



St. MARRY UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**ASSESMENT OF CORPORATE SOCIAL RESPONSIBILITY
PRACTICES
IN THE CASE OF HIBRET BANK S.C**

**BY
SAMUEL MAMMO**

ADVISOR: -BELETE MEBERATU (Professor)

JUNE, 2023

ADDIS ABABA, ETHIOPIA

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SAMUEL MAMMO

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APPROVED BY BOARD OF EXAMINERS

.....
Dean, Graduate Studies	Signature	Date
Belete Mebratu (PRO).	Mebratu, BK	<u>July, 2023</u>
Advisor	Signature	Date
Essayas Taye(phd).....		<u>July, 2023</u>
External Examiner	Signature	Date
EphremAssefa(Phd).....	<u>July, 2023</u>
Internal Examiner	Signature	Date

DECLARATION

I the undersigned declare that this thesis is my original work, prepared under the guidance of Belete Mebratu (Professor). All sources of Materials used for thesis have been duly acknowledged. I further confirm the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of any earning any degree.

SamuelMammo.....

.....

June 7, 2023

ID No.SGS/0456/2013A

Signature

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.

Belete Mebratu, Prof. *Mebratu, BK*

June 7, 2023

.....

.....

Advisor

Signature

Date

St. Mary's University, Addis Ababa

ABSTRACT

Corporate social responsibility in economic systems plays the basic role in the economy of developed countries. The rational of this study was to explain the fundamental theories behind of corporate social responsibility and the implications that the idea of social responsibility had on employees and the public as a whole.

The objective of this study was to assessment of corporate social responsibility practices In Ethiopian banking sector in case of Hibret bank S.C.

The data was analyzed descriptive statistics technique. The study concluded 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 disadvantaged group of the society& based on this how the communities perceive this social responsibility of the banks.

The information collected through questionnaires was collected from population size of the staff above 4,000 and customer around 1.5 million, sample size 100 randomly selected using Purposive/Judgmental Sampling technic. The data gathered from HO Management staffs, branch staffs and customers of Hibret bank S.C.

The empirical study 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 disadvantaged social groups, the banks good commitment in full and timely payment of tax obligations and the bank's good stand in fulfilling some of the components of economic responsibility are among the major findings of the study. Finally, the study recommends the bank to enhance its community involvement activities and it should be the added role of the bank, the government and the public to help them get small amount and observe the welcoming of the community.

Keywords: Corporate Social Responsibility (CSR), Social Responsibility practices and Banks, Hibret Bank S.C.

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ACRONYMS/ABBREVIATIONS

CBE=Commercial Bank of Ethiopia

CSR= Corporate Social Responsibility

DBE=Development Bank of Ethiopia

HB= Hibret Bank

NBE=National Bank of Ethiopia

NPL= Non Performing Loans

DEFINITION OF TERMS

- ✓ Many definitions for Corporate Social Responsibility (CSR) were developed by the scholars in the past based on the social, economic, political and environmental context of those periods. There is no unique definition for CSR; rather different definitions during different segments of time represent different dimensions of CSR. This paper explores the dimensions of CSR throughout its history.
- ✓ CSR concept includes economic corporate responsibility, legal, ethical and philanthropic expectations that a society has in relation to a company (Classon and Dahlström, 2006). According to Rendtorff and Mattson (2012), companies are perceived as human communities that use social practices in order to achieve common goals.
- ✓ Social Responsibility: Is the ideological notion that organizations shouldn't behave unethically or function amorally, should aim (instead) to deliberately contribute to the welfare of society or societies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The purpose of this paper was to understand the Social Responsibility of the banks towards an integrated approach to corporate social responsibility (CSR) initiatives in a strategic way of achieving sustainable growth of the banking sector. In response, organizations are volunteering themselves to integrate Corporate Social Responsibility 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 within this core issue how our community perceives social responsibility of the banks.

The findings of the study represent a significant contribution to CSR theory from the interface of banking and society. Significantly, the results confirm that CSR initiatives play a vital role in building trust and minimize the gap between the community, employees and the management of the bank. The banks can increase its response in the society and achieve reasonable advantage by integrating CSR objectives with the business objectives to strengthen the corporate nature and trademark.

The existing experience with the implementation of CSR and ethical principles in the banking sector leads to the opinion that the social responsibility of banks and ethics in banking sector are perceived as an appropriate marketing tool for public communication and are not integrated into policies of individual commercial banks. Experience with the crisis demonstrated that there is a lack of moral principles of managers' decisions. The aim of this article is to introduce academic aspects of CSR in commercial banking and measure the level of CSR in selected Ethiopian commercial banks especial focus on one of the country known private bank i.e Hibret Bank SC.

Regard to the fact that Corporate Social Responsibility is an abstract concept in a certain extent; no one could accurately define its borders yet. It does not exist any uniform definition. Socially responsible approach is not constitutional. Individual forms of CSR concept is created always by a given company with its own stakeholders. CSR concept includes economic, legal, ethical and philanthropic expectations that a society has in relation to a company (Classon and Dahlström, 2006). According to Rendtorff and Mattson (2012), companies are perceived as human communities that use social practices in order to achieve common goals.

These objectives are realized through bond of trust and authentic relationships with customers. The most important ethical principles that promote “good life of customers” are: customer’s autonomy, dignity, honesty, customer’s vulnerability that represents basic presumption for decent access to customers. Yeung (2011) defines key element of CSR in the banking sector such as: understanding of financial services complexity, risk management, strengthen ethics in the banking business, strategy implementation for financial crisis, protection of customers’ rights and channels settings for customer complaints. Macdonald and Rundle-Thiele (2008) examined a relationship between CSR and customers’ satisfaction in the bank. According to the conclusion of their study, customers’ satisfaction is more affected by pro-client oriented events than CSR activities. And if the bank decides to develop CSR activities, focus of these activities has to be properly chosen. Soana (2011) examined a correlation between social and financial performance of banks. This analysis showed that Italian banks haven’t shown any significant correlation between social and financial performance.

According to this study, any negative correlation between social and financial performance has not been revealed. On the other hand, results of this study provide evidence that banks’ investment in CSR does not lead to economic benefits for the bank. According to Graafland and Van de Ven (2011), focus on a social responsibility of the bank requires increased professionalism of those who are working in the financial sector; a stronger focus on compliance with Code of Ethics; verification of employees’ capabilities and other approaches such as Transparency, focus on stakeholders’ interests and cooperation with social institutions. Journal of Competitiveness Robin (2008) states that society would like to have an economic system that creates opportunities for the growth of economic welfare and a happy life of people. The mission of ethics is to minimize the abuse of companies’ power in the bilateral exchange relations and to reduce a negative impact on a people’s daily live. A fundamental issue of business ethics is how to make capitalism more ethical. According to Sigurthorsson (2012), risk of CSR consists in the fact that it tends to become an excuse for soft law and corporate self-regulation. Icelandic banks implement their CSR concept through a financial support of charitable activities and they did not pay attention to a formation of socially responsible practices but reduced CSR tools only for public communication. Corporate social responsible practices should focus more on processes that make socially responsible profit and not on its distribution. Fassin and Gosselin (2011) reported that large institutions such as Fortis, Arthur Andersen & Co. and

AIG had a strong CSR and ethical culture but they have gone bankrupt anyway. These cases show a discrepancy between official pronouncements and procedures of senior management. According to Palomino and Martinez (2011), the effectiveness of ethics programs is different in banks. Some programs are primarily aimed at achieving a favourable image in relation to socioeconomic institutions (government, media, society, customers) and they have not significant effect on the ethics of employees. According to Gibbons (2011), many banks in United Kingdom do not act transparently. A scope of provided information is not sufficient, quality information absent for people who have financial difficulties etc. Tea, Paulišič, Krstinič-Nižič (2011) indicate that honesty, awareness, responsibility, creativity, objectivity and professionalism absent in the banking culture. According to study of Pérez and Del Bosque (2012) which focused on Spanish banking institutions, banks tend to promote only those activities through CSR from which generally the greatest benefit have. In the banking sector, there are three basic groups: Customers whom banks try to meet their financial needs; employees whom banks try to create a perfect working conditions to achieve their satisfaction and at last community (bank's surrounding) where banks contribute to a sustainable growth. In the area of CSR activities, Pérez and Del Bosque (2012) accuse banks of short-term improvement of bank's image and profit increase. According to authors, it is necessary to incorporate a social responsibility into organization's image and into a long-term strategy to reduce skepticism. Authors report that banking sector suffered large scratches on its image and credibility because of its integral participation in economic crisis. CSR concept is perceived as the most effective tool to improve reputation. Watkins (2011) states that banking system is a typical capitalist activity which aims to a profit. Policy of laissez-faire believes that individuals and companies may seek to increase their financial wealth without any restrictions. Financial market presents unlimited opportunities for growth in financial wealth. Based on results of empirical research, Chih, Chih and Chen (2010) indicate that larger companies are more oriented on CSR and the fact that financial performance and CSR are not together mutually related. Higher financial performance means that a company has a lot more available funds for CSR activities. There is a direct correlation between the overall health of the economy and a level of CSR in the company. If the economy is in a bad condition for example inflation is high, productivity growth or consumer confidence has a low level, companies do not have a vision to achieve profit in the near future and therefore they do not behave as socially responsible as in the area of economic optimism. The relationship between

competition and CSR level is not linear. This means that the competition that is too low or too intense has a negative effect on CSR in the company. In a highly competitive environment, companies are trying to save resources because of their low profit margins. Conversely in the area where the competition does not exist, the environment does not force companies to build competitive advantage because trading partners does not have a choice among many alternatives. According to authors, companies made more socially responsible activities to gain competitive advantage in the area of more intense competition on the market. A higher level of self-regulation in the financial sector has a significantly positive effect on CSR. Companies behave more socially responsible in countries where relationships between employees and employers are characterized by cooperation where the management schools and macroeconomic environment are better. Goss and Roberts (2011) investigated the relationship between CSR and a cost of banks' loans. Actually, banks meet a supervisory role over companies. Within a credit approval process and subsequent verification, banks gain much more information about the company than other interested parties on the market. Therefore they are best placed to assess the level of socially responsible activities undertaken by the company. Authors found that companies that have problems with CSR pay for loans of 7-18 basis points more than social responsible companies. Companies' investments to CSR reduced their volatility and thereby increased their attractiveness as a potential borrower. Lenders are more sensitive to CSR activities of debtor in the area of less secure environment. The research also showed that less creditworthy borrowers who engage voluntarily in CSR activities have higher credit spreads and shorter maturity of loans. In this case, banks consider CSR investments as an unnecessary dispersion of corporate resources which increases a risk of the company. Result of increased risk is translated to higher borrowing costs. According to Chatterjee and Lefcovitch (2009) managers' dilemma lies in the fact that which of CSR concepts are more important for the company than corporate responsibility (profit maximization). Principal responsibility of managers is in relation to shareholders. Managers may be satisfied if a minimal and law required level of CSR is achieved. Banks are dominantly oriented to maximize profits and totally ruthless in their activities in relation to interest of depositors, investors and general public. Banks violate the law, regulatory rules and code of ethics in order to maximize their own profit. According to Fassina (2011) the more bankers spoke about the social responsibility, the more they focused on increasing of shareholder value and their own personal bonuses and the height of "golden parachutes". According to Chatterjee and Lefcovitch

(2009), the importance of ethical standards for a financial market consists in the fact that financial markets work with money of other owners and the risk can bring profit but also losses. Too high risk has to be minimized for two reasons. First, it must be maintained a confidence in an investment. Second, undertaken risk may not mean a dangerous investment. Journal of Competitiveness In the context of financial crisis, discussion about a moral aspect of banking industry is still more intense. Banking sector is often considered to be an amoral area (Icke, B., T., Caliskan, Ayturk, Icke, M. A., 2011), which is primarily focused on a risk and revenues. Paulet (2011) states that a banking area is not situated in ethically free area. According to the author, financial crisis shows that aggressive capitalism has demonstrated its limits. Regulations system must be supplemented by a transparency and moral aspects. To create a sustainable strategy means to define capitalism by new way through efficiency criteria which focus not only on a financial performance but also on economic and social conditions that guarantee better distribution of welfare to people. In this context, it is evident that research in the area of CSR activities of commercial banks represents a current theoretical issue that has to be solved by a theoretical sphere. Our research has focused on a measurement of CSR index in selected Czech banks through a methodology based on a KOPR method. From a broader perspective it can be stated that banks want to present themselves in the best possible way which suppresses any ability of reflection and ability to publish negative impacts of their activities. An evidence of this behaviour is the fact that banks do not provide any information about results of employees' and customers' satisfaction research and related information about staff turnover rate. Publication of negative results of banks' activities may paradoxically lead to more objectivity in reporting of CSR activities. Furthermore, banks could also indicate possible areas for improvement and commit themselves to the axes.

1.2 Background of the case organization

In our country Ethiopia the banking sector has above 25 groups of actors, two governments Owned .i.e. CBE & DBE and the rest are private banks. In My case study base on Hibret Bank S.C, one of the pioneer private banks which have been providing financial services in the Ethiopian banking sector established 1998 GC serving the community for the last 24 years with currently above four thousand staffs.

Vision

To globally be the preferred financial services provider of innovative solutions across Africa.

Mission

Committed to exceeding the expectations of our customer and other stakeholders by providing competitive financial solutions while ensuring efficient service delivery and people empowerment.

Motto

United, we prosper!

Aspirations

Top 5 private Bank in East Africa

Marketing Leader in innovation and Digitalization

Employer of choice

A Bank with Continuous Learning & Development Culture

Leader in customer centricity

Superior value to customers & other stakeholders

Trusted partner across the entire value chain

Known for inclusivity in the region and beyond.

The Data Taken From Profit and loss Accounts of Hibret Bank S.C For the Year Ended 30 June 2020-2022.

Table 1 Summary of Tax and Profit

S.no	Particulars	Year 2020	Year 2021	Year 2022
1.	Net profit before taxation	1,128,201.00	1,437,692.00	1,878,835.00
2.	Provision for taxation	(234,663.00)	(401,768.00)	(787,686.00)
3.	Net profit after taxation	893,538.00	1,035,924.00	1,091,149.00

Source: Hibret Bank S.C Annual Report 2020-2022.

1.3. STATEMENT OF THE PROBLEM

A stakeholder body can be obliged by legislation to observe some responsibilities; indeed, in countries in which the law of negligence exists, it becomes much easier to take corporate bodies to task. The so-called social responsibility concept becomes close when corporate bodies are required by rule or under common law to perform their duties to society. Thus, law can help corporate bodies to satisfy their corporate social responsibilities by meeting the required minimum level of responsibility under the law, but the domain of corporate responsibility is boundless. Motivations of organizations to engage in CSR can be interpreted through several perspectives: commercial or business case for CSR, where organizations reap commercial value and competitive advantage through corporate social activities (this includes corporate philanthropy) (Franklin 2008; Griffin and Mahon 1997); risk management, where organizations mitigate environmental and social risks such as environmental disasters, child labour, and public scandals (Franklin 2008); and ethical, where organizations are obliged to follow societal norms and pressures from stakeholders (Crane and Matten 2015; Windsor 2006). External pressures for CSR include stakeholder activism, proliferation of voluntary social, ethical, and environmental standards (Jenkins 2005; Kaufman et al. 2004); investment incentives from banks and lending organizations (Wright and Rwabizambuga 2006); supply chain and peer pressures to improve social and environmental outcomes of business operations (Blowfield 2003); and legal regulation on human rights, child labour, and environmental protection (Kaufman et al. 2004). The interest to regulate corporate behavior at international level originates from concerns over conduct of multinational corporations (MNCs), primarily in developing countries (Visser 2008). International regulation and enforcement of CSR aimed at MNCs are minimal in some countries or nonexistent (Williams and Aguilera 2008). Many voluntary standards developed for business conduct encourage MNCs to adopt sustainability principles and engage in partnerships with public and non-for-profit sector organizations. Among drivers for MNCs to implement CSR activities in developing countries, Visser (2008) counts cultural traditions, political reforms, and socioeconomic priorities of developing countries, governance gaps, crisis response, and market access.

In this part different concepts focusing on theoretical evidences about Corporate Social Responsibility are studied in detail in light of the widespread objectives of the study like; the role of banks in CSR, tax issues in CSR, lending practices that banks exercise and conceptual definitions by different authors among others. This assessment 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.

Now in our country case Commercial Banks of Ethiopia are operating within a diversified area and relatively high amount of capital and asset compositions. They are generating high amount of profit from year to year regardless of intense regulation and imposition of different laws by the central bank of Ethiopia. Of these banks, Hibret Bank S.co is also operating with a high amount of capital, deposit, outstanding loans and registered profit. Due to this higher operation of the bank its exposure of affecting employees, customers, and the society as a whole is unquestionable.

The evidence from the environmental scanning, literature review and empirical work shows that, there are no various mechanisms for participation of the bank in social support of the society like charity and its contribution in supporting the community, employee development, responsible lending, the development of real economy sector and the adoption, practice and reporting of Corporate Social Responsibility is very slow or low while there is the awareness.

1.3 BASIC RESEARCH QUESTIONS

Based on the problems stated above the researcher developed the following basic research questions...

1. Does the bank support the society through its CSR activities?
2. What is the review process of bank's practice with regard to offering responsible lending?
3. What is the banks support to society through its CSR practices?
4. What it seems the banks fully perform its commitment to pay tax as required by the law and the society?
5. Does the bank promote employee development as a means to observe organizational objectives?

1.4 OBJECTIVES OF THE STUDY

1.4.1 GENERAL OBJECTIVES

The broad objective of this study was to assess the Corporate Social Responsibility practices in the case of HibretBank S.C.

1.4.2 SPECIFIC OBJECTIVE

However the specific objectives are....

- ✓ To assess the bank^s CSR practices in terms of supporting the society
- ✓ To evaluate the bank promotes employee development.
- ✓ To assess the bank's practice with regard to responsible lending.
- ✓ To assess how the stake holders awareness weather the bank pays tax in full as required by the law and the society

1.5 SCOPE OF THE STUDY

This study was denoted to assess the CSR practices in the case of Hibret Bank.

The study analyzed managers, employees and customers who are currently engaged in Hibret bank S.C. The study will not compare and contrast the finding of different banks with one with the other, since it's toughly confidences that all bank regulated by NBE. The main assess based only social responsibility practices.

1.6 LIMITATION OF THE STUDY

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 frame among others. The other point in this regard is that actually measuring some of the problems stated in the objectives of the study are uneasy, also considering the observation of the community is so vast concept and only rough review and analysis is made and the study of the concept is not fully developed.

1.7 SIGNIFICANCE OF THE STUDY

This study gives an indication of corporate social responsibility in banks of Ethiopia. Even if The issue of Corporate Social Responsibility had been addressed during recent several decades by the scholars from all over the world, It's specifics in Ethiopian banks as they are active players on the CSR field did not attracted particular interest of many researchers mainly MBA graduates. Therefore this study paid attention to some commercial banks and their specifics of the CSR. Moreover, the idea on corporate social responsibility is relatively new to the business world including Banks in Ethiopia; regardless of this the study can provide considerable importance to the bank because these days, competition in the banking sector has a non-price nature: many banks offer similar conditions in the same markets and the study of CSR as tools of socially responsible business is very essential.

The following are among the **major significance** of the study.....

- Contribute to the development of variety of the bank by creating beneficial image of the bank for our society if suitably implemented.
- To add to the awareness and methodology of conducting research on the field.
- To fill information gap of the issue to top management, the society's perception and other external end users.

1.8 ORGANIZATION OF THE STUDY

The study has five chapters. In the first chapter is about introduction to study. In the second chapter reviews related literatures. The Research Methodology was described in the third chapter. The collected data were analyzed, presented and interpreted in the fourth chapter. And, the last chapter, chapter five come-up with summary, conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2. LITRATURE REVIEW

2.1.1 THE CONCEPT OF CSR

Corporate social responsibility is a responsibility of for-profit and not-for-profit organizations for their impact on stakeholders, natural environment, and wider society; it focuses on accountability and transparency of corporate actions that include social, ethical, environmental, and economic efforts, which are often voluntary and placed within and outside of market and commercial transactions. The World Business Council for Sustainable Development defines corporate social responsibility as the “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families as well as of the local community and society at large” (WBCSD 2000, p. 10). Organization for Economic Co-operation and Development (OECD) views corporate social responsibility as the “Business contribution to sustainable development.” Consequently, corporate behaviour must not only ensure returns to shareholders, wages to employees, and products and services to consumers, but they must respond to the societal and environmental concerns and values (OECD 2001, p. 13). Finally, the CEC (2002, p. 5) defines: CSR is behaviour by business over and above legal requirements, voluntarily adopted. Business need to integrate the economic, social and environmental impact in their operations. CSR is not an optional “add-on” to business core activities, but about the way in which businesses are managed. Origin of Corporate Social Responsibility.

The concept of corporate social responsibility (CSR) was born in discussions about the role of business in society (Bowen 1953; Carroll 1979, 1989; Davis 1973; Friedman 1970; Johnson 1971). It rose from societal concerns about negative outcomes of business operations such as child labour, poor working conditions, unpaid overtime, and environmental degradation (Blowfield and Murray 2014). Currently, it is widely used to define non-commercial relations between corporations with other social actors and society at large. It is often used with reference to for-profit organizations (e.g., commercial enterprises, businesses, corporations with other social actors and society at large. It is often used with reference to for-profit organizations (e.g., commercial enterprises, businesses, corporations, firms, and companies) but can also be applied to non-for-profit organizations such as government departments, municipal organizations, non-

governmental organizations, and social enterprises (EC 2011; GRI 2013). Ethical behaviour is an important part of CSR, where businesses are encouraged to follow not only commercial logic but also behave in accordance with accepted societal norms and adopt ethical code of conduct (WBCSD 2000; Crane and Matten 2015). CSR stretches beyond legal responsibilities laid down in national laws that regulate corporate behaviour and encourages business to go beyond legal compliance to follow objectives and values of the society embedded in political, economic, and institutional contexts and respond to changing societal concerns (Bowen 1953; Carroll 1999; CEC 2001, 2006; Matten and Moon 2005; Crane et al. 2008). CSR as a voluntary action is not imposed by law, and it includes corporate actions that are beyond responsibilities to shareholders to reach customers, employees, suppliers, and communities (Jones 1980). Carroll (1979, 1991) suggested that CSR of a firm is formed by four kinds of social responsibility – economic, legal, ethical, and discretionary or philanthropic, which are arranged in a shape of pyramid. CSR pyramid begins with economic responsibility as a core rationale and main role of business in society to produce goods and services that consumers need and want and to make acceptable profit (Carroll 1979, 1991). The next level up is legal responsibility as business ought to “comply with the laws and regulations promulgated by federal, state and local governments” (Carroll 1991, p. 41). The third level up is ethical Responsibility that describes “those activities and practices that are expected or prohibited by societal members even though they are not codified into law” (Carroll 1991, p. 41). The apex of the pyramid is philanthropic responsibility that specifies “corporate actions that are in response to society’s expectation that businesses be good corporate citizens” (Carroll 1991, p. 42). Acknowledging the relevance of CSR in developing country context, Visser (2008) proposed different sequence of CSR pyramid for developing countries, beginning with economic responsibility at the foundation, followed by philanthropic, legal, and ethical responsibilities. Other authors include environmental responsibility as a separate layer in the CSR pyramid in developing countries (Yakovleva and Vazquez-Brust 2012). Furthermore, a content analysis of CSR definitions reveals five dimensions of corporate social responsibility: stakeholder, social, economic, voluntary, and environmental (Dahlsrud 2008).

An integral part of CSR is stakeholder engagement. Stakeholders are groups and individuals with significant interest in operations and success of an organization, and without those support the organization will cease to exist (Freeman 1984, 1994). Freeman (1984, p. 46) defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” Stakeholders are seen to benefit or be harmed by corporate actions, and their rights can be respected or violated by businesses (Evan and Freeman 1988). Thus, organizations responsible to their stakeholders could be customers, employees, managers, shareholders, governments, and nongovernmental organizations (Crane et al. 2008; Dunfee 2008; Donaldson and Preston 1995). Stakeholder theory suggests that success and survival of a corporation and its continued profitability are supported by managerial skill to fulfilled economic and social purpose and ensure satisfaction of stakeholder demands (Clarkson 1995). Stakeholders have diverse interests in corporate actions but have varying capacities to influence corporate decision-making. The extent to which an organization considers stakeholder concerns in decision-making depends on stakeholder salience or a degree to which managers give priority to competing stakeholder claims (Mitchell et al. 1997). Stakeholder salience has three important attributes: (a) legitimacy or stakeholder relationship with the firm, defined as a “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within a system of norms, values, beliefs, definitions”; (b) power or ability to influence the firm, defined as a “relationship among social actors in which one social actor, A, can get definitions”; (b) power or ability to influence the firm, defined as a “relationship among social actors in which one social actor, A, can get another social actor, B, to do something

That B would not have otherwise done”; and (c) urgency or criticality to the firm, defined as a “degree to which stakeholder claims call for immediate action” (Mitchell et al. 1997, p. 869).

Motivations of organizations to engage in CSR can be interpreted through several perspectives: commercial or business case for CSR, where organizations reap commercial value and competitive advantage through corporate social activities (this includes corporate philanthropy) (Franklin 2008; Griffin and Mahon 1997); risk management, where organizations mitigate environmental and social risks such as environmental disasters, child labour, and public scandals (Franklin 2008); and ethical, where organizations are obliged to follow societal norms and pressures from stakeholders (Crane and Matten 2015; Windsor 2006). External pressures for CSR include stakeholder activism, proliferation of voluntary social, ethical, and environmental

standards (Jenkins 2005; Kaufman et al. 2004); investment incentives from banks and lending organizations (Wright and Rwabizambuga 2006); supply chain and peer pressures to improve social and environmental outcomes of business operations (Blowfield 2003); and legal regulation on human rights, child labour, and environmental protection (Kaufman et al. 2004). The interest to regulate corporate behavior at international level originates from concerns over conduct of multinational corporations (MNCs), primarily in developing countries (Visser 2008).

International regulation and enforcement of CSR aimed at MNCs are minimal in some countries or nonexistent (Williams and Aguilera 2008). Many voluntary standards developed for business conduct encourage MNCs to adopt sustainability principles and engage in partnerships with public and non-for-profit sector organizations. Among drivers for MNCs to implement CSR activities in developing countries, Visser (2008) counts cultural traditions, political reforms, and socioeconomic priorities of developing countries, governance gaps, crisis response, and market access. Adoption of CSR action in corporate strategies produces a variety of organizational benefits such as adaptation to volatile business environments, enhanced corporate governance, and strong support of business networks, development of partnerships and coalitions, and building of trust with suppliers, distributors, communities, nongovernmental organizations, government agencies, and trade associations. CSR activities have direct and indirect correlation with organizational financial and management performance by reducing employee turnover and supporting employee retention, increasing organizational reputation, generating greater consumer value and brand loyalty, and enhancing managerial experience and knowledge (Hansen et al. 2011; Kaufman et al. 2004; Williams and Aguilera 2008). In this chapter different concepts focusing on theoretical evidences about Corporate Social Responsibility are studied in detail in light of the widespread objectives of the study like; 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.

Being a socially responsible, a company's image and build its brand. Social responsibility empowers employees to leverage the corporate resources at their disposal to do well. Formal corporate social responsibility programs can boost employee morale, the society perception and lead to greater productivity in the workforce.

2.1.2 THEORIES OF CSR

2.1.2.1 STAKEHOLDER THEORY

Stakeholder Theory is a view of capitalism that stresses the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization. The theory argues that a firm should create value for all stakeholders, not just shareholders. In 1984, R. Edward Freeman originally detailed the Stakeholder Theory of organizational management and business ethics that addresses morals and values in managing an organization. His award-winning book *Approach* identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups.

The theory has become a key consideration in the study of business ethics and has served as a platform for further study and development in the research and published work of many scholars, including those featured on this website. Since the 1980s, there has been a substantial rise in the theory's prominence, with scholars around the world continuing to question the sustainability of focusing on shareholders' wealth as the most fundamental objective of business. We aim to be the hub of leading stakeholder research and thinking by providing resources to new scholars, students, and business leaders.

2.1.2.2 SHAREHOLDER MANAGEMENT THEORY

Shareholder theory is the view that the only duty of a corporation is to maximize the profits accruing to its shareholders. This is the traditional view of the purpose of a corporation, since many people buy shares in a company strictly in order to earn the maximum possible return on their funds.

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 program only as long as they gain profit from these programs 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. Here government actions and regulations are important in order to minimize irresponsible social actions.

2.1.3 DIMENSIONS OF CSR

CSR is a process that is concerned with treating the stakeholders of a company or institutions ethically or in a responsible manner. Also is traditionally broken into four categories **environmental, philanthropic, ethical and economic responsibility**. Corporate Social Responsibility (CSR) is the idea that a company should play a positive role in the community and consider the environmental and social impact of business decisions. It is closely linked to sustainability – creating economic, social, and environmental value – and ESG, which stands for Environmental, Social, and Governance.

All three focus on non-financial factors that companies, large and small, should consider when making business decisions. In recent years, there has been a shift from CSR to social purpose. Many companies have pivoted from having a community investment strategy and a ‘nice to have’ mind set to adopting a holistic approach in which their mission is built into everything they do.

CSR can involve a broad scope of approaches and initiatives—everything from sustainable practices to community involvement. Customers increasingly expect responsible behaviours from companies they do business with. 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. In the current era of globalization, corporate social responsibility has been gaining an increasing attention. By implementations activities into their business strategy, companies can gain positive feedback from stakeholders including consumers and thus new competitive advantage. Creating positive attitude on CSR from the consumers that subsequently can influence their buying behaviour depends on many factors such as how the companies understand and perform their CSR initiatives and finally, how they communicate them to stakeholders.

Purpose of corporate social responsibility and its impact on consumer buying behaviour in the process of globalization. This includes the literature review on the issue and analysis focused on the corporate social responsibility and its impact on consumer buying behavior. Methods: General scientific methods were applied for the processing of the data as well as mathematical-statistical methods to evaluate the data collated from the results of the questionnaire survey and to statistical hypothesis testing.

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. 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 fulfil 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 wellbeing of the society. 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 how the customer perceives social responsibility of the organization. Another key issue is the responsibility of the business to protect the society's welfare in terms of not polluting the environment, not discriminating, not producing harmful products among others. Finally, it must improve the society's welfare by creating positive benefits' like promoting education, culture and other community developments.'

2.1.4 CSR PRACTICES IN THE BANKING INDUSTRY

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 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) and found that 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.

The relationship between Corporate Social responsibility and the overall wellbeing of the economy is high. Based on this correlation is not only determined by a single parameter like economy or financial performance. If the economy is not healthy companies do not invest in CSR activities due to their hopeless thinking of achieving short term profit.

Goss and Roberts (2011) examined the relationship between CSR and a cost of banks' loans. He found that banks assess more information about businesses and can decide on their credit approval scheme. Based on his analysis banks are more responsible for their lending practice and CSR activities can be implemented in order to control default of loans. Therefore he concluded that "Companies' investment to CSR reduced their volatility and thereby increased their attractiveness as a potential borrower."

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 other's money is essential action for banks as discussed with the study of Chatterjee and Lefcovitch (2009).

2.1.5 EMPIRICAL REVIEW

2.1.5.1 ROLE OF BANKS IN CORPORATE SOCIAL RESPONSIBILITY (CSR)

As countries of the world used large amounts of public funds to manage the 2008 financial crisis, public debt has risen to a critical level in many of them. Due to the drop in real economy, several countries faced unemployment and economic fullback that are still unresolved to this day. After the crisis, many were concerned how to restore the confidence in financial institutions and how banks can better contribute to sustainable social and economic growth. This paper discusses corporate social responsibility (CSR), an attitude putting ethical norms in the spotlight. The CSR pyramid distinguishes various layers of responsibilities. The first at the bottom is economic responsibility, serving as the foundation for the pyramid; however, companies also need to comply with legal norms. Ethical responsibility is the obligation to conduct in a fair way and to

do the right thing. After the crisis, central banks in many countries became responsible for sustaining financial stability. To this end, central banks have developed their own corporate social responsibility strategies. This activity is studied from the view of how CSR can contribute to financial stability. The major role of banks mainly commercial banks are accepting 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. 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 proposed that regulatory actions are important to minimize these regular risks. In addition McEwen, 2008 stated that “Businesses not only must deal with hard- number economic realities, but they also have to address the perceptions and beliefs of their customers. Thus, organizations must adjust to the changing outlook of the consumers who buy what they try to sell. It’s not certain; however, what form this adjustment should take.” According to Coetzee and Fourie (2010), the components of CSR in 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 to their stakeholders by companies: Owners and investors are responsible for high profits;

Employees have to maintain consistent, fairly compensated employment;

Customers are answerable for high quality products and services;

Business partners has to be fair as partners;

Suppliers are liable for consistent customer upon which to base the supplier’s business;

Competitors should maintain industry image;

Finally Communities are responsible for stable employment for community members.

2.1.5.2 CSR AND DEVELOPMENT ISSUES

CSR therefore covers a broad range of issues that must be taken into account in business conduct. This includes working conditions, human rights, and the environment, preventing corruption, corporate governance, gender equality, occupational integration, consumer interests and taxes.

The world has a number of problems existing in the environment and society and CSR could be used as a good device to sort out these problems up to some extent because businesses are running in the society by exploiting different resources. CSR is an obligation to the world & people living inside and outside the business organizations. Every business has a number of contacts in the society such as owners, employees, customers, government, suppliers, environment etc.

The obligations of these businesses include the satisfaction of these parties with its owner; this term is named corporate social responsibility of business. The debate regarding Corporate Social Responsibility (CSR) touches matters pertinent to the phenomena of the present economy. However, Wu (2002) argued that CSR was not really a debate nor was it a fad. Gosling and Vocht, (2007) stated that CSR comprised of the concept that companies need to meet the expectation of the society. Barnett & Solomon (2012) on a recently emerged stakeholder theory argued that the better a firm manages its relationships with its stakeholders, the more successful it will be over time.

Delmas&Toffle (2008) stated that although all stakeholders could possibly affect a company's performance, the mechanism differs and market constituents such as employees, customers, suppliers, creditors can directly cause a gap in economic rent by making disapproving economic choices. Henriques&Sadorsky (1999) added that non-market constituents such as the general public, NGOs, media indirectly exert their influences by conveying information. Despite this diverse transmission instruments, Clarkson (1995) stated that the disappointment of any stakeholder group can possibly affect economic rents and even compromise an enterprise future. Thus, socially responsible activities are progressively more argued to be a requirement for guarding the bottom line and boosting shareholder value (Epstein &Rejc-Buhovac, 2014). Furthermore, Barnett & Solomon (2006) added that increasing the number of investors is not only necessary At the financial performance level in an organization but also at valuing the way the organization meets their social responsibility. Corporate attention focus is thus shifted from a merely financial orientation to a much broader one.

Gossling (2003) mentioned that if the society can decide organizations have responsibilities towards stakeholders, we can thus expect organizations to be held responsible for their social performance. Freeman (1994) added that this does not only apply to their actions but as well as to the outcomes that results from their actions. Friedman (1970) made a statement that is widely used and accepted today, he stated that the sole duty of managers was to increase stakeholder wealth. By stating this, he focused on a distinct feature of corporate and managerial duty.

Thereby implying that the sole duty of managers is “to conduct the firm in accord to their desires in order to make abundant money as possible while following the elementary laws of the society”. Freeman (1994) did not agree to this and argued that they were a need of social performance to attain business legitimacy. He went ahead to say that director's fiduciary duty does not only account to shareholders but as well as to all stakeholders. Future studies on the link between social responsibility and financial performance was

Anticipated by Freeman's statement and a positive association of the two were suggested in the long run. The quarrels of the above-mentioned researchers could be used to discuss the concept of CSR today. The requirement for caution with respect to maturity of research evidence was stress by Ruf et al (2001) and they acknowledge that social performance will influence variations in economic development, national or local security and expectation of society.

Thus, this study focuses on the literature review concerning the association of CSR and financial performance and identifies factors that determine this relationship. The research question is: According to literature review, what is the relationship between Corporate Social Responsibility and financial performance, and which factors determine this relationship? There are various approaches to CSR programs 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.

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 certainly help countries to articulate their concerns in the global environmental governance, however 'it will not be enough to ensure that they are actually protected from environmental degradation or to help them to reduce poverty'.

2.1.5.3 INDICATIONS OF BEING A SOCIALLY RESPONSIBLE COMPANY.

For a company to be socially responsible, it first needs to be accountable to itself and its shareholders. Companies that adopt CSR programs have often grown their business to the point where they can give back to society. Thus, CSR is typically a strategy that's implemented by large corporations. A socially responsible company should respect their employees as much as they respect their customers. This means giving them their rights, vacation, benefits, and all necessary accommodations (and when they're working from home, the best online meeting software and home office equipment the company can provide).

Here are a few characteristics of a good company culture that is socially responsible:

Standardized practices. As an employee, you have worked in various companies and environments where different principles and practices were both accepted and prohibited. This is why a socially responsible company will standardize its company culture ethics. This is usually done via a code of conduct or an ethical practice manual that all employees read, understand, and sign.

Trained employees. A company shouldn't just create an ethical code of conduct – they also need to develop a way for employees to discuss and report unethical actions. Employees can sometimes be intimidated and fearful of senior employees, so creating a consequence-free environment is crucial. It is the company's responsibility to provide employees with sufficient training to give both senior and junior employees a clear, reprimand-free line of communication to raise concerns with and about each other.

Enforce and praise. During the training process, you will have covered the potential consequences of breaking ethical practices. It is then vital for the company to follow this protocol. Upholding these rules prevents an escalation of unethical practices and general team conflict. In the same way that they should diligently prevent unethical conduct, they should also reward ethical practices. Even just acknowledging good behavior reinforces company values. Corporate social responsibility is not a PR stunt; it is consciously fostered within a company and encompasses a variety of different aspects all as vital as each other. When keeping these values at the center of your job search, it's important to ensure that the company's cause-related marketing campaigns actually align with their company values and doesn't just hop on a topical trend. Remember: identifying social responsibility is more than just reading a motto.

2.1.5.4 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 tax not only by themselves but from the employees they retained and 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.

The action of the government regarding tax is considered as a limit to do their business but tax planning by many companies is very important to fulfil corporate tax responsibility required by the society in developing countries. Corporate social responsibilities actions need due care in terms of approach as they constitute one of the major business activities. Even their management of tax obligation requires 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.

The paper also argued that socially responsible attitudes to the community are not only limited to the payment of tax liabilities imposed by the law of the country of the tax authority but even at higher rates than the requirement by the law.

2.1.5.5 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 programs. Also external stakeholders who are being participated in tax planning for example external auditors and tax consultants are to be knowledgeable about the tax policies to be developed, and have a responsibility to review and assess the end result of the policy on individual countries.

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.

2.1.5.6 RULE OUT CERTAIN TAX PRACTICES

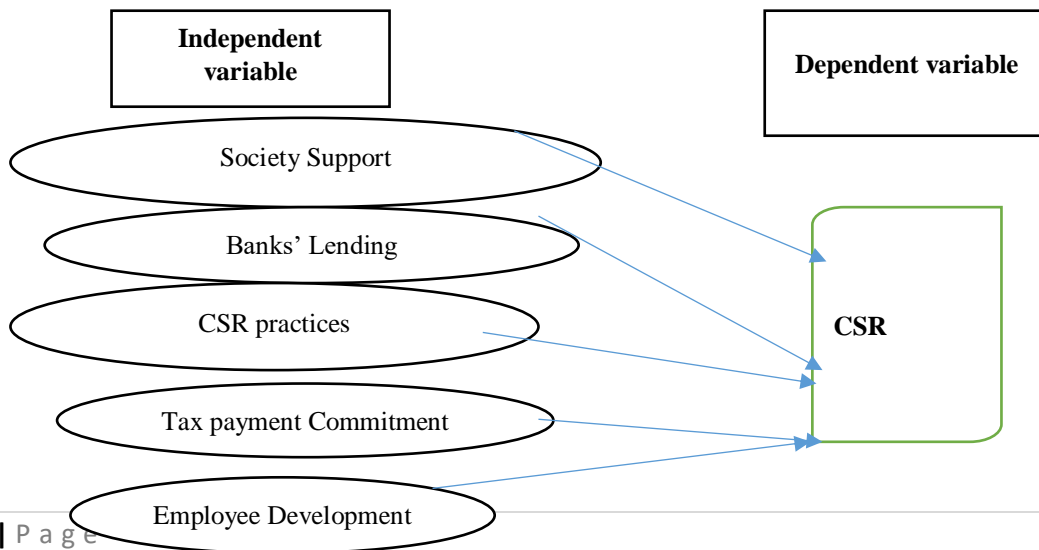
In order to secure valid corporate social responsibility and proper risk administration Companies prepare a proper set of rules in areas of tax minimization and to protect the company from damaging its image. Therefore there must be a need for clear and well established detail of the tax practices which should not contradict with the major beliefs and social responsibility practices. To ensure these practice the following measures can be taken; ‘locating valuable intellectual property in low-tax jurisdictions; moving tax residence to a low-tax jurisdiction without a corresponding shift in economic activity; moving high-value business functions out of developing countries and into low-tax jurisdictions; or using structured tax planning techniques.

2.1.5.7 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.

2.2. CONCEPTUAL FRAM WORK

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 as described in the Stanford Social Innovation review’s article “A new Era for Business”.



CHAPTER THREE

REASERCH DESIGN AND METHODOLOGY

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

3.1 Research Design and Approach

This section discussed mainly on what type of research is to be undertaken and how it is designed. There are different types of research designs or research types depending on the purpose and or objectives of the research.

Based on the research purpose there are three types of research designs named as exploratory, descriptive and explanatory. However, in the study, the researcher applied descriptive research design.

A research approach can 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 insight on CSR practices like lending practices, tax issues, employee development and the like in one of our private Commercial banks in Ethiopia specifically in Hibret bank S.C

On the other hand, regarding data collection techniques the study chooses to combine quantitative and qualitative techniques and procedures in a sense that it used both tools like questionnaire as quantitative technique and interview and categorizing data as qualitative method.

3.2 TARGET POPULATION

Data gathered from bank staffs and customers to assess CSR practices in the case of Hibret bank S.C.

In this study the target populations are Hibret Bank Management staff from HO, Branch staff and Customer of The bank, The data collected through questionnaires was collected from population size of the staff above 4,000 and customer around 1.5 million, sample size 100 randomly selected using Purposive/Judgmental Sampling technic.

3.3 SAMPLING TECHNIQUES

It is known that sampling is “part of whole to show what the rest is like and plays a vital responsibility 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. 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 on 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 our country known private Hibret Bank SC. More over one of the 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 interview and questionnaire 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.

3.4. 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.

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 using closed ended questions. 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 scoring format ranging from “Strongly agree = 5” to “Strongly disagree = 1”. More over in the study of Corporate Social responsibility in Commercial Banking industry Basic pillars of CSR as Economy, Environment and Social Responsibility were evaluated separately .

This showed that a value of CSR index of selected bank is ranged at an average level and determine the CSR index for each bank, i.e. the calculation of the average scoring for all criteria. The major questions in this study are therefore derived from the model, the CSR index model, used by this paper. But the model did not provide an exhaustive measure or list of the area on corporate social responsibility issues and 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. The data taken 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 using (Software IBM SPSS Statistics 20). Finally Interpretation of data, i.e. identifying the core meaning of the data, remaining faithful to the perspectives of the study participants is done.

3.6.1. RELIABILITY ANALYSIS

Reliability analysis was conducted to check whether a scale used in this study consistently reflects the subset it measures. The Cronbach 's α was used as a measure of internal consistency. Alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. a Cronbach alpha value which is > 0.9 is Excellent, 0.8-0.9 is Good, 0.7-0.8 is Acceptable, 0.6-0.7 is Questionable, 0.5-0.6 is Poor, and < 0.5 is Unacceptable.

3.6.2. VALIDITY ANALYSIS

The idea of validity to questionnaire refers to the steps taken by the researcher to ensure clarity, wording and ordering of the questions. One measure of validity as described by McBurney and White (2007) is face validity. They stated that "face validity is researchers attempt to support the interpretation of the measurement and its connection to the construct will seek professional judgment that there is a plausible connection between the surface features of the measure's content and the constructs as theoretically defined

3.6.3 Independent variables

In this study, the independent variables are (Society support, Banks lending, CSR practices, Tax Payment Commitment, Employee Development). Each independent variable extracted from problems of CSR from the literature review.

3.6.4 Dependent variable

Corporate Social Responsibility is the dependent variable.

CHAPTER FOUR

ANALYSIS, DISCUSSION AND PRESENTATION OF RESULT

4.1 INTRODUCTION

The objectives of the study were used by the researcher as a guide in analyzing the findings obtained from the field work.

The analysis and discussion of data collected through survey method. The result of survey study was analyzed using SPSS version 20, by using descriptive and inferential statistics like frequency, percentage, and mean, mode, analysis. Five Likert scale was used to gather data, expressed as strongly disagree - 1, Disagree-2, Nutral-3, Agree-4 and Strongly Disagree- 5.

With the research objectives, the findings of the study were categorized into the following:

✓ **Corporate Social Responsibility (CSR) Hibret Bank**

Growing its financial assets and mobilizing resources, the bank contributed greatly to the country's economic domain putting money to the coffers of the government via taxes. Over and above that, the bank has also generated business for suppliers, not to mention the valuable contribution towards creating more jobs to citizens. Parallel to achieving its financial objectives, Hibretbank s.c is also keen in fulfilling its social responsibilities. During the year under report, the bank extended donations to various noble causes based on a carefully designed guiding framework that ensures the donations given are directed towards the right charity organizations with impactful cases.

✓ **Corporate Governance**

The corporate governance structure of Hibret Bank s.c, is designed to ensure the effective supervision of the banks management by the Board with regarded to running the Banks business to enhance long term shareholders values. There are four standing sub-committees of the Board: finance, Risk review and compliance sub-committee, Audit sub-committee, HR affairs and Business development sub-committee and loan review Sub-committee that deal with the various business affairs of the Bank.

The bank remains committed to observing an adhering to the highest standards of corporate governance and business ethics set forth by the national bank of Ethiopia and other pertinent government organs.

✓ **Risk Management and Compliance**

Proactive Risk management and compliance is one of the seven themes set in the banks strategy 2030. In recognition of its significance, the bank has put in place of prudent risk management system as fundamental component of its regular business.

Periodic measurement of the banks risk exposure against key risk metrics has been conducted and alerts were signalled for proactive intervention. Hibretbank s.c is committed to undertake the banking business prudently with steadfast assertion to comply with pertinent national and international rules and regulations. So, the study focuses on the concept of Corporate Social Responsibility at this local Bank.

-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 guardedly.

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 bank contributed 31% 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 2020- to year 2022 i.e 21% to 28% to 42 % respectively also this view shows the increment of the banks profit year by year.

4.2. Demographic Characteristics of the population studied

This Section attempts to show overall demographic characteristics of respondents, the variables dealt with in this section include the level of Gender, Educational Level, Income of the respondents, work experience.

4.2.1 Gender of the respondents

As from the Table **53% Male, 47%Female** shows the distribution of respondents in Gender is so proportional or very close to each other. Also helps to shows the survey collected from both Genders.

GenderTable 4.2.1

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	53	53.0	53.0	53.0
Female	47	47.0	47.0	100.0
Total	100	100.0	100.0	

Source: Own Survey, 2023

4.2.2 Education Level

Educational Level

Table 4.1.2

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	20	20.0	20.0	20.0
Degree	76	76.0	76.0	96.0
Masters	4	4.0	4.0	100.0
Total	100	100.0	100.0	

Source: Own Survey, 2023

The detail investigation shows 20%Diploma, 76% Degree and 4% masters, that means as the educational level of the respondents increased, the level of awareness about CSR and other activities about the bank increases.

4.2.3 Income of The respondents

The following Table shows the income level data that indicate majority of the respondents earned an income of 10,001.00 up to 15,000.00 Ethiopian Birr representing 63%, followed by 5,001.00 up to 10,000 Ethiopian Birr representing 29%, and above 15,000.00 Ethiopian Birr representing 8% of the total respondents. This indicates that majority of employee are middle income earners and knowledgeable about the bank's benefit schemes.

Chart 4.2.3 Income Level of Respondents

Average Monthly income				Table 4.2.3
	Frequency	Percent	Valid Percent	Cumulative Percent
5001-10000	29	29.0	29.0	29.0
10001-15000	63	63.0	63.0	92.0
Greater than 15000	8	8.0	8.0	100.0
Total	100	100.0	100.0	

Source: Own Survey, 2023

4.2.4 Work Experience

As the Table below shows from the total respondents 8% of them have less than 2 years' experience. Majority of the respondents that is 45 % have 2 up to 5 years' experience, 25% have 5up to 10years' experience and the rest 22% of them have more than 10 years' experience, shows the majority of staff are familiar to the bank and have awareness about the bank business.

Work Experience				Table 4.2.4
	Frequency	Percent	Valid Percent	Cumulative Percent
Less than two years	8	8.0	8.0	8.0
2-5years	45	45.0	45.0	53.0
5-10years	25	25.0	25.0	78.0
More than 10years	22	22.0	22.0	100.0
Total	100	100.0	100.0	

Source: Own Survey, 2023

4.3 Descriptive Statistics

A descriptive analysis is presented through this part,. The following section deals with, presentation and discussion of survey findings CSR practices in the case of variables considered in the study.

4.3.1 CSR PRACTICE OF THE BANK BY ENGAGING IN ACTIVITIES

WHICH WIDELY BENEFIT THE SOCIETY

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 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 employee of the bank recognize weather the bank should involve in these CSR programs and the degree of the banks involvement in community and charitable activities.

4.3.1.EMPLOYEE ATTITUDE TOWARD CSR ACTIVITIES BY THE BANK

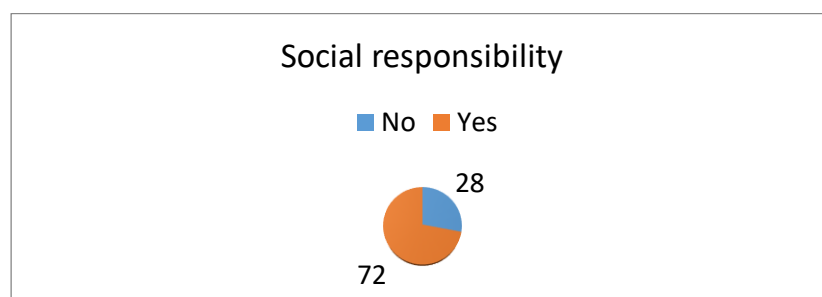


Chart 4.3.1

Source: Own Survey, 2023

From the above chart we can easily understand that the majority of the respondents i.e. 72.0% say yes 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

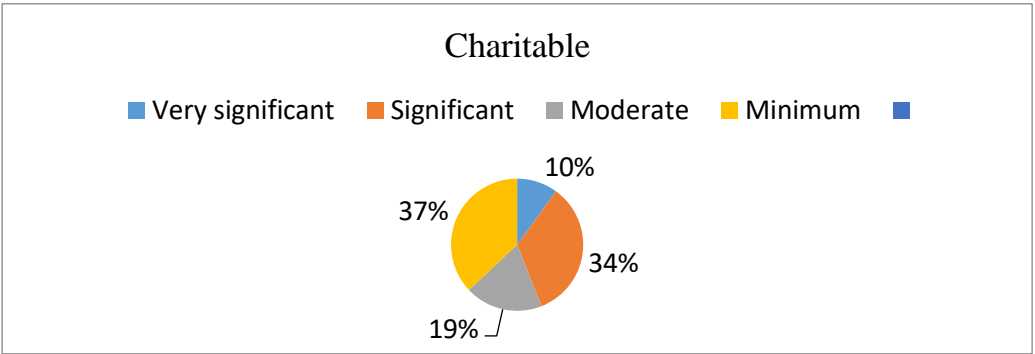


Chart 4.3.2

Source: Own Survey, 202

As shown from the above table 37 % of the respondents said that Degree of involvement by the bank is minimum followed by 34% significant Respondents 19% Moderate 10% very significant. 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.

4.3.3 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

4.3.3 EMPLOYEE BENEFIT

The bank has realized need for adopting the benefits scheme in order to respond to environmental causes 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.

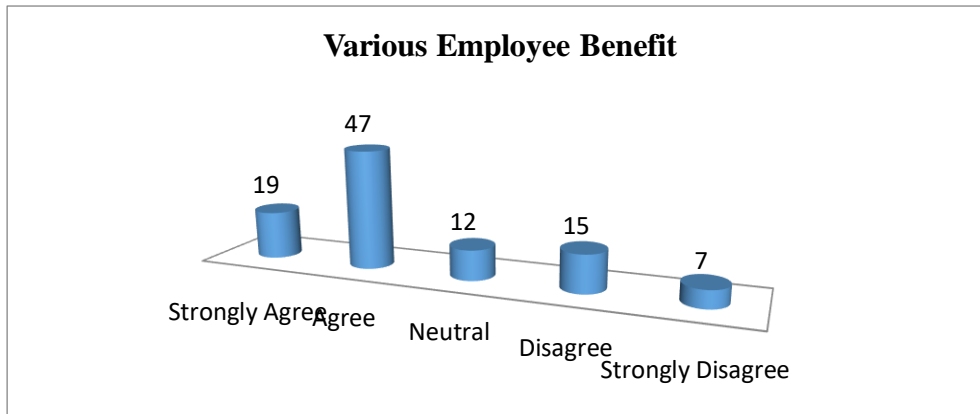


Chart 4.3.3 Attitude toward Employee Benefit

Source: Own Survey, 2023

47% of the respondents agreed that there are various employee benefits provided by the bank, 12% of them are neutral about the issue, 19% of them are strongly agreed and 15% Disagree, the rest 7% strongly disagreed. Therefore the majority said that the bank provides various employee benefits to its employee.

4.3.4 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.

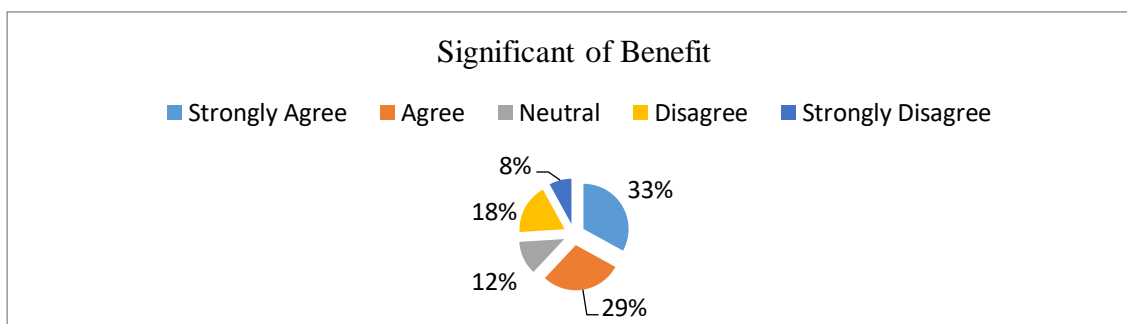


Chart 4.3.4 Significance of Benefit

It is learned from the above chart that the majority of the respondents 33% of them are strongly agree followed by agreed respondents and 12% of them has neutral about the Significance of the benefits provided by the bank .off course weather The benefits are Significant or not vary among the attitude and minds of employees and in comparison with other similar competitive industries.

4.3.5. 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 senior skilled staffs. 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.

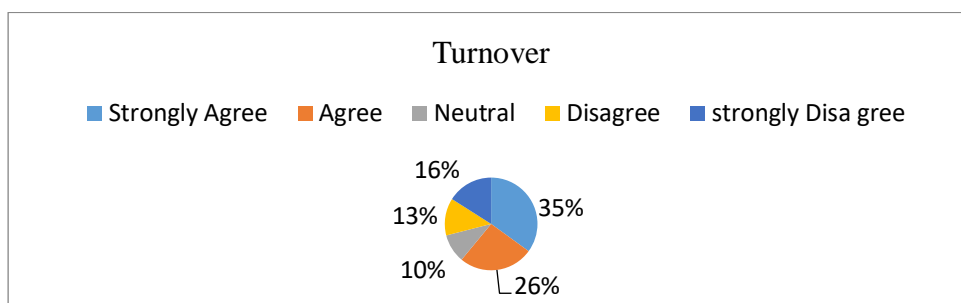


Chart 4.3.5 Dominant turnover

From the above chart observed that the majority of respondents 35% strongly agree with turnover of employees linked with benefit.

So, the highest turnover rate of any organization will impact the organizations 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.

4.3.6 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 United Bank as staff benefit package. There are four types of staff loans each are to be discussed in the coming section;

Emergency Staff Loan

Personal Loan /Consumer Loan/

Staff Housing /Construction Loan/

Automobile loan

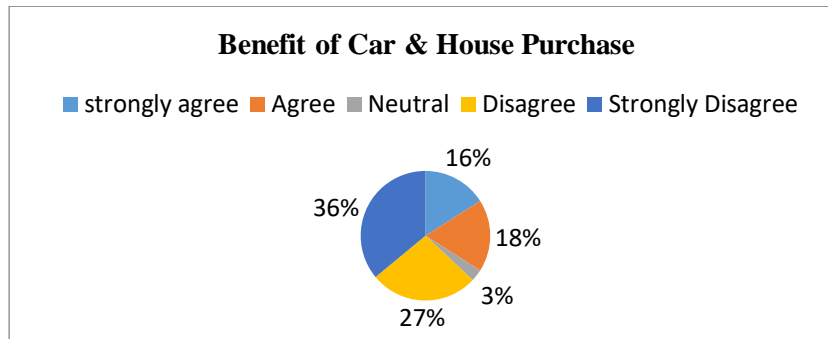


Chart 4.3.6 Benefit of staff Car and House Purchase

The majority of the respondents 36% view in the above chart strongly disagree benefited from Car and house purchase.

The majority of the respondents are medium income respondents,

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 these facilities.

4.3.7 CAREER DEVELOPMENT IN THE FUTURE

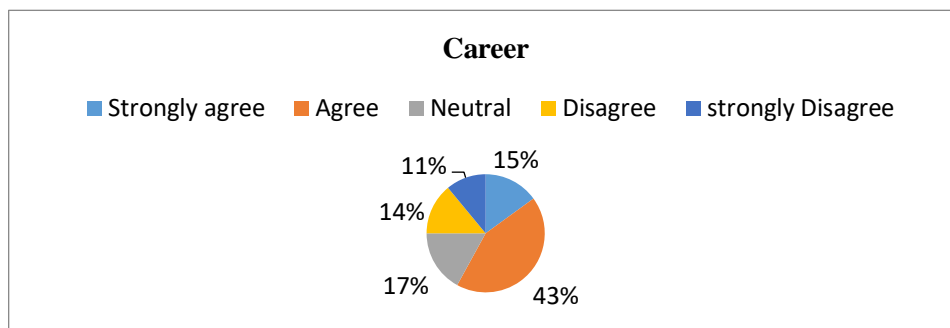


Chart 4.3.7 Career Improvement

From the chart the majority 43 % of the respondents agreed with future career improvement.

Therefore there are opportunities for employees of the bank to advance in their career

And hopeful future.

4.3.8 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(The repayment Period yields 6 Month).

Staff consumer/Personal/ loans are granted for staffs of the bank at 9% 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 8% interest rate per annum.

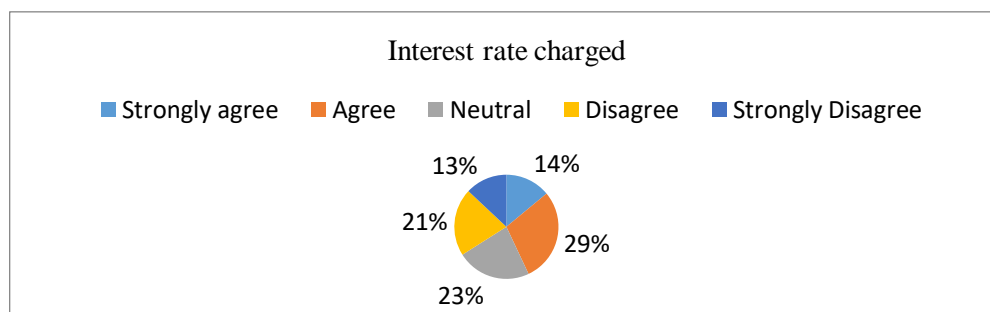


Chart 4.3.8 Interest rate charged

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. 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.

4.3.9 THE PRACTICE OF RESPONSIBLE LENDING

HB 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 the below Chart where by the majority of the respondents 39% strongly disagreed that there are Opportunities for these Social groups to credit access. As a result there should be a system making poor societies accessible to Credit products by banks in a possible way.

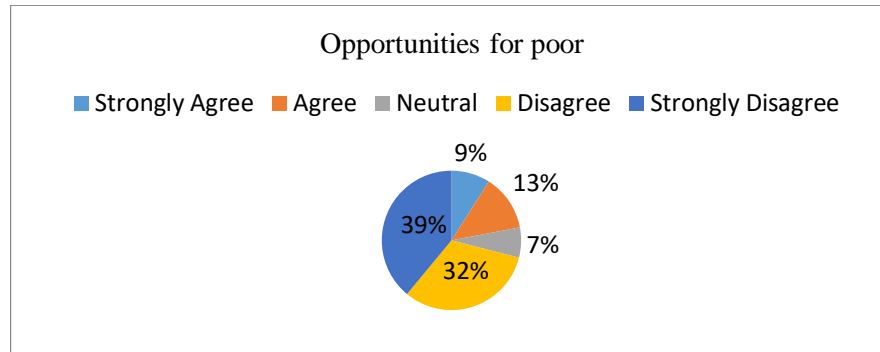


Chart 4.3.9 Opportunities for poor

4.3.10 CREDIT ACCESS TO POOR WITH MINIMUM OF LENDING INTEREST.

The majority of the respondents 29% of them agreed with the issue that there can be Minimum lending for those who are poor.

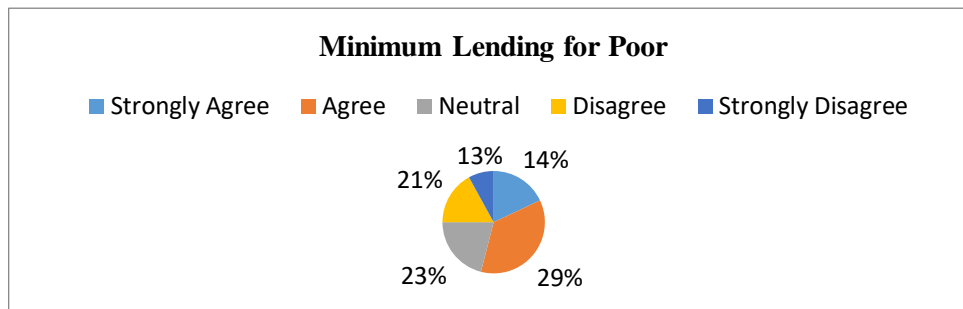


Chart 4.3.10 Minimum Lending for poor

Banks provide financial services mainly accept deposit, facilitate foreign trade and grant Credit facilities. in our county the small business financed by local micro finance Institutions but Now a day's some Micro financial institutions growing to fully fledged banks, which are a progress.

4.3.11 PREVAILING INTEREST RATES.

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. 35% of strongly Agree that, Therefore the level of lending is subject to competitive Interest rates set by other Commercial banks.

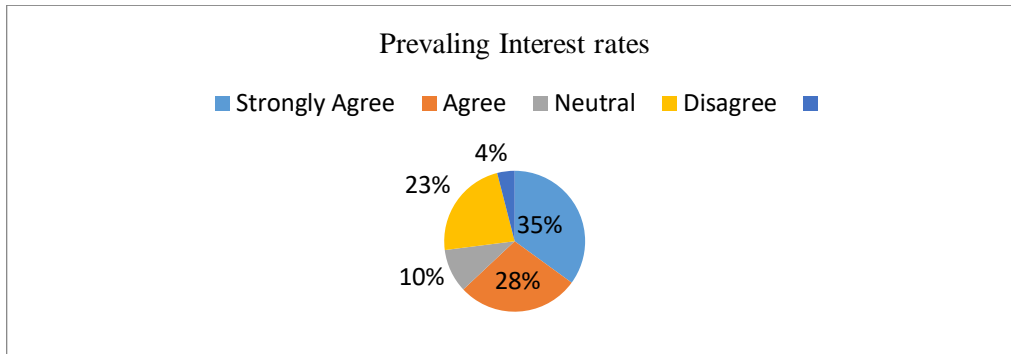


Chart 4.3.11 Prevailing Interest rates attached

4.3.12NPL OF THE BANK

Non-performing loans (NPLs) 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.

From The below chart observe that 33% agree that bank NPL as per the standard of NBE.

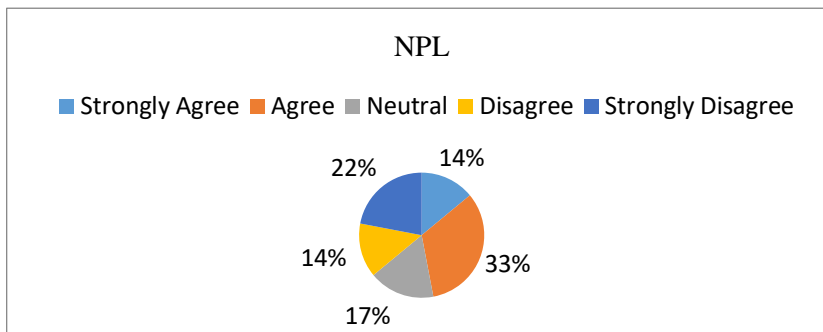


Chart 4.3.12 NPL

4.4 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.

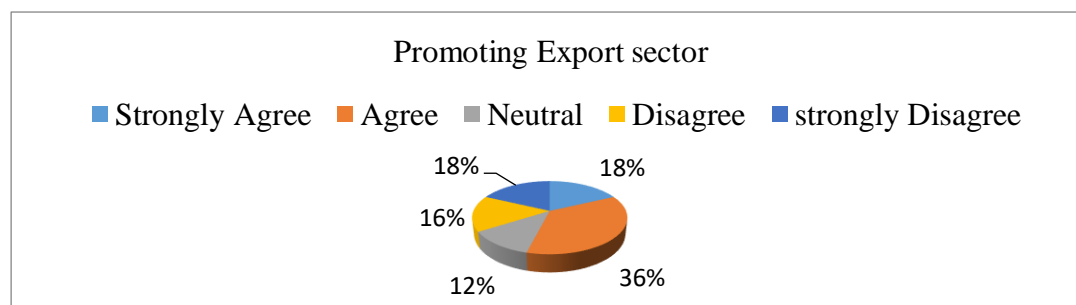


Chart4.4ExportSector Source: Own Survey, 2023.

From the above chart seen that 36 % of the respondents agreed with the bank's role of fulfilling its economic responsibility export sector. Therefore the bank is in a good direction in striving to fulfill its economic responsibility by aiding the export sector among others.

4.5 THE BANK USE OF ITS ASSET FOR LENDING FOR ECONOMIC DEVELOPMENT

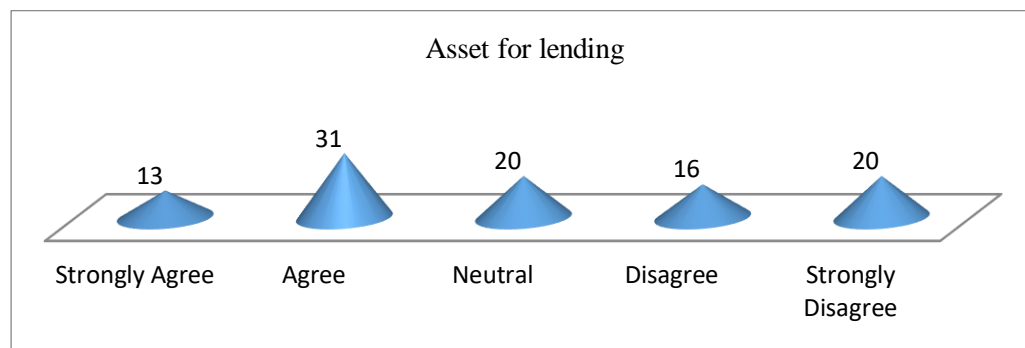


Chart 4.5 Asset use for Lending Sector

Source: Own Survey, 2023.

Neutral respondents constitute about 20%, where as 16 % of the respondents disagreed, 31% agreed, 20% strongly disagreed and the remaining 13of the respondents are strongly agreed that Asset use its asset for economic development of nation on a consistent and feasible way.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This Final chapter contains of summary of the main findings and conclusion derived from the study and provides appropriate recommendations to Hibret Bank S.C regarding the CSR practices and programs to be implemented as one coverage of operation.

5.1 SUMMARY OF FINDINGS

After objective analysis of the results is made, the following findings are obtained from the study. Hibert bank to participate in various corporate social responsibility activities is important to attain public image and support the community's welfare. The degree of involvement in community activities by the Hibretbank S.C is further improvement is required.

The bank has recognized the need for adopting employee benefit schemes to be provided to the majority of its employees. Even though there are certain employee benefits Packages 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 somewhat 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 facility. Hibret Bank is in a good direction in encouraged to fulfil its economic responsibility by supporting the export sector, maintaining quality loans and lending on the sectors which are vital to economic development among others.

Because of National Bank regulate HibretBank 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 also annually recognized by federal Revenue bureau 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 programs which can be done in collaboration with the governing body, i.e. NBE.

The major means of contributing to the society by which the bank is Tax obliged to fulfill by the law of the Minster Revenue bureau; hence in this regard the bank is careful of its tax policy. The bank has realized a need for adopting the benefits scheme in order to respond to environmental initiatives 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, House allowance.

The bank's impact on environmental issues such as environmental **Protection** changes/ 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 programs is very essential.

5.3 RECOMMENDATIONS;

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

5.3.1. Hibret Bank S.C

The bank's involvement in community activities like assistances, investment in education material support, hospitals and school buildings for the community, now a day's school feeding and others has to be implemented by focusing on long term return and brand success rather than short term income growth.

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 or poor of the society.

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.

5.3.2 Direction/NBE/

The government that regulates financial institutions/NBE/establish or gives stiff directions to banks to implement CSR departments that handles these issues continuously.

Government should Support or encourage banks in all directions on the area of CSR. It is better if the bank establish CSR department to implement socially responsible programs because the outcome of competition in the future in the banking sector will gradually 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.

Encouragement 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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APENDICES
APPENDIX A
RESEARCH QUESTIONNAIRE

Dear Respondents,

This questionnaire is designed to study ‘Corporate Social Responsibility and Commercial Banks the case of HibretBank S.C’ as a requirement for the partial fulfilments 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!.

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

Demographic Factors

Q.1 Your education level;

- | | |
|------------|-----------|
| 1. Diploma | 2. Degree |
| 3. Masters | |

Q.2 What is your average monthly income?

- | | |
|-------------------------|-----------------------------|
| 1. Less than Birr 5,000 | 3. Birr 10,001-15,000 |
| 2. Birr 5,001-10,000 | 4. Greater than Birr 15,000 |

Q.3 your work experience in the bank;

- | | |
|------------------------|-----------------------|
| 1. Less than two years | 3. 5-10Years |
| 2. 2-5years | 4. More than 10 years |

Q.4 Gender

- | | |
|---------|----------|
| 1. Male | 2.Female |
|---------|----------|

Q.5.1 The bank’s stand in general for the benefit of people as a socially responsible company.

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

- | | |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

Q.5.2 what do you think of degree of the bank's involvement in community and Charitable activities?

1. Very significant 2. Significant 3. Moderate 4. Minimum

Q.6 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.

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

Q.7The 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
7.1 There are opportunities for the poor and disadvantaged Social groups to credit access in the bank.					
7.2 There can be minimum level of lending on minimum interest rate for those who are poor, but can run feasible Business meanwhile.					
7.3. The prevailing interest rates attached to various loan types are so high that the bank can lower down the rates to Encourage extra investment.					
7.4 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.					

Q.8 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.

1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

Q.9. 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.

1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. 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.
