

UNIVERSITY OF GHANA

**THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL
PERFORMANCE: THE CASE OF LISTED BANKS ON THE GHANA STOCK
EXCHANGE**

BY

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**A LONG ESSAY SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN
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OPTION)**

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DECLARATION

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

.....

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(DATE)

CERTIFICATION

I hereby certify that this work was supervised in accordance with procedures laid down by the University.

.....

CHARLES ANDOH (PhD)

(SUPERVISOR)

.....

(DATE)

DEDICATION

Firstly, I dedicate this research work to the Almighty God, the giver of wisdom and direction, for the strength to have come thus far, without whom I would not have seen the fulfilment of this research work.

This study is wholeheartedly dedicated to my beloved parents, who have been my source of inspiration throughout the days, weeks, months, and years that have gone by. Their continual moral, spiritual, emotional, and financial support kept me going.

To my siblings and colleagues whom I sought for advice and guidance and were able to provide it, I'm also grateful in one way or the other and I say thank you.

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ABSTRACT

This study looked at the impact of Corporate Social Responsibility (CSR) on the performance of listed banks on the Ghana Stock Exchange. Secondary data was obtained from the financial statement of eight (8) banks over the past eleven years (2007 to 2017) to answer the research questions. Data were analyzed quantitatively with Return on Asset (RoA) and Return on Equity (RoE) as a measure of performance which was also the dependent variable and expenditure on CSR as an independent variable.

Corporate Social Responsibility was insignificant but positively related to Return on Asset (RoA) where the same variable was negative and significantly related to Return on Equity (RoE).

The study recommends that banks should be cautious in undertaking CSR. After all, it could be cautious in undertaking CSR because it could negatively affect their Return on Asset and Return on Equity. Also, it is recommended that most CSR projects should be weighted by the banks if possible and a cost-benefit is done even before deciding whether to go on with the project or not.

Keywords: *Banks, Capital Adequacy, Corporate Social Responsibility, Financial Performance, Socially Responsible Investment.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Research

The primary requirement of a business and its management depended largely on how efficiently it manages its finances (Alexander and Rogene, 1978). There is another aspect of businesses that affect business finance or profit and this is known as Corporate Social Responsibility (CSR) (Kumar, 2015). The majority of people have come to know the importance of CSR. Businesses need to be socially responsible to their society because investors, employees, customers, etc. are becoming conscious of their environment and they are going for green activities (Kumar, 2015).

CSR has rapidly grown over the decade. After every year, companies issue reports on their CSR activities. Marin and Ruiz (2007) found out that those organizations that are seen to be environmentally friendly get customers to patronize their products and services. Every company must be responsible and perform its social duties to its society as individuals will do for their families (Arshad, Anees, and Ullah, 2015). Responsible companies have an asset of programs and policies that governs their responsibility to society in which they are connected with their operations and how they make their decisions. Companies' goodwill can increase due to CSR activities undertaken by these companies (Arshad, Anees, and Ullah, 2015).

CSR activities are seen as a tool for economic development and improving the standard of living in society (Holme and Watts, 2007). Scott (2007) said that CSR is about organizing and understanding the link between trading operations and ones' finances, community, and situation within which companies find themselves. Bradshaw (1981) explained that the goal of every organization is to ensure that the company's responsibility is to provide the lowest cost to its

customers. This is possible by effectively and efficiently using resources. Carrol (1979) defined CSR as an economic, legal, and ethical unrestricted expectation of society at its point of operation. Davis (1993) explained CSR as “it is the responsibility of firms to respond to societies ethically to fulfil the economic need of people and legal requirements of government.”

Angelidis and Ibrahim (1993) explained that the actions of companies should satisfy the society in which it operates. Enderle and Tavis (1998) came up with policies and procedures relating to CSR. They define the better way to operate a business through the law. However, the people living in these societies should not be affected by illegal businesses. Doane (2005) described that companies engage in CSR activities to clean the environment. The company must keep in mind its stakeholders and control the environment.

In the 19th century, the Institute of Economic Cooperation was strengthened to encourage CSR activities. They started having a different budget for CSR activities. Protection agencies and programs were organized through conferences such as the United Nations Environment Program to protect the natural environment. CSR was adopted for the improvement of countries (Arshad, Anees, and Ullah, 2015).

Carrol (1991) indicated four types of CSR and these are philanthropic, economic, legal, and ethical. These elements are in a pyramidal form. Many companies have viewed CSR in a Resource-Based View (RBV) of firms (Siegel and Wright, 2006). CSR activities of companies can be reported in any firm (Lee, 2012). In Ghana, the concept of CSR has focused more on the external environment more than the internal environment from where employees work.

The relationship between CSR and performance has been very debatable over some time now. There has been an opposite view from findings that have been conducted by researchers. Some

research has found out that, there exists a positive relationship between CSR and profitability but some also found out that there is no relationship that exists between CSR and profitability. Various research has been done to assess the impact of CSR on performance both in the short run and long run.

Wright and Ferris (1997) found a negative relationship between CSR and firm performance in their study in the short run; Posnikoff (1997) found a positive relationship; Teoh (1999) found no relationship between CSR and firm performance in the short run. Also, in the long run, Aupperle et al. (1985) did a study that resulted in showing that there exists no relationship between CSR and firm performance while Waddock and Graves (1997) found a positive relationship between them.

1.2 Problem Statement

The relevance of CSR among organizations has compelled most researchers to have a deeper study into CSR to know what it entails. Some studies focused on the relationship between CSR and financial performance (Ofori, S-Darko, and Nyuur, 2014). Also, Moon (2007) examined the impact of CSR on sustainable development. Other studies also focused on the factors that influence CSR activities (Nyuur et al. 2014). Klein and Dower (2004) focused on the link between CSR and corporate banking whilst Mushtaq (2013) focused on the effect of CSR on employee retention. Most studies on CSR also focused on a particular study in an economy.

Results obtained from several studies (Amponsah, 2015, Ansong and Wanasika, 2017) only depicted positive and negative effects on the financial performance of companies and not the entire banks in Ghana. For instance, the study by Amponsah (2015) revealed that CSR had a

positive effect on the financial performance of companies listed on Ghana Club 100. Similarly, Ocran (2011) revealed that CSR had a positive effect on the profitability of Nestle Ghana Limited. Korathotage (2012) conducted a study on the effect of Corporate Social Responsibility on the financial performance of companies in Kenya concerning the dimensions of CSR Responsibility on the financial performance of firms. Manrique and Marti-Ballester (2017) examined the impact of different dimensions of CSR on the financial performance on firms in developed and developing countries. Thus, there are limited studies conducted on the effect of CRS on financial performance among banks. Therefore, this current study will examine the impact of CSR on the financial performance of banks in Ghana.

1.3 Research Objectives

The general aim of this research is to examine the impact of CSR on the financial performance of banks in Ghana.

- i. To examine the impact of CSR on bank financial performance.
- ii. To examine the moderating effect of banks and CSR on financial performance.
- iii. To investigate the impact of other banks and macroeconomic variables on bank financial performance.

1.4 Research Questions

This research seeks to answer the following questions:

- i. What is the impact of CSR on bank financial performance?

- ii. What is the moderating effect of banks and CSR on financial performance?
- iii. What is the impact of other banks and macroeconomic variables on financial performance?

1.5 Significance of the Study

Academicians, policymakers, the public, and most especially banks will find this very useful. The results of this research will help policymakers and banks understand the link that exists between CSR and financial performance. It will also help financial institutions to revise and improve on their CSR activities based on the effect CSR has on their performance. It will serve as a reference guide to future researchers to further improve this area of research.

1.6 Scope and Limitation of the Research

There are a lot of financial institutions in Ghana, but this research only focuses on banks. This research is restricted in scope because of the limitation in the availability of resources and practically undertaking research. This research was limited by the size thus whether the sample size is sufficient to generalize the findings and draw valid conclusions. This research was limited in collecting data from a secondary source because not all information was available in conducting the research.

1.7 Organisation of Research

The research will have five chapters. The first chapter will focus on the background of the research, the problem statement, the research objectives, and research questions, research hypothesis, the significance of the research, scope, and limitation of the research, and finally, the organization of the research.

Chapter Two will be on the literature review thus the theoretical, conceptual, and empirical review. Chapter Three will focus on how data will be collected and used. The methodology that will be used will be discussed in Chapter Three will consist of the research paradigm, design, population, approach, sample size, study area, and the data source.

Chapter Four will discuss the findings of the study and chapter Five will be a summary of the findings, conclusion, and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, existing literature conducted by other researchers about the topic in question will be reviewed. The theoretical framework on CSR thus, the theories which include stakeholder theory, Carrol's hierarchical theory model on CSR will be reviewed and empirical works will be done on the study.

2.2 Theoretical Framework

2.2.1 Stakeholder Theory

The core responsibility of every organization is to improve upon its stakeholders' wealth. Therefore, any action that seeks to undermine the wealth of a stakeholder is not supposed to be entertained. The stakeholder theory opposes this view (Freeman, 2001). The stakeholder theory suggests that every organization should not focus solely on how to maximize the wealth of its shareholders but also other stakeholders in society. This theory admonishes firms to focus on both social and financial performance. This means that every organization is supposed to respect everyone who is affected by the actions of an organization.

Stakeholders are individuals or a group that can affect or be affected by the firm's activities and this could be within or outside the firm (Freeman, 1984). External parties include competitors, customers, and regulators while internal parties could be employees (Milter and Lewis, 1991). This concept of stakeholder theory by Freeman (1984) suggests that organizations must perform

extra duties to stakeholders. Also, according to Clarkson (1995), stakeholders can be categorized into two, thus primary stakeholders and secondary stakeholders. Primary stakeholders are those whose presence and participation are needed for the survival of a firm while secondary stakeholders are those who are not essentially needed for the survival of a firm. These secondary stakeholders entail media, trade, other interest groups, and associations while the primary stakeholders are employees, customers, investors, and suppliers. All these stakeholders can put pressure on an organization.

The influence of a stakeholder could be assessed in an organization by taking into consideration the power, legitimacy, and urgency of an issue (Alge et al. 1997). The ability of a stakeholder to exert his will on others is termed as power while legitimacy is seen as the socially accepted norm or principles which indicate whose concerns are required (Schaefer, 2002). Urgency emphasizes on time-sensitive nature of stakeholder interactions.

According to Freeman (2001), the stakeholder management theory indicated that every organization is expected to recognize the expectations of society. Also, Branco & Rodrigues (2006), suggested that every company should have a CSR that will enable them to consider the interest of all parties. Notwithstanding how beneficial stakeholder theory has been, there has been some critique on this theory. There has been a problem with identifying a stakeholder, thus, who is a stakeholder to an organization and who is not (Freeman, 2004).

2.2.2 Carrol's Hierarchical Model

Many models have been developed to be a legitimate framework for implementing corporate social responsibility. According to Olokode (2008), CSR is seen as a way companies achieve

balance or integrating environmental, economic, and social imperatives while the expectations of shareholders and stakeholders are addressed. Carrol came up with four hierarchical component model on CSR that started with an economic component at the bottom, followed by legal ethical, and philanthropic component at the top of the hierarchy (Carrol, 1991). The economic responsibility of the organization is to produce goods and services needed by society to gain profit. This responsibility also entails the creation of jobs and how employees are paid (Jamali, 2008). Businesses are seen as the economic unit of society. Therefore, if a firm fulfils its economic responsibility, it means it is fulfilling its core responsibility (Carrol, 1979). Studies have shown that firms see economic responsibility as the most important element, but other studies have opposed it. A study by Maignan (2001) found that US consumers consider economic responsibility as the most important while German consumers see it as the least. Every business is expected to comply with rules and regulations binding the society in which the business operates (Carrol, 1991).

Legal responsibility refers to the obligations imposed on a firm by the laws binding the society in which a firm operates (Carrol and Shabana, 2010). Although economic and legal responsibility breed or require some ethical norms like fairness and justice, ethical responsibility deals with practices that are not enshrined in a constitution not binding by law, it is prohibited or expected by the society in which a firm operates (Carrol and Shabana, 2010). A major advantage of legal responsibility is that it overrides the limitations associated with the firms and creates ethics that firms can abide (Jamali, 2008).

According to Crane et al. (2008), Carrol's CSR is realistic and pragmatic, taking into consideration the altruistic characteristic of firms without abdicating the duties of businesses to

meet the firms' economic responsibility. This framework is most seen to be applicable in the western world, the application of this model in Africa has been questioned (Visser, 2006).

These demands end up becoming a core mandate of a company. Carrol's model indicates that the motive of every organization is presently not only centred on profit-making but also to act in a just manner that will help in serving the interest of all stakeholders and also obey rules and regulations that govern the organizations.

2.3 History of CSR

Corporate Social Responsibility was introduced in the '50s, and it was the responsibility of businessmen, not organizations. The literature reviewed on CSR showed that it started far back fifty years ago (Carrol, 1999) but the quest to go deeper in it was in the 1990s (Lee, 2008). CSR cannot be seen as a new initiative because many organizations have been embarking on activities that show that they are economically, ethically, and discretionally responsible before CSR came into existence (Matten et al. 2003). Bowen (1953) in his literature defined CSR as a willingness to ensure that measures that will be beneficial to society are put in place and also providing insurance policies by businessmen.

Early works conducted Bowen made Carrol (1999) in his study suggest that Bowen should be regarded as the one who brought CSR. Further studies have been conducted ten years after Bowen's work to support or add up to the Bowen findings. One of the most influential persons also in this area is Keith Daxis. In his study, he pointed out that the financial activities of CSR need to be provided, and also, in the long run, financial benefits have to be provided to a firm. In

a study that he conducted with Blomstorm indicated that a firm is seen to be socially accountable when it takes into consideration the needs of those who the firms' activities can affect them.

McGuire (1963) proposed that CSR activities should move beyond financial legal activities while Fredrick (1960) also proposed that the needs of the public must be met by CSR activities. Wallon in 1967 published a book that elaborated on the "Attributes of CSR" and also suggested that the focus of CSR should be on voluntarism. According to Archie Carrol (1970), CSR involves economic, legal, ethical, and voluntary responsibility. Jones (1980) and Drucker (1984) immensely contributed to CSR and their studies were centred on the function of the business to society and provided an alternative view on CSR. Jones (1980) posited it is difficult to agree on the constituent of socially responsible activities. Drucker (1984) said it is in a business opportunity that a business is supposed to perform CSR. Outcomes, processes, and principles were models The organpropounded by Wood (1991). Most people think that the economic responsibility of CSR focuses on the business as well as discretionary, legal, and ethical responsibilities. But this was rebated in Carrol (1999) and pointed out that economic responsibility is also part of the responsibilities of a business to society and also said one of the economic responsibilities of a business is providing employment.

In 2010, Carroll contributed to this earlier study on CSR. He regarded the 2000s as a period of global corporate citizenship (Carroll, 2010). This era brought about business ethics and sustainable development (Carroll and Shabana, 2010). Despite all these developments on CSR, many new definitions and theories have emerged. Notable among them is the World Business Council for Sustainable Development (WBCSD). They defined CSR as attaining success in trade by taking into consideration ethical principles and, also appreciate people and communities. According to McWilliams and Siegel (2001), CSR seeks to satisfy the interest of people rather

than firms' interest and this is required by law. According to Baughn et al. (2007), CSR seeks to improve upon social welfare and stakeholder relations. This explains how employees as stakeholders can impact CSR policies. In the first place, employees as a stakeholder group can evaluate and react to CSR programs (Rupp et al. 2006). Also, they can act as agents of social change by ensuring that companies adopt CSR activities (Aguitera et al. 2007).

2.4 Features of CSR

CSR cuddles a lot of principles such as business ethics, corporate governance, environmental concerns, and sustainable development.

2.4.1 Socially Responsible Investments (SRI)

Socially Responsible Investments address issues that are vital to a group. This was initially developed for religious groups, but it is currently used by responsible companies. A survey shows that consumers are not concerned only about the safety of a product but they are concerned about whether the product was produced in a socially responsible manner. For example, European consumers take into consideration the respect of human rights, the reduction of greenhouse gases, and protecting the atmosphere.

2.4.2 Business Ethics

Firms that aspire to be ethically responsible do evaluate the implications of their actions right from product development through to manufacturing and distribution. A business that sees ethics to be its core value will always go beyond its moral practices by taking into consideration suppliers and competitors. Ethical standards in business normally focus on the regulations that

bind the sector in which the business finds itself. According to Chryssides and Kaler (1993), ethics in business is taught at undergraduate and postgraduate levels.

2.4.3 Environmental Concerns

According to Jones et al. (2005), issues about the environment is a top priority for companies in the UK. Firms are expected to report on the energy they consume, water consumption, the chemicals they use as well as where they obtain their goods from. Also, manufacturing firms are expected to ensure cleansing up and also try to resist world environmental issues that can be caused by them. Also, they are supposed to purchase pollution permits to be restricted in terms of pollution. Firms in the UK are expected to comply with all laws relating to water pollution, air, and soil.

2.4.4 Sustainable Development`

Some groups of people see social responsibility as a subset of sustainable development while others see it as activities embarked by organizations to impact the welfare of society. According to the UK government's sustainable development it ensures that every social development meets the wishes of those it is meant for, protecting the environment, maintaining stable economic growth, and ensuring that there is a prudent use of natural resources (Performance and Innovation Unit, 2001).

2.4.5 Corporate Governance

Corporate governance helps in ensuring accountability in an organization by taking into consideration the fiscal and social goals of an organization as well as the needs of the community. There must be a division of responsibilities in an institution to ensure that there are

equal power and authority in such a way that no one gets an unfair advantage over the other (Committee on the financial points of corporate governance, 1995).

2.5 Dimensions of CSR

2.5.1 CSR towards Customers

The success of every organization depends on customers since they are primary stakeholders. Employees normally receive feedback from customers. Also, they receive some responses from customers on their views on products. According to Riketta (2005), there is a strong relationship between job identification and job performance in the event of linking CSR towards customers' commitment. According to the Social Identity Theory, if employees obtain good feedback from customers about practices, employees should interpret this at a personal level.

2.5.2 CSR towards Government

CSR towards government is when a firm decides to abide by the rules and regulations under the law and also intends to fulfil policies set by the government. Few studies have been done, as to whether the performance of employees on CSR towards government enhances job performance or not. Shen and Zhu (2010) found a positive relationship between the perception of employees and the extent to which their organizations legally comply with rules and regulations. This study was conducted among Chinese employees. However, Turker (2009) found no relationship between the perception of employees on CSR towards government and organizational commitment. This shows that employees in China prefer CSR activities that correspond to the legal requirement. This could be a result of the recent malpractices that have occurred in China

due to bribery and corruption, environmental pollution, and the basic right of employees (Lin, 2010).

2.5.3 CSR towards Employees

According to Turker (2009), CSR towards employees could be seen in situations like flexible job assignments, career development, and remuneration. By taking into consideration the care rendered to the employees is likely to bring about a good reputation to the organization. This can also bring about risk in making decisions (Cormier and Magnan, 2007), although most findings show that the perceptions of employees on CSR have a very good effect on job performance.

2.5.4 CSR towards Society and Environment

Provision of CSR activities to ensure that the environment is protected, encouraging sustainable growth and enhancing the socio-economic conditions of the people within a society (Turker, 2009). Concerning social identity theory, firms that normally forgo their profit for the benefit of society have a higher reputation. In such a situation, employees are willing to work with an organization of such a fort and the organization becomes much known and gains organizational identification. The organizational identity will motivate employees to work and even take risky decisions which in the long run will enhance productivity. Rupp et al. (2013) found out that there is a strong correlation between the perceptions of employees towards society.

2.6 Motivations and Drivers of Responsible Business

Carroll's concept of the four dimensions of CSR was revisited by Wood in 1991. This led to the extension of the dimensions with matters regarding what motivates the various behaviours by the

companies in such responsibilities, leading to the responsiveness level, the output of the performance of the companies, or businesses in that regard. Wood (1991) in his study categorized responsibility as a wider perspective than what Carroll did. This section of the chapter will be based on the determining factors to the motivation of the businesses towards their responsiveness to the responsibilities. In doing so, Wood (1991) highlights three main principles that explain the motivating factors of the companies towards the responsibilities. These principles are the institutional, organizational, and individual levels. At the institutional level, motivations are identified to have come about as a result of the credibility and the legitimacy of society.

The organizational level motivation also referred to as the responsibility of the public, speaks of the implementation of approaches that are responsive to adapt to the stakeholders of the company. At the level of the individual, the motivation is identified to have come about as a result of the individual taking on an approach to be responsible based on how motivated he is in person, as well as on what his interests are as a person in place of pressures from society (Gilbert, 2008; Jamali & Mirshak, 2006). Assessments of the environment, the management of stakeholders, as well as the issues of management are the procedures of responsible behaviour identified by Wood (1991). Also, the outcome of performance as Wood indicates, include how impactful society is by the responsiveness of the businesses in their behaviour, the social programmes used in the implementation of responsible activities, as well as the policies made by the companies to aid the control by the management of issues of society in this regard and also the interest of stakeholders (Jamali and Mirshak, 2006).

Maignan and Ralston (2002) have also made a categorization of the incentives influencing the responsibility of businesses. They have come up with three motivational factors that could

influence businesses to be responsible. These factors are performance, stakeholder, and value-driven, much similar to Wood's (1991) motivations. The performance-driven factor has to do with the fiscal tasks of the company, a device to advance the company's position in terms of competition with other businesses as well as the performance of the company financially. According to Maigan and Ralston (2002), the stakeholder-driven factor encompasses the responses made to the pressure of a stakeholder or more groups who are stakeholders to the business on the need to do something regarding the company's responsibility. The value-driven factor towards the motivation of a business is said to arise from what the company has as its corporate culture or the values with which the company goes about its operations.

In making additions to the above-described factors, Visser (2008) contends that to find the determinants of responsible business in less advanced countries, unlike the advanced world, there is the need for an examination of the drivers of business responsibility in the former. Visser (2008) highlights ten (10) fundamental drivers relevant to the responsiveness of businesses as practised in such countries. The drivers as identified have been classified under local or internal drivers and these are the pressures that emanate from individuals or groups from the country under study, and secondly the external drivers; they refer to pressure from the international community (Visser, 2008). The inner or local driver is grounded on the impression that in lots of countries, a business termed responsibly is intensely related to social and cultural conducts as well as indigenous business principles. Amaeshi et al. (2006) made a deduction on this factor by undertaking an empirical study in that regard in Nigeria.

The inner driver political reorganization denotes the impression that responsible businesses will be difficult to be alienated from socio-political circumstances in a region or state. Further, the socio-economic priorities or environment within which businesses function time and again

openly outline practices of responsible businesses. The gaps in governance are a commonly stated driver of practices of responsible business, which is a way to seal gaps created by administrations that were feeble and corrupt. Lastly, the response to crisis talks about the economic, social, environmental, and health-related crisis in a state that activates responsible behaviours (Visser, 2011). Accessing the external driver market talks about the perception that responsible businesses are being viewed to be enablers for business ventures to gain access to markets that are in other parts of the world. Worldwide regulation has some form of connection to the access of the driver market and is grounded on programs, guiding principle, and values that drive responsible behaviours. The responsibility of businesses is in most instances driven by socially responsible investments, with funds having necessities on social, environmental, as well as ethical matters involved. The engagement of stakeholders has to do with the stress diverse stakeholder groups placed on the tasks of the business of an organization. Supply chain integrity which is defined as the impression about responsible firm practices of mostly Small and Medium-Sized Enterprises (SMEs) are activated by necessities imposed by bigger firms or conglomerates in their supply chain (Visser, 2011).

2.7 CSR Reporting Approaches

There are various ways by which CSR activities can be reported. Notable among them is the website, social reports, thematic reports, codes of conduct, stakeholder consultations, prizes, cause-related marketing, television, press, and product packaging (Birth et al. 2008). Gray et al. (1996) indicates that it is the basic means by which firms communicate their social, economic, and environmental performance to their stakeholders in the social report. According to Hinson et al. (2010), some companies communicate their CSR activities through electronic media such as

the internet and television. Gao (2011) points out that firms normally report CSR activities through annual reports. This is premised on the background that an annual report forms part of the major and acceptable means by which firms communicate their activities. Also, Adams et al. (1998) found out that firms in countries like the UK, France, and Germany communicate their CSR activities through annual reports.

Despite these views, Thorne et al. (2014) indicated that the two major means of reporting CSR activities are the production of stand-alone reports or production of the information reported which is normally within the annual report of a company. Dilling (2010) referred to the first one as an environmental report while the second one is referred to as embedded CSR reports. Regardless of all these terminologies given to these reporting means, Thorne et al. (2014) suggested that they all meet the three standards. These standards are: issues about the environment and society, the distinction of CSR reports from the annual year report of firms, and content that is not binding by prescribed reporting basics. Normally annual reports are used to communicate CSR activities because they save costs and serve as the major means by which firms communicate their activities (Kent & Chan, 2003).

Also, the channels that were used in reporting CSR activities have changed from hardcopies to the use of technology (Rikhardson & Bang, 2002). According to Lee et al. (2012), 80% per cent of Fortune firms publish their CSR activities on websites. Chatterjee & Zaman (2008) revealed that information of firms about environmental activities is normally found on a company's website as compared to their annual reports.

Some researchers indicate that the reporting style of CSR activities was mandatory at the inception stage but currently, it is voluntary (Geoffery, 2007; Holland and Foo, 2003). There has been a debate as to whether the report of CSR activities should be mandatory or voluntary (Jain

et al. 2015). Those who support the voluntary report of CSR activities argue that there has been an increase in the report of CSR activities in a decade after it became voluntary while those for mandatory indicate firms will only disclose such information to bridge the legitimacy gap (Cowan and Gadenne, 2005).

2.8 Benefits of Reporting CSR Activities

According to Idowu and Towler (2008), there are several benefits associated with the reporting of CSR activities. Reporting of CSR is seen as a tool that firms normally use to manage their stakeholders to legitimize their operations (Gao, 2011). Research by Laine (2009), Herdberg and Malmberg (2003) shows that reporting CSR activities could be used to close the legitimacy gap.

Also, reporting CSR activities serves as a means by which firms communicate their activities to their stakeholders (Golob and Bartlett, 2007). They do this to satisfy the demands of stakeholders and also influence the sentiments of powerful stakeholders (Bela and Owen, 2007). A study by Idowu and Pappasolomou (2007) in the UK shows that firms satisfy the needs of their stakeholders when they report their CSR activities. This is because the stakeholders normally demand it.

Also, disclosing CSR activities protects a firm in the event of socially irresponsible conduct (Brammer and Pavelin 2004), ensures the survival of a business (Campbell et al. 2006), and also helps in managing risk (KPMG, 2008).

2.9 Corporate Social Responsibility and Profitability

Several studies have been made on the relationship between the financial performance of firms and their CSR activities for the past fifty years. Notable among these studies include the following; (Simpson and Kohers, 2002; Waddock and Graves, 1997; McWilliams and Siegel, 2000; Griffin and Mahon, 1997). These studies have resulted in diverse views across industries' as some say there is a positive relationship, others argue that there is a negative relationship, while another school of thought indicates that there is no relationship between the financial performance of firms and their CSR activities.

CSR activities enhance the reputation of a firm which in effect can have a positive impact on sales although expenditure normally increases when CSR activities are intensified. This means that when a firm increases expenditure by undertaking CSR activities, the CSR activities will enhance the reputation of the firm and in the long run, the financial performance of the firm will improve.

Also, other studies show that there is a negative relationship between CSR activities and the financial performance of firms (Friedman, 1970). The cost associated with CSR activities will result in no gain in economic interest. In the event of high expenditure, some workers could be laid off thereby creating unemployment.

Moreover, other studies have found out that there is no relationship between the financial performance of firms and their CSR activities (Abbot and Monsen, 1979; Teoh et al. 1999; Alexander and Buchholz, 1978).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the approaches the researcher used in finding answers to the research questions. This section of the research entails the research design, the population study, and the sample size, instruments for data collection, data analysis sampling technique and explanation of variables.

3.2 Research Design

According to Taylor et al. (2002), research design focuses on how data is collected and analyzed. It is the process of how the research is carried out. In this research, both qualitative and quantitative procedures will be used. The qualitative data collection procedure is of non-numerical data while the quantitative data is of numerical data. The quantitative data helps the researcher in making a critical analysis of data that can be used to approve or disapprove the hypothesis. The quantitative approach to data analysis requires a statistical analysis which makes it complex.

For this study, variables about CSR and bank performance was assessed through the use of correlation.

3.3 Population

The research focuses on the banking industry in Ghana more specifically banks that are listed on the Ghana Stock Exchange (GSE). The choice of the population is suitable as it helps address some of the gaps in research conducted by other researchers. The population is suitable given the limited time for the research to be conducted. The banking industry is chosen as the population because in the literature most CSR research areas use other sectors as the case study and that much work has not been done using banks as a case. This study was helpful and important to use banks as the case study because of the role banks play in economic development.

3.4 Sample and Sampling Technique

“By sampling, the basic aim of the researcher is to observe and study the small connection of unit from a much larger unit or population in such a way that the researcher can observe and study the smaller number and give a feasible conclusion about the larger group” (Creswell, 2013). Convenient sampling was used because it allows the researcher to select the years with data that are accurate and convincing. The study sample used all banks listed on the GSE. These banks must be in operation during the period under study which is 2007 to 2017.

3.5 Data Collection and Analysis

Research data was collected from the financial reports of the banks involved in the study. The data collected was arranged in excel with Return on Asset (RoA) and Return on Equity (RoE) as a measure of performance, which was also the dependent variable and expenditure on CSR as an independent variable (variable of interest) and some other control variables such as size of bank,

capital adequacy ratio will also be added to the variables. The data from the financial report will be quantitative and the period is from 2007 to 2017. The quantitative data will be analyzed using STATA and the analysis will show the descriptive summary of the variables, correlation, and regression which will help establish the link between CSR expenditure or cost and performance of the bank.

3.6 Model Specification

The purpose of this research was to ascertain whether expenditure towards corporate social responsibilities could impact on the financial performance of banks. The panel data technique is employed in this research to establish the relationship. The panel data technique has been proven to be better over the years, more convincing and also ensures accuracy when it comes to the outcome/findings of the research as compared to the cross-sectional and time-series approaches which are largely attributable to the technique's ability to combine the advantages of the time-series and the cross-sectional approach and also able to reduce the challenges of the cross-sectional and time-series approaches. Stock and Watson (2001) who argued in support of the panel data technique, stated that it serves as an aid of control for the variables which have been omitted and also takes care of the banks' specific variables which permit long and short-run effects to take place. The usage of the panel data technique, therefore, reduces the weaknesses that are inherent in either the cross-sectional or time-series approaches when they are used individually. Some advantages make the panel data methodology suitable for this study. The methodology assumes the heterogeneous nature of different companies like widely dissimilar elements, more degree of freedom, and variability in data. Therefore, the general form of the model was concluded as;

$$Y_{it} = \beta_0 + \sum_{j=i}^m \beta_j X_{ijt} + \epsilon_{it}$$

where Y_{it} = the dependent variable which is performance

β_0 = Global constant

X_{it} = Another independent variable

λ_t = Time fixed effect

ϵ_{it} = Error term

a_{it} = Represents the variables which vary across time and entity

H_1 : CSR impacts banks financial performance.

The study makes use of a similar model proposed by Velnampy (2013) as seen below;

$$ROA_{it} = w_i + \beta_1 CSR_{it} + \beta_2 BKS_{it} + \beta_3 CAP_{it} + \beta_4 EFF_{it} + \beta_5 INF_t + \beta_6 M2GDPG_t + \lambda_t + \epsilon_{it} \dots \dots \dots (1)$$

$$ROE_{it} = w_i + \beta_1 CSR_{it} + \beta_2 BKS_{it} + \beta_3 CAP_{it} + \beta_4 EFF_{it} + \beta_5 INF_t + \beta_6 M2GDPG_t + \lambda_t + \epsilon_{it} \dots \dots \dots (2)$$

$$ROA_{it} = w_i + \beta_1 CSR_{it} + \beta_2 (CSR * BKS)_{it} + \beta_3 CAP_{it} + \beta_4 EFF_{it} + \beta_5 INF_t + \beta_6 M2GDPG_t + \lambda_t + \epsilon_{it} \dots \dots \dots (3)$$

$$ROE_{it} = w_i + \beta_1 CSR_{it} + \beta_2 (CSR * BKS)_{it} + \beta_3 CAP_{it} + \beta_4 EFF_{it} + \beta_5 INF_t + \beta_6 M2GDPG_t + \lambda_t + \epsilon_{it} \dots \dots \dots (4)$$

$\beta_{i,i=0,\dots,m}$ = are the parameters to be estimated

w_i = intercept for each bank

λ_t = Time fixed effect

ϵ_{it} = Error term

Return on Asset and Return on Equity is the explained variable and is being represented by RoA and RoE and it is measured by net profit/total assets; CSR represents corporate social responsibility and it is measured by the log of donations, BKS signifies the size of the bank plus it is calculated by the log of total assets, CAP represents capital adequacy and is measured as equity/total assets, INF represents inflation and is measured by the annual consumer price inflation and money supply to GDP.

3.7 Variable Selection and Justification (Dependent Variable)

3.7.1 Return on Asset (RoA)

Return on Assets is an accounting measurement that indicates how profitable an entity has been compared to its overall assets. It thus offers a plan on how efficiently bank administrators have been able to deploy their resources to generate earnings. It is calculated by dividing an entity's net earnings at the end of a trading period by its overall assets. The method for Return on Assets is Net Income/Net overall Assets. This variable has been selected and relied on the accessibility of data on its component. Also, since the research inquires to ascertain the impact of diversification on banks' profits, this variable was deemed more appropriate largely because it is

a more convincing measurement of profitability. This study will employ RoA as a measurement for profitability. Besides, RoA is used because a measurement such as Return on Equity ignores the threats that come along employing upper leverage and also because financial leverage is most of the time brought about by regulation which therefore makes Return on Assets a better and convincing assessment of the profitability of banks (Athanasoglou, 2008).

3.7.2 Return on Equity (RoE)

Return on Equity is estimated as earnings before interest and taxes divided by shareholders' funds. This is an alternative measure to return on assets. It shows the earnings each equity unit brings in as earnings. According to Velnampy (2013), return on equity is a performance proxy for manufacturing firms since it estimates the earnings made available by deploying equity to production, distribution and sales. Several firm-specific, corporate governance and macroeconomic variables affect the return on equity of manufacturing firms in Ghana. It is expected that a larger board size makes better decisions with regards to the operations of the firm and hence makes more earnings with the shareholders' equity than otherwise. Also, high inflation in the economy poses threats to the return on equity as the general prices level increases and the cost of production becomes exorbitant causing the company to either reduce production or charge higher prices thereby losing return on equity. A firm-specific variable such as firm size also affects the return on equity as a larger firm sized manufacturing firm can either bring in a higher return on equity or lesser. Given the above, each variable identified may affect the return on equity as a performance proxy.

3.8 Variable Selection (Independent Variable)

3.8.1 Corporate Social Responsibility (CSR)

Corporate social responsibility (which in this study is measured by the expenditure on CSR activities) is the variable of interest in this study. The measurement of CSR has been a difficult task mainly because of the challenge of definition experienced by many academicians in measuring CSR (Mellahi et al. 2016; Frynas and Stephens, 2015). For instance, the study by Mellahi et al. (2016) shows 36 different matrices being employed in the assessment of CSR which ranged from philanthropic activities to ethics as well as safety issues and also to more composite measures evaluated by external rating agencies like KLD Research & Analytics, Inc. Taking into account the above assertion, it is obvious that CSR as a concept means different things to different classes of people as well as at different times (Campbell, 2007; Frynas and Stephens, 2015). This study, therefore, views CSR as an umbrella that consists of a variety of concepts as well as practices that have inhibited the concept from having a comprehensive measure (Frynas and Stephens, 2015). CSR for this study will consider the total financial expenditure on corporate social responsibility in assessing its impact on the financial performance of the oil firm. The study expects either a negative or positive relationship between CSR and financial performance.

3.8.2 Bank Size

It can be noted that many related elements influence banks' profits and most times they are linked to the size of the bank (Dermiguc-Kunt & Huizinga, 1999). Banks differ in so many

respects when it comes to their operations and this might be viewed with costs, services, and offered products as well as risk diversification based on their sizes. It is important to state that as far as the theory of economies of scale is concerned, there lives a good connection involving the size of the bank and returns. The large banking institutions most often come with resources that are better when it comes to their quantity and quality. Banks that have more resources are better placed when it comes to the financing of investment projects to generate higher income as well as obtaining modern technology for working which minimizes operating costs (Rozzani and Rahman, 2013). Also, as reported by Short (1979), large banks often tend to have access to funding which comes at a lesser cost. This variable is therefore selected since the ability of the bank to also undertake diversification will largely depend on the availability of resources or its asset base. Bank size is integrated into the failure to manage any systematic differences in profitability across classes (Stiroh and Rumble, 2006; Estes, 2014). The study anticipates a good connection involved in the profitability and size of the bank.

3.8.3 Capital Adequacy

In the regression model, CA stands for Capital Adequacy and can be explained as the adequacy of the total of shares to take care of any upsets that banks can be faced with as well as it is calculated as the proportion of shares to overall assets. Kosmidou (2008) posited that the increase in share assets proportion, the decrease in the requirement for banks to seek outside financial support, hence, it is potential for increasing banks' profitability level. More so, well-capitalized banks have the financial muscles to go into other non-traditional activities and they also face the lesser threat of going insolvent which eventually minimizes its funding costs. This

study thus expects that the ratio of capital adequacy of the banks will have an impact on their level of profitability hence its inclusion in the model. The research work anticipates either negative or positive correlation among capital adequacy cum profitability.

3.8.4 Inflation

Inflation is a macroeconomic variable that represents the percentage change in aggregate price levels over some time and has the propensity to affect the costs or revenue of the banks. According to Perry (1992), the inflationary impact on bank's profitability is largely relied on if the inflation is expected or unexpected. The variable INF in the model is thus employed as the proxy for the percentage change in price levels over some time. Also, Staikouras et al. (2003) established that inflation as a variable could have a direct or indirect impact on banks' profitability. As stated earlier, once inflation is expected, interest rates are modifying appropriately to result in higher revenue as against lower costs which has a good effect on banks profitability and inside a situation which inflation is not anticipated it leads to higher costs as against lower revenue which eventually has an inverse relationship on the profitability of banks. The research work, therefore, employs the variable due to its ability to affect the bank's returns and positive or negative connection is anticipated among returns and inflation.

Table 3.1 Summary of Variables

Classification	Description	Expectations
Dependent Variable:		
Return on Asset	Net Profit/Total Assets	N/A
Return on Equity	Net Profit/Total Equity	N/A
Independent Variables		
Corporate Social Responsibility (CSR)	Log of Donation	-/+
Control Variables		
Bank Size (BKS)	Log of Total Assets	+
Efficiency (EFF)	The ratio of costs of operations divided by the total revenue	-
Capital Adequacy (CAP)	Equity/Total Assets	+/-
Inflation (INF)	Annual Consumer Price Inflation	+/-
Money supply to GDP (M2GDP)	Annual GDP Growth Rate	+/-

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter provides an analysis of the findings of the study on the effect of corporate governance on financial performance: a comparative study between listed and non-listed banks. The discussion in the chapter encompasses the summary of all the variables that were used in the study as well as the correlation matrix and the regression results.

4.2 Descriptive Statistics

This section provides a statistical summary of both dependent and independent variables of the various banks listed on the Ghana Stock Exchange and shows the features of the variables in the model. The major descriptive measures are the mean, standard deviation, the minimum value, and maximum value of the variables over the period under review. The table below gives the descriptive and statistical summary of each variable used to measure the impact of corporate social responsibility on the financial performance of banks listed on the Ghana Stock Exchange (GSE) from 2007 to 2017.

The variable RoA being the dependent variable and representing the financial performance measurement of banks has a mean of 0.0383 with the observed sample for this study. It also has a standard deviation of 0.0280 and a minimum and maximum value of -0.0872 and 0.0918 respectively. Also, the return on equity is an alternative measure of financial performance in this study. The variable recorded an average of 0.2971 and a standard error of 0.7093 with its minimum and maximum figures being 0.0004 and 4.4335 respectively. For the independent variable, corporate social responsibility recorded an average of 5.5548 with a standard deviation

of 0.6069 and the minimum and maximum value to be 4.0834 and 6.7350 respectively. Banks size has a mean of 6.0025 with a standard deviation of 0.5002 and the Min and Max value to be 4.4188 and 6.9045 respectively. Capital adequacy is another variable under consideration, which has a mean of 0.1576 and a standard deviation of 0.0991. The Min and Max value for capital adequacy variables are 0.0478 and 0.8418 respectively. The average value for efficiency is 0.2436 and the standard deviation of 0.2959 with a Min and Max value of -0.7355 and 1.1566 respectively. Another variable, inflation has a mean value of 0.1367 and a standard deviation of 0.0347 and a Min and Max value of 0.0873 and 0.1925. The last variable to be considered is the money supply to GDP, which has a mean of 0.2961 and a standard error of 0.0311 with a Min and Max values of 0.2326 and 0.3420 respectively.

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
roa	86	0.0383	0.0280	-0.0872	0.0918
roe	87	0.2971	0.7093	0.0004	4.4335
csr	66	5.5548	0.6069	4.0834	6.7350
bks	90	6.0025	0.5002	4.4188	6.9045
cap	88	0.1576	0.0991	0.0478	0.8418
eff	87	0.2436	0.2959	-0.7355	1.1566
inf	90	0.1367	0.0347	0.0873	0.1925
m2gdp	90	0.2961	0.0311	0.2326	0.3420

Source: Authors computation 2020: RoA means Return on Assets, RoE represents Return on Equity, bks means bank size, cap stands for capital adequacy, eff represents efficiency, m2gdp represents money supply to GDP and inf represents inflation.

4.3 Correlation Matrix

The correlation coefficient shows the index of both the magnitude and direction of the relationship that exists between any two sets of variables without implying causality. The absolute values of the coefficient indexes represent the magnitude of the relationship between the variables while the sign (positive or negative) represents the direction of the relationship between

the variables. The concept of multicollinearity is tested using the correlation matrix to identify the independent variables that are highly correlated with each other. This study employs the Pearson Correlation to identify the correlation and multicollinearity.

The Pearson Correlation is useful in explaining the relation between performance (return on assets or equity) and corporate social responsibility. It also tests and identifies multicollinearity that may exist between any of the corporate governance explanatory variables that were included in the study.

Berry and Feldman (1985) maintained a stand that the threshold for considering multicollinearity should not exceed 0.8. This means that if the correlation between any two variables exceeds 0.8 then there exists multicollinearity. Besides, Smith et al. (2009) suggested that if any variable has a Variance Inflation Factor (VIF) greater than ten (10), it should be excluded from the empirical model. If any pair of variables has a VIF of less than ten (10) but multi-collinear, the variable with the highest VIF must be dropped. Given this fact, the research VIF for this research has no value higher than 10 and thus satisfy to the first condition as suggested by Smith (2009) and thus all the variables must be included in the empirical model. All the variables satisfy the second condition because all the variance inflation factors are less than 10 and do not exceed the threshold for the multicollinearity of 0.8. Therefore, the entire variable must be considered for this research. From table 4.2 below, even though money supply to GDP and bank size were highly correlated with a value of 0.7207, it is not multicollinear because the correlation coefficient is not greater than 0.8 per Berry and Feldman (1985) which is our benchmark for this study.

Table 4.2 Correlation Matrix

	roa	roe	csr	bks	cap	eff	inf	m2gdp
roa	1							
roe	0.265	1						
csr	0.2606	-0.0851	1					
bks	0.4721	0.1318	0.6701	1				
cap	0.1232	-0.1966	-0.1819	-0.1883	1			
eff	0.3981	-0.2619	-0.0892	0.0546	0.3898	1		
inf	-0.0514	-0.0673	0.0964	0.2533	-0.1762	-0.0133	1	
m2gdp	0.1775	-0.1767	0.3864	0.7207	0.1629	0.2227	0.2435	1

Source: Authors computation 2020: RoA means Return on Assets, RoE represents Return on Equity, bks means bank size, cap stands for capital adequacy, eff represents efficiency, m2gdp represents money supply to GDP and inf represents inflation.

4.4 Regression Results from Ordinary Least Squares

The Ordinary Least Square (OLS) estimation strategy was used for the study. The OLS reduces the sum of squares of the variations across the explained variables to provide for the parameters of the function of the independent variables. This is observed as the distances of the sum of squares, which are parallel to the dependent variable axis resting in the middle of each point in the regression, geometrically. Assumptions that make the OLS appropriate for this study include, the data is normally distributed and this is reported in the appendix, table 2 and normal distribution graphs for the individual variables are also presented in the appendix showing that the variables are normally distributed. There is no problem of multicollinearity base on the correlation result.

Table 4.3 Regression Results: Return on Assets

RoA	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
csr	0.0045	0.0049	-0.9300	0.3570	-0.0144	0.0053
bks	0.0627	0.0106	5.9200	0.0000***	0.0415	0.0839
cap	0.1327	0.0613	2.1700	0.0350**	0.0099	0.2556
eff	0.0299	0.0080	3.7200	0.0000***	0.0138	0.0460
inf	0.0709	0.0648	-1.0900	0.2790	-0.2009	0.0590
m2gdp	0.5948	0.1394	-4.2700	0.0000***	-0.8741	-0.3155
cons	0.1492	0.0366	-4.0800	0.0000	-0.2224	-0.0759
Number of obs	62					
F(6, 55)	10.93					
Prob > F	0.000					
R-squared	0.544					
Adj R-squared	0.494					
Root MSE	0.017					

*Source: Authors computation 2020: Significance level: 1% (***), 5% (**), 10% (*); RoA means Return on Assets, RoE represents Return on Equity, bks means bank size, cap stands for capital adequacy, eff represents efficiency, m2gdp represents money supply to GDP and inf represents inflation.*

Table 4.4 Regression Results: Return on Equity

RoE	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
csr	-0.6568	0.2072	-3.1700	0.0020***	-1.0718	-0.2417
bks	1.9029	0.4440	4.2900	0.0000***	1.0135	2.7923
cap	1.1786	2.5784	0.4600	0.6490	-3.9866	6.3437
eff	-0.7179	0.3386	-2.1200	0.0380**	-1.3962	-0.0396
inf	-2.4991	2.7390	-0.9100	0.3650	-7.9860	2.9878
m2gdp	18.7537	5.8089	-3.2300	0.0020***	30.3903	-7.1170
cons	-1.5750	1.5431	-1.0200	0.3120	-4.6662	1.5162
Number of obs	63					
F(6, 56)	4.52					
Prob > F	0.0008					
R-squared	0.3262					
Adj R-squared	0.2540					
Root MSE	0.7093					

*Source: Authors computation 2020: Significance level: 1% (***), 5% (**), 10% (*); RoA means Return on Assets, RoE represents Return on Equity, bks means bank size, cap stands for capital adequacy, eff represents efficiency, m2gdp represents money supply to GDP and inf represents inflation.*

4.5. Discussion of Findings

From table 4.3 and 4.4 reveals that corporate social responsibility has positive but insignificantly related to return on asset. This may imply that acknowledgement of the CSR agenda does not necessarily increase company value and promote business growth. Although, some scholars have reported a positive nexus between CSR and performance and have explained that, for example, a firm perceived as high in social responsibility may face relatively few labour problems, and customers may be favourably disposed to its products. Socially responsible activities may also improve a firm's standing with governments, investors, and a community which may bring some economic benefit to the firms as argued by Pan, Sha, Zhang, and Ke (2014) and Simpson and Kohers (2002).

On the other hand, corporate social responsibility is found to be negative and significantly related to return on equity at a significant level of 1%. RoE describes management's ability to manage shareholders' funds to make a profit (Dewi, 2014). CSR having a negative relationship with performance (RoE) implies that an increase in CSR expenditure would cause a decrease in RoE because the funds spent on undertaking CRS projects are part of the earnings generated by the banks which could have probably been distributed to the shareholders or would increase shareholder value. That suggests that certain actions (classified as socially responsible) if tend to be negatively correlated with the financial performance of firms, then managers might be advised to be cautious in this area. Also, some studies that suggested a negative relationship between social responsibility and financial performance have argued that high responsibility results in additional costs that put a firm at an economic disadvantage compared to other less socially responsible firms. These added costs may result from actions like making extensive charitable contributions and promoting community development plans. Also, concern for social

responsibility may limit a firm's strategic alternative plans. For example, a firm may forgo certain product lines, which would have generated additional revenue to undertake a project which may not bring direct benefits to the firm. This result conforms to that of Bashir, Garba, and Abdulrazaq (2020); Hussein (2018); Khaled (2018); Julius (2016) whose findings also resulted in CSR having a negative relationship with RoE.

Bank size is positively related to both return on assets and return on capital and significantly related to return on equity at 1% significant level. The findings made in this regard suggest that large banks enjoy economies of scale in the sense that there is ability in cutting down costs related to production leading to growth in profit made. It could also be said that bank size has linkages with diversification which may impact bank risks and returns. An increase in diversification by sizeable banks has the possibility of helping reduce the bank's exposure to risk which will in turn, improve profitability. This finding conforms to the findings of Adam (2014) who concluded that there is a significant and positive relationship between bank size and performance.

It can be seen that capital adequacy ratio is positively related to both RoA and RoE and it is significantly related to RoA at 5% significant level but insignificantly related to RoE. Capital adequacy ratio is measured as the Ratio of Equity to total assets. This represents the relative position of the firm's equity to its total asset. Generally, a bank with a higher capital adequacy ratio has a better cushion against risk. Higher ratio means the banks' asset composition is largely financed by its owners and this will reduce the amount of money paid to either depositors or firms' creditors thereby increasing the firm's net return which therefore boosts the firm's return on assets and equity. An increase in the ratio, therefore, helps banks to increase the relative returns that are attributable to the firm in general as the liability of the firm reduces given an

increase in the ratio. This finding is in support of the findings by Bateni, Vakilifard, and Asghari (2014).

Efficiency is positively related to RoA at a significant level of 1% and if the management of the banks effectively and efficiently utilizes their resources, it would lead to a positive impact on their performance (RoA). The findings of the research correspond with Kosmidou et al. (2006); Sufian and Habibullah (2009); Dietrich and Wanzenried (2011) also found a positive nexus between efficiency and profitability (RoA). CSR is negatively related to RoE at a significant level of 5%. This implies that anytime the efficiency ratio increases, it harms the bank's profitability and also, mismanagement of total expenses affects the bank's performance (RoE). This finding is concerning Alexiou and Sofoklis (2009) who also found a negative and significant effect on RoA and established that management efficiency is a prerequisite for enhancing Greek's banking system profitability; Ali et al. (2011) also found a negative relationship between efficiency and return on equity.

Inflation which is one of the macroeconomic variables was found to be insignificantly related to the performance variables. However, the findings report positive and negative associations for both RoA and RoE respectively.

The money supply to GDP was found to be significantly related to the performance variables. However, the findings report a positive association for both RoA and RoE respectively. This may be because anytime the money supply is increased, customers of these banks can save more causing the banks to get more deposits to give out as loans and also, invest in other investments leading to an increase in bank's profit. This finding corresponds to the findings of Al-Qudah and Jaradat (2013); Iriani and Yuliadi (2015); Ariff and Rosly (2011); Ali, Maamor, Yaacob, Gill

(2018) all found a significant positive relationship between money supply (M2) and financial performance.

Also, in the appendix, Tables 3 and 4, there was an interaction between the size of bank and expenditure on corporate social responsibility to examine the impact of the interacted variable on performance. The result from table 3 in the appendix revealed that the interacted variable has a positive but insignificant relationship with return on assets whereas the same interacted variable was found to be negative and statistically significant with return on equity. More interestingly, the corporate social responsibility variable in those models as presented in Tables 3 and 4 in the appendix were all not significantly related to performance. Also, in Tables 5 and 6 in the appendix, the corporate social responsibility variable was squared to examine how this influences performance. The results revealed a negative nexus between CSR and performance, but this was only significant in the case of return on equity.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter of the study gives the summary of the research, makes a conclusion based on the findings, and finally recommend some directions or suggestion for the benefit of the future and policy implementations.

5.2. Summary

The research was focused on the impact of corporate social responsibility on the financial performance of listed banks on the Ghana Stock Exchange. Variables considered include corporate social responsibility (using expenditure on donations as proxy), bank size, capital adequacy, efficiency, inflation, and money supply to GDP. The performance variables are returned on assets and return on equity. The study used annual frequency data that spanned from 2007 to 2017 using a panel regression model with Ordinary Least Square estimation technique. Bank-level data were collected from their annual reports while macroeconomic data were collected from the Ghana Statistical Service.

The CSR variable which was the variable of interest in this study was found to be positively related to RoA but not significant whereas this same variable was negative and significantly related to RoE. The negative nexus between CSR and RoE suggests that high responsibility results in additional costs that put a firm at an economic disadvantage compared to other less socially responsible firms. Bank size, capital adequacy, efficiency, inflation and money supply to GDP are all positively related to return on asset. Except for inflation which was not significant

all the other variables were significantly related. This suggests that banks with large asset size enjoy some level of the economics of scale because they can cut down production cost. Also, with the capital adequacy ratio, a bank with a higher capital adequacy ratio has a better cushion against risk. Then again, the positive nexus between efficiency and RoA has got to do with the efficient and effective utilization of bank resources by management which is expected to improve performance.

However, the size of the bank, capital adequacy, and money supply to GDP were found to be positively related to return on equity except for capital adequacy which was not significant all the others were significantly related. Efficiency and inflation were negatively related to return on equity, with efficiency being significant and inflation insignificant.

5.3 Conclusion

The conclusion subsection of this chapter gives meaning to the finding of the research identified at the end of the research. From the finding of this research, it can be concluded that anytime corporate social responsibility expenses increased among listed banks, it decreases RoE because all the funds are invested in CSR activities rather than it being invested in other projects to increase shareholder's equity. Large bank size could increase banks return on asset and return on equity because large banks enjoy economies of scale in the sense that there is the ability in cutting down costs related to production leading to growth in profit made and also, an increase in diversification by sizeable banks has the possibility of helping reduce the bank's exposure to risk which will, in turn, improve profitability. Also, capital adequacy has a positive association with RoA and RoE. This may be because a bank with a higher capital adequacy ratio has a better cushion against risk. Higher ratio means the banks' asset composition is largely financed by its owners and this will reduce the amount of money paid to either depositors or firms' creditors

thereby increasing the firms' net return which therefore boosts the firm's return on assets and equity. Efficiency, on the other hand, was positively related to RoA and negatively related to RoE. Inflation was positively related to RoA whereas this same variable was negatively related to RoE. The money supply to gross domestic products also had a positive nexus with RoA and RoE. This is a result of customers increasing savings as money supply increasing and banks get more deposits to give out as loans and also, invest in other investments leading to an increase in bank's profit.

5.4 Recommendations

The results indicate the need for banks listed on the Ghana Stock Exchange to be keen on some variables as they could influence financial performance either positively or negatively. Per the outcome of this study, it is recommended that banks should be cautious in undertaking activities that are deemed to be socially responsible yet the cost the activities bring to the bank may be more than expected. Also, it is recommended that banks should be cautious when undertaking CSR projects. If possible, the banks can weigh and do cost-benefit analysis even before deciding on whether to go on with the project or not. Also, since the negative effect was on RoE, the study advised that banks should discuss with their shareholders before going ahead with any CSR project so that the consequences that may come as a result of undertaking the project could be witnessed by all.

5.5 Future Research

Similar studies in the future can consider other corporate social responsibility variables to understand the impact of these variables on the performance of banks in the context of this research. Further research should also be conducted in other sectors and countries to know how different corporate social responsibility affects those sectors' financial performance. More variables of corporate social responsibility should be considered to understand how they also affect the financial performance of banks. A different approach, the qualitative analysis should be used for this same research to understand how different corporate social responsibility will affect the financial performance of financial institutions in the banking sector.

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APPENDIX

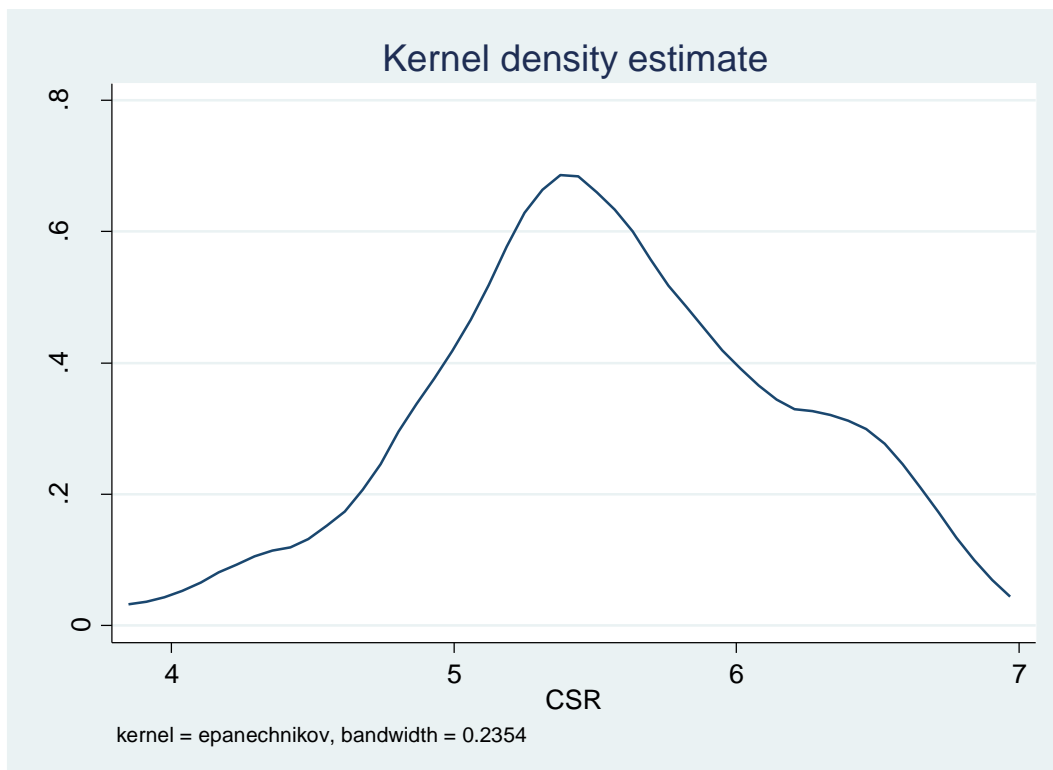
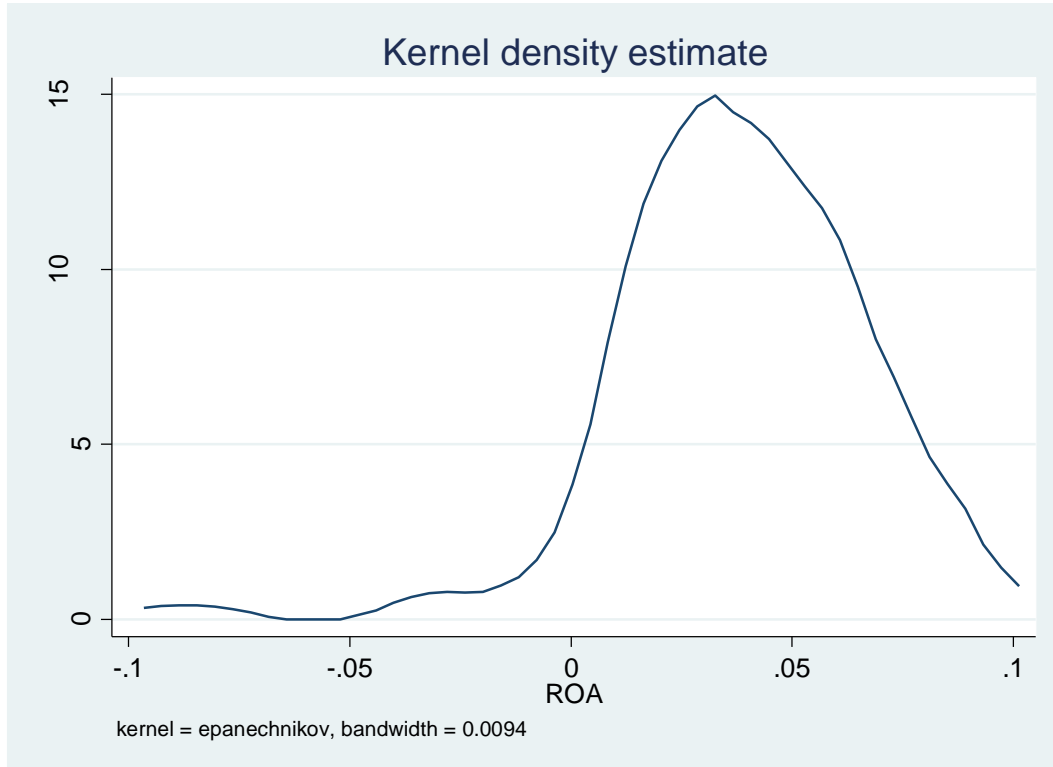
Table 1: Variance Inflation Factor

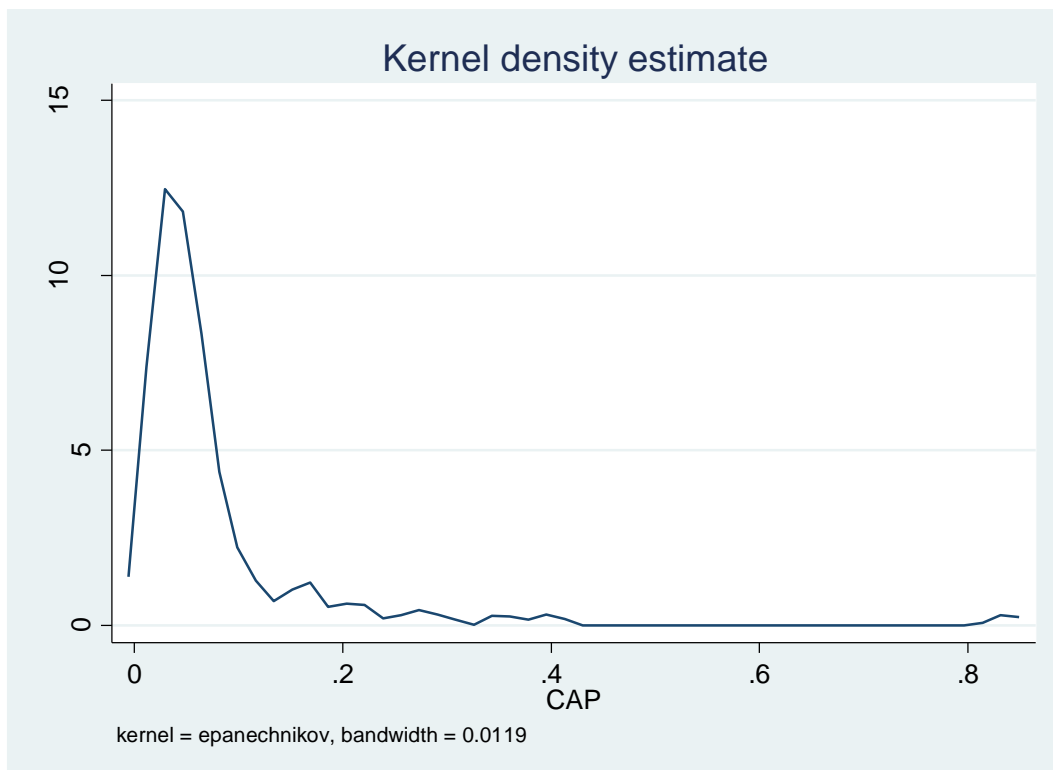
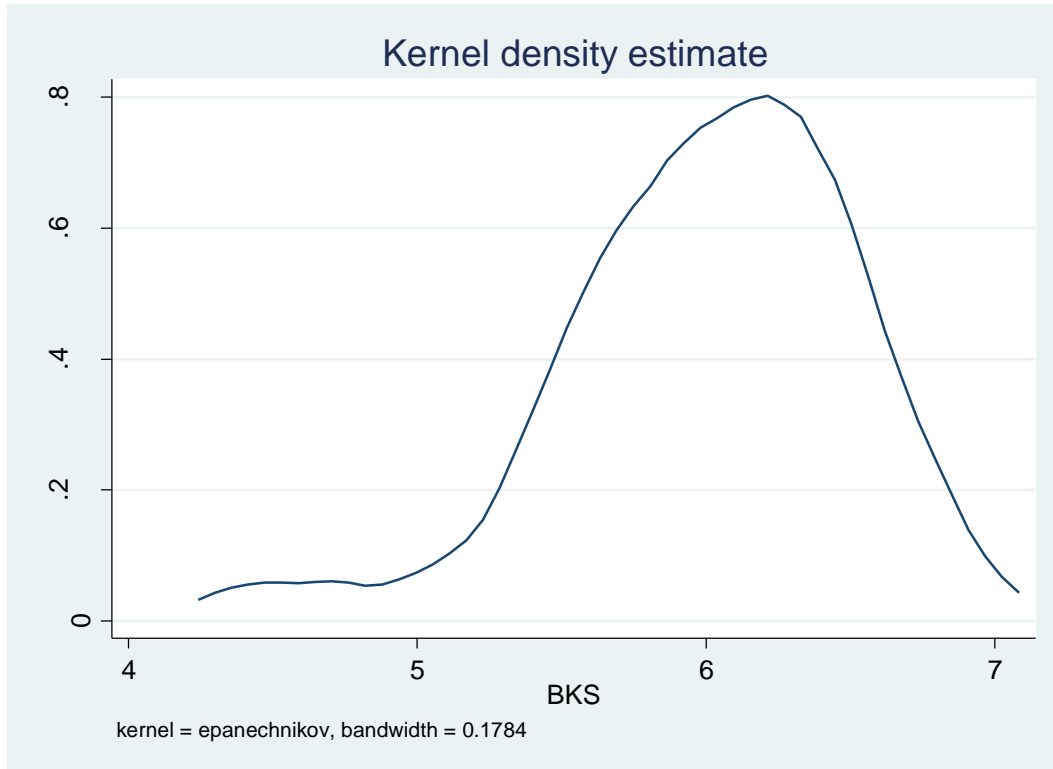
Variable	VIF	1/VIF
bks	3.91	0.2561
m2gdp	2.74	0.3655
csr	1.93	0.5176
cap	1.5	0.6652
eff	1.24	0.8066
inf	1.13	0.8858
Mean VIF	2.07	

Table 2: Normality Test

Variable	Obs	W	V	z	Prob>z
roa	87	0.9367	4.656	3.386	0.0004
csr	67	0.97923	1.234	0.455	0.3244
bks	91	0.95156	3.697	2.886	0.0020
cap	91	0.52552	36.219	7.922	0.0000
eff	88	0.91381	6.4	4.089	0.0000
inf	91	0.92748	5.535	3.776	0.0001
m2gdp	91	0.966	2.595	2.105	0.0177

Figures depicting the variables are normally distributed





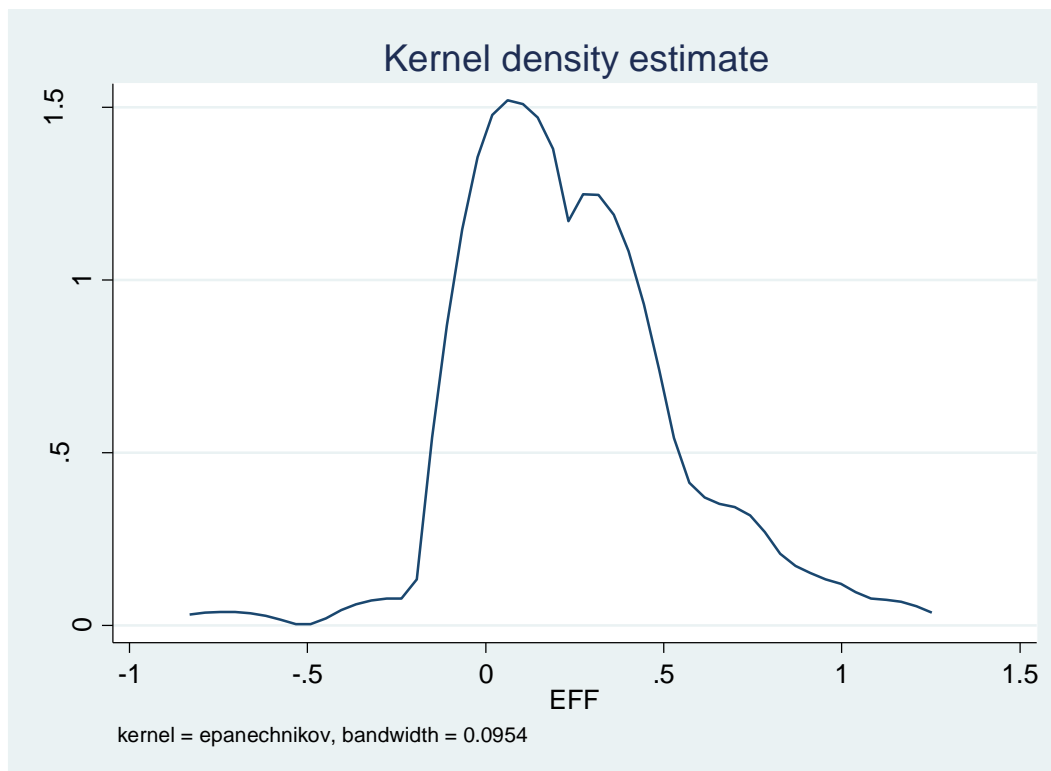


Table 3: Regression Result

RoA	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]
csr	-0.0373	0.0504	-0.7400	0.4620	-0.1383 0.0637
csrbks	0.0052	0.0082	0.6300	0.5300	-0.0112 0.0215
bks	0.0315	0.0457	0.6900	0.4940	-0.0601 0.1230
cap	0.0629	0.0514	1.2200	0.2260	-0.0401 0.1660
eff	0.0321	0.0085	3.7700	0.0000	0.0151 0.0492
inf	-0.0796	0.0675	-1.1800	0.2430	-0.2149 0.0557
m2gdp	-0.4617	0.1398	-3.3000	0.0020	-0.7419 -0.1815
cons	0.0233	0.2672	0.0900	0.9310	-0.5121 0.5588
Number of obs	63				
F(7, 55)	7.91				
Prob > F	0				
R-squared	0.5018				
Adj R-squared	0.4384				
Root MSE	0.0176				

Table 4: Regression Result

RoE	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
csr	3.1620	1.9209	1.6500	0.1050	-0.6861	7.0100
csrbks	-0.6439	0.3113	-2.0700	0.0430	-1.2676	-0.0203
bks	5.7352	1.7403	3.3000	0.0020	2.2489	9.2215
cap	2.6387	1.9641	1.3400	0.1850	-1.2958	6.5733
eff	-0.8287	0.3224	-2.5700	0.0130	-1.4745	-0.1828
inf	-2.0195	2.5808	-0.7800	0.4370	-7.1895	3.1505
m2gdp	22.2449	5.3155	-4.1800	0.0000	-32.8932	11.5966
cons	23.2233	10.1858	-2.2800	0.0260	-43.6279	-2.8187
Number of obs	64					
F(7, 56)	5.78					
Prob > F	0					
R-squared	0.4195					
Adj R-squared	0.3470					
Root MSE	0.6724					

Table 5: Regression Result

RoA	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
csrsq	-0.0005	0.0005	-0.9400	0.3510	-0.0015	0.0005
bks	0.0585	0.0126	4.6500	0.0000	0.0333	0.0837
cap	0.0584	0.0509	1.1500	0.2560	-0.0436	0.1604
eff	0.0325	0.0085	3.8400	0.0000	0.0155	0.0494
inf	-0.0786	0.0672	-1.1700	0.2470	-0.2133	0.0561
m2gdp	-0.4689	0.1394	-3.3600	0.0010	-0.7483	-0.1896
cons	-0.1561	0.0456	-3.4200	0.0010	-0.2475	-0.0647
Number of obs	63					
F(6, 56)	9.21					
Prob > F	0					
R-squared	0.4968					
Adj R-squared	0.4428					
Root MSE	0.0175					

Table 6: Regression Result

RoE	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
csrcsq	-0.0757	0.0194	-3.9100	0.0000	-0.1144	-0.0369
bks	2.3599	0.4874	4.8400	0.0000	1.3840	3.3359
cap	3.1091	1.9747	1.5700	0.1210	-0.8452	7.0633
eff	-0.8508	0.3253	-2.6200	0.0110	-1.5023	-0.1993
inf	-2.1146	2.6085	-0.8100	0.4210	-7.3380	3.1087
m2gdp	22.1096	5.3824	-4.1100	0.0000	-32.8877	11.3316
cons	-4.6861	1.7701	-2.6500	0.0100	-8.2307	-1.1415
Number of obs	64					
F(6, 57)	6.23					
Prob > F	0					
R-squared	0.3962					
Adj R-squared	0.3326					
Root MSE	0.6798					