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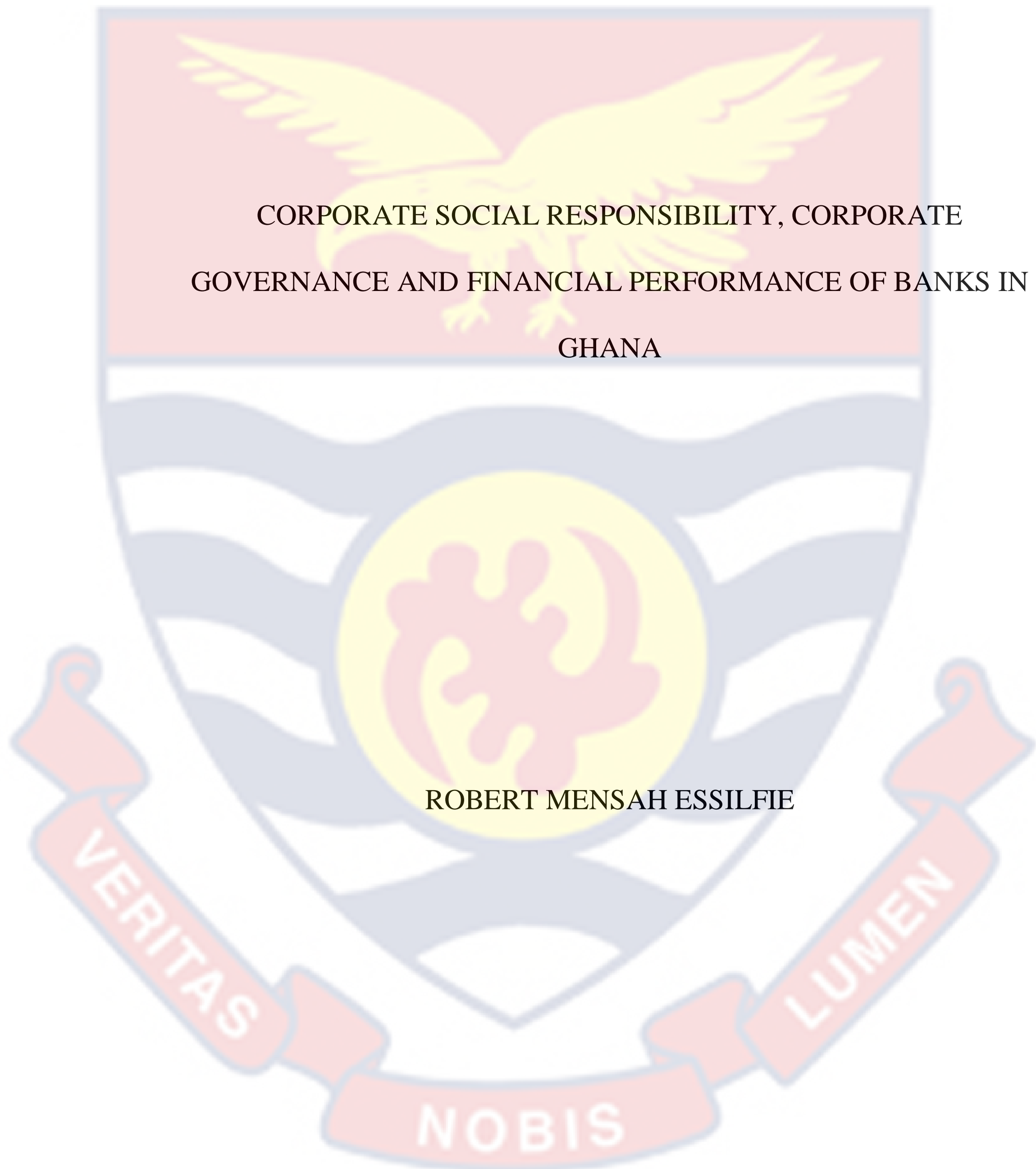

CORPORATE SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF BANKS IN GHANA

ROBERT MENSAH ESSILFIE

2023

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CORPORATE SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF BANKS IN GHANA

BY

ROBERT MENSAH ESSILFIE

Thesis submitted to the Department of Finance of the School of Business, College of Humanities and Legal Studies, University of Cape Coast in partial fulfillment of the requirements for the award of Master of Commerce Degree in Finance.

JULY 2023

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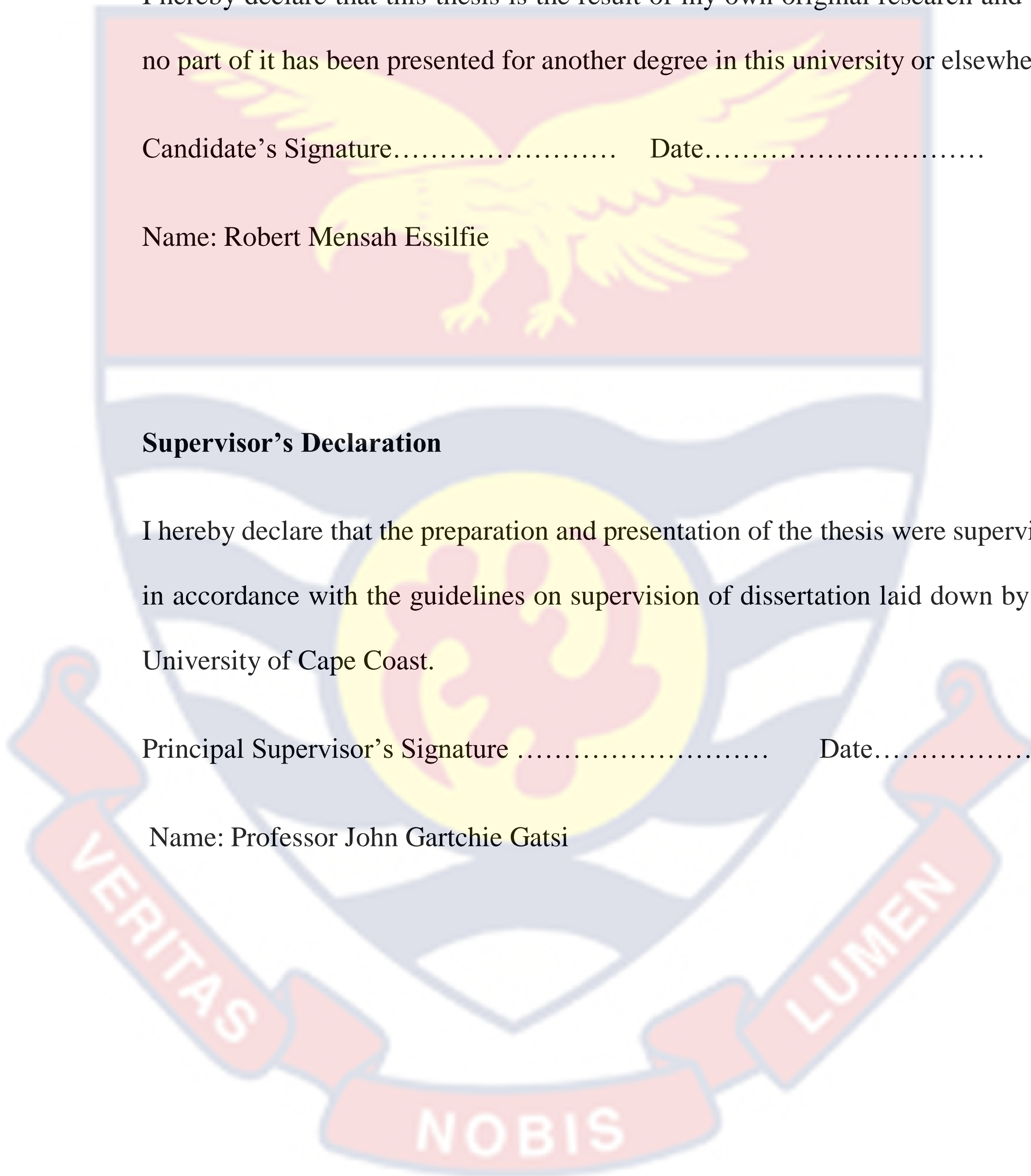

DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature…………………… Date…………………………

Name: Robert Mensah Essilfie

Supervisor's Declaration

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Principal Supervisor's Signature ……………………… Date…………………

Name: Professor John Gartchie Gatsi

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ABSTRACT

The main purpose of this study was to examine the effect of corporate social responsibility and corporate governance on financial performance of indigenous and non-indigenous banks in Ghana using a balance panel of twenty-one (21) indigenous and non-indigenous banks over ten time periods, from 2009 to 2018. The study used cross-section data set within a causal research design. The variables included in this study are: return on assets, return on equity, net interest margin, bank size, leverage, age, board size, Chief Executive Officer (CEO) Duality and board composition. The study revealed that, board size, board composition, bank size and age had positive effects on return on assets, return on equity and net interest margin. However, CEO duality and leverage had negative effects on return on assets, return on equity and net interest margin. Finally, the study found that interaction of CSR and board size and CSR and board composition had positive effects on return on assets, return on equity and net interest margin. However, interaction of CSR and CEO duality had negative effect on return on assets, return on equity and net interest margin. The study therefore recommends that management of indigenous and non-indigenous banks must consider corporate social responsibility, board size, age, board composition and CEO duality in their decisions concerning profitability since these variables affect profitability.

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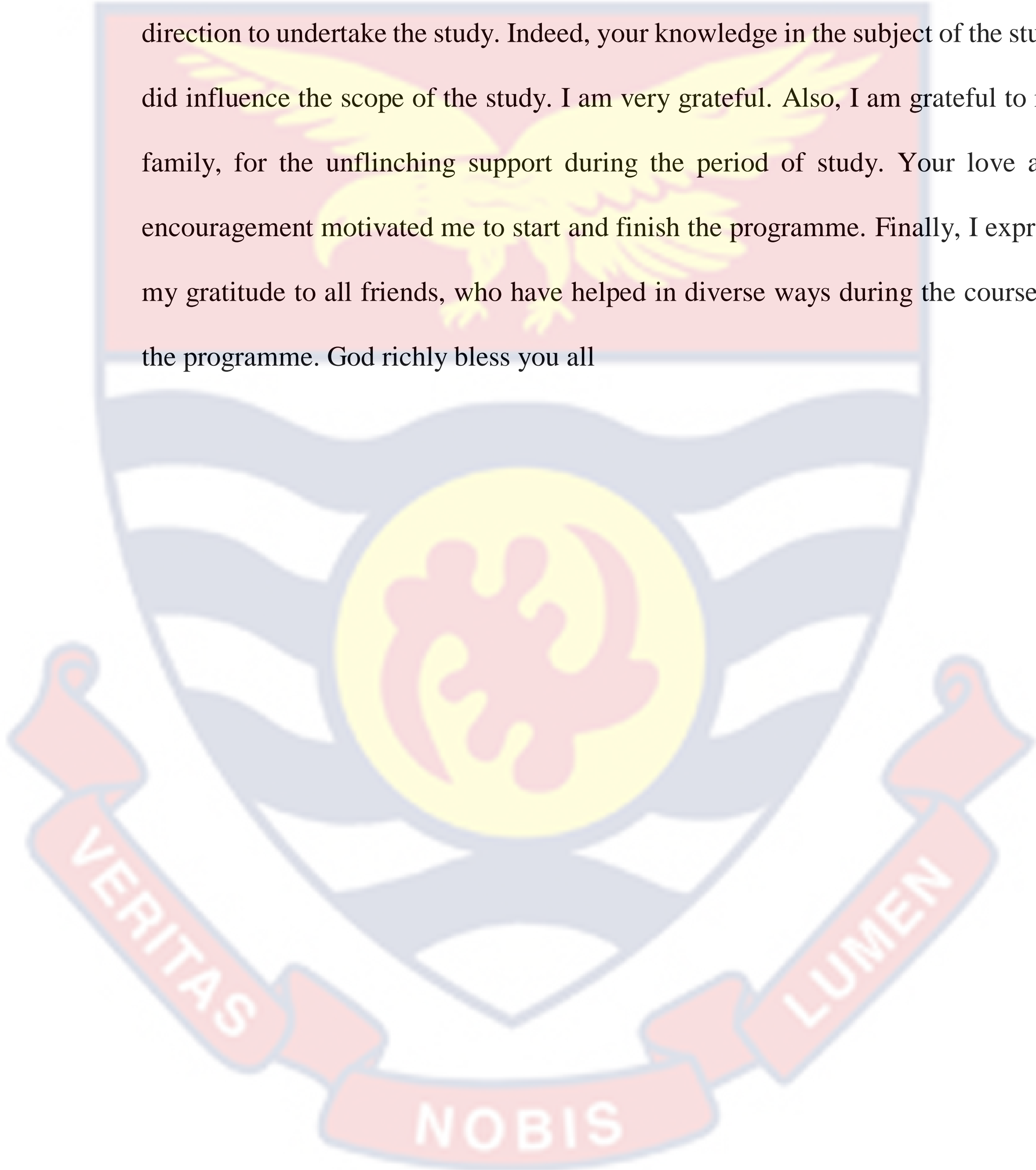
I express my sincere gratitude to my supervisor, Professor Gatsi of the Department of Finance, School of Business for his unflinching support and direction to undertake the study. Indeed, your knowledge in the subject of the study did influence the scope of the study. I am very grateful. Also, I am grateful to my family, for the unflinching support during the period of study. Your love and encouragement motivated me to start and finish the programme. Finally, I express my gratitude to all friends, who have helped in diverse ways during the course of the programme. God richly bless you all



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DEDICATION

To my family.

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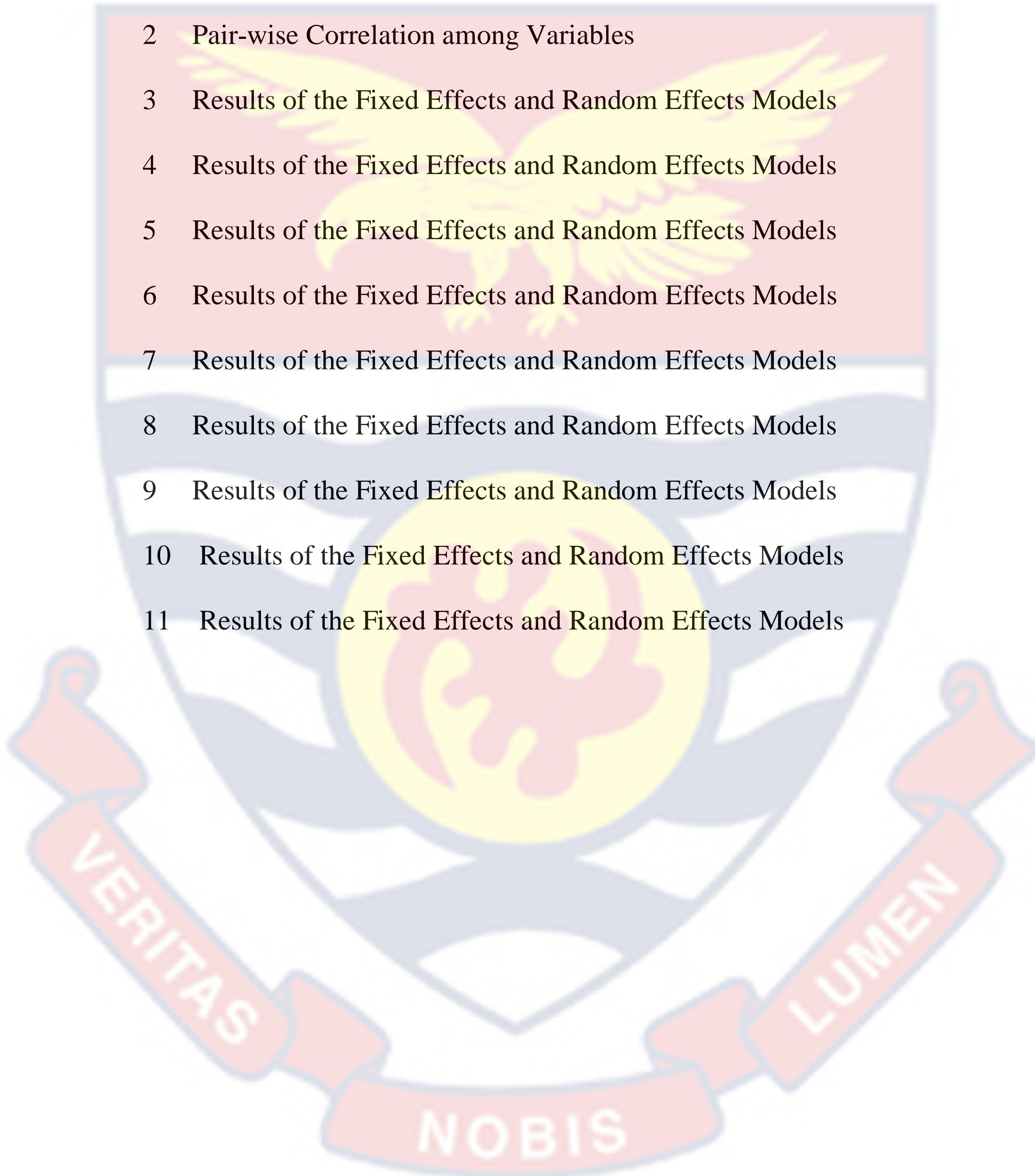

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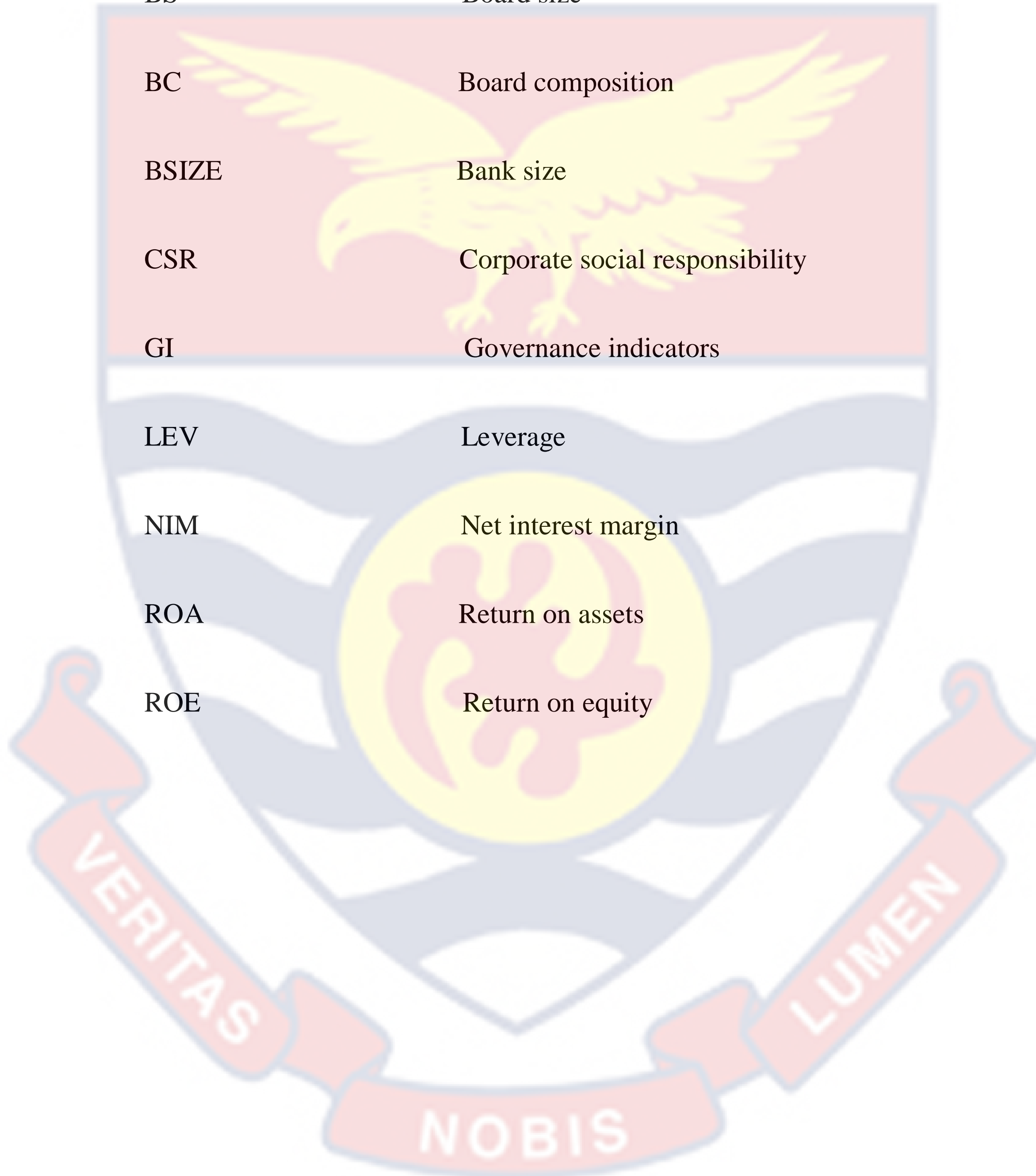
LIST OF ACRONYMS



AGE	Age of the Bank
BS	Board size
BC	Board composition
BSIZE	Bank size
CSR	Corporate social responsibility
GI	Governance indicators
LEV	Leverage
NIM	Net interest margin
ROA	Return on assets
ROE	Return on equity

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CHAPTER ONE

INTRODUCTION

In recent years, there has been an increasing focus on the study of corporate social responsibility (CSR) in both the business world and academic circles. The concept of Corporate Social Responsibility (CSR), introduced by Bowen in 1953, has been extensively studied in the management literature, along with related concepts such as corporate social responsiveness, corporate social responses (Strand, 1983), and corporate social performance (Wood, 1991). According to Dinsmore (2014), the downfall of several major corporations was a result of managerial opportunism and extensive accounting fraud.

The international economy has yet to fully recover from the severe repercussions of the global economic crisis that commenced in 2008. According to Stanley (2011), they were portrayed as depleting resources, causing environmental degradation, posing a threat to the ozone layer, and exhibiting disregard for the global carrying capacity.

These developments have created a desire for increased oversight of corporate activities and have also attracted public attention to the social conduct of business organizations (Idemudia, 2011). Many of these acts have been perceived as "greenwashing, a distorted marketing strategy (Sun & Cui, 2014). This chapter explores the background of the study, the statement of the problem, the purpose of the study, the research objectives and hypotheses, the significance of the study, the delimitations and limitations of the study, and the organization of the study.

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Background to the Study

Most management researchers have become interested in the idea of Corporate Social Responsibility (CSR) in recent years, and studies on corporate citizenship, ethics, and social responsibility are now more common (Bassen, Hölz, & Schlange, 2006). These studies frequently utilize the word "CSR" to refer to ideas like "corporate responsibility," "corporate citizenship," "social enterprise," "sustainability," "triple-bottom line," "corporate ethics," and, in certain circumstances, "corporate governance" (Bassen, Hölz, & Schlange, 2006). As a result, CSR has drawn the attention of businesses over the past few decades, and many companies are streamlining their CSR operations in order to become socially conscious businesses and ultimately benefit from corporate citizenship. Today's competitive environment and the keen focus of businesses on giving back to the community have motivated many organizations to display socially responsible behaviors. Literature shows that corporate social responsibility brings several benefits to firms and has a significant impact on their financial performance (Mujahid & Abdullah, 2014; Chetty, Naidoo & Seetharam, 2014; Kim, Kim & Qian, 2015).

More organizations or banks than at any other point in the past are making a serious effort to define and incorporate CSR into every part of their businesses (Ketocho, 2015). A growing number of stakeholders, including shareholders, analysts, regulators, activists, labor unions, employees, community organizations, and the news media, want businesses to be responsible for a variety of CSR-related issues. Transparency is becoming more sought-after, and people have higher

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expectations of businesses to monitor, report, and constantly enhance their social, environmental, and financial performance. The relationship between corporate social responsibility and financial performance in the context of banks was the main subject of this study.

According to Ketocho (2015), the CSR concept emphasizes community participation by business enterprises. It proposes that a business has responsibilities to society that extend beyond making a profit. Thus, in relation to financial institutions, it is the obligation of the bank's decision-makers to make decisions and act in ways that recognize the relationship between business and society. It is therefore important for a bank to continue in its commitment to behave ethically and contribute to economic development while improving the quality of life of its employees and the surrounding community at large. This can therefore be achieved through the various CSR activities that the bank chooses to engage in for the benefit of its stakeholders, such as employees, suppliers, shareholders, the government, the community, and society.

Further, the social responsibility of businessmen is their obligation to pursue those policies that make decisions or follow those lines of action that are desirable to society (Bowen, 1953). Finance theory differs on whom the business should be responsible to in the course of its business. The theory is a broad field of both speculation and mathematical measurements used to determine investing strategies and monetary value estimates. Finance theories are also used to create fundraising and capital creation plans and manage financial risk. Some finance theory revolves around the management of a business. The factors that go into

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creating a finance theory or strategy for a company might include their current profit margin, debt-to-asset ratio, market forecast, and the possibility of incorporation. Looking at all of these factors helps a business owner or financial manager create a feasible plan for the future by balancing the possibility of risk against the possibility of returns.

According to stakeholder theory, businesses possess both explicit and implicit contracts with various constituents and are responsible for honoring all contracts (Freeman, 1984). As a result of honoring these contracts, a company develops a reputation that helps determine the terms of trade it can negotiate with various stakeholders. While explicit contracts legally define the relationship between a business and its stakeholders, implicit contracts have no legal standing and are referred to in the economic literature as self-enforcing relational contracts. Since implicit contracts can be breached at any time, Telser (1980) argues that they become self-enforcing when the present value of a business's gains from maintaining its reputation and, therefore, future terms of trade are greater than the loss if the business reneges on its implied contracts. This theory, therefore, predicted a positive relationship between CSR and corporate financial performance (CFP). Thus, building on these theories, the current study specifically considers the interaction between CSR and performance of financial institutions and not businesses in general as studied by others.

However, stakeholder theory has acquired opponents from various areas, including classical economics, industrial relations, and management. Sternberg (1997), for example, argues that the principles of stakeholder theory undermine the

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property rights of the owners of the company, compromise the mechanism of the free market, destabilize the operations of governments, and thus subvert the very nature of capitalism. According to the social contract theory, businesses must act responsibly not just because it is in their commercial interest but because that is how society expects them to behave. Society is a series of social contracts between members of society and society itself (Gray, 1996).

Scholars have been debating this issue for the past 50 years (Simpson & Kohers, 2002) in relation to the connection between corporate social responsibility and financial performance. Since different research find a negative correlation, a positive correlation, or perhaps no correlation at all, the empirical study findings on the relationship between CSR and CFP have never been in accord. The argument for a positive correlation between CSR and CFP contends that a company's explicit costs are the exact opposite of the hidden costs of stakeholders; as a result, this argument is made from the standpoint of minimizing costs to important stakeholders and taking their satisfaction into account (Cornell & Shapiro, 1987). Additional implication of this hypothesis is that a commitment to CSR will increase costs for competitiveness while lowering stakeholders' hidden costs. The validity and plausibility of this thesis may be shown in the fact that a company's ability to thrive depends on having positive relationships with its customers, suppliers, and employees. According to Bowman and Haire (1975), some shareholders believe that corporate social responsibility (CSR) is a symbolic management skill since it represents reputation and measures to support the community will enhance the company's reputation, which will have an impact on sales.

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Therefore, when a company increases its costs by improving CSR in order to increase its competitive advantages, such CSR activities can enhance the company's reputation, improving the long-term CFP while sacrificing the short-term CFP. The viewpoint of a negative correlation between CSR and CFP suggests that the fulfillment of CSR will bring competitive disadvantages to the company. When carrying out CSR activities, increased costs will result in little gain if measured in economic interest. When neglecting some stakeholders, such as employees or the environment, results in a lower CSR for the enterprise, the CFP may be improved. Hence, Aupperle, Carroll, and Hatfield (1985) indicated that this theory was based on the assumption of a negative correlation between CSR and CFP. Some other studies suggest that CSR is not related to CFP at all. Ullmann (1985) pointed out that there is no reason to anticipate the existence of any relationship between CSR and CFP. On the other hand, the issue of CSR measurement may also cover the link between CSR and CSP, which would disappear with the introduction of more accurate variables, such as research and development strength, into the economic model.

In relation to the above, socially responsible investment SRI combines investors' financial objectives with their concerns about social, environmental, or ethical consequences taken into account in the selection, retention, and realization of investments, both positive and negative, within the context of rigorous financial analysis. Moreover, of the limited studies on CSR and financial performance in the region, many have shed more light on philanthropic, ethical, and corporate governance issues (Abor 2007; Kyereboah-Coleman & Biekpe 2007), whilst others

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have examined wholesale CSR typology issues (Ofori 2006, 2007b; Ofori & Hinson 2007), leaving other important aspects completely unexplored. For instance, a few existing studies have explored empirically the impact of CSR practices on banks' financial performance. This is an important issue worth exploring, considering the generalized argument that CSR benefits not only stakeholders but also the organizations themselves.

In relation to corporate governance as influencing the relationship between corporate social responsibility and financial performance, excessive risk-taking by financial institutions could be controlled via corporate governance mechanisms, as they are meant to deal with principal-agent issues, such as misbehavior of management that threatens the welfare of shareholders and other stakeholders (Gup, 2007). The importance of corporate governance increases in cases of agency problems and high transaction costs, which call for comprehensive contracts as a solution (Hart, 1995). For instance, some of the documented examples of weak corporate governance procedures include: activity rather than enterprise-based risk management; uninformed boards and senior management about risk exposures; the failure of boards to establish suitable metrics to monitor the implementation of approved strategies; and the misalignment of remuneration systems with the long-term interests of the company.

Some studies have been carried out in certain countries to ascertain whether good corporate governance practices actually have a relationship with the performance of companies. This current study pertains to the banking industry in Ghana. Banks in Ghana are selected for this study because they belong to one of

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the most vibrant and fast-growing sectors in the Ghanaian economy. Also, higher standards of governance are expected from banks due to the fact that they mobilize and keep funds from the public and are therefore expected to exhibit higher levels of accountability.

Apart from the fact that good corporate governance is believed to be helpful in strengthening firms' ability to resist unfavorable externalities (Greuning & Brajovic-Bratanovic, 2009), in literature it is also associated with better financial performance (Peni & Vahamaa, 2012). However, empirical evidence is not entirely straightforward with respect to every aspect of corporate governance practices. Corporate governance is closely related to the concept of corporate social responsibility (Louche & Van den Berghe, 2005). Despite the longevity of discussion in management literature regarding corporate social responsibility (CSR) and related concepts such as corporate social performance (CSP), corporate social responsiveness, or corporate citizenship, the domain still remains "controversial, fluid, ambiguous, and difficult to research" (Wood, 2010).

In light of the recent financial crisis, engagement in socially responsible behavior can be viewed as compensation from financial institutions for receiving public resources instead of raising capital from shareholders (Shen, Wu, Chen & Fang, 2016). Similarly to corporate governance studies, scholars have been interested in investigating the association between corporate social performance and various aspects of performance (Soana, 2011; Jo, Kim, & Park, 2015; Simpson & Kohers, 2002). Although, due to diverse underlying motives for engagement in CSR and the usage of different methods, measures, model specifications, industries,

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or time periods, the evidence regarding the question under consideration has been mixed and contradictory. Therefore, the aim of this study is to investigate the relationship between corporate social responsibility, governance, and the financial performance of banks in Ghana.

Thus, the aim of this current study is to cover this lacuna in the CSR research agenda in Ghana by examining empirically (1) bank managers' and CSR officers' views on CSR and governance, (2) their motives for engaging in CSR practices, and (3) the impact of the CSR activities and governance on their financial performance. This is done using the Ghanaian banking sector as the empirical setting in particular. The banking industry was selected for the study because, as profit-oriented businesses, bank executives have a responsibility to maximize profits. Moreover, banks are also faced with the added responsibility of fulfilling the increasing demands of diverse and complex stakeholder groups. Another reason for selecting the banking sector is that the Ghana Banking Survey (2007) report raised questions about the motives of Ghanaian banks in developing and implementing CSR practices. This study therefore explores the views of banks on CSR practices and governance, the motives behind their CSR activities, and the relationship between CSR practices, governance, and their financial performance.

Statement of the Problem

Corporate social responsibility aims at lowering firms cost; enabling firms to charge premium prices; attracting applicant, investors and customers; increasing profitability and creating competitive barriers. However as seen in studies of (Kibera,1996) says the concept of social responsibility of business is concerned

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with the obligation that business has been experiencing pressure from the society to be socially responsible. Davis (2013) argues that modern business is intimately integrated with the rest of society. It is not some self-enclosed world, like a small study group. Rather, business activities have profound ramifications throughout society, and their influence on peoples' lives is hard to escape. Therefore, corporations have responsibilities that go beyond making money because of their great social and economic power.

According to the stakeholder theory, apart from making profit and obeying the law, a company should attempt to alleviate or solve social problems since there are those who believe in providing for society's discretionary expectations. This theory maintains that corporations should consider the effects of their actions upon the customers, suppliers, general public, employees, and others who have a stake or interest in the corporation. According to social contract theory, Gray et al. (1966) argues that a society is a series of social contacts between members of society and society itself. He states that the business does not act in a responsible manner because of it is in its commercial Interest, but because it is part of how society implicitly expect business to operate.

The empirical analysis of the relationship between CSR and financial performance was yet to provide a convincing causal link between corporate social responsibility and financial performance. Griffin and Mahons (1997) concluded that the relationship between corporate social responsibility and financial performance could be positive, neutral or negative. This provides a room for further investigation on the relationship between CSR practices and financial performance.

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However, there were studies that argued that it is not in the best interest of shareholders for a firm to be involved in CSR practice as this takes away resources in the form of CSR spending from a bank's immediate needs.

In addition, most studies, though, both locally and internationally have focused on the other sectors listed at the Ghana Stock Exchange. Corporate social responsibility in the banking sector has rarely been studied and there are inconsistent prior results and limited research on the banking systems of developing countries about factors influencing corporate social responsibility and financial performance of banks in developing countries. Furthermore, CSR relationships have been partly neglected in many studies conducted in developing countries. The study intended to plug that gap. The study sought to answer the following questions; what is the relationship between corporate social responsibility and financial performance in the banking sector of banks licensed at the Bank of Ghana bank? What other factors that may influence a firm's financial performance? Clearly, there is a considerable room for further research with respect to corporate social responsibility.

The Organisation for Economic Co-operation and Development (2004) proposed that good corporate governance must result in higher motivation for the board and executive managers to pursue goals which are in harmony with those of the company and its shareholders. It should also facilitate effective supervision. When an effective corporate governance mechanism is instituted, either within a corporate establishment or in the larger economic setting, the level of confidence needed for the optimal operation of that economy is heightened. It is therefore

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expected that the corporate governance practices of a bank will reflect in its operational and financial performance.

Diversity of the empirical studies presented above demonstrates complexity of the concept and motivates further research in this regard in order to supplement gaps in existing literature by identifying and measuring impact of various features of corporate governance and social responsibility on financial performance in European insurance companies simultaneously. Similarly, and in separate studies, Amman, Oesch and Schmid (2011), Balasubramanian, Black and Khanna (2010:319), Bhagat and Bolton (2008:257), Sami, Wang and Zhou (2011:106) and Waweru (2014) found that corporate governance had a positive relation to the performance of a company. However, Yammeesri and Herath (2010) found no significant relationship between corporate governance and company value.

Other studies reported inconclusive evidence of the nature of the relationship between corporate governance and performance (Abdo & Fisher, 2007; Babatunde & Olaniran, 2009; Klapper & Love, 2004). Given the importance of the subject and the level of research activities, it would seem reasonable to expect that a clear and demonstrable link between corporate governance and company performance has been established. Despite a sustained effort, however, researchers have so far failed to identify a clear nexus (Nicholson & Kiel, 2007). Unfortunately, most of the evidence to date reveals a plethora of mixed-bag findings. Also, in the context of Ghana, there is a bidirectional relationship between CSR and performance which needs further investigation.

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Thus, despite all the studies previously performed, little has been done in studying on the relationship between corporate social responsibility, corporate governance and financial performance using existing banks in banking industry of Ghana. This provides a gap for further studies on the relationship between corporate social responsibility and financial performance in banking industry in Ghana thereby coming up with an academic contribution in banking industry on the relation between CSR spending and banks financial performance. Here, this current study takes a different dimension by analysing corporate social responsibility and financial performance with focus on banks. Contribution of the study to knowledge for proper policy formulation for the various stakeholders.

Purpose of the Study

The main purpose of this study is to establish the relationship between corporate social responsibility, corporate governance and financial performance of banks in Ghana.

Research Objectives

Following are the specific objectives of the study:

1. To investigate the relationship between corporate social responsibility and financial performance of banks in Ghana.
2. To analyse the effect of corporate governance on the financial performance of banks in Ghana.
3. To examine the effect of corporate social responsibility and governance on the financial performance of banks in Ghana.

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Research Hypotheses

This study aims to test answer following hypotheses:

1. H_0: There is no significant relationship between corporate social responsibility and financial performance of banks in Ghana.

   H_1: There is significant relationship between corporate social responsibility and financial performance of banks in Ghana.

2. H_0: There is no significant relationship between corporate governance and financial performance of banks in Ghana.

   H_1: There is significant relationship between corporate governance and financial performance of banks in Ghana.

3. H_0: There is no significant relationship between the interaction of corporate social responsibility and governance and financial performance of banks in Ghana.

   H_1: There is significant relationship between the interaction of corporate social responsibility and governance and financial performance of banks in Ghana.

Significance of the Study

The study is of value to the banking industry in Ghana as it will enable bank managers and financial analysts to make more informed decisions in order to protect their stock returns against financial crises. The study will be of great value to the body of corporate financial management knowledge and will form the basis of further research. By identifying the gap that arises from this study, corporate managers might be able to discriminate among the different CSR activities and

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allocate more resources to those that have a significant positive relationship with financial performance and less to others.

Another unique feature of this study was its focus on the rarely examined market of financing costs as a measure of financial performance. Apart from complementing the prior studies, the study could provide a more complete understanding of how the different social factors influence the financial cost. Bank policymakers require such understanding to be able to take effective investment decisions. The improved understanding of the CSR-Governance-FP relationships might fill the knowledge gap in the literature, aid optimal resource allocations by business managers, and thus create positive social change. Further, the study will create a forum for further discussions and debate on bank financial performance-related issues among financial consultants and financiers, thus adding to the body of knowledge that already exists.

Delimitations

The focus of this study is to examine the effects of CSR and governance on the FP of the banks in Ghana. The CSR variable is viewed as the multidimensional ethical ratings at the individual component level. The use of multidimensional, ethical ratings is one of several ways of measuring CSR. An alternative is to view CSR from the perspectives of the stakeholders using primary data sources, such as surveys or in-depth interviews, or as a disclosure of information about social conduct or as a one-dimensional social measure like corporate reputation, environmental footprint, social investment, or charitable expenditure. The ratings

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are used in this study even though there are other moral rating organizations that assess CSR in various ways. This is because of its popularity among researchers. Unlike the common approach of aggregating the ratings of the individual CSR measures, this study avoids this practice. This study is only limited to banks in Ghana. Finally, panel regression analysis will be employed to analyze the data in order to determine the correlation among the variables as well as assess their predictability. The chosen data analysis strategy is based on its popularity in the empirical literature.

Limitations

This study did not consider all the financial institutions in Ghana since some of them do not have available financial statements needed for the study. Also the study did not employ all the firm specific factors for the analysis. It was chosen randomly on meeting the purpose and availability of such information. Data unavailability for most of the variables hence years preceding 2009 could not be included in the study.

Organisation of the Study

This study is structured into five chapters. Chapter One consists of the introduction including background to the study, statement of the problem, purpose of the study, research objectives and hypotheses, significance of the study, delimitations, limitations and organisation of the study. Chapter Two which is the literature review covered the theoretical and empirical review of the study. Chapter Three focuses on the research methods. It comprised the research design, population, sampling procedures, panel regression, data processing and analysis.

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The chapter ended with a summary of the research methods. Chapter Four focused on the results and discussions while chapter five covered the summary, conclusions, and recommendations of this research.

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CHAPTER TWO

LITERATURE REVIEW

Introduction

The purpose of this section was to provide a critical evaluation on corporate social responsibility, corporate governance and financial performance of banks in Ghana. It presents the relevant theoretical and empirical literature on the effects of corporate social responsibility on the financial performance of banks in Ghana. The first section explores the theoretical underpinning of the study including the meaning of corporate social responsibility, financial performance and theories on corporate social responsibility and financial performance. The second section examines empirical literature of interest to the topic, and the last section explains the theoretical and empirical literature.

Theoretical Review

In spite of the variety and complexity of approaches related to the concept CSR, there are some propositions which have become mainstream theories on normative corporate social responsibility. These include the agency theory, stakeholder theory and relational theory.

Agency Theory

Generally, 'shareholder value-oriented' goes along with the agency theory, which has been dominant in many business schools in the last decades (Ross, 1973). In this theory, owners are the principals, and managers are their agents. The manager bears a fiduciary duty towards the owners and is generally subject to strong incentives in order to alienate their economic interests from those of the

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owners and maximize shareholder value. Today, it is commonly accepted that under certain conditions, the satisfaction of social interests contributes to maximizing shareholder value, and most large companies pay attention to CSR, particularly in considering the interests of people with a stake in the firm.

In this respect, Jensen (2000) has proposed what he calls ‘enlightened value maximization'. This concept specifies long-term value maximization or value-seeking as the firm’s objective, which permits some trade-offs with relevant constituencies of the firm. To distinguish profitable CSR from others that are not, Burke and Logsdon (1996) proposed the concept of SCSR to refer to policies, programs, and processes that yield substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm’s effectiveness in accomplishing its mission. From this perspective, there is an ideal level of CSR that is determinable by cost-benefit analysis and depends on several factors (McWilliams & Siegel, 2001). This requires a careful calculation of the optimal level of social output in each situation for maximizing shareholder value.

Stakeholder Theory

In stakeholder theory, the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services (Clarkson, 1995) or to serve as a vehicle for coordinating stakeholder interests (Evan & Freeman, 1988). Stakeholder theory was first presented as managerial theory. Accordingly, the corporation ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees, and local communities,

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as well as to maintain the firm's survival (Evan & Freeman, 1988). The decision-making structure is based on the discretion of the top management and corporate governance, and frequently it is stated that such governance should incorporate stakeholder representatives. The stakeholder theory of CSR is related to the belief that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contact (Jones, 1980). Thus, stakeholder theory takes into account individuals or groups with a stake in the company, including shareholders, employees, customers, suppliers, and the local community.

According to Freeman (1984), the stakeholder concept provides a new way of thinking about strategic management. By paying attention to strategic management, executives can begin to put a corporation back on the road to success. However, it is also a normative theory that requires management to have a moral duty in order to protect the corporation as a whole and, connected with this aim, the legitimate interests of all stakeholders (Friedman, 1970). Evan and Freeman (1988) stated that management, especially top management, must look after the health of the corporation, which involves balancing the multiple claims of conflicting stakeholders. The term stakeholder was meant by Friedman (1970) to generalize the notion of stockholders as the only group to whom management needs to be responsible. ‘Stakeholder’ can be taken in two senses. In a narrow sense, the term stockholder includes those groups that are vital to the survival and success of the corporation (Freeman & Reed, 1983). In a wide sense, it includes any group or individual who can affect or is affected by the corporation (Freeman, 1984).

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Thus, stakeholders are identified by their interests in the affairs of the corporation, and it is assumed that the interests of all stakeholders have intrinsic value (Donaldson & Preston, 1995). The legitimacy of the stakeholder theory rests on two ethical principles: the principle of corporate rights and the principle of corporate effects (Freeman & Reed, 1983). Both principles take into account Kant's dictum about respect for persons. The former establishes that the corporation and its managers may not violate the legitimate rights of others to determine their future. The latter focused on the responsibility for consequences by stating that the corporation and its managers are responsible for the effects of their actions on others. There is the problem of resolving conflicting interests among stakeholders.

Several authors, accepting the basic stakeholder framework, have used different ethical theories to elaborate different approaches to the stakeholder theory and specifically to solve conflicting stakeholder demands. It has been proposed, among others, the following theories: feminist ethics (Burton and Dunn, 1996), the common good theory (Argandoa, 1998), the integrative social contracts theory (Donaldson & Dunfee, 1999), and the doctrine of fair contracts (Freeman, 1994). Freeman accepted these pluralistic ethical approaches by presenting the stakeholder model as a metaphor where different ethical theories find room.

Legitimacy Theory

This was propounded by Suchman (1995), and it has a key role to play in CSR and performance relationships. According to Suchman "legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values,

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beliefs, and definitions". Thus, the legitimacy theory is a mechanism that supports organizations in implementing and developing voluntary social and environmental disclosures in order to fulfill their social contract, which enables the recognition of their objectives and their survival in a jumpy and turbulent environment (Suchman, 1995). According to Rahmawati (2012), legitimacy theory focuses on the interaction between companies and society.

Business and society imply business in society, where CSR is the interacting factor between the two. It is necessary for the social responsibility of the business to reflect the social power that the business possesses. The corporation is accountable for its operations that have an impact on people, communities, and the environment in which people and communities live. This includes corporate social responsibility (CSR). In essence, the firm owes obligations not just to its shareholders but also to all other parties involved in its operations (consumers, employees, creditors, debtors, etc.), who are crucial to its success.

According to Lindawati's research from 2008, corporate social responsibility (CSR) is a company's commitment to long-term support of a specific social issue or a cleaner environment. Contributions from this company can take many different forms, such as financial support, assistance from company specialists, assistance in the form of commodities, and other types of support (Hamdani, 2016). According to CSR, the business has a moral obligation to protect its integrity, be honest, and observe the law. CSR highlights the need for businesses to adopt moral and sustainable business methods that are beneficial to the economy,

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society, and environment (Hamdani, 2016). Thus, companies engage in CSR in a variety of ways and with different goals, according to Untung (2008).

This demonstrates a growing understanding that, in order for a business to expand sustainably, it must preserve not only its financial success but also its social and environmental responsibilities. He states that the business does not act in a responsible manner because it is in its commercial interest but because it is part of how society implicitly expects businesses to operate. This theory helps to establish how CSR finds its way of contributing to society, which serves as the foundation for this current study.

Legitimacy theory was sometimes seen only as a 'plausible explanation of managerial motivations' without any real effort to determine how a disclosure may or may not promote transparency and accountability towards non-capital provider stakeholder groups" (Owen, 2008:248) and not like an instrument to be used for making viable predictions (Mobus, 2005). Therefore, it is imperative for organisations to voluntarily disclose social and environmental information as a means of legitimising their legitimacy. The act of revealing information necessitates the implementation of tangible measures that adhere to established social and environmental standards and principles.

The enduring effects of legitimacy on an organization's economic and financial performance can give rise to numerous internal tensions within the multifaceted concept of legitimacy, thereby affecting the shift from legitimacy to illegitimacy and vice versa. The significance of autonomous media in bolstering the credibility of institutions will be crucial, contingent upon the collaboration of

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other pertinent stakeholders such as the community and governmental regulatory bodies. The forthcoming studies will investigate the involvement of stakeholders in influencing the community's perception of the legitimacy of the organisation. It is imperative for stakeholders to take action in order to avert the erosion of legitimacy and refrain from tarnishing the reputation of an entity. The involvement of stakeholders is crucial in mitigating and preventing illicit risks. Organisations can leverage this involvement to implement targeted measures at various levels of legitimacy, in response to the evolving values and expectations of society. Trust assumes a pivotal role in shaping the legitimacy of an organisation within the given context, and it serves as a reflection of the organization's behaviour. The employment of a legitimacy strategy is a crucial mechanism that exerts an influence on the perception of an organisation by its stakeholders. Empirical investigations should be conducted to explore the factors that facilitate or hinder an organisation in achieving, sustaining, and safeguarding its legitimacy.

Corporate Social Responsibility defined

The concept of Corporate Social Responsibility (CSR) has been subject to multiple definitions, lacking a universally acknowledged definition (Hopkins, 2012). The notion of Corporate Social Responsibility (CSR) is widely agreed upon by scholars as the ethical and responsible obligations of a corporation towards its diverse stakeholders, including the community and society as a whole (Hopkins, 2012). According to Sims (2003), a valuable definition of corporate social responsibility (CSR) entails the persistent dedication of businesses to ethical conduct and economic advancement, while simultaneously enhancing the well-

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being of their employees and their families, as well as the broader community and society. The concept of 'Corporate Social Responsibility (CSR)' was initially introduced by Bowen (1953), who highlighted the obligation of businesspersons to align their actions and policies with societal values, while simultaneously contributing to the advancement of the broader community. The notion was subsequently enhanced by a number of writers during the 1960s, including Davis (1960), Fredrick (1960), McGuire (1963), and Walton (1967) (Aras & Crowther, 2016).

The notion of Corporate Social Responsibility (CSR) was originally denoted as 'Social Responsibility' with a primary emphasis on entrepreneurs. However, in 1967, Davis extended the scope of the term to encompass corporations and institutions as well. Various terms have been introduced over time in conjunction with CSR, including corporate citizenship and corporate sustainability (Hopkins, 2012). Beal (2013) presents a contemporary viewpoint on corporate social responsibility (CSR), positing that it can serve as a mechanism to harmonise the interests of corporations and individuals, thereby facilitating the effective operation of economic markets. The author posited that in the event that the interests of corporations are congruent with the societal interests, the necessity to evaluate the effects of corporate actions on society would decrease.

The Pyramid of Corporate Social Responsibility

The comprehensive notion of corporate social responsibility encompasses various constituent elements that are integrated to constitute a unified construct. Carroll and Buchholtz (2008) explicated the Pyramid of Corporate Social

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Responsibility, which comprises four interrelated components that offer a comprehensive framework for businesses to engage in simultaneous decision-making, actions, practises, and policies. The comprehensive scope of responsibility encompasses the amalgamation of economic, legal, ethical, and philanthropic obligations.

Figure 1: **Pyramid of Social Corporate Responsibility**

Source: Adapted from Carrol and Buchholtz (2008)

The concept of Corporate Social Responsibility encompasses a range of responsibilities, including economic, legal, ethical, and philanthropic responsibilities. The four facets of Corporate Social Responsibility (CSR) are oriented towards distinct stakeholders of the enterprise. The fiduciary and regulatory obligations typically centre on the stakeholders of the enterprise. The primary objective of economic responsibility is to maximise profits and achieve a competitive edge in the market. All businesses aim to generate profit and their operations are heavily reliant on economic accountability.

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According to Carroll (1991), while the profit motive in business firms is not inherently negative, it is imperative that such firms operate within the confines of state laws and regulations in order to fulfil their legal responsibilities. The legal obligations of a business pertain to its adherence to laws and regulations in the course of its operations. Carroll (1991) posited that ethical responsibility is a manifestation of the fusion between economic and legal responsibility. Ethical responsibility pertains to the standards and norms that are concerned with upholding moral values of respect, regard, and care towards consumers, stakeholders, and shareholders. The evolving ethical values associated with technological progress and changing social circumstances, such as human rights and environmental standards, have led to the development of new laws and expanded legal responsibilities. This is reflected in the broadening of the legal responsibility category (Ibid, 1991).

Corporate social responsibility encompasses the voluntary actions undertaken by business organisations to contribute to philanthropic causes. This pertains to the involvement of businesses in charitable or community welfare initiatives. According to Carroll's (1991) perspective, the absence of charitable or financial assistance from an organisation in the community does not necessarily imply unethical behaviour. In order to exhibit responsible corporate behaviour, an organisation may engage in philanthropic activities. This practise can foster increased customer loyalty and yield benefits for the broader community. According to Carroll's research in 2008, it has been demonstrated that engaging in philanthropic endeavours can potentially enhance the overall morale of a company

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and its employees. The conflation of ethical and philanthropic endeavours is commonly viewed as constituting the social responsibility of a business. From a practical or managerial perspective, a socially responsible firm endeavours to generate substantial profits while also conducting itself ethically within the environment, adhering to legal regulations, and presenting itself as a responsible corporate entity.

Corporate Governance Defined

In a broad way "corporate governance can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public etc.; professional/service providers – and the corporate sector" (Crowther & Aras, 2009). At the same time "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined" (Organisation for Economic Co-operation and Development, 2004). In other cases, concept is described into more details and main emphasis is put on accountability: "It can include a range of activities, such as setting business strategies and objectives, determining risk appetite, establishing culture and values, developing internal policies, and monitoring performance. Corporate fairness, transparency, and accountability commonly are viewed as goals of corporate governance" (Federal Deposit Insurance Corporation, 2005). Constituents of corporate governance in banking include managing operations in

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accordance with legislation, specified risk profile and interests of stakeholders (Greuning & Brajovic-Bratanovic, 2009).

Gup (2007) distinguishes two different models of corporate governance in banks: The Anglo-American and Franco-German. In Anglo-American model, main concern of corporate governance is “how to assure financiers that they get a return on their financial investment” and thus “deals with the agency problem: the separation of management and finance” (Shleifer & Vishny, 1997); whereas Franco-German model is characterized with relatively high concentration of ownership and takes into account the interests of not only shareholders but also stakeholders (Gup, 2007). In the Anglo-American model, management is generally expected to prioritise the interests of shareholders over those of other stakeholders, unless there are specific legal requirements to the contrary (Macey & O'Hara, 2003).

Effective and sound functioning of banking system is vital for economic development of a country. Importance of the banks’ robust performance increases in those countries where main sources of obtaining funds to finance companies’ activities are financial intermediaries rather than financial markets; or if banks can play significant role not only through direct possession of stocks, but via subsidiary investment funds or management of depositary proxy rights. For instance, in 1992 in Germany voting rights exercised by banks in general shareholder meetings of 24 largest widely held stock corporations on average amounted to (84.09%) (Aluchna, 2009). According to Hart (1995), importance of corporate governance increases in cases of agency problem and high transaction costs of creating comprehensive

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contracts in order to solve the above-mentioned problem. Author discusses several mechanisms which can constrain managers' activities driven by own interest, such as monitor held by boards of directors or large shareholders, as well as threat of proxy fights, hostile takeovers and relinquished positions in case of inability to pay debts that company faces.

The implementation of corporate governance practises within a specific bank can be considered a significant determinant of the bank's overall financial stability and success. Levine (2004) argues that despite being perceived as typical businesses, banks possess two distinct features that necessitate autonomous scrutiny of their governance: a relatively obscure nature in contrast to other non-financial enterprises and frequent government regulation of the industry. The author asserts that these attributes possess specific ramifications in relation to prevalent corporate governance mechanisms. A higher degree of information asymmetry reduces the ability of interested parties, such as debt and equity holders, to exercise control over the activities of bank managers. Moreover, it introduces complexity in the development of contractual agreements that would guarantee alignment of managers' conduct with the interests of shareholders, ultimately reducing the efficacy of hostile takeovers and competitive product markets as mechanisms of corporate governance. Regarding another attribute, Barth, Caprio, and Levine (2004) discovered through their study of 107 countries that a significant proportion of them (around 73%) limit the consolidation of bank ownership to a single entity.

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Besides, Levine (2004) marks out that governments often impede competition in banking sector through regulating range of activities allowed to banks to engage, imposing portfolio restrictions, liquidity requirements or even limits on interest rates. This type of regulation hinders usage of common corporate governance mechanisms, such as equity concentration and competition.

Bank's Financial Performance

In their study, Gryphon and Mahon (1997) conducted a comprehensive review of 51 research studies that investigated the relationship between Corporate Social Responsibility (CSR) and the financial performance of banks. Their analysis revealed that a total of 80 distinct types of financial performance measures were employed across the reviewed studies. Financial performance measures commonly employed include firm size, return on assets (ROA), return on equity, asset age, and return on sales. The authenticity of ROA as a measure of financial performance has been consistently asserted by scholars such as McGuire et al. (1988). In contrast to alternative accounting metrics such as return on equity or return on sales, the return on assets (ROA) remains unaffected by variations in the level of leverage across firms. The positive correlation between ROA and stock price suggests that an increase in ROA results in greater value generation for shareholders. Furthermore, in companies that possess a significant amount of assets, such as those in the manufacturing industry, Return on Assets (ROA) serves as a more effective metric for evaluating firm performance.

According to Ong (2003), financial performance measures are considered lag indicators that primarily reflect historical performance associated with tangible

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assets. In contemporary times, intangible assets such as customer relationships, employee satisfaction, innovation, and investment in research and development have emerged as crucial sources of competitive advantage for firms. However, it has been observed that there is a tendency to inadequately document the performance of these intangible assets, as noted by Lev (2000). The NFP metrics are centred on the enduring success drivers of an organisation, which include research and development, customer contentment, internal business process efficiency, innovation, and employee satisfaction. These metrics are designed to gauge the progress made in enhancing the value of intangible assets (Kaplan & Norton, 2001). In the conventional accounting system, investments made in intangible assets, such as research and development, are not capitalised but rather expensed immediately. The accounting of intangible assets in this manner results in a reduction of profits in the present fiscal year, despite the fact that the advantages of such investments are realised by the company over an extended duration.

Non-financial performance measures offer indirect indications of firm performance by taking into account such enhancements in performance. Non-financial performance measures are regarded as "lead indicators" due to their emphasis on outcomes rather than origins of performance, as noted by Ittner and Larcker (2000). The measures of financial performance are considered objective, while non-financial performance measures are subjective in nature. These measures encompass the perceptions of managers regarding the performance of the firm in areas such as market share, employee well-being, safety, research and development, among others. According to Venkatraman and Ramanujam's study in 1987, there is

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a correlation between the perceptual data provided by senior managers regarding non-financial performance and the hard data obtained from secondary sources on financial performance, indicating that these two types of data are complementary. Therefore, Financial Performance measures are employed to comprehensively evaluate the performance of a firm (Govindarajan & Gupta, 1985; Ittner & Larcker, 1998).

Empirical Review

This section provides an overview of the empirical studies that have been conducted in the relevant field, which serve as the foundation for the present study. This section provides a comprehensive overview of various studies pertaining to corporate social responsibility (CSR), governance, and financial performance in the banking sector. Corporate social responsibility (CSR) is widely regarded as a crucial element in improving the performance of banks. In contemporary times, the corporate sector is grappling with the issue of CSR. The primary objective of this review is to delineate the impact of Corporate Social Responsibility (CSR) on the financial performance of banks. The extant literature has primarily concentrated on investigating the relationship between corporate social responsibility (CSR) and the financial performance of banks in both individual countries and across a range of countries.

Relationship between CSR and financial performance of banks

A variety of literature exists regarding corporate social responsibility (CSR) and its effects on various aspects of corporations. One of the primary subjects of investigation pertains to the impact of Corporate Social Responsibility (CSR) on

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the financial performance of banks. According to Rayner's (2002) definition, the performance of banks is a comprehensive amalgamation of various procedures, techniques, measurements, and frameworks that are utilised to regulate and supervise the overall performance of an organisation. The speaker elaborated on the importance of establishing performance dimensions and measurement criteria that align with a company's targets, business objectives, and strategic goals in order to effectively manage performance.

Saki (2020) examined the impact of CSR on the financial performance (FP) of Private Commercial Banks (PCBs) in Bangladesh. The study used a sample size of 10 based on a simple random sampling technique. Data was obtained through a secondary means analysis was done using regression, analysis of variance (ANOVA), and correlation. Here, net profit after tax (NPAT), earnings per share (EPS), net asset value per share (NAVPS), return on assets (ROA), return on equity (ROE), market value per share (MVPS) and corporate social responsibility (CSR) were the variables used. The study found a highly significant and statistically significant association between CSR and financial performance. However, corporate governance was not considered.

Gangi, Mustilli, Varrone and Daniele (2018) investigated the effect of CSR on banks' performance of European banking industry by employing a panel dataset for the period 2009-2015 based on a sample size of 114 banks. By employing agency theory, the study indicated that CSR engagement positively affects banks' financial performance. However, the study did not indicate the basis for selecting

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the sample size, research design employed and governance variable was part of the analysis.

The study by Laskar and Maji (2017) investigated the relationship between the disclosure of corporate social responsibility (CSR) and financial performance in India. The findings of the research elucidate a favourable influence of corporate social responsibility (CSR) on the overall performance of all the companies. The study conducted by Yusoff and Adamu (2016) investigates the correlation between corporate social responsibility (CSR) initiatives and the financial performance of publicly traded firms in Malaysia. The data utilised in the research was sourced from annual reports spanning the years 2009 to 2013. The researcher has elucidated through empirical evidence that the top 100 companies in Malaysia exhibit a positive disposition towards corporate social responsibility (CSR) and actively engage in such activities. Additionally, the study has established that CSR initiatives have a significant impact on the financial performance of these companies that are listed.

The impact of corporate social responsibility on the performance of non-financial organisations in Yemen is explored by Al-Samman (2016). The utilisation of diverse statistical methodologies and findings reveals that the three dimensions of Corporate Social Responsibility (CSR), namely economic, legal, and ethical, exhibit a noteworthy and affirmative interrelationship. Moreover, the analysis revealed that there was no statistically significant disparity between state-owned enterprises (SOEs) and privately owned enterprises in terms of their propensity to engage in periodic corporate social responsibility initiatives.

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In their 2016 study, Kamrujjaman and Obaidullah examined the efficacy of corporate social responsibility initiatives in poverty eradication efforts in developing nations. They concluded that the current approach is unlikely to have a substantial impact on poverty reduction. Hossain and Khan (2016) conducted a study on corporate social responsibility (CSR) in the banking industry, specifically focusing on the Hong Kong and Shanghai Banking Corporation Limited. The present study posited that a more comprehensive and deliberate engagement of the average person in corporate social responsibility (CSR) initiatives is necessary.

Alemu (2017) conducted research on the effects of corporate social responsibility practises on the financial performance of the banking industry in Ethiopia. The research employed a mixed-methods approach and various econometric models to assess the correlation between corporate social responsibility (CSR) and the financial performance of banks in Ethiopia. The findings indicate a lack of statistically significant correlation between the financial allocation towards corporate social responsibility initiatives in Ethiopia and the 1 percent threshold.

The research conducted by Alsahlawi (2016) pertained to the disclosure of corporate social responsibility (CSR) within the banking industry of Saudi Arabia. This study examines the corporate social responsibility (CSR) disclosure of the banking sector from 2011 to 2014. The findings suggest that further efforts are required to enhance CSR practises within the banking industry. It is recommended that businesses operate responsibly to cater to the interests and requirements of all stakeholders.

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The study conducted by Krasodomska (2015) delves into the topic of corporate social responsibility (CSR) disclosures in the banking industry, with a particular focus on empirical evidence from Poland. The findings of the study indicate that the quality of CSR disclosure in 2011 was superior to that of 2005. Additionally, it was observed that all banks included CSR in their management commentary.

Taskin (2015) conducted a study in Turkey that analysed the relationship between corporate social responsibility and bank performance. The findings indicate a bidirectional relationship between corporate social responsibility practises and the performance of Turkish banks. The study conducted by Adeneye and Ahmed (2015) investigates the relationship between corporate social responsibility and financial performance of companies in the United Kingdom. This paper employs two prominent theories. The two theories under consideration are Social Exchange Theory and Stakeholder Theory. The research findings suggest that the implementation of Corporate Social Responsibility (CSR) can potentially optimise shareholder wealth and enhance financial performance.

Kanwal et al. (2013) conducted a study examining several major corporations in Pakistan. The study found that companies with notable corporate social responsibility (CSR) initiatives and significant CSR expenditures experienced a favourable correlation between their CSR endeavours and the financial performance of the organisation. The researchers discovered that the allocation of funds towards Corporate Social Responsibility (CSR) initiatives has

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facilitated the corporations in achieving sustainable image development and financial gains.

Murtaza and Akhtar (2014) performed a panel analysis to investigate the food industry in Pakistan. The findings of their research suggest that there is a positive correlation between a firm's expenditure on social initiatives and the benefits it reaps in terms of financial gains and reputation enhancement.

Malik and Nadeem (2014) conducted a study to examine the influence of corporate social responsibility (CSR) on the financial performance of companies operating in the banking industry of Pakistan. The researchers utilised a regression model to determine a positive correlation between the implementation of Corporate Social Responsibility (CSR) programmes by organisations and their long-term profitability. The authors of the study established a correlation between the dearth of corporate social responsibility (CSR) in Pakistan and the significant impact of CSR initiatives on corporate profitability.

Chetty et al. (2014) conducted a study on South African firms to investigate the feasibility of investing in corporate social responsibility (CSR) for long-term benefits, despite the potential trade-off with short-term profits. The researchers analysed a decade's worth of data from 2004 to 2013 and concluded that there is no statistically significant correlation between a company's corporate social responsibility initiatives and its long-term financial performance. Hirigoyen and Rehm (2015) conducted a study that yielded similar results, indicating a negative correlation between corporate social responsibility (CSR) and a company's

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financial performance. The study found that as a company's investment in CSR increases, its returns and profits decrease.

The authors Kim et al. (2015) conducted research on the correlation between corporate social responsibility (CSR) and a company's financial performance, utilising a competitive action perspective. The study conducted by the researchers involved a sample of 113 publicly traded companies operating in the software industry within the United States. The data collected spanned a period of five years, specifically from 2000 to 2005. The findings revealed that the impact of competitive action on a firm's financial performance was greater than that of its corporate social responsibility (CSR) and other moral initiatives. The study findings indicate that when the level of competitive action is elevated, the implementation of positive corporate social responsibility (CSR) initiatives results in superior financial performance. Conversely, when the level of competitive action is low, the adoption of negative CSR practises leads to enhanced financial performance. Therefore, the researchers arrived at the conclusion that in order for corporate social responsibility (CSR) to yield favourable effects on a company's financial performance, the firm's level of competitive action must also be high.

Bolton (2013) conducted a study utilising a panel approach with a sample of 30 banks in the United States to investigate the relationship between corporate social responsibility and bank performance. The study covered the time period from 2003 to 2013. The findings indicate that enhancing the calibre of corporate social responsibility within banks can mitigate the risk linked to financial institutions in the United States.

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The study conducted by Kanwal and Khanam (2013) investigates the relationship between social responsibility and firm performance. Researchers employed correlation analysis as a means of determining the causal relationship between two variables. The findings of the study indicate a positive correlation between corporate social responsibility (CSR) and the financial performance of firms. Moreover, it has been suggested that investing in corporate social responsibility (CSR) initiatives can yield enduring advantages through sustained and ongoing progress.

The objective of a study conducted by Masood et al. (2015) was to assess the impact of bank-specific and macroeconomic factors on the profitability of banks. The selected member states of the Organisation of Islamic Cooperation (OIC) are subjected to inspection via a balanced panel data regression model. The findings suggest that effective management of operating expenses has a favourable impact on the profitability of a business.

The study conducted by Weshah and Dahiyat (2012) aimed to examine the influence of corporate social responsibility on the financial performance of corporations, specifically in the context of Jordanian banks operating in Jordan. The model utilised by the authors in the study was estimated by Mc. According to the findings of quantitative research, a noteworthy correlation has been established between the levels of banks, bank size, risk level, advertising expenses, and corporate social responsibility (CSR).

The concept of Corporate Social Responsibility (CSR) and its influence on the financial performance of firms and the nation as a whole in Nigeria was

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expounded upon by Babalola (2012). The findings obtained through ordinary least square analysis indicate a negative correlation between a firm's financial performance measure and its investment in social responsibility.

Islam and Ahmed (2012) conducted a study to establish a correlation between corporate social responsibility (CSR) and corporate financial performance (CFP) in the banking sector of Bangladesh. This study utilised t-tests to examine the distinction between two categories of banks in terms of their ROA, EPS, and P/E ratio. The findings suggest a positive correlation between the average ROA ratio of banks and their level of corporate social responsibility.

The study conducted by Akanbi and Ofoegbu (2012) investigates the influence of corporate social responsibility on the financial performance of banks in Nigeria. The authors assert that there exists a favourable correlation between ethical corporate social responsibility and organisational performance.

Cheruiyot (2010) conducted a study aimed at determining the correlation between corporate social responsibility and the financial performance of companies that are listed on the Nairobi Stock Exchange. The present investigation was conducted as a cross-sectional study encompassing all 47 listed companies in the main segment of the NSE as of December 31st, 2009. The researcher employed regression analysis to ascertain the correlation between the Corporate Social Responsibility (CSR) index and financial performance indicators, namely Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). The author arrived at the deduction that there exists a statistically noteworthy correlation between Corporate Social Responsibility (CSR) and financial performance.

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Akindele (2011) employed a survey design of ex-post facto type, wherein officials from four randomly selected banks in Nigeria were included, to conduct a study on the utilisation of corporate social responsibility as an organisational tool for survival in Nigeria. The overarching aim of this investigation is to assess the scope and function of retail banking sectors in the implementation of corporate social responsibility initiatives, with the ultimate goal of promoting sustainable progress and advancement within nearby communities. The study's data was subjected to analysis using descriptive and inferential statistics. Additionally, predictions and decisions that were based on sample data were ascertained through the utilisation of Analysis of Variance (ANOVA). The research revealed a noteworthy correlation between the profitability of banks and their corporate social responsibility (CSR) initiatives in Nigeria.

The study conducted by Olayinka and Temitope (2011) employed qualitative research methodology to investigate the correlation between corporate social responsibility and financial performance within developing economies. The research gathered data pertaining to variables that were hypothesised to be associated with corporate social responsibility (CSR) and financial performance. The variables under consideration comprised of Return on Earnings, Return on Asset, Community Performance, Employee Relation, and Environment Management System. The findings indicate a statistically significant and positive correlation between corporate social responsibility (CSR) and financial performance metrics. The aforementioned findings have strengthened the growing

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corpus of empirical evidence that substantiates the favourable influence of corporate social responsibility (CSR) on financial performance.

Amole et al. (2012) conducted a study to investigate the correlation between corporate social responsibility and profitability of Nigerian banks. The researchers utilised an ordinary least square (OLS) model of regression to examine the relationship between the dependent and independent variables. The research utilised information pertaining to corporate social responsibility spending and post-tax earnings spanning the timeframe of 2001 to 2010. The study employs a theoretical framework that elucidates the causal linkage between corporate social responsibility (CSR) and financial performance of firms (FFP). The findings of the regression analysis indicate that a one-unit increase in CSR expenditure is associated with a 95% increase in the bank's profit after tax. The obtained R-Square value of 0.893 indicates that CSR was responsible for 89% of the variance observed in the bank's profit after tax. The research indicates a positive correlation between the corporate social responsibility (CSR) initiatives of banks and their profitability. This underscores the importance of banks exhibiting a strong dedication to CSR in accordance with the stakeholders theory, as a means of bolstering their long-term profitability.

The study conducted by Bashir, Hassan, and Cheema (2012) determined that the implementation of corporate social responsibility (CSR) initiatives within an organisation has a favourable effect on employee satisfaction, leading to heightened levels of productivity and profitability.

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Uwaloma and Egbide (2012) conducted a study on a sample of 41 companies listed in the Nigerian stock exchange during the 2008 period. The data was subjected to multiple regression analysis for analysis purposes. The study demonstrated a noteworthy inverse correlation between the financial leverage of firms and the extent of their disclosures regarding corporate social responsibility.

Conifer, Nazari, Emami, and Soltaniet (2012) conducted a study on the relationship between corporate social responsibility (CSR) activities and financial performance in the restaurant and airline industries. The results of their research revealed a mixed correlation between these two variables. Javed, Saeed, Canada, Erhemjamtsa and Tehranianb (2012) conducted a study in the banking industry and discovered that banks of varying sizes exhibit distinct behaviours during financial crises. Specifically, small banks demonstrate a noteworthy correlation between various bank characteristics and profitability. On the other hand, large banks that engage in corporate social responsibility (CSR) activities exhibit a favourable and noteworthy influence on their financial performance.

Singh and Pachar (2012) employed empirical metrics to ascertain the influence of corporate social responsibility (CSR) initiatives on the fiscal performance of the organisation, and their findings revealed a noteworthy and affirmative correlation between these two factors.

The study conducted by Adeyanju (2012) utilised data obtained from the communication and banking sectors. The statistical techniques of regression and correlation analysis were employed to analyse the data in the study. The regression analysis yielded a robust and statistically significant correlation between corporate

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social responsibility (CSR) and advancements in society. The findings suggest that Corporate Social Responsibility (CSR) has a noteworthy impact on the advancement of society, particularly in relation to environmental and economic development.

According to Ehsan, Kaleem, and Jabeen (2012), there exists a reciprocal association between a company's corporate social responsibility endeavours and its financial outcomes. The researchers conducted an analysis on panel data utilising a random effect model. The findings indicate a positive correlation between the aforementioned variables.

The study conducted by Duke and Kankpang in 2013. A cross-sectional study was conducted utilising an inferential research design to examine the impact of Corporate Social Responsibility (CSR) on the financial performance of firms. The study focused on the cost of CSR variables, including waste management, pollution abatement, social action, and fines and penalties, and measured financial performance using Return on Capital Employed. The study revealed a significant and positive correlation between waste management and pollution abatement practises and firm performance. Conversely, social action and the imposition of fines and penalties were found to have a strong negative association with firm performance. The study suggests that companies should make a conscious effort to allocate resources towards effective waste management and pollution control, given the inconclusive outcomes observed. Lodhi and Malik (2013) applied the Caroll model of Corporate Social Responsibility (CSR) to the companies listed on the Karachi Stock Exchange (KSE) 30 index in Pakistan. Their findings indicate a

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positive correlation between a firm's financial performance and its economic and legal responsibilities, while a negative correlation was observed in relation to ethical and discretionary responsibilities. The authors of the study assert that corporate social responsibility (CSR) fosters a conducive atmosphere for the nation and cultivates a culture of voluntary compliance with laws.

According to Domenico's (2014) study, which utilised data from various Italian firms, there exists a modest positive correlation between corporate social performance and financial performance. In their study, Mahoney and Roberts (2007) investigated the correlation between CSRD and financial performance in a vast cohort of publicly traded firms over a four-year period in Canada. The findings of this study indicate a lack of statistically significant correlation between the variables in question. However, a noteworthy correlation was unveiled between certain Corporate Social Responsibility (CSR) endeavours and disclosure, specifically those pertaining to environmental and international activities, and their impact on financial performance.

Rettab, Brik, and Mellahi (2009) conducted a recent study on the corporate social and financial performance in the United Arab Emirates market, which is considered an emerging economy. The relationship was examined across a sample of 280 industries, encompassing Manufacturing, Trading and Repairing Services, Hotels and Restaurants, Real Estate, Rental, and Business Services, Education, Banking and Financial Services, Mining and Quarrying, and Other industries. Despite encountering certain obstacles that have hindered the efficacy of stakeholder engagement and communication of corporate social responsibility

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(CSR) initiatives, the researchers have identified a robust and affirmative correlation between CSR and financial performance.

Effect of Corporate Governance on Bank's Performance

The impact of board structure on bank efficiency in Europe, particularly in the UK, has been examined by Agoraki, Delis, and Staikouras (2010) and Tannaa, Pasiouras, and Nnadi (2011). The former study identifies a negative correlation between board size and both cost and profit efficiency. In contrast, the latter study reports a positive impact, although this finding is not consistently supported across all specifications. Negative association of board size with financial and operational performance of European banking system, measured with ROE, ROA and Tobin's Q is also reported by Staikouras et al. (2007). At the same time, Adams and Mehran (2012) provide evidence in favor of large boards in U.S. Bank Holding Companies (BHCs).

de Andres and Vallelado (2008) emphasize importance of boards of directors, in particular their monitoring and advising function. In their study of 69 large commercial banks from Canada, France, Italy, Spain, the UK, and the U.S. for the period of 1995-2005, authors demonstrate existence of "an inverted U-shaped relation" between board size, fraction of non-executive directors and bank performance; meaning that, both independent variables are characterized by diminishing marginal returns and therefore, optimum number of board members should be determined as well as level of board independence in order to create shareholder value.

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The study conducted by Adams and Mehran (2008) reveals that there is no significant correlation between the proportion of independent board members and performance, as measured by Tobin's Q. Cornett and colleagues (2009) contend that a robust board of directors is positively correlated with bank performance, as measured by earnings before extraordinary items and after taxes to total year-end assets. Furthermore, authors claim that corporate governance mechanisms, such as CEO pay-for-performance sensitivity, board independence, the Tier 1 capital ratio, are simultaneously determined along with performance and earnings management. As a result of addressing endogeneity by applying two-stage least squares regressions, they reveal negative relationship between performance, board independence, and capital and earnings management; meaning that, if a bank performs well, has a strong independent board of directors and sufficient level of capital, management is less likely to engage in artificial inflation of earnings by usage of loan loss provisions and securities gains and losses.

Similarly, effect of board independence and pay-performance sensitivity on bank holding companies' performance is examined by Mishra and Nielsen (2000). They document a positive influence of relative tenure of independent outside directors and CEO pay-performance sensitivity on accounting performance, but negative impact of their cross product, which indicates substitution relation between them; although, it's worth mentioning that when two-stage least squares method is applied, pay-related incentives and the percentage of independent outside directors show complementary relation. Mentioned empirical results suggest that

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once CEO compensation programs are set in accordance with shareholders' interests, added value of increase of independent directors' proportion decreases.

Based on research of 62 large publicly traded U.S. banks Peni and Vähämaa (2011) find that strong corporate governance, quantified with the index of Brown and Caylor (2006, 2009), was associated with higher profitability, although decreased stock market valuations of banks amid crisis. However, further observation of subsamples and sub-periods reveals significant and positive impact of corporate governance on stock returns, indicating that later on strong corporate governance structures helped banks to reduce negative effects of financial crisis. As for European banks' performance amidst market turmoil, study of 97 largest banks demonstrates different effects of various aspects of corporate governance (Felício, Rodrigues, Ivashkovskaya, & Stepanova, 2014).

Particularly, it seems that the frequency of board and committee meetings—particularly those of the audit committee and remuneration committee—has a favorable, considerable impact on performance as determined by ROA. Improved communication between the executive and monitoring functions may be one of the causes. It is believed that the larger level of professional experience that older directors have accumulated will positively affect operating success and market valuation. It's important to note that the authors found no statistically significant impact of the dual role of the CEO, the workload of directors, block holdings, anti-takeover measures, relative power of insiders, or other corporate governance methods on any performance measurements (ROA, Book to Market Ratio, Net Interest Margin).However, larger banks with headquarters in more developed

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nations, as measured by GDP per capita, are linked to lower profitability and thus, lower operational performance.

Effect of Corporate Social Responsibility and Corporate Governance on Financial Performance of Banks

Li (2014) conducted a study utilising panel analysis, which was based on 387 responses from small corporations. The findings indicate that the corporate governance packages evaluated in the existing literature have an adverse effect on the corporate social responsibility (CSR) and financial performance of small firms. This outcome can be attributed to the Stakeholder Theory and the Resource Dependency Theory. The findings suggest that addressing governance requirements in small businesses in Australia necessitates a stakeholder-oriented approach.

The study conducted by Ali and Atan (2013) investigated the correlation between the disclosure of corporate social responsibility and corporate governance among companies in Malaysia and worldwide. The findings of the study revealed that there were notable dissimilarities in the scope and diversity of corporate social responsibility (CSR) disclosure between Malaysian and global corporations, as evidenced by the results of the descriptive analysis and Kruskal-Wallis test. The findings of the multiple regression analysis suggest that there exists a significant relationship between the extent of corporate social responsibility (CSR) disclosures and board size, board independence, and ownership concentration. The results indicate that neither firm size nor leverage exhibit a significant correlation with the

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degree of corporate social responsibility (CSR) disclosures and financial performance.

Wang and colleagues (2013) conducted a systematic examination of existing literature and employed causal feedback loop analysis within the framework of system dynamics. The researchers discovered that, of the three factors analysed, namely corporate governance, corporate social responsibility, and financial performance, corporate governance holds a central position. The selection of successors and corporate governance is influenced by feedback on financial performance, with key factors being morality and human caring. The implementation of corporate social responsibility and corporate governance practises have a positive impact on a company's reputation. Corporate social responsibility (CSR) has both favourable and unfavourable impacts on the operational efficiency of corporations.

In their study, Wise and Ali (2009) investigated the correlation between corporate governance, corporate social responsibility, and firm performance in Bangladesh from 2005 to 2009. The authors employed panel regression models to analyse three cases. The study revealed that both entities are recent additions to the banking industry. The researchers noted that the most recent company, established in 1999, did not provide any information regarding its commitment to corporate social responsibility. Based on this observation, they inferred that the corporate governance mechanisms employed by this firm are likely to be rudimentary and have a positive correlation with financial performance.

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The study conducted by Beltratti (2005) examined the interdependence between corporate governance, corporate social responsibility, and the financial performance of banks. The extant empirical literature indicates a positive correlation between the market value of a firm and both its corporate governance and corporate social responsibility. The research findings suggest that there exists a noteworthy affirmative correlation between corporate governance and corporate social responsibility, which in turn have an impact on the financial performance of banks. In addition to the rights of shareholders, the obligations of the board of commissioners, safeguarding the interests of stakeholders, and ensuring disclosure and transparency are crucial factors that shape the implementation of corporate governance in the banking sector. Corporate social responsibility initiatives typically prioritise internal stakeholders through the cultivation of positive relationships with employees and the implementation of measures aimed at safeguarding and enhancing the natural environment. The aforementioned discovery suggests that the financial institution is proactively cultivating connections with its stakeholders and has already taken into account the matter of sustainability by enhancing its social and economic efficacy.

Conceptual Framework

The conceptual framework presented below posits that financial performance is the dependent variable, while corporate social responsibility (CSR), governance, bank size, leverage, and age are the independent variables. Return on asset (ROA) and return on equity (ROE) are commonly utilised metrics to evaluate financial performance. The present study employs a graphical model to illustrate

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the impact of corporate social responsibility and governance on the performance of banks operating in Ghana.

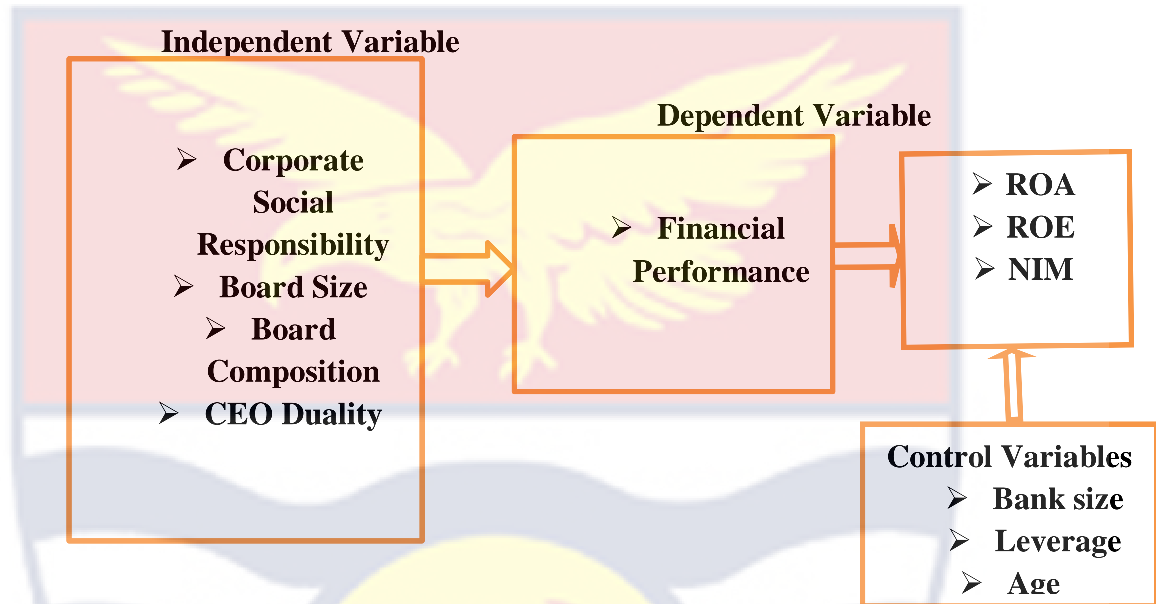

Figure 2: **Relationship between Corporate Social Responsibility, Corporate Governance on the Banks' Financial Performance of banks in Ghana**

Source: Author's Construct (2022)

From the above conceptual frame, financial performance (return on asset, return on equity and net interest margin) can be seen to be influenced by the above indicators or variables.

Chapter Summary

The objective of the aforementioned literature review was to examine the diverse range of studies pertaining to the interconnections among corporate social responsibility, corporate governance, and financial performance of banks in Ghana. The chapter delved into the impact of corporate social responsibility (CSR) and

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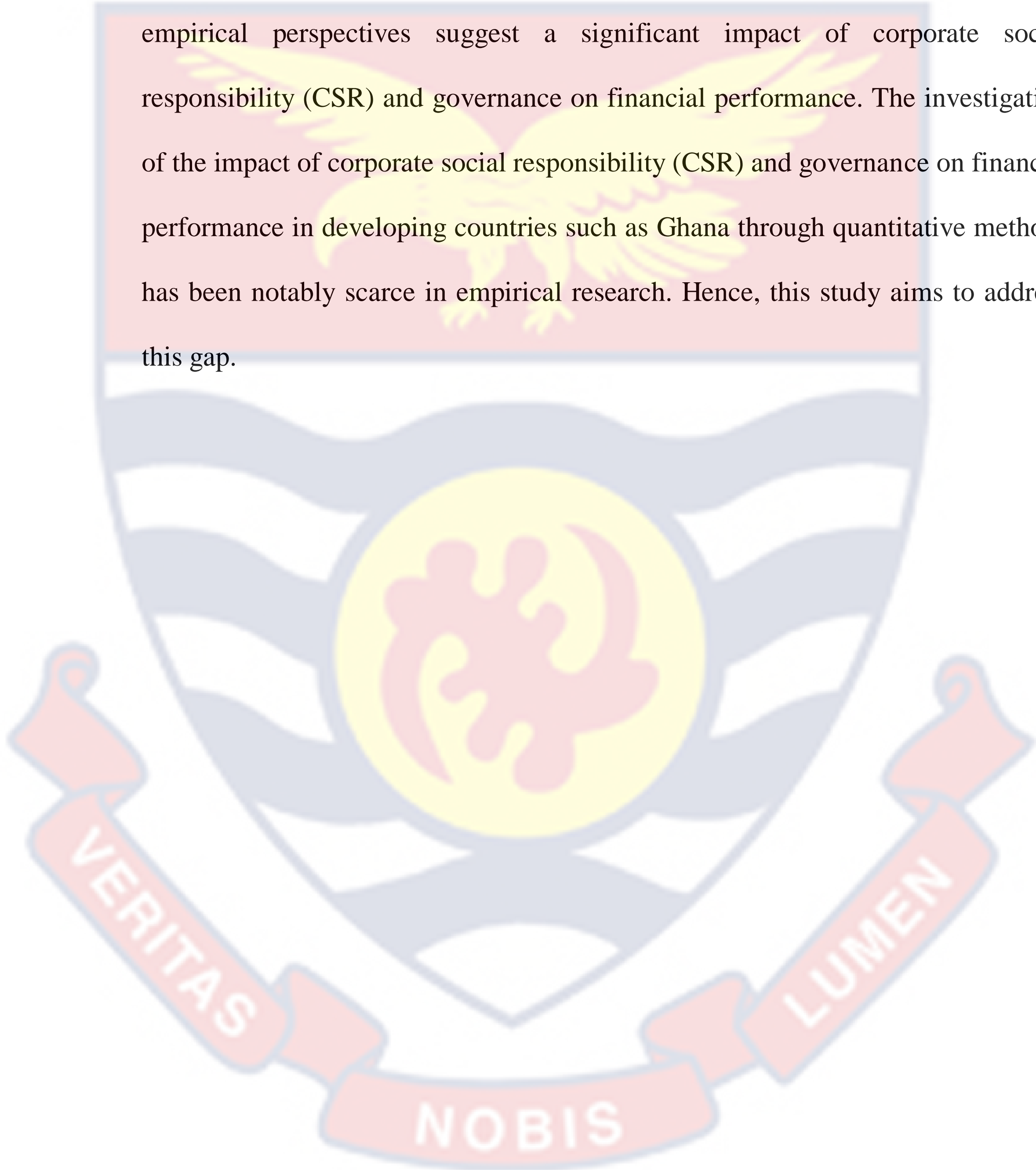
governance on the financial performance of banks. The review incorporated the viewpoints of various scholars and researchers to ascertain the existing relevant literature for the study. The existing literature indicates that both theoretical and empirical perspectives suggest a significant impact of corporate social responsibility (CSR) and governance on financial performance. The investigation of the impact of corporate social responsibility (CSR) and governance on financial performance in developing countries such as Ghana through quantitative methods has been notably scarce in empirical research. Hence, this study aims to address this gap.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CHAPTER THREE

RESEARCH METHODS

Introduction

The objective of the investigation was to elucidate the financial performance of banks in Ghana, as well as their corporate social responsibility and corporate governance practises. This chapter outlines the research methodologies employed in the study. The text offers a comprehensive account of the research methodology, including details on the research design, study location, intended demographic, sampling methodology, data collection approach, model specification, variable definition and measurement, estimation techniques, data sources, and data processing and analysis tools.

Research Design

The study used an explanatory research design in which quantitative data would be gathered, analyzed, and used to characterize a specific phenomenon in terms of its most recent trends, most recent events, and connections between various components at the moment. Because it takes a causal research strategy, the study is in a position to determine the connection between corporate social responsibility and financial performance. Its purpose is to collect information on the ways in which corporate social responsibility and governance influence the financial performance of banks in Ghana.

The research is conducted in accordance with the positivist paradigm while adhering to the limitations imposed by classical and neoclassical economics. Quantitative approaches to research are preferred by the positivist philosophy.

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Again, this attitude is appropriate for creating mathematical models that analyze relationships between quantitative measurements. In order to ensure objectivity and allow for effective mathematical modeling, the quantitative method will be applied in this study.

Study Area

The current study focused on Ghana with focus on banks in the country. There are about twenty-eight banks. These banks include commercial banks, rural banks, cooperative banks and small finance banks and are really performing in the country. For the purpose of this study, and unavailability of data, only twenty three of them will be selected.

Population

The study population involved of all existing banks in the country totalling about twenty-eight (28) bank operating in Ghana; the list of the banks was obtained from the Ghana Stock Exchange.

Sampling Procedure

The sample size of the study was twenty-one (21) comprising existing banks in Ghana with highest market share as well as those with a relatively small market share. The study analyzed the performance of the banks for policy purposes based on simple random sampling technique. This sample was selected based on random selection of the banks listed. Sampling is that part of statistical practice concerned with the selection of an unbiased or random subset of individual observations within a population of individuals intended to yield some knowledge about the

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population of concern, especially for the purposes of making fair generalization of results back to the population from which they were chosen (Sekaran & Bougie, 2013).

Data Collection Procedure

The study used secondary data. Thus, the secondary data was collected from the financial statements and reports of the banks’ books for 10 years (2009-2018).

Model Specification

Given that panel data was utilised in the study, it is crucial to give careful thought to the topic of whether to employ a model with fixed or random effects when conducting an analysis. This is because using a model with fixed effects will allow for more accurate predictions of the results. According to Reyna's hypothesis from 2007, the fixed effects model examines the correlation between predictor factors and outcome variables occurring inside a company, while accounting for the unique characteristics of each firm that may potentially affect the predictor variables. Conversely, the utilisation of random effects is based on the premise that the variability among entities is considered to be stochastic and unrelated to the predictor or independent variables that are incorporated within the model (Torres-Reyna, 2007). The main reason for using fixed effect and random models was to come with specific characteristics within and outside banks that have effects on their financial performance. Thus, the following static panel models were developed for existing banks: Here, governance serves as a moderating variable.

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Fixed Effects Model

$$ROA_{it} = \alpha_i + \beta_1 CSR_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (1)$$

$$ROE_{it} = \alpha_i + \beta_1 CSR_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (2)$$

$$NIM_{it} = \alpha_i + \beta_1 CSR_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (3)$$

$$ROA_{it} = \alpha_i + \beta_1 GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (4)$$

$$ROE_{it} = \alpha_i + \beta_1 GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (5)$$

$$NIM_{it} = \alpha_i + \beta_1 GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (6)$$

$$ROA_{it} = \alpha_i + \beta_1 CSR_{it} * GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (7)$$

$$ROE_{it} = \alpha_i + \beta_1 CSR_{it} * GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (8)$$

$$NIM_{it} = \alpha_i + \beta_1 CSR_{it} * GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \varepsilon_{it} \quad (9)$$

Random Effects Model

$$ROA_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (10)$$

$$ROE_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (11)$$

$$NIM_{it} = \alpha + \beta_1 CSR_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (12)$$

$$ROA_{it} = \alpha + \beta_1 GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (13)$$

$$ROE_{it} = \alpha + \beta_1 GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (14)$$

$$NIM_{it} = \alpha + \beta_1 GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (15)$$

$$ROA_{it} = \alpha + \beta_1 CSR_{it} * GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (16)$$

$$ROE_{it} = \alpha + \beta_1 CSR_{it} * GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (17)$$

$$NIM_{it} = \alpha + \beta_1 CSR_{it} * GI_{it} + \beta_2 BSIZE_{it} + \beta_3 LEV_{it} + \beta_4 AGE_{it} + \mu_{it} + \varepsilon_{it} \quad (18)$$

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Assumption about the models:

Where $\varepsilon_{i,t} \sim iid(0, \sigma_{\varepsilon}^{2})$ and $\mu_{i,} \sim iid(0, \sigma_{\mu}^{2})$ and

ROA_{it} = Return on asset for individual bank $_i$ at time t

ROE_{it} = Return on equity for individual bank $_i$ at time t

NIM_{it} = Net interest Margin for individual bank $_i$ at time t

CSR_{it} = Corporate social responsibility for individual bank $_i$ at time t

GI_{it} = Corporate governance indicators (Using board size, board composition and CEO duality as proxies) for individual bank $_i$ at time t

$BSIZE_{it}$ = Bank size for individual bank $_i$ at time

LEV_{it} = leverage at time t for individual bank $_i$

AGE_{it}= Age at time t for individual bank $_i$

$CSR_{it} * GI_{it}$= Interaction Term

α_i = Specific effects (the intercept, or point where the line cuts the Y axis when X= 0)

β = Regression coefficient (the slope, or the change in Y for any corresponding change in one unit of X)

ε = Within-Bank error

μ = Between-Bank error (due to the belief that there are differences across banks that may influence the dependent variable)

i = Bank

t = time

The apriori expected signs of the variables in two models are:

$\beta_1 > 0$, $\beta_2 >, < 0$, $\beta_3 > 0$, $\beta_4 < 0$ and $\beta_5 > 0$

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These expected signs are in connection with the literature

Definition and Measurement of Variables

For the purpose of the current study, certain measurement and operational definitions will be applied to the variables that are being looked at.

Dependent variables (ROA and ROE)

Return on assets (ROA)

The ROA is a financial ratio that measures the net income of a company in relation to its total assets, as stated by Gizaw, Kebede, and Selvaraj (2015). The metric evaluates the efficacy of bank administration in producing financial gain from its limited resources. A higher return on assets indicates improved efficiency in bank management, which is advantageous for the institution. The formula for calculating the ROA is provided as follows:

$$ROA = \quad = \frac{Net\ Income}{Total\ Assets}$$

Return on equity (ROE)

ROEis a metric commonly employed to evaluate a company's profitability performance. According to Gizaw, Kebede, and Selvaraj (2015), the ratio in question pertains to the division of net income by total equity. This statement denotes the measure of profitability that is produced by the equity held by the proprietors. The Return on Equity (ROE) can also be expressed as:

$$ROE = \frac{Income}{Total\ Owners'Equity}$$

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Net Interest Margin (NIM)

One of the metrics that is utilised to evaluate the effectiveness of banks is the net interest margin. The formula for calculating it is to take the net interest income and divide it by the total assets or earning assets.

Corporate Social Responsibility (CSR)

The notion of CSR has gained increasing prominence and relevance, despite lacking a uniform and standardised definition. Various concepts such as corporate citizenship, business ethics, stakeholder management, and sustainability are contending with each other to become the most widely recognised and accepted descriptor of the field, as noted by Carroll and Shabana (2010). Due to the lack of a standardised definition, the assessment of CSR performance lacks consistency. Various methodologies are employed by academicians to evaluate the performance of CSR. Several studies have employed surveys that were completed by CEOs or managers to assess the performance of CSR (Aupperle, Carroll & Hatfield, 2012). According to McGuire, Sundgren, and Schneeweis (2012), an organization's CSR performance was evaluated by McGuire based on the reputation it received from FORTUNE magazine. According to Scholtens (2008), certain aspects of CSR performance are reliant on KLD's measures, which employ multidimensional variables to encompass a diverse array of stakeholder performance factors. The present investigation will assess CSR by quantifying the expenditure on CSR initiatives within a specific fiscal year. The research anticipates a favourable correlation between CSR and both return on assets ROA and ROE.

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Governance Indicators

This will be measured using the following indicators Variables.

Board size = Number of board directors

Board composition = Number of males and females making up the board of directors

CEO duality = Whether the CEO is part of the board member

Bank size (BSIZE)

Previous research (McWilliams & Siegel, 2000) has proposed that the size of a bank is a variable that impacts its performance, and is therefore utilised as a control variable. The size of a bank is a significant control variable as it appears that larger banks tend to more frequently embrace corporate social responsibility principles. Burke (1986) posits that as banks expand in size, they tend to garner increased scrutiny from their stakeholders. The size of a bank is determined by computing the natural logarithm of the bank's overall assets. The research anticipates a direct correlation between the magnitude of a financial institution and its financial performance, as measured by ROA and return on equity ROE. The magnitude of a bank is determined by:

Bank size = lnLog (Total Assets)

Leverage (LEV)

The aforementioned is the measure of operating leverage, which is derived from the ratio of long-term debt to assets. The research anticipates an inverse correlation between a bank's leverage and its profitability. The concept of leverage can also be expressed as:

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$$\text{Leverage} = \frac{\textit{Long term debt}}{\textit{Total Assets}}$$

Age

The age factor is a significant determinant of a bank's financial performance. The metric for determining this will be based on the bank's operational longevity. This selection is preferred due to the impact of age fluctuations on the bank's financial gain. The study anticipates a correlation, either positive or negative, between the actual age of individuals and their return on assets ROA and ROE.

Sources of Data

The performance of banks is the focus of the current study, and the return on assets, return on equity, and net interest margin serve as proxies for the dependent variable, return on assets and return on equity, respectively. Meanwhile, the remaining bank-specific variables previously mentioned are regarded as independent variables. The research employed yearly time-series data spanning from 2009 to 2018. The selection of this particular timeframe was based on the accessibility of data and the contemporary economic circumstances. The data sets utilised in this study include proxies for bank profitability, such as ROA, ROE, and NIM, which were sourced from the banks. Additionally, financial statements of the banks under consideration were used to obtain data on corporate social responsibility, bank size, corporate governance indicators, leverage, and age.

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Estimation Procedure

The Generalised Least Squares (GLS) method was utilised to estimate the random effect model, while the Least Squared Dummy Variable (LSDV) estimator was employed to compute the fixed effect model. The selection of these estimators was based on their compatibility with the robust estimation method employed and the characteristics of the variables under investigation.

Data Processing and Analysis

The present investigation utilised a combination of descriptive and quantitative methods for data analysis. Visual aids, such as graphs and tables, were utilised to facilitate the descriptive analysis. In addition, the estimate of models with fixed effects was carried out with the help of the Least Squared Dummy Variable (LSDV) estimator, while the estimation of models with random effects was carried out with the help of the Generalized Least Squares technique (EGLS). The estimations were conducted utilising the STATA 14 and Eviews 9.0 software applications.

Chapter Summary

The third chapter primarily focused on the suitability of the research methods and research design employed in the research. The study addressed aspects such as the population under investigation, the sampling methodology, data sources, and the estimation procedure employed for data analysis. The topic of discussion pertained to the reliability and validity of the collected data, in addition to the methods that will be employed for data analysis.

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

An explanation of the investigation's conclusions and the discussion that surrounded them may be found in the following section. The results of the research are stated in the form of tables and a regression analysis, both of which illustrate the influence that the independent variables had on the variable that was being studied. The present chapter is structured in the following manner: the chapter commences with an exposition of descriptive statistics, succeeded by a correlation analysis and a static panel regression analysis. Subsequently, the findings are deliberated upon, and a summary of the chapter is provided.

Descriptive Statistics of Variables

Table 1 displays the descriptive statistics of the pertinent variables utilised in the investigation. The mean is a statistical measure that represents the central tendency of a set of values, calculated by adding up all the values and dividing the sum by the total number of values in the group. The statistical measure of standard deviation quantifies the degree of dispersion of a set of values from their arithmetic mean. The range of variables is represented by the minimum and maximum values. In table 1, it can be seen that the mean values for all of the variables are on the whole on the positive side. The variables that are reliant on the independent ones, namely ROA, ROE, and NIM, each have their own respective means that are as follows: 12.144, 10.167, and 14.368, respectively. The fact that these averages are higher than their corresponding standard deviations (2,336, 1,665, and 2,013)

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indicates that there is less variety around the means. Over the course of the sample, the variables of interest had the following mean values: CSR, 7.680, 8.346 and 9.334, respectively. These means are associated with minimum values of 5.446, 3.413, 6.184 and 4.116 and maximum values of 15.415, 10.610, 16.003 and 10.450 respectively demonstrating the extent to which the factors under consideration can vary. Additionally, Bank size (BSIZE) and leverage (LEV) have their means 9.113, 6.443 respectively higher than their associated standard deviations (3.182, 2.071) indicating their variability around their means. Finally, age has a mean value of 12.032 that is bigger than its standard deviation (3.191), which indicates that there is less fluctuation around the mean. This is because the mean value is greater than the standard deviation.

Table 1: Descriptive Statistics

Variable	Mean	S. D.	Min.	Max.	No. of Obs.
ROA	12.114	2.336	7.043	17.196	210
ROE	10.167	1.665	9.147	18.045	210
NIM	14.368	2.013	6.554	14.910	210
CSR	4.462	1.064	5.446	15.415	210
BSIZE	9.113	3.182	9.347	19.473	210
LEV	6.443	2.071	6.890	10.565	210
AGE	12.032	3.191	8.734	20.030	210
BS	7.680	1.064	3.413	10.610	210
					210
CD	8.346	2.076	6.184	16.003	210
BC	9.334	0.880	4.116	10.450	

Note: SD=Standard Deviation, Min=Minimum, Max=Maximum,
No. of Obs. =Number of Observations

Source: E-VIEWS output from the Banks' Dataset.

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Correlation Analysis

Table 2 displays the results of the pair-wise correlation analysis performed on the variables included in this investigation. The results shown in Table 2 are in agreement with both the theory and the intuitive understanding. The positive and significant correlation coefficients between ROA, ROE, NIM, and CSR may be found in the table below (0.713, 0.668 and 0.564). Based on these statistics, it can be deduced that CSR as well as ROA, ROE, and NIM are trending in a good manner. This further indicates that these variables are associated in a positive way, which suggests that they are significant for this sort of study since they are related. The fact that the correlation between BSIZE and FP in terms of ROA, ROE, and NIM is positive accordingly and significant with coefficients of 0.811, 681, and 0.596 respectively demonstrates that bank size has a positive association with ROA, ROE, and NIM.

Additionally, the correlation between leverage (LEV) and ROA, ROE and NIM is negative indicating that LEV and ROA, ROE and NIM move in negative direction. In addition, there is a positive and substantial correlation between age and ROA, ROE, and NIM, with coefficients 0.812, 671, and 714, respectively, showing that there is a positive relationship between the three variables. Also, the correlation coefficients between ROA, ROE, NIM and that of BS are (0.714, 0.630 and 0.617) respectively are significant indicating that BS has positive relationships with ROA, ROE and NIM. There is a negative and strong correlation between CD and ROA, ROE, and NIM. The correlation coefficients are -636, -649, and -714

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correspondingly, which indicates that they go in the opposite direction of one another.

In addition, the correction between BC and ROA, ROE and NIM is positive implying that BC and the measures of financial performance move in positive direction. There are positive and negative correlations among the independent variables as indicated in Table 2. It is important to acknowledge that the purpose of conducting a correlation analysis is to demonstrate the magnitude of the association between the variables utilised in the analysis and to mitigate the occurrence of multicollinearity among said variables. The panel regression was utilised to derive the impact of the explanatory variables on ROA.

Table 2: Pair-wise Correlation among Variables

Var.	ROA	ROE	NIM	CSR	BSIZ	LEV	AGE	BS	CD	BC
ROA	1.000									
ROE	-0.658**	1.000								
NIM	0.568**	0.261**	1.000							
CSR	0.713**	0.668**	0.564**	1.000						
BSIZE	0.811**	0.681**	0.598**	0.002	1.000					
LEV	-0.596**	-0.770**	-0.563**	-0.019	0.061	1.000				
AGE	0.812**	0.671**	0.714**	0.013	0.005	0.012	1.000			
BS	0.714**	0.630**	0.617**	0.005	0.021	0.011	0.020	1.000		
CD	-0.636**	-0.649**	-0.714**	0.014	0.004	0.010	0.007	0.021	1.000	
BC	0.815**	0.623**	0.514**	0.017	0.026	0.012	0.025	0.045	0.010	1.000

Note: ** and * denote significance at 5% and 10% level respectively.

Source: E-VIEWS output from Banks' Dataset.

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Effect of Corporate Social Responsibility on Financial Performance (Return on Asset) of Banks in Ghana

This section summarises the findings of the fixed and random effects models about the influence of Ghanaian banks' corporate social responsibility on their return on asset. The models were used to investigate this relationship. This accomplishment corresponds to the primary objective of the investigation, as demonstrated in Table 3. The objective of the study was pursued by conducting the Hausman test, as per the statistical values (1.000 and 0.004) presented in Table 3. Based on these results, only the random effects outcomes were considered for interpretation. According to Table 3, the adjusted R2 value indicates that 78% of the variability observed in ROA can be accounted for by the model. Furthermore, it is noteworthy that the coefficient pertaining to CSR exhibits a positive and statistically significant relationship at a 5 percent significance level, with a coefficient value of 2.865. This implies that, ceteris paribus, a one-unit increase in CSR will result in a 2.865 unit increase in banks' return on assets. The aforementioned statement implies that the implementation of CSR initiatives has a favourable impact on the return on assets metric.

The suggestion is that the financial performance of banks may be influenced to a greater extent if they persist in exhibiting greater social responsibility. The findings are in alignment with the outcomes reported by Laskar and Maji (2017), which indicated a favourable influence of CSR on the financial performance (return on assets) of all companies operating in India. Furthermore, the outcomes validate the conclusions drawn by Yusoff and Adamu (2016) in their research on the

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correlation between CSR endeavours and the economic performance of publicly traded corporations in Malaysia. The findings reiterate those of previous studies conducted by Al-Samman (2016), Kamrujjaman and Obaidullah (2016), Hossain and Khan (2016), Alsahlawi (2016), Krasodomska (2015), and Taskin (2015), which investigated the correlation between CSR and firm performance, specifically return on assets, in the context of growth prospects. This statement suggests that the profitability of a bank may be influenced by its CSR.

Table 3: Results of the Fixed Effects and Random Effects Models Dependent Variable: ROA

Independent Variables	FE	RE
CSR	3.062***	2.865**
	(4.330)	(2.463)
BSIZE	0.072**	0.562***
	(2.342)	(4.314)
LEV	-0.088**	-0.665**
	(-2.104)	(-2.566)
AGE	0.081***	0.092***
	(3.394)	(4.334)
R^2	0.811	0.813
Adjusted R^2	0.785	0.783
Wald Test	0.010	0.021
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	1.000	0.004

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$
Source: Field data (2022)

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When it comes to the control variables, the coefficient for bank size (BSIZE) demonstrates a positive connection that is statistically significant at a level of 1 percent. This shows that a 1 percent increase in bank size leads in a 56 percent rise in the return on assets (ROA) of banks. This is the case even when all other factors are held constant. The findings reveal that the growth of banks through asset acquisition or the formation of branch establishment has a considerable favourable influence on their financial performance. This is something that can be related to the notion of economies of scale that is found in economics. The results that were obtained are consistent with the discoveries that were made by Besely (2006) as well as Tuli, Nishi, and Mittal (2001).

Concerning leverage (LEV), the coefficient has a negative sign and demonstrates statistical significance at a level of significance equal to or greater than 5%. This research implies that there is a negative link between the leverage ratio of banks and ROA, keeping all other considerations in mind constant. This is the case even while maintaining all other variables constant. To be more specific, there is a negative correlation between a one-unit rise in the leverage ratio of banks and a 2.566 unit fall in return on assets. The conclusion that can be derived from this is that a rise in the debt ratio of banks leads to a decline in the financial performance of such institutions. The result that was achieved agrees with the conclusions of earlier research carried out by Ongore and Kusa (2013) as well as Kithinji (2010). This exemplifies the relevance of leverage in terms of its ability to exert an influence on the financial performance of banks.

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At the 1% level of statistical significance, the coefficient that relates to the age of the banks demonstrates a positive and statistically significant correlation between the two variables. The coefficient in question denotes that, ceteris paribus, a single unit rise in age results in a 0.092 unit increase in banks' return on assets. This suggests that well-established banks possess a competitive edge in enhancing their financial performance, assuming all other factors remain constant, owing to the economies of scale they benefit from. Furthermore, the present findings align with prior research conducted (Mavhiki, Mapetere, & Mhonde, 2012: Fatma & Anis, 2013), which demonstrated a positive correlation between the aforementioned variables.

Results of the Fixed Effects and Random Effects Models (Dependent variable: ROE)

The findings pertaining to the impact of corporate social responsibility on the return on equity of banks in Ghana, which align with the first objective of the study as presented in Table 4, are expounded through the outcomes of both fixed and random effects models. In this context, the Hausman test was performed as per the statistics presented in Table 4, yielding results of 1.000 and 0.015. Consequently, only the outcomes of the random effects were considered. Table 4 reveals that the model accounts for (74%) of the variability in ROE, as indicated by the adjusted R2. According to the findings presented in Table 4, the coefficient of CSR remains positively and significantly associated with a 1 percent level of significance. The coefficient value of 3.669 indicates that, under the condition of all other variables remaining constant, a one-unit increase in the CSR variable will

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result in a 3.669 unit increase in the banks' return on equity. It can be inferred that the implementation of corporate social responsibility initiatives by banks has a favourable impact on their return on equity.

The suggestion is that the adoption of CSR initiatives by banks can lead to an enhancement of their financial performance, specifically in relation to return on equity, while controlling for other variables. The statement aligns with the findings of Laskar and Maji (2017) and Yusoff and Adamu (2016), which posit that the implementation of efficient corporate social responsibility practises can contribute positively to a bank's profitability. Kim et al. (2015) and Bolton (2013) have reported that enhancing the standard of CSR in banking institutions leads to an improvement in profitability. The findings validate the prior research conducted by Kanwal and Khanam (2013), Masood et al. (2015), Weshah and Dahiyat (2012), Hutchinson and Zain (2009) regarding the correlation between CSR and the financial performance of firms, specifically return on equity, in the context of Malaysia. This statement suggests that the financial performance of a bank may be influenced by its corporate social responsibility.

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Table 4: Results of the Fixed Effects and Random Effects Models
Dependent Variable: ROE

Independent Variables	FE	RE
CSR	2.130***	3.669***
	(5.430)	(6.334)
BSIZE	0.066**	0.788***
	(2.443)	(4.650)
LEV	-0.136***	-0.880**
	(-3.610)	(-2.433)
AGE	0.205***	0.407***
	(3.554)	(5.836)
R^2	0.776	0.768
Adjusted R^2	0.750	0.743
Wald Test	0.003	0.001
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	1.000	0.015

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$
Source: Field data (2022)

At a significance level of one percent, the coefficient for bank size (BSIZE) demonstrates a positive and statistically significant link between the two variables. If we maintain all other variables constant outside bank size, this means that a one percent increase in bank size would result in a 0.79 percent increase in return on equity (ROE). This statement provides evidence that there is a connection between the size of a bank and its return on investment in the form of a positive correlation, in which an increase in size is associated with a greater return and a reduction in

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size is associated with a lower return. The result that was achieved is consistent with the findings that were found in Besely (2006) as well as Tuli, Nishi, and Mittal (2001).

Regarding leverage (LEV), the coefficient exhibits a negative sign and retains its statistical significance at a 5% level of significance. This indicates that, ceteris paribus, a one-unit rise in return on equity (ROE) results in an increase of 0.880 units in return on equity (ROE). This suggests that a significant increase in banks' leverage ratio would result in a reduction in their FP, as measured by return on equity, and conversely, which the finding remains congruent with the outcomes reported (Ongore & Kusa, 2013; Kithinji, 2010). This highlights the significance of an augmented leverage ratio in impacting the ROE.

The coefficient of age is observed to be positively correlated and exhibits statistical significance at a significance level of 1 percent. The coefficient suggests that, ceteris paribus, a one-unit rise in the age of banks results in a 0.407-unit increase in return on equity. This suggests that well-established banks possess a competitive edge in enhancing their financial performance, assuming all other factors remain constant, owing to the economies of scale they benefit from and the present findings align with prior research conducted (Mavhiki, Mapetere, & Mhonde, 2012; Fatma & Anis, 2013), which demonstrated a positive correlation between the aforementioned variables.

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Results of the Fixed Effects and Random Effects Models (Dependent variable: NIM)

The present section provides an account of the outcomes derived from the fixed and random effects models concerning the impact of corporate social responsibility on the NIM of banks in Ghana. This accomplishment corresponds to the primary objective of the investigation, as depicted in Table 5. The fixed effects results were exclusively interpreted, based on the Hausman test that was conducted, as evidenced by the statistics (0.004 and 0.067) presented in Table 5. According to Table 4, the adjusted R2 value suggests that the model accounts for approximately 68% of the variability observed in NIM. Furthermore, based on the data presented in Table 4, it can be observed that the coefficient pertaining to CSR remains positively and significantly associated with the bank's net interest margin at a significance level of 1 percent. To be more specific, the coefficient value of 2.405 shows that a rise of one unit in CSR would result in a 2.405 unit increase in the bank's net interest margin, provided that all other factors are held constant. It is reasonable to deduce that the implementation of CSR programmes by banks has a positive influence on the NIM because of the positive feedback loop that it creates.

The consequence is that if banks engage in activities related to corporate responsibility, their financial performance in terms of interest margin will improve, assuming that all other parameters remain the same. This is still consistent with the results by Laskar and Maji (2017) and Yusoff and Adamu (2016), Kim et al. (2015), Bolton (2013), Kanwal and Khanam (2013), Masood et al. (2015), Weshah and Dahiyat (2012), Hutchinson and Zain (2009).

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Table 5: Results of the Fixed Effects and Random Effects Models
Dependent Variable: NIM

Independent Variables	FE	RE
CSR	2.405***	4.114***
	(5.713)	(5.423)
BSIZE	1.017***	0.873***
	(4.557)	(4.116)
LEV	-0.841***	-0.775***
	(-6.301)	(-5.134)
AGE	0.611***	0.407**
	(3.964)	(2.848)
R^2	0.701	0.720
Adjusted R^2	0.680	0.682
Wald Test	0.001	0.051
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	0.004	0.067

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$
Source: Field data (2022)

The coefficient pertaining to bank size (BSIZE) exhibits a positive correlation and attains statistical significance at a 1 percent level of significance. This indicates that a 1 percent rise in bank size results in a 101.7 percent increase in net interest margin (NIM), ceteris paribus. This finding suggests that an increase in a bank's size is associated with a corresponding increase in its return on investment and the findings remain congruent with researchers (Besely, 2006; Tuli, Nishi, & Mittal, 2001).

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Regarding leverage (LEV), the coefficient exhibits a negative sign and remains statistically significant at a 1% level of significance, implying that a ceteris paribus unit rise in leverage results in a 0.841 unit increase in return on equity (ROE). By implication, if banks' leverage ratio goes up considerably, it will have a decreasing effect of their financial performance in terms of net interest margin. This finding remains congruent with the outcomes reported (Ongore & Kusa, 2013; Kithinji, 2010). This highlights the impact of a higher leverage ratio on the NIM.

The coefficient of age has been determined to be positively correlated and statistically significant at a significance level of 1 percent. The coefficient suggests that, ceteris paribus, a one-unit rise in the age of banks results in a 0.611 unit increase in net interest margin. This still implied that long established banks have the advantage of improving their financial performance level all other things being equal as result of some economics of scale they enjoy. Furthermore, the present findings align with previous research conducted (Mavhiki, Mapetere, & Mhonde, 2012; Fatma & Anis, 2013), which demonstrated a positive correlation between the aforementioned variables.

Effect of Corporate Governance on Financial Performance (ROA) of Banks

The second objective of the study was addressed by analysing the findings of the fixed effects and random effects models with the ROA serving as the dependent variable and the governance indicators (BS, CD, and BC) serving as the independent variables together with additional control factors. These results are presented in Table 6. The findings presented in Table 6 demonstrate an adjusted R2 value of 77%, signifying that the model accounts for 77% of the variability

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observed in ROA. The interpretation of the random effects results was based on the Hausman test, which was conducted in accordance with the statistics (1.000 and 0.011). According to the findings presented in Table 6, it can be observed that the coefficient of board size (BS) exhibits a positive and statistically significant relationship at a significance level of 1 percent, with a value of 0.677. This suggests that, all else held constant, an increase of one unit in board size is associated with a corresponding increase of 0.677 units in the return on assets of the banks that were examined.

The findings suggest that there exists a potential association between the expansion of board members and the FP of banks. The present study considers board size as a variable of interest, which has the potential to positively impact the return on assets of banks. The aforementioned statement aligns with the conclusions drawn by de Andres and Vallelado (2008), Agoraki, Delis and Staikouras (2010), Tannaa, Pasiouras and Nnadi (2011) as well as Brown and Caylor (2006, 2009).

Table 6: Results of the Fixed Effects and Random Effects Models
Dependent Variable: ROA

Independent Variables	FE	RE
BS	0.327**	0.677***
	(2.526)	(3.672)
CD	-0.341***	-0.362***
	(-3.131)	(-3.442)
BC	0.211***	0.292***
	(3.565)	(4.321)
BSIZE	0.124***	0.127***
	(3.611)	(4.731)
LEV	-0.242**	-0.252**
	(-2.688)	(-2.664)
AGE	0.653***	0.571***
	(5.605)	(6.888)

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Table 6 continued

R^2	0.776	0.781
Adjusted R^2	0.769	0.770
Wald Test	0.046	0.007
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	1.000	0.011

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$

Source: Field data (2022)

The study reveals that the coefficient of CEO duality (CD) exhibits a statistically significant negative correlation at a 1 percent significance level, with a value of -0.362. When all other parameters are held constant, this indicates that a one-unit rise in CEO duality results in a 0.531-unit loss in the return on assets of the Banks that are being considered. This implies that a person being the owner and at the same time a member of board of directors can have negative consequences on the profitability of the bank. Thus, CEO duality being one of the variables of interest of this study negatively affects return on assets. The aforementioned statement aligns with the research outcomes of Aebi, Sabato and Schmid (2012), Agoraki, Delis and Staikouras (2010) and Tannaa, Pasiouras and Nnadi (2011).

Furthermore, it can be observed that the coefficient pertaining to board composition (BC) exhibits a positive and statistically significant relationship at a significance level of 1 percent, with a value of 0.292. This suggests that, while maintaining the status quo for all other factors, an increase of one unit in the board size is associated with a corresponding increase of 0.292 units in the return on assets. This means that increasing the size of the board composition has a potential

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influence on commercial banks' profitability. Thus, board composition also being one of the variables of interest of this study positively affects ROA. This result also is consistent with the results of the study by Felício, Rodrigues, Ivashkovskaya and Stepanova (2014), Peni and Vähämaa (2011), and Brown and Caylor (2006, 2009).

The coefficient pertaining to bank size (BSIZE) exhibits a positive trend and holds statistical significance at the 1% level. This suggests that, ceteris paribus, a one-unit rise in bank size results in a 0.127% raise in ROA at the 1% significance level. The findings are congruent with the outcomes reported by Ongore and Kusa (2013) as well as Fatma and Anis (2013).

Regarding leverage (LEV), the coefficient remains negative and exhibits statistical significance at a 5% level. This suggests that, under the condition that all other factors remain constant, an increase of one unit in a bank's leverage results in a decrease of 0.252 units in the bank's return on assets at a 5% significance level. This finding remains in accordance with the outcomes reported by Ongore and Kusa (2013) and Kithinji (2010).

The coefficient of age is observed to be positively correlated and statistically significant at a significance level of 1 percent. The coefficient indicates that, ceteris paribus, a one-unit rise in age results in a 0.764 unit increase in ROA. Furthermore, the findings of this study align with other researchers conducted (Mavhiki, Mapetere, & Mhonde, 2012; Fatma & Anis, 2013), which demonstrated a positive correlation between the aforementioned variables.

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Effect of Corporate Governance on Financial Performance (ROE) of Banks

Table 7 displays the outcomes of the fixed effects and random effects methodologies. The findings were based solely on the interpretation of the random effects results, as determined by the Hausman test. The variable under consideration is the ROE, which is dependent in nature. The findings exhibit a resemblance to the outcomes presented in Table 6. According to Table 7, the adjusted R2 value is 70%, which suggests that the model accounts for 70% of the variability observed in ROE. According to the findings presented in Table 7, it can be observed that the coefficient associated with board size (BS) demonstrates a favourable and statistically significant correlation at a significance level of one percent. Specifically, the coefficient value of 0.293 suggests that, all else being held constant, a one-unit increase in board size is associated with a 0.293 unit increase in the return on equity of the banks included in the analysis. However, the impact is not quite severe here as compared to that of ROA in Table 6. The result means that board size negatively affects ROE as indicated early on. Again, these results are in line with what Cornett et al. (2009), de Andres and Vallelado (2009) discovered on the credit risk hypothesis (2008).

The study reveals that the coefficient of CEO duality (CD) exhibits a statistically significant negative correlation at a 1 percent significance level, with a value of -0.415. This implies that a one-unit increase in CEO duality results in a decrease of 0.415 units in the return on equity of the Banks being analysed, all other factors held constant. This implies that a person being the owner and at the same time a member of board of directors can have negative consequences on the

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profitability of the banks particularly ROE. Thus, CEO duality being one of the variables of interest of this study negatively affects ROE. The findings are consistent with this conclusion by Aebi, Sabato and Schmid (2012), Agoraki, Delis and Staikouras (2010) and Tannaa, Pasiouras and Nnadi (2011).

Additionally, it can be observed that the coefficient pertaining to board composition (BC) exhibits a positive and statistically significant relationship at a significance level of 1 percent, with a value of 0.311. This indicates that, despite taking into account all of the other variables, a one-unit increase in board size results in a corresponding increase of 0.311 units in return on equity. This implies that, increasing the size of the board composition has a potential influence on banks' profitability particularly ROE. Thus, board composition also being one of the variables of interest of this study positively affects ROA. This result is still consistent with the findings by Felício, Rodrigues, Ivashkovskaya and Stepanova (2014), Peni and Vähämaa (2011), and Brown and Caylor (2006, 2009).

Table 7: Results of the Fixed Effects and Random Effects Models Dependent Variable: ROE

Independent Variables	FE	RE
BS	0.252**	0.293***
	(2.656)	(4.720)
CD	-0.141***	-0.415***
	(-3.853)	(-3.632)
BC	0.354***	0.311***
	(5.605)	(4.552)
BSIZE	0.354***	0.312***
	(5.332)	(5.33)
LEV	-0.261**	-0.341**
	(-2.709)	(-2.644)
AGE	0.653***	0.435***
	(5.670)	(4.741)

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R^2	0.661	0.724
Adjusted R^2	0.608	0.704
Wald Test	0.060	0.002
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	1.000	0.014

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$

Source: Field data (2022)

With regard to the other variables, the coefficient for bank size (BSIZE) demonstrates a positive and statistically significant link at a significance level of 1 percent. This shows that a one-unit increase in bank size results in a gain in ROE of 0.312 percentage points at a significance level of 1%, provided that all other factors are held constant. This was determined by maintaining all other variables constant. According to the statement, there is a possibility that expanding the size of banks in Ghana by the purchase of additional assets or through other ways might have a positive effect on the financial performance of banks in Ghana. The result that was achieved is consistent with the findings of earlier research that was carried out by Ongore and Kusa (2013) as well as by Fatma and Anis (2013).

Regarding the variable of leverage (LEV), it has been observed that the coefficient exhibits a negative value and holds statistical significance at a 5 percent level of significance. This indicates that, keeping all other variables the same, an increase of one unit in the leverage of banks results in a decrease of 0.341 units in the return on equity of banks, at a level of significance of 5%. This is the conclusion that can be drawn from the data when all other variables are held constant. The

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implication of this finding suggests that a decrease in a bank's financial performance is associated with an increase in its debt ratio. This finding suggests that this association. This observation corresponds well with the findings these researchers (Ongore & Kusa, 2013; Kithinji published, 2010).

The coefficient for age is found to be positively significant at a level of significance equivalent to one percent. The coefficient denotes that ceteris paribus, a one-unit rise in age results in a 0.811 unit increase in ROE. This suggests that extended operational activities of banks contribute to the enhancement of their financial performance, which the aforementioned findings align with other researchers (Mavhiki, Mapetere, & Mhonde, 2012; Fatma & Anis, 2013).

Effect of Corporate Governance on Financial Performance (NIM) of Banks

Table 8 displays the outcomes of the fixed effects and random effects methodologies. The findings were based solely on the interpretation of the random effects results, as determined by the Hausman test. The variable that is subject to change based on the independent variable is the return on equity (ROE). The findings demonstrate a resemblance to the outcomes presented in Table 6. According to Table 7, the adjusted R2 value is 64%, which suggests that the model accounts for 64% of the variability in NIM. According to the findings presented in Table 7, it can be observed that the coefficient associated with board size (BS) displays a positive correlation that is statistically significant at the 1% level of the significance threshold. The fact that the coefficient value of 0.700 leads one to believe that, when all other factors are held constant, an increase of one unit in board size leads to an increase of 0.700 units in the net interest margin of the banks

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that were analysed, and vice versa. According to the data, there appears to be a favourable relationship between the size of the board and NIM. This statement aligns with the conclusions drawn from the credit risk theory research conducted by Cornett et al. (2009) and de Andres and Vallelado (2008).

The study reveals that the coefficient of CEO duality (CD) exhibits a statistically significant negative correlation at a 1 percent significance level, with a value of -0.678. This indicates that an increase of one unit in CEO duality results in a decrease of 0.678 units in the NIM of the Banks under consideration, all else being equal. This suggests that the dual role of an individual as both the proprietor and a member of the board of directors may have adverse effects on the bank's profitability, specifically on its net interest margin (NIM). The present study identifies CEO duality as a variable of interest, which has a negative impact on NIM. The aforementioned statement aligns with the research outcomes of Aebi, Sabato, and Schmid (2012), Agoraki, Delis, and Staikouras (2010), and Tannaa, Pasiouras, and Nnadi (2011).

Additionally, the coefficient pertaining to board composition (BC) exhibits a positive and statistically significant relationship at a 1% significance level, with a value of 0.245. This suggests that, all else held constant, a one-unit increase in board size results in a 0.311 unit increase in NIM. This suggests that there may be a correlation between the expansion of the board composition and the financial performance of banks, specifically in regards to net interest margin (NIM). Therefore, the study identifies board composition as a significant variable that has a positive impact on NIM. The aforementioned outcome is in alignment with the

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discoveries made by Felício, Rodrigues, Ivashkovskaya, and Stepanova (2014), Peni and Vähämaa (2011), and Brown and Caylor (2006, 2009).

Table 8: Results of the Fixed Effects and Random Effects Models
Dependent Variable: NIM

Independent Variables	FE	RE
BS	0.661***	0.700***
	(3.407)	(5.201)
CD	-0.456***	-0.678***
	(-3.677)	(-3.683)
BC	0.119***	0.245***
	(5.808)	(4.885)
BSIZE	0.757***	0.591***
	(4.307)	(6.114)
LEV	-0.339**	-0.456***
	(-2.880)	(-6.604)
AGE	0.576**	0.377***
	(5.790)	(7.004)
R^2	0.788	0.787
Adjusted R^2	0.768	0.764
Wald Test	0.002	0.006
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	1.000	0.045

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$

Source: Field data (2022)

Regarding the other variables, it can be observed that the coefficient for bank size (BSIZE) is positive and exhibits statistical significance at a 1% level. This suggests that, ceteris paribus, an increase of one unit in bank size results in a 0.591 unit increase in NIM. The statement suggests that the augmentation of banks'

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size through asset acquisition or other means may have a favourable impact on the FP of banks in Ghana. The findings are congruent with the outcomes reported by Ongore and Kusa (2013) as well as Fatma and Anis (2013).

Regarding the variable of leverage (LEV), it has been observed that the coefficient exhibits a negative value and holds statistical significance at a 1 percent level of significance. This shows that, while holding all other variables equal, a loss of 0.456 units in the net interest margin (NIM) of banks arises from an increase of one unit in the leverage of banks. This is the case in spite of the fact that all other elements have been held constant. The consequence of this conclusion is that a rise in the debt ratio of banks is connected with a decline in their financial performance. This study implies that this association exists. This finding aligns with the outcomes reported by Ongore and Kusa (2013) as well as Kithinji (2010).

The coefficient for age is found to be positively significant at a 1% level of significance. The coefficient demonstrates that there exists a positive association between age and NIM, assuming that all other factors remain the same, as a one-unit increase in age corresponds to a 0.811 unit increase in NIM. This suggests that extended banking operations effect favourably the economic results of financial institutions such as banks. Furthermore, the aforementioned findings are congruent with the research conducted by Fatma and Anis (2013) and Mavhiki, Mapetere, and Mhonde (2012).

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Fixed and Random Effects Results with ROA and interactions of Corporate Social Responsibility and Corporate Governance

The presentation of the findings of the study's fixed effects model and its random effects model, which can be seen in Table 9, allowed the researchers to accomplish the study's third goal. The dependent variable in these models was the ROA, while the independent variables included the interactions between the CSR variable and corporate governance indicators (BS, CD, and BC), as well as other control variables. The aim of the study was pursued by performing a Hausman test, as specified by the statistical values (0.013 and 0.017) presented in Table 9. Consequently, solely the fixed effects outcomes were analysed. According to Table 9, the adjusted R2 value suggests that the model accounts for approximately 72% of the variability observed in ROA. Furthermore, it is noteworthy that the coefficient pertaining to the interaction between corporate social responsibility (CSR) and board size (BS) exhibits a positive and statistically significant association at a 1% level of significance, with a value of 0.336. This implies that, holding all other factors constant, a one-unit increase in the interaction between CSR and board size results in a 0.336-unit increase in the ROA for the Banks that were examined. This implies that, CSR has an influence on board size of banks which in effect has a potential influence on both banks' financial performance as established early on. Thus, interaction of CSR and board size positively affects return on assets. The conclusion agrees with the findings that were discovered by Li (2014), Ali and Atan (2013), Wang et al. (2013), and Wise and Ali (2014). (2009).

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Table 9: Results of the Fixed Effects and Random Effects Models
Dependent Variable: ROA

Independent Variables	FE	RE
CSR*BS	0.336***	0.285***
	(4.867)	(3.762)
CSR*CD	-0.341***	-0.654**
	(-3.716)	(-2.884)
CSR*BC	1.021***	0.877***
	(5.111)	(4.506)
BSIZE	0.299***	0.303***
	(4.860)	(4.652)
LEV	-0.600**	-0.186***
	(-2.801)	(-5.440)
AGE	0.487***	0.599***
	(3.670)	(4.381)
R^2	0.745	0.750
Adjusted R^2	0.720	0.729
Wald Test	0.006	0.041
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	0.013	0.017

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$

Source: Field data (2022)

In addition, the coefficient of the interaction between CSR and CEO duality (CD) is negative and statistically significant at a 1% significance level with a value of -0.341. This value indicates that an increase of one unit in CEO duality results in a decrease of 0.341 units in the return on assets of the Banks under consideration at a 1% significance level, assuming that everything else stays the same in comparison to the case where there is no CEO duality. This suggests that the

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interplay between CSR and CEO duality (CD) might potentially have a detrimental impact on the financial performance of institutions. As a result, the return on assets is negatively impacted by the combination of CSR and CEO duality (CD), which is one of the factors that are being investigated in this study. The findings of this research are consistent with those found in Li's (2014), Ali and Atan's (2013), Wang and colleagues' (2013), and Beltratti's (2013) studies (2005).

In addition, the coefficient of the interaction between CSR and board composition (BC) is positive and statistically significant at the 1% significance level, with a value of 0.372. This points to the fact that there is a rise of one unit in the size of the board of directors results in an increase of 1.021 units in the ROA, all other factors being held constant. This means that increasing the interaction of CSR and board composition has a potential influence on banks' financial performance. Thus, the interaction of CSR and board composition also being one of the variables of interest of this study positively affects ROA. This result also is consistent with the results by Li (2014), Ali and Atan (2013), Wang et al. (2013), and Beltratti (2005).

Regarding the variable of bank size (BSIZE), it is noteworthy that the coefficient remains positive and exhibits statistical significance at a 1% level. This suggests that, while maintaining the status quo for all other factors, a single unit increase in bank size results in a 0.299% increase in return on assets at a 1% level of significance. This further implied that bank size improves FP of banks, and the outcome agrees with research conducted (Ongore & Kusa, 2013; Fatma & Anis, 2013).

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Regarding leverage (LEV), the coefficient remains negative and exhibits statistical significance at a 5% significance level. This indicates that, under equal conditions, a rise in a bank's leverage results in a decrease of 0.600 units in the bank's return on assets at a 5% significance level. This suggests that the utilisation of leverage has a detrimental effect on the profitability of financial institutions such as banks. This finding remains congruent with the outcomes reported by Ongore and Kusa (2013) and Kithinji (2010).

The coefficient pertaining to age exhibits a statistically significant negative association at a significance level of 1 percent. The coefficient suggests that, keeping all other considerations in mind constant, a one-unit rise in either age or the duration of bank operations results in a 0.487 unit decrease in ROA. This suggests that age is a notable factor in attaining superior financial performance among the banks being examined. Furthermore, the findings of this study align with previous research conducted by Mavhiki, Mapetere, and Mhonde (2012) as well as Fatma and Anis (2013), which demonstrated a negative correlation between the aforementioned variables.

Fixed and Random Effects Results with ROE and interactions of Corporate Social Responsibility and Corporate Governance

The outcomes of the fixed effects and random effects models are displayed in Table 10. The findings were based solely on the interpretation of random effects results, as determined by the Hausman test. Here, the dependent variable is return on equity (ROE). From Table 10, adjusted R^2 indicates that (72%) of the variations in ROE is explained by the model. In addition, Table 10, the coefficient of the

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interaction of CSR and board size (BS) is positive and statistically significant at the 1% level of significance, with 0.465 suggesting that this is the case, a unit increase in the interaction of CSR of board size leads to 0.465 units increase in the return on equity of the banks under consideration, other things being equal. Here, the impact is more significant as compared to that of ROA in Table 9. The result implied that the interaction of CSR and board size positively affects return on equity. Again, this is consistent with the findings by Li (2014), Ali and Atan (2013), Wang et al. (2013) and Wise and Ali (2009).

Moreover, it is noteworthy that the coefficient pertaining to the interaction between CSR and CEO duality (CD) exhibits a negative value and holds statistical significance at the 1% level. Specifically, the coefficient value is -0.405, which implies that a one-unit rise in CEO duality results in a decrease of -0.117 units in the return on equity of the banks being analysed, ceteris paribus. The statement suggests that there exists a notable correlation between corporate social responsibility and CEO duality, which subsequently impacts the return on equity. The potential negative impact of CEO duality (CD) and CSR interaction on the financial performance of banks, specifically ROE, warrants consideration. The aforementioned statement aligns with the discoveries made by Li (2014), Ali and Atan (2013), Wang et al. (2013), and Beltratti (2005).

Moreover, the coefficient of the interaction of CSR and board composition (BC) is still positive and statistically significant at the 1% level, with 0.963 suggesting that there is a correlation between the two variables, a unit increase in the interaction of CSR and board composition leads to 0.963 units increase in the

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return on equity, other things being equal. This implies that, interacting CSR and board composition has a potential influence on banks' financial performance particularly ROE. Thus, the interaction of CSR and board composition also being one of the variables of interest of this study positively affects ROE. This result is still consistent with the findings by Li (2014), Ali and Atan (2013), Wang et al. (2013), and Beltratti (2005).

Table 10: Results of the Fixed Effects and Random Effects Models
Dependent Variable: ROE

Independent Variables	FE	RE
CSR*BS	0.610***	0.465***
	(4.556)	(4.339)
CSR*CD	-0.111***	-0.117***
	(-3.611)	(-3.886)
CSR*BC	0.275***	0.963***
	(4.500)	(5.650)
BSIZE	0.262***	0.418***
	(6.332)	(7.100)
LEV	-0.102***	-0.704***
	(-4.910)	(-5.130)
AGE	-0.363***	-0.860***
	(-6.837)	(-4.432)
R^2	0.733	0.741
Adjusted R^2	0.712	0.720
Wald Test	0.021	0.042
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	1.000	0.001

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$

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Regarding the other variables, it is noteworthy that the coefficient for bank size (BSIZE) remains positive and exhibits statistical significance at a 1% level. This suggests that, ceteris paribus, a 1% increase in bank size results in a 42% increase in return on equity. The findings are in alignment with the outcomes reported by Ongore and Kusa (2013) and Fatma and Anis (2013).

With regards to leverage (LEV), the coefficient retains a negative value and exhibits statistical significance at a 1% level of significance. This suggests that a one-unit increase in a bank's leverage results in a decrease of 0.704 units in the bank's return on equity, assuming all other factors remain constant. This suggests that a higher debt ratio is associated with adverse effects on the financial performance of banks. This result is in alignment with the outcomes reported by Ongore and Kusa (2013) as well as Kithinji (2010).

The coefficient for age remains positively significant at a 1% significance level. The coefficient indicates that ceteris paribus, a one-unit increase in age results in a decrease of 0.860 units in ROE. Furthermore, the aforementioned finding is in alignment with the research conducted by Mavhiki, Mapetere, and Mhonde (2012) as well as Fatma and Anis (2013).

Fixed and Random Effects Results with NIM and interactions of Corporate Social Responsibility and Corporate Governance

The outcomes of the fixed effects and random effects models are displayed in Table 11. The fixed effects outcomes were solely interpreted, as per the results of the Hausman test. The variable that is being measured and analysed in this study is the NIM, which is considered as the dependent variable. In corresponding to

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Table 11, the adjusted R2 value suggests that the model accounts for approximately 73% of the variability observed in NIM. Furthermore, it is noteworthy that Table 11 demonstrates a positive and statistically significant coefficient of the interaction between CSR and BS at a 1 percent significance level. Specifically, the coefficient value of 0.551 suggests that, all else equal, a one-unit increase in the interaction of CSR and board size results in a 0.551 unit increase in the net interest margin of the banks included in the analysis. The findings suggest that there is a positive correlation between the interaction of CSR and board size, and NIM. The present outcome aligns with the discoveries of Li (2014), Ali and Atan (2013), Wang et al. (2013), and Wise and Ali (2009).

In addition, the coefficient of the interaction between CSR and CEO duality (CD) remains negative and statistically significant at a significance level of one percent, with a value of -0.405. This value indicates that, all other factors being equal, an increase of one unit in CEO duality results in a decrease of -0.449 units in the NIM of the banks that are being considered. This implies that corporate social responsibility has a significant influence on CEO Duality which in turn affects NIM. Thus, the interaction of CSR and CEO duality (CD can have negative consequences on the financial performance of the banks particularly NIM. This is still consistent with the findings by Li (2014), Ali and Atan (2013), Wang et al. (2013), and Beltratti (2005).

Furthermore, the coefficient of the interaction of CSR and board composition (BC) is still positive and statistically significant at 1 percent significance level with 0.151 indicating that, a unit increase in the interaction of

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CSR and board composition leads to 0.151 units increase in the NIM, other things being equal. This implies that, interacting CSR and board composition has a potential influence on banks' financial performance particularly NIM. Thus, the interaction of CSR and board composition also being one of the variables of interest of this study positively influences NIM. This result is still consistent with the findings by Li (2014), Ali and Atan (2013), Wang et al. (2013), and Beltratti (2005).

Table 10: Results of the Fixed Effects and Random Effects Models Dependent Variable: NIM

Independent Variables	FE	RE
CSR*BS	0.551***	0.176***
	(4.346)	(4.165)
CSR*CD	-0.449***	-0.056**
	(-5.603)	(-2.870)
CSR*BC	0.151***	0.198***
	(3.720)	(3.334)
BSIZE	0.134***	0.508***
	(5.113)	(5.406)
LEV	-0.645***	-0.371***
	(-4.770)	(-4.650)
AGE	-0.991***	-0.199***
	(-3.557)	(-4.841)
R^2	0.751	0.741
Adjusted R^2	0.730	0.720
Wald Test	0.053	0.042
No. of observations	210	210
No. of Banks	21	21
Hausman Test (Prob>chi2) =	1.000	0.001

Note: t statistics in parentheses ** $p < 0.05$, *** $p < 0.01$

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Regarding the variable of bank size (BSIZE), the regression coefficient remains positive and exhibits statistical significance at a 1% level. This suggests that a 1% increase in the size of banks results in a 13% increase in the net interest margin (NIM), holding all other variables constant. This suggests that the increase in the size of banks through asset acquisition or branch expansion has a favourable impact on net interest margin (NIM). The findings are in agreement with the outcomes reported by Ongore and Kusa (2013) as well as Fatma and Anis (2013).

Regarding leverage (LEV), the coefficient retains a negative value and exhibits statistical significance at a 1% level of significance. This suggests that, under constant conditions, a rise in a bank's leverage results in a decrease of 0.645 units in the bank's net interest margin (NIM). This implies that a higher debt ratio is associated with adverse effects on the financial performance of banks. This finding is in alignment with the outcomes reported by Ongore and Kusa (2013) and Kithinji (2010).

The coefficient for age remains positively and significantly significant at a 1% level of significance. The coefficient suggests that, ceteris paribus, a one-unit rise in age results in a decrease of 0.991 units in NIM. Long-standing banks may experience an improvement in their financial performance, as implied. Furthermore, the aforementioned findings are congruent with the research conducted by Mavhiki, Mapetere, and Mhonde (2012) as well as Fatma and Anis (2013).

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Chapter Summary

The present chapter has centred on the exposition and analysis of the findings obtained from the investigation. The introductory section of the chapter presented an overview of the descriptive statistics pertaining to the variables. As a result of the correlation analysis, the findings of the study suggest that there are ties that go in both directions (positive and negative) between the explanatory variables and the financial performance metrics of ROA, ROE, and NIM. These results were found to be the case despite the fact that there was a positive overall correlation. The information on the influence of the explanatory factors on the ROA, ROE, and NIM is not provided by the correlation analysis. As a direct consequence of this, a study of estimated panel regression was carried out. The investigation of the influence of explanatory factors on ROA, ROE, and NIM was conducted using panel estimation techniques. The issue of heterogeneity between banks was addressed by applying Fixed and Random Effects models to the panel data set. These models were utilised in order to address the issue of heterogeneity across banks.

The investigation has shown that there is a substantial and statistically significant association between the CSR, bank size, and age in the initial target and the return on equity, return on assets, and net interest margin. According to the findings of the research conducted, there is a strong and statistically significant adverse link between leverage and ROA, ROE, and NIM. Concerning the second objective, the investigation unearthed a robust and statistically significant correlation between the ROA, ROE, and NIM and the board size, board

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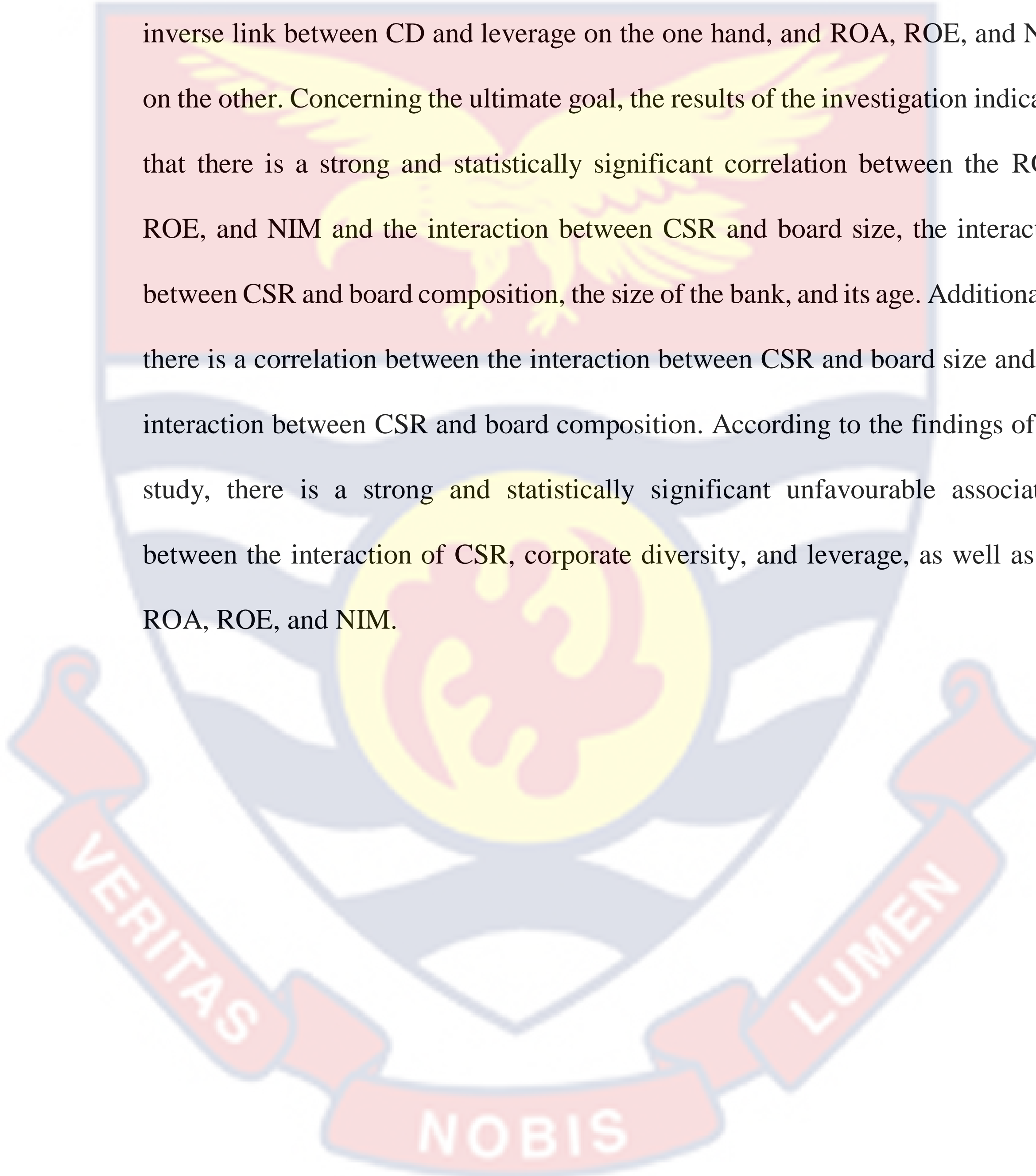
composition, bank size, and age. This was found in relation to the ROA, ROE, and NIM.

The research showed that there is a strong and statistically significant inverse link between CD and leverage on the one hand, and ROA, ROE, and NIM on the other. Concerning the ultimate goal, the results of the investigation indicated that there is a strong and statistically significant correlation between the ROA, ROE, and NIM and the interaction between CSR and board size, the interaction between CSR and board composition, the size of the bank, and its age. Additionally, there is a correlation between the interaction between CSR and board size and the interaction between CSR and board composition. According to the findings of the study, there is a strong and statistically significant unfavourable association between the interaction of CSR, corporate diversity, and leverage, as well as the ROA, ROE, and NIM.



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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The objective of this particular chapter is to provide a concise overview, deductions, and suggestions derived from the research. The present chapter is structured in the following manner: The summary provides a concise outline of the research, encompassing the problem statement, research objectives, methodology, findings, and subsequent discussion. The conclusions provide a comprehensive summary of the study's findings in relation to the hypotheses. The study presents policy recommendations based on the tested hypotheses concerning the impact of explanatory variables on ROA, ROE, and NIM. The chapter additionally provides recommendations for future investigations.

Summary of key findings

Corporate social responsibility strives to decrease costs for businesses, enable them to charge higher prices, attracts applicants, investors, and consumers, increase profitability, and build barriers to competition. However, as was evident from earlier studies, the idea of a business's social responsibility is focused on the duty that businesses have to be socially responsible in response to societal pressure. Literature asserts that contemporary business and society are closely intertwined. It is not a small study group or some other kind of self-contained environment. Instead, corporate operations have a significant impact on society as a whole and are difficult to ignore when it comes to how they affect people's lives.

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Hence, corporations bear obligations that extend beyond profit maximisation due to their significant social and economic influence. Investigating the effect that CSR has on the financial performance of banks in Ghana was the major purpose of this research. This was accomplished by utilising a balanced panel consisting of twenty-one (21) banks over a span of ten years, from 2009 to 2018. The study incorporates several variables, namely ROA, ROE, NIM, CSR, corporate governance indicators (BS, BC, and CD), bank size, leverage, and age.

The primary purpose of the research was to demonstrate that there is a solid and statistically significant association between the CSR of banks, as well as their size and age, and the ROA, ROE, and NIM of those banks. The research discovered a robust and statistically significant inverse correlation among ROA, ROE, NIM, and leverage. In terms of the second objective, the inquiry came to the conclusion that there is a robust, positive, and statistically significant association between ROA, ROE, and NIM, and the aspects of board size, board composition, bank size, and age. The investigation showed that ROA, ROE, NIM, certificate of deposit, and leverage all had a strong and statistically significant adverse association with one another.

In the case of the last objective, the study found a strong positive and significant relationship between ROA, ROE, NIM and that of interaction of CSR and board size, interaction of CSR and board composition, bank size, and age. However, the research revealed a substantial and significant negative association between ROA, ROE, and NIM, as well as the combination of CSR, CD, and

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leverage. This was one of the most significant discoveries that came out of the investigation.

Conclusions

The financial performance of banks in Ghana is impacted by firm-specific variables, as evidenced by empirical data. While extant literature posits that CSR has an impact on financial performance metrics such as ROA, ROE, and NIM, there are also contrasting perspectives that challenge this notion. The initial aim of this research was to examine the suppositions that the domestic banking sector in Ghana experiences an impact on its ROA, ROE, and NIM as a result of CSR. The research revealed that the application of CSR had a notable and constructive impact on the ROA, ROE, and NIM of banking institutions. The statement suggests that the financial performance of banks is positively impacted by their engagement in CSR initiatives.

Regarding the second objective of the research, which was to investigate governance indicators such as board size, board composition, and CEO duality, it was found that board size, board composition, bank size, and age all had positive effects on ROA, ROE, and NIM. This finding was made in relation to the second objective of the research. According to the findings of the study, the presence of a dual CEO and the use of leverage had a detrimental impact on the overall financial performance of the company indicators of ROA, ROE, and NIM. According to the data, there appears to be a solid and statistically significant association between metrics of corporate governance and the financial success of banks.

With regard to the third objective, which involved the interaction of the CSR variable with corporate governance indicators such as board size, board composition, and CEO duality, the findings of the study revealed that the positive

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impact of the CSR variable on ROA, ROE, and NIM was amplified when it was interacted with corporate governance indicators such as board size and board composition. This was the case because the third objective involved the interaction of the CSR variable with corporate governance indicators such as board size and board composition. The size and age of a bank both have a considerable and statistically significant influence on the return on assets, return on equity, and net interest margin that the bank generates. According to the statement, the implementation of a CSR programme by banks has a significant effect on the financial performance of such institutions as well as the makeup and size of their boards of directors. In spite of this, the existence of CEO duality and leverage was found to have a negative effect on the financial performance indicators of ROA, ROE, and NIM.

Recommendations

The study's results have led to the formulation of the subsequent recommendations.

The management policies of banks ought to prioritise the augmentation of both the magnitude and calibre of their CSR initiatives, as well as the expansion of their size, given their significant impact on the financial performance of banks, particularly those operating in Ghana. The strategic policies of banks should prioritise the implementation of policy measures that enhance CSR, as this can significantly impact their profitability. It is imperative for bank management to establish more efficient and effective approaches to achieve this objective. The aforementioned suggests that the enhancement of conditions and augmentation of

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the quality of CSR by policymakers within the banking sector are imperative for the advancement of the banking industry in Ghana.

Further, management of banks must considered board size, board composition and CEO duality in their decisions concerning profitability since these variables affect profitability. This can be done by monitoring of the size of board members within the banks, board composition in terms of males and females making up the board of directors and also seeing to it that the CEO does not intervene much in the boards' management of the institutions. Management of banks must devise policy measures that are more practical and productive if they are going to reduce leverage and increase bank size which are important in influencing financial performance in the financial institutions.

Suggestions for Further Research

The research solely examined the impact of CSR on the monetary outcomes of banking institutions operating in Ghana. Nevertheless, it is imperative to acknowledge that the financial performance of banks is subject to the influence of additional variables. Consequently, further investigations must take into account these variables. In conclusion, it is imperative for forthcoming research endeavours to conduct research into the relationship between corporate social responsibility and financial performance in Ghanaian banks through the utilisation of diverse econometric techniques. This analysis should also incorporate macroeconomic variables, institutional factors, and geographical factors, provided that relevant data is accessible.

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