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**The Role of Private Commercial Banks on Corporate Social Responsibility
in Ethiopia**

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The Role of Private Commercial Banks on Corporate Social Responsibility in
Ethiopia

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Statement of Declaration

I, Yeneneh Tadesse Techane have carried out independently a research work on “ The role of private commercial banks on Corporate Social responsibility in Ethiopia “ in partial fulfilment of the requirements degree of master of science in Accounting and Finance with the guidance and support of the research advisor.

This study is my own work that has not been submitted for any degree or diploma program in this or other institution and that all source of materials used for this thesis have been duly acknowledged.

Yeneneh Tadesse

June 2015

Statement of Certification

Here with, I state that Ato Yeneneh Tadesse has carried out this research work on the topic entitled ‘ The role of private Commercial Banks on Corporate Social Responsibility in Ethiopian private commercial banks. This research work is original in nature and has not presented for a degree in any university, which all sources of materials used for the study have been duly acknowledged and it is sufficient for submission for the partial fulfillment for the award of Master of Arts in Accounting and Finance.

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Abstract

The focus of this research is on the role of private commercial banks on corporate social responsibility in Ethiopia. The major objective of this study is to assess the role of private commercial banks on Corporate Social Responsibility in Ethiopia. The study has employed both descriptive and qualitative research strategies. The variables considered under this study are four factors: these are internal management – implementing meaningful strategy, process and people management; external management – accountability for creditability and external management -consideration of stakeholders. Primary data was collected via questionnaire from seven private commercial banks out of sixteen private commercial banks. Since stated owned and private commercial banks are different in many aspects. Stated owned commercial banks not included in study. The data was analyzed using likert 5 scales. For statistical interpretation mean and standard deviation was used. Statically Packages for Social Science software was used since it is appropriate for the study.

Findings of the study has shown that private commercial banks of Ethiopian has looser attitude to support greener industries, lower lending options to low income individuals and small business, less engage in community development and less understanding on poor financial management in banking organizations which results to adverse effect to the environment and society, and less understanding on the idea that it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower. Since, it is not fair when a bank has offered to sell it via foreclosures which are owned by more than three different mortgagees for a single borrower which were held as collaterals by the bank for the loans and advance granted.

The study has conclude that Corporate Social Responsibility requires more for the private commercial banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainability. So understanding the concept of corporate social responsibility in the banking sector and linking the concepts and frameworks and key elements of Corporate Social Responsibility in the banking policies and procedures is very vital to reduce risks emanate from not adhering Corporate Social Responsibility concepts. The relevance of knowing the Corporate Social Responsibility of banking has so many benefits to the bank and society at large.

The researcher has recommended that the management of private commercial banks in Ethiopia should adhere to the need for Corporate Social Responsibility requires more for the banks to pay special attention to design and built forth programs and policies to enrich wealth knowledge of banking service staff and to understand their own position among the overall banking sector and also it is important for policymakers to judge the banking performance from the angle of corporate social responsibility.

Key words: Corporate Social Responsibility, Role of commercial banks on Corporate Social Responsibility, concepts and frameworks of Corporate Social Responsibility.

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Acronyms and Abbreviation

AAA	Risk grading Rate using Triple A's
AB	Abay Bank Share Company
ABSs	Asset Backed Securities
ADIB	Addis International Bank Share Company
AfDB	African Development Bank
AIB	Awash International Bank
ANOVAs	Analysis Of Variables
BIB	Bunna International Bank Share Company
BB	Birhan International Bank Share Company
BOS	Based on Standard practice
BOA	Bank of Abyssinia Share Company
CBE	Commercial Bank of Ethiopia
CBO	Cooperative Bank of Oromia ShareCompany
CDOs	Collateralized Debt Obligations
CSR	Corporate Social Responsibility
CR	Corporate Reputation
DB	Dashen Bank Share Company
DGB	Debut Global Bank Share company
EB	Enat Bank Share Company
EFQM	European Foundation for Quality Management
EMS	Environmental Management System
ESG	Environmental, Social Governance
GTP	Growth and Transformational Plan
HR	Human Resource
IMF	International Monetary Fund
ISO	International Standard Organization
NBE	National Bank of Ethiopia
n.d	no date of publishing
NGO	Non- Governmental Organizations
LIB	Lion International Bank Share Company
NIB	Nib International Bankshare company
OIB	Oromiya International Bank Share Company
SPSS	Statistical package for social science
STD	Standard Deviation
UB	United Bank share company

WB	Wegagen Bank share company
WBCSD	World Business Council for Sustainable Development
WGSR	Working Group on Social Responsibility
ZB	ZemenBank Share Company

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CHAPTER ONE

INTRODUCTION

Corporate Social Responsibility was first noticed in the Anglo-Saxon world in 1950s with the idea of contributing societal welfare and environmental responsibility (Kostyuk et al, 2008). The issue of Corporate Social responsibility (CSR) and sustainable development have attracted worldwide attention, especially in the media and in academia (Odetayo, Adeyemi and Sajuyigbe, 2014). William (2010) as cited in Bedada et al (2011) described that CSR is complex area with an interdisciplinary focus which includes human rights, environmental responsibility, and diversity of management, sustainability and philanthropy. CSR concerned with treating stakeholders of the firm ethically or in a responsible manner. According to Mc Donald and Rundle (2008) that the benefits of corporate social responsibility (CSR) for companies, including increased profits, customer loyalty, trust, positive brand attitude and combating negative publicity, are well-documented by stating the works of many scholars (e.g., Brown and Dacin, 1997; Drumwright, 1996; Maignan and Ferrell, 2001; Murray and Vogel, 1997; Sen and Bhattacharya, 2001; Sen et al., 2006). They also stated that at a time when banks are increasing the amount of funds allocated towards CSR activities, many banks across the globe are experiencing increasing levels of retail customer dissatisfaction (Australian Consumer Association, 2005; Two-thirds of US Banking Customers, 2006; Thornhill, 2007). Mc Donald and Rundle brought forward that the finding of Manrai and Manrai (2007) suggested that dissatisfaction is the major reason why customers switch banks. Despite the fact that banks in many countries are experiencing a rise in customer dissatisfaction concurrently with increased spending on CSR activities, there has been no investigation of the impact of CSR measures on retail bank customer satisfaction.

As per the study of Global Center on Cooperative Security (2014) has indicated that over the past decade, Ethiopia has achieved impressive economic growth averaging close to 11 percent annually. The development of a vibrant and active private banking system that complements existing public sector work is considered important to Ethiopia's economic progress by a range of experts, including the World Bank, the African Development Bank (AfDB), and the International

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Monetary Fund (IMF). These bodies view the expansion of the private banking system in a prudent and controlled manner as key to the success of Ethiopia's "Growth and Transformation Plan (GTP)," an ambitious five-year development plan launched in 2010 to assist the country in reaching "middle income" status (Global Center on Cooperative Security 2014).

Compared to most countries, Ethiopia has taken a cautious approach toward the liberalization of its banking industry. For all intents and purposes, its industry is closed and generally less developed than its regional peers. The industry comprises one state-owned development bank and 18 commercial banks, two of which are state-owned, including the dominant Commercial Bank of Ethiopia (CBE), with assets accounting for approximately 70 percent of the industry's total holdings. The banking industry's nonperforming loan ratio is commendably low, and profitability is good, but the dominance of public sector banking certainly restricts financial intermediation and economic growth. It contrasts with regional and international peer countries where banking industries have a much higher share of private sector and foreign participation. The underdevelopment of the banking industry can be seen in the small proportion of the population that has a deposit account, less than 8 percent. This underdevelopment restricts economic growth because it dramatically reduces the ability of the banking industry to offer savings products, which in turn hinders greater bank lending to business and entrepreneurial (Global Center on Cooperative Security, 2014).

As Yeung (2011) had clearly mentioned that no matter what kinds of countries, what kinds of culture, and what kinds of banking products and investors, banks need to be responsible for their customers in a social responsible way. As a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions. This study paper has assessed the emerging practice and role of private commercial banks in corporate social responsibility in Ethiopia.

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1.2 STATEMENT OF THE PROBLEM

Corporate Social Responsibility (CSR) as a concept has no consensus definition. Various writers defined it based on their background, interest, exposure, as well as values embodied in the writer's frame of reference. Corporate social responsibility is also called corporate conscience or corporate social performance are duties perform by organizations to the society in which they are operate, such as protection of the environment, provision of social amenities, health and safety, and so on (Odetayo, Adeyemi and Sajuyigbe, 2014). Obviously, CSR has gained acceptance world-wide, to the extent that in many cases the level of implementation by corporations have been deployed as a yardstick for measuring performance and for winning international awards (Adem, 2012). Robbins and Coulter (2007) cited in Sharma and Mani (2013) explained that the management's social responsibility goes beyond making profit to include protecting and improving social's welfare of its stakeholders and the environment in which the firm carries out its operations. This statement is based on the belief that corporation are not independent entities responsible only to stockholders. They also have the responsibility to the society that allow their formation through various laws and regulations and support them through purchasing their products and services.

Corporate social responsibility has to do with an organization going out of its way to initiate actions that will impact positively on its host community, its environment and the people generally. It can be seen as a way of acknowledging the fact that some business fallouts have adverse effects on the citizens and society and making efforts to ensure that such negative impact are corrected. The first CSR initiatives were a response to public pressure and media exposure of poor company behavior. CSR was supposed to show that companies were capable of cleaning up their act. The drivers for CSR in the west are to be found within areas such as increased brand value, greater access to finance, a healthier and safer workforce, stronger risk management and corporate governance, motivated people, customer loyalty, enhanced confidence and trust of stakeholders as well as enhanced public image. (David ,2012)

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As the issue of sustainable development becomes more important, CSR becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking industry. According to Pranjali (2011), The World Business Council for Sustainable Development (WBCSD) describes that CSR as a contribution to sustainable economic development ;It is said that there is no way to avoid paying serious attention to corporate social responsibility: the costs of failing are simply too high. Banks cannot do this alone without involving the community who are the customers. For them to produce relevant services and products, they must carry out a study to get information from their customer on their perceptions towards their business operations particularly their quality of services rendered to increase customer satisfaction and ultimately their loyalty by offering a variety of products according to customers expectation. The surrounding where the firm is situated forces the firm into becoming more responsible by handling issues that are currently affecting the environment. For example in the banking industry they are need to allure and retain customers in order to compete favorably with other banks. Corporate social responsibility has become the buzz word in business literature now-days. The good CSR behavior has a reputational benefit for the banks(Musiega et al 2014).

Bedada eta al (2011) had conducted research under the title “Ethiopian Floriculture Industry from Corporate Social Responsibility (CSR) “ explores the practice of corporate social responsibility and the related governance on Ethiopian flower industry. They clearly stated that since Ethiopia is one of the developing countries the philosophy of corporate social responsibility is not well developed and also the governance system takes the form of mere control and decision making rather than well-developed ethical code of conduct. According to the study of Bedada eta al show that the findings of the industries on CSR practice with the three pillars of Corporate Social Responsibility economic, environmental and social sustainability is presented in the research from the view of CSR in floriculture industry.

Tewelde (2012) the context of Ethiopia and its interface with corporate social Responsibility has been illustrated using Carroll’s model. Although many models on CSR developed in the West Prescribe universal applications of the components and priorities, the contextual factors in developing countries in general and Ethiopia in particular may not allow the direct adoption

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of such models. In Ethiopian context the practice like many other African countries is on the economic aspect of the CSR and such emphasis may be at the expense of other dimensions. In such a situation how we can reconcile the different components is the major challenges that need to be addressed. According to Tewelde ,as per the discussion of CSR in Ethiopia it is clear that the legal and ethical responsibilities are the least in terms of practice as it is the case in most of African countries context.

Although, there is no 100% clear definitions of CSR in the world. There is great need to create understanding about CSR and ethical manner to conduct the business in sustainable way. In addition, it is not common to find a specific form of corporate social responsibility practices in the developing world that could be seen from business perspectives. Since Ethiopia is one of the developing countries the philosophy of corporate social responsibility is not well developed. Corporate social responsibility of banks in Ethiopia is untouched part. The National Bank of Ethiopia (NBE) has mainly play role of regulation on the financial performance of commercial banks as pertain to the rules and regulations set by the country so as to protect the public and develop confidence on the services provided by banks. To issue annual reports by all banks registered by NBE once a year and to show their status could be considered as discharging CSR of banks. But this is limited to the extent of reporting only financial matters. However, the need for CSR requires more for the banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable. This study paper has assessed the practice and role of private commercial banks on corporate social responsibility in Ethiopia.

1.3 Research Objective

General Objective

The major objective of this study is to assess the role of private commercial banks on Corporate Social Responsibility in Ethiopia.

Specific Objectives

Accordingly this study has the following specific objectives:

1. To assess the implementation of meaningful strategy of private commercial banks
2. To assess accountability practices for creditability of private commercial banks

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3. To assess process and people management practices of private commercial banks
4. To assess consideration to stakeholders practices of private commercial banks

1.4 Scope and Limitation of the study

The scope of the study has been limited to commercial banks in Ethiopia. The data types is primary (qualitative nature which can be quantified into quantitative). CSR has been assessed with framework of four factors, these are (A) internal management –implementing meaningful strategy, (B) external management – accountability for creditability, (C) internal management - process and people management, and (D) external management – consideration of stakeholders. So data analysis has only be used to infer only the Ethiopian context factual matters, it might not be used for the generalization of the rest of the world. Moreover the study may face difficulty of well-developed information on the area(respondents understanding on CSR).

1.6 Significance of the study

Corporate social responsibility has witnessed revival in management literature in recent years probably due to a renewed focus on corporate governance and ethical practices of companies world-wide (Hinson, Boateng, Madichie, 2010). Basically, the motivation for undertaking this study is premised on the belief that significantly, it will generate knowledge and enhance social research, thereby improving the understanding of CSR, not just as a management tool or instrument that ensures informed policy making, but also as a form of social order that encourages institutional commitment to fully humanizing the business environment particularly the banking industry in Ethiopia.

The output from the research will help banks, social organizations policy developers and other concerned parties on CSR of commercial banks in Ethiopia to take some remedial actions or corrective measures on the problems identified in the research.

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It will also serve as a stepping stone for other researchers who aspire to make depth study about the issue under the study. In addition, importantly, this research will educate clients in deciding on whether the industries are really fulfilling its responsibility to the environment or is just showing off to promote its business.

1.7 ORGANIZATION OF THE PAPER

The thesis starts with the first chapter which introduces the introduction of the study and defines the research problems and research questions including the objective of the study, scope and limitations of the study, significance of the study and this section. Chapter two is related literature reviews which have consisted of the theoretical framework corporate social responsibility, empirical study on corporate social responsibility, conceptual framework and literature gap. Chapter three describes the research methodology which was used in conducting the research. Chapter four is about result and discussion, and summary of findings. Finally chapter five presents the findings in the form of conclusions and recommendations.

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CHAPTER TWO REVIEW OF LITERATURE

2.1 Theoretical Framework of Corporate Social Responsibility

This chapter provides description of the chosen theoretical framework of CSR in commercial banks, Empirical study on banks' CSR, Drivers for CSR, Conceptual Framework and Literature Gap.

2.1.1 Corporate Social Responsibility

As it has been studied by many scholars and agreed that it is quite difficult to have an agreed definition that clearly reveals the concept of corporate social responsibility. How CSR is defined and concepts under the context of economic, social and environmental perspective of CSR are assessed. Hameed (2010) had provided the definition of the corporate social responsibility in such a way that Corporate Social Responsibility (CSR) provides strategic framework for achieving sustainability by considering the ethical concern in the society. Dahlsrud, (2008) quoted in the works of Hameed and forward the very important definition which was included in the study is that there is no as such correct definition of CSR. The most commonly used definitions of CSR come from the Commission of the European Communities in 2001 “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Helg (2007) had forwarded definition of CSR by stating: The European Foundation for Quality Management (EFQM) is a membership based not for profit organization, created in 1988 by fourteen leading European businesses with a mission to be the driving force for sustainable excellence. EFQM defines CSR as follows, “CSR refers to a whole range of fundamentals that organizations are expected to acknowledge and to reflect in their actions. It includes – among other things- respecting human rights, fair treatment of the workforce, customers and suppliers, being good corporate citizens of the communities in which they operate and conservation of the natural environment. It is better to look at definitions

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of CSR that will help me to analyze the problem statement. The definition of CSR is not provided under the Ethiopian Commercial Banks' law by NBE. For the purpose of this study, it is thus important to adopt a working definition for CSR as a system of rules and institutions that determine the roles and direction of banks. In this regard 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.

2.1.2 Framework of Corporate Social Responsibility

Loimi (2002) quoting in the works of Helg (2007) the influencing drivers are divided between internal and external drivers. This study identifies a number of external drivers namely globalization, environmental problems facing the earth, the international initiatives taken by the business community to address sustainability, political actions in governments playing a significant role in complementary initiatives regarding sustainability management guidelines, and pressures from the investment community as well as from NGOs (non- governmental organizations). The internal drivers identified in the study are risk management and brand value, revenues and costs, pressure from employees and customers, and finally competitive advantage. EFQM (2004) presents a number of direct benefits for the organizations:

- ❖ Increased brand value
- ❖ Greater access to finance
- ❖ A healthier and safer workforce
- ❖ Stronger risk management and corporate governance
- ❖ Motivated people
- ❖ Customer loyalty
- ❖ Enhanced confidence and trust of stakeholders
- ❖ An enhanced public image

Friedman (1989; 1970) and Gaski (1985) cited in R. Rugimbana et al had examined the theoretical framework of corporate social responsibility under the title "Examining the

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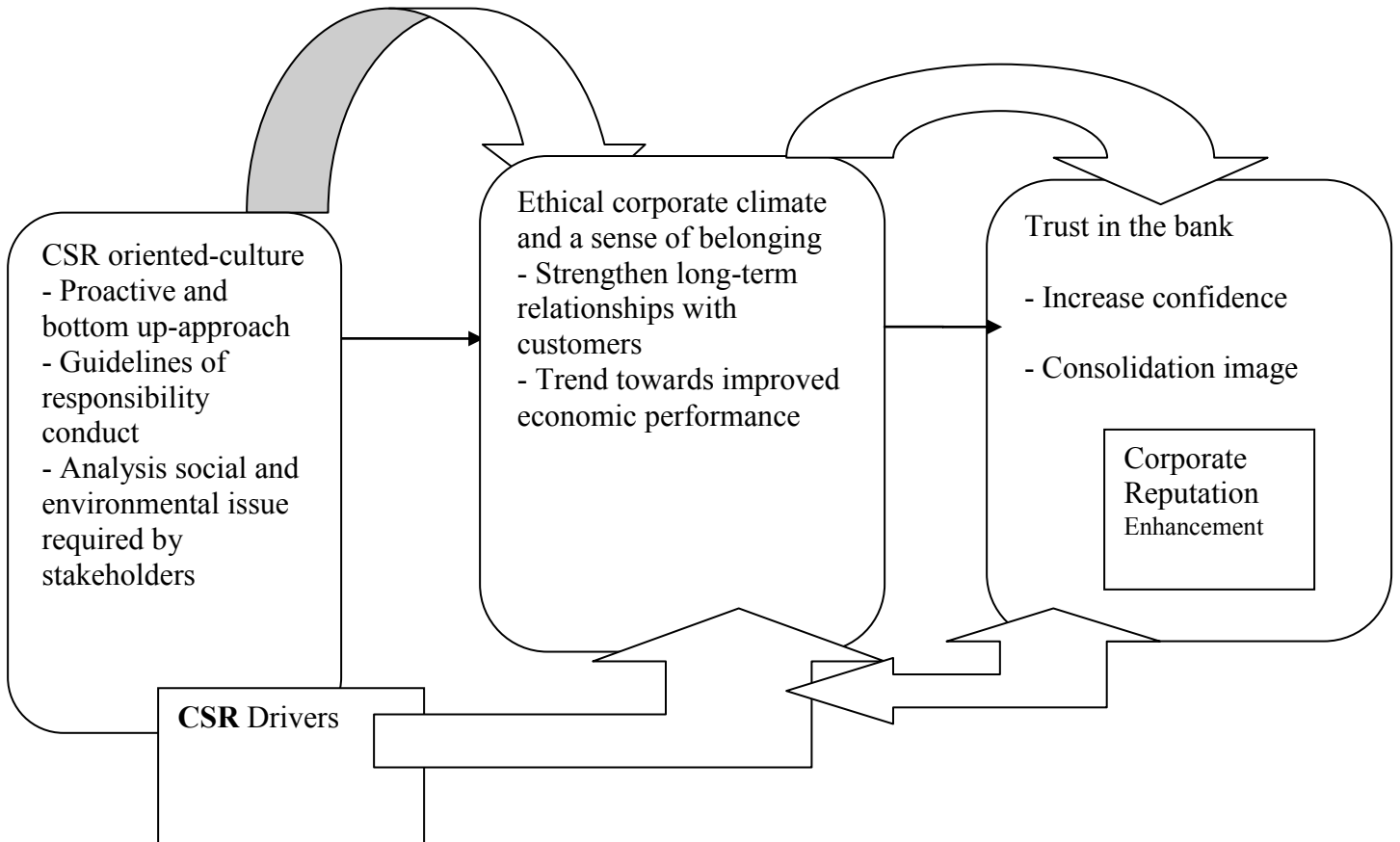
Applicability of Novel Model of Social Responsibility to Consumer Banking“that Corporate Social Responsibility had revolved around two theoretical positions that the classical theory of CSR sees a corporation as having single dimensional entity of profit making in the short-term;. An alternative school of thought maintains that businesses that are part of greater society and enjoy enormous power in terms of controlling the bulk of society’s resources; have responsibilities that must go beyond the economic and regulatory imperatives (Samli,1992; Sen, 1997, Black and Hartel, 2004).

As A.Trotta et al, (n.d) had clearly mentioned that in addition to filling a gap in the CSR bank literature, the aim of this section is to identify the findings from other researches in order to understand the main issues to be addressed, so that CSR will become a key driver in the banking business and in maximizing its reputation on the market. Stakeholders’ view is a useful lens of analysis for understanding the relationship between bank reputation and corporate social responsibility. The framework aims to highlight the multidimensional and perceptual nature of banking reputation and that objective of CSR. In other words, the links between stakeholder theory and corporate reputation and CSR strategies are still not supported by adequate empirical evidences and management proposals, particularly in the banking sector. In other words, the construction of a sound relationship between CSR and banking reputation should be done both in terms of management and disclosure. With regard to management profile, in order to improve the link between CSR and banking reputation it is necessary to proceed through the following steps:

1. The identification of drivers so that the CSR strategies become more effective and efficient;
2. The recognition of the effects of the CSR drivers;
3. The identification of the impact of these drivers on reputation;
4. The measurement of the circular relationship between CSR and reputation, through appropriate reporting tools.

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Figure -1 the relationships between CSR drivers, effects and reputation of banks



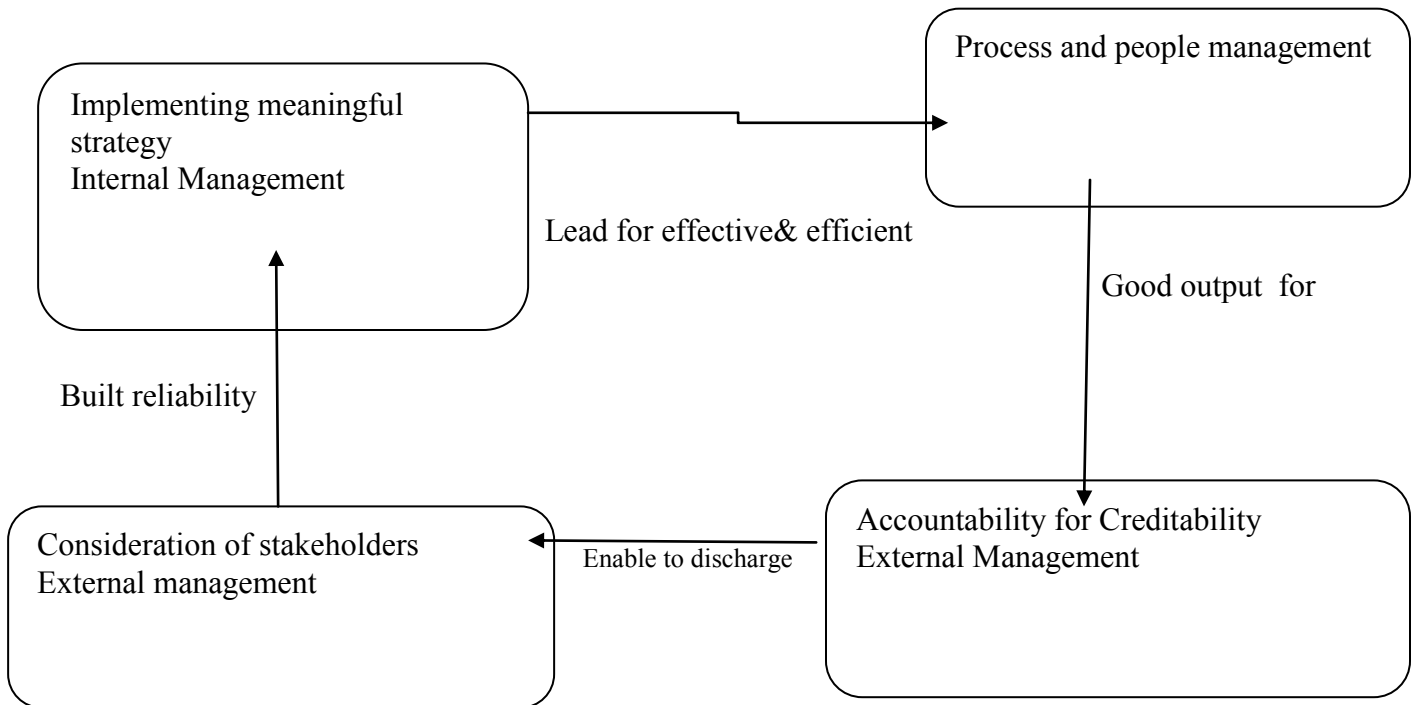
Amongst the major groups of bank stakeholders you can include: the investors (for whom the process of communication and voluntary disclosure, implemented through websites, social networks, reports, press releases, etc., is very important), the shareholders, the media and NGOs, the key-intermediaries (rating agencies, financial analysts, etc..), finally the management and the employees. Another important category of stakeholders is Regulators and Supervisors. Also the external regulation (exogenous level of the survey) can and should strengthen the link between

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CSR and reputation of financial institutions, by examining regularly the tools of social accountability and, of course, by supporting all the initiatives of self-regulation. Indeed, the latter can play a central role in strengthening the processes of bank CSR, through a broader formulation of codes of conduct, and the principles of behavior, that can affect the bank’s core business.

This study has used a framework based on the A.Trotta et al (n.d) Stakeholders’ view is a useful lens of analysis for understanding the relationship between bank reputation and corporate social responsibility to examine CSR in the banking sector of Ethiopia. To this end, Figure 1 shows the logical links between CR and CSR. The connections are identified by arrows that indicate possible “bi-directionality. According to A.Trotta et al identifies two main findings. Firstly, it argues that CSR is an important reputational driver, able to create economic value over time. The second finding is the bi-directional relationship that links CSR to the CR of banks, which is very important in satisfying all stakeholders’ expectations

Corporate social responsibility (CSR) is about the core behavior of companies and the responsibility for their total impact on the societies in which they operate. The purpose of the study is to highlight the existing CSR activities by selected banks and give suggestions for better CSR activities and to suggest for the implementations of model CSR practices in Ethiopian Banks. Accordingly the following conceptual framework has been developed to depicts the logical link how Ethiopian commercial banks discharge CSR in figure -3 below.



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2.1.3 The Roles of Banks on Corporate Social Responsibility

Lenders are more sensitive to CSR activities of debtor in the area of less secure environment. Research has also showed that less creditworthy borrowers who engage voluntarily in CSR activities have higher credit spreads and shorter maturity of loans; 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 (Lenka and Jiri ,2014).

Yeung (2011) has described role of banks in CSR that global regulations imposed for banks is holding reserve against loans and achieving AAA grade ratings. In the past years, some banks tried to bundle up loans to private customers and companies, and selling these to one another on the inter-bank market. McIlroy (2008 cited in Yeung (2011) these securitized loans are often referred as asset-backed securities (ABSs) and are then sold on as more complex financial instruments as collateralized debt obligations (CDOs). As the loans were removed from the banks' balance sheet, the banks were able to make further advances. The issue has been raised since then is on the security of loans, transparency of risk to investors, and regulations involved in further advances. As a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions.

(NCA, 2006) cited in ZerayehuSime, KagnewWolde and TeshomeKetema (2013) has indicated that banks play a key role in improving economic efficiency by channeling funds from resource surplus unit to those with better productive investment opportunities. Banks also play key role in trade and payment system by significantly reducing transaction costs and increasing convenience. Intensive competition may lead to excessive risk taking by banks, which would result in deterioration of the quality of banks' lending portfolio and balance sheets. Yeung (2011) defines key element of CSR in the banking sector such as: understanding of financial services

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complexity, risk management, strengthen ethics in the banking business, strategy implementation for financial crisis, protection of customers' rights and channels settings for customer complaints.

2.1.3.1 Risk emanate from not Adhering CSR

Harrison (2000) cited in Yeung (2011) the main factors affecting a person's performance are "knowledge, skill, motivation and environment". He pointed out people not perform well were usually caused by: inadequate information or reference materials; poor working environment or inadequate tools; poor incentives; lack of knowledge; lack of skill; and poor motivation. These are risks emanate from not adhering CSR concepts in business operation.

The role of Banks in Corporate Social Responsibility (CSR) is beyond in providing complementary services are the core business of banks are: Mellroy (2008) cited in Yeung (2011) securitized loans are often referred as asset-backed securities (ABSs) and are then sold on as more complex financial instruments as collateralized debt obligations (CDOs). As the loans were removed from the banks' balance sheet, the banks were able to make further advances. The issue has been raised since then is on the security of loans, transparency of risk to investors, and regulations involved in further advances.

Mellroy (2008) quoted in Yeung also brought up the need of risk management in banking industries after the sub-prime crisis with a proposal of the following three reforms; requiring banks to retain a proportion of any loan that they originate, insisting transparency of risks in financial products; and holding of capital for less pro-cyclical situation. As a result, he proposed the following regulatory reforms to fulfill the dimensions of CSR; "Human Rights", "The Environment", "Fair Operating Practices"; and "Consumer Issues", preventing banks from selling all the risks in products, increasing transparency of risk in financial products; and conducting reform against pro-cyclical situation.

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2.1.3.2 Benefits of Corporate Social Responsibility to banks

Harrison quoted in Yeung (2011) that the powerful thing that drove people behavior was self-image. In fact, ISO 9001: 2008 can act as a catalyst to strengthen the image of “involvement of staff” and "transparent". Besides, concepts like "corporate social responsibility" (CSR) and "ethics" have also become a fundamental part of the future development ISO 9001: 2008.

Yeung has described that apart from the new version of ISO 9001: 2008, the future ISO 26000 guidelines focus on social responsibility (SR). The ISO Working Group on Social Responsibility (WG SR) has a high level of consensus in considering the needs of stakeholders in coming standard ISO 26000 for the benefit of the community.

Cajazeira (2008) cited in Yeung (2011), the major principles for ISO 26000 are: accountability, transparency, ethical behavior, consideration for the stakeholders, legality, international standards, and human rights. It is the responsibility of organizations to consider the needs of the stakeholders in these seven aspects when designing work processes or executing business-related activities.

How can banking organizations remain competitive with non-financial results, like demonstration of care when designing and promoting financial products to investors? How the perception of people working in banking and finance industries on Corporate Social Responsibility (CSR) as this can be regarded as a crystallizer for quality? Besides, the importance of internal audit has to be emphasized, especially in banking industries. Coetzee and Fourie (2010) mentioned that internal audit had been perceived positively. They indicated that internal audit should focus on strategic, operational and business risks in addition to financial and compliance risks as 80% of loss in external shareholders’ value in Fortune 500 companies could be linked to the first set of risks.

Barac, Plant and Motubatse (2010) quoted in Yeung (2011) organizational alignment, extensive staff expertise, challenging work environment, risk assessment of the audit universe; and an array of audit services. Yeung has stressed and gave more emphases that all in all, CSR in banking industries shall comprise the above-mentioned elements: risk assessment, effective and efficient

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internal audit process with value added to stakeholders. Hence, in order to maintain competitiveness in the market and responsible to customers, bankers need to understand the economic situation, re-focus marketing strategy with prudent risk management system, identify the concerns of customers, implement fair operation procedures to protect customers and the community as a whole.

So understanding the concept of corporate social responsibility in the banking sector and linking the concepts and frameworks and key elements of CSR in the banking policies and procedures is very vital to reduce risks emanate from not adhering CSR concepts. The relevance of knowing the CSR of banking has so many benefits to the bank and society at large. This research study has been conducted with a target to answer the following questions:

- What is CSR in the banking industries?
- What is the importance of CSR in banks?
- What is the extent of knowledge regarding CSR practices in Ethiopian Banks?

2.2 Empirical Study on Corporate Social Responsibility/CSR/ practices of Banks

It is important for this research work to examine some of the empirical studies that have been carried out in this field of study. One study has been carried out on corporate social responsibility in Sustainable Environment Management in Ethiopia by Asemamaw Tilahun(2011). The objective of the study was to know the major roles of corporations ‘and social entrepreneurs’ social responsibility for sustainable environmental management in Ethiopia. According to the findings of Asemamaw, Of all corporations, 84% of them definitely considering the potential environmental impacts of the products or services when they develop it. However, as per the researcher understanding so far there is no research conduct in Ethiopia as corporate social responsibility of banks.

Yeung (2011) in the title “The Role of Banks in Corporate Social Responsibility “had stated clearly that management without caring needs and expectations of stakeholders in a community will not be competitive compared with those who do in the 21st century. The objective was to explore the perception of respondents on corporate social responsibility (CSR) and banking practice of major banks in Hong Kong. The methodology adopted was primary data collection

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techniques with face-to-face interviews. Yeung had found on the research findings that the key CSR-related elements identified from quantitative analysis on collected questionnaires are: - understanding complex financial services, conducting risk assessment, strengthening business ethics, implementing strategy for financial crisis, protecting rights of customers, and setting up channels for customers to address complaints.

Lenka and Jiri (2014) described regard to the fact that CSR (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. Classon and Dahlström(2006) cited in Lenka and Jiri (2014) that CSR concept includes economic, legal, ethical and philanthropic expectations that a society has in relation to a company. The objective was to measure the level of CSR in selected Czech banks through CSR index and to introduce theoretical aspects of CSR in commercial banking. They had methodology of framework for the measurement and evaluation of social responsibility in commercial banking of the Czech Republic had become the KOPR method which had been developed by the Association of Fair Business. Later they had concluded that concepts of corporate social responsibility and their ethical behavior in business area are not new but they are becoming extremely topical because crisis significantly highlighted the need for integration of moral principles in a banking business. There is a significant lack of transparent information in the context of CSR areas.

According to study of Moharana (2013) brought idea of CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Various Non-government organizations put pressure on Banks to act responsibly towards their stakeholders. Thus pressure has given rise to the concept named Corporate Social Responsibility. Moharana quoted the idea of Carroll's (1991) fundamental model which could be argued to reflect the outcome of this discussion is four-part model in figure. The purpose of the study was to highlight the existing CSR activities by selected banks and give suggestions for better CSR activities and to suggest for the implementations of model CSR practices in Indian Banks. The research methodology employed was primary data were collected on personal interaction with HR executives who are dealing with CSR activities in the respective banks. The secondary data has been collected from different sources like scholarly articles, annual reports of the selected banks,

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newsletters, and various web sites. The variables under the study were Community service banking, Disaster Relief, Children's Education, Energy, Environment, Physically challenged, Poverty Eradication, Vocational Training, Women, Rural community- Development.

Alcaraz and Rodenas (2013) had studied about the importance of Credit institutions should regularly and reliably publicize all the information regarding their activities, structure, financial situation and performance. The financial institutions that have adopted them undertake to evaluate and consider social and environmental risks of the projects they finance in developing countries, and therefore only to grant credits to projects that can conduct a proper management of their social and environmental impacts, such as the protection of biodiversity, use of renewable resources, waste management, human health protection, and people displacement. The purpose was to appraise the degree of implementation of different standards in different Spanish credit institutions. The methodology employed both primary and secondary data. They had found with reference to the environmental management system (EMS) significant differences as for the degree of implementation on the part of different types of institutions. Alcaraz and Rodenas found that it is necessary to define indicators for the policies, procedures and management practices adequate for the sector, qualitative and quantitative indicators that allow setting objectives and to comply with the CSR. They had suggested that establishing indicators not only of purposes but also of results that which can integrate economic, social and environmental dimensions, and measuring intangible assets such as the social capital, human capital, intellectual capital and environmental capital.

Kostyuk et al (2008) had mentioned that the issue of Corporate Social Responsibility and analyzed development and specifics of the CSR in banks globally, within the groups of countries different in geographical position, culture, traditions and level of economic development. To maintain its advantage mainly domestic banks adopt the concept of CSR, which is proclaimed by corporations-expansionists. That is why the American model of CSR is widespread throughout the world, and post-crisis trends contribute to increasing its popularity. The objective was to analyze CRS concept in banking sector of different countries. The methodology of the analysis is based on the assumption that the basic models of CSR do not exist in pure form and depend on the historical peculiarities of different countries, as well as the financial condition of individual

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banks and banking systems as a whole. The study identified the distinctive features of the social responsibility of banking business in different countries, and also formulated the conclusion that the American model of CSR is the most widespread in the world because of simplicity of its implementation in the short term.

Cornett et al (2014) had carried an investigate whether commercial banks in aggregate are taking substantive steps at being socially responsible, if their socially responsible activities have changed since the financial crisis, and whether they are being rewarded for their actions. Given the mixed results of previous studies and the incentive for banks to improve their reputations after the financial crisis, an examination of bank CSR activities surrounding the crisis would be of particular interest for assessing banks' efforts at being more socially responsible. The methodology employed was used secondary data from publically traded companies environmental, social, and governance (ESG) ratings. They also found that more profitable banks, banks with higher capital ratios, and banks that charge lower fees on deposits have significantly higher CSR strengths and moreover, they had found that banks with more females and minorities on the board of directors have significantly higher CSR strengths

Farouk (2013) had conducted an empirical analysis of the determinants (financial and non-financial) of CSR of listed Deposit Money Banks (DMB's) in Nigeria for the period of 2005-2011. The objective was to ascertain the extent to which financial factors determines the CSR of listed Deposit Money Banks in Nigeria. The research methodology had employed to investigate the impact of financial and non-financial factors as a determinant of CSR based on data from secondary sources which were collected from the audited annual reports and accounts of the listed Deposit Money Banks in Nigeria. The data analysis employed was highly empirical as it embraces the use of panel regression technique as tool of analysis is a multiple linear model which was assumed to captures the contribution of Economic Profit, Firm Size, Dividend, Institutional Ownership, Leverage, and Firm Growth on CSR. The result implies that banks that are making high economic profit, large in size, with a consistent growth and paying dividend regularly while in addition having a high number of institutional ownership and highly levered are more likely to embark on CSR.

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Sharma and Mani (2013) had studied the corporate social responsibility of Indian commercial banks. The objective was to assess the corporate social responsibility of the banks. The research methodology employed was based on the secondary data collected from the annual reports of the banks. These were Rural Branch Expansion, Priority Sector lending, Environment Protection, Community Welfare, Women Welfare, Farmers' Welfare, New Initiative related to CSR, Financial Literacy and Education. Sharma and Mani found that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirements.

Masud and Hossain (2012) described under the title "Corporate Social Responsibility Practices and Private Commercial Banks that Business organizations in the society are accountable to implement different socially desirable activities not only for stakeholders concern but also for different external parties. The area of CSR reporting is quite big and it includes all the good practices that increase the business profitability and can preserve interest of all stakeholders. The objective was to examine current status of prevailing laws/rules and how far these are being implemented and reported in the annual report of Private Commercial Banks in Bangladesh. The research methodology employed was exclusively a descriptive research on corporate social reporting practices of Private commercial banks in Bangladesh based on a small sample size and purely based on the information from secondary data sources. Masud and Hossain found out that provided information generalized both financial and non-financial. 70%disclosed information is financial in nature. Financial information should be trustworthy to all levels of interested users so all private banks should disclose CSR information both monetary and nonmonetary; they should give more and detailed information about corporate CSR expenditure.

Rahman and Iqbal(2013) had mentioned under the title "Corporate Social Responsibility Practices and Private Commercial Banks: A Case Study on Bangladesh" with the objective to focus the CSR practices of different private commercial banks in Bangladesh. The methodology used both primary and secondary sources for collecting the necessary data to conduct this study. The study reveals the importance of corporate social responsibility as a tool to gain competitive advantage, has positive impact on employees' behavior, customers 'behavior and in establishing a

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bank's image and may create reputation and long term interest by all the parties related to the bank.

Singh, Srivastava and Rastogi (2013) studied on "Corporate Social Responsibility practices and CRS reporting in Indian Banking Sector " Das(2012) cited in that development of Corporate Social Responsibility (CSR) is very slowly in India though it was started a long time ago. In his view CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The aims of study was to evaluate the different dimensions of Corporate Social Responsibility by studying the concept of CSR; Major areas of CSR initiatives in Indian Banking Sector, the CSR Reporting Practices in Indian Financial Sector and to Focus on the Present Status of CSR in Banking. The research methodology employed was the blue print of the research that comprises descriptive research design, Random Sampling technique was used for selecting the Banks. The data sources were collected from secondary sources particularly from concerned Banks Annual Report, Web sites, newsletters and data from various journals. The study findings indicate that most banks whether related to private sector or public sector highly performing CSR activities as per their priority but if we look towards the CSR reporting then we can see that most of the banks are still not disclosing their amount for such initiatives in their websites.

Wolf (2008) quoted in Mehmet (2013) that Banks privatize gains and socialize losses. These facts separate them from other firms and give them an additional social responsibility. According to the study of Mehmet the idea of 'socially responsible' which the Turkish banks use a lot in their marketing activities is taken as the main indicator of CSR. The objective of the study was to examine the behavior of banks during the crisis with respect to CSR and social marketing and analyzes the CSR practices of these seven large banks (Turkish). Also analyzes how the banks behaved during the crisis and supported small and medium scale enterprises and local communities through their CSR strategies and how they communicated these efforts. The research methodology employed was descriptive statistics such percentage, graphs and tables. Mehmet found that small and medium Enterprises (SMEs) in Turkey are an important dimension of economic, social and political life. About 99.9% enterprises in Turkey are SME and they

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provide 78 % of employment. Most of the banks try to show that they are SME friendly. Banks advertise that they have special loans, assistance and support programs for SMEs. The findings show that private banks under considerations did not provide a good example of socially responsible activities.

According to Mc Donald and Rundle (2008) had studied under the title “Corporate social responsibility and bank customer satisfaction “explores the relationship between CSR and customer outcomes, then discusses the current state of research on CSR and customer satisfaction, noting gaps in the literature. Many public companies have developed extensive corporate social responsibility (CSR) programs designed to generate stakeholder goodwill and boost market value. Banks globally are pouring millions of dollars into different kinds of CSR strategies in the race to strengthen their reputation and improve relationships with stakeholders, including customers, both business and retail. The objective was to understand the effects of CSR initiatives on customer satisfaction and evaluates the likely impact on customer satisfaction of CSR initiatives versus other more customer-centric initiatives. The methodology employed was ANOVAs would examine the prediction that a retail banking customer-preferred hierarchy of effects exists for both the CSR and customer-centric initiatives. Mc Donald and Rundle found that given both the increasing investment in CSR strategies, and the fact that customer satisfaction mediates firm market value.

Adem (2012) presented under the title “banks’ corporate social responsibility and strategic direction, about the importance of internal stakeholders “. The objective was to examine and present the integration of CSR into business operations in Ghanaian banks by focusing on CSR drivers, business policies, values and core areas of CSR initiatives as well as respondent views on the importance of internal stakeholders to business strategic direction. The research had employed qualitative method of data analysis.

Odetayo, Adeyemi and Sajuyigbe (2014) had conducted research under the title “ Impact of Corporate Social Responsibility on Profitability of Nigeria Banks “ with the objective of examines the effect of expenditure on corporate social responsibility on profitability of Nigerian banks and to investigate into whether or not there is a significant relationship between corporate social responsibility and profitability of banks. The methodology employed was used secondary

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data that were obtained from the financial statement of six sample banks quoted in Nigerian Stock Exchange. They had found the result of regression analysis showed that there is a significant relationship between expenditure on corporate social responsibility and profitability of six sampled banks. This study conforms to the stakeholders' theory that explained organizations have responsibility to various groups of company stakeholders both internal and external and not just the owners of the company.

As it has been understood from the above summary of the articles of various authors, the approach to conduct research on CSR is different. Some of the authors studied on:-the role of commercial banks on CSR, to measure the level of CSR in selected banks through CSR index and to introduce theoretical aspects of CSR in commercial banking, Corporate Social Responsibility and its Impact on Financial Performance, and Determinants of Corporate Social Responsibilities. To identify the knowledge gap on the literature among scholars, some of the researches conducted on CSR are reviewed and it has been found that the variables used under study and methodologies employed to analyze data were different.

It is better to look at definitions of CSR and its frameworks that could help me to analyze the problem statement. The grounds for this study have emerged from the critical evaluation of other works in CSR. Even though many scholars approach to CSR is different ways. It is important to establish a study framework based on logical and social justification and I feel good to follow the Yeung(2011) research methodology and CSR framework to carry out data collection and analyze as well as the variables under study but which will be modified to the Ethiopian context. So far, research was not done under the topic corporate social responsibility in Ethiopian particularly in commercial banks. This presses on me an initial for the conduct of this research.

2.4 Conceptual Framework

Conceptual frameworks are particularly useful as organizing devices in empirical research. Conceptual frameworks are abstract representations, connected to the research's goal that directs the collection and analysis of data. Carroll's (1991) cited in the works of Moharana (2013) had described the fundamental model which could be argued to reflect the outcome of the discussion.

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So as to understand whether or not the CSR is now an integral part of functioning of Ethiopian commercial banks, CSR has been assessed with the framework of four factors, these are: (A) internal management –implementing meaningful strategy, (B) external management – accountability for creditability, (C) internal management - process and people management, and (D) external management – consideration of stakeholders.

2.5 Literature Gap

As it has been studied by many scholars and agreed that it is quite difficult to have an agreed definition that clearly reveals the concept of corporate social responsibility. Accordingly, Corporate Social Responsibility (CSR) as a concept has no consensus definition. Various writers defined it based on their background, interest, exposure, as well as values embodied in the writer's frame of reference. Friedman (2006) cited in Sharma and Mani 2013 described that "There is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud". In contrast to Friedman's statement, Robbins and Coulter (2007) quoted in Sharma and Mani explained that the management's social responsibility goes beyond making profit to include protecting and improving social's welfare of its stakeholders and the environment in which the firm carries out its operations. This statement is based on the belief that corporation are not independent entities responsible only to stockholders. They also have the responsibility to the society that allow their formation through various laws and regulations and support them through purchasing their products and services. According to Moharana (2013) CSR defined as "the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time. 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.

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CHAPTER THREE RESEARCH METHODOLOGY

This chapter of the research paper describes the research methodology used to study the problem. And also this chapter describes the methodology used in the research process as well as the validity and reliability of results.

3.1 Research Design

The general objective of the study was to assess the role of Ethiopian private commercial banks' on corporate social responsibility, to meet this objective both descriptive and qualitative research strategies was used. So as to understand whether or not the CSR is now an integral part of functioning of Ethiopian commercial banks, CSR has been assessed with the framework of four factors, these are: (A) internal management –implementing meaningful strategy, (B) external management – accountability for creditability, (C) internal management - process and people management, and (D) external management – consideration of stakeholders. It is therefore essential to examine whether or not the integration of CSR into business operations in the banking sector of Ethiopia in order to afford an assessment of what is pertaining and bring greater understanding to bear on what is and what ought to be.

The researcher has used procedures and techniques to answer the research questions are both quantitative and qualitative data analysis. However, there are not many studies directly related to CSR activities of Ethiopian commercial banks. The methodology was adopted to study the problem based on Yeung' scientific point of view, which were used in China. This research has focused on achieving four specific research objectives by employing the methodology stated here. Based on the purpose the study is quantitative analysis in nature because this type of study was conducted to provide detailed description about the existing role of commercial banks on corporate social responsibility. The role of selected commercial banks' on corporate social responsibility in the banking sector in Ethiopia has provided and assess via primary source of data collected using questionnaires.

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The data has been analyzed to explore the perception of respondents/ practitioners who are working in banking industry about banking practice on corporate social responsibility (CSR) of private commercial banks in Ethiopia. To achieve this research objective the data analysis technique which was employed by Yeung (2011) was used. The methodology adopted was primary data collection techniques via questionnaires. The variables to be considered under this objective are four factors: these are internal management – implementing meaningful strategy (Factor1), external management – accountability for creditability (Factor2), process and people management (Factor3); and external management -consideration of stakeholders (Factor4). According to Yeung had stated that a manager needs to managing people, process and resources for results and for fulfilling requirements of stakeholders for quality. How about quality standard used in banking industries? What are the common practices for banking organizations to prove their quality service? Yeung had brought important point by quoting Kothari (2006), quality includes fulfilling a set of inherent characteristics, meeting stated or implied needs or expectations, conforming to specifications; and moving towards customer satisfaction.

In order to obtain answers for the research questions in this paper, a literature review on management, quality management, banking industries and CSR activities have been carried out. And the questionnaire was adopt from articles written by Yeung (2011) and was modified specific to this study.

Respondents are from presently working in banking-related industries in Ethiopia private banks. As the purpose of the research study is descriptive, the unit of analysis is banks and the point of focus is the role of banks, sample survey design was regarded as the most appropriate research design to conduct this research. The questionnaires was used which were developed by Yeung(2011) to investigated the role of banks in corporate social responsibility and other questions which was used which are assumed by this researcher appropriate for this study from his experience and academic knowledge. Accordingly this researcher has employed this method of data collection and data analysis by modifying when the desire arises as it is appropriate to Ethiopian context.

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3.2 Population/ Sample Frame /

According to Asmamaw Tilahun (2011) quoting the works of Babbie(1989:170) that the aggregation of elements from which the sample is actually selected is called population. The sample frame was designed from the total number of commercial banks in Ethiopia (There are 16 banks as total population). For the purpose of this study, the population is all private commercial banks in Ethiopia. Stated owned commercial banks are not included in the population. Since the nature of formation is different from private commercial banks. State owned banks are not formed by many shareholders. As a result management and control are different. Private Banks are established with major objective of generating profit. The area in which private banks has open their branch is in the area where quick return expected. The total lists of population are here Table – 1 List of banks in the population.

Sr. No.	List of population	Code
1	Awash International Bank S.C.	AIB
2	Wegagen Bank S.C	WB
3	Bank of Abyssinia	BOA
4	Nib International Bank S.C	NIB
5	United Bank S.C	UB
6	Dashen Bank S.C	DB
7	Cooperative Bank of Oromia S.C	CBO
8	Oromiya International Bank S.C	OIB
9	Lion International Bank S.C	LIB
10	Zemen Bank S.C	ZB
11	Bunna International Bank S.C	BIB
12	Birhan International Bank S.C	BB
13	Abay Bank S.C	AB
14	Addis International Bank S.C	ADIB
15	Debub Global Bank S.C	DGB
16	Enat Bank S.C	EB

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From the above listed banks the following total number of population assumed and sample taken under the study. The sample has considered risk and compliance management, Audit, IBD and operation practitioners (Directors, managers, analysts, recovery /monitors officers, Division head/audit analysts /officers, Section Head.

Table -2 Total targeted population

Position of respondents	Audit Dep.	IBD	Credit Dep.	Finance	Banking Operation	Risk and Compliance	Total per bank	No. Banks in sample	population
Directors	1	1	1	1	1	1	6	7	42
Managers	1	1	1	1	1	1	6	7	42
analyst	2	2	6	2	1	2	15	7	105
Recovery & monitoring	0	0	2	0	0	0	2	7	14
Division Head	3	3	3	3	2	3	17	7	119
Section Head	1	1	1	1	1	1	6	7	42
Total population	8	8	14	8	6	8	52	7	364

3.3 Sampling Method and sample Size

As the complete coverage of the population is not possible, a subset of the population is selected. To conduct this study, purposive sampling method was used. The reason behind this is that: first, it has not been possible to complete a list of the all private commercial banks (sampling frame). Second, this method was allowed the researcher to identify in advance the characteristics that has been needed. Purposively the researcher has used convenience sampling method which has included with size of seven private commercial banks as sample. The main reasons for purposive sampling method were possibility of obtaining data and time constraint. Questionnaire was distributed to representative of most commercial banks to the persons responsible for CSR. Accordingly the respondents for this study were senior higher bank officials' medium level professionals, other level concerned staffs and who are presently working in the banking

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industry.8 questionnaires were distributed in each bank while 14 questionnaires were distributed only to one bank and a total of 62 questionnaires were distributed for the total of 62 respondents. To determine the average number of respondent from banks to be included in the sample study within the accuracy of 0.5(±) and standard deviation of 2 at 95% confidence level (D. Israel 2013). Accordingly the researcher of this study has used the principal formula: $n = (1.960 * 2 / 0.5)^2 = 61.5$ Therefore, sample size has found to be $n=62$. Accordingly the researcher has included 62 samples which are same as per computed value. The rules, regulations, code of conduct and ethical values which are governed in a given private commercial bank is assumed to be known by its employees over each branch. So, the above stated numbers of questionnaires were distributed that could make it enough to explain the required information for the study purpose. The formula to determine sample size the following formula has been used.

Sample size...

Derivative formula

$$\sqrt{n} = (t_l \times \sigma) / (\hat{X} - \bar{x})$$

$$n = ((t_l \times \sigma) / (\hat{X} - \bar{x}))^2$$

Sample size at 95% confidence interval the accuracy of 0.5 (+/-) and standard deviation of 2: $n = (1.960 * 2 / 0.5)^2 = 61.50 \sim 62$

3.4 Instrument for Data Collection / Data Collection Method/

The researcher has adopted three steps in collecting the data for the study. First relevant literature was reviewed to get adequate information for study. Second, objectives and research questions were adopted to show the direction of the study. Methods of data collection relatively dependence on standard questionnaires which has been adopted from articles written by Yeung (2011) who had prepared in the form of likert seven scales but the researcher has modified specific to this study on five scales bases to assess the role of commercial banks on corporate social responsibility in Ethiopia so as to test the reliability and dependence. Third data gathering tools were developed. The study is purely based on the information from data collected using primary

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sources of data. The primary data was collected via questionnaires. A total of 62 questionnaires were distributed to 7 banks and has able to collect all questionnaires. For the purpose of this research, one type of self-administered questionnaires was used as the data- gathering method. These questionnaires are composed of two parts. The first part consists of questions with predetermined responses. This enabled the researcher to extract numerical data. The second part has been semi-structured, with open-ended questions to allow the respondent to forward his/her own response to the questions. This has enabled the researcher to extract textual data.

3.5 Procedure of Data Collection

In regard to primary data collection the questionnaire was passed out to the respondents during business hours at their workplace. However, prior to this, permission was requested and actual move to the data undertaken after asking consents of the subjects. The respondents and heads of the organizations have been informed about the purpose of the study. The researcher also has informed managers' or decision makers of the organization that they have the right to refuse filling the questionnaires without any consequences.

3.6 Data Analysis Method

After the data was collected from primary source it was checked and in house editing was undertaken to detect errors that had been committed by the respondents. The errors were raise because of respondents were asked to answer by marking "X" not tick mark. This has been corrected as they have answered as "X". This study has employed both descriptive and qualitative methods of data analysis techniques to analyze the data. Analysis was done from the data that has been collected through the questionnaires. The research questions have served as a guide for conducting the analysis. The questionnaires have been produced for both qualitative and quantitative data. The items of the questionnaires have been analyzed through counting of the frequencies, mean and standard deviation, graphs, tables in which the selected items and provided texts from the respondents are appeared. The research method of the study has involved analyzing and summarizing data obtained from respondents opinion via questionnaires about the role of Ethiopia commercial banks on corporate social responsibility. The study has divided four

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frameworks of Corporate Social Responsibility of Ethiopian private commercial banks using likert 5 scales (Strongly disagree= “1”, very much dissatisfied with the case described, disagree=“2” not satisfied with the case described, Neutral=“3” that is uncertain with the case, Agree=“4” feeling alright with the case described, Strongly agree=“5” very much supporting the case described). A Likertscale is a psychometric scale commonly involved in research that employs questionnaires. It is the most widely used approach to scaling responses in survey research, such that the term is often used interchangeably with *rating scale*, or more accurately the Likert-type scale, even though the two are not synonymous. The scale is named after its inventor, psychologist RensisLikert. The edited data was coded and manually entered into statistical package for social science (SPSS) version 22 computer software. Since working through manual is boring, SPSS software was used since it is appropriate for the study. When responding to a Likert questionnaire item, respondents specify their level of agreement or disagreement on a symmetric agree-disagree scale for a series of statements. Thus, the range captures the intensity of their feelings for a given item while the results of analysis of multiple items (if the items are developed appropriately) reveals a pattern that has scaled properties of the kind Likert identified.

In this part of descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of respondents with their implications. The response of respondents for the variables indicated above was measured on five point likert scale. But, while making interpretation of the results of mean and standard deviation the scales were reassigned as follows to make the interpretation easy and clear. According to Best (1977), consensus agreement if the mean value fall under such ranges, it has following meaning and interpretations. 1-1.8 lowest for strongly disagree, 1.81-2.61 lower for disagree, 2.62-3.41 average or moderate for neutral, 3.42-4.21 is good/ high for agree , 4.22-5 is considered very good for strongly agree.

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3.7 Reliability

Reliability is fundamentally concerned about consistency (Bryman& Bell 2007); it refers to which the data collection and analysis procedures have yielded consistent findings. (Saunders et al 2009). The study was mainly base on primary data. The paper has come up with an insight of the study through analyzing the data in relation with the literature to find the answer for the research question. In doing so the paper has used scientific articles and books from reliable databases system, various times study report on the industry by different authors and responses from the respective officials of companies and authorities.

Hair *et al.*, 2003 cited in (GebeyehuJalu, 2014) describes that Cronbach measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. It also indicates that whether a scale is one-dimensional or multidimensional. The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability.

For the purpose of this study, the Cronbach's coefficient alpha was calculated for each field of the questionnaire. The table10 shows the values of Cronbach's Alpha for each category of the questionnaire and the entire questionnaire. For the fields/category of factors, values of Cronbach's Alpha ranged from 0.69 and 0.82. This range is considered acceptable as the result ensures the reliability of each field of the questionnaire.

Cronbach's Alpha equals 0.89 for the entire questionnaire which indicates very good reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

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Table -3 Cronbach's Alpha for each factor of the questionnaires

Sr. No.	Category of Questions	Cronbach's Alpha	Cronbach's Alpha based on BOS	N of Items
1	Factor one internal management – implementing meaningful strategy	0.76	0.79	7
2	Factor two, external management – accountability for creditability	0.73	0.730	7
3	Factor three - process and people management	0.80	0.82	7
4	Factor four- external management -consideration of stakeholders	0.69	0.69	7
	Entire items statements	0.89	0.90	28

The table 3 shows the values of Cronbach’s Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha ranged from 0.69 and 0.80. This range is considered acceptable as the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0.89 for the entire questionnaire which indicates very good reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

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Chapter Four Results and Discussion

This chapter deals with results and analysis of findings. Section 4.1 deals with respondents' profile. Section 4.2 presents the role of commercial banks on corporate social responsibility. 4.3 Summarizes the findings of the study.

4.1 Respondents profile

Respondents' background information analysis result which was obtained from section one questionnaires is presented here.

Table 4 - Respondents profile whose has responded the questionnaires

Name of respondents bank	Frequency	Percentage
Wegagen Bank(WB)	8	13%
Awash International Bank (AIB)	8	13%
United Bank (UB)	8	13%
NIB Bank (NIB)	8	13%
Abay Bank(AB)	14	23%
Zemen Bank(ZB)	10	16%
Bunna Bank (BB)	6	10%
Subtotal	62	101.00%

Fourteen questionnaires were distribute in one banks since the researcher has found such number of respondents voluntarily participate in answering the research questions. More over the researcher is working in this bank. The numbers of collected questionnaires were shown from 7 banks with breakdown of the sources under table 1 while table 5 has demonstrated departments in which questionnaires were collected. Hence, table 1 has shown that the number of collected questionnaires is balanced from different sources while table 5 has shown that the data was collected from different departments of the commercial banks. This could serve as to collected data from different respondents who are working in different departments with different opinion.

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Table -5 Department in banking industry

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid credit department	15	24.2	24.2	24.2
Accounting and finance	5	8.1	8.1	32.3
Audit and Control	10	16.1	16.1	48.4
Banking operation	20	32.3	32.3	80.6
risk and compliance	4	6.5	6.5	87.1
International Banking Department	8	12.9	12.9	100.0
Total	62	100.0	100.0	

Table 5 has demonstrated that 24.2% from credit department, 32.3% from Banking Operation department and 16.1 % from audit and control department with a total number of 45 respondents out of the total of 62 respondents. This has indicates that exposure of respondents is from different department which has enable to collect different opinion.

Table -6 Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid age 20-30 years old	26	41.9	41.9	41.9
age 31-40 years old	32	51.6	51.6	93.5
age 41-50 years old	3	4.8	4.8	98.4
age 51 years old or above	1	1.6	1.6	100.0
Total	62	100.0	100.0	

As table 6 above has shown that among 62 respondents that is 93.5% from the total is respondents' age between 20- 40 years which has implication who have more concern on implementing banking strategy.

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Table-7 Experience in the banking industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	9	14.5	14.5	14.5
	1-5 years	16	25.8	25.8	40.3
	6-10 years	24	38.7	38.7	79.0
	11-15 years	13	21.0	21.0	100.0
	Total	62	100.0	100.0	

Table 7 has shown that 38.7% percent of the respondents have work experience in the banking industry which is ranging between 6 to 10 years while 25.8% are between 1-5 years' experience. This has implication that more experienced has less concern about corporate social responsibility while these who has less experience in banking industry has concern of CSR.

Table- 8 Presence in the banking industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	administrator or management level	15	24.2	24.2	24.2
	professional expert	36	58.1	58.1	82.3
	skilled worker/technical expert	1	1.6	1.6	83.9
	worker in service provider level	8	12.9	12.9	96.8
	other	2	3.2	3.2	100.0
	Total	62	100.0	100.0	

Table 8 depicts that 24.2% of the respondents are working at management level while 58.1% of respondents are working as professional expert. As per table 8 demonstration professional experts in the bank industry are more concerned in implementing meaningful strategy as internal management and next to them are administrators or management level bank practitioners have a concern which weights 24.2% from the total respondents while that of workers in service provider level has constitute 12.9%.

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4.2 Role of Private Commercial banks on Corporate social Responsibility in Ethiopia

This study was, as described in the aforementioned section, aiming at assessing the extent to which roles of private commercial banks on corporate social responsibility and its implementation in Ethiopian. To gather relevant data for the purpose of the study, 28 likert five scale questionnaires were distributed and collected as means of data instruments was employed. Therefore, the data collected from the target population of the study through this instrument was presented and discussed in this chapter. Moreover, the researcher has prepared three open ended questions so to explore the perception of respondents about the role of Ethiopian Private commercial banks on Corporate Social responsibility/CSR/.

Table -9/Factor 1/ Internal management –implementing meaningful strategy

Factor – implementing meaningful strategy	Mean	SD
I think banking organizations should conduct risk assessment of financial products	4.68	0,50
I think frontline staff of banking organizations should well understand complex financial services before offering to customers	3.82	1.14
I feel banking organizations should protect the rights of customers in providing details of financial products	4.48	0.74
I think banking organizations should strengthen business ethics training to staff	4.48	0.67
I think banking organizations should take timely actions to address customers' complaints on financial products	4.53	0.59
I think the more meaningful social activities that banking organizations engage in, the more preferences will be given to them	4.00	0.92
I think banking organizations should invite representative customers in meetings before promoting new financial products	3.74	1.01
Average mean	4.25	0.23

Among the five highest mean scores table 9 above has shown that four high ranking statements (Q1, Q3, Q4, and Q5) are found in (factor one) internal management- implementing meaningful strategy of seven questions. As per the table 9 the mean range was (3.74 -4.68), the highest mean was for the item “I think banking organizations should conduct risk assessment of financial products” with a mean of 4.68 and STD of (0.50) reveals that significant number of respondents tend to agree that banking organizations should conduct risk assessment of financial products while the lowest “I think banking organizations should invite representative customers in meetings before promoting new financial products “ with a mean of 3.74 and STD of (1.01) , the overall mean was 4.25 and STD of (0.23). In general both the lowest and highest mean under

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factor one –implementation of meaningful strategy has shown that all respondents have agreed high and very high that all in all banking practitioners should implement it. Having same mean has meaning of having equal distance from some point in view of supporting the idea. When making the interpretation easy and clear the mean value is 3.42-4.21 is good/ high for agree , 4.22-5 is considered very good for strongly agree (Best, 1977). Respondents have agreed that implementing meaningful strategy has importance for bank practitioners in connection to CSR. Lowest mean value has high standard deviation while highest mean value has low standard deviation. Q3 and Q4 have same that all respondents have supported positively but different standard deviation. That is response of respondent has varied from the mean by STD. Since mean has measured the distance from each items while STD has measure the variability of items from the mean. Knowing CSR for banks will help to undertake smooth financial transaction, to draw attention of more customers, vital broad social base.

Table -10 / Factor 2 analysis / External management – accountability for creditability

Factor 2 – accountability for creditability	Mean	SD
I feel banking organizations should work closely with NBE for adjusting banking conduct	4.40	0.84
I think banking regulators should <i>examine the suitability of advertisements</i> on financial products for social responsibility	4.00	0.99
I think banking organizations should <i>take a looser attitude to support greener industries</i>	2.87	1.12
I think banking organizations should <i>engage in community development</i>	3.89	0.96
I think banking organizations should <i>provide lending options to low income individuals and small business</i>	3.85	1.13
I think <i>bad management is correlated to poor financial management in banking organizations which results to adverse effect to the environment and society</i>	4.03	0.97
I think banking organizations should <i>implement strategy for the financing of health projects</i>	4.03	0.92
Average mean	3.87	0.10

Table 10 above has shown that among six highest ranking mean scores four high ranking statements (Q8,Q11,Q13 and Q14) are found in factor two (external management-accountability for creditability of seven questions. As per the table 10 the mean range was (2.87 -4.40), the highest mean was for the item “I feel banking organizations should work closely with NBE for adjusting banking conduct ” with a mean of 4.40 and STD of (0.84) while the lowest “I think banking organizations should *take a looser attitude to support greener industries* ” with a mean of 2.87 and STD of (1.12) , the overall mean was 3.87 and STD of (0.10). This mean has implication of agree since the mean value fall within the range 3.42-4.21 is good/ high for agree

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with low STD that is with variability of 0.1 of each item from the mean. Yeung(2011) had studied that the findings accountability for creditability has STD value of 1.09 that is the variability each item from the mean is high. But the conclusion in view accountability for credibility is same.

Table -11 Factor 3 - Internal management - process and people management

Factor 3– process and people management	Mean	SD
I think banking organizations should <i>build staffing capability</i> in promoting financial products	4.34	0.79
I think banking organizations should bring forth <i>programs and policies to enrich wealth knowledge</i> of banking service staff	4.23	0.73
I think <i>accountability</i> is correlated to poor discharge of financial management responsibility in banking organizations	3.35	1.12
I think it is so good understanding the concepts of corporate social responsibilities/CSR/ in the banking sector and linking the concepts and frameworks and the key elements of CSR in banking policies and procedures is vital to reduce risks emanate from not adhering CSR concepts	4.24	0.86
I think it has relevance knowing CSR of banking and this will benefit to the bank and the society at large	4.27	0.79
I feel that as the issue of sustainable development becomes more important, corporate social responsibility becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking industry	4.15	0.72
<i>I feel</i> the importance of internal audit has to been emphasized, especially in banking industries	4.39	0.75
Average mean	4.14	0.14

Table 11 has demonstrated that among six highest ranking mean scores three high ranking statements (Q15, Q20 and Q21) are found factor three internal management. As per the table 11 the mean range was (3.35 -4.39), the highest mean was for the item “I feel the importance of internal audit has to been emphasized, especially in banking industries” with a mean of 4.39and STD of (0.75) while the lowest “I think accountability is correlated to poor discharge of financial management responsibility in banking organizations” with a mean of 3.35 and STD of (1.12) , the overall mean was 4.14 and STD of (0.14). The lowest mean value has shown that respondent has neutral opinion while the highest mean value has shown that respondents view of is high in connection to strongly agree supporting that bank practitioners has high concern in connection to people and process management with a directly related to CSR. Yeung had studied

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and found the STD is 0.95 which has different STD from this study result, even though the same conclusion is made.

Table-12 Factor 4- external management consideration of stake holders

Factor 4- consideration of stake holders	Mean	SD
I think banking organizations should comply more than minimum regulations	3.95	0.93
I think <i>transparency</i> on monitoring financial products in banking organizations to the public is lacking	3.37	1.03
I think banking organizations should be <i>accountable</i> to their performance	4.16	0.89
I think it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower	3.08	1.26
I think banks meet a supervisory role over companies Within a credit approval process and subsequent verification, in return banks gain much more information about the company than other interested parties on the market	3.81	0.87
I think banks are the best place to assess the level of socially responsible activities undertaken by the company	3.34	1.02
<i>I think as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions</i>	4.15	0.74
Average mean	3.69	0.16

Table 12 which have demonstrated corporate social responsibility in banking with consideration of stakeholders as external management view. As per the table 6 the mean range was (3.08 - 4.16), the highest mean was for the item “I think banking organizations should be *accountable* to their performance ” with a mean of 4.16 and STD of (0.89) while the lowest item “ I think it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower ” with a mean of 3.08 and STD of (1.26) , the overall mean was 3.69 and STD of (0.16). The lowest mean has shown that respondent has neutral opinion in connection the respective statement with highest STD value of 1.26 that is the variability of each statement from the mean is high. But the highest mean has low STD value that is the variability is low.

1. What is the importance of knowing corporate social responsibilities to commercial banks ?

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The importance of knowing corporate social responsibilities of commercial banks is that : need for integration of moral principles in banking business, to perform with the highest standards of governance and ethics, provide services that meet the rising expectations of customers, attract and retain quality employees, provide support to community, lessen the adverse impact of business practice on the environment, to gain much more information, support good management, help to manage risk, helps to strengthen ethics. Create belongingness, develop transparency and help to minimize risk, should be given equal weight as the profit objective of the bank. Appropriate marketing tool for public communication, helps to identify the needs of customers and community, enable to understand ways to be followed to retain in the industry.

It helps to evaluate commercial bank's participation in social responsibilities, strength relation with customers. To mitigate social effects like unemployment, to anticipate fast changing expectations of customers of the society. Broaden the knowledge about business and surrounding environment. For monitoring financial products .to improve business ethics. It is helpful to identify potential corporate customers which are engaged in providing social wellbeing improving products/services without affecting social culture. It helps to undertake smooth financial transaction, to draw attention of more customers, vital broad social base. Banks involved on CSR in return it will increase their acceptance by the society which results in grown up profitability

Q2. What is the extent of knowledge regarding corporate social responsibilities practice in Ethiopia commercial banks?

Commercial banks are playing important role in the process of industrialization, economic growth and sustainable development of economy. Banks also possess great potential for employment opportunity, improvement of local technology, facilitating international trading, development of indigenous entrepreneurship. It is low, infant stage, it is limited only to handle the usual banking practice, No better understanding of CSR, insignificant compared with what they do and needs awareness

Q3. Please state if you have any other opinion regarding corporate social responsibilities of commercial banks in Ethiopia?

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Banks as a corporate citizen should be part of social development activities. They should finance environmental friendly projects. Ethiopian commercial banks should establish reporting mechanism about their corporate social responsibilities

4.3 Summary of the findings

This section presents the summary of the findings of the study on corporate social responsibility role of commercial banks in Ethiopia.

Thus, banking practitioners need to be aware of the importance of implementing meaningful strategy like conducting risk assessment of financial products, protecting rights of customers, strengthen business ethics training to staff, timely actions to address customers complaints on financial products and engaged in more meaningful social activities that give them more preference. Based on implementing meaningful strategy banking practitioners have strongly disagree that frontline staff of the banking organizations should well understand complex financial services before offering to customers. More over banking practitioners strongly disagree that banking organizations are engage in more meaningful social activities, the more preferences will be given to them. This would diminish the role of commercial banks involvement on CSR that the more meaningful social activities that banking organizations engage in, which has deteriorate the more preferences will be given to them. In regard to these banks has to take care of such issues. Since the banks management social responsibility goes beyond making profit to include protecting and improving social welfare of its stakeholders and the environment in which they carries out their operations.

Practitioners of private commercial banks have to work on accountability for creditability. It means that banks has to work closely with NBE, improve financial management so as to reduce adverse effect to the environment and society, and implement strategy that serve for the financing of health projects. Some respondents strongly disagree to the statement that banking organizations should take a looser/liberal/ attitude to support greener industries, banking organizations should provide lending options to low income individuals and small business, banking organizations should engage in community development and bad management is

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correlated to poor financial management in banking organizations which results to adverse effect to the environment and society.

That is process and people management has concerned that banking practitioners has to work more on building staff capability in promoting financial products, take the issue of sustainable development becomes more important has leads that corporate social responsibility becomes an element that addresses these issues. Therefore, it becomes more vital in the daily operations of financial institution in the banking industry. As the concern of internal management that is process and people management, it has importance giving has emphasized about the importance of internal audit especially in the banking industry. Moreover as a concern of internal management for process and people management statement (Q 18) has shown that 82.3% of the respondents are agree and strongly agree that commercial banks should have sound and good understanding the concepts of corporate social responsibilities/CSR/ in the banking sector and linking the concepts and frameworks and the key elements of CSR in their banking policies and procedures is vital to reduce risks emanate from not adhering CSR concepts.

Among four highest ranking mean scores two high ranking statements (Q24 and Q28) are found among factor four external management that is consideration of stakeholders has shown that banking organizations should be accountable to their performance and act as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions. As per table 12 demonstration 49 respondents from 62 (79%) has responded that they have agreed and strongly agreed that banks' external management for consideration of stakeholders as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions. Under consideration of stakeholders – external management 9 respondents strongly disagree and 10 respondents disagree that it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower.

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Chapter Five

5.0 Conclusion and Recommendation

In this chapter present conclusions of the research findings that have been analyzed and discussed in the previous chapter are briefly presented. Furthermore, based on the findings of the study possible recommendations are made.

5.1 Conclusion Based On the Analysis

Based on the above analysis banking practitioners has to implement meaningful strategy of internal management, external management that is accountability for creditability, internal management for people and process, and external management for consideration of stakeholders are the critical areas for bank practitioners to consider when executing corporate social responsibility activities.

- ❖ As per the findings, there is less understanding on the importance of that frontline staff of banking organizations should well understand complex financial services before offering to customers and banking organizations should not invite representative customers in meetings before promoting new financial products.

- ❖ To be accountability for creditability i.e. external management, practitioners in banking organizations has a looser attitude to support greener industries, engage in community development and provide lending options to low income individuals and small business while on the rest of the statements the respondent has agreed that banks working closely with NBE, banking regulators should examine the suitability of advertisements on financial products for social responsibility, bad management is correlated to poor financial management in banking organizations which results to adverse effect to the environment and society and banking organizations should implement strategy for the financing of health projects.

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- ❖ As per the findings of this study has demonstrated as a concern of internal management for process and people management has shown that commercial banks should have sound and good understanding the concepts of corporate social responsibilities/CSR/ in the banking sector and linking the concepts and frameworks and the key elements of CSR in their banking policies and procedures is vital to reduce risks emanate from not adhering CSR concepts.
 - ❖ The research findings has shown that banking organizations should *build staffing capability* in promoting financial products and the importance of internal audit has to be emphasized, especially in banking industries since *accountability* is correlated to poor discharge of financial management responsibility in banking organizations. This shows that banking practitioners has to work hard for the improvement so as to positively discharge financial management responsibility in banking organizations.
- ❖ As a concern of consideration of stakeholders, as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions and moreover banking organizations should be *accountable* to their performance since it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower.
- ❖ As per the findings that professional experts in the bank industry are more concerned in implementing meaningful strategy as internal management than administrators or management level bank practitioners. This has indicated that professional experts have more roles when executing Corporate Social Responsibility activities.
- ❖ The study findings has shown that implementing meaningful strategy has to considered that frontline staff of the banking organizations should well understand complex financial services before offering to customers and that banking organizations should engage in

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more meaningful social activities, the more preferences will be given to them, and invite representative customers in meetings before promoting new financial products.

- ❖ It has to be aware that banking organizations should be engage in more meaningful social activities; the more preferences will be given to them when banks give high emphasis to implementing meaningful strategy in return this will lead to discharge external management of bank practitioners to stakeholders will be improved. In this regard and concept, for banks it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower. Since, it is not fair when a bank has offered to sell it via foreclosures which are owned by more than three different mortgagees for a single borrower which were held as collaterals by the bank for the loans and advance granted.
- ❖ As per this study findings banks should conduct risk assessment of financial products, well understand complex financial services before offering to customers protect the rights of customers in providing details of financial products; To meet such roles banks should invite representative customers in meetings before promoting new financial products, business ethics and corporate social responsibility through internal management of people and process. So, banks effort and role on CSR will be explained when they act in such a way to sustain.
- ❖ As the issue of sustainable development becomes more important, CSR becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking industry. So, accountability is correlated to excellent discharge of financial management responsibility in banking organizations. Improve such CSR role is good for banks' for corporate reputation, trust in the bank and increase confidence.
- ❖ As per the findings banks external management on accountability for creditability which has been explained when banking organizations should not take a looser/ relaxed/ attitude to support greener industries directly or indirectly when projects are financed. Hence, banking organizations should implement strategy for the financing of health projects.

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Moreover, as a socially responsible bank, banking organizations should provide lending options to low income individuals and small business. In this regard banks' can examine themselves that they are appropriately discharge corporate social responsibilities role or not.

- ❖ Banks are the best place to assess the level of socially responsible activities undertaken by the company in which they are financing/providing any financial services/. Therefore, transparency on monitoring financial products in banking organizations to the public has to be improved.
- ❖ As per the respondents opinion analysis from the open ended questions about the importance of knowing corporate social responsibilities of commercial banks requires that integration of moral principles in banking business, to perform with the highest standards of governance and ethics, provide services that meet the rising expectations of customers, attract and retain quality employees, provide support to community, lessen the adverse impact of business practice on the environment, to gain much more information, support good management, help to manage risk, helps to strengthen ethics, Create belongingness , develop transparency and help to minimize risk.
- ❖ CSR is a consideration to promote high preference to the public by banks. To know the product need of the society and fair distribution of economic resources within the society. It helps to undertake smooth financial transaction, to draw attention of more customers

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5.2 Recommendation

As per the findings and conclusions the following recommendations are given to the role of commercial banks on Corporate Socially responsibility in Ethiopian banks:-

- The researcher has recommended that bank practitioners should have greater understanding on the importance of that frontline staff of banking organizations should well understand complex financial services before offering to customers and banking organizations should invite representative customers in meetings before promoting new financial products.
- As per the finding the researcher has recommended that to be accountability for creditability practitioners in banking organizations should be have better attitude to support greener industries, engage in community development and provide lending options to low income individuals and small business and has to improve bad management that is correlated to poor financial management in banking organizations which results to adverse effect to the environment and society, hence banking organizations should implement strategy for the financing of health projects.
- The researcher has recommended to improve process and people management that commercial banks should have sound and good understanding the concepts of corporate social responsibilities/CSR/ in the banking sector and linking the concepts and frameworks and the key elements of CSR in their banking policies and procedures is vital to reduce risks emanate from not adhering CSR concepts.
- The researcher has suggested that as a concern of consideration of stakeholders, as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions and moreover banking organizations should be accountable to their performance. Moreover, since it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank

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granting loan to single borrower. In this regard bank practitioners are expected to work more so as to improve awareness and exercise practical role of banks in connection to consideration of stakeholders.

- The researcher has recommended that administrators or management level bank practitioners should have equal contribution with that of professional experts in implementing meaningful strategy as internal management so as to executing Corporate Social Responsibility activities.
- The researcher has recommended that banking practitioners have to take into account the importance of frontline staff of the banking organizations should well understand complex financial services before offering to customers and that banking organizations should engage in more meaningful social activities, the more preferences will be given to them, and invite representative customers in meetings before promoting new financial products.
- The researcher has recommended that it is not fair when a bank has offered to sell it via foreclosures which are owned by more than three different mortgagees for a single borrower which were held as collaterals by the bank for the loans and advance granted.
- The researcher has suggest that as the issue of sustainable development becomes more important, CSR becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking industry. Improve such CSR role is good for banks' for corporate reputation, trust in the bank and increase confidence.
- Banking organizations should not take a looser/ relaxed/ attitude to support greener industries directly or indirectly when projects are financed. Hence, banking organizations should implement strategy for the financing of health projects. Moreover, as a socially

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responsible bank, banking organizations should provide lending options to low income individuals and small business. In this regard banks' can examine themselves that they are appropriately discharge corporate social responsibilities role or not.

- The researcher has suggested there should have an enforcing rules and directives in regard to corporate social responsibility of Ethiopian private commercial banks that enable to be accountable to their actions in regard to holding more than three building collaterals. There has to be a minimum requirement to the numbers of collaterals to be held by banks and this should be set as a rule bank.
- The researcher has recommended that commercial banks in Ethiopia should adhere to the need for CSR requires more for the banks to pay special attention towards integration of corporate social responsibility concern in their banking operation to achieve sustainable development. Banks should also design and built forth programs and policies to enrich wealth knowledge of banking service staff and to understand their own position among the overall banking sector and also it is important for policymakers to judge the banking performance from the angle of corporate social responsibility.
- The researcher has recommended that banks should have an integration of moral principles in banking business, to perform with the highest standards of governance and ethics, provide services that meet the rising expectations of customers, attract and retain quality employees, provide support to community, lessen the adverse impact of business practice on the environment, to gain much more information, support good management, help to manage risk, helps to strengthen ethics, Create belongingness , develop transparency and help to minimize risk.
- The researcher has recommended that to benefit from knowing CSR in banking, commercial banks need for integration of moral principles in banking business, to perform with the highest standards of governance and ethics, provide services that meet the rising expectations of customers, attract and retain quality employees, provide support to

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community, lessen the adverse impact of business practice on the environment, to gain much more information, support good management, help to manage risk, helps to strengthen ethics, Create belongingness , and develop transparency.

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QUESTIONNAIRE

(Please marks “X” the appropriate box to answer from the available choices to you that best describes the question)

Section One – Background Information

1. Your current department in the banking industry

Credit department Accounting and Finance Audit and control

Banking Operation Risk and compliance IBD

2. Indicate your experience in the Banking industry

Less than 1 year 1 – 5 years 6-10 years

11-15 years above 20 years

3. Indicate your age

Age 19 years old or below 20-30 years old 31-40 years old

41-50 years 51 years or above

4. Indicate your presence in the banking industry

Administrator (management) Professional /expert skilled worker/
technical

Worker in service provider level other

Section Two- Questions on role of commercial banks on corporate social responsibilities

The data in this section will be used to measure role of commercial banks on corporate social responsibilities. For each of the statements, please indicate your agreement or disagreement on a 5 point scale ranging from “SD- strongly disagree “(1) to “SA- strongly agree” (5)

(1=strongly disagree, 2= disagree, 3=Neutral, 4=agree, 5=strongly agree).

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N o.	variables /Factors	strongly disagree	disagree	Neutral	agree	strongly agree
	Internal management –implementing meaningful strategy/Factor 1	1	2	3	4	5
1	I think banking organizations should conduct risk assessment of financial products					
2	I think frontline staff of banking organizations should well understand complex financial services before offering to customers					
3	I feel banking organizations should protect the rights of customers in providing details of financial products					
4	I think banking organizations should strengthen business ethics training to staff					
5	I think banking organizations should take timely actions to address customers' complaints on financial products					
6	I think the more meaningful social activities that banking organizations engage in, the more preferences will be given to them					
7	I think banking organizations should invite representative customers in meetings before promoting new financial products					
	External management – accountability for creditability / Factor 2/					
8	I feel banking organizations should work closely with NBE for adjusting banking conduct					
9	I think banking regulators should <i>examine the suitability of advertisements</i> on financial products for social responsibility					
10	I think banking organizations should <i>take a looser attitude to support greener industries</i>					
11	I think banking organizations should <i>engage in community development</i>					
12	I think banking organizations should <i>provide lending options to low income individuals</i> and small business					

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1 3	I think <i>bad management is correlated to poor financial management</i> in banking organizations which results to adverse effect to the environment and society					
1 4	I think banking organizations should <i>implement strategy for the financing of health projects</i>					
	Internal management - process and people management/ Factor 3)					
1 5	I think banking organizations should <i>build staffing capability</i> in promoting financial products					
1 6	I think banking organizations should bring forth <i>programs and policies to enrich wealth knowledge</i> of banking service staff					
1 7	I think <i>accountability</i> is correlated to poor discharge of financial management responsibility in banking organizations					
		1	2	3	4	5
1 8	I think it is so good understanding the concepts of corporate social responsibilities/CSR/ in the banking sector and linking the concepts and frameworks and the key elements of CSR in banking policies and procedures is vital to reduce risks emanate from not adhering CSR concepts					
1 9	I think it has relevance knowing CSR of banking and this will benefit to the bank and the society at large					
2 0	I feel that as the issue of sustainable development becomes more important, corporate social responsibility becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking industry					
2 1	<i>I feel</i> the importance of internal audit has to been emphasized, especially in banking industries					
	External management – consideration of stakeholders/ Factor4					
2 2	I think banking organizations should comply more than minimum regulations					
2 3	I think <i>transparency</i> on monitoring financial products in banking organizations to the public is lacking					
2 4	I think banking organizations should be <i>accountable</i> to their performance					
2 5	I think it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower					
2 6	I think banks meet a supervisory role over companies Within a credit approval process					

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	and subsequent verification, in return banks gain much more information about the company than other interested parties on the market					
2 7	I think banks are the best place to assess the level of socially responsible activities undertaken by the company					
2 8	<i>I think as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions</i>					

1. What is the importance of knowing corporate social responsibilities of commercial banks?
2. What is the extent of knowledge regarding corporate social responsibilities practice in Ethiopia commercial banks?
3. Please state if you have any other opinion regarding corporate social responsibilities of commercial banks in Ethiopia?

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Appendix on Statistical Results

Factor 1 Data analysis output (T-Test)

One-Sample Test

	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
department in bank industry	-8.180	61	.000	-1.726	-2.15	-1.30
Experience in banking industry	-18.904	61	.000	-2.339	-2.59	-2.09
Age	-28.268	61	.000	-2.339	-2.50	-2.17
Presence in the bank industry	-21.905	61	.000	-2.871	-3.13	-2.61
I think banking organizations should conduct risk assessment of financial products	-5.031	61	.000	-.323	-.45	-.19
I think frontline staff of banking organizations should well understand complex financial services before offering to customers	-8.144	61	.000	-1.177	-1.47	-.89
I feel banking organizations should protect the rights of customers in providing details of financial products	-5.485	61	.000	-.516	-.70	-.33
I think banking organizations should strengthen business ethics training to staff	-6.055	61	.000	-.516	-.69	-.35
I think banking organizations should take timely actions to address customers' complaints on financial products	-6.213	61	.000	-.468	-.62	-.32

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I think the more meaningful social activities that banking organizations engage in, the more preferences will be given to them	-8.528	61	.000	-1.000	-1.23	-.77
I think banking organizations should invite representative customers in meetings before promoting new financial products	-9.836	61	.000	-1.258	-1.51	-1.00
I feel banking organizations should work closely with NBE for adjusting banking conduct	-5.602	61	.000	-.597	-.81	-.38
I think banking regulators should examine the suitability of advertisements on financial products for social responsibility	-7.939	61	.000	-1.000	-1.25	-.75
I think banking organizations should take a looser attitude to support greener industries	-14.924	61	.000	-2.129	-2.41	-1.84
I think banking organizations should engage in community development	-9.129	61	.000	-1.113	-1.36	-.87
I think banking organizations should provide lending options to low income individuals and small business	-7.990	61	.000	-1.145	-1.43	-.86
I think bad management is correlated to poor financial management in banking organizations which results to adverse effect to the environment and society	-7.819	61	.000	-.968	-1.22	-.72

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I think banking organizations should implement strategy for the financing of health projects	-8.258	61	.000	-.968	-1.20	-.73
I think banking organizations should build staffing capability in promoting financial products	-6.607	61	.000	-.661	-.86	-.46
I think banking organizations should bring forth programs and policies to enrich wealth knowledge of banking service staff	-8.308	61	.000	-.774	-.96	-.59
I think accountability is correlated to poor discharge of financial management responsibility in banking organizations	-11.591	61	.000	-1.645	-1.93	-1.36
I think it is so good understanding the concepts of corporate social responsibilities/CSR/ in the banking sector and linking the concepts and frameworks and the key elements of CSR in banking policies and procedures is vital to reduce risks emanate from n	-6.921	61	.000	-.758	-.98	-.54
I think it has relevance knowing CSR of banking and this will benefit to the bank and the society at large	-7.209	61	.000	-.726	-.93	-.52

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I feel that as the issue of sustainable development becomes more important, corporate social responsibility becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking	-9.338	61	.000	-.855	-1.04	-.67
I feel the importance of internal audit has to been emphasized, especially in banking industries	-6.398	61	.000	-.613	-.80	-.42
I think banking organizations should comply more than minimum regulations	-8.868	61	.000	-1.048	-1.28	-.81
I think transparency on monitoring financial products in banking organizations to the public is lacking	-12.477	61	.000	-1.629	-1.89	-1.37
I think banking organizations should be accountable to their performance	-7.415	61	.000	-.839	-1.06	-.61
I think it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower	-12.010	61	.000	-1.919	-2.24	-1.60

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I think banks meet a supervisory role over companies Within a credit approval process and subsequent verification, in return banks gain much more information about the company than other interested parties on the market	-10.861	61	.000	-1.194	-1.41	-.97
I think banks are the best place to assess the level of socially responsible activities undertaken by the company	-12.782	61	.000	-1.661	-1.92	-1.40
I think as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions	-9.057	61	.000	-.855	-1.04	-.67

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
department in bank industry	62	3.27	1.661	.211
Experience in banking industry	62	2.66	.974	.124
Age	62	2.66	.651	.083

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Presence in the bank industry	62	2.13	1.032	.131
I think banking organizations should conduct risk assessment of financial products	62	4.68	.505	.064
I think frontline staff of banking organizations should well understand complex financial services before offering to customers	62	3.82	1.138	.145
I feel banking organizations should protect the rights of customers in providing details of financial products	62	4.48	.741	.094
I think banking organizations should strengthen business ethics training to staff	62	4.48	.671	.085
I think banking organizations should take timely actions to address customers' complaints on financial products	62	4.53	.593	.075
I think the more meaningful social activities that banking organizations engage in, the more preferences will be given to them	62	4.00	.923	.117
I think banking organizations should invite representative customers in meetings before promoting new financial products	62	3.74	1.007	.128
I feel banking organizations should work closely with NBE for adjusting banking conduct	62	4.40	.839	.107

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I think banking regulators should examine the suitability of advertisements on financial products for social responsibility	62	4.00	.992	.126
I think banking organizations should take a looser attitude to support greener industries	62	2.87	1.123	.143
I think banking organizations should engage in community development	62	3.89	.960	.122
I think banking organizations should provide lending options to low income individuals and small business	62	3.85	1.129	.143
I think bad management is correlated to poor financial management in banking organizations which results to adverse effect to the environment and society	62	4.03	.975	.124
I think banking organizations should implement strategy for the financing of health projects	62	4.03	.923	.117
I think banking organizations should build staffing capability in promoting financial products	62	4.34	.788	.100
I think banking organizations should bring forth programs and policies to enrich wealth knowledge of banking service staff	62	4.23	.734	.093

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I think accountability is correlated to poor discharge of financial management responsibility in banking organizations	62	3.35	1.118	.142
I think it is so good understanding the concepts of corporate social responsibilities/CSR/ in the banking sector and linking the concepts and frameworks and the key elements of CSR in banking policies and procedures is vital to reduce risks emanate from n	62	4.24	.862	.110
I think it has relevance knowing CSR of banking and this will benefit to the bank and the society at large	62	4.27	.793	.101
I feel that as the issue of sustainable development becomes more important, corporate social responsibility becomes an element that addresses these issues and therefore it becomes more vital in the daily operations of financial institution in the banking	62	4.15	.721	.092
I feel the importance of internal audit has to been emphasized, especially in banking industries	62	4.39	.754	.096

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I think banking organizations should comply more than minimum regulations	62	3.95	.931	.118
I think transparency on monitoring financial products in banking organizations to the public is lacking	62	3.37	1.028	.131
I think banking organizations should be accountable to their performance	62	4.16	.891	.113
I think it is not fair holding more than three building collaterals which are offered by different mortgagors when a bank granting loan to single borrower	62	3.08	1.258	.160
I think banks meet a supervisory role over companies Within a credit approval process and subsequent verification, in return banks gain much more information about the company than other interested parties on the market	62	3.81	.865	.110
I think banks are the best place to assess the level of socially responsible activities undertaken by the company	62	3.34	1.023	.130

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I think as a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions	62	4.15	.743	.094
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