



St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAMME

CORPORATE SOCIAL RESPONSIBILITY
AND COMMERCIAL BANKS

THE CASE OF NIB INTERNATIONAL BANK S.C

BY;
MELESE WOLDE ATRAGA
ID N₀SGS/0229/2005B

DECEMBER, 2014
ADDIS ABABA, ETHIOPIA

St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**A THESIS SUBMITTED TO THE DEPARTMENT OF
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BY MELESE WOLDE

APPROVED BY BOARD OF EXAMINERS

.....
Dean, Graduate Studies Signature Date

ELIAS NOUR (PhD).....
Advisor Signature Date

.....
External Examiner Signature Date

.....
Internal Examiner Signature Date

DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration prepared under the guidance of Elias Nour (PhD) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

Melese WoldeAtraga.....

SGS/0229/2005BSignature

Date

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University Advisor.

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Advisor

St. Mary's University, Addis Ababa

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Signature

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LIST OF ABBREVIATIONS/ACRONYMS

CSR= Corporate Social Responsibility

NPL= Non Performing Loans

SMEs = Small and Micro Enterprises

CBN = Commercial Bank of Nigeria

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ABSTRACT

The major objective of this study was to show the practice and components of Corporate Social Responsibility in Ethiopian commercial banking sector using the case of Nib International Bank. Specifically, the study assesses the bank's culture of fulfilling tax obligations required by the law and the practice of responsible lending. The study also investigates the practice of the bank in promoting employee development and its contribution to the benefit of the society in addition to tax payment. Data were collected from managers and other employees by using purposive sampling. Sample size of 90 was used for the study. The data was analyzed using frequencies and percentages, and descriptive analysis technique was utilized. 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 among the major findings of the study. The study concludes by highlighting the 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. Finally, the study provides some recommendations such as the need for the enhancement of the bank's community involvement activities and its role (in concert with the government) to help the public to access small amount, low cost and short-term credit facilities with particular attention to those who are at low income financial stand.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Corporate Social Responsibility envisages the expectation of the government, the society and the community as a whole that business firms will contribute to social well-being and improvement of the life at various levels of the society while the firms are engaged in the pursuits of their major objective, namely, making continuous profit. Banks as part of the community have to focus on the advantages of their customers, employees, shareholders and the society regarding their services and thereby contribute to the sustainable and stable economy in the country. The current CSR programmes implemented by companies have attracted attention from customers and employees which are indispensable for long term survival and profit.

Davis (1967) has found that large companies hold power to affect the quality of life of employees, customers, shareholders and other stakeholders in the course of their operation. Porter (2011) shares the same view that the focus on Corporate Social Responsibility (CSR) is gaining acceptance even if some businesses may be reluctant to implement in the short run. But in most cases it is agreed that the issue of business organizations running operations in a responsible manner is no longer debatable due to the common understanding of the inherent benefits.

As Drumwright (1996) noted”

“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. However this required long-term perspective as in short-run CSR actions may be viewed as expense but in fact it is an investment which will yield additional cash flows for the corporations. CSR actions have potential to create additional value for corporations. CSR combines the social and environmental aspects in doing business.” (Drumwright, 1996:71-86)

Moreover, Kostyuk and Govorun (2008), state that

“The financial systems play the basic role in the economies of developed countries. Banks work mostly with borrowed money and it is the specificity of their activities, so

they are not self-regulating organizations – this sector is subject to control by the regulatory authorities to ensure stability. It goes without saying that corporate social responsibility (CSR) has become of great importance in recent years, very often through public scandals and mismanagement. Therefore, demands from customers, employees, statutory bodies and the general public for detailed information about whether companies are meeting acceptable standards increased enormously. Moreover on their study of corporate social responsibility in banks, they have given an international overview of corporate social responsibility in banks and the study identified the distinctive features of the social responsibility of banking business in different countries.”(Kostyuk and Govorun, 2008:2-3)

According to Kostyuk and Govorun(2008), the idea of corporate social responsibility is not new for different countries and banks take advantages of the implementation of CSR management systems also when they extend performance into international markets. In many cases, they have an opportunity to be competitive with national corporations in the recipient countries. To maintain its advantage mainly domestic banks adopt the concept of CSR, which is proclaimed by corporations-expansionists.

Weigel (2011), on his study of the issues of corporate social responsibility states that ‘the idea of corporate social responsibility is relatively new to the business world’ and as a result he notes that “the study of the concept is not fully developed and the understanding of the motivations behind corporate social responsibility is limited”. Weigel concludes that “Social performance is increasingly entering the minds of consumers during the decision to purchase and Consumer attitudes have changed so much that corporations are now essentially required to adopt corporate social responsibility programs of some kind to remain viable’.(Weigel, 2011:1&6)

SOME CONCEPTUAL DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY

“Though CSR is an evolving concept, it is currently understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society. Corporate social responsibility (CSR) is also known by a number of other names. These include corporate responsibility, corporate

accountability, corporate ethics, corporate citizenship or stewardship, responsible entrepreneurship, and “triple bottom line,” to name just a few.”(Mackey & Tyson, 2007:817-835).

‘Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.’(Fauset, 2006:5)

Corporate Social Responsibility is also related with “...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.” (Fauset, 2006:5)

Like other researches the rationale of this study is to explain the prevailing theories behind corporate social responsibility with particular focus on banks, and the implications that the idea of corporate social responsibility has had on employees and the public as a whole. Research papers which study CSR concept in local Banks are very limited and this paper adds additional knowledge to the field, even if the research of corporate social responsibility has been limited because of the difficulty of creating a study that accurately reflects consumer reactions given a set of complex circumstances.

The banking sector has about 19 groups of actors, three government owned and the rest are private banks. NIB International Bank is one of the pioneer private banks which have been providing financial services in the Ethiopian banking sector for the last 14 years and the study focuses on the concept of CSR at this local Bank.

1.2. STATEMENT OF THE PROBLEM

In many countries businesses are expected to fulfill certain requirements in association with their legal regulation and or under the law of the land to perform their responsibilities to the general public. But satisfying the minimum requirement expected from the public through legal enforcement is usually limited to the companies’ commitment to pay tax and the sphere of Corporate Social Responsibility gets narrower in many cases.

Mostly actions taken by companies to protect the environment are mainly aimed at promoting the company's image to the public and it is very limited in its scope that their concern for employees, competitors and all stakeholders affected by their operation is least amount which remains mostly irresponsible in the way they do business.

As Freeman & Harrison (1999) noted:

'The shareholder management theory holds that the one and only purpose of a business is to generate a profit. Supporters of this theory believe that the maximization of profit is not only the foremost concern, but the only concern. This seems to ignore entirely the consideration for human rights, but the theory does not ignore human rights. Failure to do business in an ethical way often comes with great costs, and so shareholder driven firms will implement corporate social responsibility programs when it would be more profitable to do so. They are also likely to engage in activities that improve human rights sustainability, but only because they realize that without consumers to make purchases they will be unable to generate future profits.' (Freeman & Harrison, 1999:479-85)

Commercial Banks of Ethiopia are operating within a diversified area and with relatively high amount of capital and asset compositions. They are generating high amount of profit from year to year regardless of the intense regulation and imposition of different laws by the central bank of Ethiopia. Of these banks Nib International Bank is also operating with a high amount of capital, deposit, outstanding loans and registered profit. Due to this higher operation of the bank its impact on employees, customers, and the community as a whole is undeniable. But there are no various mechanisms for the participation of the bank in social support of the society, such as charity, contribution in supporting the community, employee development, and responsible lending. The adoption, practice and reporting of CSR is very low.

Even the recent actions taken by the bank regarding social responsibility, which may on one hand do justice to a type of behavior that is firmly oriented to mere image Creation, still do not go to the heart of the problem, appearing narrow and open to strong criticism.

1.3 BASIC RESEARCH QUESTIONS

At the end of the problems stated above the researcher developed the following basic research questions

- ✓ Does the bank fully perform its obligation to pay tax as required by the law and the society?
- ✓ What is the review process of bank's practice with regard to responsible lending?
- ✓ Does the bank promote employee development as employees contribute many for the bank's profit generation?
- ✓ Does the bank contribute for the benefit of the society as a socially responsible company in its activities?

1.4 OBJECTIVES OF THE STUDY

The broad objective of this thesis is to assess CSR and commercial banks in Ethiopia by taking Nib International Bank as a case study. However the specific objectives are:

- To assess whether the bank pays tax in full as required by the law and the society;
- To review the bank's practice with regard to responsible lending;
- To examine the tasks of employee development in the bank;
- To have knowledge of whether the bank contributes for the benefit of the society as a socially responsible company in its activities.

1.5 SCOPE AND LIMITATION OF THE STUDY

This study laid emphasis on assessing Corporate Social Responsibility and Banks at Nib International Bank, because the performance of the bank is audited and reported on a yearly basis for all stakeholders and it is done at the Head office, not at branches. On the other hand taking all Commercial Banks in the study is time taking and access for data collection for each bank is impractical in such a limited time and budget.

Moreover, measuring some of the problems stated in the objectives of the study is not easy and only a rough review and analysis is made and the study of the concept is not fully developed.

1.6 SIGNIFICANCE OF THE STUDY

This study gives an overview of corporate social responsibility in Ethiopian commercial banks. Even if the issue of Corporate Social Responsibility has been addressed during the last decades

by various scholars from all over the world, a specific research has not been made which relates to Ethiopian banks. Therefore this study pays attention to some commercial banks in relation with CSR.

The idea of corporate social responsibility is relatively new to the business world including Banks in Ethiopia. The study has importance to the bank because at present, competition in the banking sector involves non-monetary factors as many banks offer similar services in the same markets and the study of CSR as tools of socially responsible business is very essential.

The major significance of the study includes the following:

- It contributes to the development of brand of the bank by creating positive image if it is properly implemented;
- It adds to the knowledge and methodology of conducting research on the field; and
- It fills some part of the information gap of the issue to top management and other external end users.

1.7 ORGANIZATION OF THE STUDY

The study has five chapters. In the first chapter is the introductory part of the study. In the second chapter is about review of related literatures. The Research Methodology will be described in the third chapter. The collected data will be analyzed, presented and interpreted in the fourth chapter. And, the last chapter, chapter five includes the summary, conclusion and recommendation of the study.

CHAPTER TWO

2. LITERATURE REVIEW

In this chapter different concepts focusing on theoretical evidences about CSR are reviewed in light of the objectives of the study. The themes include the role of banks in CSR, tax issues in CSR, lending practices that banks exercise and conceptual definitions by different authors among others. This review is in fact not an exhaustive review and only issues more relevant to the scope and objective of this paper are discussed and more can be done by other researchers.

2.1. DEFINITIONS AND DIMENSIONS OF CSR

The concept of Corporate Social responsibility has been developed through time and defined by different scholars at different times because of its wider scope and the growing attention of the concept by practitioners. The following are among the various definitions proposed by these scholars and summarized as follows;

Bowen (1953) defined corporate social Responsibility as meeting advantageous values of the society by making them as one of the company's policies and means of achieving organizational objectives. Holme & Watts (2000), also stated the view of Corporate Social Responsibility as the commitment of businesses to meaningfully contribute to the society by being ethical and through the development of the economy.

The three dimensions of Corporate Social Responsibility is discussed by Panayiotou (2009) as economic view which is concerned with the financial returns explained by profit for the company, benefits for employees, and others. The environmental view is about processes, products and services related to the environment while the social view give emphasis on health and safety issues, employee relations, ethics, human rights and working conditions.

Baker (2011) summarized the definition and scope of corporate social responsibility as delivering the economic, social, legal, environmental and technological advantages to all stakeholders of a firm in its business operation.

He also proposed that it is the role of managers to initiate and advice shareholders to implement various social responsibility programs and by doing so enable the business organization to meet its strategic objectives.

On the other hand Moon (2004) stated that CSR is a difficult concept to separate it with other concepts like ‘corporate citizenship, sustainable business, and environmental responsibility’ and highly contextual in different areas in which the business is established and run its operation.

One of the known approaches by Carroll (1991) has covered the four major scope of CSR as;

Economic Responsibility; is about satisfying the very objective of business organizations to earn as many profit as possible by exchanging goods and services in return.

In **Legal Responsibility** the laws and standards set to govern the market in the business processes should not be violated.

The **Ethical Responsibility** states that companies must strive to fulfill the needs of the society beyond the legal rules and requirements imposed by the law of a country.

Finally **Philanthropic Responsibility** shows the commitment of firms to contribute to the common well-being of the society.

Like other researchers Kotler and Lee (2005), defined CSR as to give portion of the company’s profit to develop and improve the quality of life of employees and the society at large. They said that it is the responsibility of decision makers to implement programs which improves the well-being of the community in addition to their objective of achieving the target profit. Based on this definition he proposed several key issues, the first issue is about the accountability of firms followed by the companies’ obligation not to pollute the environment. The third issue he addressed is that companies should improve the life of the society by encouraging education, culture and other community improvements.

2.2 ADDITIONAL ISSUES ON CSR IN BANKING INDUSTRY;

In addition to Carroll’s list of the three economic, social and environmental dimensions of CSR Yeung (2011) has stated the components of Corporate Social Responsibility for the banking

sector as; proper handling of financial services, risk minimization, running the sector's business in ethical way, formulating ways to control financial crisis, the protection and responding for customer requirements.

The link between CSR and customers' satisfaction in the bank industry is studied by Macdonald and Rundle-Thiele (2008), as efforts made for clients to satisfy with the services is more desirable than developing CSR activities. By this he gave more attention for a better delivery of the service that satisfies customers regardless of the bank's involvement in doing socially responsible activities.

The financial strength of banks and their correspondence with CSR is dealt by Soana (2011) who found that a bank's contribution to CSR activities does not result in financial benefit to the bank and the link between financial and social performance are poor. Palomino and Martinez (2011) also concluded that many of CSR activities are mere image creation and they are less effective than any other industries.

But according to the empirical research findings of Chih and Chen (2010), the relationship between Corporate Social responsibility and the overall wellbeing of the economy is high. Based on this finding the correlation is not only determined by a single parameter like economy or financial performance. They indicated that the economy is not healthy if companies do not invest in CSR activities by merely focusing on achieving short term profit.

Goss and Roberts (2011), examined the relationship between CSR and cost of banks' loans. He found that banks assess more information about businesses and can decide on their credit approval scheme. Based on their analysis banks are more responsible for their lending practice and CSR activities can be implemented in order to control default of loans. According to Chatterjee and Lefcovitch (2009), "the importance of ethical standards for a financial market exists in the fact that financial markets work with money of other owners because first, it must be maintained a confidence in an investment. Second, undertaken risk may not mean a dangerous investment." (Chatterjee and Lefcovitch, 2009:3)

The major reason for banks to formulate strategy and implementation for CSR actions is that banks are working with the money of others and this high risk should be minimized. Therefore

investment actions need due care and risk minimization associated with operating with such level of responsibility.

2.3 DERIVES FOR CSR

Various theories have been developed by different authors in different time, but for the purpose of this study two theories developed by Freeman and Harrison 479-80 is used and summarized as corporate motivations for CSR in two theories, namely the stakeholder and shareholder theories. The stakeholder commitment argument holds that social programs are motivated by moral norms whereas the shareholder management argument states the motivations derived from the desire to earn profit.

2.3.1 STAKEHOLDER THEORY

This theory states that “most of corporate social responsibility programmes are simply a result of voluntary actions performed by business organizations and corporations are not motivated entirely by the desire to earn money” for these moral actions. (Freeman & Harrison, 1999:480). According to the supporters of this theory, a business firm can implement corporate social activities that involve cost, but which enable stakeholders to obtain societal considerations based on their importance, power and legitimacy which bring long term benefit.

2.3.2 SHAREHOLDER MANAGEMENT THEORY

In contrast to the stakeholder theory, this theory focuses on profit as the major objective of the firm in conducting CSR activities and business firms have main responsibility for the maximization of profit but without ignoring human rights. This theory does not consider moral actions and companies are motivated to engage in corporate social programme only as long as they gain profit from these programmes and it is based on give and take kind of one of the company's action. Companies may contribute to social activities but with the main motive of securing their maximum profit from their businesses processes. (Freeman & Harrison, 1999:480). Here government actions and regulations are important in order to minimize irresponsible social actions.

2.4 ROLE OF BANKS IN CORPORATE SOCIAL RESPONSIBILITY (CSR)

The major role of banks mainly commercial banks is to accept deposits from the society and provide credit facilities to the society only by assuring that these banking activities can generate significant amount of profit to the shareholders. It is also agreed that banks need to be socially responsible in any country in addition with their contribution to the development of a nation through a full or partial payment of tax obligations imposed by the government of the country.

McIlroy (2008) pointed out that the importance of risk management in banking industries not to serve customers who disregard social actions like human rights, the environment and others and who put self-interest into their priority. Therefore he proposed that regulatory actions are important to minimize these regular risks. In addition 2008, Ewen stated that the focus of Business enterprises should go beyond making profit but they have to deal with the changing needs and requirements of their customers in delivering their products and services.

According to Coetzee and Fourie (2010), the components of CSR in the banking sector are risk calculation, and well-organized internal audit process with value added activities to stakeholders and bankers need to play a role in assessing the market that potentially satisfy customers, formulating procedures that minimize risks and protect the society.

The World Business Council for Sustainable Development (2004) stated the responsibilities of companies to their stakeholders:

- ✓ responsible for high profits to owners and investors;
- ✓ maintain consistent, fairly compensated employment for employees;
- ✓ answerable to customers in the provision of high quality products and services;
- ✓ being fair as business partners;
- ✓ consistency in dealing with suppliers ;
- ✓ maintain industry image in dealing with competitors; and
- ✓ Responsibility to communities with regard to stable employment for community members.

2.5 CSR AND DEVELOPMENT ISSUES

Jenkins (2005) questions whether CSR contributes to poverty reduction of developing nations. Likewise, Frynas (2005) states that the recent CSR programmes failed to address the major

issues of the government in development of a nation. By this he argued that focusing on CSR activities are only a means of shifting attention from broader political, economic and social solutions for developmental problems.

As Graham and Woods (2006), noted there are various approaches to CSR programmes by companies but the majority of them undervalue this significant relationship between the company's and the society not to meaningfully contribute to the minimization of social problems. They argued that fulfilling corporate responsibilities of firms in a country are not enough to assist to alleviate poverty in poor countries but also the actions of international institutions and legal requirements are very important to do so.

Finally another well-intentioned approach to convince corporate entities, particularly transnational corporations, to adopt principles that would lead to an improvement in the quality of life of people and maintain sustainable environment policies is the UN Global Compact which will help countries to articulate their concerns in the global environmental governance.

The contribution of banks to the development of SME's sector in Nigeria and many other African countries in financing the sector is very limited due to the supposed risk and uncertainties. The major challenge of the sector is mainly shortage of finance to be engaged in further investment activities among others. According to Central Bank of Nigeria, CBN (2011) the poor fragile economic environment and absence of requisite infrastructure has rendered SMEs practice costly and inefficient, thereby worsening their credit competitiveness in Nigeria and many other African countries. But the CSR pyramid showed that banks have to produce banking products which are required by the society and would produce profits adequate to ensure the preservation and growth of businesses.

The CBN(2011) statistics showed that, bank loans and advances (which is CSR-Economic responsibilities of banks) to SMEs have been on the decline side over the years.

2.6 INDICATIONS OF BEING A SOCIALLY RESPONSIBLE COMPANY

The CSR Report of Corporate Watch, 2006 states the following feature of companies that pursue corporate social responsibility

- **Address climate change;**

...factories should minimize climate change through various waste management tools by cutting energy consumption, use renewable energy and cut dependence on oil.

- **Not sell products which are intrinsically harmful;**

... [T]here are ... goods and services which basically affect the health of consumers but legal industry in many countries like the tobacco industry and fast food companies which profit from obesity. A socially responsible company would have to stop producing products that are intrinsically harmful even though this would mean ceasing to exist for some companies.

- **Stop manipulating the public;**

A company acting in the social interest would have to only sell goods that are needed, could be afforded, and not manipulate consumers into spending beyond their means or promote overconsumption beyond levels the world can manage. In this case promotional ethics and responsibility has to take place.

- **Internalize costs;**

The concept of efficiency and minimizing costs should not be achieved at the expense of the society and while keeping this companies working in the social interest should cover these costs rather than, seeking all possible ways to externalize them.

- **Pay taxes in full;**

Paying tax is both required by law and a key part of contributing to society as a responsible citizen. A true socially responsible company would be transparent in terms of the levels of taxes it is paying in each of the countries in which it operates and would see paying tax as part of its responsibility to society rather than seeking to avoid it.

- **Keeping public interest;**

Corporations should not influence policy making by practicing CSR activities which are as a means of gaining payback for the benefit of them only and as a fashion to get public figure.

- **Democratize the workplace;**

Workers would be recognized not as human resources but as the people who create the value of the company and as such should determine their conditions of labor.(Corporatewatch,CSR Report, 2006).

2.7 TAX AND CSR ISSUES

Tax contributions are the major role that business organizations make to the society by withholding from the profit they earn. Tax payments are the major source of government income in many countries and needed to construct many of the public infrastructures in developing nations.Companies pay not only tax from their profits but also pay the taxes they collectfromtheir employees, customers and others in the supply chain. Currently while admirable efforts are taking place at national and international level to create and enforce legislation on corporate taxation in low-income countries, this work is in most cases only at an early stage.

As stated in the KPMG Tax Business School ReportCorporate social responsibilities actions need due care in terms of approach as they constitute one of the major business activities. Even their management of tax obligationrequires proper means of addressing corporate responsibility activities. When businesses think of minimizing their tax amount due care should be taken on how to trade-off between such an action and the associated risks, it should be justifiable for a clear business case because it may result in negative consequences like a more hostile strategy by the tax authority.TheKPMG Tax Business School Report also notedthat socially responsible attitudes to the community are not only limited to the payment of tax liabilities imposed by thelaw of the country of the tax authority but even at higher rates than the requirementby the law. The paper further proposed three strategies for the proper management of tax by companies.They are the need to create a company's tax policy, ruling out certain tax practices and responsible tax negotiations. (KPMG Report, 2013)

- **CREATING A COMPANY'S TAX POLICY**

Here tax policy should be developed in cooperation with corporate responsibility staffs and top management members like the board members and the major decisions made have to be in line with the CSR programmes. The tax policy of a particular business shows how the company is serious about its tax plan in line with Corporate social responsibility practices including numerical and non-numerical standards, provides a general impact of the tax income to make other business decisions and defines the rules to be followed during implementation and standards for tax negotiations.(KPMG's Report,2013).

- **RULE OUT CERTAIN TAX PRACTICES**

In order to secure valid corporate social responsibility and proper risk administration Companies prepare a proper set of rules in areas of tax minimization and to protect the company from damaging its image. Therefore there must be a need for clear and well established detail of the tax practices which should not contradict with the major beliefs and social responsibility practices....(KPMG'sReport,2013).

- **RESPONSIBLE TAX NEGOTIATIONS**

... Tax issues of a company are not limited to the law of a country but can also go beyond the rules and can affect the law itself; this is most familiar in developing nations to enhance investment activities. Corporate Social Responsibility has become one of the main business operations of firms in recent years from its underestimated role of minimizing environmental hazards and employee benefits in the past.

2.8 THE ROLE OF BANKS IN ADRESSING THE PROBLEM OF FINANCIAL EXCLUSION

Financial exclusion as defined by Kotler&Lee(2005), is the processes that hinder the poor and low income people from using the services and products of financial institutions like banks. In addition they described financial exclusion as the absence to the means of using typical financial systems like banks and he divided these groups of the society in to two as; those with poor credit histories and those living on low incomes.They concluded that those with low income groups require the access to credit facilities through the use of substitute credit providers.

Bowen (1953) stated a similar view regarding the concern that corporate responsibility should benefit financially disadvantaged groups of the society as a whole. He argued that consumers with low income are excluded from typical creditors like banks to get access to loans but with the option of getting credit from fringe creditors.

This literature showed that those who have access to credit are enjoying the respective return from it and make wealth while the poor pay high price for it and as a result get more poorer; discriminated from the system to be involved in job creation activities. The overall indication from this is that the income gap between the poor and those who have credit access is increasingly getting wider and banks should be concerned in light of their role in enhancing societal well-being.

Therefore Bowen (1953) concluded that it is the responsibility and added role of banks, the government and the public to help them get small amount, low cost and short-term credit facilities to those with low income levels. It is further argued that it is the responsibility of banks and other companies to make their corporate social responsibility as one of functional areas to all those parties who are affected and are affected by the company's business activities.

Therefore banks should see not only short term profits but also long term benefits to the society and to all stakeholders by addressing financial exclusion problems. To the extent that this results in those who can least afford it paying higher fees, such as bank default fees, and higher costs for credit due to lack of access to typical credit sources, we have private regulatory actors in the form of banks performing a redistributive role motivated by the pursuit of profit.

2.9 CORPORATE SOCIAL RESPONSIBILITY IN BANKS

As described in the Stanford Social Innovation Review, 2007, a new era for business, CSR issues are a rapidly growing topic of interest and concern in the financial industry; nevertheless, there is still a gap between what the society expects companies to comply with and what companies think they have to do.

According to the Review the concept of Equator Principles in banking sector is taking place which states that banks should finance projects which meet environmental and social requirements of the society among other objectives and the Equatorial Principles have become

the global standard for project finance and have transformed the funding of major projects globally.

But there are many challenges and opportunities in implementing CSR practices for the financial sector. The main challenges facing the financial sector especially banks are investment decision on the economy followed by ‘carbon emission management, stakeholder dialogue, employee diversity, supply chain management, shareholder pressure and new regulations to follow.’ But regardless of the challenge, CSR is bringing more opportunities to the financial sector than it is bringing to any other sector as there are huge opportunities in terms of innovation and a clear first mover competitive advantage.(Stanford Social Innovation Review, 2007)

According to (Kammerer,2008:24) ‘Tackling its Environmental, Social and Governance issues allow a financial institution to gain a first-hand knowledge of what it takes for its clients to implement CSR and give a greater understanding of the challenges that they are facing. It positions the institution well to develop Socially Responsible products and services.’Therefore the growing interest in the area of banking industry is taking place to put together CSR actions with their main operational and investment activities even though banks have little impact on the environment and are less concerned by challenges related to human rights and supply chain management due to their operation in the service area.

SUMMARY OF THE LITERATURES

The concept of corporate social Responsibility is defined by different scholars even though it is highly contextual and difficult to give clear idea of the concept. Many of these scholars state the dimension and meaning of CSR as a means of addressing social, economic and environmental problems through a responsible and ethical means of undertaking business activities to all stakeholders affected by those activities.

And the concept goes beyond fulfillment of certain actions as dictated by the legal imposition and today it is becoming a way of doing business, not only as a fashion to establish relationship with the society.

There are two major theories stated in the literature that inspire for being responsible business comes from; the stakeholder theory which states that many of corporate social responsibility actions are emanated from voluntary actions and less concern is given for profit while keeping CSR activities. Whereas the shareholder theory gives its emphasis for the maximization of profit as the major reason for establishing CSR activities within a company.

The other issue is that whether CSR contributes to economic development of a nation. Here many of the literatures concluded that it is not only the action of CSR practices undertaken by business firms brings economic improvement for the society but also the government and other international organizations should participate in addressing the societal problems.

The role of banks in Corporate Social Responsibility is not only limited to accepting deposit and granting loan but also includes such responsibilities as fulfilling tax obligations and the components of CSR in Banking sector are risk assessment, effective and efficient internal audit process with value added activities to all stakeholders.

Tax is the major means of contributing to the society by which companies are obliged to fulfill by the law. It is the source of income for the government to facilitate infrastructural investments of a country.

The role of banks that can be done in collaboration with the regulatory body includes the CSR programme of helping the poor and disadvantaged group of the society to get access to financial products and services. Therefore it is argued that those with low income societies should get fair and low cost credit facilities in order to provide with the growing investment opportunities especially in developing countries through implementing other supplementary credit sources.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter discusses the research methodology employed to achieve objective of the study. The chapter in addition discusses the research design, Sample size, Sampling Techniques, source and tools of data collection, Procedures of Data Collection, Methods of Data Collection and Data Analysis structured into different sections.

3.1 RESEARCH DESIGN

There are different types of research designs or research types depending on the purpose and or objectives of the research. The first classification of research purpose most often used in the research methods' literature is the threefold one of exploratory, descriptive and explanatory as Robson (2002) pointed out. However, in the same way as your research question it can be both descriptive and explanatory, so your research project may have more than one purpose. A research design can also be qualitative and quantitative based on the research's data collection techniques. The terms quantitative and qualitative are used widely in business research based on their focus on numeric (numbers) or non-numeric (words) data. While Quantitative Generates or uses numerical data, qualitative generates or uses non-numerical data.

For the purpose of this study to help answer the research questions and meet the main objective descriptive type of research is employed because it describes profile of the major CSR practices like lending practices, tax issues , employee development and the like in Commercial banks in Ethiopia specifically in Nib International bank S.C as the object of descriptive research is 'to portray an accurate profile of persons, events or situations' (Robson 2002:59) which may be an extension of, or a forerunner to, apiece of exploratory research or, more often, a piece of explanatory research.

On the other hand regarding data collection techniques thisstudyhascombined quantitative and qualitative techniques and procedures.Questionnairesand interviewsare used as tools during the study.

3.2 SAMPLING TECHNIQUES

It is known that sampling is “part of whole to show what the rest is like and plays a vital role in business research in a sense that it determines that the corresponding value of the population”. There are two major sampling techniques probability and non-probability sampling, but this research employed purposive non probability sampling. Because Purposive sampling can be very useful for situations where you need to reach a targeted sample quickly and where sampling for proportionality is not the primary concern. With a purposive sample, you are likely to get the opinions of your target population.

This is because in non-probability sampling researchers usually qualitative researchers are not as such concerned about the representativeness and mainly samples relevance to the topic are required or importance of the context is very important. Therefore in the selection of commercial banks, almost all banks are similar in their service delivery and addressing CSR practices and the issue of representativeness is more likely becomes a matter of choosing one of the banks, like the case study in this thesis is undertaken in Nib International Bank.

Moreover, a sub-category of this type of sampling is purposive sampling which mainly uses judgment and individuals who meet specific criteria. So in this regard in using data collection tools like interviews and closed-ended questions in questionnaires the respondents who are aware of the issue are selected. In the same saying the respondents use their personal judgment even though the study employed some physical examination of data to meet the stated objective.

3.3 SAMPLE SIZE AND RESPONSE RATE

Because of the nature of non-probability sampling method where by probabilities cannot be assigned to the units objectively, and hence it becomes difficult to determine the reliability of the sample results in terms of probability, employees of the bank and managers from different branches and department managers are selected to respond to the questions developed through questionnaires and interview. It is believed that these people are more knowledgeable about the bank's products and enjoying the benefits available.

The study covered ten branches and head office with a total of 400 staffs used as a total population and ninety (90) questionnaires are distributed. *Table for Determining Minimum Returned Sample Size for a Given Population Size for Continuous and Categorical Data* by Bartlett, Kotrlik, & Higgins (2001) using 0.03 for margin of error, 95% confidence level, z at 95% confidence level which is 1.96 and p equal to 0.05 is used to determine the required sample size. These questionnaires were distributed face to face to all the respondents. Because all branches are the same in using the benefits, nearly similar in assessing the bank's practice about CSR issues and all the results are applicable at every branch of the bank.

A total of ninety (90) questionnaires were distributed during the survey. However, eighty five (85) questionnaires were returned and all questionnaires were considered valid because they were fully filled. This represented a response rate of 94.44%.

3.4 SOURCE AND TOOLS OF DATA COLLECTION

Data for research usually come from two main sources. i.e. from primary and secondary data sources. This study used both primary and secondary sources as the major source of data collection.

Secondary data sources used in this study are those data that some other researchers have collected and are those recorded in the bank's profile or disclosed on the annual reports. As it is known the major limitations of these sources are they may not be reliable and the data set may not be complete, but with many advantages.

Whereas, primary data sources are those data collected 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.

The tools of data collection for this study are questionnaires and personal interview and financial records of the bank prepared by external bodies. It is believed that the objectives of the study are to be met and research questions are to be answered with these tools of data collection. But it does mean that other instruments cannot be employed by other researchers.

3.5 PROCEDURES OF DATA COLLECTION

As it is stated in the previous section, to accomplish the research objectives the researcher used both primary and secondary data. The data was collected using structured questionnaire that contains closed ended questions and interview.

The study employed a questionnaire as an instrument for data collection for this research which was divided into five sections. The corporate social responsibility scale was adapted from a scale developed by Davis, K. (1967) with a Likert scale scoring format ranging from “Strongly agree = 5” to “Strongly disagree = 1” and this study adapted 17 items with a Likert scale scoring format ranging from “Strongly agree = 5” to “Strongly disagree = 1” for the major dimensions of CSR and as a means to meet the main objectives in the study.

Moreover in the study of BurianováLenka, Paulík Jiří (2010), “Corporate Social responsibility in Commercial Banking” stated the basic pillars of CSR as Economy, Environment and Social Responsibility were evaluated separately and divided into eight main areas such as Management of CSR, Direct economic effects on a community, Indirect economic effects on the community, Human Rights, Social Policy, Employment, Consumer Protection and Environmental Policy.

The other point of reference is the four factor scale adoption of; implementing meaningful strategy, accountability for creditability, process and people management and consideration of stakeholders used in the analysis by Shirley Yeung. These factors are the point of focus of the study of ‘the role of banks in CSR’ written by Shirley Yeung and the factors consist of many other specific issues related with CSR. Therefore the questions used in this study are developed from all these previous research papers in which they are modified and used in this study in a way appropriate to answer the basic research questions.

3.6 METHODS OF DATA ANALYSIS

Because the study employed both quantitative and qualitative research design techniques the approaches for both techniques in the analysis part is used.

First the study taken categorizing and unitizing of data; after obtaining the types of information collected through questionnaires and personal interview are categorized under similar nature in a way suitable to the writing and reporting purpose and makes sense to the main ideas in the study.

Then Relationships Recognized; important themes, patterns and relationships of the collected data were recognized when the need arises.

In addition the data collected specially through questionnaires were analyzed using descriptive statistics (frequencies and percentages)and Statistical Package for the Social Sciences (SPSS) Version 21 software was also used to analyze the collected data.

Finally Interpretation of data, i.e. identifying the core meaning of the data, remaining faithful to the perspectives of the study participants is done.

CHAPTER FOUR

4. ANALYSIS, DISCUSSION AND PRESENTATION OF RESULT

4.1 ANALYSIS OF THE QUESTIONNAIRE.

INTRODUCTION

This chapter presents results of the data collected which is structured around the research questions in chapter one. And it presents a brief analysis of the data, results of the survey instrument along with a discussion of each research question.

The objectives of the study were used by the researcher as a guide in analyzing the findings obtained from the field work. With the research objectives, the findings of the study were categorized into the following:

- Demographic Characteristics of the population studied,
- CSR practice of the bank by engaging in activities which widely benefits the society
- The contribution of the bank in enhancing employee development
- The position of the bank in promoting responsible lending.
- The practice of the bank in fulfilling economic responsibilities as one dimension of Corporate Social Responsibility.

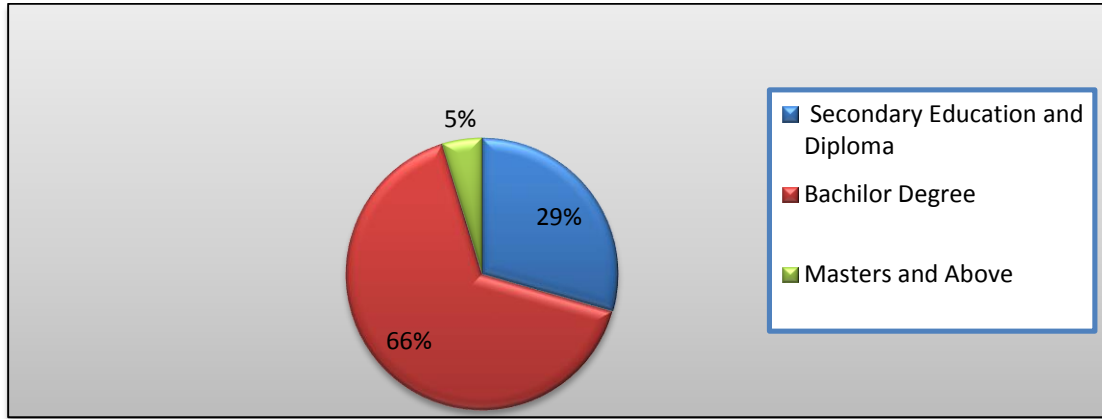
4.2 SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

The socio-demographic data was taken to know certain characteristics personal to the respondents which seem relevant to the study. The areas covered include work experience, educational level and income level.

4.2.1 EDUCATIONAL LEVEL OF RESPONDENTS

As the chart below shows from the total respondents 29 % of them have diploma. Majority of the respondents that is 66% have Bachelor Degree and the rest 5 % of them have Master's Degree.

Chart 4.2.1 Educational level of Respondents



Source: Own Survey, 2014

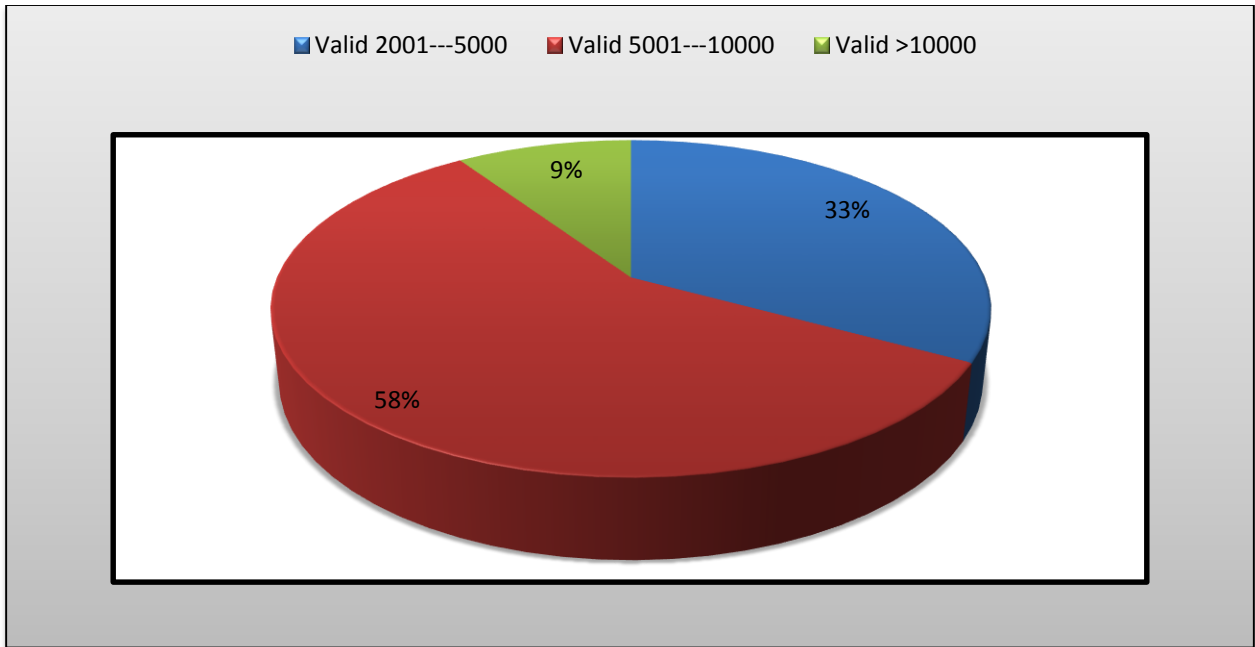
That means as the educational level of the respondents increased, the level of awareness about CSR and other activities about the bank increases.

4.2.2 INCOME LEVEL OF RESPONDENTS

The following chart shows the income level data that indicate majority of the respondents earned an income of 5,001.00 up to 10,000.00 Ethiopian Birr representing 58%, followed by 2,000.00 up to 5000 Ethiopian Birr representing 33%, and above 10,000.00 Ethiopian Birr representing 9% of the total respondents.

This indicates that majority of employee are middle income earners and knowledgeable about the bank's benefit schemes.

Chart 4.2.2 Income Level of Respondents

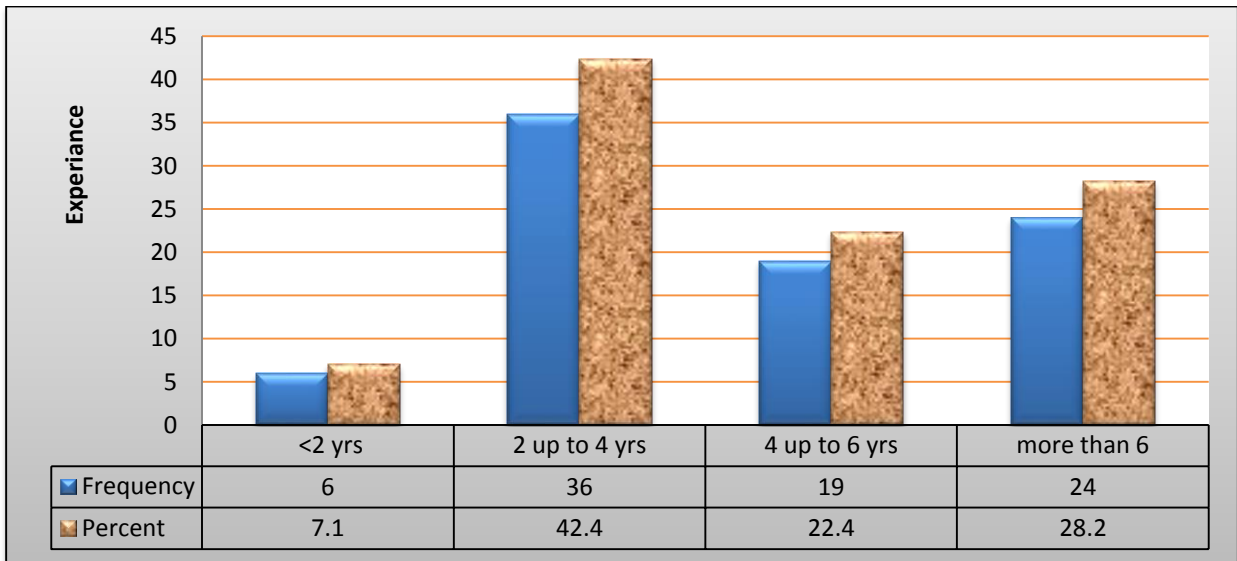


Source: Own Survey, 2014

4.2.3 WORK EXPERIENCE OF THE RESPONDENTS

As the chart below shows from the total respondents 7.1 % of them have less than two years' experience. Majority of the respondents that is 42.4 % have 2 up to 4 years' experience, 22.4% have 4 up to 6years' experience and the rest 28.2% of them have more than 6 years' experience.

Chart 4.2.3 work experience of the Respondents



Source: Own Survey, 2014

As shown from the above chart the distribution of respondents in work experience is so proportional or very close to each other that they are aware of the CSR programmes implemented by the bank currently.

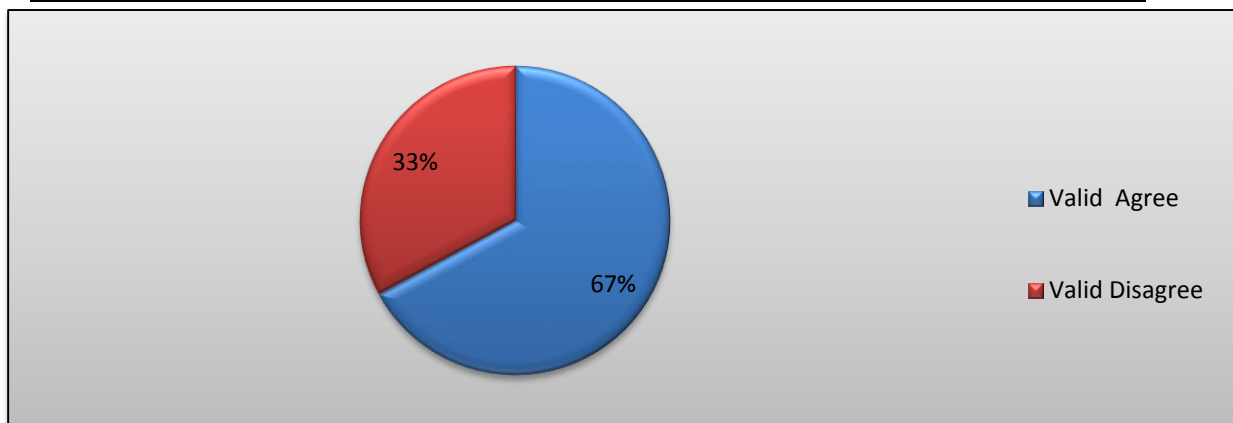
4.3 CSR PRACTICE OF THE BANK BY ENGAGING IN ACTIVITIES WHICH WIDELY BENEFIT THE SOCIETY

As it is stated earlier the contribution of banks to the society should not be limited to fulfilling the requirements of the law and performing some public activities imposed by the government of a country. But banks as a socially responsible company should fulfill the requirements of the society by engaging in various community development programs to enhance sustainable development and improve the quality of life in the work place and in the society at large. The following two charts indicate that how employees of the bank perceive whether the bank should involve in these CSR programs and the degree of the bank's involvement in community and charitable activities.

4.3.1 EMPLOYEE ATTITUDE TOWARD CSR ACTIVITIES BY THE BANK

Table 4.3.1 Employee attitude towards CSR activities by Banks

		Percent	Frequency
Valid	Agree	67.1	57
	Disagree	32.9	28
	Total	100.0	85



Source: Own Survey, 2014

From the above chart we can easily understand that the majority of the respondents i.e. 67.0% agreed that there should be a need for banks to engage in socially responsible activities.

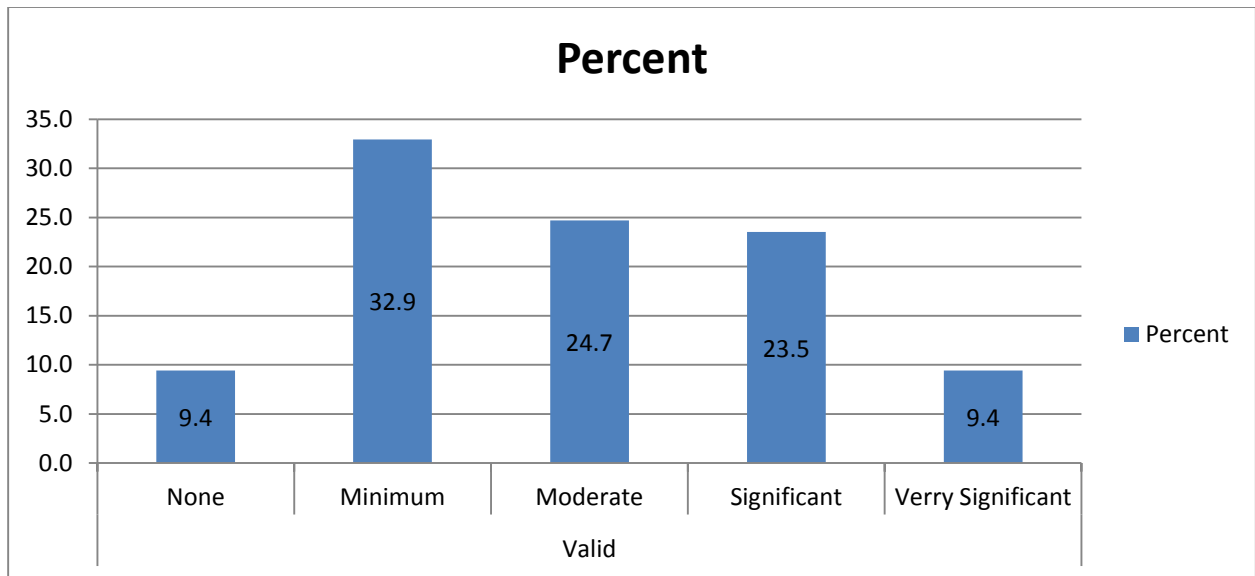
4.3.2 DEGREE OF THE BANK'S INVOLVEMENT IN CSR ACTIVITIES.

There are various types of CSR activities in which companies including banks are to be involved with in. It includes addressing different social issues starting from the environment to donations, contributions, conservation, and training of employees, the practice of good corporate governance and charity. In fact these activities may take different forms in different countries and even the varying of companies themselves.

Table 4.3.2 Degree of the Bank's Involvement in CSR Activities

	Percent	Frequency
None	9.4	8
Minimum	32.9	28
Moderate	24.7	21
Significant	23.5	20
Very Significant	9.4	8
Total	100.0	85

As shown from the above table 32.9 % of the respondents said that degree of involvement by the bank is minimum followed by 24.7% moderate respondents, 23.5% significant, 9.4% very significant and none respondents.



Source: Own Survey, 2014

Therefore the majority of the respondents think that the degree of involvement in community activities by the bank is minimum and further actions are needed to address the wellbeing of the society as a socially responsible company.

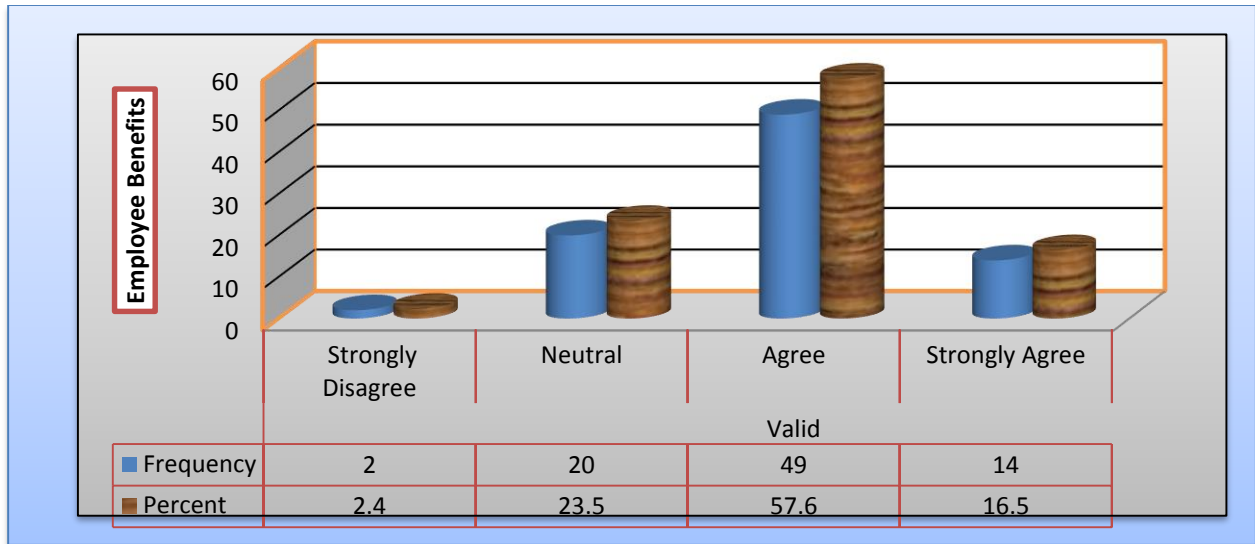
4.4 THE CONTRIBUTION OF THE BANK IN ENHANCING EMPLOYEE DEVELOPMENT

In most cases employee are assets of the company who contribute to the profit of the company through their contribution in skills and abilities. Betterment for staff and organizations can help establish positive organizational culture to provide quality for customers, and more importantly, to gain confidence from the public. Therefore addressing the question of employee through various employee development efforts is very essential.

4.4.1 EMPLOYEE BENEFIT

The bank has realized a need for adopting the benefits scheme in order to respond to environmental triggers and the benefit items are arranged in terms of job category. There are some employee benefits provided by the bank like staff loans, Medical benefit, and transportation allowance.

Chart 4.4.1 Attitude Toward Employee Benefit



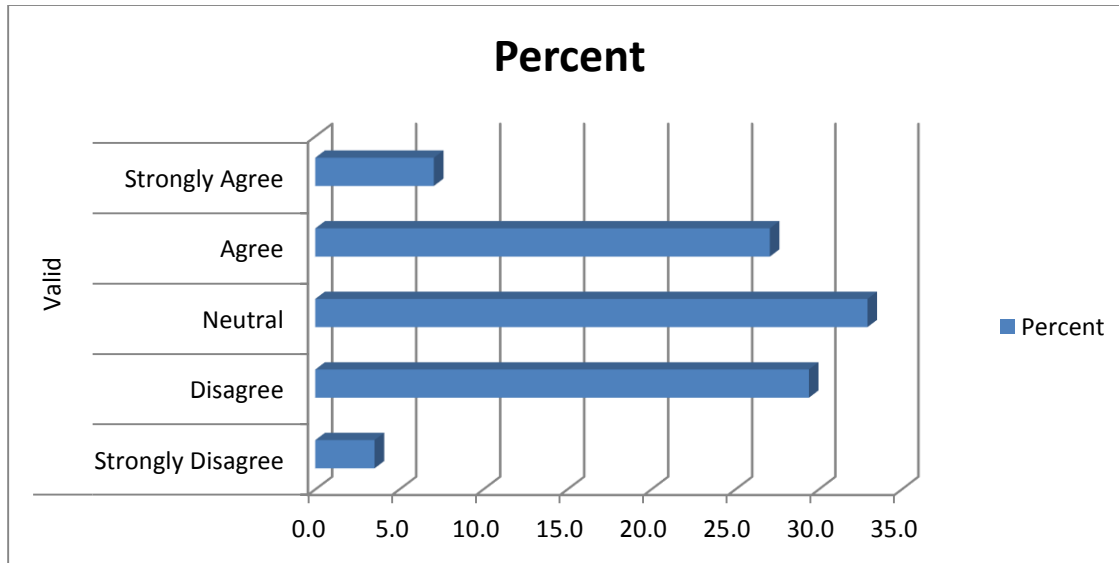
Source: Own Survey, 2014

57.6 % of the respondents agreed that there are various employee benefits provided by the bank, 23.5 % of them are neutral about the issue, 16.5 % of them are strongly agreed and the rest 2.4% disagreed strongly, but there are no disagreed respondents. Therefore it can be said that the bank provides various employee benefits to its employee.

4.4.2 SIGNIFICANCE OF THE BENEFITS

Even though there are various benefits provided to employee of the bank, many of the benefits are favoring the managerial and supervisory job positions. Of course whether the benefits are significant or not vary among the attitude and minds of employees and in comparison with other similar industries which is summarized in the following chart.

Chart 4.4.2 significance of the benefits



Source: Own Survey, 2014

It is learned from the above chart that the majority of the respondents are neutral followed by disagreed respondents and 25% of them has agreed about the significance of the benefits provided by the bank. Whereas those respondents who strongly agreed and disagreed take the next proportion in the chart. This indicates that many employees are either not aware of the significance or did not want to provide the appropriate information regarding significance of the benefits.

4.4.3 TURNOVER AND EMPLOYEE BENEFITS

The highest turnover rate in financial services particularly in commercial banks has greatly impacted the productivity, quality and profitability due to the loss of knowledge and technical skills. Nevertheless, due to insufficient skill and knowledge of new replacement employee, it is also impacted the view of customer relationship and satisfaction for not being able to meet or exceed the customer's expectation. The highest turnover rate of any organization will impact the organization's operation cost in investing trainings that required for new employee and eventually will impact the end profit of the organization. Due to high demand and competition in the banking industry, it has encouraged a turnover trend and decrease loyalty of the employees towards the organization.

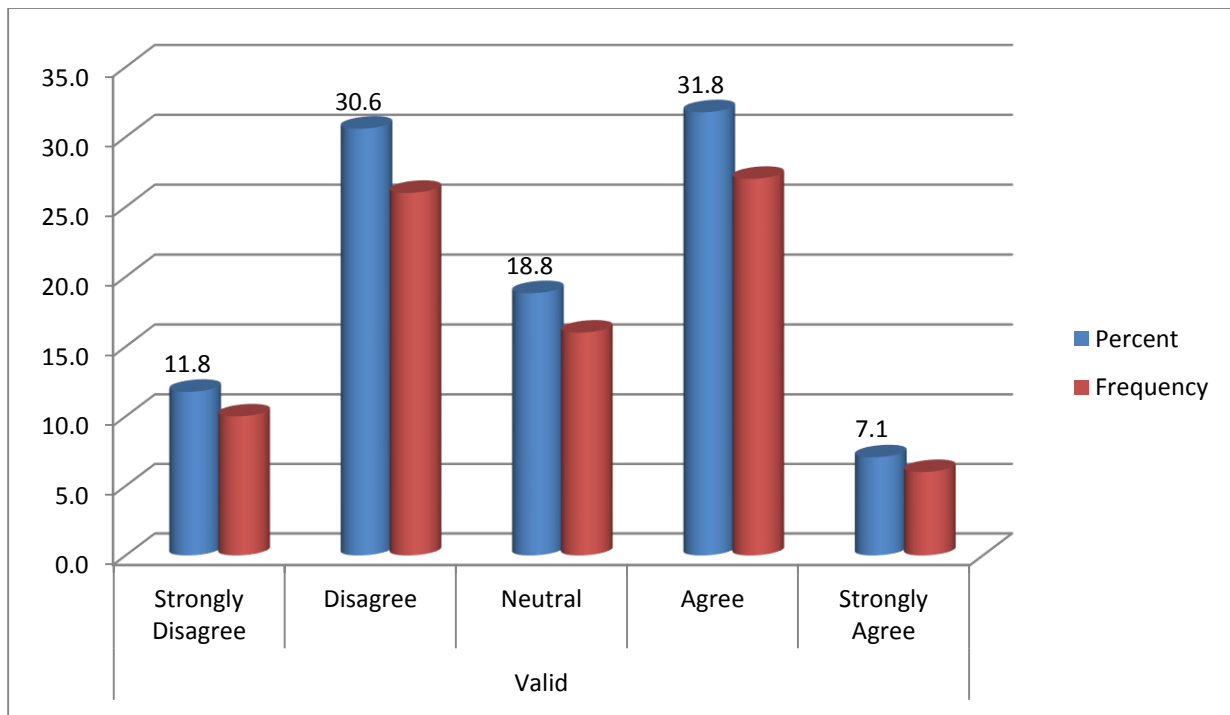
The result is analyzed in separate part in chart 3C in pages 39.

4.4.4 ACCESS TO STAFF LOANS

Staff loans are granted to permanent employees of the bank based on the procedures of the bank and after fulfilling the pre requirements needed by employees. This type of credit facility is advanced to the staff of NIB as staff benefit package. There are three types of staff loans each are to be discussed in the coming section;

- Emergency Staff Loan
- Consumer Loan
- Staff Housing Construction Loan

Chart 4.4.4 Access to Staff Loans



Source: Own Survey, 2014

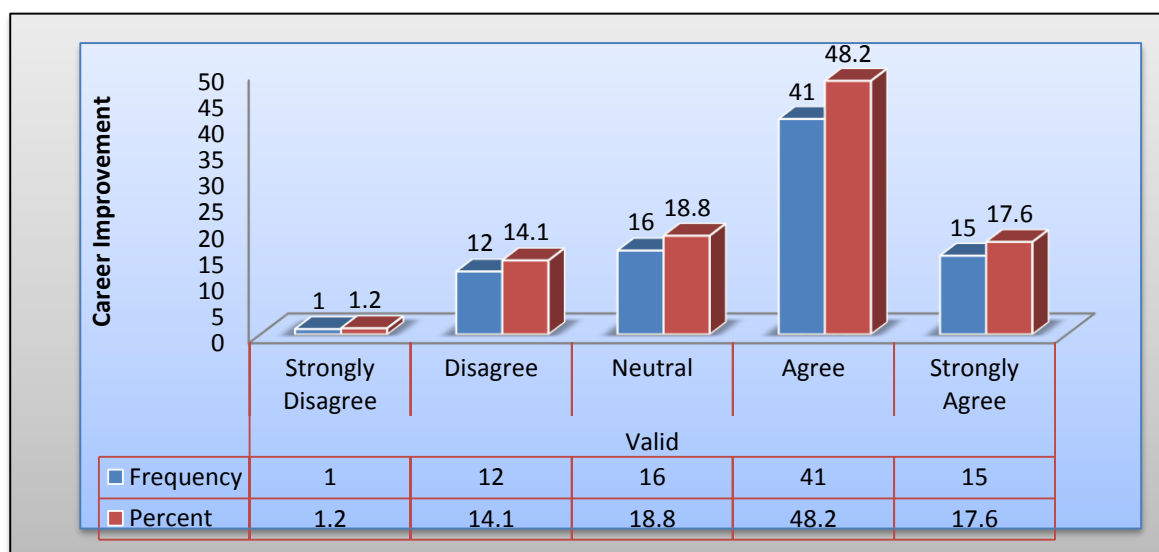
Employees of the bank are easily accessing staff car and house purchase loans. This is supported by the majority of the respondents (31.8%) view in the above chart. But also many of the respondents (as nearly as the agreed respondents, 30.6%) disagreed with the issue, followed by 18.8% neutral, 11.8% strongly disagree and 7.1% strongly agree respondents. This is because the majority of the respondents are medium income respondents and the majority of

them are accessing the benefits rather than the low income groups.

The rest are those who strongly disagree, neutral and strongly agree respondents with their decreasing distribution.

From this we can understand that the staff car and house purchase loans benefit high income employees and low income employees did not easily get access to this facilities.

Chart 4.4.5 CAREER DEVELOPMENT IN THE FUTURE



Source: Own Survey, 2014

From the chart 48.2 % of the respondents agreed with future career improvement, 18.8 % respondents get neutral view, 17.6 % of them are strongly agreed, 14.1 % disagreed and the remaining 1.2 % of the respondents disagreed strongly. Therefore there are opportunities for employees of the bank to advance in their career and hopeful future.

4.4.6 INTEREST RATE AGAINST STAFF LOANS

Emergency staff loans are those loans granted to permanent employees of the bank at zero percent interest rate. i.e. they are non-interest bearing loans. But the maximum tenure of such loans shall not exceed two years period.

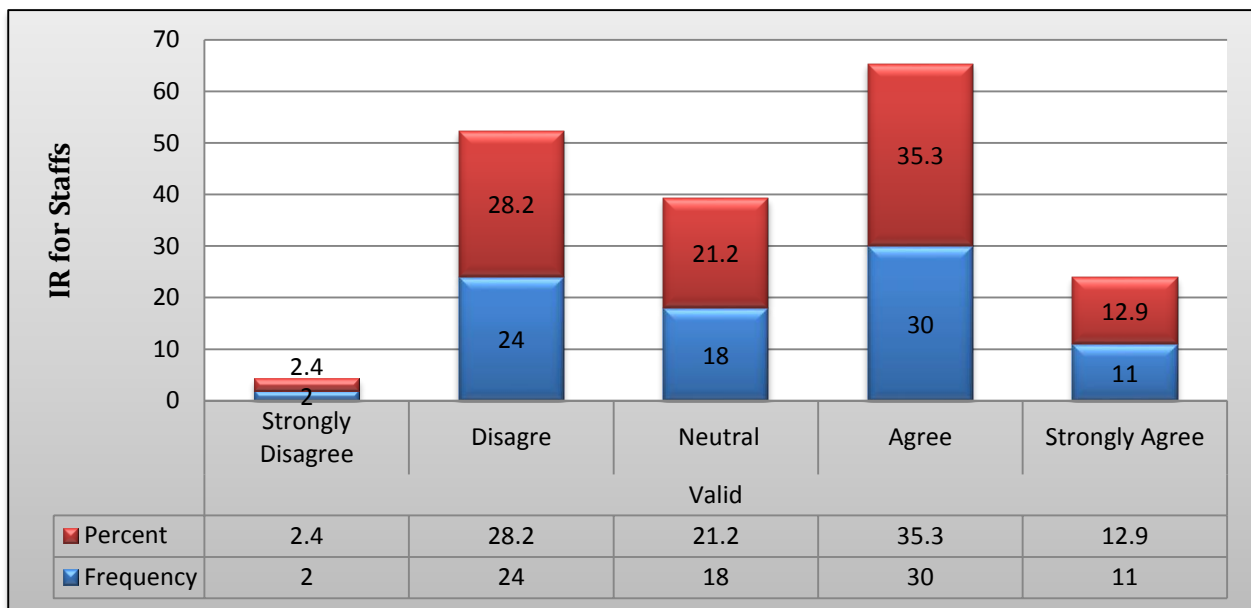
Staff consumer loans are granted for staffs of the bank at 5% interest rate per annum and shall

be extended for three years period.

Staff housing loans on the other hand take a long period of time, for not less than 25 years depending on repayment capacity at 6% interest rate per annum.

The following chart describes the feeling of employees' showing weather the interest rates are high or not.

Chart 4.4.6 Interest Rate against Staff Loans



Source: Own Survey, 2014

Even though the interest rates for staff loans are found at lower level when comparing with external customers the majority of employees agreed that the rates are still higher amount. The rest higher respondent's i.e about 28.2 % is disagreed with the issue and neutral respondents remained about 21.2 %. The least percentages go to those who respond strongly agree and strongly disagreed correspondingly.

From this we can conclude that interest rate for staff loans has to be lowered further to benefit the majority of the bank's employee.

4.5 THE PRACTICE OF RESPONSIBLE LENDING

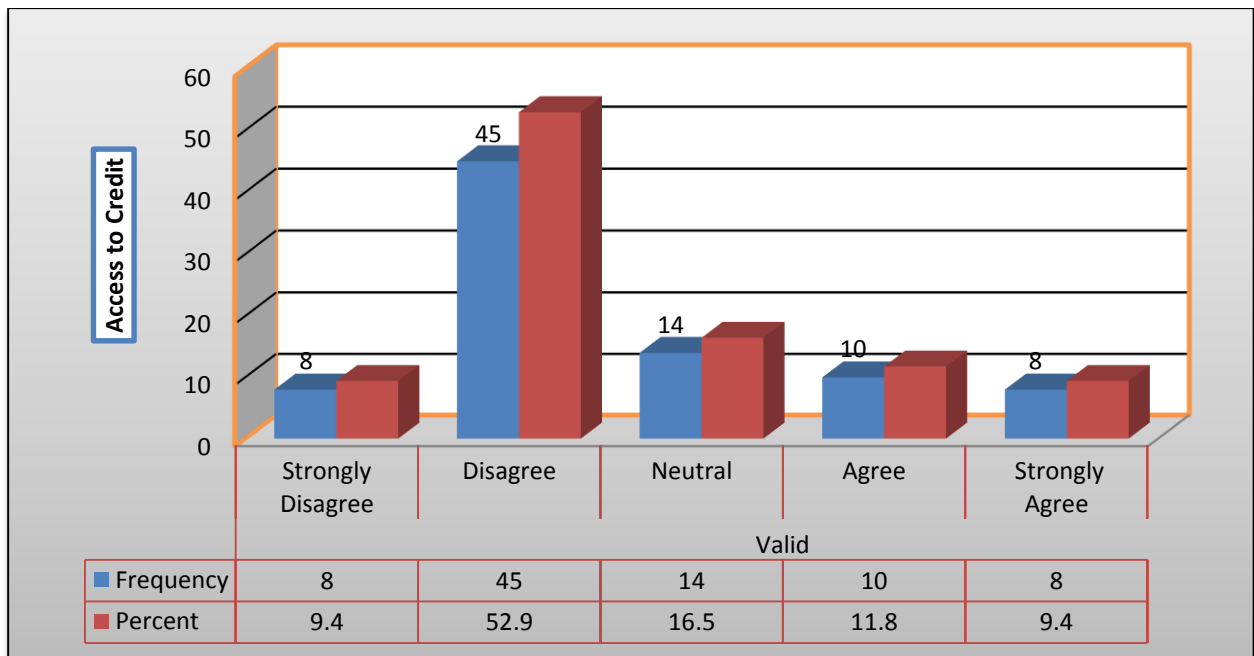
The Bank has set loan price at a level which provides a satisfactory profit margin and that reflects the level of risk related to costs of fund and loan administration. Credit Department with the consultation of Business Development Department shall revise interest rate and commission charges periodically and recommend to the Board of Directors for approval after review of same by management.

4.5.1 CREDIT ACCESS TO POOR AND DISADVANTAGED SOCIAL GROUPS.

Banks provide financial services mainly accept deposit, facilitate foreign trade and grant credit facilities. In this case banks did not provide loans to small income groups and did not facilitate access to loans like many banks in developed nations and some other African countries like Nigeria which finance Small and Micro Enterprises which play an important role in the process of industrialization, economic growth, and sustainable development of any economy.

The following chart shows employee opinion about whether there is credit access to those who are poor and disadvantaged social groups.

Chart 4.5.1 credit access to poor and disadvantaged social groups



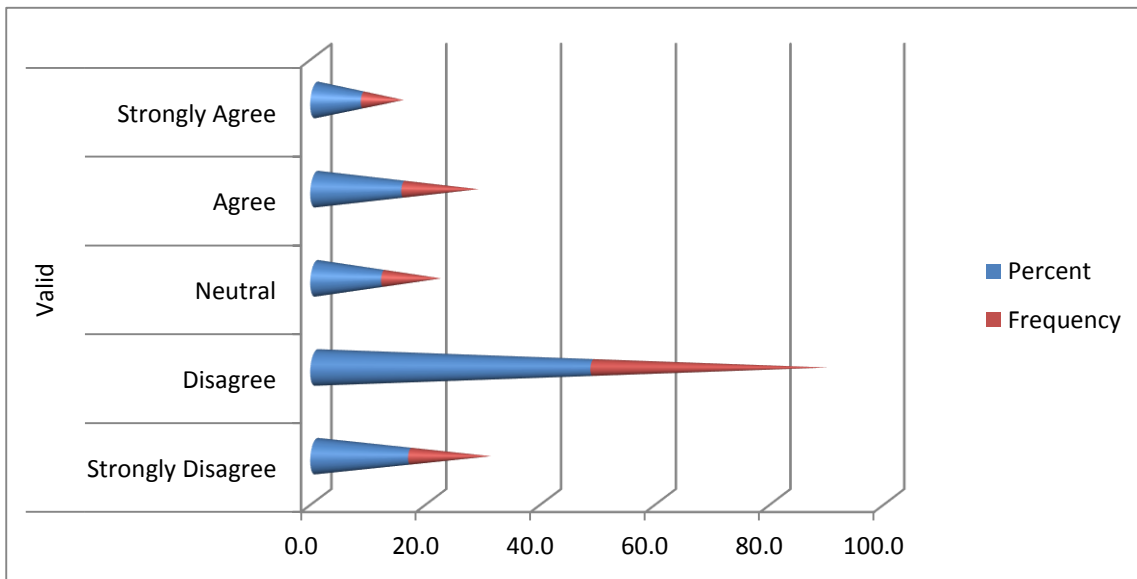
Source: Own Survey, 2014

Nib bank grants loans to those who have strong financial performance and adequate collaterals to secure these loans. There are no means by which the poor and even those who bring poor financial statements are getting access to loans. This is supported by the field survey summarized by the above chart where by the majority of the respondents agreed that there are no opportunities for these social groups to credit access. As a result there should be a system of making poor societies accessible to credit products by banks in a possible way.

4 .5.2 LEVEL OF LENDING ON MINIMUM INTEREST RATE

Nib bank realized Interest on loans and advances on accrual basis if the loans are regular and cash base for NPLs. Commission income is also realized on cash basis. When loans and advances become non-performing, interest on such loans shall cease to be realized as per the directives of the National Bank of Ethiopia.

Chart 4.5.2 Level Of Lending



Source: Own Survey, 2014

The majority of the respondents disagreed with the issue that there can be small amount of loans to poor societies followed by strongly disagreed respondents and agreed respondents came next. But those who are neutral and strongly agree respondents came subsequently.

4.5.3 INTEREST RATES ATTACHED TO VARIOUS LOAN TYPES

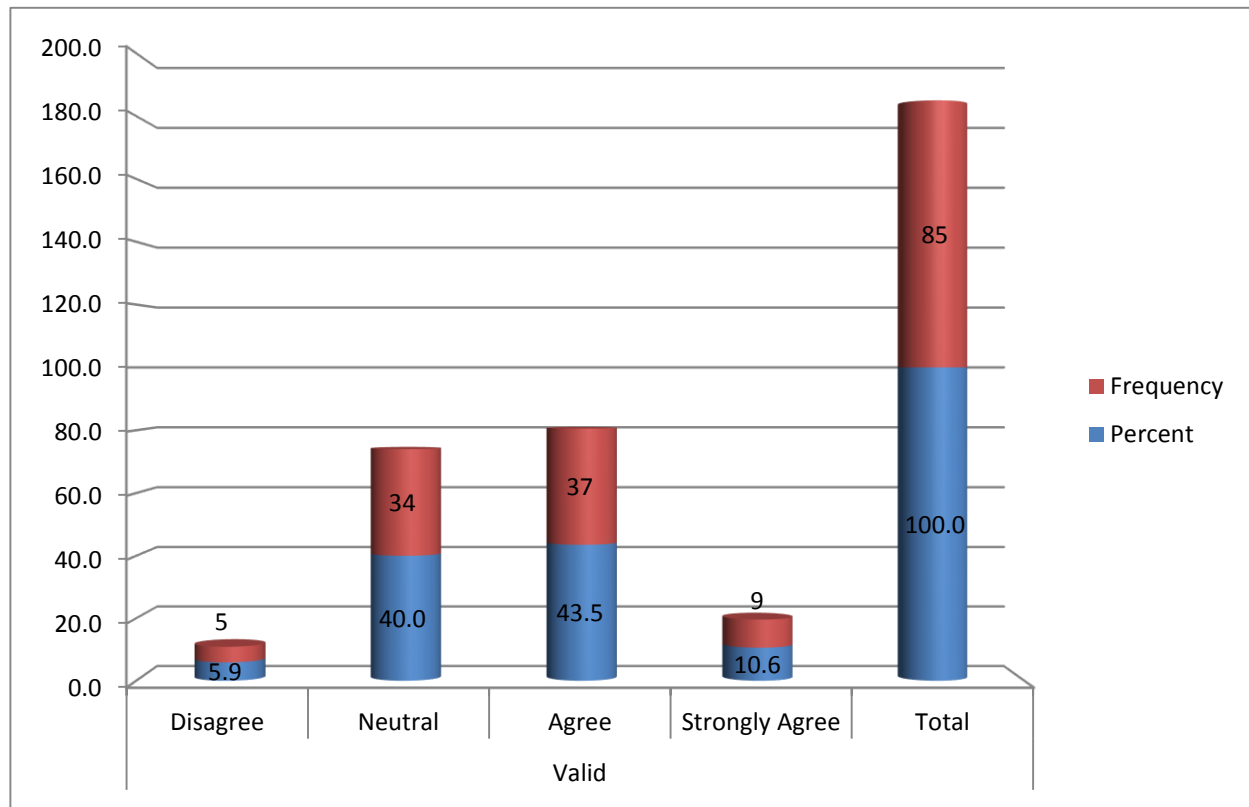
As discussed earlier the Bank shall set loan price at a level which provides a satisfactory profit margin and that reflects the level of risk related to costs of fund and loan administration. These rates on loans are subject to changes in different times depending on the changes in market interest rate and rates on deposits. Therefore the level of lending is subject to competitive interest rates set by other commercial banks.

The result is analyzed in separate part in chart 4C in pages 40.

4.5.4 NONPERFORMING LOANS

Non-performing loans (NPLs) and Problem loans are those loans and/or advances that are not paid as per the agreements made between the customer and the Bank. Therefore the process of restoring and recovering a problem loan through applying corrective actions in view of improving the condition or the capacity of the borrower and preventing the Bank from potential credit losses is must. In this case the bank incurs additional unnecessary costs to recover the loan.

Chart 4.5.4 Non Performing loans



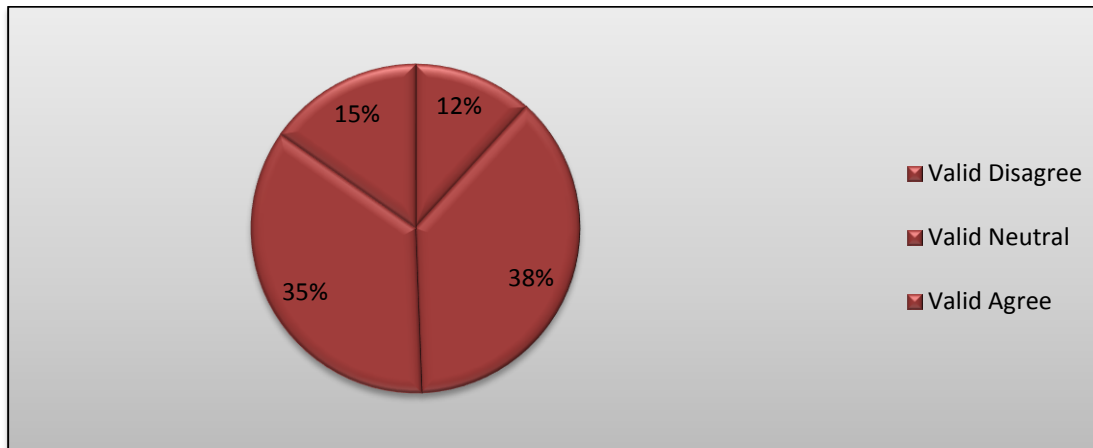
Source: Own Survey, 2014.

The bank is utilizing its asset mainly loans in a proper way as shown from the above chart. This is because only 5.9 % of the respondents disagree with the issue and the majority of them have agreed. As a result non-performing loans of the bank are not above the standard set by the national bank of Ethiopia indicating the existence of quality loans.

4.5.5 THE PRACTICE OF LENDING ON THE SECTORS ESSENTIAL TO THE ECONOMIC DEVELOPMENT.

The Bank categorizes the loan and advances in the economic sectors. The categories are developed in due consideration of industry sectors that are likely to react in a similar manner to some changes and similarities in capital sources, repayment sources, balance sheet structures and etc.

Chart 4.5.5 Lending On The Sectors Essential To The Economic Development



Source: Own Survey, 2014.

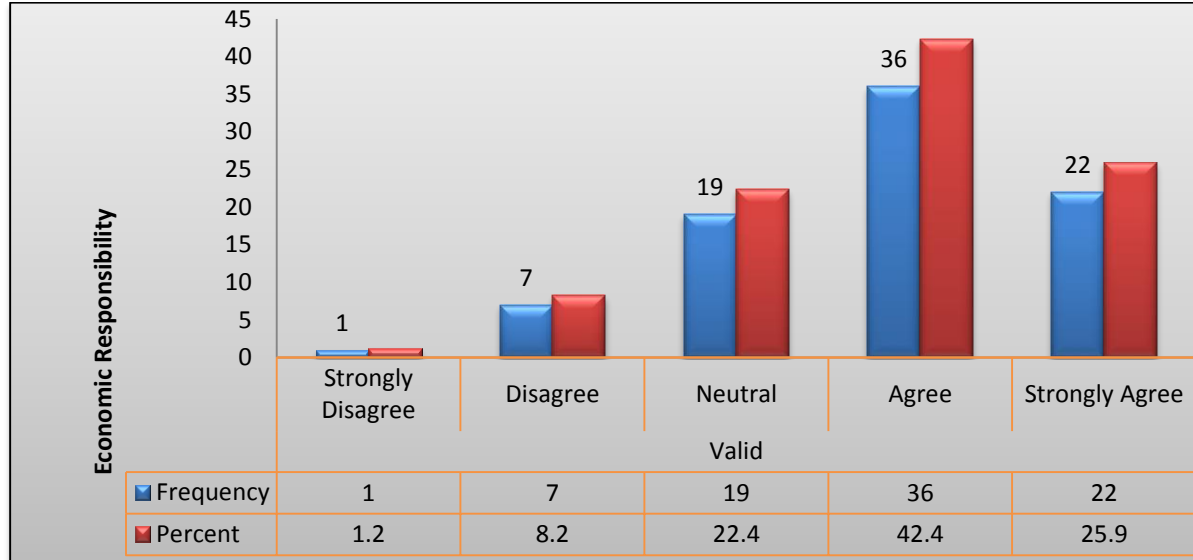
Respondents who have neutral view on this issue are large in number followed by agreed respondents and strongly agreed respondents, the last percentage being disagreed respondents. These indicate that the bank is lending on the sectors which are vital to economic development.

4.6.ECONOMIC RESPONSIBILITIES OF THE BANK IN PROMOTING THE EXPORT SECTOR;

Export loans and advances are credit facilities extended to exporters for purchase of

exportable commodities, processing, manufacturing or packing and capital investment for export.

Chart 4.6 Economic Responsibility



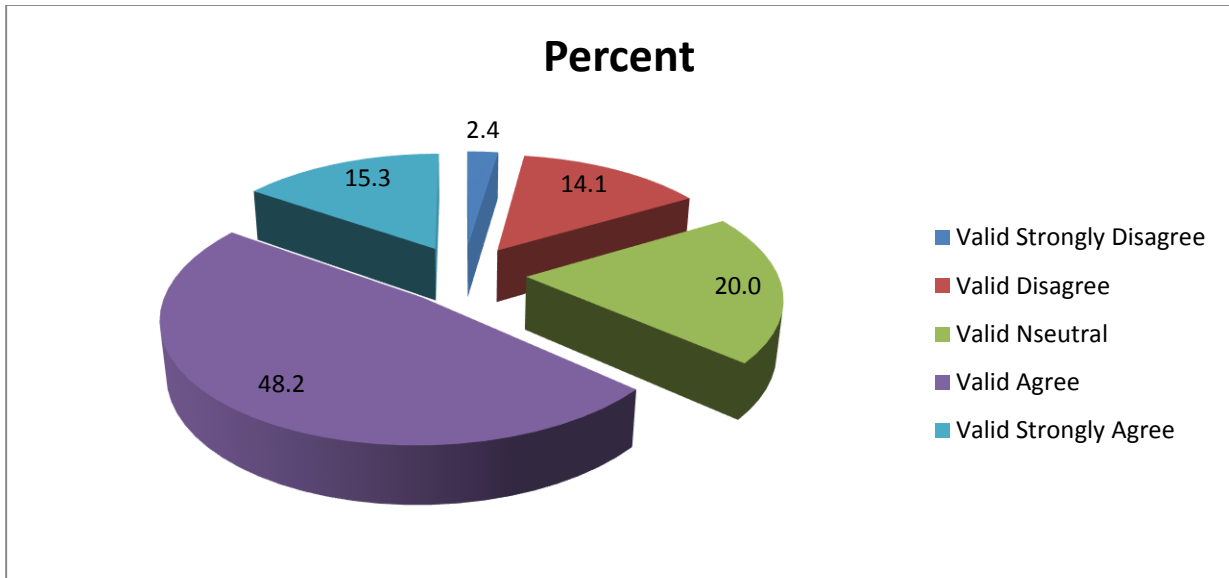
Source: Own Survey, 2014.

42.4 % of the respondents agreed with the bank’s role of fulfilling its economic responsibility and 25.9 % also strongly agreed with this view. Therefore the bank is in a good direction in striving to fulfill its economic responsibility by aiding the export sector among others.

The result of the questions in questionnaire part 3.C and 4.C are analyzed separately because the option strongly agrees has negative implication. But in both cases the majority of the respondents are inclined to another options summarized as follow;

CHART 3.C TURNOVER AND EMPLOYEE BENEFITS

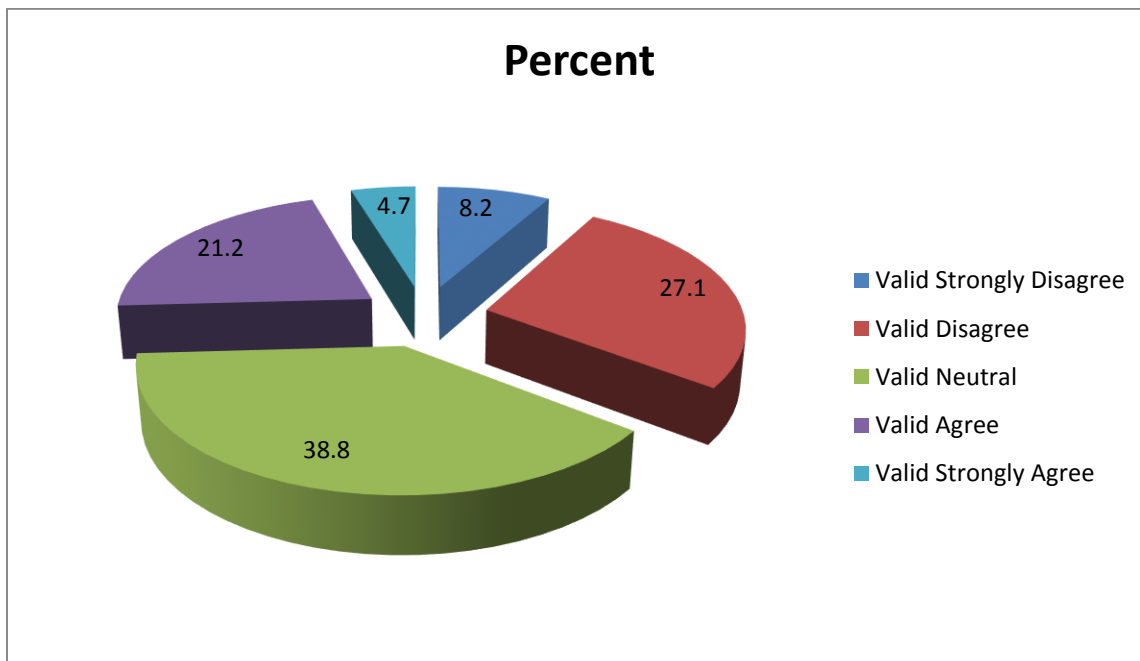
The chart below shows the opinion of employees about the rate of turnover which exists at the bank. There are various reasons for turnover the issue of employee benefit being one of the main factors.



Source: Own Survey, 2014

As shown from the above chart the majority of the respondents agreed that turnover rate in the bank is associated mainly with employee benefits followed by neutral and strongly agreed respondents. The rest 14.1 and 2.4 % respondents disagreed and strongly disagreed with the issue respectively. From this we can understand that employee benefits contribute to turnover rate either negatively or positively depending on their existence or non-existence or their significance compared with other banks.

Chart 4.C Interest Rates Attached To Various Loan Types



Source: Own Survey, 2014.

Neutral respondents constitute about 38.8%, where as 27.1 % of the respondents disagreed, 21.2 % agreed, 8.2 % strongly disagreed and the remaining 4.7 of the respondents are strongly agreed that the prevailing interest rates are higher. Therefore the interest rates are not higher that the bank should not lower down the existing rates disregarding the neutral respondents, because the majority of employees may be not aware of the level of interest rates or withdraw from providing necessary information.

4.7 INTERVIEW RESULTS

Tax issues are presented in the following way as found from interview and the bank's financial statements. Department head of Finance and accounts is interviewed where by every financial transaction is done at head office level.

Based on the interview the bank pays some portion of its profit in the form of tax fully after profit and loss accounts are disclosed by the bank. Fulfilling tax requirements required by the law is not a matter of choice but it's a matter of existence. Because the tax authority is very sensitive for the tax collection and delay in tax payment causes huge damage for the bank. The tax policy of the bank is very strict because the bank is huge in its operational activities and strives to protect its brand cautiously.

The other finding obtained from the interview is that there are no further actions done by the bank rather than timely and full payment of the tax amount for further investment in CSR actions.

Moreover to strengthen the result of the interview the following three year financial statements are taken to show the contribution and trend for the tax provisions available by the bank.

THE FOLLOWING DATA ARE TAKEN OUT FROM PROFIT AND LOSS ACCOUNTS OF NIB FOR THE YEARS ENDED 30 JUNE 2010-2012.

Table 4.7.1 Summary of Tax and Profit

S.no	Particulars	Year 2010	Year 2011	Year 2012
1.	Net profit before taxation	285,237,511	344,074,783	389,479,770
2.	Provision for taxation	(84,350,956)	(97,641,787)	(103,245,450)
3.	Net profit after taxation	200,886,555	246,432,996	286,234,320

Source: (Nib Annual Report 2010-2012).

As indicated from the above table the bank contributed 28% of its profit on average in the form of tax payment which is required by the tax authority and has shown an increment from year to year.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter consists of summary of the main findings and conclusion derived from the study and provides appropriate recommendations to Nib International Bank S.C regarding the CSR practices and programmes to be implemented as one breadth of operation.

5.1 SUMMARY OF FINDINGS

After objective investigation of the results is made, the following findings are obtained from the study.

- For the bank to engage in various corporate social responsibility activities is important to attain public image and support the community's wellbeing.
- The degree of involvement in community activities by the bank is minimal and further progress is required, though there are some social responsibility actions.
- The bank has realized the need for adopting employee benefits schemes to be provided to the majority of its employees.
- Even though there are certain employee benefits and staff loans accessible to employees of the bank, there are high rate of turnover due to their minimum contribution or significance to majority of the staff, mainly the low income groups and interest rates for staff loans are found to be relatively high.
- There are no opportunities for the poor and disadvantaged social groups to credit access by the bank but there are acceptable levels of interest rate for those customers who have access to credit.
- The bank is in a good direction in striving to fulfill its economic responsibility by aiding the export sector, maintaining quality loans and lending on the sectors which are vital to economic development among others.
- The bank is in a position of paying portion of its profit in the form of tax fully after profit and loss accounts are disclosed and the bank is cautious about its tax policy, but there are no further actions done by the bank rather than timely and full payment of the tax regarding CSR actions.

5.2 CONCLUSIONS

- In conclusion, the role of the bank in corporate social responsibility is mainly accepting deposit and granting loan and also incorporates responsibilities as fulfilling tax obligations required by law. But currently the components of CSR practices implemented by the Bank are limited.
- The bank's role in helping the poor and disadvantaged group of the society to get access to financial products and services can be one of the major areas of corporate social responsibility programmes which can be done in collaboration with the regulatory body, i.e. the national bank of Ethiopia.
- Tax is the major means of contributing to the society by which the bank is obliged to fulfill by the law of the tax authority; hence in this regard the bank is cautious of its tax policy. The bank has realized a need for adopting the benefits scheme in order to respond to environmental triggers and the benefit items are arranged in terms of job category. The major employee benefits provided by the bank are staff loans, Medical benefit, and transportation allowance.
- The bank's impact on environmental issues such as climate change is minimal and its effect on challenges related to human rights and supply chain management is also lowest. However, the financial power of this sector and its major role in the national economy is so high that the proper implementation and practice of CSR programmes is very essential.

5.3 RECOMMENDATIONS;

Based on the main findings and conclusions of the study the following recommendations/suggestions can be made:-

- ❖ The bank's involvement in community activities like donations, investment in education, hospitals and others has to be implemented by focusing on long term return and brand success rather than short term revenue accumulation.
- ❖ The bank's contribution of 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.

- ❖ It can be one area of the responsibility and role of the bank, the government and the public in coordination to facilitate small amount, low cost and short-term credit facilities to persons with low-income levels.
- ❖ Interest rate for staff loans has to be lowered further so that they can feel the benefits of being bank employees because the bank is gaining huge profit from year to year from the service they gave to the bank's clients, and by this the bank can enhance employee development issues.
- ❖ It is better if the bank establish CSR department to implement socially responsible programmes because the fate of competition in the future in the banking sector will steadily involve factors of a non-monetary-price nature: and the development of brand of the bank by creating a positive image in front of the main groups of stakeholders is very important in this high-competitive environment.
- ❖ Nurturing organizational culture with concerns about customers in delivering fast and reliable service, responsible lending, financial inclusion of the poor, financing commercial customers, growing internationally, increasing concern in environmental impact assessments and facing climate change, and working with the people including staff and the community is very essential.

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APPENDICES
APPENDIX A
RESEARCH QUESTIONNAIRE

Dear Respondents,

This questionnaire is designed to study ‘**Corporate Social Responsibility and Commercial Banks the case of Nib International Bank S.C**’ as a requirement for the partial fulfillment of the award of Masters of Business Administration at St. Mary’s University.

Information received from you would be used for academic purposes and treated with confidentiality. I will be very happy if you give your precious time to answer the questions.

Please be sure that the responses you give are for academic purpose only.

THANK YOU FOR YOUR HELP.

Instructions: Please provide appropriate answer(s) or tick (✓) in the box provided where necessary.

1. Demographic Factors

1.1 *Your education level;*

- | | |
|--|--|
| <input type="checkbox"/> No formal education | <input type="checkbox"/> Primary education |
| <input type="checkbox"/> Secondary education Diploma | <input type="checkbox"/> Bachelor Degree |
| <input type="checkbox"/> Master’s Degree or above | |

1.2 *What is your average monthly income?*

- | | |
|--|--|
| <input type="checkbox"/> Less than Birr 2,000 | <input type="checkbox"/> Birr 2,001-5,000 |
| <input type="checkbox"/> Greater than Birr 10,000. | <input type="checkbox"/> Birr 5,001-10,000 |

1.3 *your work experience in the bank;*

- | | |
|--|--|
| <input type="checkbox"/> Less than two years | <input type="checkbox"/> 4-6 Years |
| <input type="checkbox"/> 2-4 years | <input type="checkbox"/> More than 6 years |

2. The bank's stand in general for the benefit of people as a socially responsible company.

2.1 Strong relation between the company, i.e the bank and the society in improving the society's well-being, should be established as a socially responsible company.

Agree Disagree

2.2 What do you think of degree of the bank's involvement in community and charitable activities?

Very significant Significant Moderate Minimum None

3. The bank's contribution in promoting employee development.

Please read each statement and put a tick mark in a box which best represents your level of agreement or disagreement with a particular statement.

<i>Particulars</i>	<i>Strongly Agree</i>	<i>Agree</i>	<i>Neutral</i>	<i>Disagree</i>	<i>Strongly Disagree</i>
▪ I feel that there are various Employee benefits provided by the bank.					
▪ The benefits provided to employees are significant when compared with the high profit gained by the bank.					
▪ In your opinion the prevailing turnover rate in the bank is associated mainly with employee benefits among others.					
▪ The majorities of employees are benefited from Staff car and house purchase loans i.e they easily get access to these credit facilities.					
▪ You expect career improvement and hopeful future while working together with the bank.					
▪ Interest rates charged against staff loans are found at higher rate since they are considered as part of employee benefits.					

4. The bank's practice with regard to responsible lending.

Please read each statement and put a tick mark in a box which best represents your level of agreement or disagreement with a particular statement.

Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<ul style="list-style-type: none"> ▪ There are opportunities for the poor and disadvantaged social groups to credit access in the bank. 					
<ul style="list-style-type: none"> ▪ There can be minimum level of lending on minimum interest rate for those who are poor, but can run feasible business meanwhile. 					
<ul style="list-style-type: none"> ▪ The prevailing interest rates attached to various loan types are so high that the bank can lower down the rates to encourage extra investment. 					
<ul style="list-style-type: none"> ▪ Nonperforming loans of the bank are as per the standards set by the national bank of Ethiopia i.e. the bank is using its deposit efficiently. 					

5. A. *Regarding economic responsibilities the bank is promoting the export sector by giving due consideration in the production and financing of exportable commodities, while keeping their feasibilities.*

Strongly Agree Agree Neutral Disagree Strongly Disagree

B. *The bank makes use of its asset i.e. lending on the sectors which are very essential to the economic development of a nation on a consistent and feasible way.*

Strongly Agree Agree Neutral Disagree Strongly Disagree

APPENDIX B

INTERVIEW QUESTIONS ON TAX ISSUES

- ✓ Does the bank pay tax fully or partially as required by the tax authority? How is it proved?

- ✓ How do you describe the seriousness of the bank's tax planning, or the bank's tax policy?

- ✓ Is there any practice by the bank that the tax responsibility is not limited to the law i.e. is there any further negotiations with the government for further investment?

- ✓ Future plans intended to be implemented as one of the areas of operation in CSR for gaining a good company image and for enhancing corporate social responsibility.

APPENDIX C

SAMPLE SIZE DETERMINATION TABLE

Table 1: Table for Determining Minimum Returned Sample Size for a Given Population Size for Continuous and Categorical Data

Populationsize	Sample Size					
	Continuous data			Categorical data		
	alpha=.10 t=1.65	alpha=.05 t=1.96	alpha=.05 t=1.96	p=.50 t=1.65	p=.50 t=1.96	p=.50 t=2.58
100	46	55	68	74	80	87
200	59	75	102	116	132	154
300	65	85	123	143	169	207
400	69	92	137	162	196	250
500	72	96	147	176	218	286
600	73	100	155	187	235	316
700	75	102	161	196	249	341
800	76	104	166	203	260	363
900	76	105	170	209	270	382
1000	77	106	173	213	278	399
1500	79	110	183	230	306	461
2000	83	112	189	239	323	499
4000	83	119	198	254	351	570
6000	83	119	209	259	362	598
8000	83	119	209	262	367	613
10000	83	119	209	264	370	623
100	46	55	68	74	80	87

NOTE: The margins of error used in the table were .03 for continuous data and .05 for categorical data (**Bartlett, Kotrlik, & Higgins**).