UNIVERSITY OF CAPE COAST

CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM FINANCIAL INSTITUTIONS IN THE CAPE COAST METROPOLIS: THE MODERATING ROLE OF FIRM REPUTATION

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BY

TIMOTHY MENSAH-SMITH

Dissertation submitted to the Centre for Entrepreneurship and Small Enterprise Development, School of Business, College of Humanities and Legal Studies of the University of Cape Coast in partial fulfilment of the requirements for the award of Master of Administration (MBA) in Entrepreneurship and Small Enterprise Development

NOVEMBER 2023

DECLARATION

Candidate's Declaration

I therefore declare that this dissertation is the result of my own independent work and that no portion of it was submitted for another degree to this university or elsewhere.

Candidate's Signature ……………………………Date ……………………..

Name: Timothy Mensah-Smith

Supervisor's Declaration

I therefore declare that, in accordance with the guidelines set out by the University of Cape Coast for the supervision of the dissertation, the preparation and presentation of the dissertation have been supervised.

Supervisor's Signature ………………………… Date ……………………….

Name: Prof (Mrs.) Rosemond Boohene

ABSTRACT

This study assessed the effects of corporate social responsibility (CSR), firm reputation on the performance of small and medium financial institutions in Cape Coast. The study further examined the moderating effect of firm reputation in the relationship between corporate social responsibility and the performance of small and medium financial institutions. The study utilised the stakeholder and agency theory. The study followed the descriptive research design. The study used the structured questionnaire as a quantitative data collection tool and a semi structured interview guide as a qualitative data collection tool. Again, the study used the SPSS (Version 24.0) to produce descriptive statistics and the Smart PLS (3.0) to determine the reliability and validity of the measurements, structural models and data analysis. The study again, targeted 346 customers from small and medium financial institutions in the Cape Coast Metropolis. In addition to the respective specific research objectives, the findings indicate that CSR has a statistically significant contribution to explaining the dependent variable financial performance. Again, it was found that firm reputation affects financial performance. This indicates that firm's reputation has contributed to increasing bank performance. Finally, the study concluded that although firm reputation has a low moderation role on the relationship between corporate social responsibility and the financial performance. The study recommended that by emphasizing direct impact, strengthening implementation and measurement, engaging stakeholders, and promoting internal awareness, these institutions can enhance the effectiveness of their CSR efforts and potentially achieve improved financial performance.

KEYWORDS

Cape Coast Metropolis

Corporate Social Responsibility

Financial Performance

Firm Reputation

Small and Medium Enterprises (SMES)

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DEDICATION

To my family.

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LIST OF ACRONYMS

ANOVA	Analysis of Variance
CEO	Chief Executive Officer
CSP	Corporate Social Performance
CSR	Corporate social responsibility
GSS	Ghana Statistical Service
NGO	Non-Governmental Organisation
R&D	Research and Development
SD	Standard Deviation
SEM	Structural Equation Modelling
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
UN	United Nations

CHAPTER ONE

INTRODUCTION

In recent years, the concept of corporate social responsibility (CSR) has gained significant attention in academic literature and business practice. CSR refers to a company's voluntary actions to address social and environmental issues beyond its legal obligations, with the aim of creating a positive impact on society. It encompasses various activities such as philanthropy, environmental sustainability, employee well-being, and community development. While CSR has traditionally been associated with large corporations, its relevance and potential benefits for small and medium-sized enterprises (SMEs) are increasingly being recognized.

Small and medium enterprise financial institutions play a crucial role in driving economic growth, employment generation, and innovation in many economies. As such, understanding the relationship between CSR and the financial performance of small and medium enterprise financial institutions has become a subject of interest for researchers and practitioners. While some studies suggest that engaging in CSR positively influences financial performance, others argue that the costs associated with CSR initiatives may hinder profitability and financial outcomes. Moreover, the role of firm reputation in moderating the relationship between CSR and financial performance has garnered attention. Firm reputation, which reflects stakeholders' perceptions of a company's actions and behaviour, can enhance or diminish the impact of CSR on financial performance.

A positive reputation may amplify the benefits of CSR initiatives, whereas a negative reputation may undermine their effectiveness.

Background of the Study

Small and Medium Enterprises (SMEs) stand as a cornerstone within the global economy, serving as prolific contributors to employment generation, innovation, and economic expansion (Ratten, 2017). Particularly within the financial sector, SMEs, notably small and medium-sized financial institutions, play an indispensable role in delivering essential financial services to local communities and businesses (Jain & Kaur, 2018). However, despite their pivotal role, SMEs face multifaceted challenges, especially when grappling with poor financial performance. The repercussions of inadequate financial stability within these enterprises ripple beyond their organizational boundaries, exerting a substantial impact on the broader economic landscape. In the examination of these challenges, research by Khan, Bibi, and Khurshid (2020) outlines several critical issues associated with poor financial performance among SMEs.

One of the foremost challenges stems from the limited access to capital and funding sources that financially unstable SMEs encounter. Such constraints hinder their ability to procure loans and external funding, effectively limiting their capacity to invest in growth opportunities and innovative ventures (Halkos & Skouloudis, 2016). Consequently, these enterprises struggle to maintain a competitive edge within their industries, a consequence of their inability to sustain sound financial health, which impedes their ability to compete with larger, financially robust institutions (Poon, 2018). Operational inefficiencies also plague financially unsound SMEs due to resource limitations, inhibiting their optimization of operational efficiency and adaptability to market changes and technological advancements (Foss & Klein, 2017). Moreover, poor financial performance erodes stakeholder trust and confidence, impacting relationships with customers, investors, and regulatory bodies, further exacerbating their challenges (Tehseen & Ramayah, 2015).

Empirical evidence reaffirms these challenges. The International Finance Corporation (IFC, 2019) report highlights that nearly 50% of SMEs face obstacles in accessing credit and finance, directly impacting their financial health and overall performance. Additionally, a study conducted by Sharma and Ghosh (2020) revealed that SMEs grappling with financial constraints experience heightened rates of business failure and increased vulnerability to economic downturns. Consequently, the financial stability and performance of SMEs, particularly small and medium-sized financial institutions, bear immense significance not only for their individual sustenance but also for the overall economic well-being of the regions they operate in. Addressing these challenges becomes pivotal for ensuring the resilience and growth of SMEs, thereby fortifying their contributions to local economies and broader societal development.

Numerous studies indicate that engaging in CSR initiatives positively influences the financial performance of SMEs. Research by Aguilera-Caracuel et al. (2018) suggests that SMEs committed to CSR activities experience improved brand reputation, enhanced customer loyalty, and increased market share, ultimately translating into better financial outcomes. Furthermore, studies by Ofori, Hinson, and Osei (2020) highlight that SMEs embracing CSR tend to attract diverse stakeholders, including investors and consumers, drawn to businesses displaying a sense of social responsibility. This leads to improved access to capital, reduced financing costs, and expanded market opportunities, contributing significantly to their financial performance and sustainability.

In Ghana, SMEs constitute a fundamental component of the economy, contributing substantially to employment generation, poverty reduction, and fostering economic development (Ghana Statistical Service, 2021). SMEs in Ghana operate across various sectors, including the financial industry, playing a critical role in providing financial services to underserved communities (Agyapong et al., 2018). Kownning and enhancing the financial performance of SMEs, particularly in Ghana, holds paramount importance for national development. As articulated by Osei et al. (2017), robust SMEs contribute to economic resilience, innovation, and inclusive growth, aligning with Ghana's developmental goals outlined in its National Development Agenda.

The intersection of Corporate Social Responsibility (CSR), financial performance, and firm reputation within the business context has garnered substantial attention due to its implications for sustainable business practices, stakeholder relationships, and organizational success (Carroll, 2016). SMEs, particularly within the Cape Coast Metropolis, represent a vital segment of the local economy, playing a pivotal role in economic development, employment generation, and community well-being (Kuada, 2019). Despite their significance, SMEs often face unique challenges compared to larger corporations, including resource constraints, limited visibility, and a need to compete effectively within a dynamic market (Khan et al., 2019).

Investigating the interplay between CSR initiatives, financial performance, and firm reputation from the perspective of SMEs in the Cape Coast Metropolis holds several key implications. Understanding how CSR practices impact financial performance can assist SMEs in developing sustainable strategies that not only contribute to societal welfare but also bolster their competitiveness within the market (Sarpong & Owusu-Frimpong, 2020). SMEs, deeply rooted in the local community, have a substantial influence on the socio-economic fabric of the Cape Coast Metropolis. By exploring the relationship between CSR activities and firm reputation, this study can uncover ways in which SMEs contribute to community development and well-being (Amoako & Anin, 2018).

Insights derived from examining the moderating role of firm reputation on the CSR-financial performance relationship can offer SMEs valuable guidance in shaping their strategic decisions, resource allocations, and stakeholder engagements (Ofori et al., 2021). Findings from this study can also inform policymakers, industry associations, and stakeholders about the importance of supporting and promoting CSR initiatives among SMEs, potentially influencing policies aimed at fostering responsible business practices within the Cape Coast Metropolis (Idowu & Filho, 2019).

Therefore, researchers should be deeply interested in exploring the interplay between CSR practices and the financial performance of SMEs, especially within the Ghanaian context. Investigating how CSR initiatives can empower SMEs in the financial sector will not only fortify individual businesses but also contribute significantly to Ghana's broader economic advancement and social well-being.

Statement of the Problem

While some studies have found a positive correlation between CSR and profitability, others have found no such relationship. Numerous research have examined the effect of CSR on both short- and long-term performance. Ahmed (2016) found a favourable association; Kadyan (2016) found no relationship; Maqbool and Zameer (2018) discovered a negative relationship between CSR and company performance in their study in the short run. Carroll's pyramid of CSR: Taking a closer look, researchers conducted a study that, according to Carroll, (2016), demonstrated that there is no connection between CSR and company performance. Zhao and Murrell (2016) discovered a favourable correlation between them.

Over the past few years, Corporate Social Responsibility (CSR) has drawn increasing attention and importance in the current economy (Gunardi et al., 2021). Companies think that implementing a CSR strategy will help them establish a solid reputation and make them stand out in their industry (Lee et al., 2016). More businesses are beginning to think that CSR strategies can be the secret to their success (Park & Kim, 2019). The CSR-performance nexus has seen additional developments, though.

Despite the growing interest in the relationship between corporate social responsibility (CSR) and financial performance, limited research has specifically focused on small and medium enterprise financial institutions, particularly within the context of the Cape Coast Metropolis. The existing literature primarily emphasizes CSR studies conducted in large corporations, leaving a significant gap in understanding the dynamics of CSR and financial performance within the SME context (Aupperle et al., 2019; Blowfield & Murray, 2018). Moreover, while the influence of firm reputation as a moderating factor in the CSR-financial performance relationship has been acknowledged in previous research (Braymer et al., 2016; Brammer & Millington, 2019), the specific role of reputation as a moderating factor in the small and medium enterprise financial institutions' context in the Cape Coast Metropolis remains underexplored.

This research gap creates a need to investigate how firm reputation interacts with CSR activities to influence the financial performance of SMEs in this specific context. York and Venkataraman (2010) also attribute the inconsistency of results to some mislaid variable bias whiles Ansong (2017) attribute these same inconsistencies to measurement and estimation errors. In that score, Agyemang and Ansong (2017), contend that the inconclusive outcomes with respect to the association between CSR and firm performance could be because of the disregard for other factors which could have some relevance to the discussion.

Corporate social obligation is significant within the stakeholder perspective. Again, Ansong (2017) suggested that, although, the study has undoubtedly contributed to understanding the mediating role of stakeholder engagement to SMEs' financial performance, they should be treated as preliminary until future studies replicate that with samples from a broad range of organizations consisting of both small and large firms. This imply that, future longitudinal and experimental research would help confirm the causal paths investigated in the present study. Again, the study relied on self-reported measures (Yeboah, 2019).

Therefore, the main problem addressed in this study is the lack of comprehensive research on the relationship between CSR and financial performance in the context of small and medium enterprise financial institutions in the Cape Coast Metropolis, with a specific focus on the moderating role of firm reputation. The contextual gap in research regarding small and medium enterprise financial institutions in this particular geographical area and the lack of understanding about the role of firm reputation call for an in-depth investigation to bridge these knowledge gaps. Addressing this problem is crucial for both theoretical and practical reasons. Theoretical understanding of the relationship between CSR and financial performance in the small and medium enterprise financial institutions context would contribute to existing literature, enriching the knowledge base on the topic. Moreover, the findings of this study would have practical implications for SME owners, managers, and policymakers in the Cape Coast Metropolis, providing insights into how to effectively leverage CSR activities and manage reputation to enhance financial performance and sustainable business growth.

Purpose of the Study

This study sought to examine the moderating effect of firm reputation on the relationship between corporate social responsibility and financial performance of small and medium financial institutions in the Cape Coast Metropolis.

Research Objectives

The study sought to:

1. Assess the effect of the corporate social responsibility practices on the performance of small and medium financial institutions in Cape Coast Metropolis.
2. Examine the role of firm reputation in the relationship between corporate social responsibility practices and the performance of small and medium financial institutions in Cape Coast Metropolis.

Research Questions

The study answered the following questions:

1. What is the effect of corporate social responsibility practices on the performance of small and medium financial institutions in Cape Coast Metropolis?
2. What is the role of firm reputation in the relationship between corporate social responsibility practices and the performance of small and medium financial institutions in Cape Coast Metropolis?

Research Hypothesis

The study answered the following questions:

H_1: Corporate social responsibility practices do not have a positive influence on the performance of small and medium financial institutions in Cape Coast Metropolis

H_2: The firm reputation does not moderate the relationship between CSR practices and the performance of small and medium financial institutions in Cape Coast Metropolis

Significance of the Study

Firstly, the study aims to bridge critical gaps in the existing literature concerning the relationship between CSR initiatives, financial performance, and firm reputation specifically within the context of small and medium-sized financial institutions in the Cape Coast Metropolis. Current research often focuses on larger corporations, leaving a void in understanding how these relationships manifest and influence one another within the unique dynamics of SMEs in the financial sector. By filling this gap, the study will offer valuable insights into the nuanced interplay between CSR, financial performance, and firm reputation among smaller financial entities.

The findings of this study will significantly contribute to the academic literature by providing empirical evidence and a deeper understanding of how CSR activities undertaken by small and medium financial institutions impact their financial performance. Moreover, exploring the moderating role of firm reputation will enhance the understanding of how external perceptions influence the relationship between CSR and financial outcomes. These contributions will enrich the scholarly discourse on CSR, financial performance, and reputation management within SMEs, particularly within the financial sector, adding new dimensions and perspectives to the existing body of knowledge.

Furthermore, the study's outcomes will hold practical implications for policymakers, industry practitioners, and stakeholders. Understanding the significance of CSR in shaping the financial performance of SMEs can inform policy direction towards incentivizing and promoting responsible business practices. Policymakers can utilize these insights to design frameworks that encourage SMEs to engage in CSR activities, fostering a conducive environment for sustainable business growth. Additionally, industry practitioners can benefit from the study's recommendations by leveraging CSR practices to enhance their financial performance and bolster their firm reputations, thereby contributing positively to their bottom line and long-term viability.

Finally, the study's contributions will enrich discussions on the intricate relationship between CSR, financial performance, and firm reputation. By shedding light on the specific dynamics within small and medium financial institutions in the Cape Coast Metropolis, the study will advance discussions on the importance of responsible business conduct in driving financial success. These discussions will not only elevate awareness but also foster a dialogue among stakeholders, encouraging a collective effort towards sustainable business practices and economic development.

Delimitations of the Study

The study delimits its scope to examining the relationship between Corporate Social Responsibility (CSR) and financial performance within small and medium financial institutions in the Cape Coast Metropolis. The decision to focus on CSR stems from its increasing relevance in contemporary business practices and its potential impact on financial outcomes. However, the study specifically concentrates on measuring CSR activities through established frameworks such as the Global Reporting Initiative (GRI) guidelines, ISO 26000, or other recognized CSR metrics. This focused approach ensures a standardized evaluation of CSR practices among the selected SMEs, facilitating a more comprehensive analysis of their impact on financial performance.

Another delimitation involves the study's concentration on SMEs within the financial sector. The rationale behind this focus is grounded in the sector's critical role in economic development, its specific challenges, and the need for a deeper understanding of how CSR activities influence financial performance within this domain. Small and medium financial institutions play a significant role in providing financial services, but they face distinct challenges compared to larger financial entities. Therefore, by centering on SMEs in the financial sector, the study aims to uncover insights specific to this niche segment, offering targeted recommendations and insights relevant to their operational context.

The decision to measure CSR using established frameworks aligns with the need for a standardized and comprehensive assessment of CSR practices. Utilizing recognized metrics ensures reliability and comparability across the evaluation of CSR activities among SMEs, enhancing the validity of the study's findings and enabling a more robust analysis of their impact on financial performance. Focusing on SMEs in the financial sector is justified by their unique position within the economy and the specific challenges they encounter. These challenges, including regulatory constraints, resource limitations, and the necessity to maintain public trust due to their role in handling financial transactions, warrant a targeted investigation into how CSR practices affect their financial performance. By honing in on this specific segment, the study aims to generate insights that are pertinent and tailored to the realities and needs of small and medium financial institutions, ultimately facilitating more practical and actionable recommendations for these entities.

Limitations of the Study

Despite the valuable findings and contributions of this study, it is important to acknowledge certain limitations that may have impacted the research process and the interpretation of results:

The findings of this study are specific to the context of small and medium financial institutions in the Cape Coast Metropolis and may not be directly generalizable to other regions or types of financial institutions. The unique characteristics, market dynamics, and regulatory environment of the Cape Coast Metropolis may influence the relationship between corporate social responsibility (CSR) and financial performance differently than in other areas. The study's findings are based on a specific sample size and composition of small and medium financial institutions in the Cape Coast Metropolis. Due to the crosssectional nature of the study design, caution should be exercised when interpreting causality and directionality in the observed relationships. The study provides insights into the associations between CSR and financial performance, but it cannot definitively establish causality.

Organisation of the Study

The study is presented in the following structure: Chapter One started by presenting the background of the study. It continued by providing why research into the study (Problem Statement), outlining the objectives and highlighting the research hypotheses. Chapter Two: This chapter discussed the theoretical positioning of the study as well as empirical and conceptual framework of the study. Chapter Three: This chapter described the sampling methods used, the population and sample size of the research work. The main outline for this chapter was to deal with how data is retrieved, collected and procedures used in obtaining the data. Chapter Four: This chapter gave a presentation of the results and analysis of the results. Chapter Five: this chapter provided the summary of findings, conclusions and recommendations to the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The theoretical, empirical, and conceptual reviews of the literature that were relevant to the study are presented in this part. The study reviewed the stakeholder theory, the resource-based view theory, the idea of corporate social responsibility, business reputation, and the measurement of financial performance as part of the theoretical and conceptual assessment. A review of empirical studies on corporate social responsibility, brand reputation, and financial performance was also included in the chapter. The chapter ends with the chapter summary.

Theoretical Review

Theories are explanations for a behaviour, occurrence, or phenomena that occurs naturally or in society. Formally speaking, a scientific theory is a collection of concepts and propositions that together give a logical, systematic, and coherent explanation of an interesting event within a set of presumptions and constraints (Gregor, 2019). In order to better grasp the idea of CSR and improve corporate performance, several theories have been established. Stakeholder Theory and Agency Theory, two fundamental theories of corporate social responsibility, serve as the foundation for this study.

Stakeholder Theory

The Stakeholder Theory of organisational management and corporate ethics, which addresses morals and values in managing an organisation, was first described by R. Edward Freeman in 1984. A foundation for ongoing research and development in the research and published work of many researchers, the theory has emerged as a critical factor in the study of corporate ethics (Yousif, 2019). The popularity of the idea has significantly increased since the 1980s as scholars from all over the world continue to question the viability of making shareholder wealth the primary goal of business.

According to the stakeholder hypothesis, an entity exists to provide value for its stakeholders. Individuals or groups with an interest in a corporate entity's activities and who are affected by the organization's success or failure are referred to as stakeholders (Linegar, 2019). The idea was developed on the assumption that a large number of stakeholders, both primary and secondary, influences a modern organization (Vertai, 2019). In contrast to the secondary actors or stakeholders, which include the media (both print and electronic), financial institutions, and suppliers or creditors, the core stakeholders of a corporate organisation are equity holders, employees or workers, those who purchase the entity's goods, known as customers or consumers, management, and the government. Corporate governance was created to safeguard these stakeholders' interests.

The process of corporate governance, which assures the direction, governing, and managing of the company organization, is a mechanism that ensures that each of these stakeholders' interest were addressed appropriately (Kurta, 2019). Corporate social responsibility is one of the elements of corporate governance that has recently attracted more attention. The basic objective of practising corporate social responsibility is to make sure that the organization's social and economic objectives are balanced (Ubuntu, 2018). Its primary goal is to ensuring that the interests of individuals, businesses, and society as a whole are aligned. That is, in as much as the organisation is serving its primary stakeholders, they are also tackling vital societal issues which falls within their secondary stakeholders' category.

As a result, the researcher of this study believes that the stakeholder theory is appropriate to underpin this study. Because, it is a key factor to consider in an organization, and that it is one of the fundamental reasons for the establishment of corporate social responsibility to ensure that all stakeholders receive what they are owed, resulting in the best possible outcomes for the company. Furthermore, the stakeholder theory will help establish how profits obtained can be reinvested or used for CSR activities.

Agency Theory

Jensen and Meckling (1976) created the agency hypothesis. They proposed a hypothesis explaining how conflicts of interest between a company's owners (shareholders), management, and significant debt financiers form the foundation of the organization's governance. These groups all have various goals and interests. The agency theory holds that a firm entity's main objective is to increase the wealth of its owners. Business entities, according to the notion, are made up of principals who control economic resources and agents who manage the principals' resources (Dungan, 2018). Surprisingly, these agents do not necessarily share the proprietors' interests, and hence pursue their own at the detriment of the shareholders' (principals). The separation of ownership and decision-making authority, the latter of which is placed in agents, exacerbates the situation.

The Agency Problem refers to managers' (agents') pursuit of personal and primary stakeholders interests at the expense of stockholders (secondary stakeholders) (Adunga, 2019). This created a nation that, businesses only focus on making profit for their investors forgetting the environment they work in. To address this issue, corporate social responsibility came into existence, which result in solving some societal needs, building good firm reputation (goodwill) in the sight of the environment, and, most importantly, the assurance that the interest of stakeholders are pursued. Internal and external stakeholder are the two main components of stockholders that try to align their interests with those of the managers. Hence, if all stakeholders are taken into account when making decisions, they have a detrimental influence on the organization's performance (Ubuntu, 2018).

The study was underpinned by the agency theory because it endeavours managers who are agents on behalf of a company to use appropriate practices and principles like corporate social responsibility when managing a firm. Because corporate social responsibility help address some vital social issues which helps the firm to gain good reputation in the sight of the society. However, it has been demonstrated that a firm's reputation positively affects its performance. Thus, the agency theory contributes to highlighting the interaction between a company, its agent, and the management practises those parties use to govern the firm on behalf of its stakeholders. The effectiveness of organisations is significantly impacted by these procedures.

Conceptual Review

Corporate social responsibility

Corporate Social Responsibility (CSR) stands as a pivotal philosophy guiding modern business operations, signifying a commitment to ethical, social, and environmental responsibilities that transcend mere compliance with legal requirements (Khan, 2018). At its core, CSR encapsulates a multifaceted approach whereby companies proactively engage with stakeholders, incorporating ethical considerations and sustainability into their organizational DNA (Meyers, 2020). Central to CSR is the recognition that businesses operate within a broader societal framework, extending their impact beyond profit generation to actively contributing to the well-being of society and the environment. As Carroll (2019) posits, CSR denotes the conscientious effort of enterprises to act ethically, fostering economic development, and enhancing the quality of life for their employees and local communities. This concept embodies an ethos of responsible business conduct, acknowledging the interconnectedness between corporate activities and societal welfare.

Moreover, CSR embodies a voluntary commitment that transcends statutory obligations (Anna, 2019). It encompasses a spectrum of initiatives and actions designed to address societal challenges while aligning with a company's core values and business objectives. These initiatives span diverse domains, ranging from philanthropic endeavors that support charitable causes to ethical labor practices ensuring fair treatment of employees (Chai, 2019). Additionally, environmental sustainability initiatives form a crucial component of CSR, involving measures to minimize environmental impact through responsible resource management, waste reduction, and eco-friendly practices.

For instance, companies may engage in community development projects, educational initiatives, or healthcare programs aimed at uplifting disadvantaged communities, thus contributing to societal welfare while simultaneously fostering goodwill and loyalty among stakeholders (Uche, 2019). Simultaneously, adopting ethical labor practices, such as ensuring fair wages, providing safe working conditions, and promoting diversity and inclusion, not only demonstrates corporate responsibility but also fosters a positive organizational culture. Furthermore, environmental sustainability lies at the heart of CSR efforts. Companies commit to reducing their ecological footprint by implementing eco-friendly technologies, reducing emissions, conserving natural resources, and supporting conservation initiatives (Njae, 2017; Lai, 2020). These practices not only benefit the environment but also resonate positively with environmentally-conscious consumers and investors.

In essence, CSR represents a holistic approach that recognizes the responsibility of businesses to balance profit motives with ethical, social, and environmental considerations. It emphasizes a strategic alignment between corporate goals and societal well-being, acknowledging that sustainable business success is intricately linked to contributing positively to society and the environment. As companies increasingly embrace CSR, it becomes a pivotal factor in shaping organizational identity, reputation, and long-term sustainability in a globalized and socially aware marketplace.

Financial performance

Financial performance stands as a cornerstone in evaluating a company's effectiveness in attaining financial objectives and creating value for stakeholders (Khan, 2019). It constitutes the comprehensive assessment of an organization's capability to generate profits and wealth by efficiently utilizing its resources. This evaluation encompasses diverse financial metrics and indicators that offer critical insights into the company's profitability, liquidity, solvency, efficiency, and growth prospects (Pien, 2017; Njae, 2018). Financial performance analysis serves as a fundamental tool for stakeholders, providing a holistic view of a company's fiscal health and operational efficiency. The evaluation entails a meticulous examination of financial statements, notably the income statement, balance sheet, and cash flow statement, which serve as the primary sources of financial data and reveal crucial aspects of a company's financial well-being (Meyers, 2019).

Financial performance analysis is multifaceted, involving the interpretation of various financial ratios and metrics derived from the aforementioned statements (Kai, 2020). These metrics, such as return on investment (ROI), gross profit margin, current ratio, debt-to-equity ratio, and operating cash flow, among others, serve as benchmarks for assessing different aspects of a company's financial health (Yussif, 2019). For instance, profitability ratios like net profit margin and return on assets measure the company's ability to generate profits relative to its revenues and assets. Liquidity ratios, such as the current ratio, assess the company's short-term solvency by examining its ability to meet short-term obligations with its current assets (Njae, 2017).

As Palea (2018) emphasizes, financial performance analysis is pivotal in providing stakeholders with a comprehensive understanding of the company's financial standing and prospects. This analysis enables stakeholders, including investors, creditors, management, and analysts, to make informed decisions by gauging the company's financial stability, efficiency in utilizing resources, and its capacity to generate returns on investments. Furthermore, financial performance analysis aids in identifying trends, patterns, and areas of improvement within a company's financial operations. It facilitates comparisons against industry standards, historical data, and competitors, allowing for benchmarking and strategic planning.

A company's ability to maintain and improve its financial performance over time is crucial for sustaining competitiveness and achieving long-term growth and stability in an ever-evolving business environment. Financial performance analysis serves as a vital tool for stakeholders, enabling a comprehensive evaluation of a company's financial well-being, operational efficiency, and potential for generating wealth and returns for its stakeholders (Fynn, 2019). By leveraging financial metrics and ratios derived from key financial statements, stakeholders can make informed decisions and strategic choices to drive sustainable growth and success.

Firm reputation

A firm's reputation is an intangible yet invaluable asset that serves as a pivotal determinant of its success and sustainability in the competitive marketplace (Amjad, 2019). This reputation encapsulates the collective perceptions, beliefs, and evaluations held by diverse stakeholders—ranging from customers and investors to employees and the broader public—regarding the character, credibility, and overall standing of the company within its operational landscape (Al-Omari & Okasheh, 2017). A firm's reputation emerges from a culmination of the company's past actions, behaviors, ethical practices, and interactions with its stakeholders over time, according to Panimalar and Kannan (2018). As highlighted by Fombrun (2019), reputation is the embodiment of how a company is perceived and evaluated within its operating environment. It encompasses the perceptions, opinions, and impressions formed based on the company's conduct, performance, product quality, customer service, corporate social responsibility initiatives, and its overall adherence to ethical and social norms.

A robust and positive reputation is indicative of trustworthiness, reliability, and positive experiences associated with the company (Sadegi, 2019). Such a reputation fosters confidence among customers, instills trust in investors, attracts top talent, and enhances the company's relationships with various stakeholders. It serves as a valuable intangible asset that contributes to customer loyalty, investor confidence, and a favorable public image, thereby bolstering the company's competitiveness and long-term success in the market (Maulabakhsh, 2018). Conversely, a poor or tarnished reputation can be detrimental to a company's prospects. Negative perceptions resulting from past controversies, ethical lapses, product failures, or poor customer experiences can erode trust, diminish credibility, and adversely impact the company's relationships with stakeholders (Bushiri, 2019). A damaged reputation may lead to reduced customer loyalty, investor skepticism, challenges in attracting talent, and difficulties in maintaining a competitive edge in the market.

Moreover, in today's interconnected and digitally driven world, a company's reputation is highly susceptible to public scrutiny and rapid dissemination of information through various online platforms and social media channels (Nanzushi, 2019). One negative incident or a series of unfavorable reviews can significantly impact how the company is perceived by the public and stakeholders, exerting a profound influence on its market value and brand image (Brobbey, 2016). Therefore, cultivating and safeguarding a positive reputation is imperative for companies aiming for sustained success. It necessitates a proactive approach centered on ethical conduct, transparency, delivering quality products or services, engaging in responsible business practices, and fostering meaningful relationships with stakeholders (Agbozo, Owusu, Hoedoafia & Atakorah, 2017). By consistently demonstrating integrity, reliability, and a commitment to meeting stakeholder expectations, companies can fortify their reputation as a trustworthy and reputable entity, enhancing their resilience and positioning in the competitive business landscape.

Empirical Review

Corporate social responsibility and financial performance

Ansong (2017) conducted study on the relationship between corporate social responsibility and financial performance and came to the conclusion that CSP is closely related to both past and future financial success, thereby proving the direct relationship between CSP and excellent management. According to Lyubenova (2019), the numerous studies that look at how CSR affects outcomes without including "Research and Development" have a part in the upward-biased estimations of the impact of CSR. The authors also state that the impact of CSR on financial results is unaffected by their empirical findings if the company's R&D expenditure is taken into account. However, the author does not assert that a firm's scale will complicate the relationship between CSR and company success; rather, he suggests that CSR will benefit both small and large businesses. With an emphasis on the degree to which a conflict between an organization's qualities and concerns exists, Bird et al. (2007) examined the relationship between corporate social responsibility (CSR) initiatives and equity performance.

Their result in general provided a proof to recommend that managers taking a more extensive stakeholder viewpoint will imperil the enthusiasm of its investors. Again, their finding further recommend that the market is not just impacted by the free CSR exercises, yet in addition the totality of these exercises and that the features that they esteem do shift after some time. Who applied the Structural Equation Model (SEM) to analyse the conjecture on the complex impact of CSR on employees' organisational performance in Kongrerk's (2017) study? According to the study, there is a strong link between CSR efforts and employee organisational involvement as well as CSR and business productivity. The study finally concluded on the significant ramifications in regards to employments of CSR for enhancing organization commitment of employees and the entire performance of the organization.

Corporate social responsibilities assume a powerful job driving towards the firm performance (Marfo et al., 2015). Wickert, Scherer and Spence (2016) concluded based on their study outcome that, the process by which corporate social duties are executed by business entities surpass the internal consistence in the organization as far as environmental changes, social regulation, building up the clients negative and positive discernments, criticism of items or administrations, firm progressing and movement the social objectives too. Significance's of corporate social responsibility is continually changing the competitive business environment, showing the current and new methods and change the present activities of business (Blowfield & Frynas, 2005). In addition, CSR can act in comparable ways to promote, increase product interest and even decrease buyer value sensitivity (Sen & Bhattacharya, 2001) and also enable companies to build elusive properties, such as good reputation, for example (FombNewburry, 2015).

In his research, Okafor, Adeleye and Adusei, (2021) examined the effects of CSR on the performance of the company by using employee performance and customer satisfaction as proxies for the company's performance. With responses from the private sector workers of Pakistan, the study's findings mirrored that corporate social responsibilities affect firm's performance positively. Freeman and Dmytriyev (2017) recommends that CSR incorporates different parties and stakeholders simultaneously. Thus, CSR can relieve the probability of negative monitoring, regulations or financial activity (Park & Kim, 2019). Similarly, Salvioni and Gennari (2017) in their article took a gander at the hypothetical contribution, which explores the impact of incorporated CSR and financial specialists as indicated by a management model ready to make economical esteem and enhance meeting the interests of investors and different partners.

The paper came out unequivocally proposing that corporate social obligation and a direction towards sustainable value and the formation of significant worth in the medium-to long haul, paying little heed to the possession structure of organizations and the potential hazards to the capital markets. A meta-investigation analysed 128 precise studies by Peloza and Shang (2011) and reported that 59 percent showed a positive relationship between CSR and company results, 14 percent negative and 27 percent no relationship by any stretch of the imagination. In the same vein, Park, Chidlow and Choi (2014) find that for organizations using data from 622 organizations, the degree as well as the transient and inter domain quality of corporate success have important monetary implications. The study further concluded that consistency is generally necessary for highly knowledgeable businesses.

In addition, companies will generally engage in more CSR exercises in economies with more grounded degrees of lawful obligation, and those entities in economies with more anchored investor rights will generally participate in less

CSR exercises. Saleh (2009) in a research of CSR activities in Malaysian organizations and their market valuation, concluded that there is positive relationship. Similar results were affirmed in a few developing economies, for instance, Saleh (2009) focused on Malaysia, Uadiale and Fagben (2012) focused its studies on Nigeria, Choi, Lee and Park (2013) focused on Korea, Mishra and Suar (2010) focused on India, and Lin (2010) also Taiwan. Meanwhile, an inverse relationship is likewise reported in different investigations such as the study by Rahman, Zain, and Al-Haj (2011) who focused the study on Malaysia and another study by Siregar and Bachtiar (2010) in Indonesia. With 139 businesses in ten Asian countries, Scholtens and Kang (2013) discuss how the board's income applies to CSR and financial specialist insurance.

The research revealed that Asian companies with relatively better CSR practices are often more involved with basically fewer practices than others. Speculator assurance is often negatively linked to the control of earnings. In 44 emerging economies, Hu and Scholtens (2014) analysed banks' CSR approaches and a positive and better relationship between CSR strategies and the financial performance of the commercial banks sampled was reported.

Corporate social responsibility, firm reputation and firm performance

A firm’s status upgrades the state of its performance. Roszkowska (2020) affirms that in any event, bookkeeping literature encourages the thought that corporate reputation achieves colossal measure of riches, generally summarized in what is called goodwill, while some standard way of thinking certifies that the goodwill which companies acquire for its selves do cause practical benefits.

Furthermore, the company's asset-based hypothesis struggles that a company's credibility will prompt an upper hand, as it signals to customers about the company's engaging efficiency, who are then therefore prepared to contract with it (Deephouse & Newburry, 2016). In addition, some few literatures have seen credibility improving activities as allowing associations to keep lenders' certainty (Abor & Adjasi, 2007; Jamali, 2008).

Again, Roberts (2003) propelled the valuation of everything a company does and says to be enhanced by a good reputation, while an awful one degrades things and goods and goes around like a magnet that attracts more detestation. A progressive relationship between firm's goodwill and performance has been developed by different literature. Kim, Amaeshi, Harris and Suh (2013) discussed, for example, how the credibility of a company impacts the estimation of its stock. This study established that firms that are deeply positioned in goodwill outflanked firms that have a poor reputation. A positive relationship between the credibility of an organization and financial results was developed by Sroufe and Gopalakrishna-Remani, (2019).

Again, Sehrawat and Giri (2018) concluded that there is a clear link between corporate credibility and both revenue and prime benefit. Agyemang and Ansong (2017) have reported that there are other ways by which corporate social responsibility contributes to improved company success. Their research came to the conclusion that small and medium-sized businesses with increased CSR are best positioned to build a solid reputation, which eventually translates into better financial outcomes. Again, their study prescribed that CSR activities should be an effective part of their tasks where small and medium-sized businesses should raise their reputation and boost their finances, which will contribute to better performance in the long run.

Firm reputation and financial performance

Customers' impressions of a company's customer service and genuine interest in their wellbeing are referred to as its reputation (Doney & Cannon, 2019). Iwu-Egwuonwu (2017) affirms that in any event, bookkeeping literature encourages the thought that corporate reputation achieves colossal measure of riches, generally summarized in what is called goodwill, while some standard way of thinking certifies that the good reputation which firms acquire for themselves do cause practical benefits. Additionally, the asset-based hypothesis of the firm contests the idea that a firm's reputation can give it the upper hand because it signals to stakeholders the company's engaging qualities, which makes them more willing to enter into a contract with it (Deephouse, 2017). A few literatures have additionally seen reputation improving practices as empowering associations to hold the certainty of lenders (Abor & Adjasi, 2017; Jamali, 2018).

Again, Roberts (2018) argued that a good reputation raises the value of everything a company does and says, whereas a bad one denigrates everything and acts as a magnet to attract further criticism. The performance of a company and its reputation are positively correlated, according to a number of academic studies. Pham (2020) investigated how an organization's reputation affects how its stock is valued. According to the survey, businesses with strong goodwill positions outperformed those with weaker reputation positions. The reputation of an organisation and its financial success are shown to have a favourable link by Brammer, Millington, and Rayton (2019). Once more, Tan (2019) came to the conclusion that prime profit and sales are directly correlated with corporate reputation.

According to Agyemang and Ansong (2017), there are other ways that corporate social responsibility improves business success. Their research showed that SMEs with stronger CSR are better positioned to build a positive reputation, which ultimately translates into increased financial success. Again, their study recommended that CSR practises should be a big part of SMEs' duties in order for them to enhance their reputation and raise their capital changes, which would in the long run result in increased performance.

Conceptual Framework

The requirement for a conceptual framework arises because the variables used to measure the specific objectives do not flow immediately from the study ideas. The conceptual framework of the study is built on ideas derived from the arguments of the stakeholder theory, agency theory, and the findings of numerous empirical studies pertinent to this study. As a result, the study looked at concepts and utilized them as proxies to measure the variables in the objectives. As illustrated in Figure 1, the conceptual framework incorporates three major variables: corporate social responsibility, financial performance and firm reputation. Figure 1 depicts the conceptual framework of the study based on the objectives of the study.

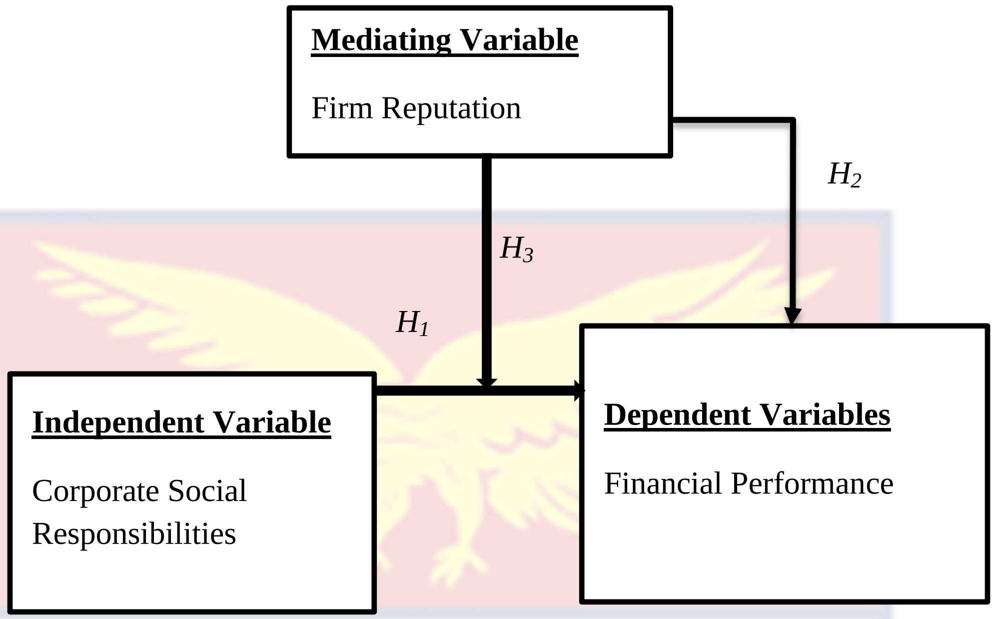

Figure 1: Conceptual Framework

Source: Author's construct (2023)

Figure 1 shows the constructs used in the study. Both the independent and the dependent variable with the moderating variable were shown in the framework. The dependent variable is the financial performance and the independent variable is the corporate social responsibility. Figure 1 shows how CSR affect financial performance of SME financial institutions in Cape Coast Metropolis. Figure 1 further shows the moderating role played by firm reputation in the relationship between corporate social responsibility and financial performance of financial in Cape Coast Metropolis.

Firm reputation is expected to moderate the relationship between corporate social responsibility (CSR) and financial performance for small and medium enterprise (SME) financial institutions in the Cape Coast Metropolis. This justification is based on previous research that highlights the crucial role of reputation in shaping the effects of CSR on financial performance. A positive firm reputation is built on stakeholders' perceptions of a company's actions, behavior, and overall standing within society (Fombrun, 2019). When SME financial institutions engage in CSR activities, their reputation can serve as an important mechanism through which the benefits of CSR are amplified.

Studies have indicated that a positive reputation can enhance the positive effects of CSR on financial performance (Khan, 2016; Millington, 2019). This is because stakeholders, including customers, investors, and regulators, may perceive the organization as more trustworthy, responsible, and committed to societal well-being. As a result, customers may exhibit greater loyalty, investors may have increased confidence in the organization, and regulators may view the institution more favorably. On the other hand, a negative reputation can diminish or undermine the benefits of CSR initiatives on financial performance (Meyers, 2017; Anna, 2019). A poor reputation may erode stakeholder trust and confidence, leading to negative perceptions of the organization's CSR activities. This, in turn, can hinder financial performance by impacting customer retention, investor attractiveness, and regulatory support.

Given the significance of firm reputation in influencing stakeholder perceptions and attitudes, it is reasonable to expect that reputation will moderate the relationship between CSR and financial performance for SME financial institutions. A positive reputation may strengthen the positive relationship between CSR and financial performance, while a negative reputation may weaken or nullify this relationship. By considering the moderating role of firm reputation, this research recognizes the importance of understanding how the reputation of SME financial institutions in the Cape Coast Metropolis interacts with CSR initiatives to influence financial performance. It acknowledges the need to investigate the interplay between CSR, reputation, and financial outcomes to provide a comprehensive understanding of the relationship and inform effective CSR strategies for SMEs in this specific context.

Chapter Summary

This section contains the study's literature review. The four aspects of the literature review for this study were conceptual review, empirical review, theoretical review, and conceptual framework. The theoretical review covered the theoretical underpinnings of this inquiry. Stakeholder theory and agency theory were applied in this. The many words used in this inquiry were defined and explored in the conceptual review. This chapter analysed the literature on corporate social responsibility, brand reputation, and financial performance. Additionally, it addresses theories, conceptual issues, and the SME industry. The chapter also included a description of the proxies selected for the dependent, moderating, and independent variables. Towards the end of the chapter, the conceptual framework—which explains how the several variables used in this study are interrelated—was presented and addressed.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter explains the methodology used for the study. Examining the moderating role of firm reputation in the association between socially conscious businesses and the financial success of small and medium financial institutions in the Cape Coast metropolitan is the main objective of this study. The research design, research methodology, study region, population, sampling strategy, sample size, instrumentation, reliability, and transferability are all covered in this section. The section also discusses data sources, data processing, data analysis, and display strategies.

Research Approach

The research approach is one of the most crucial factors to consider when performing scientific research. Although there are many other categories of research approaches, quantitative and qualitative research approaches still predominate (Rahi, 2017). This study adopted the quantitative research approach. This is because, the quantitative research approach entails gathering data that can be quantified such as numerical data, to assess the data's objectivity and feasibility. Also, quantitative research eliminates the investigator's bias, allowing the testing of assumptions about the study's findings (Gray 2019).

Research Design

The research design method determines the outcome of any study. Hence, it is crucial to choose the kind of data, data collection technique, and sample technique to be utilized in a study. This study made use of the explanatory research design. According to McNabb (2017), it is largely utilized to assist the researcher in explaining and establishing a distinct causal relationship between the exogenous and endogenous latent variables. According to Saunders *et al.*, (2019), the aim of explanatory research design is investigating a situation or an issue to explain the relationships between variables. Several researchers have used the explanatory research design to explain the causal and effect relationship (Bentouhami *et al.*, 2021; Asad *et al.*, 2018; Bowen *et al.*, 2017). The researcher utilized an explanatory design to examine the connection between socially responsible small and medium financial institutions and their resulting financial performance in the Cape Coast metropolis.

Study Area

The research was conducted in the Cape Coast Metropolis, Central Region, Ghana. The populace is 169,894, which makes up 7.7 percent of the total population of the city, according to the 2021 population and housing census (GSS, 2021). Not only is Cape Coast Metro numbered among the few (six) Metropolis in Ghana but is also the only Metropolis in Central Region. The dominant form of employment within the region is the service industry. It employs over 35 percent of the total population (Ghana Job Statistics, 2021). This is followed by the craft and trade industry which also employees over 13 percent of the total work force in the district.

Population of the Study

According to Cooper & Schindler (2011), Dadi-Klutse (2016), and Kazerooni (2017), a study population is defined as "containing all elements within the reach of this survey and from which the study selects a representative sample. According to some combination of geography and demographics, a study population is frequently defined (Babin & Camp, 2017; Anderson, 2019; Kumar, 2018; Saunders et al, 2017). Therefore, all of the clients of small and medium enterprise financial institutions operating in the Cape Coast Metropolis made up the population for this study. Only five of the financial institutions selected for the study, however, provided a positive response. The managers of the financial institutions who were left out of the study claimed that they had been given the go-ahead by corporate to keep information about their clients and operations a secret. The study then used the financial firms' chosen customer bases as data.

Again, there were difficulties in getting the total number of customers of the banks used in the study since the management were reluctant in providing information. The study therefore relied on the population as quoted by Ghana Enterprise Agency (GEA) (2022). The total number of SMEs recorded in the GEA's by location in the Metropolis was 3,743.

Sample and Sampling Procedure

Leedy and Ormrod (2010) defined sampling as a methodical process for choosing a small number of respondents from a broader population to serve as a foundation for assessing the prevalence of data of interest. It should be noted that the size of the population, the resources at hand, the level of heterogeneity, and the sampling procedure all have an impact on the sample. Garson (2012) asserts that sampling is crucial because it is virtually never feasible to sample the entirety of a population. According to Arnold and Randall (2010), the selection of respondents for sampling is made to ensure that they are as representative of the entire population as feasible. According to Lumen (2019; Meddle & Tashakkori, 2018), relying on a sample would help researchers save time and money, acquire more accurate results, and get access to data that would not otherwise be available.

The sample formula developed by Taro Yamane (1967) was used to calculate the study's sample size. Using this formula, the sample size was 361 because there were 3,743 people in the population. The sample size can be established in a way that ensures population representativeness by utilising the Taro Yamane sample formula. It assists in striking a balance between the study's participant pool and the tools available to gather and analyse data from SME financial institutions in Cape Coast Metropolis. However, the number was raised to 400 in order to lower the nonresponse rate and account for the maximum mistake.

The sample size for the investigation was chosen using the multi-stage sampling method. The sample size was determined based on the average customer size of each chosen financial institution to ensure representativeness. Finally, the respondents from each financial institution were recruited using a systematic random sampling technique to complete the study's questionnaires. The number of respondents from each financial institution that were contacted for the study is shown in Table 1. Four hundred (400) respondents in all were approached and asked to take part in the survey. The Taro Yamane's sample size formula was used to determine the exact sample size.

$$n = \frac{N}{1+N(e)2}$$

Where:

n = sample size

N = Population size

e = Allowable errors

Therefore:

N = 3,743

$1 + 3{,}743\ (0.05)^2 = 1+3{,}743\ (0.0025) = 1 + 9.36$

= 10.36

$$n = \frac{3{,}743}{10.36} = 361.293$$

Table 1: Distribution of Sample to Financial Institution Customers

	Institution (Spectrum)	Sample
1	Fiaseman Rural Bank	102
2	Assinman Rural Bank	72
3	Twifo Rural Bank	56
4	Pro Credit	83
5	Kakum Rural Bank	87
	Total	400

Source: Bank of Ghana (2023)

Data Collection Procedures

Before the data collection exercise, the researcher gained an institutional ethical clearance letter from the UCC IRB. An authority note was also obtained from the Director of Centre for Entrepreneurship and Small Enterprise Development. The formal letter and consent form were sent to small and medium financial institutions. The questionnaires were taken to the various offices of the selected small and medium financial institutions in Cape Coast Metropolis. The study's intent was clarified to the respondents. Through the use of a self-administered questionnaire to ensure a high response rate, the study’s data was collected. There were the same set of questions for all the respondents. In order to fix possible errors and to sort out misconceptions and misunderstandings to ensure the research’s credibility, the researcher picked up the filled questionnaires personally. The entire duration for the administration and collection of questionnaires was 4 days. Returned questionnaires were edited in order to arrange information in a way that was suitable and used to perform the necessary analysis. Data collection took a duration from 20th of June, 2023 to 25th of June, 2023.

Data Collection Instruments

In order to analyse the study's aims, primary data were collected and used. A self-administered questionnaire and interviewing guidelines were employed as the instrument for data collection. They were given to the target group and collected after two weeks. A questionnaire is a collection of questions with a clear objective created for a target audience to administer by themselves within a specific time range. According to Gaya and Smith (2016), the questionnaire ensures excellent data collection reliability and high generalizability of findings compared to more involved study designs.

Rea and Parker (2014) argue, however, that the questionnaire lacks adaptability since, once created and circulated, it is challenging to change the categories of data gathered. Because it is a self-reported measure that ensures confidentiality and is therefore more likely to elicit truthful responses with regard to the respondents' information needs, Questionnaire and interview guide were chosen for this research. The questionnaire was created and divided into sections that would aid in achieving the goals of the study.

Close-ended questions in the survey made sure that respondents choose from a range of possibilities provided by the researcher. When actions, assertiveness, or another item of concern needs to be tested on a continuum, with only two possibilities, or in multi-option questions, where many replies were available to pick from, closed-ended questions using Likert's five-point scale were included (Brace, 2018). English was used to prepare and deliver the study's instruments. A typical questionnaire took 10 to 30 minutes to complete, depending on the availability, knowledge, and motivation of the subjects. Four sections made up the questionnaire's divisions. The objectives of this study served as the framework. Section "A" contains the sociodemographic information about the respondents; Section "B" addresses CSR-related issues; Section "C" additionally assesses firm reputation; and Section "D" evaluates the financial performance of Small and medium financial institutions. A five Likert scale measurement was used for this study. With 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree.

Study Variables

The variables in this study were measured using constructs based wholly on the concepts and theories discussed. These measures were adopted and modified from previous research studies in the field to meet the study's needs. Table 2 contains a list of the study's variables, measurements, the data collection tool, and the empirical interpretation.

Table 2: Study Variables

Variables	Data collection tool	Empirical interpretation
Corporate Social Responsibility	Questionnaire	Sweeney (2009)
Financial Performance	Questionnaire	Nguyen and Leblanc (2001)
Firm Reputation	Questionnaire	Ansong (2017)

Source: Field survey (2023)

Pre-test of Questionnaire

Three consumers and two academics with real-world expertise were chosen by the researcher to assess the survey questionnaire. This came after the supervisor had given his or her approval. The researcher was helped in this step to eliminate inappropriate questions and to enhance the instrument's clarity and recognition. The applicability of the measuring instrument was then determined by conducting a pre-test survey with 50 clients in the craft manufacturing sector (Nyamwaya et al., 2020; Choe & Kim, 2019; Mishra et al., 2018). For this pre-test, a total of 50 questions were self-administered. To determine the validity and reliability of the pre-test, the findings were evaluated.

From Table 3 to Table 5, the findings revealed that the pre-test questionnaire's AVE ranged from 0.523 to 0.850. Each and every AVE value above the 0.05 cut-off. The range of Cronbach's alpha was 0.830 to 0.957. Every

Cronbach's alpha value exceeds the cut-off of 0.07. Demonstrating that the questionnaire instrument's accuracy and consistency were not a problem. Finally, the managers' queries that were unclear or difficult to understand were changed and corrected.

Validity and Reliability

According to Bryman (2016), an instrument's "validity refers to how well an instrument measures the specific concept it was supposed to measure." As a result, for an instrument to be dependable, it must be repeatable with reliability before it can be considered legitimate. As advised by Bryman (2016), the researcher investigated pertinent literature to identify how the study's construct had been quantified by earlier researchers. Again, a reliability test was used to check the questionnaire's internal consistency. A study questionnaire was considered internally consistent if it’s Cronbach's Alpha co-efficient was 0.7 or higher.

The outcomes of the PLS - Structural Equation Modelling commence with “an assessment of the model to determine its fitness by assessing the construct reliability, indicator reliability, convergent validity, and discriminant validity.” Construct reliability was tested using composite reliability (CR) or Cronbach’s Alpha (CA). Table 3 results indicate that, in all cases, all constructs have composite reliability beyond the threshold of 0.6, an indicator that the constructs are stable (Hair et al., 2016). Also, the minimum cut-off of 0.7 was accurate for the indicator loadings (Hair et al., 2022). Fornell and Larcker (1981) proposed an extracted minimum average variance (AVE) of 0.5 to demonstrate convergent validity for a build which is also supported by Henseler et al. (2017). HTMT Ratio, VIF, and CA also prefer less than 0.9, 3.3, and greater than 0.70, respectively (Henseler et al., 2017; Kock, 2015).

Table 3: Summary of Measurement Scale

	Outer loadings	VIF	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)
Corporate Social Responsibility			**0.952**	**0.952**	**0.711**
CSR1	0.899	5.653			
CSR2	0.899	4.290			
CSR3	0.837	3.842			
CSR4	0.816	4.824			
CSR5	0.766	4.453			
CSR6	0.828	5.598			
CSR7	0.889	4.072			
CSR8	0.802	2.319			
Firm Performance			**0.935**	**0.935**	**0.673**
FP1	0.809	3.009			
FP2	0.895	3.939			
FP3	0.848	2.815			
FP4	0.840	2.771			
FP5	0.762	3.572			
FP6	0.787	2.994			
FP7	0.796	2.656			
Firm Reputation			**0.920**	**0.917**	**0.615**
FR1	0.923	1.849			
FR2	0.784	2.615			
FR3	0.755	2.751			
FR4	0.700	2.999			
FR5	0.749	3.369			
FR6	0.730	2.262			
FR7	0.827	2.853			

Source: Field survey (2023)

Table 3 shows results for outer loadings, Variance inflation factor (VIF), Cronbach Alpha (CA), composite reliability (CR), and the average variance extracted (AVE). The measurement model was reflective, so the researcher examined the indicator loadings. The reliability of indicators is examined from the outer loadings, where loadings above 0.7 are recommended since they indicate that the construct explains more than 50 per cent of the indicator's variance, thus providing acceptable item reliability. Table 3 shows that indicator factor loadings exceeding 0.7 were appropriately adopted in the study ranging from 0.700 being the least indicator loading to 1.000 being the highest indicator loading. All indicators were above the Hair et al., (2018) threshold; hence they were kept in the model.

The reliability of an indicator is measured using Cronbach Alpha (CA) and composite reliability (CR). Higher values above 0.6 are generally considered acceptable, although a minimum of 0.7 is usually recommended by Hair et al., (2018). The statistics of these two measures used in ascertaining reliability are presented in Table 3, for Cronbach Alpha (CA) ranging from 0.920 to 0.952. In contrast, Composite reliability (CR) ranged from 0.917 to 0.952, above the minimum of 0.70 or more proposed by Hair et al. (2014). The collinearity procedure involves examining the variance inflation factors to be sure that it does not bias the regression estimates. It tests whether correlations among constructs are substantial.

Indicator variable scores of the endogenous variables are used to calculate variance inflated factors (VIF) values. Based on the thresholds of a conservative set of ≤ 3.3 according to Kock (2015) and Hair et al., (2016), or a higher set of 10 per Asthana (2020). The VIF statistics in Table 3 indicated that the maximum of 10 for every single indicator was not reached; hence, the data set is free from multicollinearity issues, suggesting collinearity is not present in the model. Next is convergent validity, which is established by average variance extracted (AVE), where an AVE of 0.50 or higher indicates that the construct explains at least 50 percent or more of the variance of the items that make up the construct. For a construct to be said to be a valid construct, convergent and discriminant validities are measured.

This is carried out to measure the level at which construct indicators converge or congregate in the measure of the same construct, that is, how indicators measure the construct in question as a unit (Bagozzi et al., 1991). The average variance extracted was employed to test convergent validity, as identified by Fornell and Larcker (1981). An AVE of 0.50 or more represents convergent validity. Table 3 again shows that all constructs had an AVE >0.50, ranging from 0.615 to 0.711, making convergent validity present in the study.

Discriminant Validity

Discriminant validity shows how well items load higher onto their respective constructs and less on other constructs. The Fornell-Larcker criterion is a second and more conservative approach to evaluating discriminant validity in addition to cross-loading, according to Hair, Hult, Ringle, and Sarstedt (2016). The square roots of the AVE of each construct should be higher than the correlations of that construct with all other constructs, according to Fornell-Larcker (1981), for discriminant validity to be adequate. The outcome offered in Table 4 shows that the condition for discriminant validity has been adhered to.

Table 4: Discriminant and Convergent Validity of Constructs

Construct	CSR	FP	FR
FP	0.648		
FR	0.595	0.851	
FR x CSR	0.056	0.055	0.051

Source: Field survey (2023)

Hetrotrait-Monotrait (HTMT) is the most important and last criterion for determining discriminant validity (Henseler et al., 2015; Hair et al., 2016). The geometric average correlations of the object that assesses the same constructs are divided by the average value of item correlations across constructs to get HTMT. The HTMT value of each construct should be less than 0.85 (Kline, 2011) when they are considerably different and less than 0.9 (Teo et al., 2008; Henseler et al., 2015) when they are comparable. As a result, an HTMT score of more than 0.9 shows that discriminant validity is lacking (Henseler et al., 2017). Table 5 displays the HTMT values for each construct, confirming the discriminant validity of various constructs.

Table 5: Cross loadings

	CSR	FP	FR	FR x CSR
CSR1	0.899	0.584	0.581	0.054
CSR2	0.899	0.585	0.611	-0.040
CSR3	0.837	0.544	0.561	-0.084
CSR4	0.816	0.530	0.452	-0.036
CSR5	0.766	0.498	0.458	-0.009
CSR6	0.828	0.538	0.392	-0.021
CSR7	0.889	0.578	0.482	-0.038
CSR8	0.802	0.522	0.503	0.098
FP1	0.540	0.809	0.690	0.078
FP2	0.591	0.895	0.766	0.012
FP3	0.522	0.848	0.740	0.068
FP4	0.559	0.840	0.717	-0.037
FP5	0.532	0.762	0.642	0.051
FP6	0.470	0.787	0.692	0.047
FP7	0.514	0.796	0.686	0.023
FR1	0.478	0.794	0.923	0.054
FR2	0.559	0.674	0.784	-0.043
FR3	0.371	0.649	0.755	0.035
FR4	0.372	0.602	0.700	-0.006
FR5	0.438	0.644	0.749	0.002
FR6	0.564	0.628	0.730	0.049
FR7	0.515	0.711	0.827	-0.094

Source: Field survey (2023)

Ethical Consideration

In a study by Patten and Newhart (2017), the main ethical concern that needs to be considered in any research was revealed. The key ethical issues are voluntary participation, the right to privacy, anonymity, and information security.

As a result, every efforts were made to ensure that the questionnaire design addressed all of these ethical concerns. In terms of voluntary participation, each responder was allowed to participate in the data gathering exercise of his or her own free will. In addition, potential privacy concerns was addressed by encouraging respondents to complete the questionnaires on their own, and an appropriate channel for resolving outstanding issues was given.

Furthermore, the issue of anonymity was addressed by restricting respondents from providing specific information about themselves in the questionnaire, such as names, phone numbers, and personal addresses. Respondents were also assured that their identities would not be revealed or used for any purpose other than this public analysis. Finally, the study safeguarded the confidentiality of information by ensuring respondents that all information provided were kept confidential.

Data Processing and Analysis

According to Njae (2018), there are two ways to analyse field data: first, by giving a descriptive account of the information acquired; and second, by giving the information gathered meaning. Data were coded and classified for this study in order to look for trends and recurring problems. After a preliminary examination, the research used Structural Equation Modelling (SEM) to examine the impact between the variables. SEM took into account the proportion between each latent construct and the researched indicators. SEM is a statistical technique that combines two component analysis and path analysis into one sizable statistical instrument (Agyapong 2013).

According to Sarwoko, Surachman, and Djumilah (2013), SEM is divided into two parts: the first calculation, which uses confirmatory factor analysis, relates to the observed variable and a latent variable, and the structural component, which simultaneously establishes a connection between the latent variables and regression. Given the foregoing, PLS 3.0 software was used to conduct a two-step analysis. In the second step, hypothesis testing employing the structural model's determination of the questionnaire's psychometric properties was utilised to ascertain the significance of the indicators in terms of performance improvement.

Response Rate

Customers of the small and medium enterprise financial institutions in the Cape Coast Metropolis in the Central Region were randomly selected for data collection. 361 respondents were included in the sample to ensure proper representation. However, the number was increased to 400, 346 of which were completed and returned, showing an 86.5 percent response rate, in order to lower the non-response rate and account for maximum error. Table 6 illustrates the response rate.

Table 6: Response Rate

Questionnaire	Count	Percentage (%)
Returned	346	86.5
Non- Returned	54	13.5
Total	400	100

Source: Field survey (2023)

Based on the claim made by *Blumenberg et al.*, (2019) that a response rate of 50% is sufficient for quantitative analysis, a response rate of 86.5% from Table 6 was deemed satisfactory.

Chapter Summary

This chapter's mission was to describe the methods utilised to accomplish the analysis's objectives. The study's quantitative results were gathered using a standardised questionnaire. Again, descriptive statistics were generated using SPSS (Version 24.0), and the validity and reliability of the measures, structural models, and data analysis were assessed using Smart PLS (3.0). According to the study's ethical analysis, participants were adequately informed that their agreement would be sought before collecting their replies. The chapter also covered the study's sampling strategy, research design, and research approach.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The study's goal is to evaluate how Corporate Social Responsibility affects business performance. The study also investigates how the effect of corporate social responsibility on financial performance of small and medium financial institutions are influenced by the reputation of the firm. An examination of the data gathered from respondents is presented in this chapter. A structured questionnaire was the primary research tool. The study used PLS-SEM analysis and descriptive statistics including mean, standard deviation (SD), frequencies, and percentages. To make the results easier to read, they are presented in tables. This chapter examines the three primary research goals mentioned in Chapter One in accordance with the overall objective of the study. The response rate, respondent demographics, and a description of the construct are covered in the first section; however, the PLS-SEM results are covered in the second section in light of the study's research goals.

The second portion opens with an evaluation of the study's PLS-SEM model's measurement. Corporate Social Responsibility (CSR), Firm Reputation (FR), and Financial Performance (FP) of small and medium financial institutions in Cape Coast of the Central Region are the major factors used in this study. The PLS-SEM results are discussed in the final section. An "iterative combination of analysis and regression of main components" is the foundation of the PLS-SEM approach. It has the advantage of simultaneously estimating each path coefficient and each item loading in the context of a certain model.

Descriptive Results for Personal Data of the Respondents

Results on the respondents' personal information for this study are presented in this part using frequency and percentage. The personal information outlines the characteristics of the clients who served as study respondents. The information was gathered using a variety of biographical details, including the respondent's gender, age, employment status, highest level of education, and length of employment. It describes the makeup of the study's respondents. Table 7 presents the findings.

Table 7: Demographic Characteristics of Respondents

		Frequency	Percentage (%)
Gender	Male	154	44.51
	Female	192	55.49
	Total	**346**	**100.00**
Age	21-30 Years	80	23.12
	31-40 Years	75	21.68
	41-50 Years	78	22.54
	51-60 Years	63	18.21
	Above 60 Years	50	14.45
	Total	**346**	**100.00**
Work Status	Student	132	38.15
	Self-employed	106	30.64
	Unemployed	40	11.56
	Pensioner	68	19.65

	Total	**346**	**100.00**
Educational Level	SHS	28	8.09
	HND	49	14.16
	First Degree	118	34.10
	Postgraduate Degree	96	27.75
	Professional certificates	55	15.90
	Total	**346**	**100.00**
Time Period of Working	1-5 years	80	23.12
	6-10 years	125	36.13
	11-15 years	78	22.54
	Above 16 years	63	18.21
	Total	**346**	**100.00**

Source: Field survey (2023)

According to Table 7, the demographic information on the respondents, 154 of the 346 were men, making up 44.51% of the study sample. The remaining 192 people were females, making up 55.49% of the total. The figure reflects responses who were predominately female, as would be expected given that women make up the majority of the population. The findings revealed that 80 (23.12%) of the respondents were between the ages of 21 and 30 years, followed by 78 (22.54%) of respondents between the ages of 41 and 50 years, 75 (21.68%) of respondents between the ages of 31 and 40 years, 63 (18.21%) of respondents between the ages of 51 and 60 years, and 50 (14.45%) of respondents who belonged to the age groups over 60 years. This implies that individuals above the age of 60 provided the fewest responses.

When asked about their employment situation, 132 respondents, or 38.15 percent of the 346 respondents, stated that they are students. Furthermore, 106 respondents (30.64%) worked for themselves. Additionally, 40 respondents (11.56%) were unemployed at the time of data collection. Lastly, 68 of the respondents were retirees. These findings offer a broad overview of the Banks' clients. The respondents' highest degree of education is another demographic finding.

Regarding educational attainment, those with a First Degree made up the common, at 118 (34.10%), followed by those with a Postgraduate degree and Professional certificate, which represented 96 (27.75%) of the total workforce and 55 (15.90%), respectively. This result is not unexpected given the number of educational institutions present in the Cape Coast, where well-educated students and professors may be found. A total of 36.13% of all respondents—or about 125 people—said they had worked for between 6 and 10 years. Following this are 80 respondents who have worked for 1 to 5 years, representing 23.12%, 78 respondents who have worked for 11 to 15 years, representing 22.54%, and then respondents who have worked for 16 or more years, representing the minimum responses at 63%.

Descriptive Statistics of Indicators

PLS-SEM has noted non-parametric analysis; hence normality of the variables is not a requirement. However, Hair et al. (2018) noted that we do not want a situation with extreme outliers and collinearity. Also, PLS-SEM significant test follows a bootstrap estimation, yet highly non-normal data can cause peaked and skewed bootstrap distributions. Therefore, the distribution of the indicators was assessed. The mean, standard deviation, kurtosis, and skewness are all shown in Table 8.

Table 8: Descriptive Statistics of Indicators

	Mean	Obs. min	Obs. max	SD	Kurtosis	Skewness
CSR1	3.217	1.000	5.000	1.103	-0.539	-0.451
CSR2	3.072	1.000	5.000	1.147	-0.688	-0.407
CSR3	3.012	1.000	5.000	1.143	-0.858	-0.244
CSR4	3.367	1.000	5.000	1.102	-0.934	-0.154
CSR5	3.243	1.000	5.000	0.997	-0.736	-0.221
CSR6	3.289	1.000	5.000	1.063	-0.608	-0.409
CSR7	3.329	1.000	5.000	1.126	-0.822	-0.223
CSR8	3.205	1.000	5.000	0.953	-0.021	-0.039
FP1	2.746	1.000	5.000	1.155	-0.794	0.169
FP2	2.697	1.000	5.000	1.108	-0.555	0.353
FP3	2.936	1.000	5.000	1.054	-0.502	0.261
FP4	2.954	1.000	5.000	1.058	-0.504	0.137
FP5	2.905	1.000	5.000	1.158	-0.808	0.030
FP6	2.942	1.000	5.000	1.179	-0.782	-0.015
FP7	2.893	1.000	5.000	1.162	-0.723	0.087
FR1	2.734	1.000	5.000	1.112	-0.739	0.210
FR2	2.931	1.000	5.000	1.062	-0.412	-0.123
FR3	2.734	1.000	5.000	0.955	-0.614	0.074
FR4	2.988	1.000	5.000	1.048	-0.270	-0.113
FR5	3.003	1.000	5.000	0.981	-0.144	-0.375
FR6	3.055	1.000	5.000	0.997	0.109	0.030
FR7	3.090	1.000	5.000	1.029	-0.302	-0.308

Source: Field survey (2023)

Note: Corporate Social Responsibility (CSR), Firm Reputation (FR), and Financial Performance (FP)

According to the findings in Table 8, the data's skewness values greatly deviate from the normal distribution, which is typical of the majority of primary data-based surveys in the social sciences (Zhao, Lynch, & Chen, 2010). While 2.734 is the lowest mean value, 3.329 is the highest. This shows that questions linking corporate social responsibility (CSR) and firm reputation (FR) to financial performance (FP) are generally accepted by the respondents. The low standard deviation values also indicate that they are quite close to the mean. D6ata points are clustered closely around the mean values of the relevant indicators. The excess kurtosis values are all negatives. This indicates that the indicators' distribution is platykurtic, meaning the distribution has a thinner tail than a normal distribution.

Results

In this section, the PLS-SEM results are displayed. First, the measurement model's reliability and validity are discussed. Reliability gauges an item's consistency, while validity looks at an item's accuracy and how well it captures a concept (Ahari et al., 2018). The structural model evaluation comes next. The proposed relationship between the constructs is depicted in the structural model.

Assessment of structural model

The proposed relationship between the constructs is depicted in the structural model. The study hypotheses are put to the test after they met the criteria for convergent and discriminant validity, as well as construct and indicator reliability. By determining the direction and strength using the coefficient (β), p-values showing the level of significance using 5000 bootstraps, coefficient of determination (R^2), the predictive relevance (Q^2), and effect size (f^2), this task was completed. R-square calculates the proportion of the variance in the dependent variable that is due to the independent variables. The constructs that served as dependent variables in the SEM are shown to be predictively relevant in Table 9.

Table 9: Diagnostics Tests of Coefficient

	Beta	**T statistics**	**P values**	**2.5%**	**97.5 %**	**f-square**
CSR	0.210	4.932	0.000	0.131	0.297	0.122
FR	0.734	16.347	0.000	0.642	0.817	1.492
	R-square	R-square adjusted	Q^2 predict	RMSE	MAE	
FP	0.769	0.767	0.674	0.575	0.419	

Source: Field survey (2023)

Note: Independent Variables, Financial Performance (FP), Dependent Variable (CSR and FR), Asset-backed securitisation (ABS), financial sustainability (FS), financial performance (FP). (*), (**), (***) significant at 10%, 5%, 1%., N = 90

The results of the study were presented based on the t-stat values advised by Hair et al. (2014). "T-stat values above 1.96 correspond to p-values < 0.05 and vice versa," they proposed. On the other hand, Cohen (1988)'s standards were applied to the path coefficients. According to his theory, "correlation coefficients (R) of 0.10 represent weak or small correlation; 0.30 represent moderate correlation; and 0.50 represent large or strong correlation." Table 9 revealed that all the relationships were significant at 5%. The results showed that concerning financial performance, both Corporate Social Responsibility (CSR) ($\beta = 0.210$; $t = 4.932$; $p = 0.000 < 0.01$), and Firm Reputation (FR) ($\beta = 0.734$; $t = 16.34$; $p = 0.000 < 0.10$), were found to have a significant relationship with the dependent variable.

Table 9 displays the model's outcomes. CRS on FP and FR on FP are the relationships that are visible. As seen in Table 9, the R-squared value indicated that explained 76.9% of the financial performance, which Cohen (1988) deemed moderate. According to the t-statistic and p-values, every variable that was taken into consideration for this investigation was statistically significant. The effect size metric shown in Table 10 reveals that, according to Cohen's f^2, the effects of automated ABS on financial performance are negligible ($f^2 = 0.33$), asset-backed securities on financial sustainability are significant ($f^2 = 0.897$), and financial sustainability is moderate ($f^2 = 0.424$).

Q^2 demonstrates this. The rule of thumb is Q^2 value > 0 for the independent variables (Henseler et al., 2009) is recommended. As a result, the closer the $Q^{2\ \text{is}}$ to the adjusted R square, the better. Henseler et al. (2009) provided Q^2 values criteria; $0.02 \leq Q^2 < 0.15$ (weak effect), $0.15 \leq Q^2 < 0.35$ (moderate effect), and $Q^2 > 0.35$ (strong effect). It can be seen from Table 10 that the construct's dependent variable (FP) in the model is strongly explained by their corresponding independent variables. Specifically, 0.674 of FP is strongly explained.

Table 10: Moderation Analysis

	Original sample (O)	T statistics	P values	2.5%	97.5%	f-square
FR x CSR	0.045	1.708	0.088	-0.007	0.096	0.009

Source: Field survey (2023)

The moderation results of Firm reputation from Table 10 showed that (FR x CSR) has some level of influence but it does not significantly influence financial performance at a 10% significant level (β = 0.045; t = 1.708; p = 0.088< 0.01). This indicates no work influence from the moderator. The graphical representation is seen in Figure 2

Main Analysis

This section summarises the results of the connections presented in the Tables above and is used to analyse the various hypotheses.

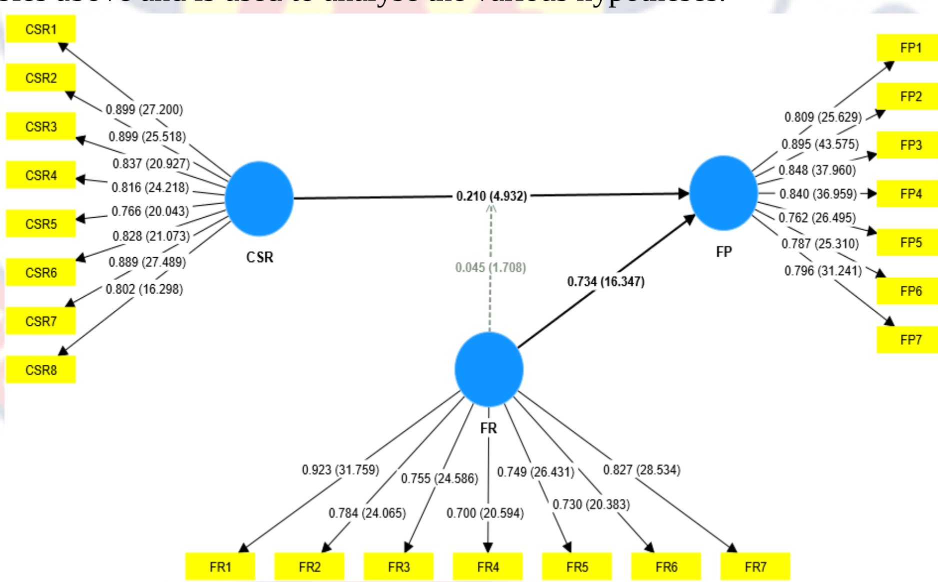

Figure 2: The interrelationships between corporate social responsibility, firm reputation and financial performance, while considering the moderating role of firm reputation
Source: Field survey (2023)

Effect of corporate social responsibility on financial performance

From Figure 2, the hypothesis that *corporate social responsibility positively influences the financial performance of small and medium enterprise financial institutions in Cape Coast* is sustained by a positive and significant coefficient between the constructs ($\beta = 0.210$, p-value < 0.05). That is, a unit expansion in corporate social responsibility leads to a 0.210 increase in the financial performance of small and medium enterprise financial institutions in Cape Coast. This shows that corporate social responsibility has led to an increase in the *financial performance* of Cape Coast in situations such as; "gross profit, improvement in net income, total equity capital growth, long-term cash flow, protection against risky loans, alternative and more stable investment vehicle and reduction in default risk."

Effect of firm reputation on financial performance

From Figure 2, the hypothesis that *firm reputation positively influences the financial performance of small and medium enterprise financial institutions* in Cape Coast is supported by a positive and significant coefficient between the constructs ($\beta = 0.734$, p-value < 0.05). That is, a unit increase in firm reputation leads to a 0.734 increase in the financial performance of small and medium enterprise financial institutions in Cape Coast. This indicates that firm reputation has led to an increase in the financial performance of small and medium enterprise financial institutions in Cape Coast with regards to; "gross profit, improvement in net income, total equity capital growth, long-term cash flow, protection against risky loans, alternative and more stable investment vehicle and reduction in default risk.”

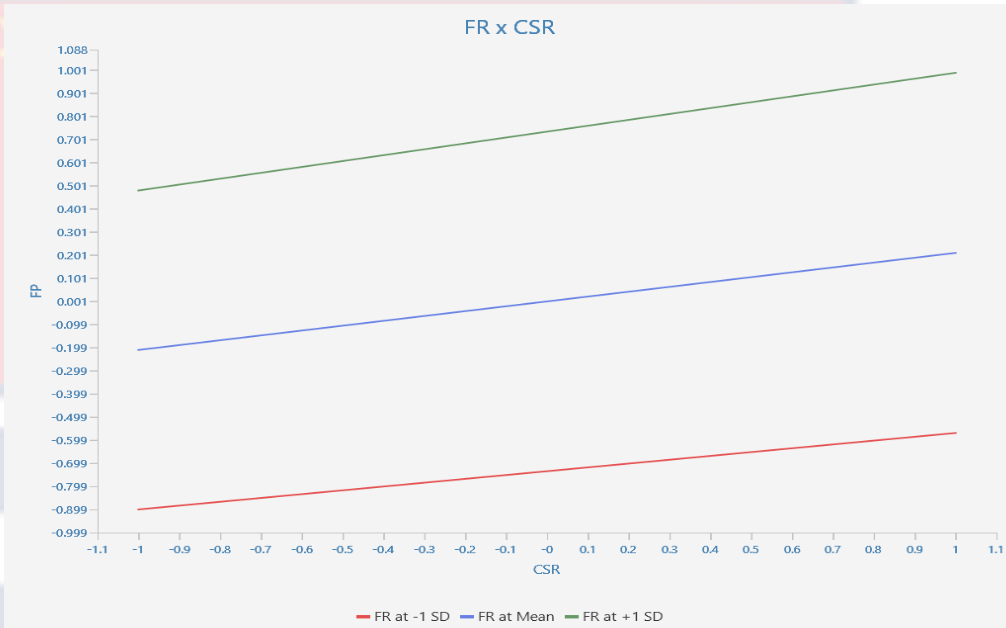

Figure 3: The moderating role of firm reputation in the relationship between corporate social responsibility and financial performance
Source: Field survey (2023)

From Figure 3, the hypothesis that *firm reputation positively moderates the relationship between corporate social responsibility and the financial performance of small and medium enterprise financial institutions in Cape Coast* was not sustained by a positive and significant coefficient between the constructs ($\beta = 0.045$, p-value > 0.10). It could be analysed that the moderating effect is not positive and significant, meaning the strength of the relationship *between corporate social responsibility and financial performance* needs to be enhanced. A low firm reputation means a low relationship between corporate social responsibility and financial performance, and a high firm reputation means a high relationship between corporate social responsibility and financial performance. Therefore, firm reputation is not a significant moderator *between corporate social responsibility and financial performance*.

Discussion of Results

The results of the PLS-SEM analysis indicated that the first two hypotheses were supported whereas the third hypothesis was not supported. They were thoroughly discussed in the following paragraphs in the order of the research objectives.

Effect of corporate social responsibility on the financial performance of small and medium financial institutions in Cape Coast Metropolis

The study revealed that corporate social responsibility has a positive and significant influence on the financial performance of small and medium financial institutions in Cape Coast. That is, as the small and medium financial institutions perform corporate social responsibility in Cape Coast, their financial performance is maximised through an increase in customers. The respondents indicated that as small and medium financial institutions conserve energy and perform some social activities, it enhances their urge to be safe. The results corroborate the findings of Ye and Kulathunga (2019). They also came to the conclusion that CSR affects a firm's performance through the attraction and retention of highly qualified and quality employees, a similar result to that obtained in the work of Velte (2017).

Also, Pätäri et al. (2018) and Kludacz-Alessandri et al. (2021) both concluded that CSR is vital to company success because it enables goods and services to be better marketed. This was also identified in the current study.

Shahbaz et al. (2020) again found a positive CSR impact on performance. The study's outcome revealed significant excess gain on the day immediately following the notice of corporate social responsibility while revealing robust statistical diagnostics. Ansong (2017) concluded that corporate social responsibility is closely linked to past and future financial success.

Effect of the firm reputation on the financial performance of small and medium financial institutions in Cape Coast Metropolis

The study revealed that a firm's reputation positively and significantly influences financial performance. That is, financial performance is increased for small and medium financial institutions who are well known in the jurisdiction of Cape Coast. Also, the respondents made it known that firms with a good reputation always fulfil the promises that they make to their customers. Hence, customers are also engaged with these small and medium financial institutions, which increases their financial performance. Similarly, a good firm's reputation builds admiration and trust among customers.

Based on the findings, it can be said that small and medium financial institution management in Cape Coast Metropolis should emphasise living and operating their businesses to satisfy clients if they want to increase performance. According to Cazcarro et al. (2022), a company's performance and reputation are significantly positively correlated. Additionally, Dupire and M'Zali (2018) found that a company's reputation is crucial for its long-term survival but countered that it is less likely to have a direct effect on stock market performance than profitability and growth. According to Younis *et al.*, (2020), there is a direct correlation between a company's performance and reputation.

Role of firm reputation in the relationship between CSR practices and the performance of small and medium financial institutions in Cape Coast Metropolis

The study found that the moderating role of firm reputation on the relationship between corporate social responsibility and the financial performance of small and medium financial institutions in Cape Coast Metropolis was low and not significant. Although corporate social responsibility has a positive effect on financial performance, when small and medium financial institutions in Cape Coast Metropolis build a good reputation for themselves, it does not affect their financial performance. This explains why the well-known small and medium financial institutions in Cape Coast Metropolis barely embark on many corporate social responsibility projects. Contrary to this finding, Salvioni and Gennari (2017) found that a firm’s reputation enhances corporate social responsibility’s impact on financial performance. Fatemi, Glaum, and Kaiser (2018) reported a positive relationship between CSR and company results due to firm reputation. In similar research, Feng, Wang, and Kreuze (2017) showed a positive impact of CSR on company results, particularly with implementing a reputation as an intermediary for corporate social or natural obligations.

Chapter Summary

This chapter attempts to analyse the PLS-SEM-based study's research goals. 346 participants were included in the study. According to the findings, corporate social responsibility and a company's reputation have a considerable favourable impact on financial performance. It also showed that the firm reputation of small and medium financial institutions in Cape Coast does not significantly alter the association between corporate social responsibility and financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarized the findings, discussed them, and drew relevant conclusions. As well as the study advice and research proposals were offered.

Summary of Study

The research assessed how company reputation influenced the effects of CSR on the performance of Cape Coast's small and medium-sized financial institutions. Three particular objectives were developed to accomplish this overarching goal. The first objective was to examine the effect of corporate social responsibility on the financial performance of small and medium financial institutions in Cape Coast Metropolis. The second objective was to examine the effect of the firm reputation on the financial performance of small and medium financial institutions in Cape Coast Metropolis. Lastly, the role of firm reputation on the relationship between CSR practices and the performance of small and medium financial institutions in Cape Coast Metropolis. In addressing the above objectives, the research reviewed relevant theoretical and empirical literature to the research. Two core theories underpinned the study, namely, stakeholder theory and agency theory.

The descriptive research design was used in the study because it maximises dependability, minimises bias, and takes a quantitative research approach. The study's quantitative results were gathered using a standardised questionnaire. The questionnaire received responses from 346 individuals in total.

Again, descriptive statistics were generated using SPSS (Version 24.0), and the validity and reliability of the measures, structural models, and data analysis were assessed using Smart PLS (3.0). The study again, targeted small and medium financial institutions and its customers in the Cape Coast Metropolis.

Summary of Key Findings

According to the findings from the study's first aim, CSR has a favourable impact on the performance of small and medium-sized financial institutions in Cape Coast, and this relationship is supported by a significant correlation between the two constructs.

Similar findings were made with the second objective. The results demonstrated that small and medium financial institutions in the Cape Coast metropolitan had a positve financial performance impact due to business reputation. A significant coefficient between the two constructs supported this. This shows that a company's reputation has helped small and medium-sized financial institutions operate better.

The findings for the third objective, which was to determine how firm reputation affected the relationship between corporate social responsibility and the financial performance of small and medium-sized financial institutions in Cape Coast, indicate that firm reputation has no moderating effect on this relationship. A positive company reputation may not always translate to better financial success, even though corporate social responsibility has a considerable impact on it.

Conclusions

Established on the study outcomes, it therefore concluded that;

- Based on the findings of this study, the first objective leads to the conclusion that proper investment into Corporate Social responsibility leads to improved small and medium financial institutions' performance. The study observed that small and medium financial institutions' managers ensure adequate steps are taken against all forms of discrimination by consulting with customers on these important issues; this affects small and medium financial institutions' profitability.
- This study also concludes on the second objective that when the small and medium financial institutions always fulfil the promises that it makes to its customers, there is going to be high return on investment. The findings also conclude that when the workplace is attractive to both customers and employees, there is going to be sales growth.
- Concerning the third objective, the study settled that firm's reputation does not moderate the relationship between CSR and small and medium financial institutions' performance. This means that when there is admiration and trust from customers and employees, it does not have a major effect on CSR and how it affects the small and medium financial institutions' performance.

Recommendation

Based on the findings that CSR positively affects the performance of small and medium financial institutions in the Cape Coast Metropolis and the following recommendation can be drawn:

SME financial institutions in the Cape Coast Metropolis should prioritize and strengthen their CSR practices. They should continue to engage in initiatives that go beyond their legal obligations and contribute to the well-being of society and the environment. This can include activities such as supporting financial literacy programs, promoting responsible lending practices, and contributing to community development projects. By further investing in CSR, SME financial institutions can potentially improve their overall performance and generate positive outcomes for both the institution and the community. It is recommended that SME financial institutions integrate CSR considerations into their strategic planning processes. CSR should be embedded as a core element of their business strategy, rather than viewed as an optional or peripheral activity. By aligning CSR initiatives with their overall objectives, SME financial institutions can enhance the impact and effectiveness of their CSR efforts. This integration will help ensure a consistent and long-term commitment to responsible business practices.

SME financial institutions should actively engage with their stakeholders, including customers, employees, investors, and the local community, to foster a shared understanding and commitment to CSR. This can involve regular communication, collaboration, and soliciting feedback from stakeholders to identify their needs, expectations, and concerns. By involving stakeholders in the

CSR decision-making process, SME financial institutions can build stronger relationships, gain support for their initiatives, and enhance the positive impact of their CSR activities. It is crucial for SME financial institutions to maintain transparency in their CSR efforts. They should establish robust reporting mechanisms to communicate their CSR initiatives, progress, and outcomes to stakeholders. Transparent reporting enhances accountability, builds trust, and allows stakeholders to assess the institution's commitment to CSR. SME financial institutions can consider adopting recognized frameworks, such as the Global Reporting Initiative (GRI), to guide their CSR reporting practices and ensure consistency and comparability.

Contrary, given the significant role of firm reputation as a moderator in the CSR-financial performance relationship, SME financial institutions should proactively manage and leverage their reputation. They should focus on building a positive reputation by consistently demonstrating responsible business practices, delivering on CSR commitments, and effectively communicating their efforts. A strong reputation can enhance customer loyalty, attract investors, and establish a competitive advantage in the market.

Based on the findings that firm reputation influences the financial performance of small and medium financial institutions in the Cape Coast Metropolis, the following recommendation can be drawn:

Small and medium financial institutions in the Cape Coast Metropolis should prioritize reputation management as a key aspect of their business strategy. They should actively monitor, assess, and manage their reputation to ensure a positive perception among stakeholders. This can be achieved through consistent delivery of high-quality services, ethical practices, transparent communication, and responsible business conduct. By prioritizing reputation management, these institutions can enhance their financial performance by attracting customers, investors, and other stakeholders who perceive them as trustworthy and reputable. Focusing on delivering an exceptional customer experience is crucial for building and maintaining a positive reputation. Small and medium financial institutions should prioritize customer satisfaction by providing personalized services, efficient processes, and responsive customer support. By exceeding customer expectations, these institutions can cultivate a positive reputation that translates into increased customer loyalty, positive word-of-mouth, and enhanced financial performance.

Building strong relationships with stakeholders, including customers, investors, employees, and regulators, is essential for fostering a positive reputation. Small and medium financial institutions should engage with stakeholders through open communication, responsiveness to feedback, and active involvement in community development initiatives. By demonstrating a genuine commitment to stakeholder interests and fostering trust and collaboration, these institutions can enhance their reputation and, subsequently, their financial performance. Adhering to sound corporate governance practices and maintaining high ethical standards is integral to reputation management. Small and medium financial institutions should establish robust governance structures, transparent decision-making processes, and ethical guidelines for their operations. By promoting integrity, accountability, and transparency, these institutions can safeguard their reputation, strengthen stakeholder confidence, and contribute to sustainable financial performance.

Small and medium financial institutions should proactively monitor potential reputation risks and respond promptly to any negative incidents or perceptions. This requires establishing effective risk management systems, conducting regular reputation assessments, and developing crisis management plans. By promptly addressing reputation risks, these institutions can minimize potential damage and maintain a positive reputation that positively influences their financial performance.

Based on the findings that firm reputation does not moderate the relationship between corporate social responsibility (CSR) and the financial performance of small and medium financial institutions in the Cape Coast Metropolis, the following recommendation can be drawn:

Despite the lack of moderation by firm reputation, it is important for small and medium financial institutions in the Cape Coast Metropolis to continue emphasizing and investing in CSR initiatives. While firm reputation may not act as a moderating factor, the findings suggest that CSR can still have a direct positive impact on financial performance. These institutions should maintain their commitment to CSR practices, as they can potentially contribute to improved financial outcomes by fostering customer loyalty, enhancing brand image, and differentiating themselves in the market. To maximize the benefits of CSR, small and medium financial institutions should focus on strengthening the implementation and measurement of their CSR initiatives. This can involve setting clear objectives, defining key performance indicators (KPIs), and regularly evaluating the effectiveness of CSR activities. By adopting a systematic approach to CSR implementation and measurement, these institutions can gain insights into the specific areas where CSR activities positively influence financial performance and make informed decisions regarding resource allocation and strategy refinement.

Stakeholder engagement remains critical for successful CSR implementation. Small and medium financial institutions should actively involve stakeholders in the development, implementation, and evaluation of CSR initiatives. By understanding stakeholder expectations, needs, and concerns, these institutions can align their CSR activities with stakeholder interests, build stronger relationships, and enhance the impact of CSR on financial performance. Regular communication, transparency, and responsiveness to stakeholder feedback can contribute to a positive perception of the institution's CSR efforts, fostering greater stakeholder support and trust. Creating awareness and fostering a culture of CSR within the organization is crucial. Small and medium financial institutions should ensure that employees are well-informed about the institution's CSR activities and their potential impact on financial performance. Engaging employees in CSR initiatives, providing training and resources, and recognizing their contributions can cultivate a sense of ownership and commitment to CSR, leading to more effective implementation and positive financial outcomes.

Small and medium financial institutions should continually evaluate and adapt their CSR strategies based on changing market dynamics, stakeholder expectations, and emerging sustainability trends. Regular assessment of the relationship between CSR and financial performance can provide valuable insights into areas of improvement or expansion of CSR activities. By remaining adaptive and responsive, these institutions can optimize the alignment of CSR efforts with financial performance goals.

Suggestion for Further Studies

The study explored the moderating impact of firm reputation on the relationship of Corporate Social Responsibility and performance of small and medium financial institutions in the Cape Coast metropolis. It is therefore recommended that further investigations consider replicating similar study in other study area to well affirm the study's outcome or otherwise. Also, future researcher should investigate the non-moderating effect of reputation on the relationship between CSR and financial performance.

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APPENDIX A

UNIVERSITY OF CAPE COAST

COLLEGE OF HUMANITIES AND LEGAL STUDIES

CENTRE FOR ENTREPRENEURSHIP AND SMALL ENTERPRISE DEVELOPMENT

STRUCTURED QUESTIONNAIRE SCHEDULE FOR FIRM'S CUSTOMERS

Hello, my name is Timothy Mensah-Smith and I am a student at the University of Cape Coast (UCC), and as part of my MBA studies, I are conducting a research on "the mediating role of firm reputation on the effect of CSR practices on financial performance of SMEs". The survey usually will take about 20 minutes to complete. The purpose of this research is purely academic and it is aimed at collecting data on firm reputation, CSR practices and financial performance of SMEs. Your utmost confidentiality is assured, and because of this please Do NOT write your name or the name of your entity on the questionnaire.

Thank you in advance for your cooperation.

Section 'A': CSR PRACTICES

The following are statements about your CSR practices as an SME owner/Manager. Please indicate the extent to which agree to each statement by ticking [√] one number of each item;

1- Least level of agreement, 5- Highest level of agreement

	CSR Practices					
1	I am concerned about energy conservation	1	2	3	4	5
2	As an SME manager, I supply clear and accurate information and labelling about products and services	1	2	3	4	5
3	I resolve customer complaints in timely manner	1	2	3	4	5
4	I am committed to providing value to customers	1	2	3	4	5

5	I ensure quality assurance criteria are adhered to in production	1	2	3	4	5
6	I ensure adequate steps are taken against all forms of discriminations	1	2	3	4	5
7	I make sure I consult employees on important issues	1	2	3	4	5
8	I am committed to the health and safety of employees	1	2	3	4	5

Source: Sweeney (2009)

Section 'B': Firm reputation

The following are statements about your firm's reputation over the last 3 years. Please indicate the extent to which agree to each statement by ticking [√] one number of each item;

1-Least level of agreement, 5- Highest level of agreement

s/n	**Statement**	**1**	**2**	**3**	**4**	**5**
1.	In general, I believe that this firm always fulfils the promises that it makes to its customers.					
2.	My firm has a good reputation.					
3.	I believe that the reputation of this firm is better than other companies.					
4.	You think the company is well known					
5.	The company's workplace is attractive					
6.	There is admiration and trust from customers					
7.	Communication channels are very formal and clear					

Source: **Nguyen and Leblanc (2001)**

Section 'C': Financial Performance

The following are statements about the financial performance of your firm over the past three (3) years based on the listed financial indicators using the following 5- point scale. Please indicate the extent to which agree to each statement by ticking [√] one number of each item; Where:

1=Lowest performance (Lo)

2=Low performance (LP)

3=Average performance (AP)

4=High performance (Ho)

5=Highest performance (HP)

Indicators of financial performance		Lo	LP	AP	Ho	HP
a.	Sales growth	1	2	3	4	5
b.	Profit growth	1	2	3	4	5
c.	Leverage (Total debt/Total equity)	1	2	3	4	5
e.	Total Assets turnover	1	2	3	4	5
f.	Return on investment is high	1	2	3	4	5
g.	The firm is highly liquid	1	2	3	4	5
h.	Ability to self-finance expansion is high	1	2	3	4	5

Source: Ansong (2017)

SECTION D: PERSONAL DATA

These statements are about you. Kindly tick in the box the answer that best describes your response in each of the states.

1. Gender: [1] Male [2] Female
2. Age (years) of respondent: [1] 21 - 30 [2] 31 – 40 [3] 41 –50 [4] 51 – 60 [5] Above 60
3. Work Status [1] Student [2] Self-employed [3] Unemployed [4] Pensioner Others…………………..
4. Educational Level: [1] Postgraduate Degree [2] First Degree [3] HND [4] SHS [5] Professional certificates
5. Type of Industry: [**1**] Telecommunication [**2**] Agrobusiness [**3**] Insurance [**4**] E-commerce [**5**] Manufacturing [**6**] Hospitality [**7**] Others……………………………………………
6. What form of business do you operate? [1] One man business [2] Partnership [3] Company [4] Joint Venture
7. What is the size of your current workforce?
   a) less than 6 [ ] b) 6-9 [ ] c) 10-29 [ ] d) 30 and above [ ]
8. How many years has your firm being in existence?
   a). 1-5 years [ ] b) 6-9 years [ ] c) 10-15 years [ ] d) 16 and above [ ]