

**CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI - GHANA**

**SCHOOL OF GRADUATE STUDIES AND RESEARCH**

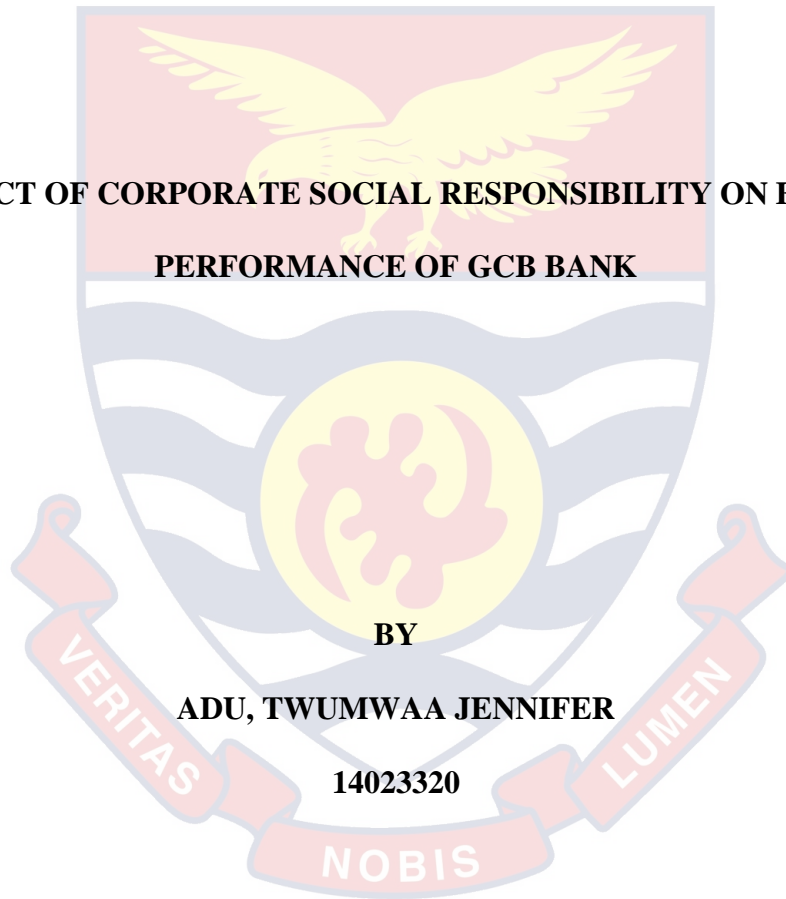
**DEPARTMENT OF PLANNING AND DEVELOPMENT**

**THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL  
PERFORMANCE OF GCB BANK**

**BY**

**ADU, TWUMWAA JENNIFER**

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**AUGUST, 2020**

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**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF**  
**PLANNING AND DEVELOPMENT, FACULTY OF HUMANITIES,**  
**CHRISTIAN SERVICE UNIVERSITY COLLEGE IN PARTIAL**  
**FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF**  
**MASTER OF SCIENCE DEGREE IN MONITORING AND**  
**EVALUATION**

**AUGUST, 2020**

## DECLARATION

### CANDIDATE'S DECLARATION

I, Adu, Twumwaa Jennifer, hereby declare that this dissertation, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original research and that has been presented, either in part or whole for another degree in this university or elsewhere.

**ADU, TWUMWAA JENNIFER** .....  
Student Signature Date

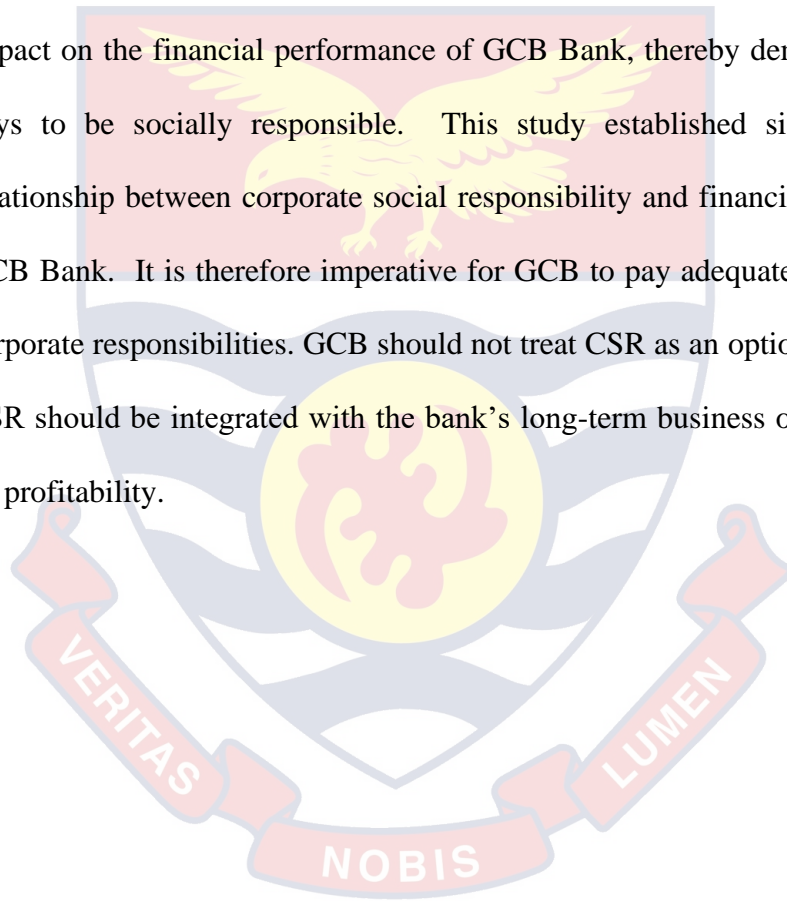
### SUPERVISOR'S DECLARATION

I hereby declare that, the preparation and presentation of this dissertation was supervised in accordance with the guidelines for supervision of dissertation laid down by the Christian Service University College.

**DR. STEPHEN BANAHENE** .....  
Supervisor Signature Date

## ABSTRACT

The aim of the study was to determine the impact of corporate social responsibility on the financial performance of GCB Bank using data from 2009 - 2019. Data were sourced from the annual financial statements and reports of GCB Bank. Data were analyzed using statistical package for social sciences version 20. By using the OLS methodology, the results found that CSR does have a positive impact on the financial performance of GCB Bank, thereby demonstrating that it pays to be socially responsible. This study established significant positive relationship between corporate social responsibility and financial performance of GCB Bank. It is therefore imperative for GCB to pay adequate attention to their corporate responsibilities. GCB should not treat CSR as an optional activity rather CSR should be integrated with the bank's long-term business operations to drive up profitability.



## KEYWORDS

Corporate Social Responsibility

Financial Performance

Monitoring and Evaluation

Net Interest Income

Net Profit

Total Assets



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## DEDICATION

This work is dedicated to my lovely and handsome son, Hansel Korankye – Boateng .

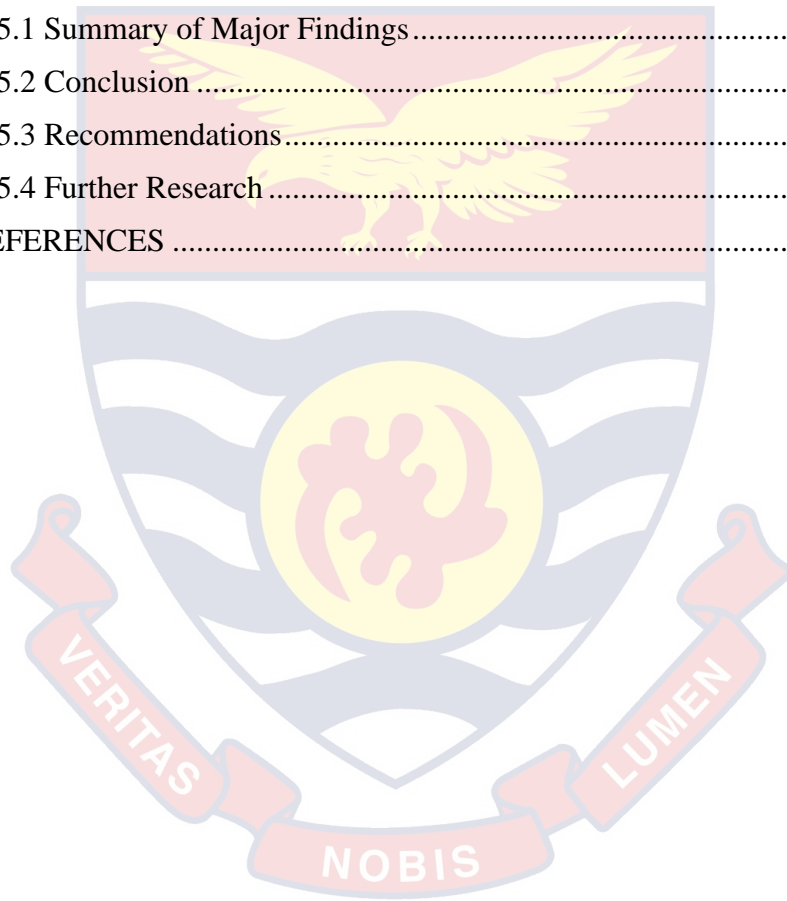


## TABLE OF CONTENTS

CHAPTER ONE .....	1
INTRODUCTION .....	1
1.0 Background to the Study.....	1
1.1 Statement of the Problem.....	6
1.3 Purpose of the study.....	7
1.4 Research Objective .....	7
1.5 Research Questions.....	8
1.6 Hypothesis.....	8
1.7 Significance of the study.....	9
1.8 Delimitations.....	9
1.9 Limitations .....	10
1.10 Organization of the study.....	10
CHAPTER TWO .....	12
LITERATURE REVIEW .....	12
2.0 Overview of CSR in Ghana .....	12
2.1 Corporate Social Responsibility in Ghana’s Banking Sector .....	13
2.2 GCB Corporate Responsibility Initiatives .....	13
2.3 Relationship between corporate social responsibility and financial performance .....	18
2.4 Conceptual Framework.....	20
2.5 Theoretical Framework.....	21
2.6 Empirical Review.....	23
CHAPTER THREE .....	29
RESEARCH METHODS .....	29
3.0 Research Design.....	29
3.1 Population of the Study.....	29
3.2 Sample Size.....	30
3.3 Sampling Technique .....	30
3.4 Data Collection Method.....	30
3.5 Model Specification .....	31
3.6 Data Processing Analysis.....	32

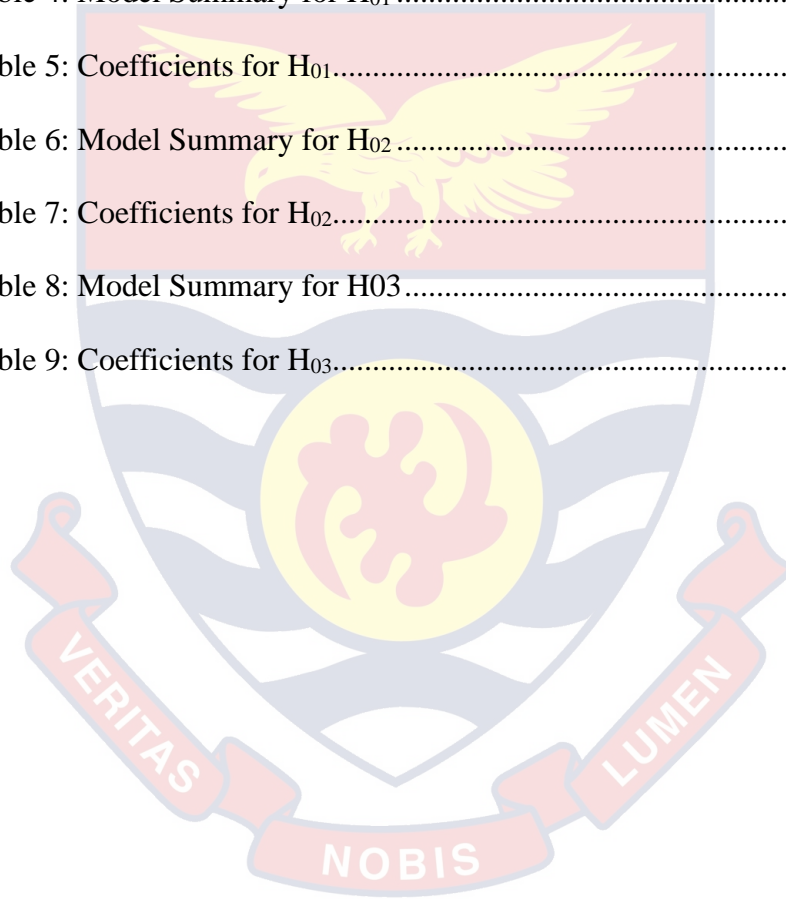


3.7 Variable Measurements .....	33
CHAPTER FOUR.....	35
RESULTS AND DISCUSSION .....	35
4.0 Descriptive Statistics.....	35
4.1 Correlation Analysis .....	36
4.2 Regression Analysis.....	37
CHAPTER FIVE .....	42
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	42
5.1 Summary of Major Findings.....	42
5.2 Conclusion .....	43
5.3 Recommendations.....	44
5.4 Further Research.....	45
REFERENCES .....	46



## LIST OF TABLES

Table 1: Summary of some of the Empirical Works on Social Responsibility and Financial Performance .....	28
Table 2: Summary Statistics of data .....	35
Table 3: Correlation Statistics.....	37
Table 4: Model Summary for H <sub>01</sub> .....	38
Table 5: Coefficients for H <sub>01</sub> .....	38
Table 6: Model Summary for H <sub>02</sub> .....	39
Table 7: Coefficients for H <sub>02</sub> .....	40
Table 8: Model Summary for H <sub>03</sub> .....	40
Table 9: Coefficients for H <sub>03</sub> .....	41



## LIST OF FIGURES

Figure 1: Centre for Media Analysis, Banks CSR Activities Rankings - 2018.... 15

Figure 2: Conceptual Framework ..... 20



## CHAPTER ONE

### INTRODUCTION

#### 1.0 Background to the Study

There has been tremendous increase in awareness and interest in the concept of corporate social responsibility (CSR) in recent years. Corporate Social Responsibility (CSR) is termed differently in several circles by many researchers. The most common expressions which have become synonymous to the CSR concept include corporate community involvement, corporate philanthropy, corporate responsibility, corporate citizenship, community development, community relations, community affairs, global citizenship, and corporate social marketing. Corporate Social Responsibility is an idea with many definitions and practices. Due to dynamism, CSR has been variously defined to suit changing trends and times. While the rudiments of CSR do not change but remain the same, it is defined differently in different circles by different scholars. While some scholars view CSR engagements as a moral obligation of organizations to society with no returns expected, other scholars hold the view that, CSR is a strategic activity that could enable organizations to have legitimacy or maximize and protect their profits. Others are also of the view that, it as a moral stand in order to safeguard or sustain the environment. These varied perspectives attest to the reasons why companies undertake different types of CSR engagements, with some focusing on issues in the community, whilst others also focus on the environment (Ofori, Nyuur & S-Darko, 2014). However, irrespective of the perspective one holds, the fundamental principle is that CSR engagements is simply organizations

relationship with society as a whole, and the need for these organization to restructure their objectives, ideas, values and decisions with the expectations from society in order to avert the possibility of skirmishes but earn concrete benefits (Dowuona-Hammond & Atuguba, 2008).

Amponsah-Tawiah & Dartey-Baah (2011) explained CSR as “the strategic decision of an organisation to voluntarily act upon the social factors that have the potential of militating against the fulfillment of corporate goals.” Therefore, CSR constitutes non-governmental interpositions that seek to solve developmental challenges that is usually faced by a country.

In recent times, many academicians and researchers have rejected the ideology that business entities should focus all their efforts and resources on profit maximization. These scholars advocate for the interrelationship that exists between businesses and societies they operate and argue that it is a managerial responsibility to initiate actions, policies and programs geared towards protecting and improving welfare of the society as well as the interest of their businesses. Thus, these business entities have other equally-important social responsibilities apart from profit maximization (Ofori, Nyuur & S-Darko, 2014). According to Uwuigbe & Egbide, (2012) the environment generally suffers from the activities of corporate institutions as such they were to be held accountable and be responsible in the preservation of the environment from undesirable effects.

This concept of being socially responsible has generated a lot of strong thought-provoking debates over the past years. While some antagonists have asserted that businesses should remain business by simply focusing on their aim of

maximizing profits, other school of thought hold the view that it a firm's obligation to uphold a fair and equitable working stability among interested groups — stakeholders, employees, clients and the general public. Rashid and Hague (2014) asserted that Corporate Social Responsibility (CSR) is globally attracting recognition and acceptance as a measure to adopt environmentally sustainable and socially reasonable business practices. There is broad consensus among financial and non-financial firms that undertaking socially responsible ventures by corporate organizations is of strategic and paramount importance to ensure their survival and long-term business success. Panigrahi & Sukla (2016) is of the view that CSR is where entities apart focusing on their profit motive demonstrates interest in the environment it operates and engages in social and environmental issues by being responsibly liable of the impact of their operations on stakeholders such as employees, investors, clientele, traders, and civil society. This assertion has been echoed by voluntary firms such as Corporate Social Responsibility Movement (CSR Movement) and CSR Foundation who are of the view that companies in Ghana should not only focus on profit maximization as the single objective

It has become imperative and acceptable that corporate firms shift attention from the traditional profit motive to become a socially responsible entity, a concept which refers to the manner business entities assume responsibility and liability for the environmental and social impact created from their operations. Although CSR operations have been criticized as mere 'greenwash' or an exercise in publicity, many literatures on CSR activities strongly advocates that many businesses have reaped a lot of benefits from CSR engagements. Contemporary literature posit that

these companies have over the years, experienced improved sales and market share significantly; reinforced brands; boosted corporate image; improved upon the ability to recruit, motivate and keep employees; reduced cost of operations; and made it more attractive to stakeholders and financial analysts. Margolis, Elfenbein, & Walsh (2009) underscored the point that CSR gave a competitive benefit which improved financial position of companies. Given the connection between profitability and reputation, it is always anticipated that CSR will drive profitability up. Other scholars believe that firms should not be accountable to the whole society but should only focus and be responsible to those who either directly or indirectly impacted or/were impacted by the firm's actions. However, corporate financial institution cannot be successful without taking cognizance of their immediate environment and being socially responsible to it.

Even though the banking sector in Ghana is gradually responding to the call to aggressively engage in CSR activities and sustainable social development, many financial institutions still pay little attention to it. Many of these financial institutions are of the view that engaging in CSR operations dissipates the scarce resources of the company without the company gaining any substantial return, hence no need to embark on CSR activities. These financial institutions therefore undertake activities in the form of charity or promotional interventions occasionally. These financial institutions postulate no positive nexus between CSR engagements and profitability since engaging in CSR operations involves a social cost which affects profitability of these banks negatively. Others organizations on the other hand believes that firms that undertake CSR engagements reap substantial



benefits. They express the view that, organizations should not only focus on maximization of profit but also CSR engagements. These firms are of conviction that given the connection between profitability and reputation, CSR engagements will always drive profitability up. It is against this background that firms operating in Ghana undertake CSR activities.

Banking industry is largely influenced by public expectation to enhance their transparency and responsibility with special attention to being socially responsible, resulting from society changing expectations and norms. Scholtens (2009) was of the view that socially responsible banking was fast gaining grounds as a deep-rooted concept, which connected the bank's ability to operate to its capacity of rewarding its stakeholders, without disregarding expectations of the society. Shen et al., (2016) argued engaging in CSR operations by banks are essential for them in the sense that CSR has the ability to enhance reputation of the bank and improve the confidence that customers have in these banks. Platonova et al., (2018) stressed that banks and other financial institutions had in these few years incorporated CSR into their administrative and operational plans. They acknowledged the unique role that the banking industry played in society and expressed the view that bank's activities and operations lately go beyond achieving financial steadiness but encapsulates creating new projections and strategies, providing required services for clientele and reducing financial omission.



## 1.1 Statement of the Problem

Many business entities such as banks are incorporated to undertake business actions with the objective of making profit. In Ghana, the necessity for business entities to become socially responsible has become necessary given the keen interest in environmental and ethical issues. In the light of these, business entities have been criticized as being driven by motives that do not incorporate and cater for the society's common good. Therefore these entities should be required by law and public pressure to carry out other responsibilities as well as maximizing their profit. Firms have a responsibility to incorporate the interests of stakeholders and communities they operate in their strategic decisions. However, among the literature reviewed, few sought to study the association between CSR activities and financial performance in traditional banking sector (Ahmed et al., 2012; Soana, 2011).

Financial institutions, particularly banks are very much involved in their communities other than any other organization. Banks utilize resources they take from the society in a form of deposits and give them back to the society in a form of loans. As such governments provide every needed support to these banks in times of distress to save them from possible collapse. As such, in as much as they strive to maximize enough turnover for their investors and observe with the government's directives to satisfy customers deposit by keeping liquidity of deposits, they also incorporate socially responsible initiatives in their operations to pay back to the society. Banking activity normally interacts with CSR. Firms particularly

financial institutions cannot disregard the various challenges that exist in their areas of operation.

Relationship between CSR and financial performance in the banking industry in developing economies particularly Ghana has not been given much attention. There is scarcity of empirical research that examines the connection between engagement in corporate responsibilities and financial performance in Ghana. Therefore, it is prudent to examine the impact of banks engagements in corporate social responsibility on banks performance.

### **1.3 Purpose of the study**

The general purpose of this research is to investigate the outcome that GCB social responsibility has on the profitability of GCB bank. This research will provide management with adequate information on the benefits or otherwise of CSR activities and also help them in their long-term strategic decisions.

### **1.4 Research Objective**

The general objective of this research is assessing the effect of GCB Social Responsibility on the financial performance of GCB Bank. Specifically, the study is intended

1. To ascertain the impact CSR has on Net Interest Income of GCB Bank Ltd.
2. To ascertain the impact of CSR on Net Profit of GCB Bank
3. To discover the effect of CSR on Total Assets of GCB Bank

### 1.5 Research Questions

In addressing the aforesaid objectives, the following research questions are raised:

1. How does GCB social responsibility affect Net Interest Income of GCB Bank?
2. What effect does GCB social responsibility have on the Net Profit of GCB Bank?
3. What effect does corporate responsibility have on Total Assets of GCB Bank?

### 1.6 Hypothesis

This study seeks to empirically test the following hypotheses:

$H_o$ : There is no significant relationship between GCB social responsibility and net interest income of GCB Bank Ltd

$H_1$ : There is a relationship between GCB social responsibility and net interest income of GCB Bank Ltd

$H_o$ : There is no significant relationship between GCB responsibility and net profit of GCB Bank Ltd

$H_1$ : There is significant relationship between GCB corporate responsibility and net profit of GCB Bank Ltd

$H_o$ : There is no significant relationship between GCB corporate responsibility and total assets of GCB Bank Ltd

*H<sub>1</sub>*: There is significant relationship between GCB corporate responsibility and total assets of GCB Bank Ltd

### **1.7 Significance of the study**

There exist plethora of literature providing significant information on the influence of corporate responsibility on financial performance in most develop economies but sparse in Ghana. Over the few past years, financial entities have adopted and included CSR activities in their operations. Previous research in the financial sector are diverse in appreciating that CSR engagements is a driver of achieving increased banks' profit. This research adds to existing works by highlighting to management of the GCB bank, the effect of CSR engagements on GCB performance.

This study will again create the platform for policy makers in understanding the possible effects social actions have on an organization's long-standing monetary performance. This study will help financial institutions incorporate economic and social costs which consequently will help firms assess its financial implications.

### **1.8 Delimitations**

This research assesses the effect of social responsibility on the monetary performance of GCB Bank. Financial Performance was the dependent variable and three variables were considered as proxy for financial performance: Net Interest

Income, Net Profit and Total Assets. Corporate Responsibility was the independent variable.

### **1.9 Limitations**

The first constraint faced was that, this research did not reflect the various components of CSR that GCB undertakes. It is pragmatically supported and strategically acknowledged that different components of CSR have the possibility of impacting on financial performance differently. The aggregation of CSR activities into single value removes its genuine influences. Therefore, it is recommended that future studies should disaggregate CSR into components and pay attention to the different components to create a more meaningful understanding. This study was also limited to GCB Bank. The study could incorporate more banks and other industries for more information from diverse sources because CSR activities vary across banks and industries and also impact differently on the financial performance as a result of the scope of their operations. Thus, future research should focus on different banks and industries.

### **1.10 Organization of the study**

This work is organized into five chapters. Chapter one entails background to the study, statement of the problem, research objectives and questions, significance of the study, limitations and delimitations of the study as well as the organization of the study. Chapter two focuses on theoretical framework and review of contemporary literature. Chapter three discusses the methodologies used

in this research. It assesses data used, data sources and the techniques used in analyzing the data. Chapter four analyzes empirical data, presents results and discusses findings. Finally, chapter five discusses the summary, conclusions and recommendations for solving the problems identified in the study.



## CHAPTER TWO

### LITERATURE REVIEW

Chapter two reviews contemporary literature on the subject matter. The part is divided into two sub-sections. The first part gives an overview of CSR in Ghana, GCB corporate responsibility programs and relationships between corporate responsibility and financial Performance. Section two explores theoretical framework and review of contemporary literature.

#### 2.0 Overview of CSR in Ghana

There are many different companies carrying diverse scope of activities in Ghana. There are joint stock companies, foreign companies registered under the laws of Ghana, in addition to state-owned enterprises. Again, there are also a number of other business units such as sole proprietorships, partnerships and co-operatives that have corporate personality. However, there seems not be comprehensive regulation or laws that regulates the operations and activities of CSR, nevertheless, there exist varied procedures, policies, initiatives and practices that jointly offer a regulatory framework for CSR activities in Ghana (Dowuona-Hammond and Atuguba 2008, Ofori, 2008; Ofori & Hinson, 2007).

Opong (2016) asserted that many CSR activities, as in the case of occurrence and scale are normally undertaken by large scale companies such as telecommunication firms, financial organizations such as banks, and other establishments in the extractive industries such as oil and gas companies and mining firms. in Ghana, CSR initiatives are usually focused on education,



healthcare, environmental damage, consumer protection, safety and philanthropy (Ofori & Hinson, 2007).

## 2.1 Corporate Social Responsibility in Ghana's Banking Sector

The banking and non-banking financial institutions in Ghana have contributed immensely to the socio-economic development of Ghana through their CSR initiatives. These institutions major CSR commitments are largely focused towards education, health, and sports development. Most banks do not undertake CSR initiatives on regular basis simply because, CSR is not mandatory in Ghana. Again, the requirement for granting banking license to financial institutions in Ghana does not include CSR initiatives as in the case of firms in the extractive industry which requires to have CSR plan before mining permit or exploration and production permit is granted.

## 2.2 GCB Corporate Responsibility Initiatives

GCB was officially set up in 1953. GCB started as the Bank of Gold Coast. The name was changed in 1957 to Ghana Commercial Bank after Ghana gained independence and Bank of Ghana, the apex bank was set up as the Central Bank (GCB Annual Report, 2015). Since its establishment, GCB has undertaken many policy initiatives and strategies all in the quest to enhance its image and portray a renewed sense of dynamism as it entered a new phase of its strategic growth.

According to GCB, compliance and best industry practices worldwide required business entities to invest in CSR initiatives to bridge the gap between



economic and social capital which is a key measure by which business performance is judged and positioned as a good corporate citizen. GCB Bank sees its commitment and contribution to the society as non-negotiable and aimed at helping to improve and transform the society. GCB bank has over the past few years lived up to the many challenges and expectations of the society. GCB Bank gave life to its mantra “Your Bank for Life” through GCB matchless CSR activities covering areas including education, environment, health, tradition, culture and Sports.

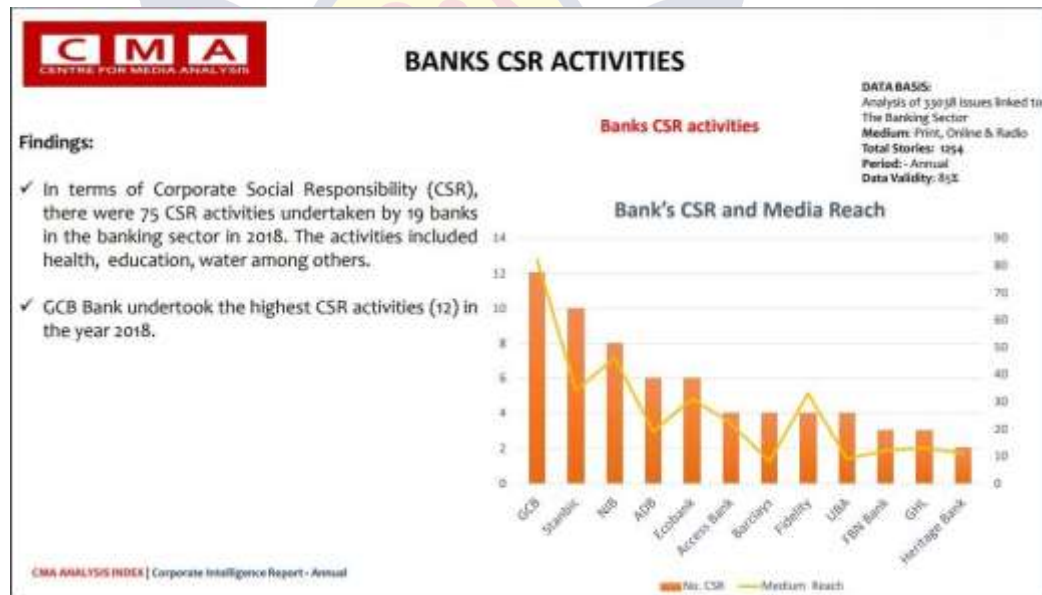
GCB focal point in the celebration of its 65th Anniversary was anchored on the choice of undertaken socially responsible initiatives. GCB Bank, Ghana’s premier indigenous bank launched the anniversary with the inauguration of CSR projects across the country at a total cost of GHC100,000.00 largely in support of educational activities and promotions, healthcare, sustainable environment among others. GCB segmented its banking operations into nine administrative zones across the country and the bank undertook a CSR activity in each of the zones.

A report released by Centre for Media Analysis in 2017 ranked GCB bank as the Bank that undertook many socially responsible programs in the second quarter of 2017. GCB was adjudged first on Banking Sector CSR Coverage Index (Centre for Media Analysis Report, 2017). According to the report, a total of 14 banks that undertook socially responsible initiatives during that period were surveyed. The survey showed that, of the total number of 26 socially responsible initiatives undertaken, GCB made outstanding strides in many areas including health, donation and education, hence, gaining 15 percent and winning the highest position of the Banking sector CSR Coverage Index. Other banks including Access

Bank, UniBank and The Royal Bank achieved three (11%) CSR initiatives each, becoming second on the Coverage Index (CMA Report, 2017).

In 2018, GCB Bank was once again declared the best Bank in undertaking Corporate Social Responsibility (CSR) programs by Centre for Media Analysis. 19 banks were assessed based on their engagements in CSR activities. GCB emerged first followed by other banks such as Stanbic, NIB, ADB among others. The research indicated that, a total number of 75 CSR activities were engaged in by these banks. GCB undertook many compared to the remaining 18 banks (Center for Media Analysis Report, 2018).

Figure 1: *Centre for Media Analysis, Banks CSR Activities Rankings - 2018*



*Adapted from CMA Report, 2018*

Centre for Media Analysis was of the view that corporate's philanthropic and community development initiatives improved the company's corporate reputation, visibility and external standing, which necessitated the public to vote GCB as the first. They believed that companies that undertook socially responsible activities improved their brand-health and caused them to leverage the competitive market.

### ***2.2.1 Education***

GCB Bank has prioritized education as part of its community initiatives aimed at improving infrastructure and ensuring that the well-being of school children and communities are largely improved. GCB Bank, a significant sponsor of educational programs such as the National Science & Maths Quiz, and has over the years built and renovated many classroom blocks. GCB Bank Limited gave a modern day six-unit classroom block estimated to cost GH¢200,000.00 to Bomaa RC Junior High School in the Tano North Municipality. This classroom complex replaced dilapidated 1939 school block which served about 200 pupils. Again, 10 desktop computers and their accessories were presented by GCB Bank Limited to the Benkum Senior High School (BENSCO) in the Akuapem North Municipality as part of its CSR activities. GCB Bank also donated classic collection of Ghanaian history books worth over GH¢120,000.00 written by Kofi Antubam titled "Ghana's Heritage of Culture" to the Ghana Library Authority (GLA) for distribution of libraries in the country.

### ***2.2.2 Culture and Tourism***

GCB Bank sponsored programs such as Heritage Caravan, the Pan African Historical Theatre Festival (PANAFEST) and many other cultural and tourism events boosting tourism in Ghana.

### ***2.2.3 Health***

GCB Bank again showed leadership during the Covid-19 pandemic. GCB bank made a donation of ₵100,000 to the COVID-19 Fund. Other items such as veronica buckets, water storage tanks, gallons of hand sanitizers, receptacles, gallons of liquid soap, rolls of tissue, food items, water and drinks were donated to help in the Covid-19 fight. GCB again made available thousands of Personal Protective Equipment (PPEs) to various health facilities.

In 2018, GCB Bank Ltd made available GH₵ 73,600.00 to 23 students who were studying medicine across the country to enable them embark on a medical exchange program. This sponsorship formed part of the Bank's corporate social responsibility. Medical students were sent to Germany, Hong Kong, USA, Spain, Israel among other countries to study and acquaint themselves with best practices in medical education. GCB Bank renovated the Ussher Polyclinic and built a new theatre for the James Town Maternity Clinic also Renal Dialysis Unit at 37 Military Hospital.

#### **2.2.4 Sports**

The GCB Millennium Marathon was also organized in 2019. This attested to the Bank's commitment to Mother Ghana, sports and human development and its overall corporate social responsibility (CSR) programs. They stressed that "sports is one of the cardinal pillars in our CSR activities" hence the need to heavily invest in as a corporate socially responsible activity. The Bank has sponsored various programs such as Ghana's Fastest Human, Millennium Marathon among others.

GCB Bank again sponsored the 3<sup>rd</sup> Edition of the Ascent Obstacle Course event held at the Ghana Military Academy & Training Schools (MATS). This activity, the first of its kind was organized for participants to challenge their physical and mental health as well as to test the capabilities and endurance level.

### **2.3 Relationship between corporate social responsibility and financial performance**

Various schools of thought have propounded various opinions on the connection that exist between an organization's corporate responsibility and its financial achievements. Many empirical researches have either indicated positive, negative or neutral impacts of firm's societal responsibility on financial performance.

Antagonists believed that an organization is likely to face a trade-off engaging in corporate responsibility and enhancing finance performance. They opined that these firms suffered cost from engaging in socially responsible activities

that economically affected them as corroborated by the Agency Theory. This ideology was reinforced by the trade-off hypothesis' which advocated inverse association between CSR engagements and financial performance. The theory held the view that as corporate organizations increased CSR practices, financial performance declines and vice versa. Consequently, socially responsible activities places financial burdens for companies. Proponents of this trade-off theory was largely anchored on the neoclassical ideology that socially responsible approaches lead to additional cost which results in competitive disadvantage.

The other school of thought indicated that incorporating CSR in business entities activities impacted positively on an organization's monetary performance. This is in line with stakeholder's theory. They were of the view that explicit costs involved in undertaking corporate social responsibility were negligible and that business organizations that engaged in CSR activities accrued some benefits in terms of boosting employee morale and productivity and also as a tool for building a brand or reputation of the firm.

Scad literature also attested to the fact that, corporate institutions that undertook CSR activities had the ability to enhance and improve their competitiveness. In other words, social responsibility seemed to contributed to viable development through provision of economic and environmental assistances for all participants. Many financial institutions undertook CSR with the aim of creating positive public brand recognition and providing g real benefits to the community they operate.

Many academic studies indicated that financial institutions tended to create higher employee motivation and enhanced their performance levels. Some also believed that engaging in CSR created a competitive advantage which inclined to improve the competitiveness of the firm. (Margolis, Elfenbein, & Walsh, 2009). They indicated that financial institutions engaging in social initiatives benefited from those initiatives and they become more profit motives. The last school of thought holds the view that the benefits derived by incorporating and engaging CSR actions is wholly balance by the cost suffered in undertaking the CSR actions, hence, there is no need for firm to undertake CSR activities.

## 2.4 Conceptual Framework

This study introduces conceptual framework, represented in the form of a figure, based on some theoretical and empirical research which allows clearer understanding of the effect of CSR on financial performance of GCB Bank.

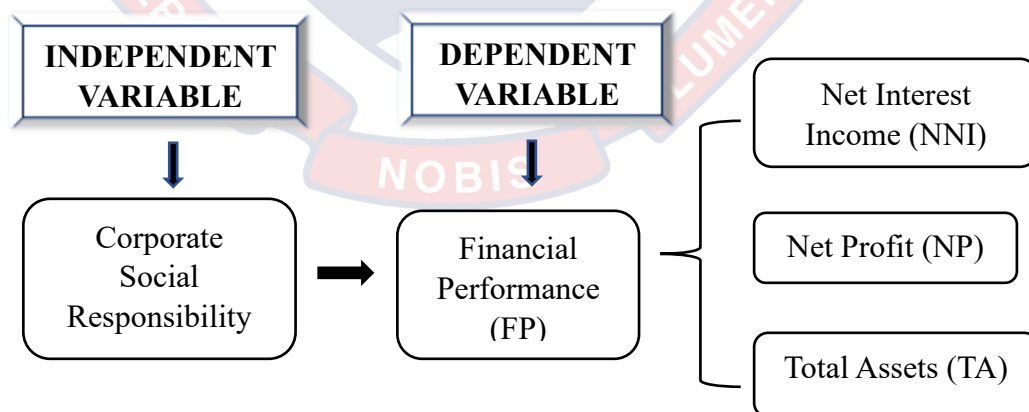


Figure 2: *Conceptual Framework*



## 2.5 Theoretical Framework

Various theories have been advanced over the years all in an effort to evaluate the influence of CSR on the performance of corporate businesses. These theories include stakeholder theory (Freeman, 1984), agency theory (Friedman, 1970) and the resource-based view (Barney, 1991). All these theories are elusive in their outcomes.

### 2.5.1 Stakeholder Theory

This theory holds the view that almost all organizations have stakeholders that they have responsibility and obligation towards. The theory holds the view that firm's basic responsibility is to be proactive and more efficient to meet the interests of the various elements, mostly called stakeholders. According to Freeman (2004) Stakeholders refer to "those groups who are vital to the survival and success of the organization". To him, stakeholders are all those elements directly or indirectly related to the organization in one way or the other and have interest in the organization.

This theory postulates that the effectiveness of an organization largely depends on paying particular attention to all and only those relationships that has the potential of affecting or being impacted by the accomplishment of the organizations' objectives. This theory posits that there should be an enduring relationship between a company and a stakeholder to ensure the continuity and the success of the firm, hence managing this relationship will become a vital tool for creating value for the firm (Hammann, Habisch, & Pechlaner, 2009). This theory



emphasizes that socially responsible initiatives increases the firm's status in a way that can positively its financial performance thereby winning the interest of investors and other participatory bodies.

Most Business entities experience substantial declines in profitability because they fail to give recognition to corporate social responsibility activities. This theory hypothesizes a positive impact of social responsibility on the performance of financial institutions. It greatly corroborates the assertion that corporate firms are able to improve financial performance through competitive edge (Margolis, Elfenbein, & Walsh, 2009).

### **2.5.2 Agency Theory**

According to this theory, firms suffer cost from engaging in socially responsible initiatives. This creates competitive disadvantage, because the firm incur costs that negatively affect them and adversely impact on the profitability of the firm. This theory emphasizes that business entities have only one social obligation to its shareholders, which is to maximize wealth or profit. Therefore, firms engaging in other activities and spending its incomes for non-profit activities drains a firm's resources and imposes "illegal tax" on organizations, which adversely impact on their profit margins. Thus, higher investment in corporate responsibility activities imposes extra cost which far outweighs the benefits, hence imposing economic disadvantages to the firm creating negative relationships between corporate responsibility and an organization's profitability.

### 2.5.3 Trade- off Hypothesis

This theory asserts that organizations which undertakes more socially responsible activities tend to experience a slow financial performance. To them, socially responsible entities are less advantaged than usual entities that do not vigorously undertake social activities. The proponents of this hypothesis argue that firms that are critical in integrating and carrying out socially responsible initiatives, tend to shift focus from their objective of profit maximization. To the protagonist, company's core objective is to maximize profit, therefore lambasted CSR engagements. (Friedman 1970).

Many old scholars have argued that trade-off hypothesis is derived from the neoclassical ideology that corporate responsible tactics incurs extra costs leading to a competitive shortcoming (Aupperle et al., 1985). However, scholars support that 'resources channeled to social activities should be directed—either disbursed to ensure firms' efficiency or be paid back to investors' (Perrini et al., 2011). These scholars advocated that it is not the core responsibility of firms to solve societal problems, but needs to concentrate on their core objective of maximizing profit and should leave these social issues to be addressed by respective or the third sector.

### 2.6 Empirical Review

A plethora of contemporary literature tried to survey the correlation between firm's social responsibility operations on profitability as it has generated great interest among many researchers (Ahmed et al., 2012; Simpson and Kohers 2002; Soana 2011). These empirical literatures examining the effect of CSR on

performance have produced ambiguous outcomes. While Yusoff et al., (2013), Margolis & Walsh (2001) and Roman et al., (1999) showed mixed results reporting positive, negative, and neutral results, Singh (2014) Hirigoyen & Poulain-Rehm,(2014), Babalola (2012), Platonova et al., (2018 etc found negative effects. Other studies including Mallin et al., (2014); Platonova et al., (2016), Enahoro et al., (2013), Bolanle et al., (2012), etc found evidence of significant positive effects. However, studies such as Soana et al., (2011), Kang et al., (2010), Chek et al., (2013), Allen, (2014), Adeneye & Ahmed (2015) etc did not discover significant relationship between CSR operations and financial position.

#### ***2.6.1 Positive Influence of CSR on Banks' Financial Performance***

Senyigit & Shuaibu (2017) examined the effect of CSR engagements on firm's profitability of traditional banks in developing countries, using panel data multiple linear regression analysis. Their findings indicated that inasmuch as CSR positively influenced profitability of Banks in Nigeria, they could not establish any statistically significant effect of CSR on profitability of Turkey Banks. Xie (2019) studied into impact of corporate responsibilities on Chinese profitability. Using ordinary least squares (OLS) to empirically test the nexus among CSR activities on financial performance concluded that corporate responsibility operations impacted positively on financial performance, especially profitability.

Awais et al., (2015) appraising an organization's social act found its effect on profitability of contemporary firms especially Banking Sector of Pakistan. Using SPSS and drawing appropriate inferences and established a strong connection

between CSR operations and an organization's performance. Abilasha & Tyagi (2019) analyzed the influence of corporate responsibility on fiscal performance among ten outstanding firms in India using simple regression model found that CSR greatly impact on profitability and is positively significant with reference to ratios like net profit, return on equity, return on asset among others. According to them, a firm's financial performance is positively linked to CSR such that whenever CSR increases, the firm's financial position improves and vice – versa.

Bafna (2017) stressed that corporate responsibility influenced a company's profitability if the firm's incorporated CSR into its operations and spent more towards CSR activities. This led to sustainable economic growth of the company and the society as a whole. They however opined that CSR positively affected net profit of an organization but had no positive influence on earnings per share and return on asset. Maqbool & Zameer (2018) investigated CSR and banks financial performance in India. The work was conducted using 28 conventional banks on Stock Exchange, Bombay spanning from 2007 to 2016. The results are supportive of the premise that CSR positively influence profitability of banks in India. They further stressed the need to strategically integrate CSR in their activities and reconsider their conventional profit-oriented motive in order to become more socially responsible.

Bagh & Khan et al., (2017) examined the effect of CSR on profitability of Pakistan banking industry, using 30 commercial banks between 2006 and 2015. Using pooled regression models, their findings showed positive significant effect of CSR on profitability of designated conventional banks in Pakistan. They

therefore implored financial institutions to reorient their minds to adopt CRS as growth enhancing tool.

### **2.6.2 Negative Influence of CSR Operations on Banks' Financial Performance**

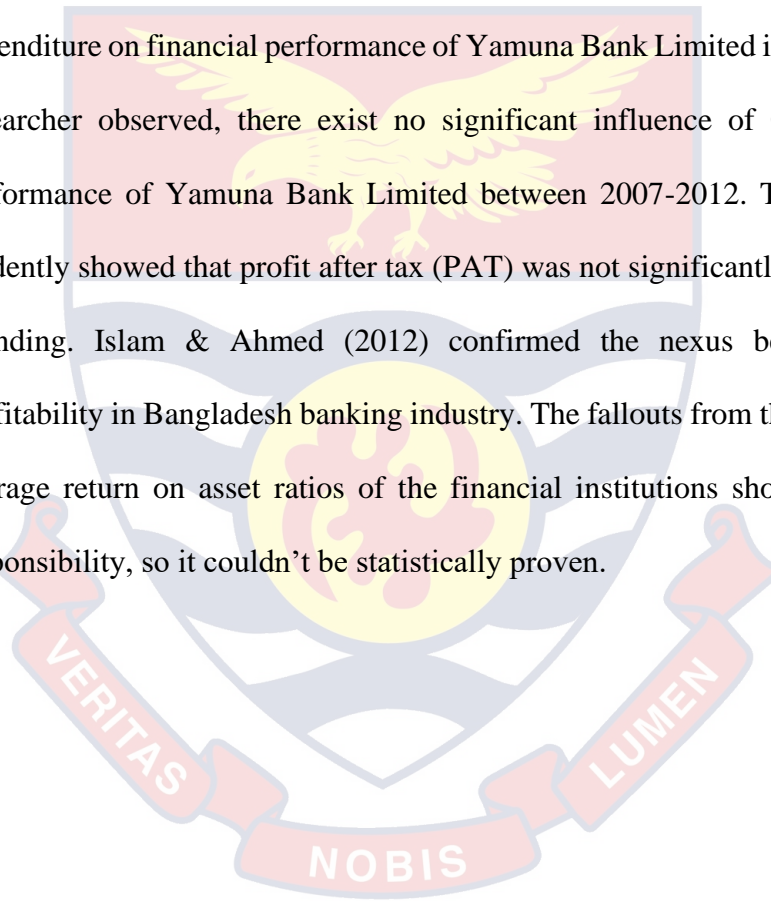
Chan & Unger (2017) using index and Z-score as Financial constraints found that CSR is negatively correlated with financial constraints. Platonova et al., (2018) used OLS to evaluate CSR relationship on financial performance of Vietnam traditional banks. Their conclusion showed significant negative association between CSR and profitability. Elouidani & Zoubir (2015) examined the impact of corporate responsibility on financial performance between 2007 and 2010. The study concluded adverse significant influence of corporate responsibility on financial performance. Uwaloma & Egbide (2012) used 41 firms from Nigerian stock exchange in the year, 2008. The study used multiple regression method to study the data. The study proved significant negative influence on firm's financial leverage.

### **2.6.3 No Influence of CSR on Banks' Financial Performance**

Other contemporary studies also posited no or neutral correlation between social responsibility and profitability. Empirical evidence on CSR in Ghana seems to suggest that no relationship exists between CSR and corporate financial performance (Oppong, 2014; Ofori et al., 2014). That is social responsibility and profitability are mutually exclusive of one another. Platonova et al., (2018) stressed that neutrality between CSR and profitability may occur as a result of the

occurrence of many variables that interferes in the nexus between corporate responsibility and financial profitability. Chih et al., (2010) investigated 520 organizations in 34 countries spanning between 2003-2005 time period and concluded no relationship between CSR and Financial Performance. They found absolutely no nexus between CSR and profitability.

Rahman et al., (2014) examined the effectiveness of social responsibility expenditure on financial performance of Yamuna Bank Limited in Bangladesh. The researcher observed, there exist no significant influence of CSR on financial performance of Yamuna Bank Limited between 2007-2012. That was the OLS evidently showed that profit after tax (PAT) was not significantly affected by CSR spending. Islam & Ahmed (2012) confirmed the nexus between CSR and profitability in Bangladesh banking industry. The fallouts from this study indicated average return on asset ratios of the financial institutions shows less corporate responsibility, so it couldn't be statistically proven.





**Below is a table that gives summary of contemporary researches and articles which support the impact of CSR engagements on Financial Performance.**

Table 1: *Summary of some of the Empirical Works on Social Responsibility and Financial Performance*

S/N	Author(s)	Title	Methodology	Findings
1	Sarwa, Zahidul, Ikramul (2012)	Corporate Social Responsibility and Financial Performance-Linkage-Evidence from the Banking Sector of Bangladesh.	T-test	The results confirmed that average return on asset ratios of the banks having high social actions was higher compared to banks with low corporate social engagements
2	Shehu (2013)	Effect of Corporate social responsibility on profit after tax of some selected deposit money banks in Nigeria	Static Panel	Findings indicated CSR significantly effect on profitability
3	Richard & Okoye (2013)	Impact of Corporate Social Responsibility on Deposit Money Banks in Nigeria	Static Panel	Results indicated CSR greatly affect as well as infrastructure and growth of the society
4	Olayinka & Temitope (2011)	Relationship between CSR and financial performance in developing Economies	Qualitative research method	Results showed CSR has significant positive correlation with profitability indicators.
5	Folajin, Ibitoye & Dunsin (2014)	Corporate Social Responsibility and Organizational Profitability: An Empirical Investigation of United Bank of Africa (2006-2012)	OLS	Results indicated inverse association between CSR and UBA profitability

Adapted from Tijani, Adeoye et al., (2014)

## CHAPTER THREE

### RESEARCH METHODS

This part describes the research methodologies used. Part one focuses on the data used, sources and the time period used for the study. Section two focuses variable's measurements. These involve explanations, operational definitions as well as measurement of the variables used in the study. The third section focused specification of the model and the properties of data used.

#### 3.0 Research Design

Research design refers to an overall framework for the activities to be undertaken in the course of a research. It specifies the sources and type of data/information relevant to research question. Therefore, a research design shows various approaches & procedures for obtaining the information. This research work studied the effect of social responsibility on profitability of GCB Bank in Ghana. This study used exploratory and descriptive study methods in order to have a detail understanding. To ascertain the correlation existing among the dependent and the control variables, explanatory method was adopted.

#### 3.1 Population of the Study

Population is seen as the group of people about which certain information is essential to be ascertained (Banerjee & Chaudhury, 2010). The target population for this study was all the over 180 GCB bank branches in Ghana grouped under the title 'GCB Bank'.



### 3.2 Sample Size

The sample in this study involved all 180 GCB bank branches in Ghana grouped under the title ‘GCB Bank’.

### 3.3 Sampling Technique

The samples in this study was done through purposive sampling of GCB Bank branches in Ghana. GCB Bank was selected because as profit-orientated firm, management has a core responsibility to maximize profits. Again, there is an extra duty of satisfying the growing demands of varied and complex stakeholder groups. Lastly, the Ghana Banking Survey (2007) report questioned the motives and rationale of Ghanaian banks in developing and undertaking CSR practices. (Ofori, Nyuur & S-Darko, 2014). Annual Financial Reports were surveyed to gather data needed to undertake this research work.

### 3.4 Data Collection Method

Data was sourced from secondary sources. The data used was sourced from annual financial reports of GCB published on the website of the bank ([www.gcb.com.gh](http://www.gcb.com.gh)). The frequency of the data used was annual and spans between 2009-2019.

### 3.5 Model Specification

The model adopted has been used by previous work of Bagh T., Khan A. M. et al (2017). This study adopted the model specified as

$$FP = \beta_0 + \beta_1 CSR + \varepsilon$$

To achieve the research objective, the regression equation was transformed into four sub-equations in respect of each proxy for financial performance.

$$NII = \beta_0 + \beta_1 CSR + \varepsilon$$

$$NP = \beta_0 + \beta_1 CSR + \varepsilon$$

$$TA = \beta_0 + \beta_1 CSR + \varepsilon$$

Where:

*FP* represents Financial Performance

*NII* represents Net Interest Income

*NP* represents Net Profit

*TA* represents Total Assets

*CSR* represents Corporate Social Responsibility

$\varepsilon$  represents the Stochastic error term which assumes the properties of white noise

From the model above, Net Interest Income (NII), Net Profit (NP) and Total Assets (TA) were used as proxies of dependent variable, Financial performance, whereas the independent variable is Corporate Social Responsibility.

The model was formulated in logarithmic form. Log transformation was necessary because it avoided the occurrence of non-linear relationship that may occur among the dependent and the independent variables. Again, highly skewed variables were changed into normal skewed variables.

### **3.6 Data Processing Analysis**

This section looked at the techniques employed in this analysis. The data collected was largely quantitative and hence a quantitative analysis technique was used in data analysis. The methodology accepted for the analysis of the data was correlation and simple regression using Statistical Package for Social Sciences (SPSS) software 20.0 version (Garai, 2017; Bafna, 2017). Data relating to Net Interest Income (NII), Net Profit (NP), Total Assets (TA) and Corporate Social Responsibility (CSR) were used to estimate OLS model of regression. This was used to ascertain the effect and also to test the various hypothesis formulated. This research tested if correlation existed between variables and the nature of the correlation, if any, between the control variable, CSR and the dependent variables Net Interest Income (NII), Net Profit (NP) and Total Assets (TA). This is consistent with other previous works.

#### **3.6.1 Prior expectation**

It was quite challenging to assign the trend of the correlation in advance, as per the various literature reviewed, the association could either assume positive,

negative, or neutral values and/or could be significant or insignificant; hence, no conclusive results could be made. (Platonova et al., 2018).

### 3.7 Variable Measurements

This section discussed the key variables used in this study.

#### 3.7.1 Financial Performance

There was no agreement on the measurement of financial performance (Maqbool & Zameer, 2017). There are two broad approaches for measuring performance - the accounting methods and the econometric methods. Traditionally accounting methods adopt financial ratios which have generally been accepted as a good measure for banks performance. However, due to the constraints these methods face together with development in sciences have pushed for the development of other different methods such as non-parametric (DEA) and parametric Stochastic Frontier Approach (SFA) as opined by Berger and Humphrey, 1997 as cited by Adam (2014). Literature probing corporate performance on financial profitability used various indicators as measurements for financial performance. The most widely used measurements are the accounting-based measures such as Net Interest Margin (NIM), Return on Equity (ROE), Return on Assets (ROA) and Return on Sales (ROS) as well as the market-based indicators such as Net Interest Income (NII), price-to earnings ratio (PER), Market Return etc (Maqbool et al., 2018).

Following contemporary literature, this research adopted Net Interest Income (NII), Net Profit (NP), Total Assets (TA) as proxies to measure profitability. This was in line with Gangi et al., (2018); Kamatra, & Kartikaningdyah, (2015) and Bhunia & Das (2015).

### ***3.7.2 Net Interest Income (NII)***

Net Interest Income is defined as the interest income received from lending activities or debt instruments held less the interest expense incurred on deposits or issued debt instruments. NII measures how effective banks have performed at their primary mandate. NII is an acceptable proxy for measuring the effectiveness and stability of banks' main activities because it shows the effectiveness of banks managing interest bearing assets and liabilities (Saksonova, 2014). NII is the difference between interest received from asset and interest paid to liabilities. It is calculated as:  $NII = \text{interest payments on assets} - \text{interest payments on liabilities}$ .

### ***3.7.3 Corporate Social Responsibility***

Wherever the bank operates, the Bank has been driven by a philosophy to be a partner of those communities. Towards this, the bank contributes in diverse ways to the communities where they operate. CSR therefore measures the investments made in the several projects and initiatives such as education, sanitization, environment and health. This is in consistent with Malik & Nadeem, (2014) and Murtaza et al., (2014).

## CHAPTER FOUR

### RESULTS AND DISCUSSION

This chapter described empirical analysis performed in this research. This involved analysis of correlations between chosen variables and the regression results which were compared to other empirical literature.

#### 4.0 Descriptive Statistics

All the variables had positive values. On the average, Total Assets was highest, followed by CSR, then Net Interest Income and then Net Profit. The average CSR score of GCB Bank was 15.0893 with a standard deviation of 2.81871. This suggests that CSR for the banks over the period of the study averages about 15.09% with individual yearly figures differing around 2.81%. This implies that, GCB Bank had on the average reported on about fifteen areas of CSR activities. The high variations for CSR as indicated by the standard deviation are confirmed by the minimum and maximum values of 12.61 and 23.07 respectively. Again, it also demonstrated that total assets had the highest maximum value while net profit had the lowest minimum value. This is displayed in Table 2.

Table 2: *Summary Statistics of data*

	Minimum	Maximum	Mean	Std. Deviation
LN_CSR	12.61	23.07	15.0893	2.81871
LN_NII	18.70	20.88	20.0241	.71132
LN_NP	16.84	20.17	19.0912	1.15973
LN_TA	21.38	23.25	22.2302	.66181

Source: Field Data, 2020

#### 4.1 Correlation Analysis

Generally, correlation statistics tried to find out the extent and direction of connection between two variables. In a bivariate correlation, the tendency for the variables to have the grounds and upshot association, the probability of the variables having high extent of connection between them.

The correlation coefficients indicate a direct and positive relationship between CSR and NII with it being statistically significant at 5% level. The positive relationship between CSR and NII affirms the general idea that the more a firm undertakes CSR operations, the more profitable GCB will eventually become. This implies that, the more the bank initiates, develops and implements CSR activities, the more the net interest income. It disclosed that net interest income is positively associated with CSR (.642) and this relationship was statistically significant at 5% level. The other profitability ratio, Net Profit was positively connected with CSR (.566) but this association was statistically insignificant at 5% level but positively connected with Net Interest Income and statistically significant at 10% significant level.

Lastly, it divulged that total assets was positively connected with CSR (0.742), Net Interest Income (0.942) and Net Profit (0.798), and they were all statistically significant at 10 level. Table 3 displayed the correlation between net interest income, net profit, total assets and corporate social responsibility.



Table 3: *Correlation Statistics*

	LN_CSR	LN_NII	LN_NP	LN_TA
LN_CSR	1			
LN_NII	.642*	1		
LN_NP	.566	.943**	1	
LN_TA	.742**	.924**	.798**	1

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data, 2020

#### 4.2 Regression Analysis

To ascertain cause and effect of correlation between the profitability ratios and corporate social responsibility, this study adopted a simple regression analysis. In this analysis, net interest income, net profit and total assets had been used separately as proxies for the dependent variables and corporate responsibility used as an independent variable.

***H<sub>01</sub>: There is no significant relationship between GCB corporate responsibility and net interest income of GCB Bank Ltd***

The result from Table 4 showed that the bond of the connection between CSR and NII was strong at 64.2%. The coefficient of determination,  $R^2$ , of 41% was reasonably high indicating that Corporate Social Responsibility explains about 41% of the variations in the Net Interest Income. This shows that the variables fairly satisfy the model. The F-value and P value is used to measure the suitability of the model, as such if p-value is less than 0.05 at 5% significance level, the model is assumed to be good and can be used for prediction and strategic analysis. As displayed in Table 4, the p-statistic is 0.03 at 5% significance level and was it is

suggestive that the model had the predictive power and effectiveness to significantly conjecture the outcome of the model.

Table 4: *Model Summary for H<sub>01</sub>*

Model	R	R Square	Adjusted R Square	F	Sig.
1	.642 <sup>a</sup>	.412	.347	6.306	.033 <sup>a</sup>

a. Predictors: (Constant), CSR

b. Dependent Variable: NII

Source: Field Data, 2020

The results displayed in Table 5 indicated that the coefficient of regression (B) of 0.162 showed a positive association between NII and CSR. This suggested that the implementation of CSR positively affected NII and vice versa. Thus, an increase in CSR by one unit; NII increased by 0.162 unit and was 5 per cent statistically significant. This indicated that CSR of GCB Bank significantly affected the profitability of the bank. Therefore, the null hypothesis of no relationship between CSR and NII was rejected. This is in line with Gangi et al., (2018) who postulated a strong positive association between CSR and NII.

Table 5: *Coefficients for H<sub>01</sub>*

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
(Constant)	17.580	.989		17.782	.000
CSR	.162	.065	.642	2.511	.033

a. Dependent Variable: NII

Source: Field Data, 2020

*Ho: There is no significant relationship between GCB responsibility and net profit of GCB Bank Ltd*

The result displayed in Table 6 demonstrated that the strength of the relationship between Net Profit and CSR is 57.3%. The Adjusted R<sup>2</sup> (coefficient of determination) value of 0.328 indicated that 32.8% variability in the dependent variable, Net Profit could be explained by the control variable, CSR. The F statistic measured the suitability of the model. The F value and P value was less than the value at 10% significance level. The P value of 0.06 was statistically significant implying that the model possesses the extrapolative power and influence to meaningfully envisage the result of the variable. The result proved a positive and statistically significant effect of CSR on NP of GCB Bank.

Table 6: Model Summary for H<sub>02</sub>

Model	R	R Square	Adjusted R Square	F	Sig.
1	.573 <sup>a</sup>	.328	.253	4.393	.066 <sup>a</sup>

a. Predictors: (Constant), CSR

b. Dependent Variable: NP

Source: Field Data, 2020

From Table 7, the coefficient of regression (B) of .234 indicated that the connection existing between the variables were positive suggesting that, engagement in CSR positively affected on NP. Thus, from Table 7, that an increased in CSR by one unit; the NP increased by 0.234 units and was statistically significant at 10 per cent level. Therefore, it can be observed that NP has a

significant association with corporate responsibility and engaging in CSR activities positively impact on Net Profit. This means that the null hypothesis is rejected. The results were confirmed by Kanwal, Khanam, Nasreen, & Hameed, (2013).

Table 7: *Coefficients for H<sub>02</sub>*

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	15.231	1.711		8.902	.000
	CSR	.234	.112	.573	2.096	.066

a. Dependent Variable: NP  
Source: Field Data, 2020

***H<sub>0</sub>: There is no significant relationship between GCB corporate responsibility and total assets of GCB Bank Ltd***

The result displayed in Table 8 disclosed that the strength of the correlation between total assets and CSR was quite strong at 74.2%. While the coefficient of determination, R<sup>2</sup>, of 0.550 showed that about 55% of the differences in total assets could be elucidated by CSR.

Table 8: *Model Summary for H<sub>03</sub>*

Model	R	R Square	Adjusted R Square	F	Sig.
1	.742 <sup>a</sup>	.550	.500	11.020	.009 <sup>b</sup>

a. Predictors: (Constant), CSR

b. Dependent Variable: TOTAL ASSETS

Source: Field Data, 2020

As displayed in Table 9, the coefficient of regression (B) of 0.174 indicated that the association between the variables were positive. This proves that undertaking CSR operations had positive consequences on GCB total assets and vice versa. Lastly, as displayed in Table 9, the computed t-statistic is 0.009 which was lower than the 5% significance level. This suggests that the null hypothesis was rejected, thus, this study showed that GCB total assets has significant correlation with corporate responsibility. This was in line with the studies done by Bhunia & Das, 2015 and Kamatra & Kartikaningdyah, 2015.

Table 9: *Coefficients for H<sub>03</sub>*

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	19.602	.804		24.372	.000
	CSR	.174	.052	.742	3.320	.009

a. Dependent Variable: TOTAL ASSETS

Source: Field Data, 2020

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter focused on the summary, conclusions and recommendations for the study.

#### 5.1 Summary of Major Findings

This study indicated positive relationship between CSR and net interest income. Hence, an increase in CSR expenditure by 1% increased NNI by 0.642. The influence of the connection between CSR and NII showed a significant positive effect at 5% significance level, thereby, rejecting the null hypothesis. The study was confirmed by Rahman (2016) and Taskin (2015) who used net interest income as proxies for financial finance and found significant positive influence of CSR on net interest income.

It was observed that Net Profit was significantly affected by CSR expenditure. The B coefficient of 0.234 indicates that, implementation of CSR activities has a positive effect on Net profit with significant value of 0.6 at 10% level of significance. This therefore contradicted the null hypothesis. This finding contradicts the works of Rahman et al., (2014) who suggested that CSR did not have any significant effect on net profit but confirms the findings by Kanwal, Khanam, Nasreen, & Hameed, (2013). who found a positive relation between CSR and Net Profit.

With regards to the impact of CSR on total assets, this study confirms significant positive relationship. The coefficient B is 0.174 with a significant level of 0.009 confirms a strong significant relation between CSR and total assets of the

bank. This means that the that the null hypothesis of no substantial relationship between CSR and Total Assets of GCB Bank Ltd was therefore rejected. This finding has been confirmed by the works of Bhunia & Das (2015).

Therefore, the study confirmed the existence of relationship between profitability and corporate responsibility. The study found that corporate responsibility had significantly positive effect on profitability of GCB Bank. All profitability ratios, NII, NP and TA also indicated positive relationship. This suggested that banks profitability increased when it engaged in socially responsible activities as confirmed by the Stakeholders theory which suggested that incorporating CSR in business entities activities positively influenced corporate financial performance but contradicted 'trade-off hypothesis by Preston and O'Bannon's (1997), which advocated that the higher corporate organizations participate in CSR activities, the lesser their financial performance.

## 5.2 Conclusion

This study established relationship between social responsibility and financial performance of GCB Bank. GCB aimed for profit maximization also included considering the interests of all who had a stake in the firm (stakeholders). Additionally, the study found a positive relationship between banks' CSR activities and their profitability ratios: NII, NP and TA. That is, the regression results indicated that CSR had significant positive influences on the profitability indicators. Thus, this study indicated that CSR had a positive impact on the financial performance of GCB Bank. This implied that GCB's CSR engagements



is key predictor of GCB's profitability. Theoretically, this research validates empirically the association between CSR activities and financial performance, as confirmed by the stakeholder's theory in the sense that CSR engagements enhances the financial performance thereby winning the interest of investors and other participatory bodies. That is considering the impact of CSR on GCB's performance, it is imperative for GCB to pay adequate attention to their corporate responsibilities as it pays for GCB to be socially responsible. GCB should spend more effort and resources on their CSR engagements. GCB should therefore not treat CSR as an optional activity rather incorporate CSR engagements into the bank's long-term business operations. Again, the engagement of CSR engagements should be strategic, tactical in order to achieve all the potential associated benefits. This would greatly enhance both social and financial target. It is also critical for its strategic growth and development by ensuring improvement in better financial performance, thereby enhancing corporate image and reputation (Maqbool, Shafat; Zameer, & Nasir, 2018).

### **5.3 Recommendations**

From the findings of this study, these recommendations are made:

1. There should be a regulatory framework that should govern CSR activities that would monitor and enforce compliance of CSR actions.
2. GCB Bank should seriously consider incorporating CSR activities in its operations as an investment and capture it as part of their core duties.

3. CSR engagement creates positive public brand recognition and reputation and creates a competitive edge which tends to attract more customers and clients, thereby improving the financial competitiveness of their business. They should therefore become integral part of the culture and operations of financial institutions in Ghana

4. Government may introduce and give tax incentive to banks to encourage them actively undertake socially responsible initiatives. This would reduce the burden on government on their community engagements in terms of infrastructure and social amenities provisions for the communities and country at large.

#### **5.4 Further Research**

This research only focused on the impact of corporate responsibility on the profitability of GCB Bank. The data used was the aggregate version of Corporate Social Responsibility. Other empirical studies can also focus on the disaggregated components of Corporate Social Responsibility such as Education, Health, etc. Again, this study only focused on GCB Bank. Other financial institutions could also be looked at. These could be another area for future research.

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APPENDIX A

TABLES

**Table 10: Summary Statistics of data**

	Minimum	Maximum	Mean	Std. Deviation
LN_CSR	12.61	23.07	15.0893	2.81871
LN_NII	18.70	20.88	20.0241	.71132
LN_NP	16.84	20.17	19.0912	1.15973
LN_TA	21.38	23.25	22.2302	.66181

Source: Field Data (2020)

**Table 11: Correlation Statistics**

	LN_CSR	LN_NII	LN_NP	LN_TA
LN_CSR	1			
LN_NII	.642*	1		
LN_NP	.566	.943**	1	
LN_TA	.742**	.924**	.798**	1

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*.. Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data (2020)

**Table 12: Regression Summary for  $H_{01}$**

Model	R	R Square	Adjusted R Square	F	Sig.
1	.642 <sup>a</sup>	.412	.347	6.306	.033 <sup>a</sup>

a. Predictors: (Constant), CSR

b. Dependent Variable: NII

Source: Field Data (2020)

**Table 13: Regression Coefficients for H<sub>01</sub>**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	T	
(Constant)	17.580	.989		17.782	.000
CSR	.162	.065	.642	2.511	.033

b. Dependent Variable: NII  
Source: Field Data (2020)

**Table 14: Regression Summary for H<sub>02</sub>**

Model	R	R Square	Adjusted R Square	F	Sig.
1	.573 <sup>a</sup>	.328	.253	4.393	.066 <sup>a</sup>

a. Predictors: (Constant), CSR

b. Dependent Variable: NP  
Source: Field Data (2020)

**Table 15: Regression Coefficients for H<sub>02</sub>**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	
1	(Constant)	15.231	1.711		8.902	.000
	CSR	.234	.112	.573	2.096	.066

a. Dependent Variable: NP  
Source: Field Data (2020)

**Table 16: Regression Summary for  $H_{03}$**

Model	R	R Square	Adjusted R Square	F	Sig.
1	.742 <sup>a</sup>	.550	.500	11.020	.009 <sup>b</sup>

a. Predictors: (Constant), CSR

b. Dependent Variable: TOTAL ASSETS

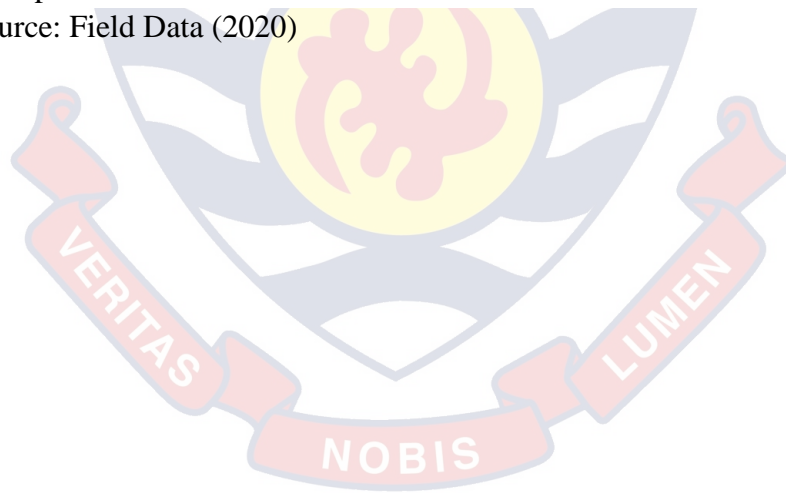
Source: Field Data (2020)

**Table 17: Regression Coefficients for  $H_{03}$**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	19.602	.804		24.372	.000
	CSR	.174	.052	.742	3.320	.009

a. Dependent Variable: TOTAL ASSETS

Source: Field Data (2020)




# Jenny dissertation

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