, 1932). “Responsibility” referred to not only a corporation’s financial responsibility to its investors, but also its responsibility to the betterment of its community, the larger society and the environment of the planet (Tsoi, 2010).

Bowen (1953), who is called as the father of CSR defined CSR as social responsibility of businessman. It refers to the obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of actions which are desirable in terms of objectives and values of our society” (Bowen, 1953). CSR concept includes economic, legal, ethical and philanthropic expectations that a society has in relation to a company (Classon and Dahlström, 2006). Companies are expected to accept and implement the legal and ethical rules while performing to have an economic benefit and then participating in experiencing their role in the society’s expectations. From that time onwards different scholars have added additional dimensions of CSR to be incorporated for the definition and implementation of it.

Friedman (1970) changed the concept of CSR in a very different way. There is one and only one social responsibility of business-to use its resources and to engage in activities designed to increase its profits so long as it stays within the rules of game, which is to say, engages in open and free competition without deception or fraud. Based on Friedman philosophy, the responsibility of businesses is making of profit without any unfair activities.

Carroll (1991) defined CSR as the combination of ethical, legal and discretionary expectations that society has of organizations at a given point in time.

Rehman (2011), has better examined the concept of CSR from its beginning to the current period and summarized 10 major dimensions which includes, environmental protection, economic development, ethical business practices, law abiding, voluntariness, human rights, transparency and accountability and stakeholder's involvement (Rehman, 2011). Rehman definition of CSR show how wide and difficult is the concept of CSR. Business organizations are not only responsible for their stakeholders, customers and employees but also the community and environment in which they are operating in.

The World Business Council for Sustainable Development in its publication Making Good Business Sense by Lord Holme and Richard Watts used the definition of CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

In recent period, the concept of CSR has widened its scope and become about branding of products and services. Brand Integrity has been the issue of company as it will attract and retain customers as they will pay more for certified and secured brands which are produced through implementation of CSR activities. (Maneet&Sudhir, 2011).

The researcher will use Carroll's CSR pyramid to understand Corporate Social Responsibility in its different four responsibilities in detail. The CSR pyramid includes Economic, Legal, Ethical and Philanthropic responsibility.

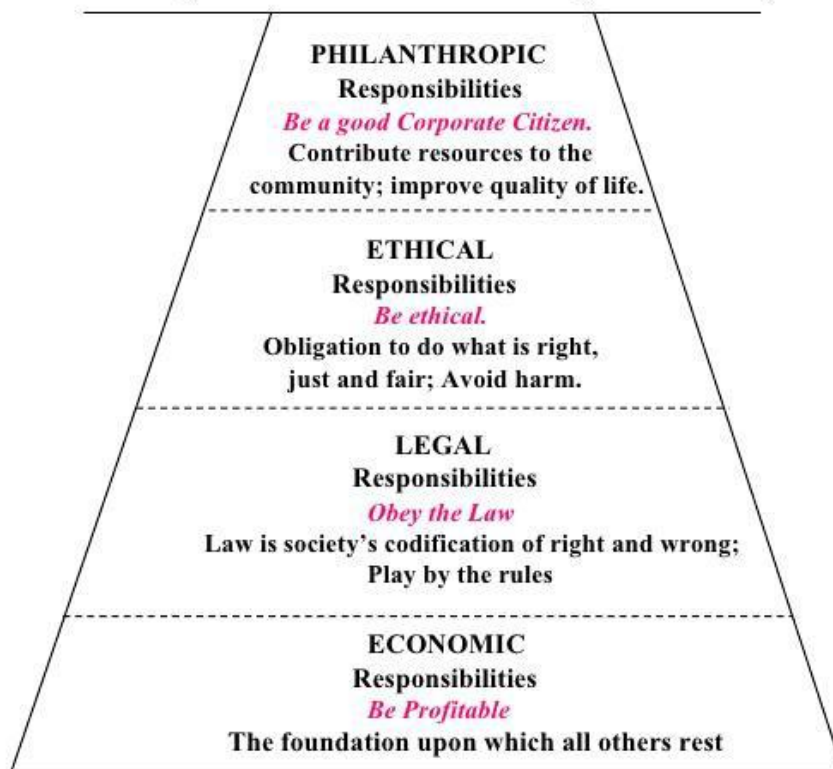
**Economic Responsibility:** The main purpose of any business is generation of profit. Businesses are established in order to gain economic benefit through practicing prudent business activities.

**Legal Responsibility:** This is concerned with the responsibility of obeying rules and other regulations in any business operation. These are rules and regulations to be followed and not following it has a legal consequence.

**Ethical Responsibility:** After meeting its economic and legal responsibilities, companies are expected by the society to practice ethical responsibilities. Ethical responsibilities are what is expected but not forced to obey.

**Philanthropic Responsibility:** The last stage of CSR pyramid which is accepted by the society as best performance. This responsibility is beyond what is expected of any business, it is beyond the society's requirements.

## The Pyramid of Social Responsibility



Source: Carroll (1991)

For better understanding of the CSR phenomenon, it is necessary to accept a statement by Dahlsrud(2008) who states that, the business as a producer of economic wealth does not only have economic impacts.CSR has always been perceived as a questionable concept principally because it has no specific limits and therefore, there is no uniform definition. Kotler and Lee (2005) mention a definition of international organization Business for Social Responsibility which defines CSR as managing of business in such a way that surpasses ethical, legal, commercial and social expectations. In the context of CSR, the main principle of the business is to find a balance between the needs and interests of stakeholders and shareholders whose interests are focused on profit making.

## **2.2 Theories of corporate responsibility**

The theory of CSR has long been emerged and advanced through time by incorporated differ aspects business should follow when operating in the community. Corporate social responsibility which is also called as corporate social performance has attracted the attention of everyone whether in small or large business. As the concept has longer period of existence, we need to see the theories attached to it.

### **2.2.1 Stakeholders Theory**

This theory advocates that aim of any business is to create greater wealth for its stakeholders. Here stakeholders are those which invested in the company (shareholders), who purchase products the company services (Customers), who work in the company(employees), who provide raw materials (supplies) and the community in which the company. Managers should always strive to make a balance between these groups and make the company profitable.

Johnson (1971) defined CSR, imagine socially responsible firm as one that balances multiplicity of interests while striving larger profits for its stakeholders (employees, suppliers, local communities, dealers etc.).

Stakeholders are classified in to two, Primary and secondary stakeholders. Clarkson (1995) defined primary stakeholder as one without whose continuing participation the corporations cannot survive as a going concern. Here the primary group includes shareholders and investors, employees, customers and suppliers together what is defined as the public stakeholder group; the

government and communities that provide the infrastructures and markets. Whose laws and regulations must be obeyed, or and to whom taxes and obligations may be due”. These are the secondary groups defined as “those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the 15 corporations and are not essential for its survival”

### **2.2.2 Fiduciary Contracts Theory**

Fiduciary Capitalism Theory of CSR, which leads to shareholder value-oriented management, holds that the only social responsibility of businesses is to make a profit and, in the supreme goal, to increase the company’s economic value for its shareholders. The Nobel laureate Milton Friedman and his wife Rose Friedman said that in such an economy there is one and only one social responsibility of business. To use resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competitions, without deception or fraud according to Friedman and Friedman (1962). Generally, shareholder value-oriented goes along with the Agency Theory according to Ross(1973), Jensen and Meckling, (1976), which has been dominant in many business schools in the last decades. This theory, owners are the principal and managers are the agent. These later bear fiduciary duties towards the formers, and are generally subject to strong incentives in order to alienate their economic interests with those of the owners, and with the maximization of shareholder value.

### **2.2.3 Corporate Citizenship**

The term corporate citizenship was introduced in the 80’s into the business and society relationship mainly through the practitioners Altman and Vidaver (Cohen, 2000), Windsor (2001). However, the idea of the firm as citizen already had appeared in several pioneers in the CSR field, including McGuire (1963) and Davis (1973).

## **2.3 Corporate Social Responsibility Strategies**

The implementation and practice of CSR is a vital issue in today’s competitive era. Business has to set different strategies in order to implement CSR in their organizations and achieve their main aim profit maximization. As any other plan of an organization, there should be a clear and



targeted set of strategies to be used in practicing CSR which will enhance the company profitability without affecting the legal as well as ethical responsibility it.

Strategies for implementation of CSR include a planning on

1. How to achieve better economic value without surpassing legal and ethical values of a company
2. How to manage stakeholders interest
3. How to review the set strategies and make necessary adjustments

## **2.4 Corporate Social Responsibility in Banks**

Banks which are the major part of any economy are part the community in which they are operating. CSR in banks has involved through time and expanded its application in different aspects. When Banks are first formed, their major aim is gain economic benefit by abiding the rules and regulations of the community. Ethical and social responsibilities of banks came later than the economic and legal responsibilities. Many scholars defined CSR in banks in differently. The definition of CSR in banks by Yeung has incorporated different elements as shown below.

Yeung (2011) defines key elements of CSR in the banking sector: understanding the complexity of financial services, risk management, strengthening ethics in the banking business, strategy implementation during the financial crisis, customer protection, and establishing channels for customer complaints.

In present days, one of the important issues for the company is its responsibility and the term Corporate Social Responsibility is widely used in a day to day business. CSR has a long history. Bowen, who is considered the father of corporate social responsibility because his definition is considered the first definition of corporate social responsibility. According to Bowen, *CSR* refers to the obligations of the businessman 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 (Carroll 1999, 268-270)

Commission of the European Communities (2006; 2), defined Corporate Social Responsibility as a, “*concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*”.

The World Business Council for Sustainable Development (Baker 2004) defines CSR as Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

In order to gain trust from the public, organizations shall not only provide quality products and services, but also develop responsible and ethical staff (Yeung, 2011). According to Bena (2010) customer’s service experience is defined by the interaction with the organization, the processes and the employees.

According to Chih, Chih, and Chen (2010), there is an insignificant relationship between financial performance of the bank and CSR. Based on their research, which was conducted on the financial market, they present following results.

1. Larger companies are more oriented on CSR and in the same time, the financial performance and CSR is not related with each other.
2. In an environment of intense competition on the market, companies should make more socially responsible businesses to gain a competitive advantage.
3. Financial companies in countries with stronger legislative regulative tend to have more CSR activities, but paradoxically, companies from countries with stronger application of shareholder rights tend to have less CSR activities.
4. Higher level of self-regulation of the financial sector has a significant positive effect on the CSR: companies behave more socially responsible in countries where relationships between employee and employer are characterized by cooperation, and where there are quality management schools and better macro-economic environment.

## **2.5 CSR conceptual Views**

Through time, passing of business and management knowledge from scholars to scholars created CSR theme from different perspectives which includes social obligation, marketing, stakeholder-relation, integrated strategy, and leadership themes.

### **2.5.1 Social Obligation Driven**

The first definition of CSR suggested by Bowen (1953), in social obligation driven” to pursue those policies, to make those decisions, or to follow those lines of action which are desirable on terms of the objectives and values of our society”(p.6). Social obligation of companies is actions to be done not only for gaining economic benefit from the society but also in supporting the societies needs and wants as a corporate organ running business in a given society.

### **2.5.2 Marketing Driven**

When we see CSR from marketing point of view, most marketing scholars link CSR of social obligations with marketing function but it includes the other CSR functions like economic, legal and ethical. Different scholars studied CSR from various marketing dimensions as listed here (Barone et al. 2000; Varadarajan and Menon 1988), social sponsorship (Simmons and Becker-Olsen 2006), environmental marketing (e.g., Crouch 2006; Handelman and Arnold 2.1 Introduction 9 1999; Menon and Menon 1997; Zeithaml and Zeithaml 1984), communicating with consumers concerning CSR issues (Caruana and Crane 2008), customers response to organizational CSR behaviour (e.g., Brown and Dacin 1997; Ellen et al. 2006; Handelman and Arnold 1999; Sen and Bhattacharya 2001), and corporate reputation (e.g., Berens et al. 2005; Brown and Dacin 1997; Lichtenstein et al. 2004; Wagner et al. 2009). CSR from marketing point of view includes a variety of different function.

### **2.5.3 Stakeholder Relation Driven**

Stakeholder theory is another foundation of CSR. Its definition given by (Barney 1991), managers have to consider the claims and needs from stakeholders. The other one is from the moral perspective, as Donaldson and Preston (1995) argue that “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and [ : : : ] there is no prima facie priority of one set of interests or benefits over another” (p. 68).

The stakeholder driven concept of CSR suggests any one involving and engaging in any business has an interest in that business organization. It focuses on the communication, influence, awareness and their relationship with the company, its employees and its financial performance.

### **2.5.4 Integrated Strategy Driven**

Integrated strategy aspect of CSR focuses on integrating the different aspects of CSR towards its achievement. As the name integrated suggests CSR activities or aspects should be incorporated for its successfulness in any company implementing CSR. As Maignan and Ferrell (2004) point that “organizations act in a socially responsible manner when they align their behaviors with the norms and demands embraced by their main stakeholders” (p. 6) and they illustrate a framework to analyze the antecedents and outcomes of organizational CSR behavior from major stakeholder perspective.

### **2.5.5 Leadership Driven**

Leadership driven aspect of CSR emphasizes on companies leadership styles and techniques to be used in today’s dynamic business environment. The different leadership styles like transformational, charismatic, authentic, ethical, participative, servant, shared, and spiritual leadership should be incorporated with CSR activities as the leadership driven suggests.

Maak and Pless’s (2006) study is one of the first endeavors in this area. They name the leadership approach based on the ideals of CSR as “responsible leadership” and define it as “the art and ability involved in building, cultivating and sustaining trustful relationships to different Stakeholders [ : : : ] to achieve a meaningful, commonly shared business vision” (p. 334).

## 2.6 CSR Communication

As the bottom line for the practice and implementation of any activity is planning , organizing and allocations of financial and other resources and communicating what is intended to achieve to the internal as well as external stakeholders of the company is vital. A company to have successful CSR activities, its CSR should be communicated well.

Bhattacharya & Sen (2004, p. 23) consumers' lack of awareness about CSR activities is a major limiting factor in their ability to respond to these activities and therefore companies need to increase the awareness levels.

Beckmann et al. (2006, p.12) argues that developing a strategic CSR communication is not a straightforward communication task. Companies need to know what to say and how. Furthermore, they need to find appropriate channels and ways to communicate successfully to their stakeholders. However, stakeholders need first to be aware of the activities and that can happen only if the CSR communication is successful.

Tehemar (2011) identifies several requirements for a successful communication framework:

- Leadership commitment;
- Existence of culture of transparency;
- Presence of an organization strategy with clear CSR objectives and goals;
- Presence of solid organizational structure hierarchy;
- Presence of organizational committees structure with clear reporting mechanisms;
- Clear understanding of community's culture;
- Proper identification and mapping of stakeholders, focused on each sector's

Interest;

- Presence of an active Total Quality Management department;
- Well-established data management process;
- Proper differentiation between Public Relations activities and CSR.

## 2.7 CSR Challenges

For any company to run its business, there are challenges to overcome in order to attain what is planned. Challenges of CSR can be divided in to two internal and external challenges. Internal challenges are those that emanate from the company its self it can be mismanagement, wrong resource allocation and lack of integration between different organs of the company. The

external ones will be government rules and regulations, community expectations, environmental and other socio-economical factors.

Brenda (2013) states that Corporate Social Responsibility in the banking sector is becoming a well-established notion in the service industry and financial institutions are coming around to the idea that there is more to invest than just to focus on the figures. But the major challenges here would resource, insufficient management and different internal and external factors hinders the implementation of CSR.

## **2.8 Empirical Studies**

There are many researchers conducted on CSR and bank's performance. Even if most of the studies are not done in our country as the concept CSR is new and emerging through time. We can get a large number of empirical studies that match CSR with profitability, firm performance, brand, competitive advantage. A survey of Americans commissioned by the National Consumers League and Fleishman Hillard International Communications clearly shows that two third of Americans would buy the products of companies they declare socially responsible. In an empirical study by Poddi and Vergalli (2009) addressing Effect of Corporate Social Responsibility on Performance of Firms, they found that CSR firms are more worthy, and have better long run performance.

According to Margolis and Walsh (2002), one hundred twenty-two published Studies between 1971 and 2001 empirically examined the relationship between corporate Social responsibilities and financial performance. The first study was published by Narver in 1971. Empirical studies of the relationship between CSR and financial performance comprise essentially two types. The first uses the event study methodology to assess the Short-run financial impact (abnormal returns) when firms engage in either socially Responsible or irresponsible acts. The results of these studies have been mixed.

A survey by Gichana (2004) on CSR practice by Kenyan companies sought to identify social responsibility practices by firms listed in the NSE and the factors that explain the kind of CSR practices adopted by these firms. The study found out that all the companies practiced long term planning and had strategies or social responsibility in place. It was observed that majority of these firms focused on health and education in their practice and were responsible to their employees by offering them medical, housing and pension schemes. It was also observed that

water conservation and management was poorly addressed with most of the respondents focusing on internal implications or their activities rather than the water situation as a whole on factors that drive companies to adopt CSR. The recognition of CSR as a core value was the most cited explanation. Other factors include: giving back to the community as a way of meeting government requirement on degradation and as a medium of advertisement.

Some papers point to a positive relationship between social and financial performance. Frooman (1997) analyzed the market reaction for the firms that are found as socially irresponsible or illegal were negative. The event studies showed that the investors sold the shares of these firms when a bad new about the irresponsible behavior or legal misconduct of a firm is heard. Stanwick and Stanwick (1998) using the Fortune Survey of Corporate Reputation as a proxy for CSR practices investigated its link with financial performance variables like return on sales and size for the years 1987 and 1992. The results revealed a positive relationship between CSR and financial performance. This finding was also supported by Preston and O'Bannon (1997) who examined three dimensions of Fortune Reputation Survey on 67 large corporations in US for the period 1982 -1992. They also indicate a positive association between the aggregate 3 dimensions on CSR and return on assets, return on equity and return on investments.

## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

### **3.1. Research Approach and Design**

Research design refers to the principles, procedures and practices that govern the research. Research design specifies the methods and procedures for collecting data and analyzing the needed information. It indicates a framework or blue print for the research as well as research methods chosen to determine the information needed. It defines the sampling methods, sample size, measurement and data analysis processes (Mugenda & Mugenda, 2005). As the purpose of this research, was to assess the practice of Corporate Social Responsibility in Enat Bank S.Co., and its implementation in the bank and if there is a gap to suggest recommendations as the bank can make corrections for its operation. Descriptive research designs were used.

### **3.2. Sample and Sampling Techniques**

#### **3.2.1. Target Population**

According to Hair *et al.* (2010), target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information. Therefore, for this study, the target population is employees and management of Enat Bank S.Co, who are working at the head office in different departments and customers who have benefited from Enat Bank's WFSD loans. So far the bank has given loan to 15 women borrowers who took loan through its WFSD and the researcher took all as the target population to make its analysis.

#### **3.2.2. Sampling Techniques**

For the purpose of this study and to get the right sample of respondents, the researcher used probability sampling particularly stratified sampling technique. The target population of the bank's employees and management for this study was classified into two strata based on their position in the bank. Then the samples were selected from each stratum according to their proportion to the total population. The strata's were employees working at the head office and managers (Directors and Division Heads). Since the information required for the study needs different people who have better understanding of the bank's corporate social responsibility practices. Stratified sampling technique was used to have the right proportion of people from every selected position of employees in which they have in the bank.



### 3.2.3. Sample Size

Malhortra and Peterson (2006) and Zikmund (2003) stated that, the larger the sampling size of a research, the more accurate the data generated. However, due to time and financial limitations and the nature of the population, sample determination method developed by Carvalho (1984 as cited in Naresh, 2007) is preferred to be used by researcher as a method to determine a sample size.

**Table 3.1 Sample Size Determination**

Population size	Sample size		
	Low	Medium	High
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-150,000	200	500	800

Source: Own Study 2018

The total numbers of employees in EB is 428 out of this 126 were the target population as they are working at the head office of the company. Therefore, from these 126 employees, 32 of them were taken as sample respondents as per the Carvalho's sample determination method, considering the heterogeneity of sample respondents based on position within the organization. From the customers side all were taken as sample as their number is low and different responses can be gathered from them. So total number of sample respondents from both sides of became 47.

### 3.3 Data Collection Tools

There are two types of data collection tools primary and secondary. Primary data collection tool used by the researcher in this study was questioner. Questioners were distributed to the bank's employees, management and customers of the bank to get answers about the bank's CSR policy,

strategy, challenges, communication and its implementation and also the researcher interviewed management of the bank to get in-depth knowledge of the study at hand.

The questionnaire used by the researcher had incorporated both close and open ended questions. The closed ended questions helped the researcher to measure the responses of different group of individuals simultaneously as they were less time consuming than other measuring instruments. The open ended questions were given in order to get different ideas from the stated group of respondents about the research at hand. Furthermore it was time saving for both the respondents and researcher of using questioner as the questionnaire was structured in such a way that it includes all relevant information to clearly familiarize the respondents to the study subject.

The questionnaire prepared for the bank's employees and management composed of four parts. These are; Part I for demographical questions about the respondents. It included sex, age, educational background, and years of work experience, departments in which they work position in the bank and for how long they are in their current position. Part II was an opened ended questions on the concept of CSR which gave the respondents the freedom to express their own ideas, Part III presented CSR policy and practice; Part IV was on CSR Strategies, challenges, communication and contributions and for part four having a total of 20 questions a five point Likert scale that range from 1 (strongly disagree) to 5 (strongly agree) was used. The researcher gathered secondary data through reviewing the bank's reports like journals, annual and operational audit reports. It helped the researcher to see at what position the bank is in the practice and implementation of CSR.

### **3.4 Methods of Data Analysis**

Data analysis is the process of editing and reducing accumulated data to a manageable size, developing summaries, seeking for patterns using statistical methods. According to Cooper & Schindler (2003), it allows to assemble and organize all research materials into meaningful pattern. After collecting the questionnaires from the respondents, the researcher checked the validity of the returned those that are have problems of completeness. In general there are two types of data analysis techniques namely: qualitative and quantitative. Here the choice of these methods greatly depends on the type of information the researcher collected at hand. If most of information collected contains numerical data, the analysis calls for quantitative tools and

descriptive statistics can be used to characterize the data. On the other extreme, if most of the data collected are qualitative, which mean data gathered using individual interviews, open-ended questions and focus group discussion, it is logical enough to apply qualitative data analysis tools (Nunnery et al., 1994). The researcher employed descriptive statistics to analyze data generated by using SPSS software.

### 3.5 Validity and Reliability

#### 3.5.1 Validity

To achieve validity questionnaires included a variety of questions on the knowledge of respondents. Content validity was further ensured by consistency in administering the questionnaires. All questionnaires were distributed to subjects by the researcher personally. The questions were formulated in simple language for clarity and ease of understanding clear instructions were given to the subjects. The questioner given to customers of the bank, were filled in the presence of the researcher as it required translation to Amahric in some cases.

As multiple items in all constructs were used (reliability of CSR policy and practice, CSR strategies, challenges of CSR, Communication of CSR and contribution of CSR were assessed with Cronbach’s alpha and the reliability of value for all points were all greater than 0.70 which are considered acceptable summery of reliability of Practice of CSR as shown in the table below.

**Table 3.2 Reliability Cronbach’s alpha**

<b>Variables</b>	<b>Reliability Cronbach’s alpha</b>
CSR policy and practice	0.74
CSR strategies	0.81
Challenges of CSR	0.78
Communication of CSR	0.89
contribution of CSR	0.71

Source: Own Research 2018

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter deals with the data presentation, discussion and interpretation of the data gathered. There were 32 questionnaires distributed to the employees and management of Enat Bank S.Co., and out of it 28 questionnaires were returned and the data analysis was done based on those valid questionnaires. In addition to the 28 questionnaires, 15 separate questionnaires were distributed to women customers of the bank who have taken loans from the bank through WFSD and only 10 of them returned the questionnaires. As part II of the questionnaire started with open ended question to get answer about the concept of CSR and the questionnaire given customers of the bank ask for yes/no question about the concept of CSR. The discussion of results starts with answers given to the above questions from both questionnaires and will follow the pattern.

#### **4.2 Summary of responses given for open ended question, how do you understand the concept of corporate social responsibility? (Bank)**

- CSR is the responsibility of the company towards the society.
- Doing the right thing for the society and the community we live in.
- It is a duty which the bank uploads for the society's benefits. As an institute the social responsibility of the bank is an important element which it can contribute for the betterment of any social issues which can be conveyed financially or in other methods.
- It is a business approach that contributed to sustainable development by delivering economic, social and environmental benefits for all stakeholders.
- It is contemporary concept on business of the firm that their activities impact on the environment and stakeholders and those companies are expected to contribute to sustainable development and economic growth (Social well being).
- It is the responsibility of the organization to serve the community in which it operates free of charge and at own will.
- It is the act of corporations where they contribute to the social development out of the scope of the usual business.

- The contribution of the organizations to all stakeholders in maintaining or developing through social, economic and environmental benefits.
- CSR is the bank’s participation in development or social activities apart from its main business objective.
- CSR addresses human rights, health, safety and environmental effects to drive change towards sustainability.
- CSR is a strategy of an institution to work for the overall wellbeing of the society in which it operates not harm the society in its operation.

**Table 4.1 Summary of responses for concept of CSR (Customer)**

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	1	10	10.0	10.0
No	6	60	60.0	70.0
Not At All	3	30	30.0	100.0
Total	10	100	100.0	

Source: Own Study 2018

From the total of 10 respondents, only 10% (1) respondents know the concept CSR and the rest 90% (9) respondents do not know about the concept of CSR.

The responses gained from the open ended question indicate most of the respondents understand the concept of CSR and their responses resemble with the definition of CSR given by Rehman. Rehman (2011), has better examined the concept of CSR from its beginning to the current period and summarized 10 major dimensions which include, environmental protection, economic development, ethical business practices, law abiding, voluntariness, human rights, transparency and accountability and stakeholder’s involvement. Management and employees of the bank has better understanding of CSR as most explanation given by them as one or more dimensions of CSR. The bank has to create awareness about the concept to its customers.

### 4.3 CSR Policy and Practice

**Table 4.2 Summary of responses for CSR Policy and practice**

Items	Yes		No		Neutral	
	F	%	F	%	F	%
Does your bank have a clear CSR policy?	15	53.6	10	35.7	3	10.7
Are you familiar with the bank's CSR activities?	14	50	7	25	7	25
Are you involved in your bank CSR activities?	10	35.7	10	35.7	8	28.6
Does your bank evaluate the impact of its CSR activities on stakeholder?	7	25	12	42.9	9	32.1
Is your bank's CSR practice successful in achieving its objectives?	9	32.1	10	35.7	9	32.1

Source: Own Study 2018

Analyzing the data obtained in the questionnaire, table 4.1 shows the study measured Enat Bank's CSR policy and practice by considering five different sub variables. The first question focused on the bank's clear CSR policy gained a response of 56% saying the bank has a clear CSR policy with 35.7% saying no and 10.7% with not having any idea about the matter. The second item of table 4.1 is about the familiarity of the bank's employees with its CSR activities, 50% percent of the respondents are familiar and the rest 50% are not familiar with the bank's CSR activities. The third item was about the employees' involvement, in the bank's CSR activities got equal 36% percentage of respondents say they are and are not involved in the bank's CSR activities and the rest 28% have a neutral opinion on that. The forth item in table 4.1 was about evaluation of bank's CSR activities on stakeholders, the result showed majority of the respondents (75% of them) answered the bank does not evaluate its CSR activities on its stakeholders, only 25% of them gave an answer that the bank evaluates its CSR activities on its stakeholders. And the finally item for the question 4.1 CSR Policy and Practice was about the bank's successfulness in achieving its objectives, it gained a response of 68% of the total respondents said the bank is not successful in achieving its objectives with its CSR activities, only 28% said yes the bank is successful in achieving its objective with its CSR practice.

The results analyzed in table 4.1 was about bank's CSR Policy and practice, based on the first definition of CSR suggested by Bowen(1953), in social obligation driven" to pursue those policies, to make those decisions, or to follow those lines of action which are desirable on terms of the objectives and values of our society"(p.6). In order to practice CSR, the bank has first to

develop policy for the practice and implementation of it. Majority of the respondents agree that the bank has a clear CSR policy, as the definition CSR by Bowen implies.

The stakeholder relation driven of CSR suggests companies should interact with their stakeholders in the operation of business with CSR activates, as the definition given by Barney 1991), managers have to consider the claims and needs from stakeholders. But from the results gained from the above table, the bank’s evaluation of its CSR activities is low which in turn affected the bank’s CSR activities successfulness.

#### 4.4 Summary of Responses for CSR Strategies

**Table 4.3 Summary of Responses for CSR Strategies**

SD=Strongly Disagree D=Disagree N=Neutral A=Agree SA=Strongly Agree

CSR Strategies	SD		D		N		A		SA		Statistics
	f	%	f	%	f	%	f	%	f	%	Mean
Bank has unique products	2	7.1	2	7.1	8	28.6	7	25	9	32.1	3.68
Bank has brand	2	7.1	2	7.1	1	3.6	11	39.3	12	42.9	4.04
Bank’s brand gives competitive advantage	1	3.6	1	3.6	5	17.9	9	32.1	12	42.9	4.07
WFSD help achieve CSR Strategy	2	7.1	1	3.6	9	32.1	9	32.1	7	25	3.64
Providing financial literacy training has brought changes	3	10.7			7	25	13	46.4	5	17.9	3.61
WFSD as part of bank’s CSR implementation plan	3	10.7	5	17.9	8	28.6	10	35.7	2	7.1	3.11
Collateral free credit facility helped the right target of women	5	17.9	5	17.9	4	14.3	11	39.3	3	10.7	3.07

Source: Own Study 2018

Table 4.4 Summary of responses showing the difference between EB and other FI loan (Customer)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Collateral	4	40.0	40.0	40.0

Interest Rate	5	50.0	50.0	90.0
Timeliness	1	10.0	10.0	100.0
Total	10	100.0	100.0	

Source: Own Study 2018

The result of the table 4.3 indicates, the mean score for having unique products to serve customers is 3.68 indicating most respondents agree the bank has unique products to serve its customers. For the second question that majority of the respondents agree that the bank has brand that can distinguish it from other private commercial banks. All the results gained from third to seventh question of the bank's CSR strategy got positive response.

And table 4.4 indicates loan from EB is different from other FI loans, 40% (4) of them give answer for collateral as the women are only expected to make a saving 5% of the total amount of money they will borrow. The rest 50% (5) of the respondents said interest rate, the bank give loans to these women with minimum lending rate and finally 10% (1) respondent said timeliness of the loan processing time make EB-WFSD lending different from other FI institutions. EB loans through its WFSD is different from that because the above three factors that has brought positive impact on the bank's CSR implementation.

As supported by different CSR theoretical reviews like Mc Elhaney (2009, p. 31) companies should instead focus on more critical steps of the CSR development. These steps are developing and executing a CSR strategy, communicating it and brand it (Mc Elhaney 2009). The bank's CSR strategies have helped it achieve positive response from its employees and customers. The brand of the bank has given a distinguishing figure and competitive advantage over other private commercial banks of Ethiopia. The development and implementation of CSR is an important point in any activities as the outcome mainly depends on the plan.

The above response is also supported by (Pearce & Robinson 2007). Strategic management is viewed as the set of decisions that result in the formulation, implementation and control of plans designed to achieve organization's purpose. The bank's formulated strategy in order to practice



had helped it achieve what it has planned. The different strategies used by the bank have brought remarkable result on its CSR activities.

(Alam Hoque,& Hosen, 2010)., Common corporate social responsibility practices in most organizations by different organization are centered on mainly poverty alleviation, healthcare, education, charity activates, cultural enrichment, youth development, women empowerment, patronizing sports and music (Alam Hoque,& Hosen, 2010). Here again EB WFSD is supported as the bank is currently working on women empowerment and giving financial literacy trainings.

## 4.5 Challenges to CSR

**Table 4.5 Summary of Responses for Challenges to CSR**

SD=Strongly Disagree D=Disagree N=Neutral A=Agree SA=Strongly Agree

Challenges to CSR	SD		D		N		A		SA		Statistics
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Mean
Uncollectable loans	1	3.6	2	7.1	15	53.6	5	17.9	5	17.9	3.39
High Cost of fund	1	3.6	6	21.4	18	64.3	2	7.1	1	3.6	2.86
Diversion of business	1	3.6	2	7.1	16	57.1	7	25	2	7.1	3.25
Missing the right target of women	2	7.1	7	25	8	28.6	7	25	4	14.3	3.14
Longer loan processing time	1	3.6	6	21.4	11	39.3	10	35.7			3.07
Documentation issue in side of customers	1	3.6	3	10.7	11	39.3	10	35.7	3	10.7	3.39
Misunderstanding of the bank's aim in supporting the missing women	4	14.3	2	7.1	11	39.3	7	25	4	14.3	3.18

Source: Own Study 2018

Table 4.5 indicates results gained from the question to challenges for CSR, except for question two that is the high cost fund, all other elements like uncollectable loans, diversion of business, missing the right target women, longer loan processing time and documentation issue in side of customer are found out to challenges to CSR with having mean value ranging from 3.07 to 3.39.

According to Brenda (2013) states that Corporate Social Responsibility in the banking sector is becoming a well-established notion in the service industry and financial institutions are coming around to the idea that there is more to invest than just to focus on the figures. However challenges such as lack of resources, incompetent management and organization politics leads to a decline in the effectiveness of CSR in banks. But the results gained from the study showed the opposite this may be because the variables included focused on external factors. Lack of resources was not a challenge in the case of EB because the bank is currently financing the WFSD from its own income and from other willing and potential customers of the bank with a little cost.

#### 4.6 CSR Communication Strategy (Bank)

**Table 4.6 Summary of Responses for CSR Communication Strategy**

SD=Strongly Disagree D=Disagree N=Neutral A=Agree SA=Strongly Agree

Challenges to CSR	SD		D		N		A		SA		Statistics
	F	%	F	%	F	%	F	%	F	%	Mean
Formal communication channel to address CSR	4	14.3	7	25	10	35.7	5	17.9	2	7.1	2.79
Your bank's WFSD known in the community	2	7.1	5	17.9	9	32.1	10	35.7	2	7.1	3.18
Enough marketing is done to sell your bank's services	4	14.3	9	32.1	9	32.1	5	17.9	1	3.6	2.64

Source: Own Study 2018

**Table 4.7 Summary of responses how they know about Enat Bank's WFSD (Customers)**

	Frequency	Percent	Valid Percent	Cumulative Percent
Advertising	3	30	30.0	30.0
Informally	4	40	40.0	70.0
Through people	3	30	30.0	100.0
Total	10	100	100.0	

Source: Own Study 2018

Table 4.6 indicates the data analyzed to evaluate the bank's CSR communication strategy. The answers given to the first question showed 7.1% (2) respondents strongly agree and 17.9% (5) respondents agree that the bank has formal communication channel for CSR. 14.3% (4) and 25% (7) respondents strongly disagree and disagree that the bank has formal communication channel. The mean value of 2.79 indicates majority of the respondents disagree that the bank has formal communication channel to address CSR. The mean value of the second question 3.18 indicates majority of the respondents agree that the bank's WFSD is known in the community and at the end the mean value 2.64 of the third question indicates majority of the respondents disagree that enough marketing is done. And table 4.7 indicates among the 10 respondents, 30% (3) of them know about the bank's service through advertising, 40% (4) of them through informally communication and the rest 40% (4) through people.

Based on Bhattacharya & Sen (2004, p. 23) consumers' lack of awareness about CSR activities is a major limiting factor in their ability to respond to these activities and therefore companies need to increase the awareness levels. From the result gained above and the literature review made, the bank has to work to have a formal communication channel to address CSR to its stakeholders.

Even if the bank's WFSD is known in the community, the bank has to interact with its internal and external stakeholders through different communication channels which will include making different marketing activities. Taking in to account the works of Bhattacharya (2009, p. 1) Which points out that a company developing a good CSR strategy must start by understanding where and how key stakeholders react to the company's CSR initiatives. Bhattacharya (2009 p. 1) suggests using focus groups, surveys and other marketing research methods to understand the deeper psychological needs that CSR can answer for stakeholders. Communication is vital for any activity in business.

According to Bhattacharya & Sen (2004, p.20) "positive WoM is often a key behavioral outcome of an individual's identification with an organization". As shown in the results, 30% of women got to know about the bank's services through other people.

#### 4.7 CSR Contributions

**Table 4.8 Summary of responses for CSR contributions (Bank)**

	SD		D		N		A		SA		Statistics
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	
Women financial empowerment brought positive impact	4	14.3	2	7.1	9	32.1	10	35.7	3	10.7	3.21
Have better market share	3	10.7	4	14.3	12	42.9	8	28.6	1	3.6	3.00
Get community recognition	2	7.1	4	14.3	11	39.3	8	28.6	3	10.7	3.21

Source: Own Study 2018

Table 4.9 Summary of responses for answers about what the women's were doing (customer)

	Frequency	Percent	Valid Percent	Cumulative Percent
House Wife	4	40	40.0	40.0
Business Owner	6	60	60.0	100.0
Total	10	100	100.0	

Table 4.10 Summary of responses for change in living standard (customer)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	8	80.0	80.0	80.0
No	2	20.0	20.0	100.0
Total	10	100.0	100.0	

Source: Own Study 2018

Table 4.11 Summary of responses for past credit history (customer)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	6	60.0	60.0	60.0
No	4	40.0	40.0	100.0
Total	10	100.0	100.0	

Source: Own Study 2018

#### 4.6 General points about EB WFSO open ended question (Customer)

##### Summary for open-ended questions

- Helped me to start my own business and employ others in my business
- Lower interest rate which helped me to repay it smoothly
- Give me the chance to expand my business

Table 4.8 displays the results of CSR contributions, and the mean value 3.21, 3.00 and 3.21 showed majority of the respondents agree that CSR has brought positive impact on women

financial empowerment, better market share for the bank and finally the community recognizes the bank with its CSR activities respectively.

Results of table 4.9 indicates 40% (4) of the women were house wives and the rest 60% (6) of them were business owners, table 4.10 shows 80% (8) of the respondents answered their living standard was changed after they took the loan from EB as they have expanded their existing business and for the house wives they became owners of a business. Only 20% (2) of the respondents said there is no change in their living standard and table 4.11 women who took loan from EB-WFSD, 60 % (6) of them have taken loan from other financial institutions like saving and credit associations and the rest 40% (4) of them have not taken loans from other institutions.

As found out from the results, the contributions or outcomes of CSR mainly come from the planning and implementation of sound CSR strategy. As suggested by, Drumright (1996) supported that companies with sound CSR actions developed positive social identity and enjoyed increased loyalty from both customers and employees. CSR actions are also often associated with better financial performance of the organizations.

In an empirical study by Poddi and Vergalli (2009) addressing Effect of Corporate Social Responsibility on Performance of Firms, they found that CSR firms are more worthy, and have better long run performance and according to (Hess, Rogovsky & Dunfee, 2002), the motives for CSR activities to be found in this category are the creation of a better corporate image and reputation, both on the long-term. Based on the above reviews, and the results obtained tables, the position of EB in practice of CSR is in good track which should be cultivated.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMEDATIONS**

#### **5.1 Introduction**

In the chapter summary of the study, major findings and suggested recommendations are discussed in detail.

#### **5.2 Major Findings**

The findings indicate that the bank has a clear CSR policy for the proper implementation of the subject matter and familiarity of the bank's employees with the bank's CSR activities is high but most employees of the bank are not involved in the bank's CSR activities. When we see the impact of the bank's CSR activities', the researcher was able to find out that the bank does evaluate the impact of its CSR activities on its stakeholders that affects the overall CSR practice of the bank. The bank's not evaluating its CSR activities has brought the unsuccessfulness of its practice in achieving its objectives.

The bank has developed unique products to serve the different parts of the community with their specific need and wants. Having those unique products gave the bank the ability to serve more parts of community. In addition to having unique products, the bank also has brand that can distinguish it from other private commercial banks and branding the company have brought competitive advantage to the bank.

When seeing the bank's CSR strategies having separate WFSD had helped the bank to achieve its CSR objectives. Providing financial literacy training to its women customers have brought positive changes in their lives and having separate WFSD has become part of the bank's CSR implementation plan. The bank provides collateral free credit facility to women borrowers which helped the right target of women in the community.

The bank faced major challenges in the practice of CSR for providing collateral free credit facility were uncollectable loans, diversion of business, longer loan processing time, documentation issue in the side of customers, misunderstanding of the bank's aim in supporting

the right target of women. These challenges have hindered the bank from proper implementation its CSR activities as intended. In order to address its CSR policy and practice, the bank has no formal communication channel with the organization. Even though the bank has no formal communication channel, the community recognizes the bank from its CSR activities of WFSD.

The recognition of the community to the bank with its CSR activity would have been higher if the bank has done enough marketing to sell its products and services. The major contributions of the bank's CSR implementation has bring positive impact on women empowerment both financially and morally and it also brought better market share as well as bringing recognition of the community to the bank.

### **5.3 Conclusions**

The purpose of this study was to assess the practice of CSR in Private Commercial Banks of Ethiopia – The Enat Bank S.Co.,and how the bank has done so far for the implementation of it. The bank's CSR practice was examined through different variables such as CSR policy and practice, CSR strategies, Challenges to CSR, Communication of CSR and contributions of CSR. Based on the results of the study obtained and discussion of results done with the support the different literature summary of findings the following conclusions were given.

The findings indicate that the bank has problems regarding involving its employees in its CSR activities. Even if their involvement is low, the bank's employees are familiar with its CSR activities.

The research findings also indicated that there exists a gap in the evaluation of its CSR activities as the bank does not evaluate the effects of its CSR on its stakeholders. The bank's CSR practice was not successful in achieving its objectives this may raise due to the failure of evaluating its impact.

The research finding disclosed that there are problems in information sharing in the practice of CSR in the bank as it lacked formal communication channel to address it. Also the bank's marketing is poor in selling its products and services but the community recognizes the bank based on its CSR activities.



The major challenges of CSR are found out to be uncollectable loans, diversion of business, missing the right target women, longer loan processing time, documentation issue and misunderstanding of the bank's aim.

Finally, it was found out that the beneficiaries of EB-WFSD are delighted with the services they got from the bank. Besides the collateral free, low interest rate credit facility, the financial literacy training and providing higher saving and lower credit interest rates to women customers was found to be the outcome of the bank's CSR implementation.

#### **5.4. Recommendation**

Based on the findings and conclusions gained from the research, the below listed recommendations were forwarded to improve the bank's CSR practice.

The bank has to give responsibilities to its employees in order to engage in the bank's CSR activities if the involvement of employee increased the effectiveness of the bank's CSR practice will be enhanced.

The bank should set standards and evaluate its CSR practice on its stakeholders. Evaluating the performance and practice of CSR will lead to having a bench mark so as the bank strives to reach its targets and to make corrections if deviations occur. Evaluating the CSR practice and performance will help the bank to expand its areas of CSR application in the bank.

The bank has to develop formal communication channel to address CSR. Having a formal communication channel will create responsibility and accessibility to each and every organ of the company. Information sharing will be easier and productive will increase as everyone is aware of what the bank is doing and will strive to work towards achieving it.

More marketing should be done by the bank in order to sell its products and services. If the bank has done enough marketing the bank could have gained more customer base. In this competitive industry, the bank should invest more on selling its products and services through different marketing strategies.

In order to overcome the major challenges of CSR, the bank has to provide trainings on awareness creation to customers about the bank's aim of financing the missing middle and develop policy and procedures to minimize the role of other challenges for further and better performance of it.

The bank has done a remarkable job so far on women empowerment. As a new entrant to the industry the bank's CSR practice should be encouraged as it will be an example for other commercial banks of Ethiopia.

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# **APPENDICES**

Appendix I

**ST. MARY'S UNIVERSITY**  
**GRADUATE SCHOOL OF BUSINESS**  
**DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (GENERAL)**  
**QUESTIONNAIRE**

Dear respondents, the researcher is keen to assess the practice of Corporate Social Responsibility (CSR) of Enat Bank S.Co and how the bank has so done for the implementation of CSR. Your answers will be anonymous and treated confidentially and will only be used for academic

purpose. No need of writing your name. Your genuine and timely response is vital for success of the study. Therefore, I kindly request you to respond to each items of the question very carefully.

**Please tick (√) in the appropriate box below listed.**

**Contract Address**

If you have any request, please contact me and I am more than willing to accept you at any time of your choice at (Mobile: 0911 05 14 62 or e-mail: [mekdgzw@gmail.com](mailto:mekdgzw@gmail.com))

**Thank you for scarifying your precious time in advance!**

**I. Demographic Questions**

1. Gender  Male  Female

2. Your Age -----Years

3. Educational background:

Diploma  First Degree

Second Degree and above

4. Your working experience in Enat Bank S.Co.-----Years

5. The department you are working in

Credit Management  Business Development  Other, please specify\_\_\_\_\_

Women Financial Services  Internal Control

6. Your Current position

Department Director  Division Head

Senior Officer  Officer

7. How long have you been working in your current position-----Years.

**Part II:- Concept of CSR, CSR policy and practice**

8. How do you understand the concept of Corporate Social Responsibility?

Please answer to the questions 9-13 by putting (√)



(a) Yes (b) No (c) Neutral

**Part III. CSR policy and practice**

No.	CSR Policy and practice	a	b	c
9.	Does your bank have a clear CSR policy?			
10	Are you familiar with the bank’s CSR activities?			
11	Are you involved in your bank CSR activities?			
12	Does your bank evaluate the impact of its CSR activities on stakeholders?			
13	Is your bank’s CSR practice successful in achieving its objectives?			

**Part IV. CSR Strategies, Challenges, Communication and Contributions**

The below listed questions will be used to evaluate the degree of the bank’s the different CSR activities in your banks. Please put (√) for your answer.

(1) Strongly Disagree (2) Disagree (3) Neutral (4) Agree (5) Strongly Agree

No.	CSR Strategies	1	2	3	4	5
14	Have your company developed unique products to serve different parts of the community?					
15	Does your bank have brand that can distinguish it from other private commercial banks of Ethiopia?					
116	Do you think branding your company gives your bank competitive advantage?					
17	Do you think having separate Woman Financial Service Department help your bank to achieve its CSR strategy?					
18	Do you think providing financial literacy training to women customers brought changes in their lives?					
19	Do you believe your bank’s Woman Financial Service Departments as part of the bank’s CSR implementation plan?					
20	Do you think your bank’s collateral free credit facility helped the right target of women in the community?					
<b>Challenges to CSR implementation</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
21	Uncollectable loans (Bad repayment habit of borrowers)					
22	High cost of fund to be allocated to your bank’s WFSD					
23	Diversion of business by the borrowers					
24	Missing the right target of women					
25	Longer loan processing time					
26	Documentation issue in the side of customers					
27	Misunderstanding of the bank’s aim of supporting the missing women					
<b>Communication strategy of CSR</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
28	Does your bank have formal communication channel to address CSR internally?					
29	Do you believe your bank service in relation to WFSD known in the					

	community?					
30	Do you believe enough marketing is done in your bank to sell its services?					
	<b>CSR Contributions</b>	1	2	3	4	5
31	Do you think your bank's focus of women financial empowerment has brought positive impact?					
32	Does your bank's CSR activity supported to have better market share in the industry?					
33	Do you think the community recognizes your bank based on its CSR activity?					

30. If you have anything to add on the subject, you are most welcome.

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Thank you for your prompt response!

Appendix II

Questionnaire for customers of Enat Bank S.Co., who have benefited from the bank in taking loans without collateral. The questions will be translated in Amahric if the need arise.

1. Do you know the concept CSR?

Yes     
 No     
 Not at all

2. How did you know about Enat Bank's Woman financial Services Department?

Advertising Media     Informally     Through other people

3. What were you doing for living before you took loan from Enat Bank Woman financial Services Department?

Worker     House wife     Business owner     other, please specify

4. Is there any change in your living standard after you took the loan from Enat banks?

Yes     No     Not at all

5. Have you ever taken loan from other financial institutions? If yes, please answer question number 6.

Yes     No

6. What is the difference between Enat Bank and other financial institutions loans in general?

Collateral     Interest Rate     Timeliness

7. What do you say about the loan processing of Enat Bank woman financial services department in general and if there are points that you think should be included or improved?

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