

Implementation Challenges of Corporate Social Responsibility Programs among Commercial Banks in Uganda. A Case of Absa Bank Mbarara

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ABSTRACT

The purpose of this survey was to establish the implementation challenges of corporate social Responsibility (CSR) programs among commercial banks in Western Uganda using a case of Absa Bank Mbarara. In this study, descriptive research design was adopted where qualitative and quantitative approaches of data collection were used. Both questionnaire survey and interview methods were used to collect data from staff of Absa Bank. To ensure validity and

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reliability, research instruments were pretested and appropriate strategies taken. Content Validity index was used for validity while Cronbach Alfa was used for reliability. Using both qualitative and quantitative methods, the findings portray negative perception by the public, competition and financial challenges as major hindrances of CSR programs among commercial banks in Western Uganda since they are profit making financial institutions. The study concludes that commercial banks use community related programs as their CSR programs. The study encourages commercial banks to partner with other organizations such as civil society organizations and government in funding CSR activities since they are essential for the improvement in wellbeing of the people.

Keywords: Corporate Social Responsibility, Commercial Banks

1. INTRODUCTION

In a competitive global market, institutions must strive to create a social impact and be socially responsible to the needs of the people they serve. Globally, CSR is understood to bolster market expansion for firms, fill institutional gaps and facilitate market entry. (Dana& Jette,2012). Fang (2014) defines CSR as “a process of embracing responsibility for the company’s actions and encouraging a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered stakeholders” (Fang, 2014). On the African Continent majority of the businesses in the region view CSR as addressing only environmental concerns, philanthropy and community support. Philanthropy was the main notion of CSR among many countries in the world. A study by the UNIDO in 2007 states that CSR is commonly understood as corporate philanthropy or charity or associated with public relations and marketing strategies, and not as a company’s responsibility to its stakeholders (John Chikati: 2008).

To achieve business objectives, Ailawadi et al., (2014) argue that both scientists and marketing professionals are emphasizing the importance of Corporate Social Responsibility Programs in the

consumer decision process. As a result, CSR is seen as crucial in providing competitive advantage and differentiation. Commercial banks in Uganda have been at the Centre stage of championing the CSR agenda although their study revealed that Banks face financial related challenges. In 2007, Barclays bank acquired Nile Bank in Uganda and expanded its footprint from 7 branches to the current 51 and 75 ATMs. In 2018, the bank's remaining shares in Africa were sold to Absa Bank. Absa Uganda provides a wide range of banking services including personal, current and savings accounts. The bank has been at the forefront of CSR by supporting communities, protecting Environment and supporting Sports, including the English Premier League.

Besides, Absa Bank has for more than a decade supported several CSR related activities. For instance, the bank has donated numerous cheques to various development initiatives in the Country. Despite these efforts by the bank, it's struggling to compete in the banking sector against other giants in banking like Stanbic, Centenary among others. The Banking Results for 2023 named Stanbic Bank and Centenary Bank as the largest leading Banks (The independent, 2022). The above findings create a puzzle as to why Absa Bank is not among the two leading giants in the market in Western Uganda. Different questions remain unanswered. This study aimed at establishing whether there are any implementation challenges related to CSR Program. One would have expected that with this level of investment in CSR programs Absa Bank Mbarara would be the market Leading Bank in the region which is not the Case.

1.1 Primary goal of the study

The survey aimed at establishing the implementation challenges of CSR programs among commercial banks in Western Uganda.

1.2 The significance of the study

The findings of this study are deemed beneficial to different stakeholders, but most especially to both profit making and non-profit

agencies. For instance, CSR as become a prominent concept among banks as a preferred societal engagement. The findings from this study may provide financial institutions with deeper understanding of the concept so as to devise strategies of reaching out to their customers during the time of need.

The findings from this study may also be key in decision making and guiding future CSR policies of entities on the rationalization of programs. Policy makers may use the findings of this research to justify their decision in regard to behaviors of corporations and their stakeholders.

The study finding play a very big role in bridging the knowledge gap on what is known about the implementation challenges of CSR, as it provides a meaningful reference for future studies about the subject. The study therefore provides scholarly information that can be used by future scholars when studying the same subject.

2.0 Literature review

In this sub section, we look at theoretical underpinning and the empirical review about the variables under consideration.

2.1 Theoretical under pinning

The study was guided by social contract theory (Thomas Hobbes,1588-1679) which is rooted in the history of political theory, more precisely in the work of some great political thinkers from the seventeenth and eighteenth centuries. The central idea of the social contract theory is the relationship between a business and society (Dusuki, 2009). According to the social contract paradigm, a business is regarded as a social institution and should join with other social structures like the family, educational system and religious institutions, to help enhance life and meet needs. As such, the corporate social contract theory holds that business and society are equal partners, and each enjoys a set of rights and has reciprocal responsibilities. The theory emphases the idea that society needs to be safeguarded from the

oppression of the institutions which are powerful. The theory however doesn't provide sufficient guidance for addressing contemporary political and ethical challenges, such as environmental issues, global governance, and economic inequality which are key issues for CSR. This theory was relevant in this study because CSR implementation is a 'contract' between the bank and stakeholders.

2.2 Implementation challenges of CRS programs

CSR in developing countries cannot be divorced from the socio-political reform process, which often drives business behaviour towards integrating social and ethical issues. In South Africa, the political changes towards democracy and redressing the injustices of apartheid were significant drivers for CSR, through the practice of improved corporate governance Roussou et al (2002), collective business action for social upliftment (Fourie and Eloff, 2005), black economic empowerment and business ethics (Malan, 2005). Visser (2005) lists more than a dozen examples of socio-economic, environmental, and labour-related legislative reforms in South Africa between 1994 and 2004 that have a direct bearing on CSR.

There is a powerful argument that CSR in developing countries is most directly shaped by the socio-economic environment in which firms operate and the development priorities this creates. Amaeshi et al, (2006), for example, argue that CSR in Nigeria is specifically aimed at addressing the socio-economic development challenges of the country, including poverty alleviation, health-care provision, infrastructure development, and education. However, there are a number of internal constraints associated with the company's own capacities.

Overall, companies report lack of CSR knowledge and lack of technical capacity to implement CSR related activities along with insufficient financial resources as the major barrier to their involvement in CSR activities. (Zhang, et al, 2019). In addition, there is limited government support toward specific projects and programmes about CSR promotion (Chikati, 2010). CSR is often seen as a way to plug the "governance gaps" left by weak, corrupt, or under-resourced

governments that fail to adequately provide various social services (housing, roads, electricity, health care, education, etc.).

Another challenge of CSR is that the actual benefit received by the community is negligible or non-existent. Social responsibility should result in positive outcomes for both the business and the community. (Kala, 2014). However, most often, the results fall heavily in favor of the business involved. Businesses invest a comparatively small amount into community projects and then use their efforts to promote their brand and gain access to markets all around the world. The public relations and brand building they receive far outweighs their investment in socially responsible projects (Kala, 2014).

The policy environment where businesses operate does not actively encourage engagement to an adequate level. Unlike an increasing number of European countries, none of the East African countries has established a national CSR agenda with clearly defined objectives for incorporating CSR values in business Practices. (Chikati,2010). While Governments have adopted a wide range of laws and regulations that relate to different aspects of CSR, the mechanisms to implement and enforce this legislation are often weak or absent. By and large, governments lack the capacity or information need to provide financial and /or nonfinancial incentives for CSR engagements to assist in creating a socially responsible business climate. Although there are many civil society organizations in the region, fewer are actively engaged in promotion of CSR (Chikati, 2010.)

CSR programs have been criticized because some believe that the overall objective of the entity should be profit making for the owners and shareholders, and not to make charity. (Berger&Stott,2019). They both strongly argue that doing anything outside this purpose undermines the fundamental business objectives that is the bottle line. An organisation has responsibility to its shareholders which is to make profits and justifications cannot be made for spending profits of owners on socially responsible projects (Kala, 2014). Social responsibility result into positive outcomes for the businesses and their owners. (Besser,2012) According to the African Development Bank report the

true motivation behind CSR are not convinced that the business is acting in the best interests of the community and environment (ADB Report, 2005).

3.0 Research approach

In this study, descriptive research design was adopted which was guided by a mixed research paradigm. Quantitative and qualitative approaches of data collection and analysis were both used. Quantitative approach was used to collect and analyze data that was obtained through the use of questionnaire survey method. Qualitative approach was used to deal with collection and analysis of information that was obtained through the key informant interviews. The study population 200 people composed of bank management officials, line managers, Employees, and Customers. The Sample size was 150 respondents were selected from the target population of 200 respondents. This was derived in accordance with Toya Yamane (1967).

4.0 Results and analysis

In this section, we present findings of the study. Participants in this study were asked to establish whether they had any information or knowledge relating to CSR. Results in this section were obtained in form of frequencies and percentages as shown in Table 4.1.

Table 4.1: Respondents' knowledge on CSR Programs by ABSA bank Mbarara

Respondents	Frequency	Percentages
Work force related activities	8	5
Market place related activities	25	17
Community related activities	80	53
Environmental related activities	27	18
Others	10	7
Total	150	100

Source: Primary Data, 2023

Table 4.1 indicates that majority of the respondents (53%) pointed Community related activities as the major CSR activities that Absa bank Mbarara indulges in. Such activities include supporting sports, offering assistance to low-income groups, education for orphans as well as health support to disabled. In agreement with the quantitative finding, one of the key informants had this to say:

... As Absa bank Mbarara we have provided Junior achievers program and have provided financial support to many vulnerable people like the orphans and people with disabilities (Field Data, 2023).

In addition, another key respondent was quoted saying;

... Absa bank Mbarara has supported health related activities and provided financial knowledge to the Community' (Field Data, 2023).

Findings from both the qualitative and quantitative findings confirm that Absa bank Mbarara engages in CSR programs as a way of giving back to the Society.

Table 4.2 Showing the responses on implementation challenges

Response	Frequency	Percentage
Competition	32	21.3
Lack of enough Funds	54	36
Time Constraints	21	14
Poor Attitude about the Bank	32	21.3
Lack of commitment from staff	11	7.3
Total	150	100

Source: *Primary Data, 2023*

From the findings in table 4.2, majority of the respondents (36%) pointed out that the bank faces the challenge of lack of enough funds,

21.3% of the respondents pointed out competition and poor attitude about the bank, 14% of the respondents said that it was the challenge of time constraints, while 7.3% of the respondents said that it was lack of commitment from the bank. The above finding implies that the biggest challenge in implementing CSR is lack of enough funds. In accordance with the qualitative findings, one of the respondents pointed out that;

...it is expensive for the bank to support some of the community events since the resources are not adequate... (Field Data, 2023).

Therefore, financial constraint is one of the major challenges that commercial banks face in implementing CSR Programs. It is also interesting to note from the findings in above table 4.2 that competition and poor attitude about the Bank are also major challenges that the bank face in implementing CSR activities. This is also in line with one of the key respondents² who was quoted saying;

...people have a negative perception on ABSA Bank, that it only belongs to rich people which is not the case.’ And another one pointed out ‘competition is tight...

All the above findings imply that the bank faces challenges in implementing Corporate Social Responsibility Programs.

5.0 Discussion of findings

The study established that the bank engages in sports activities, supports health and education programs and giving financial support to the orphans in the communities. By engaging in the above, and other related activities, the bank has built its corporate image. The above findings agree with Vaitkevicius and Stukaite, (2009) who argued that organizations engage in CSR to improve the well-being of society, comply with ethical, moral and environmental norms and foster relationships with stakeholders. The above findings also support the social contract theory or paradigm by Dusuki (2009) that asserts that a business is regarded as a social institution and should join with other

social structures like the family, educational system and religious institutions, to help enhance life and meet needs.

Besides, majority of the respondents agreed that the bank faces challenges related to lack of enough funds, competition and poor attitude about the bank. Also, the study findings indicate that CSR activities by commercial banks are simply avenues for drumming up good public Relations. The above findings concur with Chikati (2010) who stressed that businesses invest a comparatively small amount into community projects and then use their efforts to promote their brand and gain access to markets all around the world. The findings that public relations and brand building the banks receive far outweighs their investment in socially responsible projects.

Study implications

The above findings imply that managers of commercial banks must view institutions as “social entities” which must relate with their environment. This enhances corporate image which is an asset to banks. The study provides financial institutions with deeper understanding of CRS so as to devise strategies of reaching out to their customers during the time of need.

In terms of investments, the study is of great help to financial institutions since it forms a basis for incorporating CSR in their budgetary planning process. Commercial banks benefit a lot in terms of their public reactions despite investing less in CSR related activities. Hence, they could reap significantly if CSR is part of their budgetary planning process.

6.0 Conclusions

The findings from this study showed that majority of the respondents (53%) pointed community related activities as the major CSR programs that ABSA bank Mbarara engages to enhance image. The study further found out that majority of the respondents (36%) pointed out that bank faces the challenge of lack of enough funds. The study also discovered

that CSR activities by Absa banks is perceived as simply trying to drum up good public relations.

6.1 Recommendations

Most respondents pointed out challenge of commercial banks in doing CSR was the problem of lack of enough funds. The study recommends that Commercial banks need to embed a substantial amount of money in their Annual Budget dedicated to CSR Activities. Also, commercial banks could partner with non-governmental organizations to carry out CSR activities.

Furthermore, commercial banks should consider entering dialogue with civil society and government on different CSR issues. Civil Society Organizations (CSO's) and Government are a rich source of information and provide the basis for future partnership with the public sector. CSO's enable businesses to learn about best CSR practices (including those of their competitors), contribute to identify the needs of key stakeholders and can help identify risks and businesses opportunities.

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