



POLICY BRIEF No.3

Corporate Social Responsibility (CSR) Initiatives and Ghanaian Banking Customers

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The Policy Issue

The Ghanaian banking industry comprises thirty (30) privately and publicly-owned banks competing for the country's 7.77million people with bank accounts (representing approximately, just 30% of the entire population). With such a small number of customers to compete for, the ease with which customer defections occur, the relative imitability of products and services and the sudden surge in interest in mobile money transactions, have compelled banks to resort to an array of strategies to attract and retain customers in order to remain in business. One of the popular strategies currently used is Corporate Social Responsibility (CSR), which is the incorporation of the needs of societies into the daily running of a business.

Despite the practice of CSR in banks, little is known about the ability of CSR to elicit favourable responses from bank customers, most especially about which initiatives would elicit the greatest positive response. Our research is important because it would serve as a means of providing direction on what initiatives would aid bank brands succeed.

Summary of Key Findings

Our study focussed on three (3) main forms of CSR initiatives that most banks operating in Ghana engage in. We obtained these from bank websites. We specifically studied customer preferences for and responses (attitude and behaviour) to customer-centric CSR, corporate philanthropy and community volunteering initiatives of banks

operating in Ghana, using a sample size of three hundred and eighty-four (384) bank customers.

Ghanaian bank customers prefer corporate philanthropy to customer-centric CSR and community volunteering.”

A firm engages in corporate philanthropy when it makes a direct contribution to a charity or a cause in the form of cash grants, donations, and/or in-kind services. An example of a corporate philanthropy initiative is drilling boreholes in rural communities. Community volunteering, on the other hand, is an initiative whereby a company supports and encourages its employees, retail partners, and/or franchise members to volunteer their time to support local community organisations and causes. Organising community financial literacy workshops forms part of community volunteering. Finally, a bank is said to be engaged in customer-centric CSR when it focusses on all corporate strategies on the customer. An example in point is the provision of effective complaint handling and innovation.

In order to measure customers' attitude towards banks practising CSR, respondents were asked questions that bordered on whether they liked the bank or not; whether they were proud of the bank; and whether they felt good about the bank. We assessed behaviour in terms of whether the customer would speak positively about the bank, use more of its products and would choose the bank again if given the opportunity to do so. All the respondents answered the questions after being exposed to the CSR initiatives.

Our study found that Ghanaian bank customers prefer corporate philanthropy to customer-centric CSR and community volunteering. This finding could be explained by Ghana's collectivist nature as a society; that is, Ghanaians tend to look out for others and consider the needs of others in their decision-making as against other societies where decisions are made solely based on individual needs.

Additionally, respondents preferred customer-centric CSR to community volunteering. In terms of the effects of each of the initiatives on attitude and behaviour, we find that corporate philanthropy has a greater impact on attitude and behaviour than customer-centric CSR and community volunteering. Customer-centric CSR, comparatively, has a greater impact on attitude and

behaviour than community volunteering.

Our study went further to conduct a test to assess the significance of the difference in the means of the three forms of CSR across attitude and behaviour. The results of our study indicate that Ghanaian bank customers:

“customer-centric CSR generates a slightly stronger effect on Ghanaian customers' attitude than community volunteering.”

(1) have more positive attitudes to banks in response to corporate philanthropy than to customer-centric CSR; and (2) possessed slightly stronger behavioural intentions in response to customer-centric CSR than to community volunteering. Hence, customer-centric CSR generates a slightly stronger effect on Ghanaian customers' attitude than community volunteering. Corporate philanthropy was seen to be the most preferred CSR initiative, followed by customer-centric CSR. Community volunteering was the least preferred. These findings were quite interesting, considering scholars in general, argue that customers may prefer initiatives that favour themselves over those that favour others. However, the results are consistent with findings from other studies conducted in Africa, which report that Africans generally prefer philanthropy to other forms of CSR, and even in some circumstances equate CSR to philanthropy.

Conclusions and Policy Implications

- Customer attitude and behaviour in terms of recommending the bank brand to other customers, and purchasing more of the bank's products could be enhanced when banks engage in corporate philanthropy, such as building schools and sponsoring needy but brilliant children to attend school.
- Policy makers must ensure that bank brands do not only focus on other forms of CSR to the neglect of customers' needs. Hence, it is imperative that close monitoring and rewarding of personnel who demonstrate excellent customer care (such as demonstrating good attitudes and behaviour towards customers and handling complaints well) be conducted on a regular basis. This will encourage other personnel and maintain the focus on the customer.

- Customers should be involved in decision-making pertaining to the selection of CSR initiatives. This would engender a sense of “belonging” in them and would result in positive attitude and behavioural responses.

“Corporate philanthropy is the most preferred CSR initiative among Ghanaian banking customers, followed by customer-centric CSR.”

Further Readings:

Ghana Banking Survey. (2012). Enhancing customer value to sustain profitable growth. PricewaterhouseCoopers and Association of Bankers in Ghana, Accra.
Ghana Banking Survey. (2016). How to win in an era of mobile money.

Hinson, R. E., Renner, A., & van Zyl, H. (2016). Bank customers’ preferences and responses to corporate social responsibility (CSR) initiatives in Ghana. *African Journal of Business Ethics*, 10(1), 1-18.

McDonald, L. M. and Lai, C. H. (2011). Impact of corporate social responsibility initiatives on Taiwanese banking customers. *International Journal of Bank Marketing*, 29(1), 50-63.

About this Brief:

The UGBS Policy Brief Series are generated from published research papers on topical issues by faculty members of the School. The Series are part of the School’s efforts in contributing to policy issues that are critical to national and international development. This policy brief was developed from a recently-published work titled “bank customers’ preferences and responses to corporate social responsibility (CSR) initiatives in Ghana”, published in July, 2016 of the first issue of the tenth (10) volume of the *African Journal of Business Ethics*. The original version of the paper was authored by Prof. Robert E. Hinson, Ms. Anne Renner, both from the UGBS, and Prof. Helena van Zyl, University of Free State Business School, South Africa.

About the Authors:

Prof. Robert E. Hinson is a Professor of Marketing at the University of Ghana Business School. He holds two doctorate degrees, the first in Marketing from the University of Ghana and the second in International Business from Aalborg, Denmark. He has published and has papers accepted for publications in internationally recognised journals like the *International Journal of Contemporary Hospitality Management*, *Journal of Public Sector Management*, *Internet Research*; *Journal of Business and Industrial Marketing*; as well as the *Thunderbird International Business Review*.

Anne Renner is a PhD student in the Department of Marketing and Entrepreneurship at the University of Ghana Business School.

Prof. Helena van Zyl is Director of the University of the Free State Business School in South Africa.

Correspondence:

Dr. Abdul-Gafaru Abdulai
Coordinator, UGBS Seminar Series & Policy Briefs
PO Box LG 78, Legon, Accra-Ghana
Email: agabulai@ug.edu.gh
Tel: +233 (0) 546 695 432
Mobile: +233 (0) 203403401.