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CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE AMONG RURAL BANKS IN GHANA: THE ROLE OF COMPETITIVE ADVANTAGE, ACCESS TO CAPITAL AND CORPORATE GOVERNANCE

BY

EMMA YALLEY

Thesis submitted to the Department of Accounting 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 Commence degree in Accounting

JUNE 2020

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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: ....

Supervisor's Declaration

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

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ABSTRACT

The study examines the linkage between CSR and financial performance through competitive advantage and access to capital and the moderating role played by corporate governance using rural banks as a study case. A sample of 126 rural banks was selected, data on financial performance were collected from the 2019 financial statement whereas data on CSR, competitive advantage, access to capital and corporate governance was collected through the use of questionnaire. The data was analyzed using structural equation modeling and hierarchical regression. The study has shown that, business organizations that practice CSR activities, in-turn, gain a defensible competitive position in their industry which intend gives them access to capital to fund their business strategies, hence having positive impact on their financial performance. This observation, however, depends on the efficiency of their corporate governance practices in the organisation. The study recommends that, the activities of CSR should be integrated as part of the firm's corporate and business level strategies.

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KEYWORDS

Corporate social responsibility

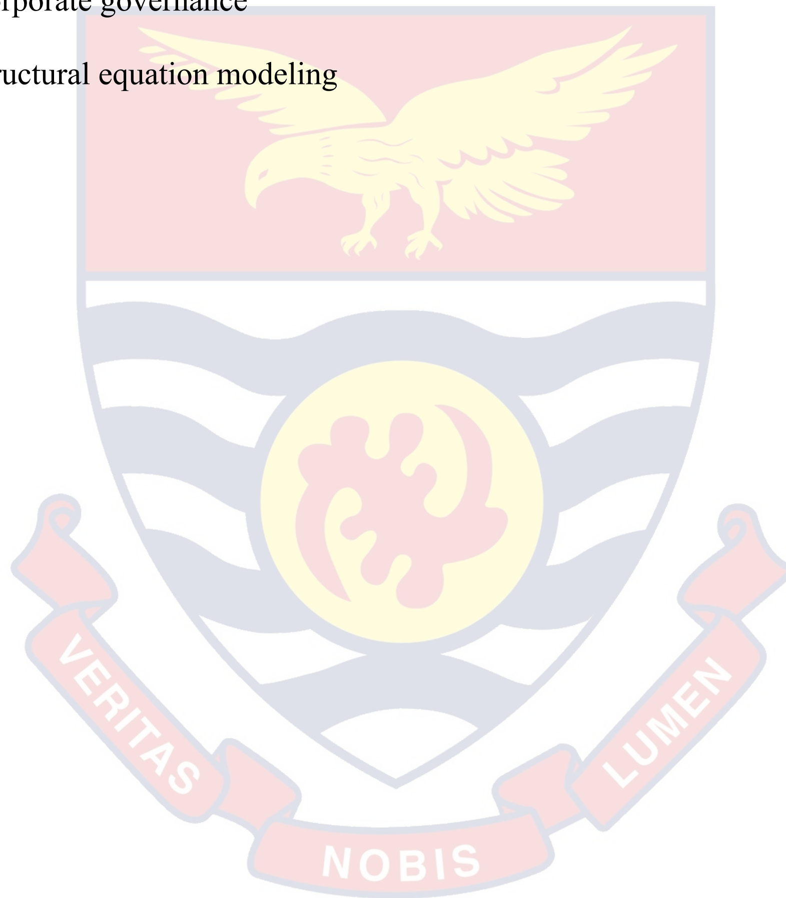
Corporate financial performance

Competitive advantage

Access to capital

Corporate governance

Structural equation modeling



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DEDICATION

To my husband, Richard Oduro.

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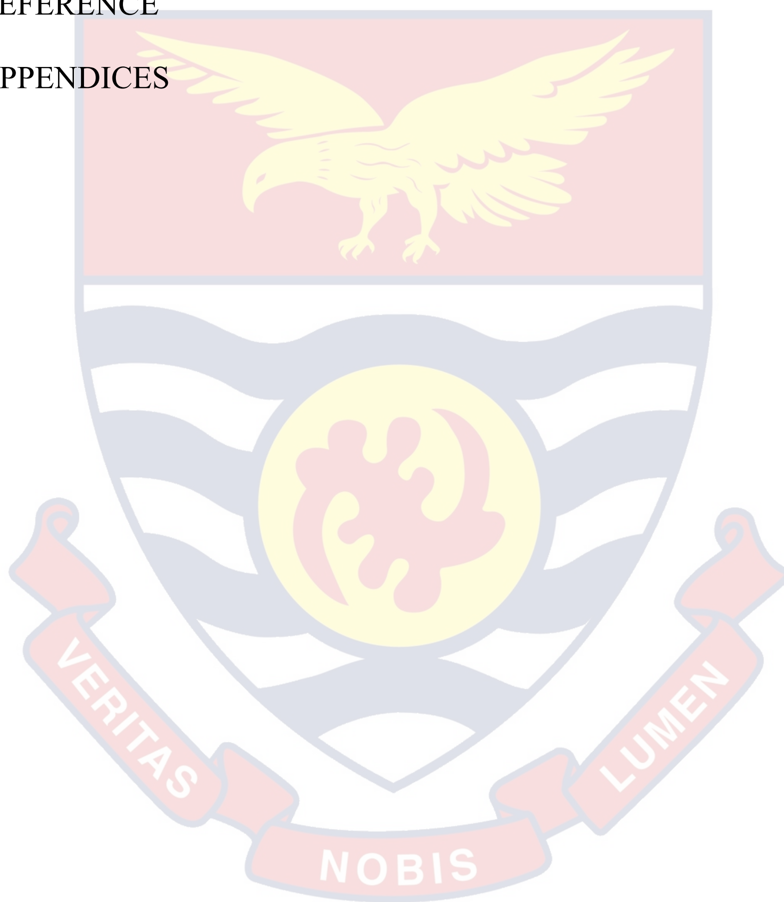

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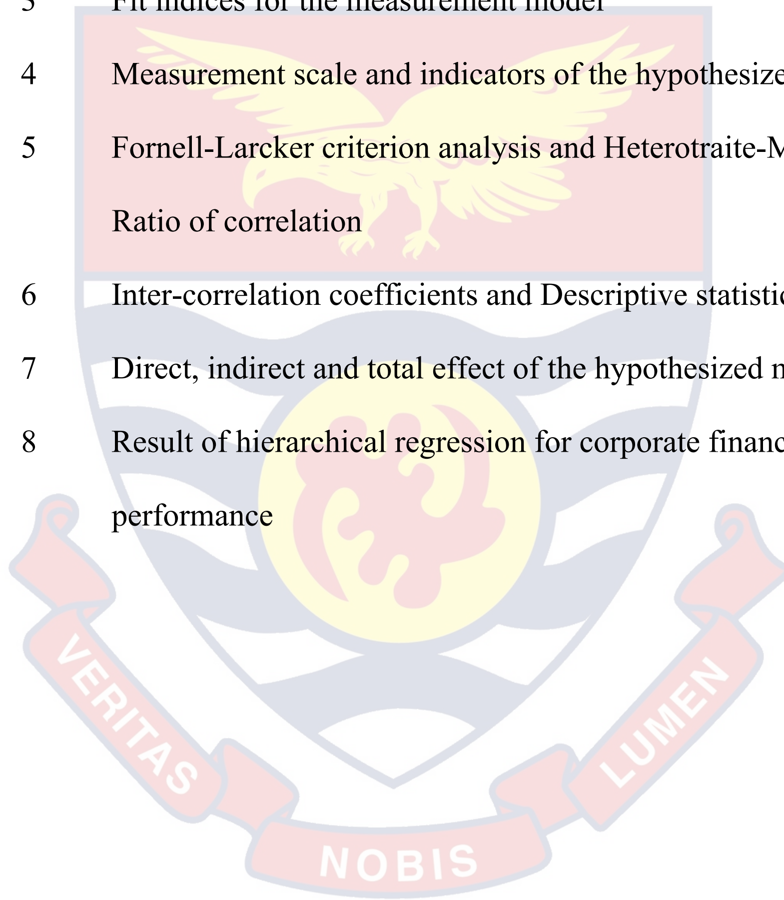

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CHAPTER ONE

INTRODUCTION

Background to the Study

In recent years, it has become increasingly apparent for corporate entities in the various industries to constantly search for new strategies to gain a competitive advantage over their competitors in the industry they operate in order to increase their market share and enhance their financial performance. One of such strategies is the use of corporate social responsibility (CSR). A typical instance can be cited in the case of Vodafone's Ghana CSR initiatives, where the company in 2009 established the Vodafone Ghana Foundation which has supported and sponsored impactful projects to improve the living standards of Ghanaians in various deprived communities. In a similar vein, MTN Ghana in 2007 established the MTN Ghana Foundation in which annually, the company set aside one percent of its profit after tax for corporate social responsibility programs in the field of education, health and sanitation, among others (Danso, Poku & Agyapong, 2017).

In the banking industry, typical instance can be cited in the case of CalBank and Barclays bank (now ABSA), which have put aside dedicated funds to provide funding support for rural and community development in terms of health education and skills development (PricewaterhouseCoopers, 2017). In the mining industry, between the period of 2004 to 2013, members of the Ghana Chamber of Mines (GCM) directly contributed approximately 1% of their gross revenue (averaging US$8.6 million per annum) through CSR initiatives to their host communities (GCM, 2014). In the rural banking industry, several banks have consistently been barking on CSR

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with the expectation that, this will translate into some form of profitability in future. Typical instance can be sited of Amanfeman Rural Bank has consistently supported the educational and health needs of their environment to the tune of over GHS2 million, Juaben Rural Bank has also been supporting the people of Juaben in the area of education and social development. All these entities are profit oriented entities and embarking on CSR activities brings out the need to enquire what motivates these profit-seeking firms to set aside resources to finance their CSR agenda.

The concept of CSR has long been established in extant literature as both a business philosophy and ethical corporate practices and is seemingly much more prevalent, timely and important in these times, as firms attempt to be seen as being sustainable or socially responsible in nature due to the demands of their target stakeholders. The fundamental idea of CSR is founded on the basis that, corporate entities have duties that go beyond carrying out their basic economic functions within the legal framework they operate. This is often based on the reasoning of social contract which requires that the overall performance of a firm must benefit society in general. CSR is, therefore, thought of as the process by which businesses align their values and behaviour with the expectations and needs of stakeholders within the environment it finds itself.

Contrary to the classical economic theory of a firm (which postulate that, a firm is socially responsible if it maximizes its profits while operating within the required legal framework) contemporary view of CSR has attempted to link ethical behavior of a firm to it performance both in the short term and long term, in that, a

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firm would be able to survive in its environment not based on what it could do for itself to be sustained in the environment but also how it would satisfy the varying needs of its stakeholders in terms of its ethical behavior. This ethical perspective of CSR has raised eyebrow among investors and currently, the consensus is that; CSR demands organizations to manage the economic, social and environmental impacts of their operations on the environment to maximize the benefits and minimize the downsides to stakeholders (CSR Network, 2011).

The foregoing discussion seems not to necessarily suggest that, firms should commit to CSR just because it is ethical to do so, rather, CSR has it commercial implications. Quoting from Friedman (1970); "social responsibility of businesses is meant to increase its profit". This statement was heavily criticized until after 40 years where it became relevant and has become a source of motivation to several studies that have examined the relationship between CSR and different indicators of organizational performance. For instance, Frooman (1997) applied a meta-analysis to study 27 socially irresponsible firms and illicit behavior, found that this type of behaviour had a statistically significant negative effect on shareholder wealth. Also, Saleh, Sulkily, and Muhamad (2011) applied longitudinal data analysis on Malaysian firms and finds a positive relationship between CSR and financial performance. Conversely, others have also found inverse relationships between CSR and financial performance such as in the case of Rowley and Berman (2000) and then Margolis and Walsh (2003).

Despite the inconclusive direction of relationship between social responsibility and financial performance, it is generally believed that, social

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responsibility do not directly influence firm's financial performance rather through some relevant variables (Solomon & Solomon, 2010). Porter and Kramer (2008) in their study argue that, CSR activities can serve as a strategic tool for companies in gaining competitive advantage and access to capital from stakeholders and Ntim and Soobaroyen (2013) also postulate that, well-governed companies (i.e. those promoting high levels of accountability, responsibility, and transparency), are characterized by managers who are more likely to implement positive CSR practices. This is an indication of existence of influence of firm's competitive advantage, access to capital and corporate governance on the relationship between social responsibility and firms' financial performance. Through competitive advantage, a firm is able to create a defensible position over its competitors (Li, Ragu-Nathan, Ragu-Nathan, & Rao Subba, 2006). To gain competitive advantage over rivals would require the firm to either provide much value to the customer, or perform activities more efficiently than its competitors (lower cost).

The direction of relationship between CSR and corporate financial performance and the extent to which firm's competitive advantage, access to capital and corporate governance practices influence such relationship appears not to be unexplored and inconclusive especially in an emerging economy such as Ghana. This has been a source of motivation for this study which is focused on studying the relationship between firms' investment CSR activities and it impact on their financial performance through the mediating role of firm competitive advantage and access to capital and the moderating role played by corporate governance on such relationship among rural banks in Ghana.

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Statement of the Problem

The conception of rural banking in Ghana was meant to bridge the gap between the rural folks and the urban centres through the mobilisation of credit for rural development through savings and the granting of credit (Akossey, 2015). Since this conception, rural banking has grown and continue to grow and impact positively on the lives of the rural and community folks through performance of social responsibility of all forms. For instance, Sekyedomase health center receives donation of medical equipment annually from Sekyedomase Rural Bank of Ashanti Region with a view to improving quality health care for people in its catchment area. Also, a committed amount of GHS140,000 annually into corporate social responsibility, with over 40% going into scholarships for 60 students from various cycles of education in Amansie Central district by Odotobri Rural Bank at Jacobu in Amansie Central district of Ashanti Region is an instance that cannot be overlooked. Again, Suma Rural Bank in the Brong Ahafo Region also build a Computer Laboratory Complex for the community school at Suma Ahenkro at a total cost of over GHS150,000 is an instance that can be cited. Considering the instances that have been cited, an immediate question that arise is that, what motivate the banks to embark on these social acts? As put by Freidman (1984), these banks perform these acts with the expectation that, they would be translate into improved financial performance, even though, some banks seldomly realized these improvements.

Consequently, there has been a growing interest among researchers and the corporate world as to the potential linkage and the significance of the relationship existing thereof, between corporate social responsibility (CSR) and financial performance (FP). The concept of CSR is societal and ethical oriented whiles FP is

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firm-focused, thus linking the two concepts raised a fundamental issue as to whether or not CSR enhances financial performance, and if so, through what means and on what basis? As such, there have been several studies in the extant literature in these areas which have attempted to empirically explore the linkage between these variables most of which have yielded mixed results. Some studies identified a significant positive relationship between firms CSR activities and financial performance (Tsoutsoura, 2004; Lin, Yang & Liou, 2009; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015; Guo, He & Zhong, 2018) whiles others, which are mainly underpinned by neoclassical economics, have argued that CSR have an inverse impact on corporate financial performance (Nollet, Filis, & Mitrokostas, 2016). They argue that, CSR unnecessarily increases the firm's costs and as a result positions the firm in a competitive disadvantageous stage against its competitors who do not embark on CSR activities. The inconclusive outcome of these studies has been attributed to empirical and theoretical drawbacks associated with these studies (McWilliams & Siegel, 2000). Other have also argued that, the mixed result is due to "corporate stakeholder mismatching" identified with most of these studies disregard for "contingency elements" in such relationship (Ullmann, 1985), "omitted variable biasness" (Cochran & Wood, 1984; Ullmann, 1985; Aupperle *et al.*, 1985) and "measurement errors" associated with most of these studies (Waddock & Graves,1997).

Despite the numerous studies linking CSR to FP with these studies yielding inconclusive results, the mechanisms and processes that mediate the relationship between the aforementioned variables is one area that has been grappled with over

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the past three decades by researchers. Few studies have attempted to explain such relationships through other variables. For instance, Otuo and Ansong (2017) also argued that the conflicting results among these constructs could be due to the neglect of mediating roles of some relevant issues such as access to capital and corporate reputation. This study adds to the argument that, the inconclusiveness of the CSR and FP nexus is not only due to the neglect of the mediating roles of some relevant variables but also the moderating roles of other influencing variables. While extant literature has suggested a positive or inverse relationship between CSR and financial performance, an inquiry to make is whether the relationship is direct or otherwise.

Despite the fact that, the Stakeholder theory by Freidman (1984) and the Agency theory by Jensen and Meckling (1976) have propose that variables such as competitive advantage, access to capital and corporate governance plays significant role in the CSR-FP nexus, previous studies in these areas have examined a them as independent predictors of financial performance (Kyereboa-Coleman, 2007; Ofori, 2010). Yet, it is rarely seen in the literature how competitive advantage and access to capital serially influence financial performance among rural banks in Ghana and the moderating role governance plays between access to capital and financial performance.

In view of the underlining research gaps, the present study examines the mechanisms and processes by which CSR influences financial performance by examining the sequential association between two mediators to elucidate the understanding of the complex relationship between CSR and financial performance

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using the rural banks as a case. Porter and Kramer (2008) have revealed that, CSR activities can serve as a strategic tool for companies in gaining competitive advantage in their industry which in tend favorably affect their profit. Extending the frontiers of these studies, the current study argues that CSR could be linked to financial performance through two mechanisms: the firm's level of competitive advantage and access to capital. That is to say, a firm with higher CSR commitment wins the preference of the stakeholders and this as a result will improve their competitive edge thereby increasing sales and also become attractive for investors to invest in such venture which in turn improves financial performance. Conversely, firms with lower CSR commitment tend to render stakeholders being less sensitive toward firms' operations which in turn reduces the competitive edge of such firms and thus, not attractive in investing funds in such venture and as a result, adversely affect the financial performance.

In a related dimension, whether or not access to capital will lead to improved financial performance to a large extent is contingent upon governance practices of the firms. For instance, organizations characterized by weak corporate governance structure and practices tend to misuse the resources of the organisation with the impression of embarking on CSR practices. Conversely, a firm characterized by strong governance structures tends to put their investment into more judicious use including investing in socially responsible avenues thereby improving profitability both in the short term and long term. Thus, the present study argues that, there is an interaction effect between corporate governance and firm's access to capital on corporate financial performance.

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Purpose of the Study

The main purpose of the study is to examine the mediating role of competitive advantage and access to capital and in the relationship between corporate social responsibility and financial performance and also the moderating role of corporate governance in the relationship between access to capital and financial performance

Research Objectives

Specifically, the study seeks to;

(a) examine how competitive advantage and access to capital serially mediate the relationship between corporate social responsibility and financial performance of rural banks in Ghana.

(b) investigate the moderating role of corporate governance in the relationship between access to capital and financial performance of rural banks in Ghana.

Research Hypothesis

In order to achieve the stated objectives, the study formulate the following hypotheses;

(a) competitive advantage and access to capital financial does not mediate relationship between CSR activities and financial performance.

(b) corporate governance does not moderate the relationship between access to capital and corporate financial performance.

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Significance of the Study

First, the findings of the study would contribute to improving the understanding of corporate social responsibility and corporate governance practices among rural banks in Ghana and how they are aligned to their financial performance and in what ways these firms can fulfill their responsibility towards the environment and again how implementation of a good corporate governance aligns with bank performance. The empirical results of the study would also provide general indicators of corporate social responsibility and corporate governance useful for both regulators and the business community in making policies and decisions as well as rewarding or punishing firms that have great or little intention to improve upon their responsibility towards then environment and corporate governance.

Secondly, the study contributes to the development of a multi-theoretical approach of measuring CSR, firm competitive advantage and corporate governance and their influence on firm's performance. In this study, the review of different perspectives clarified that there is the need to adopt an integrated approach rather than a single perspective to understand and explain the effect of CSR and corporate governance on firm's performance.

Finally, Ghana is a developing economy with specific characteristics similar to other developing countries, thus the findings of this study would be beneficial to the different industries of developing countries with similar political, cultural, environmental and economic conditions, particularly in Sub-Saharan Africa.

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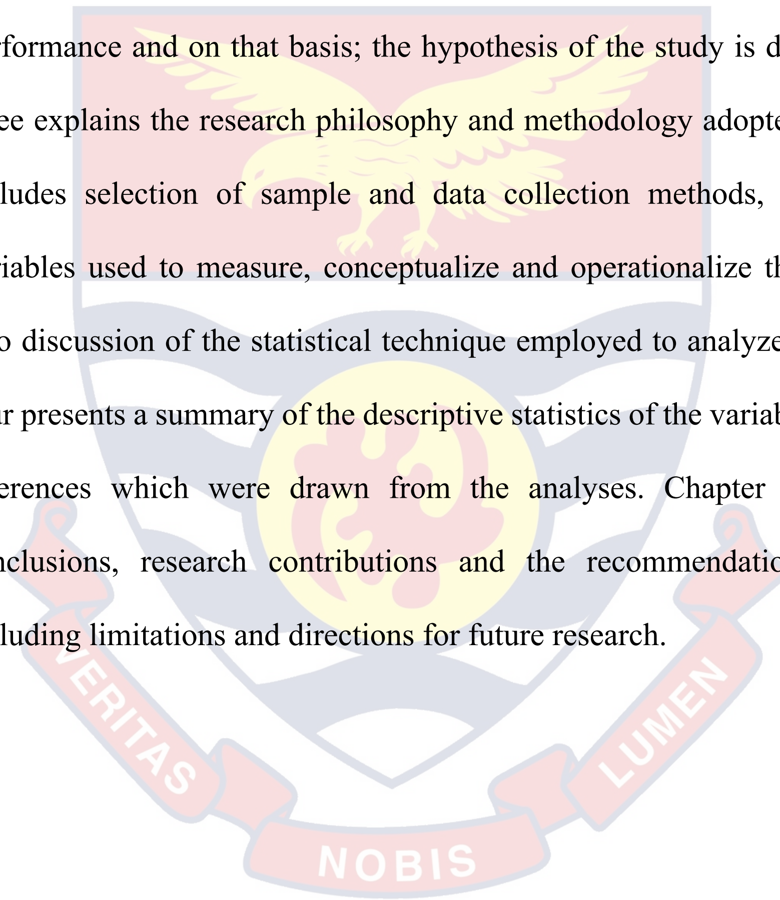
Organization of the Study

The study comprises of five chapters. Chapter one introduces the background of the study and generally what the study is about, statement of the problem to be examined, the objectives and research questions, significance of the study. Chapter two discusses the extant theoretical and empirical literature on social responsibility, firm competitive advantage, corporate governance and firm financial performance and on that basis; the hypothesis of the study is developed. Chapter three explains the research philosophy and methodology adopted for the study. It includes selection of sample and data collection methods, discussion of the variables used to measure, conceptualize and operationalize the hypotheses and also discussion of the statistical technique employed to analyze the data. Chapter four presents a summary of the descriptive statistics of the variables used and main inferences which were drawn from the analyses. Chapter five presents the conclusions, research contributions and the recommendations of the thesis including limitations and directions for future research.



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CHAPTER TWO

LITERATURE REVIEW

Introduction

In this section, relevant extant theories and empirical works that link corporate social responsibility to corporate financial performance are reviewed. This chapter is informed by two main goals. First, to offer a review of existing theoretical literature that tries to link corporate social responsibility activities to firm financial performance through competitive advantages and access to capital in an attempt to describe the theoretical blocks on which the study is based. The second objective of this chapter is to comprehensively review the extant empirical literature on social responsibility activities and financial performance in view of developing hypotheses among the variables examined in this study.

The chapter is organised as follows; the first section discusses the theoretical framework on which the study is based. It discusses the theoretical blocks in relation to social responsibility and firm's financial performance as well as the considered mediating and moderating variable. The chapter then assesses the direct effect of corporate social responsibility on financial performance and also competitive advantage on access to capital. It then examines the direct and indirect influences among corporate social responsibility, competitive advantage, access to capital and financial performance. Finally, the chapter reviews empirical studies on the moderating role of corporate governance in the nexus between access to capital and financial performance. The hypothesized model for the study is illustrated in Figure 1.

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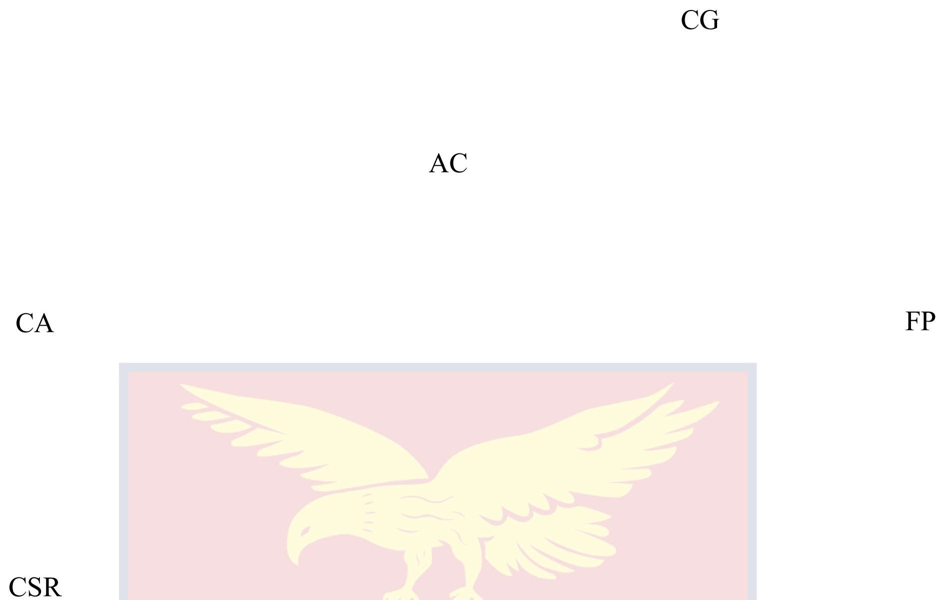

Figure 1: Hypothesized model

Note: CRS – corporate social responsibility; CA – competitive advantage; AC – access to capital; CG – corporate governance; FP – financial performance.

Sources: Author's construct based on Stakeholder theory (Freidman, 1984) and Agency theory (Jensen & Meckling, 1976).

Theoretical Review

Varied theories have been applied to explicate CSR activities in relation to financial performance despite the fact that prior studies in social disclosure literature have used either a single theory or a combination of theories to explain CSR role in financial performance of firms. Notable theories include the legitimacy and stakeholder theories (Hinson, *et al.,* 2010; Dineshwar, 2013; Golob & Bartlett, 2006); legitimacy theory and political cost theories (Ghazale, 2007); institutional

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theory (Amran & Susela, 2008; Ali & Rizwan, 2013) and agenda-setting theory (Pollach, 2013). However, these studies tend to focused on the direct relationship between CSR and financial performance. The current study focuses on the indirect linkage between CSR and financial performance by examining the role of competitive advantage and access to capital in the CSR-financial performance nexus. The current study, in this direction, is premised on the stakeholder theory. Also, having enough access to capital may not necessarily leads to improvement in financial performance, rather, it depends on the commitment of the board of directors to meet the interest of shareholders, which is posited in the agency theory. The following section therefore, discusses the stakeholder theory and the agency theory and the relevance of these theories to the current study.

Stakeholders Theory

This theory is attributed to the Nobel Prize holder in economics, Friedman (1984) from his book entitled *Strategic Management: A Stakeholder Approach* published in 1984 which adopt a theoretical study into the Stakeholder Theory. Friedman (1984) argued that, the only social responsibility of business is to increase profit for its owners while conforming to the basic rules of society in terms obeying the law and following current ethical customs as well as meeting the needs of other stakeholders. According to Friedman (1984), social activities in terms of donating to good causes and dealing with other social issues are considered to be a waste of shareholders' money and a distraction from the core purpose of a company. Friedman argued that, the shareholders do not perceive social engagement as a way

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to achieve profits. Thus, his neoclassical approach to CSR leaves no space for deliberate, arbitrary, and socially responsible spending, which in his view may reduce (rather than increase) the profit.

Conversely, modern view of Stakeholder theory holds the idea that, businesses can be seen as systems whose survival depend on their ability to satisfy a particular set of audience. They includes shareholders (providers of equity financing), management (managers of firm's resources), community (social interest in the firm's activities), employees (human resource capital based of the firm), customers (interested in the core activities of the firm from which the firm gain competitive advantage) and suppliers (provides of other forms of funding). These audiences are referred to as stakeholders who can be identified by their ownership, rights, or interests in a business and its activities, past, present, or future (Blomback & Wigren, 2009).

If the stakeholder theory holds, then a change in CSR performance of a firm would influence its financial performance, which implies that, the dominant stakeholder group, the shareholders, would benefit financially when management meets the demand of the other stakeholders. This can be possible by meeting the needs of customers, thereby gaining competitive advantage, which intend will expose the firm to a wider range of capital source. Efficient investment of these capital is likely to translate into improved financial performance. Empirical studies supporting this theory stipulate that, change in CSR activities is positively associated with growth in sales for current and subsequent periods. This implies that, there is a short-term benefit from improving CSR activities in relation to

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financial performance. The current study therefore aimed at unearthing the case of rural banks in Ghana, whether or not gaining competitive advantage and having access to capital have a role to play in the relationship between CSR activities and financial performance.

Agency Theory

In terms of assessing the moderating role of corporate governance in the linkage between access to capital and financial performance, the current study applies the agency theory propounded by Jensen and Meckling (1976). According to the Agency theory, relationship is said to exist between parties are under a contract in which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf. These services include delegating some decision-making authority to the agent. An agency relationship basically evolves when there is separation of ownership from management (or control), and where one or more principals engage another person(s) as their agent(s) to perform services on their behalf. Corporate governance can be used to change the rules under which agent operate so as to restore the interest of the principal. This may include overcoming a lack of information about the agent's performance of task, providing incentives to agent in the quest to encourage them to act in unison with the principal interest. Through agency theory, appropriate incentive scheme should be adopted to motivate the agent to act and not to encourage them to act wrongly. In the light of social responsibility, as indicated by Friedman (1970), only socially responsible businesses make profit. So, if managers have access to capital and duly

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apply these resources for socially responsible activities, they do so as agents fulfilling their own self-interest and also to the benefit of their principal.

Thus, the focus of the study is to empirically test the agency theory by assessing the role agent-principal relationship plays in directors having access to capital and the financial performance of rural banks in the context of firms embarking on socially responsible activities.

Empirical Review

This section, first review literature on the direct relationship between corporate social responsibility and financial performance. Secondly, the section provides an empirical review of the relationship between corporate social responsibility and competitive advantage. The section again provides an empirical review of the relationship between competitive advantage and access to capital. The section also reviews related literature on the direct and indirect influences among CSR, competitive advantage, access to capital and financial performance. The section finally reviews literature in relation to the moderating role of corporate governance in the nexus between access to capital and financial performance. The hypothesized model on which the review is based is illustrated in Figure 1.

Corporate social responsibility and financial performance

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The empirical literature contains mixed results on the relationship between corporate social responsibility and financial performance. Theoretically, the neoclassical theory suggests a negative relationship between firms' CSR practices on their financial performance because socially responsible companies face additional costs (Bird, Hall, Momente, & Reggiani, 2007). On the contrary, the stakeholder theory on which the current study is premised, suggests that companies should engage in good relationships with all stakeholders (Freeman, 2004). Hence, socially responsible companies are expected to obtain greater financial returns through indirect effects such as the recruitment of more qualified employees (Greening &Turban, 2000) or building moral capital (Godfrey, 2005). A meta-analysis by Peloza (2009) which reviewed over 128 empirical studies reported that, 59% found a positive relationship between CSR and financial performance, 14% found a negative relationship and 27% found no relationship at all.

Reporting positive relationship, Orlitzky, Schmidt, and Rynes (2003) report a positive relationship between CSR and financial outcomes among banks in the Asian banking industry, especially when reputation was used as a proxy for corporate social and environmental responsibility. Also, Chapple and Moon (2005) investigate CRS in multiple Asian countries and report that that CSR does vary considerably among Asian countries but that this variation is not explained by development but by factors in the respective national business systems. It also concludes that multinational companies are more likely to adopt CSR than those operating solely in their home country. It further reported that, improving CSR activities have the tendency of improving the profitability of business systems. In

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another focusing Asian emerging markets, Cheung, Tan, Ahn, and Zhang (2010) applied the CSR scores issued by Credit Lyonnais for the period between 2001 and 2002. The authors document a positive relationship between the CSR practices of Asian companies and their market valuation. This positive relationship is also confirmed in several emerging market studies such as Saleh (2009) for Malaysia, Uadiale and Fagben (2012) for Nigeria, Choi and Jung (2008) for Korea, Mishra and Suar (2010) for India, and Yan, Lin and Chang (2010) for Taiwan. Again, Hu and Scholtens (2014) investigate the corporate social responsibility (CSR) policies of commercial banks in 44 developing countries and report a positive and significant association between CSR policies and bank financial performance.

However, a negative relationship is also documented in other studies including those by Rahman, Zain, and Al-Haj (2011) for Malaysia and by Siregar and Bachtiar (2010) for Indonesia. Scholtens and Kang (2013) examine how earnings management is associated with CSR and investor protection with 139 firms in ten Asian countries. Findings show that Asian firms with relatively good CSR are engaged significantly less with earnings management. Investor protection also is negatively associated with earnings management. Chih, Chih, and Chen (2010) however, examine CSR and financial performance for a total of 520 financial firms in 34 countries, between the years 2003 and 2005 and find that firms with larger size are more CSR minded, and the financial performance and CSR are not related.

Corporate social responsibility and competitive advantage

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The extant literature on Corporate Social Responsibility (CSR) is taking an emerging dimension where studies are increasingly focusing on the relationship between CSR and Competitive Advantage (CA) (Apospori, Zografos & Magrizos, 2012; Vilanova, Lozano & Arenas, 2009). According to Swanson, (1995) organizations must consider the competitive advantage that CSR actions may afford to them and not alone the moral or ethical rationale for proactive corporate social actions. Review of the extant literature on CSR seems to reveal two contrasting drivers for CSR (Branco & Rodrigues, 2006): the normative drivers, which are of the view that, firms embark on CSR activities only because it is ethical and moral to do so. The second driver is the business case which is of the view that, firms view CSR activities as a means of furthering their economic aspirations (Branco & Rodrigues, 2006). The former driver, the business case for CSR and its capacity for improving competitive performance appears to take the center stage of the debate from the late 1990s to date (Battaglia *et al.,* 2014).

Despite this declaration, several studies linking CSR activities to CA have come out with mixed results with unclear relationships between the two variables (Battaglia *et al.*, 2014; Lozano & Arenas, 2009; Branco & Rodrigues, 2006). For instance, Battaglia *et al.* (2014) conducted a comparative study where 127 empirical studies linking CSR and CA using multiple regressions were reviewed and find out that 48% confirmed that, increasing CSR performance tend of improving CA among peer firms, 28% of the studies showed an inverse relationship whereas 24% of the studies showed no relationship. In another dimension, Porter and Kramer (2008) proposed that, CSR can contribute to strategic CA as CSR is credited on the

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basis of firm self-interest, moral appeal to stakeholders, license to operate and rotation enhancement of the environment. Branco & Rodrigues (2006) also stated that, the kind of competitive advantage created by CSR has business dimension and hence it is necessary to incorporates cost and risk reduction, reputation and legitimacy and synergistic value creation which indicate the support of the positive relationship between CSR and CA with the consideration of other influencing factors.

Ven and Jeurissen (2005) however view the CSR and CA nexus in different angle by positing the fact that, it is the competitive conditions of a firm that affect the firm's CSR activities. They further explained that, depending on the competitive conditions of the firm, some CSR initiatives can be beneficial to the firm, while others may not indicate that, given the actual market conditions within which the firm is operating, not all kinds of CSR are feasible. To a large extent, competitive advantage is seen as an intervening variable that influence the relationship between CSR and business success. In this vain, Ven and Jeurissen (2005) suggested that, managers should always consider the competitiveness of the industry the firm operates and the conditions of the stakeholders of their firm when making strategic decisions including decisions on CSR.

Another dimension of CSR leading to increasing firms' competitive edge the attraction of high-quality human resources through CSR performance. As the quality workforce becomes very critical to the success of organizations (Lado&Wilson, 1994; Pfeffer, 1994), it may be appropriate for organizations to promote their CSR activities to attract prospective job applicants. Battaglia *et al*.,

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(2014) carried out a study on CSR and competitiveness among 213 small and medium-sized enterprises in the fashion industries from Italy and France. The study showed a significant positive correlation between innovation processes, both from the technical and the organizational point of view, and the market performances. Measuring market performance by demand trend, turnover and business attraction, through a deceptive analysis, although a positive correlation with the adoption of market-oriented CSR practice emerges; workplace related CSR was observed to have a weak correlation with a competitive advantage. In contrast to Battaglia *et al*. (2014), a study by Greening and Turban (2000) shows that, the productivity of human resource as a result of CSR activities has a strong correlation with CA. The results of their study showed that, firms with higher corporate social performance attract productive human resource which gives those firms an advantage over firms with lower corporate social performance.

El-Garaihy *et al*. (2014) also carried out experimental study 300 corporate entities in Saudi Arabia which sought to assess the impact of CSR practices on CA. The study confirmed that, there is a strong positive relationship between CSR performance and CA. The results of this study emphasize the ability of customer satisfaction and corporate reputation to play completely mediating role between CSR performance and CA. The study showed that customer satisfaction affects more strongly, the achievement of competitive advantage. It affects the direct and indirect relationships through corporate reputation. The results of this study indicate that CSR appears as an effective strategic objective. An empirical examination of 144 companies in a study conducted by Marin *et al*. (2012) on

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competitiveness as a strategic outcome of CSR, revealed a positive effect of CSR on competitiveness, which is stronger for large companies and for companies that follow a proactive strategy, while no differences appear between service and manufacturing industries.

In a related study, Luo and Bhattacharya (2006) show that CSR contributes positively to market value and suggested that, managers can obtain competitive advantages and reap more financial benefits by investing in CSR. Nyuur*et al*. (2014) carried out a study on hindering and supporting factors of CSR in Sub-Saharan Africa, where there was a contrast between CSR and CA. The result, however, accentuates that CSR activities within the region are not well aligned with the core business activities of organizations that create the greatest value and enhance firms' competitive advantage as suggested by Porter and Kramer (2002). The study found that, even though the CSR activities in Sub-Saharan Africa benefits both society and organizations, they still fall short of maximizing both intended social and economic value.

The current study is however, of the view that, a carefully planned executed corporate social responsibility activities have a tendency of positively impacting on the financial performance of the firm, even though the impact may not directly be observed, rather may be observed through other variables of which the current study seeks to explore.

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Competitive Advantage and Access to Capital

Competitive advantage (CA) involves making choices in respect to the markets in which a firm compete, defending its market share in clearly defined segments using the attributes of price and product performance and responding quickly to the changing needs of the market (Stalk, Evans & Shulman, 1992). CA arise from the formation of superior competencies by firms that are in a position to achieve cost and or differentiated advantages and to create value for customers, resulting in market share and profitability performance (Barney, 1991).

CA is considered to be one of the most important variables in determining whether or not a firm would have access to capital.

The extant literature has sought to provide a theoretical and empirical nexus between gaining competitive advantage and firm having access to capital with these having mixed results (Oppong, 2014; Rais and Goedegebuure, 2009; Lipton & Lorsch, 1992; Yermack, 1996). One theoretical proposition (Resource-Based Theory) stipulate that, firms operating in focused or the single market, hence having less competitive advantage have access to limited capital financing whereas firms operating in diversified markets, hence increased competitive advantage have access to a wider range of capital financing which in turn, depending on management efficiency, improves financial performance (e.g. Al-Manaseer et al., 2012). This is so because while a firm operates in a larger market, they become exposed to a larger stakeholder based and as they make effort to manage their varying or conflicting expectations, they end up persuading them to invest in the activities of the firm. That is “ceteris paribus” firms operating in a smaller market,

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thus, having a lesser competitive advantage are exposed to a less capital financing opportunity hence the ability to finance larger diversification resulting in fallen financial performance.

Secondly, Nakiyingi (2012) argues that, when a company operates in diversified markets and hence gained a competitive advantage over peer firms, it becomes less risky to invest in such firms hence attract financiers to itself, thereby having more access to capital than firms with a less competitive advantage. Some authors (Cheung, Tan, Ahn, and Zhang, 2010; Korea, Scholtens & Kang, 2013) argue that when firms competitive advantage grows more rapidly, it is not only access to capital that increases but also firms obtain capital at a lower cost of capital which in turn leads to increase the value of shareholders through prudent investment decisions. More specifically, Pearce and Robinson (2009) suggested that if a firm control between 68% to 80% of the total market share, then the firm have a greater CA compared to firms seeking entry into such market thereby offering greater opportunity to secure critical resources. It is therefore apparent that a CA increases as more it increases it market share or gain market focus. This has been the position of Dineshwar (2013) and Hinson *et al*. (2010) who argued that, firms gaining a large market share are preferred to firms with market focus due to the reduction in risk that is associated increasing market share.

Prior studies have found some mixed results on the relationship between CA and firm access to capital (García-Sánchez *et al.,* 2015; Flammer 2015; Turnbull 2015 Barnea & Rubin, 2010; Mallin *et al*., 2013; Waddock & Graves, 1997). The first strand of empirical studies reports that CA impacts negatively on

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firm access to capital. Waddock and Graves (1997) were one of the first to investigate the relationship between CA and firm access to capital in a sample of 552 US large companies between1984-1995. Generally, they reported an inverse relationship between CA and access to capital. Waddock and Graves argue that when firms gain larger market share and hence, greater competitive advantage, they become more optimistic in accessing capital finance and thus offer an unattractive rate of returns to fund providers which consequently creates a diminished interest of stakeholders in such firms hence leading to less access to capital. Barnea and Rubin (2010) also investigated the relationship between CA and access to capital of 68 US Bank over the period 2005-2007, and found a negative relationship between the two variables. They attributed these findings to the fact that, increase in market share and associated competitive advantage comes with diseconomy of scale which when not well managed would lead to the firm experiencing some inherent disadvantages which include limited access to capital.

Similarly, using a data sample 243 US commercial banks over the period 2007-2010, Marin *et al.* (2012) found a negative but statistically insignificant relationship competitive advantage and access to capital. They support the view that firms with larger market share do not necessarily have access to capital rather depends on the efficiency of the board of directors in raising funds to finance the activities of the firm. Notwithstanding the reported inverse relationship between competitive advantage and firm’s access to capital, there are other strands of empirical studies that have found a positive relationship between competitive advantage and access to capital. (El-Garaihy, Mobarak & Albahussain, 2014; Ven

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& Jeurissen, 2005; Koufteros, Vonderembse & Doll, 1997). El-Garaihy (2014) found that when, increased in competitive advantage increases investors confidences. In their study, they report that increased market share provides reduces financial risk and builds investors' confidence to invest in the activities of the firm thereby increasing the firm access to capital. Their study applied data from 147 Singaporean firms from 1995-1999 to arrive at these findings. Ven and Jeurissen (2005) also found that attaining competitive advantage has a positive impact on firms access to capital and hence improvement in financial performance. Their results support that increase in market share have better access than firms operating in focused markets hence offering better chances to have a wide resource for finance and raw materials. This is line in with the resource dependence theory that increased in the market share offer greater access to their firm external environment, which facilitates and secures critical resources (Pearce & Zahra, 1991).

Koufteros *et al.* (1997) studied the association between firms' competitive advantage and the tendency of the firm to raise capital using a sample of 156 New Zealand listed firms over the period 2004- 2007. The study finds out that, gaining competitive advantage (measured through percentage of market share controlled by the company within the industry through the use of Boston Consulting Group Matrix) was positively related to firm ability to raise capital financing on the stock exchange which adversely affect firm's financial performance. These authors suggested that operating in a larger market with well differentiated products with adequate pricing and product strategy are can promote effective access to capital.

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In a similar vein, using a sample data of 8165 US firms over the period 1992-2001, El-Garaihy (2014), found a positive relationship between large market share and financing potentials. It was argued that larger market shares can improve financial performance by accessing a larger pool of capital financing. In sub-Saharan Africa, Mangena and Tauringana (2008) used data from a sample of 72 Zimbabwe listed firms from 2002 to 2004 to study the relationship between corporate governance and firm financial performance and the role that gaining competitive advantage plays in such relationship. The study reported a positive relationship between board size and financial performance and that gaining competitive advantage enhances such relationships through easy access to capital even in an environment of severe political and economic uncertainty. A similar observation was also made by Kajola (2008) in the study of 23 Nigerian listed companies from 2000 - 2006.

The current study is of the view that, competitive advantage is positively related to access to capital. As firms embark on corporate social responsibility, it has the tendency of increasing their market share within the industry they operate which intend gives them access to capital to finance their core business.

The influence of Competitive Advantage and Access to Capital

The discussion in the preceding section suggests that gaining a competitive advantage is likely to play a mediation role in the relationship between corporate social responsibility (CSR) and firm access to capital. This is in the sense that, given the significant influence of firms' commitment to performance and related activities and its effect on the firm having access to capital funding, researchers have sought

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to explore the mediating mechanisms through which CSR is linked to performance related outcomes. (Stawiski *et al.*, 2010; Lai *et al.*, 2010; Stanaland *et al.*, 2011; Pfarrer *et al.*, 2010). Dube *et al.* (2011) emphasized that competitive advantage is gained naturally when firms embark on CSR activities that focused on the welfare of the environment. Thus, through appropriate social responsibility policies and strategies, firms are able to increase their market share within their industry which as a result, leads to increased competitive advantage complete and when well-managed, result in firm improvement in financial performance (Wang & Choi, 2013). In addition, Usman & Amran (2015) argued that by responding to the environmental demands through CSR and showing concern about the stakeholder needs, a firm is able to win the 'sympathy' of the environment and thus, experienced increased in their market share through expansion in market-based. This is in line with the stakeholder theory which asserts that, a satisfied stakeholder is willing to invest in the interest of the entity.

Recent studies on CSR and firm performance have shown that gaining competitive advantage within the industry of operation has a significant role to play in the positive relationship between CSR and performance of the firm in terms of raising capital financing. (Oppong, 2014; Abor & Adjasi, 2007; Kashyap *et al.*, 1996; Kasekende & Opondo, 2003; Nakiyingi, 2012). Using a sample of 512 small and medium scales firms Iwu-Egwuonwu, (2011) found a significant positive relationship among the various dimensions of competitive advantage even though, among the various dimensions considered, product differentiation was found to be a strong predictor of the firm's access to capital. Furthermore, in a related study by

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Otuo and Ansong (2017) on the role of firm reputation on the relationship between CSR and firm performance among small and medium scale enterprises in Ghana, it was found that, a good reputation is derived through competitive advantage and have a tendency of mediating between CSR and performance of small and medium scale enterprises. Extending this stream of studies, we expect competitive advantage to serve as a mediator linking corporate social responsibility to firm access to financial capital. This is expected to be so as concerns for the environment by the firm imply concern for the activities of the firm by the environment which implies gaining advantage competitively over peers who do not embark on similar activities.

Considering both competitive advantage (Nyuur *et al.,* 2014) and access to capital as mediating constructs, the study seeks to explore the indirect effect of access to capital on corporate financial performance among the rural banks in Ghana. It is argued that, entities that embark on strategic competitive advantage policy are more likely to attract capital financing opportunities at the least cost of capital which can be use in financing projects with positive net cash flows to improve their financial performance. Consistent with the assertion of Marin, *et al.,* (2012) that, entities with higher market share and thus enjoying strong competitive advantage are bound to win stake-holder selection when it decides where to invest.

By showing that, there is a stronger positive relationship a between firm's competitive advantage and access to capital, proactive firms have the capacity to anticipate future responsibilities whiles their dynamism and adaptation influence stakeholders to perceive their CSR initiatives as sincere actions. Using information

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collected from 22 countries, Fernandez-Feijoo (2012) showed that firms with strong a competitive advantage adopts strategies to defend their market share and thus remain focus on meeting stakeholder needs and consistent in maintaining an improved performance but firms seeking to increase their competitive advantages need to identify what it stakeholders demand and manage them concurrently with the need to remain in business. In addition, Thompson and Strickland (2003) observed that, firms that have a competitive advantage over its rivals in securing customers and defending against competitive forces also have access to other resources other than financial capital.

To Oppong (2014), when a firm earns a higher rate of economic profit than the average rate of economic profit of other firms competing within the same market, the firm has a competitive advantage in that market and hence attracts quality human and physical resources. In this case, the firm is able to deliver the same benefits as competitors but at a lower cost (cost-advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables a firm to create superior value for its customers and superior profits for itself. The combined effect of these leads to improvement in the financial performance of the entity.

Recent empirical findings support the positive relationship between access to capital and financial performance, even though, governance has a vital role to play (Gangi & Trotta, 2015; Turnbull, 2015; Shahzad *et al*. 2016). Stawiski *et al.* (2010) defend the idea that the adoption of a firm having access to capital with efficient financing policies leads to the implementation of regulations and standards

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which would improve the firm's financial performance. Ntim and Soobaroyen (2013) confirm the results presented by Stawiski *et al.*(2010) using a meta-analytic study to found out that, access to capital had a strong positive relationship with corporate financial performance. Ntim and Soobaroyen conclude that the more firms identify efficient sources of financing through meeting their stakeholder interest, the more likely they are to improve their financial performance. In a similar study, Surroca *et al.* (2010), found that among the various determinants of the financial performance of listed entities, having access to capital plays a very significant role as lack of financing and high cost of financing can adversely affect the firm's financial performance. Furthermore, it has also been indicated that, there exists a positive relationship between firms' competitive advantage and access to capital. (Russo & Fouts, 1997; Nakao *et al*., 2007; Scholtens, 2008; Okamoto, 2009; and Yang *et al.,* 2010).

Previous research has generally indicated there is a linkage between CSR and corporate financial performance, only that the linkage is indirect, implying that, CSR is indirectly related to corporate financial performance. For instance, Otuo and Ansong (2017), Stanaland *et al.* (2011) and Lai *et al.* (2010) were able to linked CSR and corporate financial performance through access to capital and also through firm's reputation. Otuo and Ansong (2017) for instance found out that, access to capital plays a significant role in ensuring that, CSR performance is transformed into improved corporate financial performance. They were also able to show that, firms that pay attention to maintaining a good reputation within their industry are able to turn the CSR activities into good financial performance outcome. Again,

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Nyako *et al*. (2007) were able to link CSR to corporate financial performance through corporate image where there were able to show that, CSR may not necessarily be directly linked financial performance outcomes rather through the image created by the entity with the industry it finds itself and also in the eye of its stakeholders. In the same way, Gramlich and Finster (2013) examined the relationship between CSR and financial performance outcome with governance playing a mediating role. They found that good and structured governance mediated the relationship between CSR activities of manufacturing and mining firms and their financial performance in both long term and short term. Although empirical findings support an indirect relationship between CSR activities and financial performance, most of these studies have used single mediator variables (Otuo & Ansong, 2017; Stanaland *et al.*, 2011; Lai *et al.*, 2010) However, the current study examine multiple mediators in the CSR and financial performance nexus with data drawn from rural banks in Ghana.

Influence of Corporate Governance

Corporate governance has become an increasingly important phenomenon in recent years and thus have received extensive research attention in the area of finance and accounting, primarily due to the number of corporate scandals in the recent years, which have resulted in a decline in financial performance, corporate value and hence, led to a reduction in investor confidence. Researchers have emphasized the influence of corporate governance variables such as board size,

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board composition, board committees, company ownership structure, independence of directors, on company performance.

On board size for instance, as a corollary, the extant literature has sought to provide a theoretical and empirical nexus between corporate board size and firm financial performance with mixed results (Kent & Stewart, 2008; Lipton & Lorsch, 1992; Yermack, 1996). On theoretical grounds, the agency theory proposes that larger boards are bad, while smaller boards are good and effective at improving financial performance (e.g. Lipton & Lorsch, 1992) with the following justification; Firstly, smaller boards are able to plan, organize, direct and control the entity, and besides, large-size board has financial cost implications. Secondly, Jensen (1993) argues that, large-size board is difficult to coordinate, less likely to function effectively and may create a diminished sense of individual responsibility. More specifically, Lipton and Lorsch (1992) suggested that corporate board size must preferably fall between eight (8) and nine (9) directors. They argue that as corporate board size goes beyond a maximum number of ten (10) directors; additional costs of having larger boards typically associated with slow decision making are higher than any marginal gains from intense monitoring of management's activities.

Again, Yawson (2006) argued that larger boards suffer from higher agency problems and are far less effective than smaller boards. Thus, limiting corporate board size may improve efficiency. Conversely, other strand of theoretical literature emanating the resource dependence perspective suggests that boards are chosen to maximize the provision of important resources to the firm (Pfeffer & Salanick, 1978; Klein, 1998; Hillman & Dalziel, 2003). Thus, larger boards may possibly be

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better for corporate financial performance (e.g. John & Senbet, 1998; Yawson, 2006) and may be linked the organizations to its external environment and secure critical resources. It is argued that, larger boards are associated with a diversity of skills, business contacts and experience that smaller boards may not have, which offer a greater opportunity to secure critical resources (Haniffa & Hudaib, 2006). It is apparent that a board's capacity for monitoring increases as more directors are added. This has been the position of Romano, *et al.*, (2012) who argued that a large board size should be preferred to a small size because of the possibility of specialization, for more effective monitoring and advisory functions. Similarly, larger boards offer greater access to their firm's external environment which reduces uncertainties and also facilities securing critical resources such as finance, raw material and contracts (Pearce II & Zahra, 1992; Goodstein *et al.,* 1994).

On board composition (which is considered as the proportion of outside directors on the board and its relation to the level of independence of the board), having a greater proportion of outside directors on a Board could be considered to be a management innovation as one of other mechanisms to mitigate agency costs between management and shareholders (Chizema and Kim, 2010). According to the agency theory, the non-executive directors are assumed to be important monitors that supervise and control the executives. The agency perspective on the monitoring role of the board structure is that non- executive directors are better positioned than executive directors to carry out the monitoring function since they are presumably independent and more concerned for their reputation in the labour market (Fama & Jensen, 1983). Fama, (1980) and Fama & Jensen (1983) suggested

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that non-executive directors in the board add to firm value by providing expert knowledge and monitoring services. Based on the resource dependency theory, it can be argued that the non-executive directors might contribute to the profitability of a firm in terms of their expertise by advising the management on strategic plans and investments, and in terms of their reputational integrity by enabling the firm to have network relationships with the community and other stakeholders. There is volume of empirical literature that argues that boards dominated by outside directors or non -executive directors impact positively on firm performance (See Al-Sahafi *et al.,* 2015; Al- Hawary, 2011; Yesser *et al.,* 2011; Cho & Kim, 2007; Bino &Tomar, 2007; Trabelssi, 2010)

On-Board committees, prior literature suggests that board committees help to improve the effectiveness and efficiency of corporate boards. Board committees act in order to obtain the most effective operation of the board (Van Den Berghe & Levrau, 2004). Board committees are important corporate governance tools to monitor corporate activities and can play a valuable role in the protection of shareholder value. Ramano *et al*. (2012) argued that board committees are important governance tools that monitor corporate activities and protect shareholder value. Bussoli (2012) cited that board committees are the yardstick for the better functioning of a corporate entity, as the number of board committees is statistically significant to corporate performance. It is becoming a widely accepted practice that properly governed entity should have audit, risk, remuneration, nomination, ethics and compliance committees of the board in place to assist in delivering a system for objective monitoring of the corporate activities. There are

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empirical literature suggests a positive relationship between board committees and financial performance (see Vefaes, 1999b; Black & Kim, 2012; Bussoli, 2013; Puni, 2015; Young & Bucholtz, 2010). From the foregoing discussions, it is apparent that corporate governance influences firm's ability to deploy available capital to achieve financial performance. Thus, the current study expects corporate governance bodies to interact with access to capital to influence corporate financial performance.

From the above studies reviewed, we observed that there are inconclusive findings and mixed arguments between the variables under study and hence, the study would want to ascertain (using rural bank in Ghana) whether there is a relationship between corporate social responsibility and financial performance and whether or not gaining competitive advantage and having access to capital plays any role in such relationship. Thus, this study seeks to add to the debate by making it clear from a Ghanaian perspective the role of gaining competitive advantage and having access to capital plays in the corporate social responsibility and corporate financial performance relationship even though most of the empirical literature seems to assess the role of a single variable in said relationship.

Other determinants of financial performance

Apart from corporate social responsibility being a major influencer of financial performance, other factors have been identified as a major driver of financial performance of corporate entities, especially, entities such as banking concerns. Notable among these factors include size, age and efficiency. The

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following therefore shows a review of the extant literature on the influence of these factors on financial performance.

Bank size has been one other bank specific factors that influence banks performance and this have been featured in several studies (Pasiouras, Delis, & Papanikolaou, 2009; Assaf, Barros, & Matousek, 2011; Favero, & Papi, 1995). According to Aikaeli, (2008) small banks have lesser tendency of generating profit as compared to large banks. The reason put forward to justify this assertion was that, such banks are able to turnover their asset to genereate margins. A study by David and Alhadeff, (1964) discovered the largest 200 banks in the US grew rapidly in financial performance than the other smaller banks did. Rhoades and Yeats (1974) replicated this study for the period 1960-71 and drew similar conclusions as David and Alhadeff (1964). The size of a bank is therefore expected to positively affect the financial performance of a bank. However, according to Gibrat's law, size does not matter when looking at the performance as well as the profitability of a firm (Gibrat, 1931). Nevertheless, following the trend of the extant literature, the current study postulate that, banks size directly affects bank's financial performance.

Bank age has also been in the debate as to the extent to which they influence the performance of banking institutions. Bank age is proxied by the number of years the bank has been in operation since its incorporation. The inclusion of this variable is to test if banks improves in performance over time or the effect of an increase in years does not significantly affect the performance of banks in Ghana. Pitt and Lee

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(1982) conceded that the years of operation of a firm has a significant effect on the performance of the firm even though the relationship tends to be negative.

Bank efficiency, measured as the ratio of bank cost to total income has also been identified as also having influence on bank financial performance. Miller, & Noulas (1996) asserted that, improvement in bank's efficiency has the tendency of improving the financial performance. Bank efficiency is improved by lowering the bank cost to income ratio; hence it is expected that there would be an inverse relationship between cost to income ratio and financial performance.

Review of rural banking sector of Ghana

This section provides an overview of the developments in the rural banking sector in Ghana since its inception. As unit banks, rural banks play an important role in organizing rural finance and stimulate economic activities. Though they are hooked by lots of operational challenges in meeting their goals and mission, rural banks, in general, play a key role in ensuring a complete structure of the banking sector. The section is organized as follows: the initial part of the section reviews the structure of the banking sector in Ghana and exposes the unique role rural banks play in ensuring a dense banking economy. This is followed by the developments and structure of the rural banking sector in Ghana. The reforms that have been implemented and their associated impacts on rural banking are then presented, followed by a review of the financial performance of the rural banking sector in Ghana. The final part of the section presents the summary and concluding remarks.

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Structure of the Banking Sector of Ghana

The banking sector in Ghana has experienced critical transformations in its structure, from a highly public-owned market to its current laissez-faire structure, with the influx of more domestic and foreign private ownerships. These transformations were driven by technological innovation, government regulation, economic and financial deregulation, information and communication technology; and opening-up to international competition; corporate behavior, such as growing disintermediation and increased emphasis on shareholder value that are changing incessantly (Amidu & Hanso, 2006; Nabieu, 2013). The change has been key to sustaining economic growth and capital investments in the economy of Ghana. It is estimated that, overall, the banking sector currently carries up to about 50% of the service sector contribution to Gross Domestic Product (ISSER, 2018). Supervised by the Bank of Ghana (BoG), the financial sector in Ghana is made up of three main tiers: the formal banking sector, the non-banking sector and the informal sector. The BoG is the apex institution obligated to provide the sound and efficient financial system necessary for wealth creation, economic growth and development.

Authorized by Act 612 and Act 673, the BoG is concerned with such broad activities as monetary management, regulation of the financial system and direct involvement in the development of the economy in order to serve the interest of financial institutions and their clients as well as other users of financial services and the economy at large. Among the many reforms that the BoG has facilitated for the efficient running of the financial wheel in Ghana, a major policy initiative has been the enactment of the Financial Institutions (Non-Banking) Law in 1993, which saw

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the proliferation of Non-Bank Financial Institutions (NBFIs) in Ghana, including Savings and Loans Companies (SandLs), Cooperative Unions (CUs), finance houses, mortgage companies, among others, consequently opening up the financial sector for enhanced financial intermediation. Currently, it is estimated that 145 NBFIs, including 290 microfinance companies, 28 finance houses, and 21 savings and loans companies operate in Ghana (Bank of Ghana).

The informal sector, on the other hand, is basically made up of the Rotatory Savings Companies (ROSCAS), which are locally referred to as the *susu* companies and moneylenders. The informal sector is a potent subsector with an estimated value of more than GHS275 million untapped savings. Estimates also show that the average ROSCA has the potential of engaging over 100,000 depositors (Microfinance Insider, 2018; Steel & Andah, 2003). The formal financial institutions are those incorporated under the Companies Code 1963 and licensed by the Bank of Ghana (BOG) under either the Banking Law 1989 or the Financial Institutions (Non-Banking) Law 1993 (NBFI Law) to provide financial services under the Bank of Ghana regulation (Steel & Andah, 2003). The formal banking sector comprises the Universal Banks and the Rural Banks. These institutions operate as licensed and statutory financial institutions engaged in the business of banking under the banking laws of Ghana and are required to have a large capital base with good liquidity reserve. It must be stated, however, that, until 2003, banks were not allowed to operate as universal banks. Until the adoption of the universal banking policy in 2003, banks were constrained separately to the traditional

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activities of commercial (retail) banking, investment banking, development banking, and merchant banking.

The rural banks operate under the apex body of ARB Apex Bank, which has its delegated authority from the BoG to supervise and streamline rural banking services in Ghana. "The ARB Apex Bank was granted a banking license in 2001 and commenced commercial operations in 2002 with significant financial support from the Rural Financial Services Project (RFSP), which was funded by the World Bank, the International Fund for Agricultural Development (IFAD), and the African Development Bank (AfDB)" (Nair & Fissha, 2010). Current statistics show that 144 rural banks exist in Ghana, with Ashanti and Eastern regions being the most concentrated (Bank of Ghana, 2019). The banking sector has seen tremendous growth and improvements in performance over the past few years partly due to reforms, mergers and acquisitions, privatizations and competition. Some of the acquisitions include Access Bank's acquisition of Intercontinental Bank of Ghana (ICB) and Ecobank acquiring The Trust Bank Limited (TTL) in 2012; and Fortiz Private Equity Fund acquisition of 90% shares of Merchant Bank Ghana Ltd in 2013 and recently the Bank of Ghana 'clean up' exercise made some banks such Unibank, Royal bank etc. to be consolidated into the Consolidated Bank Ghana. Moreover, key laws and reforms have characterized the banking industry for improvement and efficient financial delivery.

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Developments and the structure of rural banking in Ghana

As cited in Obeng (2008), Ghana, like other Sub-Saharan African countries, has traditionally experienced low productivity, low-income levels, low domestic savings, unemployment, and malnutrition. In 1976, the Ghanaian government, through the Bank of Ghana, established rural bank to channel credit to productive rural ventures and promote rural development. Rural enterprise finance was extremely limited in Ghana before the first rural bank was established in the Central Region as a locally-owned unit bank in 1976. The initial success of the rural banking compelled the BoG to establish guidelines for streamlining operations and the setting up of new RCBs, by 1985. In order to foster collaboration and information transfer, the network of rural bank formed the Association of Rural Banks (ARB) in 1980. By 1988, the number of rural banks operating across the country had grown to 122, with growth in deposits and consolidated loans. This growth was driven by a number of factors, including the Akuafo Check Operations, the policy to use RCBs to transmit pension and salary accounts, and the rising interest of rural folks in accessing financial services. Unfortunately, by the turn of the same year, the performance of RCBs had hit a trough, with 98 out of the 122 banks being distressed with nonperforming loans (NPLs) amounting to over 70%.

Through a combination of rapid inflation, currency depreciation, economic decline, mismanagement of funds and natural disasters combined with weak supervision, many of the RCBs faced problems, including poor financial intermediation, weak management and staff capacity, and low capitalization. There was a lack of public confidence in rural bank. They had difficulty linking to the

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financial system (for example to obtain specie, purchase Treasury Bills, clear cheques) through correspondent commercial banks, which were also their competitors. These difficulties led the BoG to close as many as 23 distressed rural banks. Only 23 of the 123 rural banks qualified as "satisfactory" in 1992. This forced the BoG to also institute a number of structural reforms to restore confidence in the financial market. The obvious need for re-capitalization and capacity-building was addressed during 1990-94, under the World Bank's Rural Finance Project, with half of the rural banks achieving "satisfactory" status by 1996.The Rural Finance Project (RFP), which provided outsourcing and capacity building to the RCBs in terms of financial auditing, loan recovery programs and credit administration systems, was established in 1988. The RFP restructured rural banking operations and streamlined activities of the RCBs, though the achievements were minimal.

The combination of very high (62%) primary and secondary reserve requirements imposed by the BoG in 1996 and the high Treasury Bill rates helped to reduce the risk assets and increase net worth, further improving the financial performance of the banks. The number of banks increased to 125 with 55 banks achieving satisfactory performance according to the RFP criteria, with the loan recovery rate of 60% (Osei- Bonsu, 1998). By 1999, the total number of banks had moved up to 134, yet with most rural banks being financially distressed. Twenty-three banks were consequently closed, while 56 of those that remained operational were classified mediocre with a capital adequacy ratio of between 1% - 6% (Steel & Andah, 2003).The Rural Finance Service Project I (RFSP I) was subsequently

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designed to address these weaknesses that still plagued the rural bank system by strengthening the capacities of the rural banks individually and as a system, including the creation of the Apex Bank, which was owned by the rural banks themselves. Apex Bank was granted a banking license in 2001 and commenced business in July 2002. The ARB Apex Bank was set up by the BoG to help supervise the network of rural banks in the country. Its mission included transforming rural banks into efficient financial institutions serving their communities. Though the Bank of Ghana performed both on-site and off-site supervisions through its Banking Supervision Department (BSD), effective supervision was made arduous considering the growing number of rural banks springing up across the country.

Capital and human resource constraints also made this task very challenging to perform. As a result, poorly-performing banks were starved from the regular on-site inspection they needed (Nair & Fissha, 2010). The setting up of the ARB Apex bank was vital to the progress of the rural banking sector. Key services that the ARB Apex Bank offers to rural banks include cheque clearing; account maintenance services; investment services; funds transfer among rural banks; credit facilities to meet liquidity needs; supply of cash (bank notes); guarantee support for rural banks' own cheques; special assistance to distressed or marginal rural banks; training of staff and directors; computerization; and bank operation inspection. A move away from the manual system of reporting was also initiated through the electronic Financial Analysis and Surveillance System (e-FASS). By the e-FASS,

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rural banks were required to send periodic returns electronically to both the ARB Apex and the BoG (Asiedu-Mante, 2011).

By 2008, the number of rural banks has risen to 127, with most of the rural bank located in the southern sector of Ghana, since only 11% of banks were located in the northern sector (Asiedu-Mante, 2011). The main reason being that the Ghanaian population is skewed towards the southern sector (about 82%). As at the end of 2012, the growth of rural banks has reached a total of 136 banks, with controlled assets amounting to 4.8 per cent of total assets of banks and NBFIs, compared with 4.6 per cent in 2011. Currently, there are 144rural banks with about 651 branches (agencies) in Ghana (Bank of Ghana, 2018). The structure of rural and community banks is uniquely set. Unlike the universal banks, rural banks are required to function within 53 000 km radius and to operate as unit banks with shareholders typically from the local community. Each shareholder is limited by law on the amount of shares it can control within the group. The current practice is that, for corporate organizations, shares must not exceed 50% of total floated shares, whilst individuals and other groups are capped to hold a maximum of 30% and 40% respectively (Nair and Fissha, 2010). The interests of the shareholders are then carried by a board of directors who are elected by the shareholders within the community.

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Rural banking reforms in Ghana

The supreme purpose for the introduction of the rural banking scheme was to bring desired financial services and products to the doors of the rural folks in a sustainable approach, such that the quantity and quality of rural financial intermediation can be fostered for rural growth and development. To this day, various formalized guidelines and reforms have been facilitated to ensure the smooth implementation of rural banking. These reforms can be grouped under three main categories: regulatory and legal reforms, financial restructuring, and institutional restructuring.

Regulatory and legal reforms

The primary policy to reforming activities in the rural banking sector has been through the legal and regulatory measures. Indeed, several changes have been made in the reserve requirement in order to streamline activities. The first minimum paid up increased the required minimal capital of rural banks from GH 5 in 1976 through GH 25 to GH 150 in 1987 (Asiedu-Mante, 2011). Since then, the BoG has cited several reasons for consequent increases in capital requirement, the major one being to strengthen the operational capital of the banks in order to reduce dependency on the Central Bank and customers. Major attempts have, therefore, been made to reduce the level of risks in the operational, liquidity and credit facilities of rural banks, whilst deepening the financial sector, and support Ghana's drive for accelerated growth.

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Unfortunately, for most parts, the rural banks have been struggling to meet these requirements. In 2011, only 106 out of 136 rural banks were able to comply. Indeed, the BoG directs that non-complying banks are not permitted to open new branches or to pay dividends until they have met this compliance criterion. Other regulatory reforms that have affected the rural banking sector in the country include the Bank of Ghana Act 2002 (Act 612), the Banking Act 2004 (Act 673), Companies Code 1963 (Act 179), and the Banking Act 2007.

Financial restructuring

To help sustain and enhance good corporate governance in the rural banks, some reforms were also detailed to ensure management and financial restructuring. This included the setting up of new boards. It also involved recruitment standards in terms of qualification of staff and directors as well as the tenure limits to board members. Financial restructuring measures were directed towards the recapitalization of financially-distressed banks, whilst some which performed poorly were closed down. For instance, rural banks are required to hold 30% of their deposits in BoG bonds and government treasury bills. Through the Rural Finance Project (1989), rural banks were assisted to recover all non-performing loans through an outsourced agent. A recapitalization fund equivalent to the value of the non-performing loans was set up to supplement the loan collection effort (Nair and Fissha, 2010). Also, internal control, internal audit and compliance systems were instituted to ensure efficient financial management. Other prudential requirements to ensure a robust financial stance include a capital adequacy ratio of

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10 percent with a liquidity reserve ratio of 43 percent. Concerning credit, rural bank reforms shifted away from the sector specific credit to a market-based credit. However, the rural bank was authorized to keep overall exposure limit to 25 percent for secured loans, and 10 percent for unsecured loans.

Institutional reforms

Institutional reforms involved the ARB Apex Bank Ltd. Regulations 2006 (L.I. 1825) grant the ARB Apex Bank more legal flexibilities to conduct its role as the supervisory body to "provide banking and non-banking support services to the rural banks with the aim of improving their operational efficiency and thereby transforming them into efficient financial institutions which could effectively address the banking needs of the communities in which they operate" (Asiedu-Mante, 2011). Institutional restructuring was also to provide capacity building in terms of staff training, computerization, donor support, monitoring and supervision and other technical support systems. Imminent projects undertaken to strengthen the institutions include the Rural Financial Services Project (RFSP, 2000 - 2007), Support Program for Enterprise Empowerment and Development (SPEED, 2004), Ghana Rural Banks Computerization and Interconnectivity Project (GRBCIP) and the Rural and Agricultural Finance Program (RAFiP). These projects embedded capacity-building programs, which were directed at enhancing access to financial services through an improved outreach, operational efficiency and technical networks through staff training and investments in technologies. Technical supports were also given to BoG and ARB Apex Bank in the areas of supervision and

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monitoring, whilst management staffs of rural banks were taken through rudimentary management training and given assistance.

Review of the Financial Performance of the Rural Banking Sector in Ghana

The financial and non-financial services that rural banks offer to their customers can be seen as vital to the development of rural communities and their livelihoods. Literature accounts that the relative contribution of rural banks to the mobilization of rural savings and loans and, thus, the promotion of economic activities and the enhancing of the socioeconomic lives of rural dwellers (Steel and Andah, 2003; Afrane, 2007; Chowdhury, 2009; Okukpara, 2009). The evidence shows the increasing performance of rural banks in terms of savings mobilization and consolidated loans. For 2012, rural banks mobilized about GH¢1.27 billion in savings deposits, and total loans advances of GH¢670 million and a total investment of GH¢0.5 billion. Pre-tax profit stood at GH¢62.42 million; an increase of GH¢26.03 million or 71.5 percent, compared to the 2011 pre-tax earnings of GH¢36.39 million. Total assets also went up by 29.2% to GH¢386.2 million. In 2013, the total assets of RCBs went up by 44.5 per cent to GH¢1,524.0 million, with growth funded mainly by loans and advances, investments, cash, and balances with other banks, which grew by 37.5 percent, 31.2 percent and 15.9 percent, compared to the previous year.

However, a comparison of rural banks performance to the universal institutions indicates a very sluggish performance. Aboagye and Otieku (2010) account that the percentage of rural banks total deposits to overall bank savings

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averaged only 7%, 4% for loans and 6% for total asset. Bashin and Akpalu (2001) suggest that RCBs must elevate their scope of outreach. Reports indicate that a total of 23 distressed RCBs have been closed down by the BoG since 2007. The number of satisfactory rural banks (based on the BOG criterion) has been increasing over the years. The worst performing years were the years between 1992 and 1995, where the number of mediocre banks was significantly more than the number of satisfactory banks. In 1992 and 1993, for instance, the number of distressed banks was close to 78% and 44% of the total number of satisfactory banks. However, from 1996 to date, a greater number of rural banks have been passed as satisfactory banks, although the Bank of Ghana needs to put in place stringent measures to help increase the overall industrial efficiency, as the mediocre banks are still more. Between 1999 and 2001, there was a 64% increase in the number of satisfactory banks. It is also observed that, though there has been a persistent increase in the mobilization of rural finance and credit by the rural bank's performance has not been consistent. It is shown, that mobilization of resources contracts for every fourth to first quarter, meanwhile, activities pick up by the third quarter. This is portrayed by the loans or deposit ratio during the periods of analysis. This occurrence is in spite of the growing number of rural banks operating in the country.

However, banks appear to be experiencing a surge in total assets, which is exemplified by the presence of shareholder funds, bank credit and total deposits. The increasing amount of shareholder funds is indicative of the progressive acceptance the rural banking sector has enjoyed from the Ghanaian population. It also shows the commitment of the communities to building up their own banking

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institutions to, consequently, reap some economic benefits. The developments in the rural sector are reflective of the overall monetary expansion. One development in the monetary sector that has expanded the operations of rural banks has been the advancement in payment systems introduced by the Bank of Ghana: e-zwich, Akuafo checks, internal monetary transfers, etc. Currently, the rural banking sector has been operating the open system, where high performing RCBs have been allowed to open branches at the urban sectors as well, with headquarters situated at the rural communities where they initiated their operations. This has, consequently, resulted in an increase in the branches of units within the sector. Distressed banks and non-compliant rural banks (until they meet the reserve requirements) are, however, not permitted to open new branches or pay dividends to shareholders. It is observed that the general growth in monetary development has been fueled by developments in the oil sector, which assumed full-scale operations by 2010. The hikes in inflation is attributed to the upward adjustments in domestic petroleum prices, the energy crisis and pressures resulting from the effects of the expansionary fiscal stance during the last quarter of 2012 (BoG, 2014).

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CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter presents the methodological framework applied in achieving the objectives of the study. The chapter is organised as follows; the first section deals the research approach and design applied in the study, the second section deals the type and source of data used for the study as well as the sampling method and procedure applied in selecting the sampling units. The second section describes how the study variables were measured and the instruments applied in collecting data on each of the variables used in the study. The estimation procedure for achieving both objectives of the study is also described in this chapter.

Research Approach and Design

In developing a framework within which the study was conducted, the positivist philosophy, which is based on scientific research principles, was adopted. As a research philosophy, the positivism adhered to the view that, research is a science and as such is deterministic and mechanistic; hence, factual knowledge is gained through observations and measurement. Positivism dwells much of quantification of observations, which leads to statistical analysis, so it is in accordance with the empiricist view such that, knowledge is obtain from human experience. As a scientific philosophy, the positivist is free from individual beliefs and judgment and as a result, knowledge based on positivism is externally objective. In applying the positivism approach to undertake the study, the findings

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of the study can be accurately be replicated following strictly, the methodological approach used and the same population, provided the assumptions of the positivist approach are all met. The data obtained and results presented from the empirical analysis conducted in this study are strictly based on the evidence gathered on the financial statement of the selected rural banks and the interaction with the sample units and thus, the result are independent of the researcher's own subjective reasoning.

This study adopts a quantitative research design in analyzing the data obtained from the rural banks. This is due to the quantitative nature of the response obtained from the respondents. The use of quantitative design is very suitable in achieving the study objective of examining role played competitive advantage and access to capital in the relationship between the corporate social responsibility and firm's financial performance.

Sampling Procedure

A cross-sectional survey was applied during the study. A sample of 126 rural banks were selected from the 144 rural banks (Bank of Ghana, 2020) distributed over the sixteen regions (Ashanti, Bono, Bono East, Ahafo, Central, Eastern, Greater Accra, Northern, Savannah, North East, Upper East, Upper West, Volta, Oti, Western and Western North) of Ghana. The sample of 126 was purposely chosen based on the banks being classified, at least, 'satisfactory' during the Bank of Ghana cleanup exercise in 2019. From this exercise, 21 banks were rated strong implying, such banks were sound in all indicators, 105 banks were

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classified as satisfactory implying that, they were fundamentally sound with modest collectible weakness, 4 banks were so deeply distressed that they were considered to be at high risk of failure and 11 banks were not classified because they failed to submit their financial data for audit (Apex, 2020). Even though the study aimed at including all the banks in the study, on the basis of this classification, the study considered banks that were classified as, at least satisfactory. Also, the selected banks ensured a regional balance among the 144 licensed rural banks. The regional distribution of the selected banks is shown in Table 1.

Data Source and Data Collection Instrument

Data on financial performance was collected from the 2019 financial statement published by the banks which were obtained from Apex Bank and Bank of Ghana as well as the website of the respective banks. The indicators for measuring financial performance is summarized in Table 2.

Data on corporate social responsibility, competitive advantage and access to capital were collected through the use of questionnaire with Likert scale type of items as the main instrument on the basis of previous research and scale developing procedures. As such a five-point liker scale questionnaire was adapted and applied as the data collection instrument (see appendix A for sample of the questionnaire).

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Table 1: Regional distribution of rural banks in Ghana and sample selected for the study

Region	Number of rural banks	Rural banks Selected for the study
Upper East	5	4
Upper West	4	2
Northern	4	2
Savannah	1	1
North East	2	1
Bono	10	9
Bono East	7	6
Ahafo	5	4
Ashanti	27	25
Eastern	25	23
Western	8	7
Western North	6	4
Volta	8	8
Oti	5	4
Central	20	19
Greater Accra	7	7
Total	144	126

Source: Bank of Ghana Bank, 2019

The current study triangulates the administration of questionnaires by means of Google survey, e-mails, and through personal visits to the target personnel (senior level managers of the banks), whichever may be appropriate, with the aim of ensuring that, the weakness in one method of administering the questionnaire is compensated for by the other. As far as possible, respondents were assured of their anonymity and confidentiality before the commencement of the data collection exercise.

The questionnaire was sectionalized into four parts; the first part is the introductory section, which contains the preamble to the study and provides

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guidance on ethical concerns in data collection. The second section of the questionnaire sought to obtain data on the extent to which the bank engages in social responsibility activities. The next section sought information on indicators on competitive advantage, based on indicators adopted from previous studies (see Table 2). This is followed by a section which focused on the gathering data on the access to capital.

Validity and reliability of the instrument

Following the procedure adopted by Gangwar *et al.* (2015), two consecutive rounds of pre-testing were employed which involves a review of the questionnaire by experienced academic researchers and experts in social responsibility and governance for organised institutions such as banks. A pilot survey with some selected banks in the Central, Western and Greater Accra region. This according to Gangwar *et al.* (2015) would help to ascertain whether the study respondents can provide reliable and valid responses to the questionnaire items in order to obtain the data required. Aside these validity checks, a content and construct validity assessment of the constructs was carried out. Even though the content validity assessment was basically subjective and judgmental (Awa *et al.*, 2015), construct validity and reliability was assessed by means of statistical tests. The test of validity of the constructs focused on the extent to which the data exhibit both convergent and discriminant validity.

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Measurement of variables

Corporate social responsibility was measured using a four level constructs, following the measuring procedure similar to that adopted by Sweeney (2009), Hinson (2011) and Sulemana (2016). This consist of Environment (with 5 measuring indicators), human resource (with 4 measuring indicators), community (with 5 measuring indicators) and ethical behavior (with 5 measuring indicators). The details of the measuring indicators are shown in Table 2. All the indicators were measured based on a five-point Likert scale from 'strongly disagree (=1)' to 'strongly agree (=5)'. The reliability coefficients for the total scale with nineteen indicators (in all) as per the Cronbach's alpha indicated high satisfactory levels for cut-off point of (0.70) described by Nunnally and Bernstein (1994). The total scale reliability was 0.975 indicating that, the model fits the data in respect of measuring social responsibility of the selected banks.

Competitive advantage was measured by adapting the scale introduced by Zhang (2001). The scale originally consists of 16 items rated on a 5-point Likert-type scale with anchors ranging from 1 (strongly disagree) to 5 (strongly agree), and organized into 5 dimensions (price and cost, quality, delivery dependability, time to market and product innovation). However, after carrying out factor analysis, 13 items were retained and have been organized into 4 dimensions (price and cost, quality of service delivery and customer, time to market and product innovation) the detail of which is shown on Table 2. The reliability coefficients for the total scale 0.87 indicating a high-level satisfactory level for cut-off point of 0.70, hence the model fits the data in respect of measuring competitive advantage.

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In measuring access to capital as a construct, the study concentrated on formal sources of ascertaining capital as the regulator is strict on the sources of raising capital to finance the activities of these banks. Following Man (2011) and Otuo & Asong (2017), the study specifically sought to determine how easy the banks access funds from shareholders and other lending institutions. The details of the indicators of this construct is shown in Table 2.

Corporate governance was measured as a construct following the procedure adopted by Adams and Mehran (2012) and then Hillman and Dalziel (2003). In this direction, the construct was measured using three indicators; Board size, Board composition and number of committees operated by the board. Data on these indicators were computed from the 2019 financial report of the selected banks. The details of the indicators are described in Table 2.

Measurement of financial performance was based on two main areas of banking performance assessment following the procedure suggested by Man (2011). That is, profitability and liquidity. Man (2011) postulated that, these are critical areas of banks' performance, hence any form of financial performance should focus primarily on these areas. The details of the indicators of financial performance are described in Table 2.

Control variables

In addition to the substantive measures presented above, the study included three control variables in the hypothesised model as these might account for some variations in the financial performance of the bank (Ranti, 2011; Al-Sahafi *et al.*, 2015; Al-Manaseer *et al.,* 2012). In this direction, we controlled for bank size,

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interest income and bank age. Measurement of these variables are shown in Table 2.

Since a self-report measures were applied in collecting the data for the construct, the possibility of common method variance (CMV) in the constructs was anticipated. As a result, most of the recommendations by Podsakoff *et al*. (2003) were applied in quest to remedy the prospect of this method bias. First, an assurance anonymity and confidentiality of the banks and the officials that completed the questionnaire was given and was strictly adhered to. Secondly, covered rubric was also applied in the questionnaire designing to serve as a separation for the different constructs. Finally, the Harman one-factor test was carried out and the result indicated that CMV did not exist in our measures.

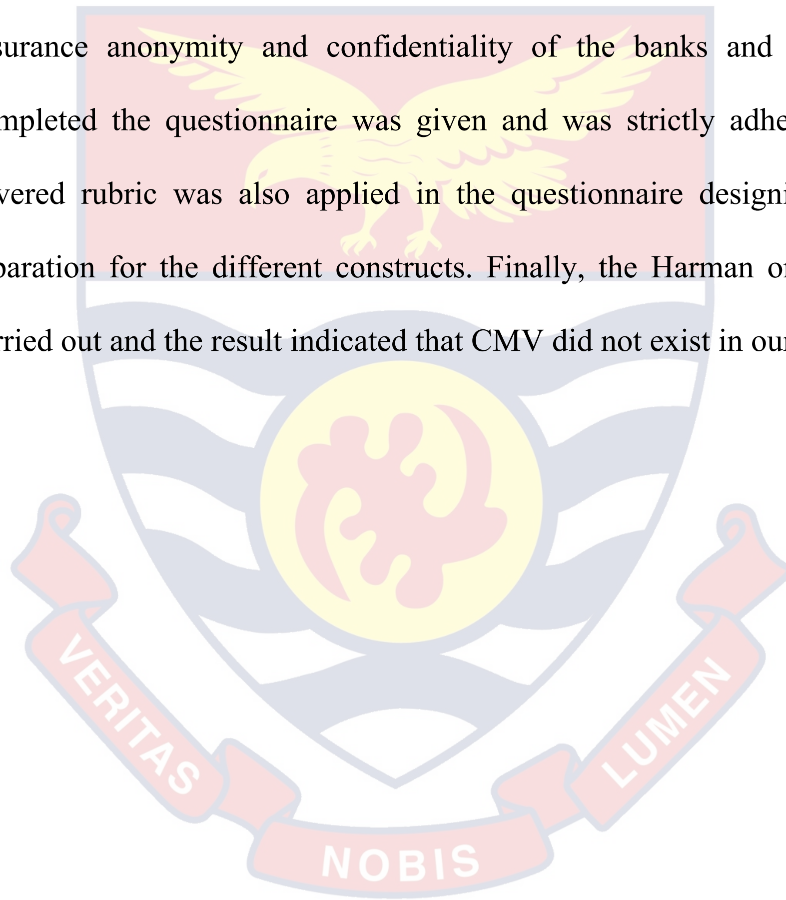

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Table 2: Measurement of constructs

Second order	First order	Indicator	Operationalisation of indicator
Corporate social responsibility (CSR)	Environment (SREn)	Concern for Environment (SRE1)	Conduct business while maintaining the integrity of the environment
		Energy conservation (SREn2)	Use renewable alternative sources of energy in business operations
		Conservation of natural resources (SREn3)	Conserve water, protecting flora & fauna etc.
		Recycling and e-waste management (SREn4)	Policy to re-use, recycle paper, recycling electronics waste & other materials used in production
		Support environmentally oriented business (SREn5)	Cconcessional arrangement for granting loan to business that have concern for the environment
	Human Resource (SRHr)	Employee health and Safety (SRHr1)	Protects employees against work hazards
		Employee training and development (SRHr2)	Organize training, refresher training and other educational opportunities
		Employee discrimination (SRHr3)	Policy of anti-discrimination in terms of recruitment, remuneration and promotion
		Fair employee evaluation process (SRHr4)	Fair performance appraisal system
	Community (SRCm)	Support for education (SRCm1)	Commitment to promote education in terms of assistance in donation and educational scholarships.
		Support for health (SRCm2)	Assistance in health infrastructure and training
		Employment of local residence (SRCm3)	Policy of recruiting local qualified residence.
		Support youth entrepreneurship (SRCm4)	Assistance aimed at training the youth to be entrepreneurs
		Employee volunteerism (SRCm5)	Company employees getting out of their comfort zone and doing community work.
	Ethical (SREt)	Integrity (SCEt1)	Be honest & upright in corporate dealings.
		Professional conduct (SCEt2)	Allowing sound, good moral judgment in the conduct of business.
		Transparency (SCEt3)	corporate actions and decisions are opened to stakeholders.
		Customer confidentiality (SCEt4)	Keep legitimate and legal dealings with customers in confidence

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Table 2: Measurement of constructs (continued)

Second order	First order	Indicator	Operationalisation of indicator
		Equality and diversity (SCEt5)	Treating people fairly and equitably without prejudice
Competitive Advantage (CA)	Price and Cost (CAP)	Pricing (CAP1)	Prices of products/services are competitive
		Industry average price (CAP2)	Price product/service below the industry average price
		Price flexibility (CAP3)	Prices are adjustable to suit customer expectations
		Operational cost (CAP4)	Operational cost is kept as minimal as possible
	Quality of service and customers (CAQ)	Customer view of product/service quality (CAQ1)	Sought for customer view on quality of our product or service
		Customer complains (CAQ2)	Provides avenues and platform to deal with customer complains
		New customers (CAQ3)	There is a policy to attracting and retaining new customers
	Product Innovation (CAI)	Flexible product development (CAI1)	Products/services are developed to meet customer requirements
		Continual product development (CAI2)	Respond to customer demand for changes in product features
		Unique products (CAI3)	Products/services are designed to distinguish itself from the industry
	Time-to-market (CAT)	Response to market changes (CAT1)	Respond to changes in the market conditions
		Time to response (CAT2)	Response time is shorter than the average industry time
		Lead time (CAT3)	Time between customer demand for a product and actual product development is kept minimal
Access to capital (ATC)		Equity financing (ATC1)	Obtain finance from investors in a form of shares
		Debt financing (ATC2)	Obtain finance from banks in a form of loan
Corporate governance (CG)		Board size (CG1)	Number of members on the board of the bank
		Board composition (CG2)	No. of Non-executive directors / no. of directors
		Board committees (CG3)	No. of committees the board have
Financial performance (CFP)	Profitability (FPP)	Return on asset (FPP1)	Profit after tax / capital employed
		Return on equity (FPP2)	Profit after tax / shareholder's fund
		Sales growth (FPP3)	% change in interest income between 2018 and 2019
	Liquidity (FPL)	Current ratio (FPL1)	Current asset /current liability
		Capital adequacy ratio (FPL2)	Equity capital/risk-weighted asset
		Liquid asset ratio (FPL3)	Liquid asset / total liability
Control variables		Bank size	Natural logarithm of total asset
		Cost income ratio	Operating cost/ net income
		Bank age	Years of incorporation

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Structural Equation Modelling (SEM)

SEM is a second-generation statistical analysis technique developed for analyzing the inter-relationships among multiple variables in a model. The inter-relationships among variables could be expressed in a series of single and multiple regression equations. The Structural Equation Modeling technique employs the combination of quantitative data and the correlational or causal assumptions into the model. SEM begins with a theory where the researcher intends to test the relationship among constructs of interest in the study. The relationships are modeled into a theoretical framework represented by a schematic diagram. The schematic diagram presents the hypotheses of interest to be tested in the study. The constructs of interest involved are measured using a set of items in a questionnaire. The measurement scale for each item should be either interval or ratio. The ideal measurement should be in the interval from 1 to 10 so that the data is more independent and meet the requirement for parametric analysis, however, Hair, et al. (2010) asserted that, an interval from 1 to 5 is equally potent in generating the desire result.

SEM requires that at least four items should be developed to measure each latent construct. SEM is applied first by specifying a theoretical model on the basis of theory. Every construct in the model is conceptualized as a latent, and constructs are measured using multiple items in a questionnaire. These items can be developed by researchers, or adopted from literatures customized to suit the field of study. The researcher analyzes the measurement model for each construct to assess how well the generated items represent the underlying construct. The analysis is carried out

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using Confirmatory Factor Analysis. Through the process of CFA, the issues of construct validity and reliability would be addressed.

Confirmatory Factor Analysis (CFA)

Confirmatory Factor Analysis (CFA) is a form of factor analysis that is employed to test whether the measures of a construct are consistent with the researcher's understanding of the nature of that construct. Every measurement model of a latent construct needs to undergo CFA before modeling in SEM. With CFA, any item that does not fit the measurement model due to low factor loading is removed from the model. CFA was performed for all latent constructs involved in the model. CFA could be run for every measurement model individually or it can be pooled. However, the pooled CFA procedure is more preferred, hence this applied in the study. The CFA was done by performing the following activities;

Model fit

In SEM, model fitness test is necessary to ensure whether or not the hypothesized model fits the data. There are several Fitness Indexes that reflect how fit is the model to the data at hand. However, there is no agreement among researchers which fitness indexes to use. Hair *et al*. (2017) recommend the use of at least one fitness index from each category of model fit. There are three model fit categories namely absolute fit, incremental fit, and parsimonious fit. The choice of index to choose from each category to report however depends on which literature. In respect of the study, the fitness of the data to the hypothesized model was

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evaluated using the Standardized Root Mean Square Residual (SRMR), Squared Euclidean Distance (d_LS), Geodesic distance (d_G) and Root Mean Squared Theta (RMS θ) as recommended by Bagozzi and Yi (2012). The multiple fitness indices have been used to ensure the robustness of the results. The chi-square goodness-of-fit index (commonly used fitness index) was excluded due to it sensitiveness to larger sample size (above 100 cases).

Hu and Bentler (1999) recommended that, SRMR of value less than 0.08 is considered good fit and also, the hypothesized model is not mispecified (Henseler *et al*., 2015). d_LS is based on bootstrapping iteration result of the exact model fit. The d_LS fit indices, (which measure the difference between the correlation matrix implied by the hypothesized model and the empirical correlation matrix) and such difference should not be significant ($p > 0.05$) to confirm the fitness of the measurement model (Dijkstra & Henseler, 2015). In a similar direction, d_G (which measures a similar distance as d_LS) builds on eigenvalue computations and thus provides a more robust result compared to the d_LS, as such the difference between the correlation matrix implied by the hypothesized model and the empirical correlation matrix should not be significant to consider the model as fit (Dijkstra & Henseler, 2015). Bentler and Bonett (1980) asserted that, the Normed Fit Index (NFI) which compute the chi square of value of the hypothesized model and compare it against a predetermine benchmark result in value is between 0 and 1, and that, the closer the NFI to 1, the better the fit. NFI value above 0.9 represent acceptable fit.

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Also, the RMS θ assess the extent to which the outer model residuals correlate and a measure close to zero indicate a good fit as this would imply a smaller correlation between the outer model residuals which a necessary condition for path analysis. RMS θ value below 0.12 is therefore as an indication of a well-fitting model whereas higher values indicate lack of fit (Henselar *et al.,* 2014). The result of the fitness test of the hypothesized model, together with other possible models that could have been considered is shown in Table 3.

Validity and reliability

Validity is the ability of instrument to measure what it supposed to be measured for a construct. In testing the validity of the constructs, the study focused on the extent to which the data exhibit both convergent and discriminant validity. By convergent validity, the study seeks to explore whether all statements posed for a particular construct are collected just under a single factor. That is, the extent to which a measure correlates positively with alternative measures of the same construct. Evidence of convergent validity for a hypothesized model is present if all observable indicators load significantly onto their respective latent factors (Anderson & Gerbing, 1988). Four indices were applied in assessing convergent validity: standard factor loading (SFL) with bootstrapping, composite reliability (CR), the Rho_A and average variance extracted (AVE). The result of the convergent validity test is shown in Table 4.

Using the standard factor loading (SFL) with bootstrapping, it was applied to ensure that, the measured items have acceptable factor loadings for the formative

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latent construct. In order to ensure uni-dimensionality of a measurement model, any item with a low factor loading should be deleted. For a newly developed item, the factor loading for an item should be 0.5 or higher and for an already established item, the factor loading for an item should be 0.7 or higher (Bagozzi & Yi, 2012; Hair *et al*., 2014). The deletion was made one item at a time with the lowest factor loading item to be deleted first. The result of this exercise is shown in Table 5 and the resultant measurement model was use to run the analysis.

Composite reliability as a measure of convergent validity varies between 0 and 1, with higher values indicating higher levels of reliability. Specifically, composite reliability values of 0.60 to 0.70 are acceptable in exploratory research, while in more advanced stages of research, values between 0.70 and 0.90 can be regarded as satisfactory (Hair *et al*., 2014). Values above 0.90 (and definitely above 0.95) are not desirable because they indicate that all the indicator variables are measuring the same phenomenon and are therefore not likely to be a valid measure of the construct. Specifically, such composite reliability values occur if one uses semantically redundant items by slightly rephrasing the very same question. As the use of redundant items has adverse consequences for the measures' content validity (e.g., Rossiter, 2002) and may boost error term correlations (Drolet & Morrison, 2001; Hayduk & Littvay, 2012), researchers are advised to minimize the number of redundant indicators. Finally, composite reliability values below 0.60 indicate a lack of internal consistency reliability. The composite reliability of the indicators is reported in Table 4.

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Another robust measure of convergent validity on the construct level is the average variance extracted (AVE). This criterion is defined as the grand mean value of the squared loadings of the indicators associated with the construct (i.e., the sum of the squared loadings divided by the number of indicators). Therefore, the AVE is equivalent to the communality of a construct. The Using the same logic as that used with the individual indicators, an AVE value of 0.50 or higher indicates that, on average, the construct explains more than half of the variance of its indicators Hair *et al*., 2014). Conversely, an AVE of less than 0.50 indicates that, on average, more variance remains in the error of the items than in the variance explained by the construct. The AVE of each reflectively measured construct should be evaluated. The AVE of each variable is shown in Table 4.

Discriminant validity is achieved when the measurement model is free from redundant items. In assessing discriminant validity, the study aimed at testing whether the scale measures that are not supposed to relate are actually relate. Discriminant validity refers to the degree to which measures of different concepts are distinct. It is the extent to which a construct is truly distinct from other constructs by empirical standards. Thus, establishing discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model. Traditionally, researchers have relied on two measures of discriminant validity. The cross-loadings are typically the first approach to assess the discriminant validity of the indicators. Specifically, an indicator's outer loading on the associated construct should be greater than any of its cross-loadings (i.e., its correlation) on other constructs.

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The Fornell-Larcker criterion is the second approach to assessing discriminant validity. It compares the square root of the AVE values with the latent variable correlations. Specifically, the square root of each construct's AVE should be greater than its highest correlation with any other construct. Analternative approach to evaluating the results of the Fornell-Larcker criterion is to determine whether the AVE is larger than the squared correlation with any other construct. The logic of the Fornell-Larcker method is based on the idea that a construct shares more variance with its associated indicators than with any other construct.

As a remedy, Henseler *et al.* (2015) propose assessing the heterotrait-monotrait ratio (HTMT) of the correlations. In short, HTMT is the ratio of the between-trait correlations to the within-trait correlations. HTMT is the mean of all correlations of indicators across constructs measuring different constructs (i.e., the heterotrait-heteromethod correlations) relative to the (geometric) mean of the average correlations of indicators measuring the same construct (i.e., the monotrait-heteromethod correlations; for a formal definition of the HTMT statistic, see Henseler *et al.,* 2015). Technically, the HTMT approach is an estimate of what the true correlation between two constructs would be, if they were perfectly measured (i.e., if they were perfectly reliable). This true correlation is also referred to as dis-attenuated correlation. A dis-attenuated correlation between two constructs close to 1 indicates a lack of discriminant validity. In this direction, the study applies the Heterotrait-monotrait (HTMT) ratio of correlations which indicate an establishment of discriminant validity for HTMT value below 0.80 (Henseler *et al.,* 2015) and the Fornell–Larcker criterion.

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter deals with the validation of the tools used in measuring the study variables, descriptive statistics and inter-correlations among the study variables and hypothesis testing of the hypothesized model (Figure 1) using structural equation modeling. The data collected from the field was analyzed using SmartPLS version 3.2.6 (Ringle *et al.,* 2015) and IBM SPSS version 20.

Confirmatory Factor Analysis (CFA)

Even though the scales adopted for the study to measure the constructs have been validated and tested for their reliability in previous studies, it is necessary to verify how well the data collected fits the hypothesized model (model fitness test) and also test for the reliability and validity of the construct in respect of this study (see Figure 1). To do this, a confirmatory factor analysis (CFA) was performed.

Model fitness test

Based on the data from a sample 126 rural banks, the results of the model fitness test showed that, a five-factor hypothesized model (with items loading onto the corresponding factors of corporate financial performance predicted by corporate social responsibility competitive advantage, access to capital and corporate governance) had an excellent fit to the data.

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Table 3: Fit indices for the measurement model

Model Fit index Acceptable level	SRMR *(≤ 0.08)*	d_ULS *(p > 0.05)*	d_G *(p > 0.05)*	NFI *(≥ 0.90)*	RMS θ *(< 0.12)*
Five-factor hypothesized model (CSR, CA, AC, CG, FP)	0.069	0.214	0.248	0.985	0.012
Four-factor hypothesized model (CSR, CA+AC, CG, FP)	0.072	0.103	0.001	0.832	0.102
Three-factor hypothesized model (CSR, CA+AC+ CG, FP)	0.083	0.003	0.005	0.617	0.152
Two-factor hypothesized model (CSR+CA+AC+ CG, FP)	0.079	0.000	0.000	0.662	0.031

Note: *n* = 126. CSR, Corporate social responsibility; CA, Competitive advantage; AC, Access to capital; Corporate governance; FP, corporate financial performance.

Source: Author's computation (2020).

This model showed SRMR = 0.069, NFI = 0.985 and RMS θ = 0.012. Bootstrap result for d_LS and d_G showed a probability of acceptance of the null hypothesis of no difference at 21.4% and 24.8% respectively, indicating an insignificant difference between the correlation matrix implied by the hypothesized model and the empirical correlation matrix. All these indices indicate a superior model fit for the five –factor model to the alternative models as shown in Table 3.

Validity and Reliability

Validity and reliability test were also carried out as part of the CFA to ascertain validity and reliability of the hypothesized model shown in Figure 1. In Table 4, all the indicators load significantly on their respective construct with a loading coefficient ranging 0.730 to 0.907 for all the factors in the hypothesized model which exceed the recommended level of 0.7 (Bagozzi & Yi, 2012; Hair *et al*., 2014), indicating acceptable item convergence on the intended constructs. The bootstrapping result indicate that, the loading obtained are significant at 1%. Also,

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the reported AVE values for the five scales were higher than the acceptable level of 0.5 (Fornell & Larcker, 1981). Moreover, values of composite reliability (CR) of all scales were well above the cut-off point of 0.7 as recommended by Nunnally and Bernstein (1994). Also, a more robust measure, Rho_A also showed a result above the cut of 0.75 as recommended by Dijkstra and Henseler (2015). The results indicate a satisfactory convergent validity for all constructs in the measurement model.

Also, a more robust measure, Rho_A also showed a result above the cut of 0.75 as recommended by Dijkstra and Henseler (2015). The results indicate a satisfactory convergent validity for all constructs in the measurement model. Table 5 shows the HTMT ratios which meets the threshold of below 0.80 and are significant at 5% after conducting the bootstrapping of 300 samples from the 126 sampled banks demonstrating that, the scale measures that are not supposed to relate are actually not relating. Also, applying the Fornell–Larcker criterion as shown in Table 5, the square root of the AVE (shown on the leading diagonal of the correlation matrix) in each row and column is greater than the figures in that row or column indicating an appropriateness of discriminant validity.

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Table 4: Measurement scale and indicators of the hypothesized model

Measurement	Standard factor loading						
scales	loading	t - value	p - value	CR	AVE	α	Rho_A
Corporate Social Responsibility (CSR)				0.918	0.672	0.906	0.907
SRE1	0.831	15.331	0.000				
SRE2	0.804	11.435	0.000				
SRE3	0.889	16.400	0.000				
SRE4	0.788	11.078	0.000				
SRE5	0.779	12.181	0.000				
SRHr1	0.811	12.383	0.000				
SRHr2	0.866	14.423	0.000				
SRHr3	0.805	11.349	0.000				
SRHr4	0.730	10.348	0.000				
SRCm1	0.784	11.471	0.000				
SRCm2	0.796	12.086	0.000				
SRCm3	0.767	10.513	0.000				
SRCm4	0.891	16.175	0.000				
SRCm5	0.804	11.885	0.000				
SCEt1	0.825	13.179	0.000				
SCEt2	0.791	12.161	0.000				
SCEt3	0.824	13.199	0.000				
SCEt4	0.776	11.489	0.000				
SCEt5	0.807	12.213	0.000				
Competitive Advantage (CA)				0.900	0.511	0.880	0.882
CAP1	0.827	13.123	0.000				
CAP4	0.907	17.963	0.000				
CAQ2	0.876	14.992	0.000				
CAQ3	0.825	13.536	0.000				
CAI2	0.865	15.091	0.000				
CAT1	0.736	9.383	0.000				
CAT3	0.832	12.754	0.000				
Access to Capital (AC)				0.823	0.699	0.769	0.569
ATC1	0.873	12.071	0.000				
ATC2	0.834	10.776	0.000				
Corporate Governance (CG)				0.897	0.743	0.827	0.830
CG1	0.824	10.217	0.000				
CG2	0.843	11.738	0.000				
CG3	0.813	10.873	0.000				

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Table 4: Measurement scale and indicators of the hypothesized model (Continued)

Measurement Scale	Standard factor loading			CR	AVE	α	Rho_A
	loading	t - value	p - value				
Financial Performance (FP)				0.924	0.669	0.901	0.902
FPP1	0.786	12.379	0.000				
FPP2	0.839	14.097	0.000				
FPP3	0.819	12.050	0.000				
FPL1	0.790	10.174	0.000				
FPL2	0.810	11.789	0.000				
FPL3	0.859	14.762	0.000				

Source: Author's computation (2020)

Table 5: Fornell–Larcker criterion analysis and Heterotrait-monotrait (HTMT) ratio of correlations

	CSR	CA	AC	CG	FP
Fornell–Larcker criterion					
CSR	*0.820*				
CA	0.605	*0.715*			
AC	0.733	0.706	*0.836*		
CG	0.705	0.691	0.536	*0.867*	
FP	0.639	0.629	0.577	0.862	*0.818*
Heterotrait-Monotrait ratio					
CA	0.311				
AC	0.224	0.398			
CG	0.109	0.298	0.378		
FP	0.221	0.226	0.204	0.402	

Note: *n = 126. CSR, Corporate social responsibility; CA, Competitive advantage; AC, Access to capital; Corporate governance; FP, financial performance. Italic figures in the diagonal of the correlation matrix in the Fornell–Larcker criterion denotes the square root of the average variance extracted (AVE). For appropriate discriminant validity, the italic figures in each row and column should be greater than the figures in that row or column*

Source: Author's computation (2020)

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Reliability of the constructs was assessed using the Cronbach's alphas (α) and AVE values. The results of reliability analyses in Table 5 shows that the Cronbach's alphas of the constructs range from 0.769 to 0.906, which is considered high and above the recommended value of 0.70 (DeVellis, 2011).

In conclusion, the results obtained reveal that the measurement model used in this study has good internal consistency, reliability, convergent validity and discriminant validity. In other words, these results on validity and reliability provide evidence for the instruments used in this study.

Inter-correlations and descriptive statistics

The object of this section is to describe the responses in relation to the study variables using basic descriptive statistics and to assess the appropriateness of the study hypothesis as well as examining whether or not there is the presence of multi-collinearity. Table 6 presents descriptive statistics of the study variables and the correlation between them. The variance inflation factor of the study construct is presented as well.

From Table 6, variables considered appears to be approximately normally distributed judging from their skewness coefficient and their kurtosis. The responses to the questionnaire items seem to be fairly answered with most of the responses agreeing to the statement posed to them. On their relationship, it can be observed that, all the variables relate positively with the dependent variable, corporate financial performance, which is an indication that, improvement in all the variables considered is capable of improving the financial performance.

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Table 6: Descriptive statistics and Inter-correlation coefficients

	Descriptive				Inter-correlation coefficients						
	Mean	SD	Skew.	Kurt.	CSR	CA	AC	CG	FP	BS	CIR
CSR	2.905	1.342	0.116	-1.114	(1.408)						
CA	3.063	1.424	-0.063	-1.282	0.315**	(1.711)					
AC	3.016	1.297	0.081	-1.023	0.375	0.274**	(2.024)				
CG	3.04	1.137	0.085	-0.684	0.307	0.356	0.306	(2.197)			
FP	3.151	1.322	-0.198	-1.029	0.426	0.312	0.623**	0.544			
BS	18.249	1.281	0.095	-1.023	0.205	0.301	0.398	0.233	0.321		
CIR	0.618	5.359	-0.04	-1.162	0.414	0.272	0.418	0.239	0.275	0.317	
BA	15.135	9.316	0.091	-1.017	0.324	0.316	0.359	0.161	0.225	0.338	0.367

Note: *n = 126. CSR, Corporate social responsibility; CA, Competitive advantage; AC, Access to capital; Corporate governance; FP, financial performance; BS, Bank size; CIR, cost income ratio; BA, bank age. Figures on the leading diagonal of the correlation matrix put in parenthesis are the variance inflated factors (VIF). **p < 0.05*

Source: Author's computation (2020)

For instance, corporate social responsibility and competitive advantage each showed a positive correlation of *($r=0.426$, $p < 0.1$)* and *($r = 0.312$, $p < 0.1$)* respectively even though the correlation coefficient is not significant at 5%. There is a strong positive significant correlation between access to capital and corporate financial performance with a correlation coefficient of *($r=0.623$, $p <0.05$)* which is an indication that good use capital available to the banks will lead to improved financial performance. Examining the key constructs for multi-collinearity, which occurs when there is a strong correlation between two or more predictor variables in a regression model (Field, 2009), Hair*et al.* (2014) recommended two approaches. First, it involves examination of the correlation matrix among the predictor variables. A correlations coefficient greater than or equal 0.90 is an indication of substantial collinearity. The results of the study (see Table 6), reported the highest correlation coefficient among the predictor variables to be 0.418 indicating absence of collinearity.

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Secondary, to avoid a collinearity due to the combined effect of two or more predictors, as recommended by Hair *et al*. (2014), the variance inflation factor (VIF) of the predictor variables were assessed. Applying the threshold of VIF values of 10 as recommended by Gaur and Gaur (2009) and Hair *et al*. (2014), the VIF values (ranging from 1.408 to 2.197), as shown in parentheses on the leading diagonal in Table 6 indicates that, there is no problem of multi-collinearity among the predictor variables. Consequently, the hypothesis of the study can now be tested.

Structural Model

The hypothesized CSR model (see Figure 1) was empirically tested using structural equation modelling (SEM), which allows all paths to be evaluated simultaneously. The result of the path analysis is presented in a form of path diagram as shown in Figure 2. Hypothesis 1 is tested by conducting a bootstrap analysis with bias-corrected 95% confidence interval using the Smart PLS, where 5000 sub-samples were created with observations randomly drawn (with replacement) from the original set of data. As the number of respondents (126 rural banks) is ten times more than the exogenous constructs (corporate social responsibility, competitive advantage, access to capital and corporate governance), the problem of bias estimates of path coefficients and indicator loading is not expected (Chin, 1998) and besides, a bias-corrected 95% confidence interval was constructed. The results of the bootstrap analysis are shown in Table 7.

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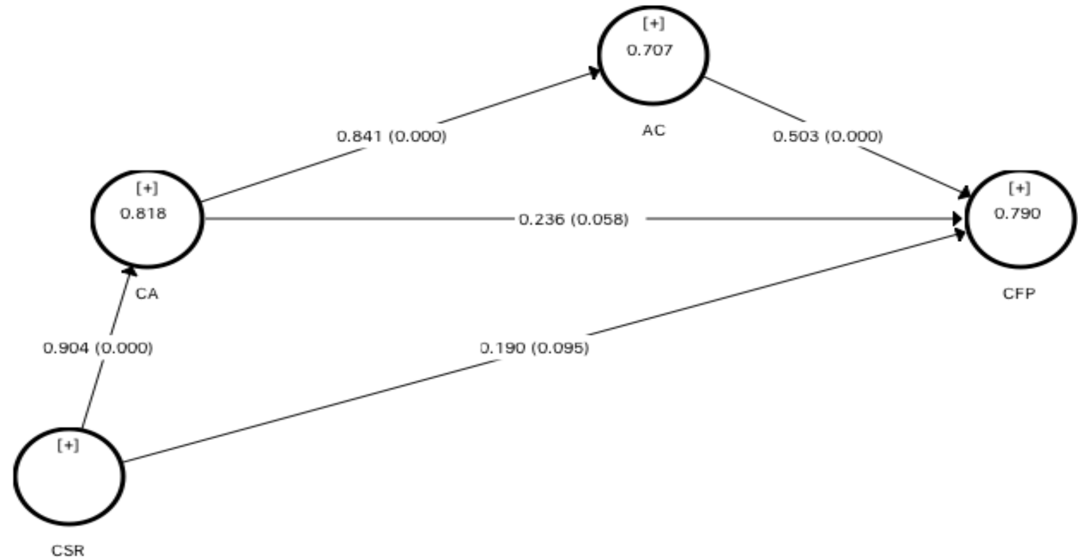

Figure 2: Path diagram for the hypothesized Model

Source: Author's construct (2020)

Hypothesis Testing

The first hypothesis of the study states that, competitive advantage and access to capital does not mediate the relationship between corporate social responsibility and financial performance. As shown in Table 6, the correlation coefficients indicated that corporate social responsibility is positively and significantly related to competitive advantage *($r = 0.315, p < 0.05$),* competitive advantage is positively and significantly related to access to capital *($r = 0.274, p < 0.05$)* and access to capital is positively and significantly related to financial performance *($r = 0.623, p < 0.05$).* More importantly, from the path diagram in Figure 2 and result from the bootstrapping analysis of the path coefficient as shown in Table 7, the results of the direct effects of corporate social responsibility on firm's competitive advantage(β= 0.904, $|t|$ = 55.069, $p < 0.01$), firm's competitive advantage on access to capital (β= 0.841, $|t|$ = 33.188, $p < 0.01$) and access to capital

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on financial performance (β= 0.503, |t| = 4.488, p < 0.01) were all statistically significant at 1%. This is an indication that, the basic conditions of mediation in the hypothesized model are satisfied. Consequently, the indirect effects of the hypothesized model can then examine.

Table 7: Direct, indirect and total effects of the hypothesized model

	Std Estimate	Std Error	t-value	Bias Corrected 95% CI LLCI	ULCI	p value
Standardised direct effects						
CSR → CA	0.904	0.016	55.069	0.861	0.928	0.000***
CA → AC	0.841	0.025	33.188	0.774	0.882	0.000***
AC → CFP	0.503	0.112	4.488	0.283	0.719	0.000***
CSR → CFP	0.190	0.108	1.751	-0.054	0.394	0.096*
CA → CFP	0.236	0.116	2.037	-0.026	0.443	0.068*
Standardised indirect effects						
CSR →CA →AC	0.761	0.033	23.316	0.674	0.813	0.000***
CA →AC →CFP	0.423	0.092	4.595	0.237	0.602	0.000***
CSR →CA →CFP	0.213	0.105	2.035	0.212	0.549	0.042**
CSR →CA →AC→CFP	0.382	0.083	4.598	-0.026	0.402	0.000***
Standardised total effects						
AC →CFP	0.503	0.112	4.488	0.283	0.719	0.000***
CA →AC	0.841	0.025	33.188	0.774	0.882	0.000***
CA →CFP	0.658	0.098	6.692	0.461	0.867	0.000***
CSR →AC	0.761	0.033	23.316	0.674	0.813	0.000***
CSR →CA	0.904	0.016	55.069	0.861	0.928	0.000***
CSR →CFP	0.785	0.043	18.406	0.660	0.845	0.000***

Note: *n = 126. CSR, Corporate social responsibility; CA, Competitive advantage; AC, Access to capital; Corporate governance; FP, financial performance. Standardised estimate was obtained from 5,000 sub-samples. *p<0.1; **p<0.05; ***p<0.01;*

Source: Authors computation (2020)

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To do this, the bias-corrected bootstrapping analysis at 95% confidence interval with 5,000 sub-samples was conducted and following the recommendation by Preacher and Hayes (2008), the confidence interval of the upper and lower limit was calculated to test the significance of the indirect effects of the mediating variables (result shown in Table 7). The result of this analysis showed the existences of positive and significance mediation effect of competitive advantage between corporate social responsibility and access to capital ($\beta = 0.761$, $|t| = 23.316$, $p < 0.01$). The result also showed a positive and significant mediating effect of access to capital between competitive advantage and financial performance ($\beta = 0.423$, $|t| = 4.493$, $p < 0.01$). Finally, the bootstrapping analysis showed that, there is a positive and significance mediating effect for competitive advantage and access to capital between corporate social responsibility and corporate financial performance ($\beta = 0.382$, $|t| = 4.598$, $p < 0.01$). With the foregoing result, the first hypothesis of the study is not supported by the CSR model (Figure 2). The null hypothesis is therefore rejected and conclude that, competitive advantage and access to capital serially mediate the relationship between corporate social responsibility and financial performance.

It can again be observed that, the direct effect of corporate social responsibility on financial performance is not significant at 5% ($\beta = 0.190$, $|t| = 1.751$, $p < 0.1$). This is an indication that competitive advantage and access to capital plays a full mediation between corporate social responsibility and financial performance. In another dimension, competitive advantage showed a positive and significant mediation effect between corporate social responsibility and financial

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performance ($\beta = 0.213$, $|t| = 2.035$, $p < 0.05$), however, the effect of the relationship is not robust as the relationship would be insignificant at 1% significant level. This confirm that fact that competitive advantage and access to capital fully mediate the relationship between corporate social responsibility and financial performance.

Assessing the Moderating Role of Corporate Governance

The second objective of the study seeks to investigates the moderating role of corporate governance in the relationship between access to capital and financial performance. That is, if firms have access to capital, does corporate governance play any role in determine whether or not the firm will improve its financial performance? Based on the extant literature (see chapter 3), a second hypothesis was formulated which proposed that, 'corporate governance does not moderate the relation between access to capital and corporate financial performance' in that, a good corporate governance practices does not play any role in efficient usage of the financial resources accessed which will intend lead to improved financial performance. To test this hypothesis, a hierarchical regression was carried out with three controlled variables (bank size, cost to income ratio and bank age) and two predictor variables (access to capital and corporate governance).

Based on the predictors, moderating variable was derived (that is, interaction between access to capital and corporate governance). The result of the hierarchical regression in Table 8 indicate that, corporate governance significantly moderates the relationship between access to capital and corporate financial performance ($\beta = 1.683$, $|t| = 1.982$, $p < 0.05$) with the interaction effect between

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access to capital and corporate financial performance explaining 35% of the variances in the corporate financial performance and the overall regression model being significant at 5% level of significance. The results from the hierarchical regression therefore does not provides adequate support for H2.

Discussion of Results

There have been several studies in the past that have explore the relationship between corporate social responsibility and financial performance (see chapter 2), most of which have reported inconclusive and conflicting result. This could be attributable to the fact that, the mediating role of certain variables that plays significant role in such relationship are usually ignored. Some authors have attempted to explore such mediating variables (Abukari & Abdul-Hamid, 2018) explored the mediating role of ownership; Nakoa *et al.* (2007) explored the mediating role corporate image; Otuo and Asong (2017) explored the mediating role of corporate reputation and then access to capital and Ali and Rizwan (2013) explored the mediating role of market development but all these studies considered the role of single variable at a time.

On this basis, their studies made recommendation as to the need to examine further, the multiple and serial mediums through which corporate social responsibility translates into financial performance outcomes. In this direction, the current study aimed at examining the relationship between corporate social responsibility and firm's financial performance through two mediating variables (competitive advantage and access to capital) and the role a moderating variable (corporate governance) plays in such relationship using rural banks are study cases.

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Table 8: Result of hierarchical linear regression for corporate financial performance

	Financial performance
Step 1: Controlled	
Bank size	0.105* (2.160)
Cost to income ratio	- 0.069 (- 0.767)
Bank age	- 0.086 (- 0.956)
R^2	0.024**
ΔR^2	0.024**
$F_{(3,122)}$	2.979**
$\Delta F_{(3,122)}$	2.979**
Step 2: Predictors	
Access to capital (AC)	0.590** (2.951)
Corporate Governance (CG)	0.411*** (7.13)
R^2	0.27**
ΔR^2	0.246**
$F_{(3,122)}$	5.667**
$\Delta F_{(2,120)}$	2.18**
Step 3: Mediators	
AC × CG	1.683** (1.982)
R^2	0.35**
ΔR^2	0.08**
$F_{(3,122)}$	5.937**
$\Delta F_{(2,120)}$	5.690**

*Notes: n = 126. Reported coefficients are standardized estimates with robust t-statistics (in parenthesis). *p<0.1; **p<0.05; ***p<0.01*

Source: Authors computation (2020).

The study observed that, there is a positive relationship between firm corporate social responsibility outcomes and competitive advantage. The result of the study provided evidence to support this assertion, that is, corporate social responsibility is significantly positively related to firm's competitive advantage. This aspect of the finding is consistent with extant literature (Marin *et al*., 2012) that, the perception of corporate stakeholders of firm's corporate social

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responsibility outcomes is positively associated with the market shares they controlled in the industry.

Another observation may by the study is that, firm's competitive advantage relates positively with its access to capital. The result of the study confirmed that, there is a significant positive relationship between firms gaining competitive advantage and firms having access to capital. This aspect of the result of the study is consistent with Marin *et al*. (2012) and Waddock *et al.* (1997), who confirmed that, competitive advantage is directly associated with liquidity especially when companies engage in a proactive competitive strategy than a reactive one. According to Marin *et al.* (2012), companies that adopt proactive competitive strategies have the capacity to access finance with lower cost of capital due to stakeholder's anticipation of future liquidity to pay returns of funds provided.

Again, the study showed that, competitive advantage mediates the positive relation between corporate social responsibility and access to capital. The result of the study revealed that, competitive advantage significantly mediates the positive relationship between corporate social responsibility activities and access to capital. The implication of this finding is that, firms that engage in corporate social responsibility are able to win the heart of their clients and through that increase their market share. As market share of these firms increase, the firm is able to have access to varying capital avenues as investors and other stakeholder knows such funds would be put in an avenue that will provide returns to be paid back to the society. This as a result is consistent with the study Battaglia *et al*.(2014), who carried out similar studies and find out that firms that have greater market share

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(used as a measure of competitive advantage) which is acquired through corporate social responsibility outcomes are able to access capital from different sources as they are considered as liquid firms. Thus, social responsibility outcomes may not directly expose firms to different capital sources but as firms gain competitive advantage through the social responsibility outcomes, it intends give access to the firms in obtaining capital from different sources.

The result of the study further indicated that, there is a positive and significant mediating effect of access to capital between firm's competitive advantage and financial performance. Also, there is a positive and significance mediating effect for competitive advantage and access to capital between corporate social responsibility and corporate financial performance. This result provides a contradiction to the view held by Kapstein (2001) and Hillman and Dalziel (2003) who argue that, firms with better corporate social responsibility performance are faced with lower constraint in accessing capital. Since the rural banking setting is much related to the community than the general macro economies, stakeholders tend to be interested in firms that have concern of the community as part of their corporate plan and thus gives back to the community. Thus, rural banks that performance much corporate social responsibility tends to win more customers within the community and also most of their shareholders tends to be within the community.

In addition, regardless of corporate social responsibility outcomes of rural banks, capital providers in developing countries characterized by poor-functioning financial regime where they tend to channel their resources to larger firms where

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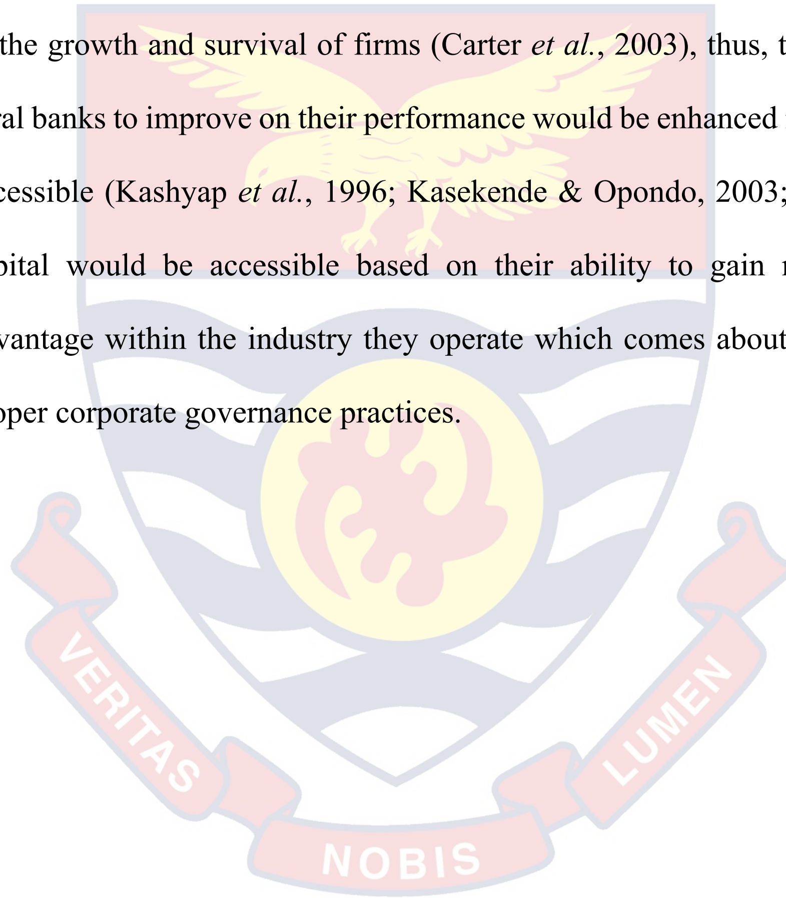
they presume that returns are higher. On this basis, rural banks due to their size and risk level encounter much difficulties in accessing capital from capital providers. The findings of the study however, has retreated that, rural banks that embark on corporate social responsibility gains competitive advantage which intend expose them to access much capital which eventually improve their financial performance. This observation is in line with the assertion that, having access to capital is relevant to the growth and survival of firms (Carter *et al.*, 2003), thus, the ability of these rural banks to improve on their performance would be enhanced if capital is readily accessible (Kashyap *et al.*, 1996; Kasekende & Opondo, 2003; Nakiyingi, 2012) capital would be accessible based on their ability to gain much competitive advantage within the industry they operate which comes about through adopting proper corporate governance practices.



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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Introduction

This chapter summarizes the findings of the study, draws conclusions and makes policy recommendations based on the findings of the study. The chapter also outlines some the contribution of the study and suggest areas for further research.

Summary of Findings

This study aimed at exploring the extent to which Corporate Social Responsibility (CSR) outcomes is linked to Corporate Financial Performance (CFP) through the mediating variables Competitive Advantage (CA) and Access to Capital (AC) among rural banks in Ghana. It also sought examine the moderating role of Corporate Governance (CG) in the relationship between AC and CFP. In view of this, the study drew from previous studies in relation to the main concepts used in the study which includes CSR (which covered the environment, human resource, community and ethical behavior), competitive advantage, access to capital, corporate governance and corporate financial performance. Data was collected from the financial statement of the selected 126 rural banks across the sixteen regions of Ghana as well as the use of questionnaire to collect data on unobserved variables. The analysis of data collected revealed the following findings based on the research objectives;

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(a) there is a significant positive effect of corporate social responsibility on competitive advantage.

(b) competitive advantage and access to capital is significantly and positively related.

(c) competitive advantage significantly mediates the effect of corporate social responsibility on access to capital.

(d) access to capital significantly mediates the linkage between competitive advantage and financial performance

(e) competitive advantage and access to capital serially mediates the relationship between corporate social responsibility and financial performance

(f) corporate governance significantly moderates the relationship between access to capital and financial performance.

Implications of the findings

First of all, the study examined an integrated model that assess the role of multiple mediators and a moderating variable in the relationship between CSR and financial performance. As stated earlier, a number of past studies have reviewed the relationship between corporate social responsibility and financial performance, but this study is among the few that has examine the direct and indirect effects of corporate social responsibility outcomes on financial performance among rural banks in the context of a developing economies like Ghana. Furthermore, since rural banks are community based, they tend to relate and concern themselves with activities of the community through different medium of socially responsible acts,

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it is therefore apparent to examine the extent through which these acts translate into their financial performance in which every business organisation aspire to maintain.

The main contribution of the study is encapsulated in the hypothesized model which has a strong theoretical underpinning and can therefore be employed to examine the effects of corporate social responsibility on a number of organisational variables within the Ghanaian rural banking sector. Meanwhile, results of this study provide adequate empirical support to previous studies that have found a significant positive linkage between corporate social responsibility and financial performance.

Secondly, the findings of the study showed that improvement in competitive advantage and gaining access to capital are both related to increase in financial performance. As expected, the study findings reveal that, increase corporate social responsibility outcome may not directly improve financial performance, rather this may enhance the firm's opportunity to gain competitive advantage and also open capital opportunity to the firm. Judicious application of these capital to positive cash flow projects will then improve the financial performance of the firm.

Third, the findings of the study extend the work of Ali and Rizwan (2013) and Al-sahafi, *et al.* (2014) by examining competitive advantage as a mediator between corporate social responsibility and access to capital, and also expand the framework of Otuo and Asong (2017) by examining competitive advantage and access to capital as mediators between corporate social responsibility and financial performance with focus on the rural banking sector. The result of the study is consistent with Arlow and Gannon (1982) who respectively suggest that, when

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firms are committed to genuine concern for the environment, they find themselves and attempt to meet stakeholders' concerns, they are more likely to win the trust of the stakeholders in terms of customer loyalty and access to capital. This is also consistent with the Stakeholder theory which postulate that, firms that focuses on the concern on the environment ends up meet it primary objective of existence.

Finally, the findings of the study also highlight the importance of corporate governance as moderator in the relationship between access to capital and financial performance. As a result, the study concludes that, in an organization with good corporate governance practices, firms make prudent use of available resources and this is able to translate into improved financial performance both in the short term and long term. On the other hand, in an organization good corporate governance is not practiced, resources are misapplied in the name of being used to finance social responsibility activities which intend adversely affect the financial performance of the firm. The result is also consistent with the agency theory.

Conclusion

Corporate social responsibility practice can be viewed as strategic management tool necessary to achieve competitive advantage in business settings such as the Ghanaian banking industry. The findings of this study have shown that, business organizations that practice CSR activities, in turn gain a defensible competitive position in their industry which intend gives them access to capital to fund their business strategies, hence having positive impact on their financial performance. The study has also indicated that corporate governance has a role to

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play as to how the capital obtained can be translated into improved financial performance. On this basis it can be concluded that firms with much commitment to corporate social responsibility activities tend to gain much competitive advantage in their industry. When these advantages are sustained, the firm gains access to capital and with good corporate governance practices, the firm would show improvement in their financial performance.

Recommendations

Based on the key findings of the study, the following are recommended for implementation:

The study revealed that, firms that perform CSR activities do not have intension of creating competitive advantage but it comes out when such activity is well executed. It is therefore essential for organizations to plan for CSR activities so as to achieve more advantage. To solve this, the study recommends that the activities of CSR should be clearly integrated as part of the firm's corporate and business level strategies. This will in turn help organizations to budget for such CSR activities and also devote much time to them.

The study confirmed that, rural banks (and the banking industry at large) in Ghana are more concerned with externally focused CSR activities (such as meeting the educational and health need of the community) as again internally focused CSR activities. This in effect makes them much concerned in providing for the needs of the communities in which they operate than the meeting the need of their internal stakeholder particularly employees. Contrary to this, other studies attest to the fact

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that, when firms have the best interests of their internal stakeholders at heart, they are likely to gain competitive advantage. It is therefore recommended that management takes into consideration internally related CSR activities so as to gain more competitive advantage. These practices include transparent recruitment processes, work-force diversity and equal opportunities, fair pay or financial support satisfaction and improvement in working conditions, health and safety, human rights, work/life balance, training and staff development, employee's communication and participation in business decisions.

The study also revealed that, financial performance is linked to CSR activities through some competitive advantage and access to capital. It however observed that, there is a gap between the knowledge and the implementation of CSR in the Ghanaian rural banking industry. In most cases (about 106 out of the 126 banks), the persons in charge of CSR activities is the one who know how CSR activities are implemented. This makes it difficult for the entire organisation structure to appreciate the need for CSR activities. To overcome this, the study recommends that, the concept of CSR have to be clarified and be included in the training curriculum of employees so as to educate or inform other people especially other management members within the organization on CSR activities so as to get a uniform view on the practices of CSR. The education could be done through workshops and seminars, branding and through brochures or sending management e-mails on CSR activities within the organizations. Aside these, there should be an organizational policy framework to set out clear-cut parameters for CSR activities so as to avoid the haphazard practices of CSR. This will help ensure proper

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accountability on CSR activities by organizations. This can be done by spelling out the principles or rules that would provide a definite direction for carrying out an organization's CSR activities.

The study again reveals that, corporate governance moderates the positive relationship between access to capital and corporate financial performance. In this direction, firms would experience an improved financial performance from the capital they have acquired depending on the efficiency of its corporate governance structures. The study therefore recommends that, rural banks (and the banking industry at large) should adopt a proper corporate governance structures that would ensure a judicious use of the firm resources in order to enjoy the improved financial performance.

Contribution of the Study

By integrating CSR commitment, competitive advantage and access to capital, the present study aims to contribute to the extant literature in two ways.

First, the current research extends previous work on CSR – financial performance literature Otuo and Anson (2017) by highlighting the mediating roles of competitive advantage and access to capital. The study propose that firms CSR commitment do not directly relate to their financial performance, instead, the relationships might be transmitted through the competitive advantage the firm gains and access to capital as the embark on the CSR activities.

Also, by examining the interaction effect of access to capital and corporate governance on financial performance, the study highlights the degree to which

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firms uses it finance and corporate governance practices to help shape the benefit they intend to derive from embarking on CSR activities.

Overall, the study contributes to the extant literature by empirically linking CSR commitment, competitive advantage, access to capital, corporate governance and financial performance in an integrated model using a cross sectional data from 126 rural banks in Ghana. Results of the study also add to a more comprehensive understanding of CSR engagement as it relates to competitive advantage and financial performance in the context of rural banks in developing economies like Ghana.

Suggestions for Future Research

The study used mediating variables such as competitive advantage and access to capital, variables selected through the motivation of the Stakeholder theory. Future studies could consider other mediating variables such as customer and employee satisfaction as these could be a medium through which CSR activities could be translated into financial performance.

Again, this study adopted a cross sectional research approach, where data was collected from respondents at a point in time and thus such responses may be influenced by pertaining conditions of the individual at that particular point in time. The use of different approach such as longitudinal research may provide significant differences in the findings which would be interesting to compare with the result of the current study.

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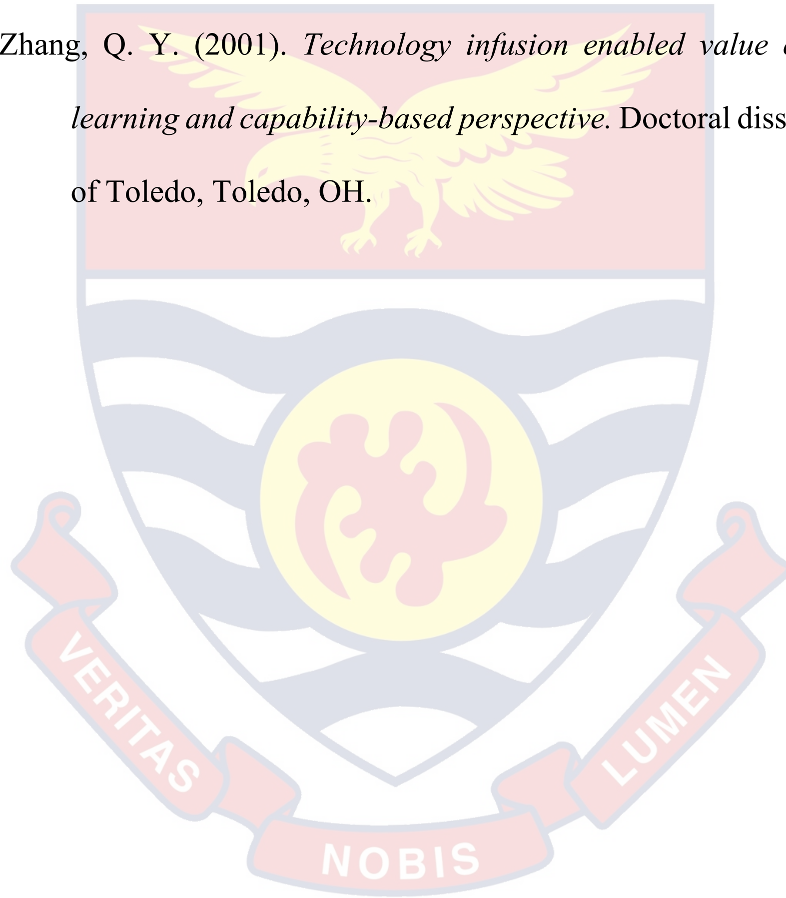

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APPENDIX A: QUESTIONAIRE

UNIVERSITY OF CAPE COAST
COLLAGE OF HUMANITIES AND LEGAL STUDIES
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING

RESEARCH TITLE:
CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE AMONG RURAL BANKS IN GHANA: THE ROLE OF COMPETITIVE ADVANTAGE, ACCESS TO CAPITAL AND CORPORATE GOVERNANCE

Date: ………………

Dear Madam/Sir,
I am Emma Yalley, undertaking a study leading to the award of Master of Commence (MCom) in Accounting at University of Cape Coast. This survey seeks your response on issues relating to corporate social responsibility policies of your bank, competitive advantage strategies your bank is adoption and means of accessing capital to finance your business. Responding to the questions will take about 10 to 15 minutes to complete. If you do not wish to answer a question, or if a question does not apply to you, you may leave your answer blank. Confidentiality of this conversation is assured. But before I start, I need to seek your permission and time to go ahead. Do you agree to be part of the study?

Yes, I agree **[ ]** No, I disagree [ ]

Note that, is no right or wrong answer, both answers (negative or positive) are equally important.

SECTION A

POLICIES OF CORPORATE SOCIAL RESPONSIBILITIES

Instruction: The following questions ask you about the extent to which you agree to the following statement on the policies of corporate social responsibility undertaken by your banks	1= Strongly disagree	2= Disagree	3= Neutral	4= Agree	5= Strongly agree
We conduct business while maintaining the honest of the environment we operate in	1	2	3	4	5
We have and use a renewable alternative source of energy in business operations	1	2	3	4	5
We have a system that conserve water, protect flora and fauna etc.	1	2	3	4	5
We have policy to re-use, recycle paper, recycling electronics waste and	1	2	3	4	5

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other materials used in production					
We have a concessional arrangement for granting loan to business that have a formalised strategies for concern for the environment	1	2	3	4	5
We have a formalised strategies to protects employees against work hazards	1	2	3	4	5
We organize training, refresher training and other educational opportunities for our staff on issues concerning the environment.	1	2	3	4	5
We have policies on anti-discrimination in terms of recruitment, remuneration and promotion.	1	2	3	4	5
We have a fair performance appraisal system that applies to every worker	1	2	3	4	5
We are committed to promoting education in terms of assistance in donation and educational scholarships.	1	2	3	4	5
We provide assistance in health, infrastructure and training to the catchment areas we operate	1	2	3	4	5
We have a formal policy of recruiting local qualified residence.	1	2	3	4	5
We provide assistance that aimed at training the youth to be entrepreneurs	1	2	3	4	5
Company employees get out of their comfort zone and doing community work.	1	2	3	4	5
We have a formal policy of honesty and upright in corporate dealings.	1	2	3	4	5
We allow a sound, good moral judgment in the conduct of business.	1	2	3	4	5
Our corporate actions and decisions are opened to stakeholders.	1	2	3	4	5
We keep legitimate and legal dealings with customers in confidence	1	2	3	4	5
We have a formal policy of treating people fairly and equitably without prejudice	1	2	3	4	5

SECTION B

GAINING COMPETITIVE ADVANTAGE

Instruction: The following questions ask you about the extent to which you agree to the following statement on the strategies in gaining competitive advantage within your industry	1= Strongly disagree	2= Disagree	3= Neutral	4= Agree	5= Strongly agree

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The price of our products/services is competitively lower than our immediate competitor	1	2	3	4	5
The price of our product/service is below the industry average price	1	2	3	4	5
The price of our products/services are adjustable to suit customer expectations	1	2	3	4	5
The operational cost of the bank is kept as minimal as possible	1	2	3	4	5
We sought for customer view on quality of our product or service	1	2	3	4	5
We provide avenues and platform to deal with customer complains	1	2	3	4	5
There is a policy to attracting and retaining new customers	1	2	3	4	5
Products/services are developed to meet customer requirements	1	2	3	4	5
We respond to customer demand for changes in product features	1	2	3	4	5
Products/services are designed to distinguish itself from the industry	1	2	3	4	5
We respond to changes in the market conditions	1	2	3	4	5
Response time is shorter than the average industry time	1	2	3	4	5
Time between customer demand for a product and actual product development is kept minimal	1	2	3	4	5

SECTION C

ACCESS TO CAPITAL

Instruction: The following questions ask you about the extent to which you agree to the following statement on your bank having access to capital	1= Strongly disagree	2= Disagree	3= Neutral	4= Agree	5= Strongly agree
We easily obtain finance from investors in a form of shares	1	2	3	4	5
Our bankers are willing to provide us with debt financing anytime we apply for	1	2	3	4	5

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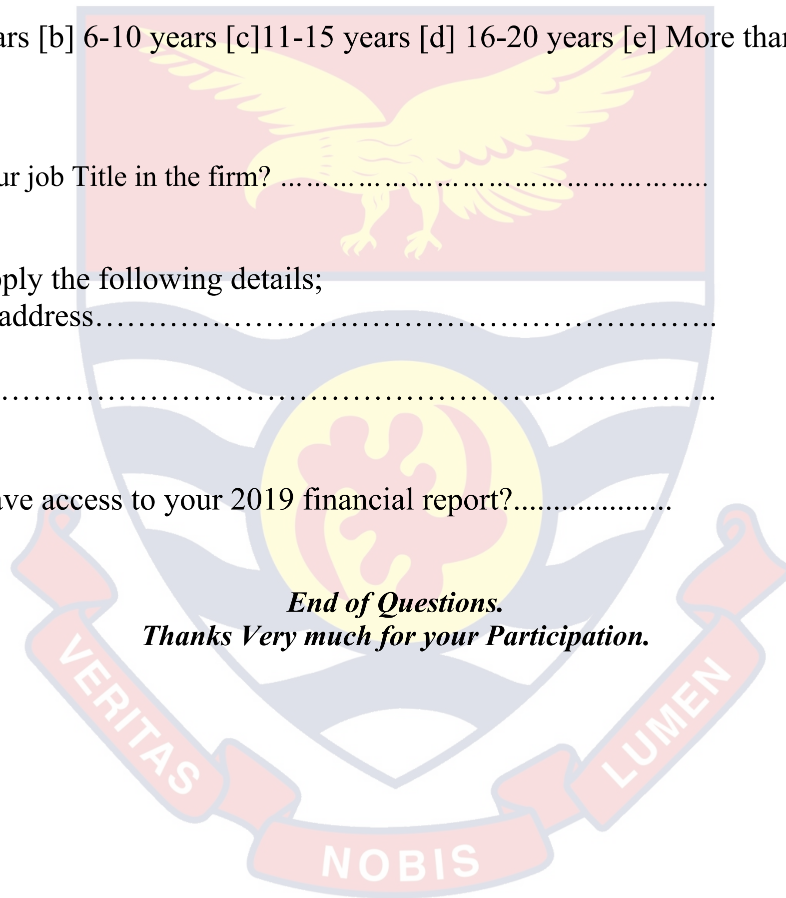
SECTION C: RESPONDENT PROFILE
(PLEASE FILL IN OR CIRCLE THE APPROPRIATE OPTION THAT APPLIES TO YOU)

1. What is your Business location in Ghana? (Indicate region and City/town)

   ……………………………………………………………...

2. How many years has your business been in operation?

   [a] 0-5 years [b] 6-10 years [c]11-15 years [d] 16-20 years [e] More than 20years



3. What is your job Title in the firm? ……………………………………………….....

4. Please supply the following details;

Firm's Email address…………………………………………………..

Website…………………………………………………………………...

5. Can we have access to your 2019 financial report?...................

End of Questions.
Thanks Very much for your Participation.

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APPENDIX B

LIST OF RURAL BANKS INCLUDED IN THE SURVEY

1. Abokobi Area Rural Bank Limited
2. Bongo Rural Bank Limited
3. Ada Rural Bank Limited
4. Bonzali Rural Bank Limited
5. Adansi Rural Bank Limited
6. Borimanga Rural Bank Limited
7. Adonten Community Bank Limited
8. Bosome Freho Rural Bank Limited
9. Afram Rural Bank Limited
10. Bosomtwe Rural Bank Limited
11. Agona Rural Bank Limited
12. Brakwa Breman Rural Bank
13. Ahafo Ano Premier Rural Bank Limited.
14. Butawu Rural Bank Limited
15. Ahantaman Rural Bank Limited
16. Dangme Rural Bank Limited
17. Akatakyiman Rural Bank Limited
18. Denkyiriman Rural Bank
19. Akim Bosome Rural Bank
20. Derma Area Rural Bank Limited
21. Akoti Rural Bank Limited
22. Dumpong Rural Bank Limited
23. Akrofuom Area Rural Bank Limited.
24. East Akim Rural Bank Limited
25. Akuapem Rural Bank Limited.
26. Ejuraman Rural Bank
27. Akumadan Rural Bank Limited.
28. Ekumfiman Rural Bank Limited
29. Akyem Mansa Rural Bank
30. Enyan Denkyira Rural Bank
31. Akyempim Rural Bank Limited
32. Fanteakwa Rural Bank Limited
33. Amanano Rural Bnak Limited.
34. Fiagya Rural Bank Limited
35. Amansie West Rural Bank Limited
36. Fiaseman Rural Bank Limited
37. Amenfiman Rural Bank Limited
38. Frerol Rural Bank Limited
39. Amuga (North Tongu) Rural Bank Limited
40. Ga Rural Bank Limited
41. Ankobra West Rural Bank Limited
42. Gbi Rural Bank Limited
43. Anlo Rural Bank Limited
44. Jomoro Rural Bank Limited
45. Anum Rural Bank Limited
46. Juaben Rural Bank Limited

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47. Asante Akyem Rural Bank Limited.
48. Kaakye Rural Bank Limited
49. Asawinso Rural Bank Limited.
50. Kaaseman Rural Bank Limited
51. Asokore Mampong Rural Bank Limited.
52. Kakum Rural Bank Limited.
53. Asokore Rural Bank Limited.
54. Kintampo Rural Bank Limited
55. Assinman Rural Bank Limited
56. Kpassa Rural Bank Limited
57. Asubonten Rural Bank Limited.
58. Kumawuman Rural Bank Limited
59. Asuogyaman Rural Bank Limited
60. Kwaebibirem Rural Bank Limited
61. Asutifi Rural Bank Limited
62. Kwahu Praso Rural Bank Limited
63. Atiwa Rural Bank Limited
64. Kwahu Rural Bank Limited
65. Atweaban Rural Bank Limited
66. Kwamanman Rural Bank Limited
67. Atwima Kwanwoma Rural Bank Limited.
68. Lawra Area Rural Bank Limited
69. Atwima Mponua Rural Bank Limited.
70. Lower Amenfi Rural Bank Limited
71. Atwima Rural Bank Limited
72. Lower Pra Rural Bank Limited
73. Avenor Rural Bank Limited.
74. Manya Krobo Rural Bank Limited
75. Awutu Emasa Rural Bank Limited
76. Mepe Area Rural Bank Limited
77. Baduman Rural Bank Limited
78. Microfin Rural Bank Limited
79. Bawjiase Area Rural Bank Limited
80. Mponua Rural Bank Limited
81. Bessfa Rural Bank Limited.
82. Naara Rural Bank Limited
83. Bomaa Area Rural Bank Limited.
84. Nafana Rural Bank Limited.
85. Bomoasadu Rural Bank Limited.
86. Nandom Rural Bank Limited
87. Nkoranman Rural Bank Limited
88. Wamfie Rural Bank Limited
89. Nkoranza Kwabre Rural Bank Limited.
90. Wenchi Rural Bank Limited
91. Nkrankwanta Area Rural Bank Limited
92. Western Rural Bank Limited
93. North Birim Rural Bank
94. Yaa Asantewaa Rural Bank Limited

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95. North Volta Rural Bank Limited
96. Yapra Rural Bank Limited
97. Nsoatreman Rural Bank Limited
98. Zabzugu Rural Bank Limited
99. Nsutaman Rural Bank Limited
100. Sekyere Rural Bank Limited
101. Nwabiagya Rural Bank Limited
102. Shai Rural Bank Limited
103. Nyakrom Rural Bank Limited
104. Sissala Rural Bank Limited
105. Nyankumasi Ahenkro Rural Bank Limited
106. Sonzele Rural Bank Limited
107. Nzema Manle Rural Bank Limited
108. South Akim Rural Bank
109. Odotobri Rural Bank
110. South Birim Rural Bank Limited.
111. Odupong Kpehe Rural Bank Limited
112. Suhum Rural Bank Limited
113. Odwen Anoma Rural Bank Limited.
114. Suma Rural Bank Limited
115. Offinso Rural Bank Limited.
116. Tepaman Rural Bank Limited.
117. Okomfo Anokye Rural Bank Limited
118. Tizaa Rural Bank Limited
119. Otuasekan Rural Bank Limited
120. Toende Rural Bank
121. Oyibi Area Rural Bank Limited
122. Twifu Rural Bank Limited
123. Sefwiman Rural Bank Limited
124. Upper Amenfi Rural Bank Limited
125. Sekyedomase Rural Bank Limited.
126. Upper Manya Kro Rural Bank Limited

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