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Corporate Social Responsibility In Commercial Banks: A Case Of Gweru

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Abstract:

This study was carried out to assess the practice of corporate social responsibility (CSR) by commercial banks in the city of Gweru in the midlands of the Republic of Zimbabwe. It was inspired by the perceived hostile relationship between business and society. It sought to assess the degree of awareness and appreciation of CSR issues among bank executives and employees as well as the extent to which they adhere to international CSR standards and codes of best practice. Issues in SCR include human rights, labour standards and environmental standards. The study focused on the Sullivan Principles, the International Labour Organisation (ILO) Conventions the Organization of Economic Cooperation and Development (OECD) Guidelines and the Equator Principles. The research study design employed was the descriptive survey design and all nine commercial banks in Gweru made up the population. The sample consisted of three commercial banks selected through stratified random sampling techniques. The respondents were mostly selected using simple random sampling except for bank managers who qualified for the role by virtue of the positions that they occupied. Questionnaires, interviews and content analysis were used to gather data. The findings showed that banking executives and employees have very little knowledge of CSR standards although their practices are largely compliant with the standards. It was recommended that the banking sector should familiarise themselves with CSR standards and codes of best practice. It was also recommended that they sign up to and implement the Equator Principles, a benchmark of accepted practice in project finance. It was further recommended that the banking sector adopt a more stakeholder-centric approach to their practice of CSR and that they report on their practice of CSR.

Key words: *corporate social responsibility, corporate philanthropy, corporate citizenship, corporate governance, socially responsible/conscious/ethical investment, corporate sustainability, sustainable development, corporate social investment.*

1.Introduction

It is extremely difficult to define corporate social responsibility with precision because the concept is still evolving. The Corporate Social Responsibility Newswire Service defines it as “The integration of business operations and values whereby the interests of all stakeholders, including customers, employees and investors and the environment are reflected in a company’s policies and activities.” CSR is about the concern businesses have, not only making profits or their survival but also for the communities that they serve. The thrust of CSR appears to be that, for businesses to profit in the true sense of the word, they need to give as well as take from society. CSR goes beyond goodwill, community development and strategic corporate philanthropy. It is a genuine attempt by corporate to build a meaningful relationship between themselves and the rest of society.

2.Background To The Study

Since time immemorial, business has been disparaged by the communities in which it operates, who argue that business, and the people who engage in it, are selfish in motivation, narrow in their interests, and instrumental in their behaviour. In short, people see the values of businesses as different from, and inferior to, those of other human activities.

In Zimbabwe people have questioned how businesses, particularly those in the banking sector, appear to be making money hand over fist, when other human endeavours appear to be in decline.

The criticism appears to have been well earned as some people in business appear to put profit considerations above all else. The Confederation of British Industry, giving evidence before the Hampel Committee (1998) on corporate governance, averred “While business has relations with customers, employees, etc its responsibilities are to shareholders.” Milton Friedman (1970) of the University of Chicago asserted “The social responsibility of business is to maximise profits.” Al Dunlop, former Chief Executive Officer (CEO) of Score Paper went further: “The most ridiculous word you hear in boardrooms these days is “stakeholders”. A stakeholder is anyone with a stake in the company’s well being. That includes employees, suppliers, the communities in which it

operates, and so on. The current theory is that a CEO has to take all these people into account when making decisions. Stakeholders! Stakeholders do not pay for their stake. Shareholders do.”

While the profit motive is the reason for going into business, it is more worthwhile to build better businesses. Good businesses are characterised by satisfied customers, motivated employees, well rewarded investors and high reputations within their communities.

The foregoing is the reason for corporate social responsibility (CSR), which was driven by awareness by governments and civil society organisations of environmental pollution, human rights abuses and the exploitation of labour in supply chains. CSR is the initiative of companies, not a legal requirement, although attempts have been made to formulate codes of conduct for CSR.

The researcher's own interest in CSR in the banking sector has been occasioned by the criticisms that have been levelled at banks by society. It has been suggested that banks are making huge profits while their clients, the depositors, wallow in poverty.

3.Statement Of The Problem

The research wished to establish and assess the extent to which commercial banks in the city of Gweru practise CSR. It also attempts to assess the extent to which these banks conform to international best practice and codes of CSR.

4.Main Research Question

To what extent do commercial banks in the city of Gweru practise CSR and adhere to international best practice and codes of CSR?

5.Research Sub-Questions

- What is the level of awareness of the value of CSR among banking executives?
- To what extent are banking executives aware of best practice in CSR?
- What is the level of awareness of the value of CSR among workers in the banking sector?
- What are the concrete, practical ways in which commercial banks in the city of Gweru seek to conform to best practice in CSR?
- Should the practice of CSR by commercial banks be government regulated or should it be the initiative of banks themselves?

6.Objectives Of The Study

- To assess the level of awareness of CSR issues among banking executives and employees.
- To assess the level of compliance with international best practice of CSR by banks in the city of Gweru.
- To evaluate the costs and benefits to the commercial banks of practising CSR.

7.Delimitation

The study was carried out in the city of Gweru in the Midlands of the Republic of Zimbabwe. It was concerned only with the practice of CSR by commercial banks in the city of Gweru. The focus was on the Sullivan Principles, International Labour Organization (ILO) conventions, Organisation of Economic Cooperation and Development (OECD) Guidelines and the Equator Principles. The research did not delve into the regulatory environment instituted by governmental agencies but restricted itself to the voluntary CSR initiatives of banks in the city of Gweru.

8.Limitations

A severe limitation of the research study was that the researcher had no access to the clients of the banks ie the depositors. There was a concerted effort by the banks to prevent such access. Thus the data gathered from the banking executives and employees may not be full and complete.

9.Research Methodology

The research study used the descriptive survey design because it allows for the collection of a large amount of data from a large population in a highly economical way. There is also the ease of understanding and comparison of the data. It gives the researcher great control over the research process.

- **Population**
In this study the population consisted of all the nine (9) commercial banks operating in the city of Gweru at the time of the research.
- **Sample And Sampling Procedure**
Stratified random sampling was used to select two (2) locally based banks and one (1) foreign based bank to ensure that both types were adequately represented in the sample. Simple random sampling was used to select bank middle managers and employees who participated in the study. All branch managers were included in the sample by virtue of the positions that they occupy.
- **Ethical Considerations**
The researcher obtained informed consent from the respondents who were informed of their inalienable right to withdraw from participating, if they so wished

10.Data Analysis Procedure

Data collected by the use of questionnaires, interviews and content analysis were subjected to interpretational analysis. According to Borg and Gall (1996:562) interpretational analysis is the process of examining data closely in order to find constructs, themes and explain phenomena.

11.Discussion Of Findings

The findings from banking executives indicated that the CSR initiatives of commercial banks in the city of Gweru mostly involve corporate philanthropy, which is the most elementary practice of CSR.

None of the banking executives were aware of the existence of the Equator Principles, an international benchmark for project finance. These principles require banks to examine the likely impacts on the environment of projects that they finance.

Bank managers also professed their ignorance of the Sullivan Principles which focus on labour relations, the ILO conventions and the OECD Guidelines whose focus is the ethical conduct of Multinational Enterprises (MNE) in the countries that they operate in with regard to compliance with host nations' regulations on labour and the environment.

On the value of CSR to banks all the bank managers cite tax relief. One of the three managers mentioned the improved public image of the bank. Another mentioned investment in future employees, particularly with regard to educational bursaries.

All the bank managers did not appear to find value in the involvement of the communities in identifying projects for the banks to undertake in the same communities.

All the bank managers felt that CSR should not be regulated by the government since giving is voluntary.

Findings from middle management, that is operations managers, customer consultants and credit controllers, suggest that most commercial banks in the city of Gweru are equal opportunity employers in terms of both race and sex.

All the banks comply with the ILO convention against the employment of minors.

The banks are also responsible corporate citizens because of their abhorrence to bribes. They also do not appear to donate to political parties or to individuals running for public office. While the law in Zimbabwe does not forbid donations to political parties by local companies, if the banks make donations of this kind they would compromise their positions as impartial economic players. Furthermore, their stance of not making such donations is compliant with the OECD Guidelines to MNE.

Findings from employees suggest that these banks offer training opportunities to their employees, which agrees with findings from middle managers. This is a step forward for such banks as it is a strategic corporate investment. The resources that they invest in their employees will be repaid many times over through increased labour efficiency and effectiveness.

Because of confidentiality issues, relating to salaries in banks it was difficult to determine if there was equal pay for equal work in accordance with ILO labour conventions and the Sullivan Principles.

It would also appear that all the sampled banks put a premium on the health of their employees since they contribute to medical aid schemes for them.

Workers are allowed freedom of association since they are allowed to join trade unions. This is also in accordance with ILO conventions and the laws of Zimbabwe.

12.Conclusion

From the findings it was concluded that branch managers of commercial banks in the city of Gweru practise good CSR but lack the theoretical and conceptual understanding of CSR. To them CSR is corporate philanthropy, which is the oldest and most pedestrian form of CSR. According to Hymowitz (2005), it no longer works.

Bank managers and employees appear to comply with the requirements of most international standards of CSR without being aware of their existence.

Bank managers believe that the only benefits of practising CSR relate to tax savings, the improved public image of the firm and investment in future employees. The traditional model of CSR involves a top-down approach, which does not view the beneficiaries of CSR as partners in sustainable development. However, customers and investors have greater expectations than ever before. Porter and van der Linde (1995) believe that voluntary measures to improve companies' social impacts have positive effects on profit margins, at least in the medium to long term.

Most of the commercial banks believe that CSR should remain voluntary. However, there is currently agitation for some of the regulation. In any case, part of CSR is legal compliance, for instance with tax laws and labour regulations.

13.Recommendations

- Banking executives should be aware of the provisions of CSR standards that directly affect them, for instance the Equator Principles. They should also implement them.
- Bankers should consider forming partnerships with labour, non-governmental organisations and communities to define and implement innovative solutions to meet social challenges.
- Commercial banks should report on their CSR activities in the same way that they report on financial profitability and position. This means that they must produce sustainable development reports together with their financial statements.
- Commercial banks in the city of Gweru are encouraged to continue with their sterling efforts in the aspect of compliance with the provisions of labour standards. An entity that is seen to care for its employees and one that is a good corporate citizen in

general attracts and retains quality employees who are indispensable in the effort of an organisation to achieve both its operational and strategic objectives.

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