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The Effects of Corporate Social Responsibility Expenditure on the Financial Performance of Financial Institutions: A 2002-2009 Analysis of Agricultural Development Bank, Ghana

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Abstract
Corporations are critical actors in the political, economic, social and cultural development of all countries. Besides providing goods and services in order to achieve profitability, they also serve as a source of livelihood for many, pay taxes that enable governments to operate, and have an impact on the physical and social environment. However, the practice of social responsibility poses a challenge to many financial institutions in Ghana including the Agricultural Development Bank (ADB). The socially responsible acts of financial have been assumed to have negative effect on the expenditure and profitability of some financial institutions thereby affecting their profit margins in the short-term. This research therefore focused on determining the extent of the effects of corporate social responsibility (CSR) expenditures on the financial performance of financial institutions. A survey and interviews of some selected department heads at the ADB and reviews of the annual CSR reports revealed that the immediate effect of socially responsible activities on the financial performance of financial institutions tends to be negative. In the long term, such efforts have the potential to accrue positive impacts for financial institutions that engage in socially responsible behaviors as part of their core functions. It is therefore recommended that financial institutions need to undertake socially responsible activities that are part of their core functions so as to overcome the initial shocks that are associated with such programs.
Keywords: Corporate Social Responsibility, Financial Performance, Financial Institutions

1. Introduction

There is no doubt about the critical role businesses play in the political, socio-cultural, and economic development of society through the range of goods and services, taxes and royalties, as well as the opportunities they offer for improved quality of life for citizens (Jamali and Mirshak, 2007). However, the debate as to whether the idea of corporate social responsibility (CSR) ought to be incorporated into the core activities and operations of businesses and corporations has raged on since the late nineteenth Century. Advocates for socially responsible companies have called for the introduction of some form of social business ethics with the purpose to get companies to incorporate social responsibility into their core activities. The critics on the other hand argue that companies should not be forced either by law or moral conventions because social responsibility could mean weakened economic growth and competitive position. In spite of these ongoing debates, companies have started to be involved in more socially responsible acts (Adamsson and Johanssson, 2008).

The focus of many businesses over the years is profit and cared less about the welfare of the communities they operated. This led to the myth that profit and growth are the sole purpose of business. According to Friedman (1970), in a free society, there is one and only one social responsibility of business - to use its resources to engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. Friedman prefers that the state addresses social problems, arguing that an executive, by taking money and resources that would otherwise go to owners, employees, and customers, and allocating them according to the will of the minority, fails to serve the interests of its principals. In this way, the executive imposes tax and spends the proceeds for “social” purposes, which is intolerable, since she or he has neither the skills nor the jurisdiction to do so. On the other hand, there are many appeals by others for corporate adoption of the CSR principles. Although the government is mainly responsible for addressing those issues, the contribution of private firms can be substantial.

Meanwhile, the minds of most business managements are tuned in to the ascertainment of profit maximisation; performance of social responsibility is regarded as a ‘foreign imposition’ and financial burden which will adversely affect the income and expenditure of the business. Instead, banks may prefer mobilizing funds for promotional activities such as advertisements in the media which may yield short term benefits rather than socially investing in the communities they are located that may result in long term effects (Jamali and Mirshak, 2007). But it has been argued that CSR may function in similar ways as advertising does and therefore, increase overall demand for products and services, and/or reduce consumer price sensitivity (Sen and Bhattacharya, 2001). The practice of CSR may also have the potential to enable firm to develop intangible resources (Hull and

Rothernberg, 2008; Waddock and Graves, 1997). It seems that shareholders of companies think significantly about returns that come from their investments in the form of huge dividends. This may compel businesses to cut down on their expenditure especially on socially responsible activities, and limit themselves mostly to profit generating activities that will increase profitability (Wen, 2009). Meanwhile, increased competition and commercial pressure are combining with rising regulatory standards and consumer demand to create a whole new playfield for businesses. Traditional expectations of business are also changing. It is no longer enough to simply employ people, make profit and pay taxes. Companies are now expected to act responsibly, be accountable and benefit society as a whole.

The practice of CSR is increasingly becoming part of good management principles, such that, institutions that risk responsible behaviour in their communities risk the chance of being "accepted" by the same community in which they take their employees, customers and suppliers. Although mostly voluntary, some forms of CSR practices are emerging as de facto industry standards that provide the desired legitimacy, consistency and comparability required by businesses and its stakeholders (Jamali and Mirshak, 2007).

There are many CSR issues that corporations in Ghana must be concerned with. However, awareness of CSR among most Ghanaian companies, especially financial institution is low and where they are practiced; the impact of financial institutions' CSR has not been significantly felt even by the communities that contribute to the growth such institutions. At best, CSR is widely regarded as a philanthropic "add-on."

The foregoing has attracted the need to explore how corporate social responsibility expenditures impact on the financial performance of financial institution in Ghana. Ample research exists on the relevance of CSR but some gaps still exist on whether the expenditure on these activities does affect the financial performance of institutions. This study sought to fill that gap by focusing on the Agricultural Development Bank (ADB), a financial institution to answer the following vital questions: which CSR activities does the ADB engage in? What is the ADB's CSR expenditure? And is there a relationship between CSR and financial performance at the ADB? In the sections that follow the study reviews relevant theoretical positions on corporate social responsibility to place the discussion in context and set the stage for evaluating the effects of CSR expenditure on the financial performance of financial institutions.

2. Literature Review

2.1 Measures of Corporate Social Responsibility

Determining how social and financial performances are connected is further complicated by the lack of consensus on a measurement methodology as it relates to corporate social performance. In many cases, subjective indicators are used, such as business faculty members (Moskowitz, 1972), or even the Fortune rankings (McGuire, Sundgren & Schneeweis 1988; Preston and O'Bannon, 1997). Significantly, it is unclear exactly what these indicators measure. In other cases, researchers employ official corporate disclosures - annual reports to shareholders, CSR reports, or the like. Despite the popularity of these sources, there is no way to determine empirically whether the social performance data revealed by corporations are under-reported or over-reported. Few companies have their CSR reports externally verified. Thus, information about corporate social performance is open to questions about impression management and subjective bias. Still other studies use survey instruments (Aupperle, 1991) or behavioral and perceptual measures (Wokutch and McKinney, 1991). Waddock and Graves (1997) drew upon the Kinder Lydenberg Domini (KLD) rating system, where each company in the S& P 500 is rated on multiple attributes considered relevant to CSP. The KLD uses a combination of surveys: financial statements, articles on companies in the popular press, academic journals (especially law journals), and government reports in order to assess CSP along eleven dimensions1. Based on this information, KLD constructed the Domini 400 Social Index (DSI 400), the functional equivalent of the Standard and Poors 500 Index, for socially responsible firms.

An alternative approach to measuring corporate social responsibility would be to draw on existing corporate social responsibility indices such as the Corporate Responsibility Index. This index was initially developed in the United Kingdom by the Business in the Community initiative, and is administered in Australia by the St James Ethics Centre. Participating companies are assessed against a corporate responsibility framework, including an examination of how corporate responsibility is translated from strategy into mainstream management practice, and how material risks are monitored and managed. The company's response is then externally audited, and results published. The reason this approach was not used for this exercise was that only one company was used at this point in time.

2.2 Measures of Financial Performance

Although measuring financial performance is considered a simpler task, it also has it specific complications. Here, too, there is little consensus about which measurement instrument to apply. Many researchers use market measures (Alexander and Buchholz, 1978), others put forth accounting measures (Waddock and Graves 1997; Cochran and Wood 1984) and some adopt both of these (McGuire, et al, 1988). The two measures, which represent different perspectives of how to evaluate a firm's financial performance, have different theoretical implications (Hillman and Keim, 2001) and each is subject to particular biases (McGuire, *et al* 1988). In other words, accounting measures capture only historical aspects of firm performance (McGuire, *et al*, 1988). They are subject, moreover, to bias from managerial manipulation and differences in accounting procedures (Briloff, 1993). Market measures are forward looking and focus on market performance. The use of market measures suggests that an investor's valuation of firm's performance is a proper performance measure (McGuire, *et al* 1988).

Prior theoretical work rooted in neoclassical economics argued that CSR unnecessarily raises a firm's costs, and thus, puts the firm in a position of competitive disadvantage vis-à-vis competitors (Friedman, 1970; Aupperle, Carroll & Hatfield, 1985; McWilliams and Siegel, 1997;). Other studies have argued that employing valuable firm resources to engage in socially responsible strategies results in significant managerial benefits rather than financial benefits to the firm's shareholders (Brammer and Millington, 2008).

On the other hand, several scholars have argued that CSR may have a positive impact on firms by providing better access to valuable resources (Cochran and Wood, 1984; Waddock and Graves, 1997), attracting and retaining higher quality employees (Turban and Greening, 1996; Greening and Turban, 2000), better marketing for products and services (Moskowitz, 1972) and creating unforeseen opportunities (Fombrun, Gardberg and Barnett, 2000). Furthermore, others have argued that CSR may function in similar ways as advertising does and therefore, increase overall demand for products and services and/or reduce consumer price sensitivity (Sen and Bhattacharya, 2001) as well as enable the firm to develop intangible resources (Hull and Rothernberg, 2008; Waddock and Graves, 1997). Within stakeholder theory (Freeman, 1984), which suggests that CSR is synonymous to effective management of multiple stakeholder relationships, scholars have argued that identifying and managing ties with key stakeholders can mitigate the likelihood of negative regulatory, legislative or fiscal action (Freeman, 1984; Hillman and Keim, 2001), attract socially conscious consumers (Hillman and Keim, 2001), or attract financial resources from socially responsible investors (Kapstein, 2001). CSR may also lead to value creation by protecting and enhancing corporate reputation (Freeman, O'Connor, Parks, Cunningham, Hurley, Haak, Dirks, & Wenderoth, 2007).

Empirical examinations of the link between CSR and corporate financial performance have resulted in contradictory findings, ranging from a positive to a negative relation, to a U-shaped or even to an inverse-U shaped relation (Margolis and Walsh, 2003). According to McWilliams and Siegel (2000), conflicting results were due to "several important theoretical and empirical limitations" of prior studies; others have argued that prior work suffered from "stakeholder mismatching" (Wood and Jones, 1995), the neglect of "contingency factors", "measurement errors" (Waddock and Graves, 1997) and, omitted variable bias (Aupperle *et al.*, 1985; Cochran and Wood, 1984).

2.3Methodological Review of CSR and Financial Performance

According to Margolis and Walsh (2002), one hundred and twenty-two published studies between 1971 and 2001 empirically examined the relationship between corporate social responsibility and financial performance. Empirical studies of the relationship between CSR and financial performance comprise essentially two types. The first uses the event study methodology to assess the *short-run* financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts. The results of these studies have been mixed. Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Welch and Wazzan (1999) found no relationship between CSR and financial performance.

The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of long term financial performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results. Cochran and Wood (1984) located a positive correlation between social responsibility and accounting performance after controlling for the age of assets. Aupperle, *et al* (1985) detected no significant relation between CSP and a firm's risk adjusted return on assets.

In contrast, Waddock and Graves (1997) found significant positive relationships between an index of CSP and performance measures, such as ROA in the following year. At the firm level, the argument against CSR is that engaging in such activity is costly, and ceteris paribus, those firms that choose to behave ethically will bear higher costs, which will in turn result in lower performance levels. Generally, the extant research on CSR and firm performance has been concentrated in the management and policy areas. The first strand of this literature looks at short-term effects of unethical behavior. The second strand looks at long term performance based on accounting or market-based ratios. Both Margolis and Walsh (2001) and Orlitzky, Schmidt, and Rynes, (2003) provides thorough reviews. Unlike the SRI literature, results are mixed, with researchers documenting positive (Orlitzky, *et. al.* (2003)), neutral (McWilliams and Siegel (2000)), and negative relationships (Wright and Ferris (1997)) between CSR and financial performance.

2.4 Relationship between CSR and Financial Performance

Banks influence the environment directly and indirectly. Ensuring that credits are used for environmentally-friendly purposes is gaining ground: some banks offer incentives towards credit facilities for so-called "green" investments. These investments can take the form of improving a buildings' insulation, more efficient heating systems which use alternative energy sources. The bank will not ask for collateral and offers discounted loans to such clients, for these types of investments. There are several examples on how banks are linking the traditional credit risk assessment with the borrower's environmental risk assessment. Companies lacking in social responsibility risk media or NGO campaigns with negative impacts on consumer behaviour and share prices. Successful CSR, by contrast, can contribute to the reputation of a company or employer as socially and environmentally responsible and thus increases its business (Miles & Covin, 2000).

Company owners or managers might commit resources to CSR activities out of a genuine concern for the problem they address and to demonstrate their personal commitment to these issues. While only a small percentage of managers today believe this to be a main motive, it is probably the only one which nobody claims to be historically new (McKinsey, 2006). Many researches have been conducted to find out the relationship between CSR and the financial performance of companies. The following sub-section looks at some of the most important and relevant empirical studies that have been carried out in the past.

2.4.1 Positive Relationships between CSR and Financial Performance

Anderson and Frankle (1980) used a firm's market value to measure financial performance and its relationship with CSR. It indicated that investors were investing more in firms who reported CSR than those who did not. Cochran and Wood (1984) examined the relationship between CSR and corporate financial performance (CFP) by using new (at the time) statistical research tools to look at financial variables working as moderating variables and was found that asset age was highly positively correlated to levels of CSR.

More recent research by Joyner and Payne (2002) also found a positive correlation between reporting CSR with performance and firm value. Joyner and Payne noted the difficulty of measuring the benefits of CSR. The authors also saw some indication of a time lag between when CSR was reported and the financial benefits seen. Parket and Eilbirt (2006) undertook some research that looked at a couple of directly related issues. The first was that managers perform a cost-benefit analysis of reporting CSR. The empirical research showed that there was no evidence to suggest that managers perform a cost-benefit analysis on CSR. One suggestion Parket made was that this would be a challenge as it is very difficult to quantify the benefits received from reporting CSR. A company may be more inclined to report CSR "when there is some fat in the company financial statements." That is a company that has spare money to invest in CSR is more likely to do so (Parket and Eilbirt 2006). This adds to the strength of the argument for companies being motivated by increased financial performance when reporting CSR, as the company could use this excess money to invest in other revenue earning investments such as bonds, share portfolios or even in the bank instead of investing in CSR.

2.4.2 Negative Relationships between CSR and Financial Performance

The first study to find a negative relationship between CSR and financial performance was Vance (1975). The study looked at share price and found that in building a portfolio an investor would be better off investing in companies who reported little or no CSR. In concluding comment, "companies have more reasons to be socially responsible than only how it affects the per share value of their common stock". The idea is that firms that have 'spare cash' available are more likely to invest in society and the environment (McGuire *et al*. 1988). This is because firms accept a responsibility to a range of different stakeholders. Firms take on the extra costs to benefit society as a whole and at the expense of their shareholders' personal wealth (McGuire *et al*. 1988). Riahi-Belkaoui (1992) found a negative relationship between external perceptions of a company's CSR activities and executive compensation schemes, providing a new angle on the relationship. Riahi-Belkaoui's findings suggest that top management may be discouraged from undertaking CSR activities due to the fact that the shareholders do not appreciate their profits being spent on activities they do not consider beneficial to them.

2.4.3 No Relationship between CSR and Financial Performance

Fry and Hock, (1976) loosely looked at members of the oil industry such as Texaco and concluded that the amount of CSR did not increase or decrease the profitability of the firm. Their concluding comments also suggest that the firm's size and public image management also determine the amount of CSR reporting undertaken. The important point raised in this research paper however, is a concern that has been raised by previous researchers as well (Aupperle *et al.* 1985, Griffin and Mahon 1997). This is that, the industry a firm operates in may have a strong effect on the results that are found when examining the relationship between CSR and financial performance. Aupperle *et al.*, (1985) measured financial performance using both long-term and short-term return on assets. No relationship was found between the variables, CSR and financial performance, suggesting the effect CSR has on profitability is neutral and by reporting CSR profits are neither increased nor decreased.

3. Methodology of the Research

This study employed descriptive research design. Descriptive research is directed towards the determining of nature of a situation, as it exists at the time of study. Descriptive research is used to portray an accurate profile of persons, events, or situations (Robson, 2002). The Agricultural Development Bank of Ghana (ADB) was purposively selected for the study. The study focused on the top level management, namely heads of finance and planning, retail banking, research and marketing and estate departments of the Bank. Semi-structured interviews were conducted with the officials to obtain qualitative information. Secondary data was also obtained from internal documents such as the bank's policies of CSR, annual reports, CSR reports and other publications prepared from 2002 to 2009. Information obtained from the secondary sources included ADB's CSR expenditures, return on equity (ROE) and net interest margin(NIM) which were used as financial performance measures.

Return on equity (ROE) measured how well a company uses reinvested earnings to generate additional earnings, giving a general indication of the company's efficiency (Bodie, Kane, and Marcus, 2002). It measures the firms overall profitability relative to the equity base available to the firm. In other words, it tells how much is earned by the firm based upon the amount of equity the owners have invested in the business. For firms in the commercial banking sector an ROE of 12.5% or greater is desirable. The net interest margin, on the other hand, is a measure of how well the institution was able to maintain a spread between its interest incomes to its interest expenses. In very simplistic terms, the higher the net interest margin the better, as it indicates a very positive spread between what is being paid out in interest expense versus what is being earned as interest income. There are no general rules of thumb for the NIM, but typical net interest margins vary from 4% to 5%. The Pearson's correlation statistics was used to generate the relationship between corporate social responsibility variables and financial performance of the bank.

4. Data Presentation

4.1 CRS Activities by ADB

The study revealed several CSR activities of ADB. These activities were mainly poverty and social interventions. The CSR activities allowed for public interaction, such as safe-drinking events or applying a donation to a community charity when consumers purchase certain brands of products, require community involvement for success. The CSR activities of ADB again create a platform for farmers to showcase their farm produce. Evidence of such is FAGRO which is aim at directing farmers on how to assess credit facilities at a reduced rate. To encourage consumer acceptance and reward sustainability behaviour, ADB often offer discounted pricing or offset programs on agric inputs. The ADB CSR products and services are categorised into three broad areas which are economical, social and environmental.

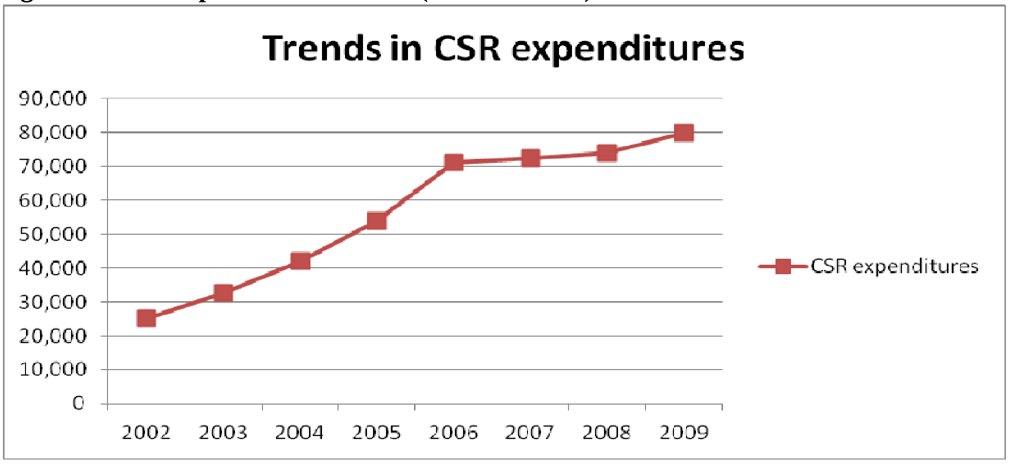
In terms of the economical, the activities included the supply of fertilizers, Farmers day sponsorship, outboard motors for fishermen and supply of poultry birds and feeds. The environmental activities of the Bank consisted of tree planting, protecting water bodies, provision of irrigation systems in the Northern part of Ghana. The Agricultural Development Bank in collaboration with the Forestry to curb on illegal chain saw operators.

The social issues related to the various social interventions investments that were made by the Bank such as investing in capital gaps in disadvantaged communities and underserved markets; financing for social enterprises, affordable housing, small business development; comprehensive community development services, including specialized non-profit services; micro-credit financing to petty traders; providing agricultural inputs and accessories to farmers; SRI funds, including community investment products; and providing social deposit accounts targeted at economic development, child care, giving out three bed room house for winners of national best farmers ward etc. A specific example is scholarships given to brilliant but needy students through the initiation of FAGRO projects.

4.2 CSR Expenditure at ADB

A trend analysis of the social responsibility of ADB and its contributions to the agricultural sector specifically has been presented below. These contributions toward the agricultural industry have been earmarked for the same reasons or expectations as presented above. Since ADB is mostly agric-oriented focus on the agric sector is not only seen as vital but specifically because of the multiplier effect on the performance of the organization, community upgrading and eventually on the economy at large.

Figure 1: CSR Expenditures at ADB (Millions GHS)



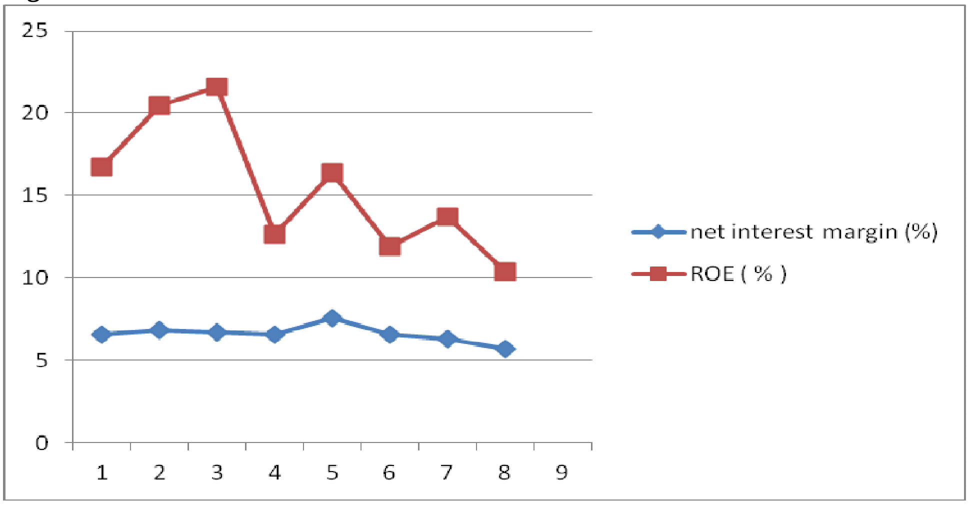
Source: Authors' own construct based on ADB Annual Reports (various years).

Annual financial reports show that overall expenditure on the bank's corporate social activities has been increasing over the years. On Figure 2, it was observed that the CSR expenditures rose steadily and sharply from 2002 through to 2006; but seems to plateau afterwards until it started rising slowly from 2008 to 2009.

4.3 Relationship between CSR and Financial Performance

The trend analysis shows that indicators of financial performance have been falling steadily and concurrently over the years. The display on Figure 2 shows that the performances of the bank over the years 2002-2009 have been falling. The empirical puzzle had been whether this has been due to the corporate social responsibility activities engaged by the bank. A Pearson correlation analysis was performed on the variables in order to determine the degree and the direction of relationship among them. Indeed the correlation statistics calculated shows that ROE and NIM are positively related but the association between them is not strong (0.535; p = 0.175). This result is very important as it gives an indication of the independent strength of the individual performance indicators. With this in perspective, then the relationship between these individual indicators and CSR variables are not achieved independently without the effect on other financial indicators.

Figure 2: Trend of Bank's Performance



Source: Authors' own construct based on ADB Annual Reports (various years).

The results as shown in Table 1 illustrates that ROE is significantly negatively correlated to CSR expenditures and number of branches (both at $p < 5\%$ level). This suggests that when ADBs CSR activities including the number of branches increases, ROE of ADB falls, holding other factors constant. Results also show that net interest margin also had a negative relationship with the corporate social responsibility and the number of branches. Indeed whilst that of the number of branches was significant; it is found that CSR did not have any significant impact on NIM.

Table 1: Financial Performance Indicators and Corporate Social Responsibility

		CSR	Branches	ROE	Net Interest Margin
CSR	**Pearson Correlation**	**1**	**.802***	**-.730***	**-.260**
	Sig. (2-tailed)		**.017**	**.040**	**.534**
	N	**8**	**8**	**8**	**8**
Branches	**Pearson Correlation**	**.802***	**1**	**-.713***	**-.722***
	Sig. (2-tailed)	**.017**		**.047**	**.043**
	N	**8**	**8**	**8**	**8**
ROE	**Pearson Correlation**	**-.730***	**-.713***	**1**	**.535**
	Sig. (2-tailed)	**.040**	**.047**		**.172**
	N	**8**	**8**	**8**	**8**
Net interest margin	**Pearson Correlation**	**-.260**	**-.722***	**.535**	**1**
	Sig. (2-tailed)	**.534**	**.043**	**.172**	
	N	**8**	**8**	**8**	**8**

The positive relationship observed for CSR, number of branches (0.802; $p < 5\%$) shows that the increase or expansion of the bank over the country affects positively and significantly its social responsibility activities; since projects are community-based. A historical examination of ADB's CSR activities shows that the bank used to concentrate most of its social activities in the agric sector mainly to boost the industry and make it more commercially viable; however with time, various dimensions have enrolled into the social projects including the donation of desktop computers, in 2011, to the Ghana Education Service for the promotion of ICT across the country.

5. Discussions

The findings of the research indicate that when many components of social responsibility are performed the total expenditure increases which impact negatively on the financial performance of the bank in the short-term. It means that the expansion of corporate social responsibility beyond the operations of the bank, but such expenditure will not yield direct returns on the firm in the short term. Meanwhile, such activities invariably leads to some improvement in the overall living standards of the country as well as improving economic growth as the multiplier effects impact on growth indicators. The medium to long term benefits are rather seen when living standards or economic growth indicators are enhanced, the bank will thrive as the rippling effect affects the industry in which the bank is skewed towards. Indeed a company that pursues a vigorous CSR is also entitled to some tax exemptions which can impact on the financial performance of the company in the medium term.

Additionally, a positive relationship is observed when CSR is highly concentrated in sectors which are important to the organization or in areas where the bank has its competitive advantage. In this scenario any investments made will in turn yield returns that will directly boost the performance of the company. For ADB, such a sector is the agric sector. Any investments made in the agric sector therefore directly yields returns as the extra cost are covered as the stakeholders are improving in welfare and their engagements. For instance, fertilizers to cocoa farmers will help farmers improve upon yield which will invariably results in higher farmers' income; and since these farmers are saving with the bank the increase in income levels will mean higher savings and investments in the bank. Because there is a mixed relationship between the corporate social responsibility and the bank's performance, it confirms the conclusions drawn by Adams and Zutshi (2004) that there is no relationship between CSR and financial performance. This makes it difficult to reject the null hypothesis of the study.

6. Summary and Conclusion

The study examined the effects of corporate social responsibility activities on the financial performance of the bank. This was measured with indicators such as Return on Equity and Net Interest Margin. The study depicted that corporate social responsibility leads to decrease in financial performance when activities are expanded outside its functional areas. However, positive financial performance is realised when corporate social responsibility activities are limited to the areas where the bank has achieved competitive advantage. The research suggests that firms with better CSR performance are better positioned to obtain financing in the capital markets, which positively affects their ability to undertake major strategic investment decisions and eventually yield positive stock returns

7. Recommendations

Donations are often ad hoc and limited to philanthropic activities or simple donations, which tend to be focused on the short term and contribute little in terms of sustained benefits for either the community or the company. Banks on the other hand should engage more in activities and practices which are both more closely linked to the core business and are more directly profitable, increasing their awareness of "the business case for CSR" and strengthening their planning processes. Both internal and external CSR practices should be integrated into banks' strategic planning in order to specifically target those elements that impact positively on their competitiveness and profitability. This will also increase the sustainability and the overall development impact of companies' initiatives.

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