

# Chapter 9

## Commercial Bank Corporate Social Responsibility Practices in Tanzania

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**Abstract** The present chapter offers a preliminary exploration of the CSR issues being addressed and reported by five commercial banks in Tanzania. These issues are illustrated through an examination of how CSR is operationalized within the commercial banking industry within Tanzania. The commercial banking industry is chosen for review because its operations affect all aspects of the country's economy and citizenship. Moreover, the regulatory and reporting requirements of commercial banking allow for ample documentation that can be reviewed to assess the industry's approach to CSR.

Like most countries in Africa, Tanzania faces number of environmental and social challenges. These include, but are not limited to, land degradation, climate change, over exploitation of natural resources (e.g. over fishing and mining), illegal timber harvesting and poor access to social services such as education, health services and utilities. Given this situation, commercial banks play a key role in protecting the interests of the community, especially in distributing financial support to various programmes which sustain the environment, communities and their populace.

Content analysis of the banks' annual reports is presented and discussed. Particular attention is given to mission and values statements, board composition, social and philanthropic activities and compliance monitoring. The chapter concludes with a discussion of the policy, strategy and research implication of the findings.

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## 9.1 Introduction

Corporate social responsibility (CSR) is a topic of increasing importance in studies of business operations, not only in developed countries but also in developing countries (Fifka, 2013; Idowu & Louche, 2011). There many reasons for the growing prominence of CSR in developing economies, particularly in Africa. Chief among these is the exponential growth in direct foreign investment and the collapse of centrally regulated economies in some developing countries. For instance the collapse of the central economy in Tanzania in mid-1980s and the accompanying emergence of private sector enterprises presented a challenge to business enterprises: how to balance the interests of a wide range of stakeholders whose protections may have been abandoned by a centrally regulated economy with the interests of the businesses themselves.

Furthermore, the increased presence of multinational companies (MNC) in emerging economies has led to greater concern with CSR due to the pressure from consumers in the multinationals' countries of origin. With the continued globalization of MNCs' activities, these companies are self-conscious of their business activities with a mind to protecting their image and their brand. Africa is perhaps the prime example of how these economic and social forces are being played out with the arrival of MNCs and the growth of sophisticated consumers within the African populace who can use their voices and purchasing power to influence companies' actions.

In the past, indigenous CSR practices in Africa were primarily evident in the activities of small scale growers who sought to sell at international markets through schemes such as Fair Trade growers and producers. For example, in Tanzania Fair Trade, CSR practices that included avoidance of child labour and good agronomic practices started as early 1985 by small scale farmers in Kagera operating under Kagera Cooperative Union (KCU) ([www.fairtrade.org](http://www.fairtrade.org)). Fairtrade guidelines have evolved further due to various policies and procedures introduced by foreign buyers in Europe and America. Some newer practices are reducing the use of pesticides and planned cultivation near water catchment areas.

Studies on CSR in Africa are on the rise despite the fact that not much is known about corporate practices across a wide range of industries in Africa and other developing areas (Dawkins & Ngunjiri, 2008; GIZ, 2012; Jamali, 2007). Africa focused journals, such as *African Journal of Economics and Management Studies*, have set special issues to spotlight CSR activities in the continent. The most commonly represented countries on the continent in these studies are Nigeria, Ghana, Egypt, Kenya and South Africa.

Scholars have proposed different dimensions to be used as the framework of CSR study. Whooley (2004) conceives of four dimensions for CSR evaluation: marketplace, workplace, environment and community. These dimensions, however, are not discrete. For example, there is no marketplace without a community. Bowd, Jones, and Tench (2009) classify CSR activities along an internal and external dimension with focus on corporate social irresponsible and corporate

social responsibility. However, some significant elements of CSR such as environment, workers' rights and community do not fit neatly into this categorization.

Kolk and Muller (2009) observed that CSR is new phenomenon in most of developing economies and Tanzania in particular. The newness of the phenomenon explains why the parameters of CSR and understanding of them are still evolving. Researchers from developing countries readily recognize that CSR includes philanthropic activities in the community (Ofori, 2005; Ofori & Hinson, 2007). Philanthropy, however, is only one aspect of CSR.

Moreover, what is considered philanthropic may vary depending on point of view. Ako (2012), in a study conducted in Nigeria, found that what were perceived to be CSR activities by corporations extracting oil in Niger Delta were actually not at all activities that were viewed positively by the local community. A challenge, therefore, is to unbundle CSR activities in order to see how they truly incorporate and meet the needs of community. The challenge is especially strong in the countries where the economy is embracing private sectors and new techniques of doing business are introduced, such as in Tanzania.

In addition to a definition of CSR, one must consider what managers do with information encompassed by CSR activities. Carroll (1979) and Clarkson (1995) argue that managers must make decisions that integrate stakeholder's needs, rather than focusing only on firms' legal responsibilities and financial gain. To understand how organizations formulate and implement CSR, McWilliams, Siegel, and Wright (2005) call for more investigation on how practitioners can work in these complex business situations. In addition the sector or industry in which CSR operates must be considered. With relevance to the present chapter, Hinson and Kuada (2012, 2013) looked at international versus local banking companies in order to understand CSR activities.

Overall, a major challenge in defining CSR is that it means different things for different people (Abdellatif & Othman, 2011; Ako, 2012). It is not the focus of the present paper to offer an integrated definition of CSR, Nevertheless, the authors believe that CSR is a multi-faceted and multi-axial concept. The facets of CSR include elements that are internal to business operations (for example: board leadership, integrity practices, employee practices) and elements external to the operation (for example: relationships with suppliers and community members, responsibility for community welfare). Each of these facets will be present or absent in the business's operations and, when present, along an axis of its relative importance for the business organization.

One consistent CSR finding from studies conducted in Africa that is that stakeholders' interests are not well presented in the CSR strategies formulated and implemented by corporations in Africa (Ako, 2012; Badu, Edward, Holt, Lichtenstein, & Owusu-Manu, 2013; Hinson & Kodua, 2012). This omission is of concern in the present chapter and, it is argued, should be considered in all definitions of CSR.

Who are key stakeholders and how can or should their interests be considered by a business organization in addressing its social responsibility? The corporation-stakeholder relationship is at the nucleus in the formulation and implementation of

strategies that affect various stakeholders in the complex business environment. Furthermore, a corporation can best meet the challenges of operating in a foreign market by understanding the culture and the influence of the proximal community on its activities.

## 9.2 Banking, CSR and the Tanzanian Banking Industry

Since the Renaissance and more prominently since the nineteenth Century, commercial banking has been a keystone to the social and economic development of nations and other political entities. As a primary source of capital, commercial banks continue to play a primary role in the direction that economic development will take. Certainly, with respect to any discussion about economic development in Africa, commercial banking must be considered for it was through this system that, for better *and* worse, European investment and colonization of Africa was largely financed.

In this regard and others, economic changes have innumerable societal implications. The development of a society and a country cannot be separated from its economic development. Thus, commercial banks are arguably the primary force affecting the evolution of social habits and values. Considering commercial banking in this way, social responsibility, whether deliberately or by default, is an integral part of a bank's identity and operations.

In Tanzania, the banking industry is a large and very important sector in the economy. Macro-economic reforms in 1992 led to the emergence of private banking and the privatization of state owned commercial banks. In specific, private commercial bank grew from 4 state owned banks to 50 private commercial banks between 1992 to the present 2012 (BOT, 2012).

Commercial banks in Tanzania are major players in the economy as a whole and also through their impact on local communities. Every bank loan or investment decision has a potential impact on the community and its sustainability. For example, it is estimated that the loan provided by financial institutions to private sector in 2001 was 5.4 % of the GDP which increased to 18 % of the GDP in 2011 (BOT, 2012). Most Tanzanian commercial banks claim to be major stakeholders in the protection of community interest. However, this claim is difficult to reconcile with various environmental reports of the impact of industrial and commercial development supported by them.

For example, recent years have seen an increase in land degradation and illegal log business as well overexploitation of nonrenewable natural resources leading the Tanzanian government to ban exportation of logs in 2004 (URT, 2009). Illegal timber business in Tanzania is estimated to be US\$58 million annually (Daily News, 2014). The timber businesses in Songea ran into conflict with district councils who claimed that the loggers are encroaching on water catchment areas. The timber sellers complained that they have loans to support their work and that these council decisions are unfair and jeopardize their own business interests. These

**Table 9.1** Selected demographic and economic data, Tanzania, 2013

Data category	Data
Population	49.2 M
GDP (US Dollars)	33.225 B
Gross National Income (US Dollars)	630
GNP growth rate	7 %
Inflation	7.90 %
Life expectancy 2012	61
Poverty rate 2012	28.2 %
Rural population with improved water access 2012	44 %

<http://data.worldbank.org/country/tanzania>

loans came from commercial banks. Is the bank’s loan to loggers an indication of social responsibility or the lack of responsibility?

Selected information about Tanzania is listed in Table 9.1. The country ranked 6th in population in Africa. The GDP growth in 2012 and 2013 exceeds that of Nigeria (5.4 %), the continent’s largest economy, and that of sub-Saharan Africa (4.2 %) as a whole. Tanzania’s pace of GDP growth is predicted to continue through 2017.

### 9.3 Stakeholder Theory

An organizing factor in the present study is stakeholder theory. The theory holds that the existence of an organization has to benefit the surrounding community. The theory, propounded by Freeman (1984), understands the importance of community for the existence of a firm. Aravind and Arevalo (2011) note that the theory seeks to explain how organizations respond to the needs of the customers, employees and community at large.

Stakeholder theory has been widely used to understand the impact of a firm to a community and how the community perceived the existence of an organization. In Africa, Ihugba (2012) studied the CSR impact of tobacco companies in Nigeria. Perera and Tobey (2012) examined the model of stakeholders with focus on developing economies. The current study referred to the theory to investigate the CSR practices in banking industry in Tanzania.

Of particular note, stakeholder theory expands the corporate focus beyond primary financial responsibility to include other generally non-financial responsibilities it owes to society and the rationale of such responsibilities (Ihugba, 2012). In general stakeholders can be perceived those who have direct and indirect relationship with the firms. In developing economies such as Tanzania, government is expected to engage and solve some of the community problems as part stakeholders.

Freeman (1984) defined stakeholders as those groups or individuals who can affect or are affected by achievement of an organization’s purpose. Hill and Jones

(1992) included others with who also influence corporate decisions making such as local or national NGOs.

It is estimated that 12 % of Tanzanian population had access to banking services (BOT, 2012). Nonetheless, through its loans and financial interventions which may create jobs or destroy rural livelihoods, banks have a large impact on communities even if no one in the community held a bank account. Therefore, stakeholder theory, which includes community members as key bank stakeholders, is relevant to a review of CSR in the Tanzanian banking industry.

## 9.4 Method and Data

In the present study, annual reports, specialized CSR reports and other website information from Tanzania's top five commercial banks were reviewed. Banks were selected based a number of criteria, key among them bank assets as identified by a 2012 Serengeti Advisors report. This sample of banks provides an opportunity to explore the conceptualization of CSR and the influence of stakeholders in CSR activities.

Since 2002, banks and other financial institutions in Tanzania are required to share their annual reports with the community. Table 9.2 shows the leading bank is CRDB in terms of market share which estimated to be 15.13 % (Ernst & Young, 2012; Serengeti Advisors, 2012).

Another criterion for inclusion was the number of bank branches. For instance Exim banks and Barclays are number 5 and 8 in terms of assets but were included due to having a wide network compared with other banks which seems to be in top five but only operate in commercial city of Dar-es-Salaam. On the other hand, Citibank is highly ranked in assets but has few branches in Tanzania.

The number of employees at each bank was a further consideration in selecting the banks for review. The Tanzanian banking industry is estimated to provide employment to 12,196 workers with total assets of Tsh 17.9 trillion (Serengeti Advisors, 2012).

Out of five banks reviewed, two banks, CRDB and NMB, are listed on the Dar-es-Salaam stock market. Furthermore, the government of Tanzania is a major shareholder of NBC and NMB. For example, the Tanzania government owns 31.8 % shares of NBC and is one of the major shareholders with more than 10 %

**Table 9.2** Key data on Tanzanian banks reviewed for this study

Name of the Bank	Rank in 2011	Market share (%)	Number of employees
National Bank of Commerce	3	8.22	1441
National Microfinance Bank	2	11.98	2650
Exim Bank	5	6.89	562
Barclays Bank	8	3.48	568
CRDB	1	15.13	1658

Source: Serengeti Advisers (2012), Ernst and Young (2012)

**Table 9.3** Bank reports reviewed for study

Banks	Reports	Total
NBC	2005–2011	7
NMB	2008–2013	6
Exim	2000–2005, 2008, 2010–2012	10
Barclays	2009–2011	3
CRDB	2008–2012	5

of NMB (NMB, 2009; NBC, 2012). Barclays Bank TZ is subsidiary of Barclays South Africa. Exim Bank is a family bank, fully owned by indigenous Tanzanian entrepreneurs.

Most of the banks' annual reports are available online from 2006 to 2013. There are few online reports prior to 2006. The reporting of CSR activities is variable across years. For instance NBC bank initiated CSR activities in 2014 however, a report from 2005 was found.

Reports claimed NBC's CSR initiatives have been in effect since 2004, although, the earliest information that can easily be accessible online is the annual report from 2005. Nonetheless, given that this bank was established in 1967, the presence of a CSR initiative since 2004 is another indication of the increased importance of CSR in this bank and its recognition of the importance of community responsibility as a tool that could aid in its competitiveness.

The data regarding banks and reports reviewed are shown in Table 9.3.

Having collected the data from the various sources, the authors reviewed and re-organized data into key categories that reflect the bank's internal and external operations. The authors did not follow an established strategy for organizing the data. Rather, they sought to present the information in a format that covered the key operational areas and provided coherence within topics.

The content methodology employed here has certain limitations. Thorough understanding of business operations and, perhaps more importantly for a study of CSR, organizational culture requires more than published data from the banks or from third party sources. Were it feasible, interviews with bank officials and employees as well as direct observation of operations in various banking venues would have supplemented the data reviewed in the present study, and greatly strengthened and deepened conclusions that are drawn. Therefore, the current presentation of data should be seen as only one step along a path to greater understanding of CSR within the Tanzanian banking industry.

## 9.5 Findings

### 9.5.1 Board and Governance

Information about board members is provided in each annual report. The banks vary in their degree of turnover in the board membership. They also vary in the percentage of native Tanzanians and women represented on boards. In general there

are few women represented in board leadership positions. CRDB is notable for having two or three women on its board during the years 2010–2012. NBC specifies the nationality of its board members, with Tanzania being the most frequently represented nationality (5 out of 11), and 9 of 11 members identified as African (NBC, 2011).

Board membership representation by nationals in a Tanzanian bank is no guarantee of social responsibility. Lack of national representation would, nonetheless, appear to be an obstacle to creating the bond between the bank and the community. Moreover, the presence of nationals on the bank's board serves as a leadership model to employees, to the general populace and to the country.

The banks speak of the importance of ethical reporting and governance standards. CRDB is noteworthy in this regard, including a special section of its annual report entitled *Ethical Behaviour and Organizational Integrity*. Here is a sample from one report, "The CRDB Bank Group's corporate governance structure involves managing and controlling relations shared amongst different stakeholders including shareholders, Board of Directors, employees, customers, suppliers and the community at large. Additionally, the corporate governance is also about commitment to values and ethical business practices as enshrined in the CRDB Bank code of ethical conduct, which governs all of its business."

## **9.6 Customer Products, Including Outreach to Marginalized Groups**

Financial services of savings and loans and associated risk management are the core of commercial banking. Each bank describes ways in which it seeks to expand these services to as many customers as possible. Is this expansion a corporate social responsibility? In a developing country with limited access to capital among most of the population, the authors believe that such expansion is indeed a social responsibility. Thus, banks are presented with competing CSR responsibilities: expand the access to capital for the population in order to facilitate economic and social development yet, also, manage risk in order to maintain the stability of the bank as a social institution.

In terms of reaching out to the population, the banks surveyed included a number of strategies for accomplishing this goal. They have promoted more flexible bank cards and automatic teller machines (ATM) terminals. NBC described an Islamic banking product. This offering addresses the unique needs of individuals who wish to conduct their banking in adherence with Islamic law regarding money management. It shows the company's particular sensitivity to this group of people in its market.

Each bank lists the aggregate amount of loans to small and medium enterprise business (SME). Previously studies in Tanzania indicated that financial constraints are the major drawback to many entrepreneurs and SMEs who do not have access to

banking services (BOT, 2012; Kuzilwa, 2005; Mbwambo & Tundui, 2003). Presumably the aggregate loan amounts could be understood as an indication of the bank's commitment to business development among this population. Were the percentage of SME loans small compared to the overall banking operations, one might wonder about the bank's commitment to financial development among the nation's population given that most Tanzanians operate small and medium size enterprises if they operate an enterprise at all. A problem, however, is that there is no historical nor industry measure to determine if a given percentage of SME loans is small or large.

The Tanzanian population is about 50.3 % female in 2012 (URT, 2014). Previous studies in Africa shows that women receive fewer loans than men, perhaps due to their more limited opportunities to learn business negotiation skills in order to secure loans (Kibanja & Munene, 2009). Similarly, research conducted by Kuada (2009) found female entrepreneurs tend to have more difficulty in accessing bank finance in Ghana.

In this regard, Exim Bank designed financial products to support women in the country. These products include finance programmes which focus on training and empowerment of female entrepreneurs to help them more readily access loans. The programme aims at developing small scale female entrepreneurs in different sectors in the country by training women in business skills, networking with other business communities, building referrals, awareness to the banking sector and its activities. Thus the bank supports women who have no opportunities and helps them build their own support structure to elevate their social economic status. Up to 2010 Exim reports having trained 1348 individuals covering eight regions. Loans amounting to Tsh 10.39 billion were granted to women working in mining, food processing, education, trading and manufacturing sectors (Exim Bank, 2010).

## 9.7 Consumer Privacy and Protection

Each of the banks has different commercial offerings to provide consumers with banking product choices. These product offerings are continually evolving and expanding. Significantly, though, none of the annual reports make mention of consumer privacy and protection. Barclays does note, in the 2010 report, an enhancement to its consumer relations management tool which will be implemented in the coming year (Barclay Tanzania, 2010). This tool will help the bank "to manage consumer relations and tap sales opportunities better." No further information is provided but it is included in a section of the report entitled, "Customer Focus."

### **9.7.1 Labor-Management Relations**

Each bank reports about its labor management relations. What is not stated is how these relations are structured. One hopes that the relations are set up to include regular communication and adequate representation from each side in labor-management meetings in order to maintain a productive, working relationship. CRDB reports that it entered into a collective agreement with Tanzania union of industrial and commercial workers (TUICO).

#### **Employees**

Each bank asserts its commitment to employees and to maintaining a diverse workforce. With respect to gender balance, the banks show consistent numbers across the years surveyed. In 2011 the percentage of female employees is as follows: NBC 50.5%; Barclays Tanzania, 44% and CRDB 40.5% (National Bank of Commerce, 2011; CRDB 2011; Barclays, 2011). Unstated are the types of positions that are held by each gender and the equity in terms of salary.

The banks also report on the numbers of individuals with disabilities in their workforce. These numbers are small (<10 employees). For instance, CRDB reported to have two employees with disability (CRDB, 2010). Again, the specific positions that are held by employees with disabilities are not stated.

Although gender equality and equal opportunity are important ethical principles, their connection to corporate social responsibility is not clear. As noted, the gender ratio among the overall Tanzanian population is 50.3 female. NBC could be viewed as a gender sensitive bank with a higher number of female employees than the population percentage. The population of the Tanzania, however, is widely dispersed with small pockets of high density and large areas of low density. Thus, it is difficult to make confident assertions about commitment to gender equality just based on reported employment data.

What is not mentioned in the documentation available about the bank's activities, and what would constitute a good CSR practice, is information about the accomplishments of a given employee from an under-represented group. This type of information can provide a model for current and future employees and be an opportunity for the bank to concretize its commitment to employee support and development.

#### **Employee Benefits**

The banks report on their commitment to their employees and they present evidence of this commitment in a variety of ways. Such evidence covers a range of topic including remuneration, benefits and training development, equality and diversity, health safety, and recruitment.

The banks report on the benefits provided to employees. These benefits include medical coverage, pension contributions and loans to employees. It is noted that in 2012, CRDB discontinued its defined benefit (pension) plan for employees. NBC notes how it assists employees in Hajj planning, again a statement about the bank's commitment to a particular group of consumers within its market.

Employee training is described in some detail. For example, CRDB reports Tanzania shillings 4.07 billion spent on employee training in 2012. This amount is more than the amount used in 2010 which is estimated to be Tsh 3.6 billion (CRDB, 2010, 2012). The details of the training are not provided, including whether the training was completed in-house or was distance learning. Of interest would be the degree to which the training enables employees to advance in the organization and develop skill sets that will help them manage in the continually changing, global work environment. Barclays Tanzania also reported nearly doubling its expenditure for employee training from 2010 to 2011, though in overall amounts less than those reported by CRDB: Tsh 270 million in 2011 and 150 million in 2010 (Barclay, 2011; 2010).

CRDB bank offers work-life balance each year with its employees and their family throughout the country. It is a one day event for celebration with their family, called '*a family day.*' In general all banks in the country have this day special for employees from office to socialize and play together with other staff family members.

### **9.7.2 Environmental Protections**

The current review revealed that banks in Tanzania indicate that they do address environmental concerns as part of their CSR efforts. These efforts, however, are limited to piecemeal projects. This action may be the consequence of the bank leadership. The boards of directors in the banks' surveyed are comprised of individuals from a finance and economic background rather than from an engineering or life sciences background. This background may explain the limited focus of banks on environmental sustainability, which is not an area of core competency nor one in which board member have historical experience.

In a section of its 2012 report entitled, Environmental Control Programme, CRDB reports, "The Company supports investment in sectors such as, agriculture, industry and tourism, in which environmental protection and conservation are a major issue at a time when climate change poses a serious challenge to all countries including Tanzania. In supporting conservation and environmental protection efforts, the company insists on compliance with statutory environmental impact assessment (p. 70)."

This verbiage, however laudable, is unchanged across the three annual reports that were surveyed (2008–2010). Nonetheless, it does speak to the understanding of environmental issues as ones that span different areas of internal and external

banking operations. Moreover, CRDB notes that environmental issues are among the priority areas for its philanthropic support work.

Barclays and NBC report that they have supported the World Wildlife Foundation as part of its community engagement activities. They do not, however, describe a strategy or a mission to address environmental issues across the scope of activities in a way that is done by CRDB.

Environmental issues were one of the areas in which Africa has many challenges with which to contend. As noted earlier land degradation, overfishing, illegal log harvesting and land agricultural practices near the water catchment areas are all of concern to the overall environmental health of the communities and the country at large. All leading banks in Tanzania are reporting initiatives that have been taken to minimize or reduce the problem in particular in supporting of projects that environmental friendly. Exim Bank Tanzania, (2008, 2010) for example has introduced e-banking the company has invested heavily in Information and communication technology (ICT) to reduce the drain on non-renewable resources such as paper (2008, p. 14; 2010, p. 11).

### ***9.7.3 CSR Activities Funding***

Having a section of the annual report entitled CSR says quite a bit about the bank's approach to CSR, though not necessarily in the way that the bank may have intended. That is, by creating this section the bank in effect states that CSR is seen as a separate set of activities, apart from the bank's other operations, rather than being something that is woven into all banking activities. Arguably Barclays' use of the term Community to describe these activities suggests less of separation than the term CSR used by NBC and CRDB.

The banks report a variety of activities supporting key priorities as indicated in Table 9.4. As noted above in the example, Table 9.4 shows that NBC states its prioritization and allocation of funds across three areas: Health, Education and Job Creation. The other two banks are not as clear in their percentage allocation but their choice of activities is consistent with these three areas. Barclays notes three areas (without detailing the specific allocations): Financial literacy, Job creation and entrepreneurship and maternal and child health. The last category, maternal and child health, is listed as specific to Tanzania. Presumably the first two categories are uniform across all Barclays entities.

Most of the support provided to these organizations is financial. Some banks detail the amount of support provided. Table 9.5 shows NBC reports a sharp decline in CSR funds from 2010 to 2011 is noted in the report although not explained. The same phenomenon happened to CRDB in a year 2010–2011 declined on averages by 38 %. It may be a result of the overall economic situation of the bank at the time (Table 9.5).

In its 2010 report, NBC stated that it invested Tsh 420 Million in CSR activities compared to Tsh 398 M in 2009. The funds were allocated accordingly: Health: 30 %; Education: 50 %; Job Creation: 20 %. The following groups were noted as recipients of support from the bank: Albino employment and outreach programs,

**Table 9.4** Tanzanian bank CSR activities

Activities	Banks' name				
	NBC	CRDB	NMB	Exim	Barclays
Health	√	√	√	√	√
Education	√	√	√	√	√
Job creation	√	×	√	√	×
Environment	×	√	×	×	√
Women empowerment	×	×	×	√	×

Source: Various banks reports from 2005 to 2013

**Table 9.5** Amount allocated for CSR by Tanzania' banks (Figure are in million Tshs)

Year	Banks' name				
	NBC	CRDB	NMB	Exim	Barclays
2008	–	–	515	–	–
2009	398	–	500	49	ns
2010	420	149	503	15	ns
2011	297	92	570	53	ns
2012	–	–	–	–	–
2013	–	–	–	–	–

Source: Various bank reports from 2008 to 2013

ns not specified

Autistic Centre, Disabled handicrafters, Little Friends group, Temeke and Kilindoni primary schools, AMREF and PASADA HIV/AIDS support programs, Colleague Job Creation initiative, Tumaini University and Bagamoyo schools.

Leading firms focus on being a 'good neighbors' within their local community (Comfort et al., 2005). Exim Bank reports community support for health facilities, construction of water wells for communities, and sponsorship. The bank participated in fund raising and in the fight against malaria in April 2010. Exim also donated the eight beds to be distributed to municipal hospitals in Mbeya to curb the acute shortage where expectant mothers at times had to deliver on the floor.

With respect to healthcare issues, the most common reported issues are the involvement of in fight against diseases like malaria and HIV through construction of and rehabilitation of dispensaries and hospitals, and construction of water wells in urban and rural areas.

### 9.7.4 Employee Involvement in CSR

Employee involvement is a way of making community support activities more personal for employees, encouraging and training them to "walk the walk" of social responsibility. As will be noted later, we recommend that CSR activities in the community be structured to maximize employee involvement. Of the banks

surveyed Barclays is notable for a high degree of employee involvement and participation the activities. They note that in 2009 employees participated in 23 community projects and in 2010 employees participated in 30 such projects.

### ***9.7.5 CSR in the Supply Chain***

Do the banks insist on the same ethical and compliance standards among those whom they support with loans as they insist on for themselves? Have loans been denied because a given enterprise did not meet certain compliance standards with respect to business activity? This information is difficult to ascertain through the review that was conducted for this chapter. It is, however, felt to be extremely important in assessing CSR activities among banks.

### ***9.7.6 Banks and the Media***

Undoubtedly, the banks surveyed, and all businesses, utilize media to promote their business activities and to publicize their successes and good works. The current review did not find specific information about how the banks interact with media.

It is noted that some of the banks' annual reports, such as CRDB, are written in English and Kiswahili. This choice of languages indicates the target population that the bank is choosing to reach with its publications. Some reports use a variety of graphics and colors. Barclays Tanzania has annual reports that are narrative documents without photographs or other graphics. Further research on how the banks use print media and social media will provide a fuller picture of their degree of engagement with the surrounding communities.

### ***9.7.7 Political Activities***

What role do the banks play in political advocacy within Tanzanian society? Presumably this role might be determined in part by their choice of board members. Of interest is the inclusion since 2011 of a former Tanzanian prime minister on the CRDB board. It is common across the globe to see former elected officials moving on to other positions within the private enterprise world. Clearly, the prestige, credibility and connections that these individuals carry can bring an advantage to a business. But, perhaps just as often, their presence, because of their past political work, could be an obstacle to community engagement.

The authors wonder about the limitations of a strategy of selecting high profile, well-connected individuals to a bank governing board. To be sure, this strategy is used world-wide across industries. Africa is very dynamic continent and young

consumers are more powerful and more informed. Therefore, a bank must consider that the impact of choosing board members with interest of winning the interest of political party may indirectly silence other important community voices. As these connected individuals may facilitate some aspects of banking operations and growth, they may also, because of their past political work, be an obstacle to community engagement.

## 9.8 Conclusion and Recommendations

Based on current review, CSR in Tanzanian banks is conceived of as a community-based, philanthropic activity. CSR occurs primarily outside of the bank's internal operations and does not involve the bank's primary stakeholders. In general the study indicates that banks in Tanzania consider stakeholders' needs in implementing of their CSR plan. This is similar with Aravind and Arevalo (2011) for India's firms. The general findings here, however, point to the need for a more comprehensive CSR model for banks. Such a model should expand to include those indirect stakeholders of banks, particularly the non-banking populace, most of whom are the powerless, rural, poor segments of society.

There is evidence, however, of other activities that show banks' social responsibility but are not labelled as such. Chief among these is each bank's product offerings. These offerings show an interest in expanding markets, in reaching underserved communities, in educating these communities and in seeking to rectify gender, religious and ethnic disparities.

The data reviewed here also demonstrate the banks' concern with managing financial capacity and risk. These activities are also a social responsibility though not labelled as such. One need only think back to the banking crisis in 2008, caused in large part by gross inattention to risk by some major banks. This irresponsibility led to major societal disruption from which some parts of the world are only now recovering.

Moreover, the banks' espoused ethical standards are consistent with a larger concept of CSR. They maintain fair accounting and employment standards. They seek to develop the same among the recipients of bank loans. These elements are essential for the bank to be able to perform operations, engage in responsible lending and be sustainable businesses.

Simply engaging in community support activities or funding an environmental awareness campaign, however, does not demonstrate a vibrant CSR culture in a bank, or any business. Rather, the quality of these activities must be considered. Are employees engaged in the bank's community activity? Is a connection drawn between the philanthropic activities and the business product offerings?

For example, a bank's buying new school buses helps the recipient school fulfill its mission by getting students to and from school. But, providing loans to bus drivers so they can start their own transportation business, including bus drivers and students in a bank's community advisory board and providing financial literacy and

on-the-job internships to the students in the school will go much further in strengthening the community. These latter activities can also be considered a corporate social responsibility.

It is recommended that further consideration be given to the connection between CSR and corporate growth and learning. The CSR activities themselves seem to be teachable moments that are lost because the banks do not connect them more closely to mission, values and operations. It is not apparent that the well-meaning spirit of these activities is driven by nor even mirrored in a similar spirit within the bank's internal operations.

In this regard, a country's culture of work may affect how the organization incorporates employees into its CSR activities. The beliefs and values of an organization towards community members can be affected by past history. Newenham-Kahindi (2011) conducted a study in Tanzania and found that employees in banking industry are ready to learn new things introduced by multinational corporations. These same employees, however, expressed dissatisfaction due to low wages, excessive hours (>8 h per day) and inflexibility of work schedules preventing employees from being able to work while continuing their education. These young employees nonetheless continue to work with the bank because of high unemployment rate in the country and limited other options.

It can be argued that banks in Tanzania are being expected to demonstrate CSR without the necessary tools to do so. GIZ (2012) recommends national level communication and coordination of CSR definitions, standards and efforts in Tanzania. If these recommendations were implemented, they would afford banks (as well as other industries) a CSR infrastructure on which to build a more comprehensive CSR plan. Seen this way, the banks' CSR activities detailed in the current study are a significant accomplishment because they were realized *despite* a weak Tanzanian CSR infrastructure.

Currently in most African countries CSR activities are driven by social networks and political influences. Therefore, CSR activities intend to achieve political acceptance with less focus on consumer orientation. The rapid yet erratic economic growth in Africa has at times led to inadequate supplies of goods and services testing the tolerance of the consumer market. In coming years African consumers will express their opinion through their buying power, supporting or boycotting products and services that do or do not take into consideration social concerns such as environment and employee welfare. Thus, business must acknowledge the growing numbers of these sophisticated buyers and must change the orientation of their CSR activities accordingly.

Herein is an inherent paradox of CSR in the banking industry and perhaps beyond. Through their CSR activities, banks can further develop the market of potential consumers. In doing so, however, they cede power to these consumers who are now in a position to make choices which may or may not be in the bank's favor. Rather than ignoring this paradox or struggling against it, banks should get ahead of the change and embrace the essential interconnectedness between a business and the community it serves. It is not possible for one to prosper apart from the other.

These observations suggest that further research on the CSR be focused on a consumer perspective. How do consumers perceive the CSR activities implemented by banks? How do they perceive the way CSR activities are communicated by providers in African society? What is the impact of gender at all levels (managers and board members), the performance financial institutions and the CSR activities they undertake?

As noted earlier, it is recognized that the methodology and data presented here represent only one aspect of business operations. Therefore, further understanding will be gained by review and analysis of more direct data about the banks through interview with bank leadership and employees and first hand observation of banking operations. In fact, in keeping with the notion of community collaboration, a valuable direction for study would be a collaborative longitudinal research project with banking personnel and academic researchers about the banks' operation. The breadth of information provided through inclusion of bank personnel in the study and the examination of changes in banking operations over time will also help to understand the impact of larger economic and political changes that face a business and how a business adapts to these changes within in the parameters of its sense of CSR.

Although it is felt that an African CSR model has not yet emerged, there is reason to be optimistic. The core elements of the model exist even if they are not yet fully integrated. Chief among these elements is a focus on the interconnectedness between the business organization and the community in which it operates. This connection, as is emphasized here, is indisputable. But it is not yet in the forefront of those who lead and manage CSR.

Perhaps it is overambitious to expect a uniquely African CSR model to be established at this point in time, based on the state of many aspects of African society—where connections between businesses and communities are fragmented or at least under development. Nonetheless, it is vital that this ambition be stated. The challenge for all Africans is to make this connection prominent and in doing so lead the rest of the world to see its value.

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