

Entrepreneurs' Perception of Banks' Social Responsibility : A Haitian Case Study

BÉNÉDIQUE PAUL¹
AHMAD H. JUMA'H²
FLORYS DORANTE³

Institutions d'appartenance :

¹UMR ART-Dev, Université de Montpellier (France).

²Accountancy Department, University of Illinois Springfield.

³Accountancy Department, INAGHEI, State University of Haiti (UEH).

Résumé

Banks are the pillars of entrepreneurship expansion and economic development. In developing countries, where there is little public financial support for entrepreneurs, it is clear that banks, among other financial institutions, should be part of the solution to the problem of financing economic activity. As financial intermediaries, commercial banks need to enjoy good perception among entrepreneurs to improve their profitability. To achieve such objective, banks sometimes adopt social responsibility strategies to influence public perception of banks' behavior. How do Haitian entrepreneurs perceive Haitian banks' social responsibility? To answer this question, we collect empirical data among entrepreneurs of all size (micro, small and large). The findings help interesting discussions of banks perception among entrepreneurs divided by demographic (gender, location) and economic (sector, size, assets) characteristics. Among the main conclusions, we find that banks enjoy very bad perception among entrepreneurs (all size). Also, the special concessions given by the Government and other international institutions to the banking industry in Haiti help very few to increase the financial services for Haitian entrepreneurs. From our conclusion arise questions for future research to study the relations between entrepreneurs' own practices of corporate social responsibility and their perception of banks social responsibility.

Mots clés : *Banking activities, Entrepreneurs, Social responsibility.*

JEL : *E44, G01, G21, N26, M14.*

©Les auteurs • 2021 • 

PAUL, Bénédique, Ahmad H. JUMA'H et Florys DORANTE (2021). Entrepreneurs' perception of banks' social responsibility: A Haitian case study. In: Cadet, Raulin L., Christophe Providence et Bénédique Paul (Eds), Accès aux biens et Services en Haïti - Banque et Développement. Editions Pédagogie Nouvelle et Université Quisqueya, Port-au-Prince. https://doi.org/10.54226/uniq.ecodev.18793_c4

Une autre version de cette communication a été publiée par les mêmes auteurs:

PAUL, Bénédique, Ahmad H. JUMA'H et Florys DORANTE (2020). "Entrepreneurs' perception of banks' social responsibility: A Haitian case study", *Études caribéennes* [Online], 45-46. <https://doi.org/10.4000/etudescaribeennes.18268>

4.1 Introduction

Since the last financial crisis in 2007/2008 did not particularly affect the Haitian banking sector, mainly because of its limited connectedness and investment in the international financial system, the Haitian economy continues to show bad performance. The scattered government efforts to reduce poverty and create economic growth are usually swept away by natural disasters. Haiti's Governments do not implement economic reform since many years. In addition, international debts contracted to finance government actions are squandered, leaving a growing majority of the population in extreme poverty, and high perception of corruption.

Available data released in 2014 from national household survey (IHSI, 2014) reveals that more than 6 million out of 10.4 million Haitians (59%) were living below the national poverty line of US\$2.41 per day, and over 2.5 million (24%) were living below the national extreme poverty line of US\$1.23 per day. Haiti's GDP per capita estimates for 2017 is \$1,800. With a Gini coefficient of 0.59 (as of 2012), the country is also one of the unequal countries.

According to the preliminary estimates of the National Institute of Statistics, Haiti's economy experienced a little growth in 2017 (IHSI, 2017). The GDP growth rate was 1.2%, in comparison to 1.5 in 2016. In a longer view, for the last two decades, GDP Annual Growth Rate in Haiti averaged a 1.39 percent (1997-2017). During this period, the GDP Annual Growth Rate reached a record low of -5.50 percent after the 2010 earthquake and an all-time high of 5.50 percent in 2011.

Domestic financial resources are limited. In the 2016/2017 fiscal year, domestic revenues barely reached 12.9 percent of GDP. Although Haiti's outstanding external debt was canceled by donor countries after the 2010 earthquake; it rose rapidly to \$2.6 billion as of December 2017. Most of this debt is due to Venezuela under the PetroCaribe program whose primary evaluation in the Parliament qualifies as a vast corruption scandal.

For many institutional reasons (political instability, lack of incentives, corruption among others), the Haitian productive economy is largely underfinanced. The agricultural sector where most of the workers are employed is the least financed sector of the economy (PAUL, 2016), while the Central Bank regularly reports excess liquidity in the banking sector. Most of the external financial inflow to the country is remittances, estimated around 2.772 billion US dollars (33.6% of GDP) for 2017 (OROZCO, 2018).

An underdevelopment trap is maintained by this low attractiveness for external financial resources and the public sector difficulties to mobilize internal resources (taxes) from a poor economy. In this context, the financial sector remains the most accessible lever to support private investments, through mobilization of internal financial resources. But, in economics perception is fundamental, particularly among entrepreneurs. The relations between the banking sector and entrepreneurs are largely determined by the perceptions of the latter. In this article, we analyze entrepreneurs' perception of Haitian banks social responsibility.

4.2 Social Responsibility and Banking Activities in Haiti

According to the Stakeholder theory (FREEMAN, 1984), the social responsibilities of a company is related to its interests and objectives, as an element of company value creation. The main challenge of a company is to carry out its activities consistently with morals and ethics. The relationship between a company and its stakeholders is an important factor for a company's successes (FREEMAN, WICKS et PARMAR, 2004). Stakeholder theory helps to explore the perception of entrepreneurs regarding banking activities and economic development, customers' satisfaction and corporate social responsibility (CSR) in Haiti. Therefore, the article considers the demand side and not the supply side of the relationship between customers and banks.

The growth and economic development of countries depend on internal and external factors; the banking systems offer several services such as raising capital to finance business activities (LENTNER, SZEGEDI et TATAY, 2015). The role of governments in banks' activities influences all business entities. Some of the undeveloped countries do not protect private and public property, these include environmental issues. The little regulation of bank is associated with the capitalist market economy (LA PORTA, LOPEZDESILANES et SHLEIFER, 2002 ; BARTH, CAPRIO et LEVINE, 2001 ; BARTH, CAPRIO et LEVINE, 2004). Organizations have increasingly improved the relationship between their businesses and the provision of economic, social and environmental benefits to the society in general (FRANCIS, WESTON et BIRCH, 2015). According to the CSR pyramid (CARROLL, 1991 ; CARROLL, 2016), CSR is related to four types of expectations; economic, legal, ethical, and discretionary or philanthropic. Organizations have intended to measure social value for around fifty years (MAGNAN, 2001 ; BABA, ISHIDA et AOKI, 2015). The main objective of this article is to explore the entrepreneurs' perspectives with respect to CSR of banks operating in Haiti.

In facts, Haitian banks nine commercial banks from which two are public, and one is a branch from the international, and the regulative central bank are not already involved in the Equator Principles Agreement¹. But most of them have created a related foundation to support diverse social/societal activities such as education. Therefore, the problem of access to finance for Haitian firms remains. Previous research shows several aspects of this problem. First, there is a high concentration in the Haitian banking sector, according to central bank data the three largest banks hold more than 80% of the total banking sector asset. Meanwhile Haitian banks association claims good results such as high return on equity (48,2% in 2017), at the same time, private firms consider financing is a major obstacle in Haiti (BECK, DEMIRGÜÇ-KUNT et MAKSIMOVIC, 2004 ; DEMIRGÜÇ-KUNT, BECK et LEVINE, 2005), evaluation of this perception ((74.4%) puts Haiti in the bottom 5 in an international panel of countries (CLAESSENS et TZIOUMIS, 2006). According to Haitian economists, the growth of the microfinance sector in the two recent decades is related to this limitation of the banks to finance a large entrepreneurial clientele in the country (DAMÉUS et FLEURISTIN, 2012). These facts are motivated points for research on how firm really perceive banks in the Haitian economy.

1. see www.equator-principles.com.

4.3 Data and Methods

To collect the data, we have modified and translated a survey that has been created by H. JUMA'H et RODRÍGUEZ, 2016 and JUMA'H et MORALES-RODRÍGUEZ, 2017 to the French language. The modified survey was validated by the method of key informants (5 professors in the Groupe de Recherche en Management, Université Notre Dame d'Haïti). The questionnaire was distributed to Haitian business's managers or owners during the month of July 2017. Since perception can be biased by the level of education of interviewees, the surveyed sample was constituted by managers or owners participating in a program of Master of Business Administration, in other words, they were all university graduates with background or competences in economics and management. We distributed 65 surveys, and 44 surveys were received fully answered with a response rate of 68%.

The survey is divided into three sections and contains closed questions using a Likert scale and three open questions. The first section is related to banking activities and social responsibility. The participants identify the level of compliance by the banks located in Haiti based on their perception concerning specific items (see Table 1). The level of compliance ranges from does not comply with a scale of 1 to highly comply with a scale of 5.

TABLE 4.1 – Description of the factors related to social responsibility and their used symbols

#	Items	Symbole	Average	St. Dev.
1	The contribution to Haitian economic growth.	HEG	2.11	0.95
2	The contribution to satisfy the need of obtaining residences with low interest to the citizens.	RLI	1.41	0.54
3	The facilitation of financial resources to entrepreneurs and small and medium merchants.	FRE	1.88	0.76
4	Assistance to charitable entities in Haiti (e.g., granting of donations to social service entities).	SSE	2.55	1.68
5	The appropriate management of the natural resources and the environment (e.g., conservation of the environment).	NRE	2.82	2.03
6	The continuous increase in customer satisfaction of the financial institutions.	CICS	2.30	1.17

The second section of the survey is concerned with the economic implications of the banking activities (see Table 2). For questions 7 and 8, the level of consideration ranges from very bad with a scale of 1 to very good with a scale of 5. For questions 9 and 10, the level of consideration is few, regular and a lot. Items 11 and 13 are answered by yes or no ; 12 is an open question to indicate the estimated minimum and maximum level of interest rate.

The last section describes the demographics of the participants and where they work. This part includes gender, type of company as service, manufacture or others, the size of the company as microenterprise with less than eight employees, a small company from 8 to 25 employees or medium company from 26 to 50 employees, sales volume, location area in Haiti, and experience with commercial loans.

We used Cronbach's Alpha (α) to test the internal consistency (reliability). To explore the relationship between the items in the survey, we used correlation coefficient Spearman's Rho. The levels of significance used to determine the relationship between the survey's items are 1% and 5%. After exploring the relationship between the items in the survey using correlation coefficients. Also, the t-statistics are used to compare the mean of specific items.

4.4 Results

Based on standardized items, Cronbach's alpha (α) equals to 0.69 for the first 9 items. This is consistent with previous similar research, and confirm that the survey has internal consistency. The remaining of the items are a description of the participants and are validated using previous research (JUMA'H, MORALESRODRÍGUEZ et LLORÉNS-RIVERA, 2015 ; H. JUMA'H et RODRÍGUEZ, 2016 ; JUMA'H et MORALES-RODRÍGUEZ, 2017).

The study explores the participant perception related to the importance of banking activities for the society of Haiti. From the 44 participants, 56% were male and 44% female. About 55% of the participants work in a service business which is consistent with the previous national business survey (MCI, 2014) and research analysis (PAUL, DAMEUS et GARRABÉ, 2010). The 52% of the business is classified as micro-entities, smaller companies with less than eight employees and total sales revenue less than \$500,000.

The economic situation of Haiti (HES) is perceived as very bad or bad by the 84% of the survey participants. About one-third of them perceived that their companies are in difficult economic situations. Therefore, most participants perceived that their businesses, mainly micro-companies are in the better financial condition than in the country.

The 80% and 81% of participants highly disagree or disagree with the statement that banks contribute to the economic growth of Haiti (HEG) and to the facilitation of financial resources to entrepreneurs and small and medium merchants, respectively; the percentage increase when participants consider the contribution to obtaining residences with low interest to 98%.

The 61% of the participants disagree about the item that banks have the appropriate management of the natural resources and the environment such as conservation of the environment. This result is consistent with the non-involvement of Haitian banks in the Equator Principles Agreement.

About 61% of the participants highly disagree or disagree regarding there is a continuous increase in customer satisfaction of the financial institutions. Approximately two third of the participants indicate that the banking interest rate should be limited to a maximum, say 6% on average.

In comparing banks and cooperative societies, about one-third of the participants had commercial loans from private banks ; this is an indication that it is difficult for small-sized business to obtain services from private banks in Haiti. On the other hand, about 70% of the participants perceive that forms of cooperative (union) financial societies can help to obtain commercial funds better than private banking services. This is an indication that a smaller-sized business person seeks to achieve the needed funds from cooperative financial societies.

To determine the relationship between the items in the survey, we used Spearman’s rho correlation coefficient (see Table 3). The gender and demographic area have a correlation coefficient of less than 30% with all other items. The coefficient correlation between FRE and RLI is 53%. The two items indicate the negative perception of the participants with respect to banking activities. The negative perception of FRE and RLI are correlated with the negative perception of CICS.

According to the participants’ perception of the survey, the economic situation in the country (HEG) is significantly correlated ($\alpha = 0.01$) with the SSE. Contribution to obtaining residences with low interest (RLI) is significantly correlated ($\alpha = 0.01$) with FRE and with CSFA.

The negative perception of the FRE is seen as the negative perception of RLI and CICS. The following equation presents the items that explain the FRE.

FRE =	0.457	+0.597 RLI	+ 0.225 CICS
Std. Error	0.309	0.222	0.103
t-test	1.479	2.694	2.189
Sig	0.149	0.011	0.036

The participants indicate that cooperative and union financial institutions are alternatives to obtain the needed financial resources, and especially those for residence with the lower interest rate. The perception of considering cooperative banking as an alternative is related to the Haitian economic situation and the facilitation of financial resources to small and medium merchants.

TABLE 4.2 – The correlation coefficient between the survey items

	HEG	RLI	FRE	SSE	NRE	CICS	HES	CoES	HGSC	BILL	CSFA	Gend	CoSi	CoSV	Town
HEG	1														
RLI	0.09	1													
FRE	0.24	0.53**	1												
SSE	0.44**	0.06	0.27*	1											
NRE	0.08	-0.14	0.01	0.66**	1										
CICS	0.14	0.54**	0.52**	0.38**	0.17	1									
HES	0.01	0.21	0.16	-0.16	-0.07	0.27	1								
CoCES	0.01	0.22	0.26*	0.14	0.18	0.31*	0.13	1							
HGSC	0.09	0.32*	0.44**	0.15	0.02	0.24	0.01	0.40**	1						
BILL	0.03	0.17	-0.04	-0.46**	-0.35*	-0.04	0.01	0.01	0.12	1					
CSFA	-0.29*	0.13	0.06	-0.13	-0.16	-0.01	-0.28*	-0.06	0.03	-0.14	1				
Gend	-0.13	-0.01	0.07	0.01	0.10	-0.04	0.11	-0.02	0.01	-0.03	-0.13	1			
CoSi	-0.09	-0.27*	-0.04	-0.01	0.03	-0.24	0.01	0.13	-0.04	-0.22	-0.06	0.05	1		
CoSV	0.21	0.04	0.38**	0.33*	0.13	0.12	-0.02	0.29*	0.29*	-0.32*	-0.13	0.24	0.69**	1	
Town	-0.02	-0.12	0.05	-0.13	-0.18	-0.04	0.21	0.06	-0.26*	-0.15	-0.02	-0.03	0.22	0.12	1
Bexp	0.11	-0.10	-0.05	-0.09	-0.19	-0.05	-0.07	0.09	-0.11	0.08	-0.15	0.03	0.39**	0.53**	0.24

** . Correlation is significant at the 0.01 level ; * . Correlation is significant

The CSFA is explained by

CSFA =	0.784	-0.275	HES	+ 0.263	RLI
Std. Error	0.205		0.085		0.126
t-test	3.83		-3.243		2.094
Sig	0.01		0.003		0.045

The continuous increase in customer satisfaction of the financial institutions (CICS) is explained by :

CICS =	0.387	+0.32	HES	+ 0.628	RLI
Std. Error	0.425		0.105		0.209
t-test	0.911		3.044		3.01
Sig	0.369		0.005		0.005

4.5 Conclusion

This article explores the banks' contribution to the well-being of the Haitian society. We have used a modified survey created by and JUMA'H et MORALESRODRÍGUEZ, 2017. The survey was conducted among educated entrepreneurs from micro, small and medium-sized business in Haiti. This study explains the demand side of the relationship between banks and micro-businesses.

One of the confirming conclusion, we find that participants demonstrated a negative perception of banking activities with respect to contributing to the Haiti economic growth. The participants of different demographic areas and their gender are not correlated significantly with the other items in the survey. According to this result, which is consistent with the low growth rate of the Haitian economy, economic reform in the country needs to include the banking sector and banking activities.

One interesting finding is that the participants indicate that cooperative and unions financial institutions represent an alternative to the traditional banking system in Haiti. This is an indication that the participants seek alternative financial funding in union financial institutions. This result confirms the previous study in the growing Haitian microfinance sector (DAMÉUS et FLEURISTIN, 2012). Participants, on average, do not perceive that their micro-businesses are in a difficult economic situation in comparison to their negative perception of the general economy of Haiti. That means good news for the entrepreneurial sector and motivation, but it might imply low risk-taking among entrepreneurs to develop competitive economic activities.

Despite several Haitian banks created a foundation to collect funds and finance diverse activities such as education, they do not enjoy good perception for they CSR approach among entrepreneurs. It is recommended to replicate the study to verify the contributions of largersized companies to CSR. Another suggestion is to study the relationship between micro-businesses and the banks from the supply side.

The main limitations of the study are the small size of the sample, the difficulty in comparing between different type of businesses, the obstacles to access the internal financial data of micro-companies and to explore the perceptions of stakeholders in similar countries. Therefore, this article is considered an exploratory study and more replications are needed.

Références

BABA, Hideaki, Yu ISHIDA & Takahiro AOKI (2015). "Social Accounting for nonprofit organizations : visualizing the invisible value of social impacts". In : Kansai University review of business and commerce, 16, 1-22. URL : <http://hdl.handle.net/10112/9537> (accessed on November 6, 2018).

BARTH, James R., Gerard CAPRIO & Ross LEVINE (2004). "Bank regulation and supervision : what works best ?" In : Journal of Financial Intermediation 13.2, p. 205-248. <https://doi.org/10.1016/j.jfi.2003.06.002>

BECK, Thorsten, Asli DEMIRGÜÇ-KUNT & Vojislav MAKSIMOVIC (2004). "Bank competition and access to finance : International evidence". In : Journal of Money, Credit and Banking, p. 627-648. <https://doi.org/10.1353/mcb.2004.0039>

CARROLL, Archie B. (1991). "The pyramid of corporate social responsibility : toward the moral management of organizational stakeholders". In : Business Horizons 34.4, p. 39-48.
[https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)

CARROLL, Archie B. (2016). "Carroll's pyramid of CSR : taking another look". In : International Journal of Corporate Social Responsibility 1(3): 1-8.
<https://doi.org/10.1186/s40991-016-0004-6>

CLAESSENS, Stijn & Konstantinos TZIOUMIS (2006). Measuring firms access to finance. Tech. Rep. World Bank.

DEMIRGÜÇ-KUNT, Asli, Thorsten BECK & Ross LEVINE (2005). "Law and firms access to finance". In : American Law and Economics Review 7.1, p. 211-252.
<https://doi.org/10.1093/aler/ahi006>

FRANCIS, Rob, Peter WESTON & Julia BIRCH (2015). The social, environmental and economic benefits of Farmer Managed Natural Regeneration. Tech. Rep. World Vision Australia.

FREEMAN, Edward R. (1984). Strategic management : a stakeholder approach. Cambridge University Press.

FREEMAN, Edward R., Andrew C. WICKS & Bidhan PARMAR (2004). "Stakeholder theory and the corporate objective revisited". In : Organization Science 15.3, p. 364-369.
<https://doi.org/10.1287/orsc.1040.0066>

JUMA'H, H. Ahmad & Doris Morales RODRÍGUEZ (2016). "Perception of social responsibility and banking activities in Puerto Rico". In : Aestimatio : The IEB International Journal of Finance 12, p. 146-159.

IHSI (2014). Enquête sur les conditions de vie des ménages après le séisme (ECVMAS-2012). Tech. Rep. Institut Haïtien de Statistiques et d'Informatique (IHSI). URL : http://www.ihsi.ht/produit_eng_nat_ecvmass.html (accessed on November 6, 2018).

IHSI (2017). Les comptes économiques en 2017. French. Rapp. tech. Institut Haïtien de Statistiques et d'Informatique (IHSI). URL : http://ihsi.ht/pdf/comptes_economiques_en_2017.pdf (accessed on November 6, 2018).

JUMA'H, Ahmad H. & Doris MORALES-RODRÍGUEZ (juin 2017). The perceived social responsibility in the banking activities by Puerto Rican entrepreneurs. Tech. Rep. Inter-American University of PR.

JUMA'H, Ahmad H., Doris MORALES-RODRÍGUEZ & Antonio LLORÉNS-RIVERA (2015). Labor markets and multinational enterprises in Puerto Rico : foreign direct investment influences and sustainable growth. Springer International Publishing. ISBN : 978-3- 319-17178-4.

LA PORTA, Rafael, Florencio LOPEZDESILANES & Andrei SHLEIFER (2002). "Government ownership of banks". In : The Journal of Finance 57.1, p. 265-301.
<https://doi.org/10.1111/1540-6261.00422>

LENTNER, Csaba, Krisztina SZEGEDI et Tibor TATAY (2015). "Corporate social responsibility in the banking sector". In : Pénzügyi Szemle/Public Finance Quarterly 60.1, p. 95-103.

LEVINE, Ross & James R. BARTH (eds.)(2013). The regulation and supervision of banks around the world : A new database. Pol. Research Working Papers. World Bank.
<https://doi.org/10.1596/1813-9450-2588>

MAIGNAN, Isabelle (2001). "Consumers' perceptions of corporate social responsibilities : a cross-cultural comparison". In : Journal of Business Ethics 30.1, p. 57-72.
<https://doi.org/10.1023/A:1006433928640>

MCI (dec. 2014). Recensement des entreprises 2012-2013. Tech. Rep. Port-au-Prince : Ministry of Commerce and Industry (Government of Haiti).

OROZCO, Manuel (2018). "Remittances to Latin America and the Caribbean in 2017". In : The Dialogue.

PAUL, Bénédictique, Alix DAMÉUS & Lionel FLEURISTIN (2012)." "Le développement de la microfinance en Haïti : un bref aperçu historique". In : Recherche, Etudes et Développement 5.1, p. 34-44.

PAUL, Bénédictique, Alix DAMEUS & Michel GARRABÉ (2010). "Le processus de tertiarisation de l'économie haïtienne". In : Etudes caribéennes 16.
<https://doi.org/10.4000/etudescaribeennes.4757>

PAUL, Bénédictique (2016). "Quel entrepreneuriat pour quel développement en Haïti ?" In : Études caribéennes 35. <https://doi.org/10.4000/etudescaribeennes.10341>



Cette communication est mise à disposition selon les termes de la Licence Creative Commons Attribution - Pas d'Utilisation Commerciale 4.0 International.