The Sustainability of the Indigenous Banking Sector in the Eastern Caribbean: <u>Perspectives and Expectations of Key External Stakeholders</u>

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Declaration

I, Aaron Logie, declare that this thesis is my own work. All sources of information have been properly acknowledged when used in the body of the text.

[redacted]

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October 7th, 2022

Abstract

Despite their significant contributions to the economic and social development of the Anglophone Caribbean, their vulnerabilities arising from the distinctive features which limit their ability to withstand financial and economic crises, the indigenous banks in the Eastern Caribbean have received very little attention from academics. This is in sharp contrast to the many studies on banking in larger and more developed economies. This thesis, therefore, aims to fill that gap, and contribute to knowledge and practice, by exploring the sustainability of the relatively small, locally owned, and controlled banks in the Eastern Caribbean, referred to as indigenous banks. This is done from the perspective of their key external stakeholders.

To achieve the aim and objectives, the study purposefully sets out to obtain rich qualitative data from a cross-section of individuals. To guide this approach, a qualitative methodology was adopted using two sample banks. This was supported by semi-structured interviews. The data collected were then analysed using thematic analysis to identify the key features of sustainability and what participants perceived as the critical areas that the banks must strengthen to ensure their long-term survival.

Studying the sustainability of indigenous banks through the views of key external stakeholders provided invaluable insights on ways to promote the long-term survival of these institutions. Two of the foremost recommendations from participants were enhancing the corporate governance practices at the banks and secondly, focusing more on meeting the needs of customers. Other important recommendations included leveraging more on the indigenous identity of the banks, implementing a strategy on consolidation that is acceptable to all stakeholders of the banks, having a proper foreclosure legislation and other supporting institutions such as a credit bureau, and having systems in place to mitigate external threats such as loss of correspondent banking relationships.

These recommendations provide an important perspective, which is by no means the only one, on assessing the long-term sustainability of a business organisation. The

advantage is in the fact that the perspective is representative of the views of a broad cross section of stakeholders. These stakeholders include those that purchase the products and services of the banks, those that provide the deposits and capital that finance the operations, those that regulate the activities, and finally those that provide the environment through which the banks can build their brand.

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Table of Contents

Contents

List of Tables

List of Figures

List of Acronyms

CBR	Correspondent Banking Relationship
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECSM	Eastern Caribbean Securities Market
ENU	Edinburgh Napier University
DBA	Doctorate in Business Administration
DEA	Data Envelopment Analysis
ECAB	Eastern Caribbean Amalgamated Bank
NPL	Non-performing Loans
OECS	Organisation of Eastern Caribbean States
RGSM	Regional Government Security Market
XCD	Eastern Caribbean Dollar

Chapter 1: Introduction

1.1 Introduction

This introductory chapter on the study of the sustainability of the indigenous banking sector in the Eastern Caribbean Currency Union (ECCU) begins with an outline of the aim and objectives. This is followed by the background which positions the study within the context of the relatively small sub-grouping of islands in the Caribbean that comprises the ECCU. The research gap is then identified, followed by the personal motivation for doing this research. The chapter continues with an examination of the research scope and the contribution to knowledge and practice. An overview of the content of the chapters is then presented, which guides the reader through this thesis and concludes with a summary of the key highlights of the first chapter.

1.2 Research Aim and Objectives

The indigenous commercial banks are economically and socially important to the people and islands of the ECCU. Their contributions go beyond providing banking services and making profits for their shareholders, to impacting social identity, culture, politics, economics, and the livelihood of many people in the region (Andrikopoulos et al., 2014; Gilbert, 2007; Hudson, 2014; Ramkisoon, 1981). They are also symbolic of the desire and aspiration of a people for social justice and economic independence (Bourne, 1974 & Teelucksingh, 2014).

However, these banks are vulnerable. Uche (2010) attributes this to the inherent disadvantages facing these banks, having to compete with the more established foreign-owned banks who dominated the banking industry during colonial and the immediate post-colonial era. Being small independent banks and operating mostly in a single geographic space, also contribute to the vulnerability of the banks (ECCB, 2018). These attributes intensify the vulnerabilities of these banks by making them more susceptible to external shocks from financial and economic crises (Kirkpatrick &

Tennant, 2002; Persaud, 2006; Ramsaran, 2013). However, Richardson & Williams (2013) argued that rather than external factors, the current practices and policies of the banks may be, to varying degrees, the contributors to their vulnerability.

The vulnerability of the indigenous banks and the consequential risk of their demise may result in significant economic, financial, and social implications for the economies and people of the ECCU. This was evident over the last decade when it became necessary for both the respective governments and the Eastern Caribbean Central Bank (ECCB) to intervene to avert potential social and economic calamities with the failure of four indigenous banks in the ECCU (ECCB, 2017; Richardson & Williams, 2013; Venner, 2009). These interventions came at a significant cost in terms of time and taxpayers' monies that could have otherwise been allocated to much-needed development projects.

A poignant question that can be asked is whether the relatively small island economies that comprised the ECCU can afford any more bank failure. Such provocation and the search for answers led to the inquiry on what can be done to ensure that these institutions are strengthened and hence able to survive in the foreseeable future.

The approach to sustaining indigenous banks can be multi-dimensional. In the aftermath of the 2008/2009 financial crisis that threatened the survival of many financial institutions, Sands (2009) reiterated the need for a sustainable business model that simultaneously creates value for shareholders, supports customers and contributes to the wellbeing of the communities in which they operate. This view is also supported by Babalola & Adedipe (2014) who also opined that a bank's growth and development are best achieved by being more strategic, by focusing on providing benefits to customers, society, the economy, and the environment. Both Sands (2009) and Babalola & Adedipe (2014) relate the sustainability of the banks to what Freeman (1984) refers to as their stakeholders; those whose actions affect or are affected by the organisation. It is on this basis that this study intends to explore the sustainability of the indigenous banks through a stakeholder perspective.

This study, therefore, aims to explore the perceptions and expectations of key external stakeholders on the sustainability of the indigenous banks in the ECCU. This aim is supported by the following research objectives:

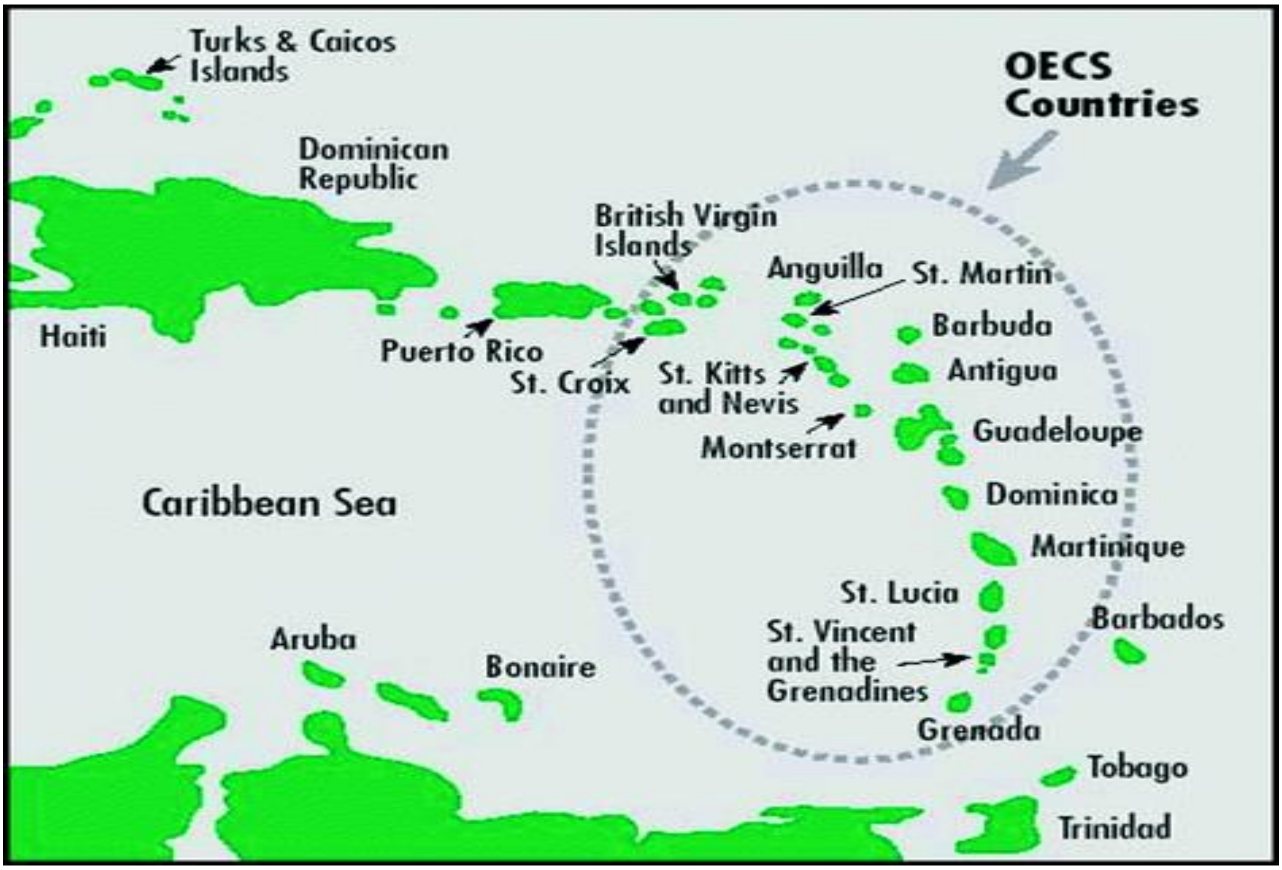
1. To assess the importance of indigenous banks to the people and economies of the Eastern Caribbean.
2. To examine the relationship between the sustainability of the indigenous banks and the perceptions and expectations of key external stakeholders.
3. To explore the views of key external stakeholders on the critical factors affecting the sustainability of indigenous banking.
4. To examine managements' responses and their challenges in meeting the expectations and managing the perceptions of key external stakeholders on the sustainability of the indigenous banking sector in the ECCU.
5. To propose a conceptual framework to assist with the development of a more sustainable indigenous banking sector in the ECCU.

1.3 Background to the study

The challenges facing the indigenous banks are best understood within the context of the geography, history, economic and political systems, and the environment in which the banks operate. A convenient starting point is the signing of the Revised Treaty of Basseterre in 2010, which established an economic union referred to as the ECCU, a single financial and economic space within which goods, people, and capital move freely, monetary, and fiscal policies are harmonised, and with a joint approach to trade, health, education, agriculture, tourism, and other critical sectors of the region, (Revised Treaty of Basseterre, 2010). This Union, however, is rooted in the defunct West Indies Federation, an association of British colonies in the West Indies which ended in 1961 when the two bigger islands, Jamaica and Trinidad, withdrew and went on to the path of political independence from Great Britain. By 1966, following the attainment of independence by Barbados, the remaining islands were granted new constitutional status, Associated Statehood with the United Kingdom. This political process continued to evolve and by 1981, with the signing of the Treaty of Basseterre, the Organization of Eastern Caribbean States (OECS) came into being which is the forerunner of the currency union (OECS, n.d).

The ECCU now comprises six sovereign countries namely Grenada, St. Vincent and the Grenadines, Dominica, St. Lucia, Antigua and Barbuda and St. Kitts and Nevis: and two British territories, Anguilla, and Montserrat, (ECCB, 2016). As of the end of December 2020, the population of the ECCU was approximately 600,000 with a combined gross domestic product of nineteen billion Eastern Caribbean Dollars (XCD) with an average per capita income of XCD27,000 (ECCB, n.d).

Figure 1 Map of the Eastern Caribbean. Source: SpringerLink



It is within this context and on the islands that comprise the ECCU, that the locally owned and control banks, commonly referred to as the indigenous banks, operate. Several of those institutions emerged around the post-emancipation period as savings institutions with a focus on small account holders and rural savers (Hudson, 2014). Hence, by the late nineteenth century, there were several 'penny' saving banks in the Eastern Caribbean, namely Grenada Co-operative Bank, St. Vincent Co-operative Bank, St. Lucia Co-operative Bank and Antigua Co-operative Bank.

According to Clarke & Danns (1997), from around the early 1960s and well into the 1980s, the Caribbean experienced a transformation in the banking sector. With nationhood status attained from Britain by several of the islands, the period witnessed a commitment to national sovereignty. Several of the dominant foreign-owned banks either withdrew from the region or were nationalised by governments to ensure that the activities of the financial sector were directed to areas of national development. The nationalised banks, which were commonly named 'National Commercial Bank,' were present in several islands including Grenada, St. Vincent, St. Lucia, and Dominica. The objectives of the 'localisation' or indigenisation' of the dominant North American banks were to reverse the outflow of domestic capital, have sovereign determination over the national economy, and to empower the local black population to positions as tellers and managers, positions for which they were previously denied, (Hudson, 2014).

As outlined in Table 1 that follows, the banking sector in the ECCU comprises thirteen indigenous commercial banks, five of which are either fully or majority-owned by the various governments of the ECCU. They are the National Commercial Bank of Anguilla, Bank of Montserrat Limited, National Bank of Dominica, St. Kitts Nevis-Anguilla National Bank, and Bank of St. Vincent and the Grenadines. The remaining seven are owned by private individuals and institutions (ECCB, 2016).

Table 1 Indigenous Banks in the ECCU

Resident Island	Banks	% Ownership by Government	Date Established	Source
Anguilla	1. National Commercial Bank of Anguilla Ltd [1]	100%	2015	Annual Report 2020
Antigua & Barbuda	2. Antigua Commercial Bank	0%	1955	Annual Report 2020
	3. Eastern Caribbean Amalgamated Bank	25%	2009	Annual Report 2020
	4. Caribbean Union Bank Limited	Unknown	Not available	Not available
Dominica	5. National Bank of Dominica, formally National Commercial Bank	49%	1976	Annual Report 2020
Grenada	6. Grenada Co-operative Bank Limited	0%	1932	Annual Report 2021
	7. ACB Caribbean Limited	0%	2021	Not available
Montserrat	8. Bank of Montserrat Limited	53%	1988	Annual Report 2021
St. Kitts & Nevis	9. Bank of Nevis	22%	1985	Annual Report 2020
	10. St. Kitts-Nevis-Anguilla National Bank	51%	1971	Annual Report 2021
St. Lucia	11. Bank of St. Lucia Ltd. formally National Commercial Bank	20%	1980	Group Annual Report 2020
	12. 1st National Bank St. Lucia Ltd., formally St. Lucia Co-operative Bank	0%	1938	Annual Report 2019
St. Vincent & the Grenadine	13. Bank of St. Vincent & the Grenadines Ltd., formally National Commercial Bank	43%	1977	Annual Report 2021

[1] This bank was created from the purchase and assumption of two failed local indigenous banks: National Bank of Anguilla, and Caribbean Commercial Bank (Anguilla) Ltd

The decade beginning 2010 was a tremulous one for the banking sector globally. The decade began with the world still reeling from the effects of the financial crisis of 2008, which started in the US with the default in the sub-prime mortgage loan sector and quickly spread to the rest of the world, taking down major financial institutions such as Lehman Brothers, Washington Mutual, and Northern Rock (Awan, 2015). It was described by many as a seismic event. The stock market plummeted wiping out nearly USD 8 trillion in value, and the credit market froze, as the uncertainty among investors about the interconnectedness of the major financial institutions resulted in fear that the global financial system could collapse (Merle, 2018; Onaron, 2018).

The interconnectedness of global financial systems and the open trading economies of the islands in ECCU raised the likelihood that the banking sector in the ECCU would have been exposed to the fallout of the global financial crisis. This became very clear early in the crisis, as banks in many developing countries started experiencing increasing amounts of non-performing loans (Te Velde, et al., 2008). The indigenous banking sector in the Eastern Caribbean was hit particularly hard. From a total of fourteen banks at the start of the crisis, four banks failed; namely Bank of Antigua, Antigua Barbuda International Bank, Caribbean Commercial Bank, and National Bank of Anguilla, and the ongoing challenges faced by the remaining banks raised questions of their ability to survive and serve the public (ECCB, 2017).

The interventions by both the governments of the Eastern Caribbean and the Eastern Caribbean Central Bank (ECCB) to resolve the failed indigenous banks came at a significant cost to taxpayers (ECCB, 2017). According to the information captioned in the Loan and Project Summary document from the Caribbean Development Bank (CDB), a loan of XCD60 million, equivalent to 8% of the Gross National Product (GNP) at market prices of that island economy, was provided by CDB to the Government of Anguilla to capitalise a new bridge bank, National Commercial Bank Anguilla Limited (NCBA), (CDB, 2016). NCBA was established to take over the performing assets and the deposit liabilities of the two insolvent banks on that island. Rescuing Bank of Antigua also came at cost of XCD 89 million to the ECCB (Venner, 2009).

The financial crisis and the failures in the banking sector that followed raised several pertinent issues on the state of the indigenous banks in the ECCU. It exposed the vulnerability of the indigenous banks to the risk of default as the region experienced a significant contraction in economic activities (Venner, 2009). The public knowledge that several indigenous banks were also experiencing difficulties has heightened the awareness and sensitivity on the confidence in the financial sectors (Ramsaran, 2013). It also revealed structural and systemic weaknesses of these banks as evident in areas of capital adequacy, efficiency, profitability and return on investment, risk management, corporate governance, correspondent banking relation, resilience to economic and financial crisis, and natural disasters (ECCB, 2017; IMF 2017).

While the indigenous banks, collaborating with their regulator, may have implemented several measures to strengthen their resilience to external shocks, the inherent structural and systemic weakness of these banks may persist. Therefore, the spectre of more failures in the future due to the cyclical nature of economic and financial crises and the limitations of these banks is a reminder of the vulnerability of the indigenous banks in the ECCU.

1.4 Research Gap

A review of the academic literature revealed several gaps. Foremost is the dearth of published academic research on indigenous commercial banking in the anglophone Caribbean and the smaller English-speaking islands that comprise the ECCU. This is in part due to the diseconomies of publishing to a relatively small audience in the Caribbean and the fact that Caribbean society is predominately ‘oral’ where ideas move more by spoken rather than by written words (Birchwood, 2003; Persaud, 2006). Much of the available research is historic and took a post-mortem perspective after notorious failures of indigenous banking sectors in some of the larger Anglo-Saxon Caribbean territories (Bourne, 1974; Kirkpatrick & Tennant, 2002; Persaud, 2006; Ramsaran, 2013; Wai, 2010). Nevertheless, there are grey literature, which are reports that are not peer-reviewed published academic materials, including ECCB (2016), ECCB (2017), IMF (2016) and IMF (2017) that took a forward-looking perspective on factors critical to the long-term sustainability of the indigenous banks in the Eastern Caribbean.

Over the years, studies on the financial soundness of commercial banks to determine the likelihood of failure often take a quantitative approach using a combination of internally generated bank performance data and externally driven economic data on factors that can affect the profitability and assets values of banks (Tatom & Houston, 2011). A variety of advanced prediction empirical models with tools such as Data Envelopment Analysis (DEA), multivariate statistical techniques or a multi-period logit model are used for identifying risk situations that can threaten the survival of banks (Canbas et al., 2005; Halling & Hayden, 2007; Kao & Liu, 2004). With the scarcity of qualitative academic studies in the banking industry, this study fills a void by using stakeholder theory to assess the sustainability of some relatively small banks, a departure from the quantitative approach that is observed in the banking industry.

Providing an opportunity to external stakeholders to express their views on the topic of sustaining institutions that are important to the region is one of the key achievements of this study. External stakeholders are not only motivated because they are part of and connected in the survival chain, but they also provide a unique perspective due to the kind of interactions that they have with the banks. Based on the literature review and the findings from the study, the thesis will also provide a conceptual model which shows that a reciprocating relationship can contribute to long-term sustainability. Several recommendations are also presented that will assist policymakers, management, and the directors of indigenous banks to take timely, proactive, and innovative measures to ensure that the indigenous banks are sustained in the indefinite future.

1.5 Personal Motivation

The sustainability of the indigenous banks is a very emotive subject to the researcher, whose experience over the last fifteen years as a senior manager at one of the indigenous banks in the Eastern Caribbean has heightened an awareness of their vulnerability. The first-hand experience of having to implement decisions to mitigate against potential losses on exposures in fellow indigenous banks that were experiencing severe financial difficulties, aroused my interest in the need for an in-depth study analysing the root causes and possible solutions to avert the failure of these banks. There was also an awareness that the potential impact from the failure of any one of the indigenous banks can be widespread and devastating, especially to the low and middle-income strata of society.

Once the decision was taken to commence the DBA studies, while the topic was an obvious choice, there were several challenges to be reckoned with. As an Accountant, my first inclination was to approach the topic from the perspective of an Accountant researcher using methods that utilise analysis of financial data. The next challenge was whether to focus the study on the smaller ECCU territories or focus on the entire English-speaking Caribbean. However, as the study proceeded, it became clear that the voices of those whose behaviours are critical to the long-term survival of these banks in the smaller setting of the Eastern Caribbean are pivotal to the direction the researcher wanted the study to go.

1.6 Research Scope

To achieve the aim and objectives of the study, the research was underpinned by several key considerations. These include the theoretical framework underlying the study, the philosophical viewpoint of the researcher, and an appropriate methodology to guide the collection and analysis of data.

The theoretical framework considered most appropriate for this study, which seeks to explore the relationship between the long-term sustainability of indigenous banks and managing the perceptions and satisfying the expectations of key external stakeholders, was stakeholder theory. This is, indeed, a tremendous strength of the thesis as it looks at sustainability from the perspective of those to whom the continuing existence of the indigenous banks matter most.

The study also conforms to the researcher's paradigm, which Guba & Lincoln (1994) describe as the basic belief system or world view of the researcher. This comprises both the ontological and epistemological assumptions that were aligned to social constructivism, which influence the use of a qualitative design to understand the key stakeholders' perceptions and expectations with regards to the indigenous banks.

Consistent with the qualitative design methodology, and following the review of the literature, qualitative semi-structured interviews were determined to be the most appropriate method to understand the phenomenon being investigated. Two banks were identified from which sixteen external stakeholders were interviewed. The findings from the interviews were then presented to senior management personnel from each of the two sample banks to get their views on the challenges in satisfying the expectations and managing the perceptions of the external participants.

A thematical approach was utilised in the analysis of the data from the findings. Several themes emerged identifying key factors that participants perceived are integral to the long-term sustainability of the indigenous banks in the ECCU. These were then developed into a conceptual framework, a key tool that can be used by policy and decision-makers in the industry.

1.7 Contribution to knowledge and practice

This study offers a unique perspective on the sustainability of a locally owned and controlled industry in the context of small developing island states and therefore makes an invaluable contribution to both academia and practice. It adds to the body of literature that is dominated by quantitative studies of larger banks in more developed and bigger developing countries. Arising from the findings and the review of relevant literature, several recommendations are presented that can be utilised by several stakeholder groups; the regulator and governments who are responsible for establishing and implementing economic and other policies that can affect the banking sector, those entrusted with the governance and oversight at the indigenous banks, and finally those responsible for developing and implementing strategies within the banks. The conceptual model on the sustainability of the indigenous banking sector in the ECCU, which is a key outcome of this study, is a significant contribution to both the academic world and practitioners in the banking industry.

1.8 Structure of the Thesis

This thesis comprises six chapters and several appendices that provide supporting information to the main body of work. Following this opening chapter, chapter two provides a review and synthesis of the literature on sustainability and indigenous banking which guide the theoretical framework adopted for the research, and the initial high-level themes for consideration. The gaps in the literature were also identified.

Chapter three introduces the research philosophy which informs the methodology and method used in the study. A qualitative design methodology was adopted, and semi-structured interviews were deemed the most appropriate method to collect the views of key stakeholders on the sustainability of the indigenous banks.

Chapter four provides an analysis of the data gathered in the research. From the interviews and the documents analysed, ten themes relating to the sustainability of the banks emerged.

In chapter five, the emergent themes were further analysed and discussed within the context of the existing literature on the research topic. The chapter concludes with a conceptual framework that depicts the key fundamentals required to have a sustained indigenous banking sector in the ECCU.

The thesis concludes with chapter six which first revisits the aim and objectives to determine whether they have been achieved. Several recommendations are provided that will greatly assist the long-term sustainability of the indigenous banks in the ECCU. The chapter also presents the limitations of the study, contribution to knowledge and practice and recommendations for future research.

1.9 Summary

This introductory chapter provides the context of this study. It first looks at the aim and objectives of the study. This is followed by background on indigenous banking in the ECCU which outlined the setting of the study and the challenges being experienced by these banks. The structure of the thesis has been outlined, with the next chapter exploring the relevant literature relating to the sustainability of locally owned and controlled banks.

Chapter 2: Literature Review

2.1 Introduction

The objective of this chapter is to examine relevant published literary works that relate to the aim of this doctoral study, which is to explore the perceptions, and expectations of key stakeholders on the sustainability of indigenous banks in the ECCU. This literature review is organized into five sections. Immediately following the introductory section, is Section 2 which examines the meaning and importance of indigenous banks to the people and economies of the Caribbean. As former colonies, owning and controlling key financial institutions such as banks represent the attainment of true economic and political independence, social justice, and equality. Then Section 3 looks at the distinctive features and inherent weaknesses of the indigenous banks which cause them to be vulnerable and increase their risk of failure. This provides the rationale for sustaining these institutions. Section 4 examines the concept of sustainability of the indigenous banks. It demonstrates that one of the ways that these banks can be sustained is by being more attuned to their key stakeholders such as customers, shareholders, the regulator, and the communities in which they operate. Finally, Section 5 concludes this review by reiterating the case for the sustainability of the indigenous banks in the Eastern Caribbean. It presents some high-level themes on the sustainability of the indigenous banks which would guide the analysis of the findings that will follow in the next chapter.

2.2 Indigenous banks: their meaning, history, and importance

2.2.1 The meaning of being an Indigenous bank

A study on the sustainability of indigenous banks in the ECCU may best be preceded by a brief review of the historical context of banking in the Anglophone Caribbean, the importance and contribution of indigenous banks to the region, and their inherent and common vulnerabilities that often threaten their very survival. However, at the outset, the meaning of being an ‘indigenous bank’ must first be explained. According to Hein et al. (2005), to most people all banks are alike, and function in the same way, accepting deposits and making loans to customers. However, there are important distinctions to be made between indigenous or community-type banks and other banks. This starts with understanding the meaning of the word indigenous.

Jackson (2013) pg. 15 defines indigenous as:

> The ongoing product of a relationship between geopolitical control and local resistance, of marginalisation of a society or people with common interests, values, knowledge, institutions, and practices, and defense of these against encroachment from global or national control.

Another interesting and relevant definition is from Dei (2000) who refers to ‘indigenous’ as knowledge consciousness arising from being local and includes the traditional norms and social values that guide behaviours.

Khan et al. (2003) argue that while there is no single definition of community or indigenous banks, there are two defining concepts that most people think of when they refer to them; that they are small and that they operate mostly in one community. They also tend to focus on traditional banking activities such as gathering deposits and lending within a limited geographic area (Critchfield et al., 2004; Hassan & Hippler, 2015). The focus on a limited local area, or as Di Vittorio et al. (2017) put it as restricting operations to a single country market is, therefore, one of the defining features of indigenous banks in the ECCU. This feature distinguishes them from branches of multinational banks which are part of the region’s colonial legacies and large regional banks that to some extent behave similarly to the branches of multi-national banks. This restrictive focus has influenced the relatively small size of most community-type banks when compared to their competitors (Hein et al., 2005).

2.2.2 Brief history of banking in the anglophone Caribbean

As discussed above, the meaning of indigenous banks also resonates well with the history of banking in the Caribbean, which is inseparable from the plantation economies that dominated almost every aspect of life in the Caribbean (Hudson, 2014). Before the emancipation of slave labour in 1834, financial intermediation supported trade between Great Britain and the colonies and hence took place in Britain (Ramkisoon, 1981). The post-emancipation era witnessed changes to the economic and social structures in the islands of the Caribbean, including the growth in local commerce and trade that financial intermediation based in Britain could no longer support (Ramkisoon, 1981). Hence in 1836, Colonial Bank, which was subsequently reincorporated into Barclays Bank DCO (Dominion, Colonial, and Overseas) was founded which dominated the early era of banking in the Caribbean (Barclays' Archive, n.d). Several other foreign banks, mostly from North America, entered the region including the Royal Bank of Canada, Bank of Nova Scotia, and Canadian Imperial Bank of Commerce, whose goal was to finance trade and commerce between North America and the Caribbean (Hudson, 2014). After just over one hundred years since the incorporation of Colonial Bank, the region witnessed the emergence of indigenous commercial banks in the region with Planters Bank (1939) and the West Indian Banks (1940) being the early frontrunners (Persaud, 2006; Wai, 2010). The driving force behind the establishment of the early indigenous banks was the frustration by the locals that the foreign-owned banks were not adequately meeting their needs (Wai, 2010). Several other indigenous banks were established, particularly in the period after which the islands obtained their independence from Britain.

2.2.3 The Importance of indigenous banks

Indigenous banks are important to the economies and people in the ECCU, which is one of the underlying arguments for this study. However, that importance must first be understood in the context of the origins of these banks as alluded to earlier, and the economic imperatives that drove their formation. While the initial motive of the founders of the early indigenous banks was to provide an alternative to Colonial Bank, who was perceived to have an almost exclusive focus on the English mercantile class and offered limited credit facilities and high-interest rates to locals (Wai, 2010), several decades later the creation of other local banks in a post-independence environment had very similar motives. Hence, Hudson (2014) argued that indigenous banks are more than mere banks performing an intermediary role. Rather, they are political, social, and cultural institutions whose impact transcends beyond business and economy to the diplomatic, legal, social, cultural, and political history of the region. Their legitimacy, social impact, and identity go beyond the generation of profits for their shareholders (Andrikopoulos et al., 2014).

Indigenous banks were therefore highly symbolic institutions for the then newly independent states in the Caribbean. While the 'independent statuses meant the ending of political control by the European masters, the economic and social freedom of the West Indies had not been achieved (Teelucksingh, 2014). White (2004) describes the situation of the newly independent states as a form of 'pseudo-independence' where 'imperialist domination' continued largely because of the entrenched and dominant position of British business interests. Therefore, in pursuit of sovereignty and self-determination in the post-colonial period, there was a concerted move for the "localisation" or "indigenisation" of the dominant foreign commercial banks in the region (Hudson, 2014). Governments also actively promoted the establishment of locally owned and controlled commercial banks to ensure, among other things, that savings were allocated to the most productive sectors of the economy (Ramkisoon, 1981). The growth and development of indigenous banks were therefore part of a political philosophy that locals should have greater control over the allocation of resources in areas critical for economic growth and development (Bourne, 1974). Therefore, in the post-colonial period, indigenous banks represent the embodiment of the ideals of true independence for the former colonies of Britain in the Caribbean.

The symbolic importance of Indigenous banks in the Caribbean takes on added meaning as these institutions represent the determination to address social and economic inequality in the post-colonial era. Local ownership and control of banks removed long-standing racial hierarchy where locals were employed mainly as messengers and security guards while debarred from tellers and managerial positions in banks (Hudson, 2014; Teelucksingh, 2014). It also removed the social injustice where locals were unfairly denied banking services, particularly credit facilities. Bourne (1974) commented on the bias by expatriate decision-makers in the foreign-owned banks who often interpreted information against individuals with whom they do not share a similar background or origin. This practice adversely affected local business owners of colour from obtaining financing from foreign-owned banks like Barclays. Prominent Caribbean historian, political activist and academic, Walter Rodney also argued that Caribbean poverty is directly attributable to foreign control of banking, industry, and commerce and that without local ownership, imperialism will persist long after independence (Teelucksingh, 2014). It was this discrimination against locals by the foreign banks that became the driving force behind the creation of indigenous banks in many former colonies and the claim that they were 'protest institutions' determined to reverse the status quo (Uche, 2010).

In addition to the highly symbolic importance of indigenous banks to the Caribbean, these institutions also make significant economic contributions to the communities they serve. This is not unique to just the Caribbean. Several US studies concluded that community banks account for most loans made to small businesses, which are important contributors to local economies (Minton et al., 2019; Reichow, 2017). According to Reichow (2017), in 2016 while small business loans comprise 35 percent of community banks' assets, they make up only 2 percent for that of larger banks. Community banks also provide up to 77 percent of agriculture loans which according to Lux and Greene (2015) is a specialty that requires local knowledge of farming and the farmers. Lux and Greene (2015) also concluded that community banks disproportionately serve rural communities as they hold most of the deposits of rural residents. Community banks, therefore, play an important role in financing small businesses, which have been an important source of job creation and innovation (DeYoung et al., 2004). These small businesses are often considered to be the engine of economic growth (Gilbert, 2007), and hence their reliance on community banks for financing underscores the importance of community banks to local economies.

The significant involvement of community banks in small business lending led DeYoung et al. (2020) to conclude that these banks may have a comparative advantage in lending to small businesses. This, they argue, is more than simply the 'social and civic underpinnings of rural commerce,' but rather through the use of 'soft information' to assist lending decisions. This 'soft information' is referred to as the qualitative information on the business performance the lender obtains through their interaction with the borrower, as opposed to relying on hard information such as audited financial information (Chen et al., 2015; Minton et al., 2019). Small rural businesses are less likely to get loans from large banks as they often lack the hard information these banks often require (Lux & Greene, 2015). Community banks are, therefore, better positioned to obtain and utilise qualitative information compared to larger financial institutions as there is a level of organisation diseconomies involved in doing so (Stein, 2002). The importance of community banks is therefore strengthened, as their demise can adversely impact credit financing for small businesses (Minton et al., 2019).

For the smaller economies in the ECCU, indigenous banks play a major role in the level of intermediation and overall economic development through their increasing domination of the financial sector. According to statistics obtained from the ECCB and reproduced in Table 2 below, by the end of March 2022 the indigenous banks controlled a significant share of the assets, deposits, and loans in the banking sector of the ECCU. Such controlling stakes are clear indicators of the economic and financial contributions to the local economies and at the same time the potential systemic risk they can pose by their demise.

Table 2 Market Distribution of the ECCU Banking Sector as of 31 March 2022

Sector	Assets		Deposits		Loans and Advances	
	XCD M	Market Share (%)	XCD M	Market Share (%)	XCDM	Market Share (%)
Indigenous Banks	19,827	64	16,134	66	8,207	60
Regional and Foreign Banks	11,010	36	8,353	34	5,429	40
ECCU	30,837	100	24,487	100	13,637	100

Source: Obtained directly from ECCB

Indigenous banks also play a major role in raising equity and debt capital for businesses and governments throughout the region. Several indigenous banks offer broker-dealer services through which people, businesses, and governments in the ECCU can participate in the Regional Government Securities Market (RGSM) and the Eastern Caribbean Securities Market (ECSM) (Ramsaran, 2013). According to the Eastern Caribbean Securities Exchange (ECSE), the RGSM is the primary market through which the member governments of the ECCU can meet their financing needs to pursue their development objectives. Similarly, the ECSM allows companies to raise new capital through the issue of securities and for existing investors to trade their securities freely and provide liquidity. Both markets contribute to increased activity in the productive sectors, private sector development, and increased employment (ECSE, n.d).

Indigenous or community banks have also been entrusted with broader socio-economic responsibilities to rural economies and small island states where they are domiciled. According to Cutcher (2014), globalisation, enabled by near-instantaneous communication, has negatively impacted our societies including the destruction of the sense of home, loss of social ties and workers' rights, fragmentation of identities, and denial of local autonomy. This is evident by the behaviour of International and large regional banks who in their desire to reduce cost have closed many branches. Such closures, however, were geographically uneven as they mostly affected non-metropolitan and more remote settlements bringing untold hardship to residents and small businesses in those areas (Beal & Delpachitra, 2005; Cutcher, 2014). In many instances, indigenous financial institutions had to fill those voids, as was the case with the Bendigo community bank model in Australia where, under a franchise arrangement, several community banks were established in rural parts of Australia, previously served by the bigger banks (Cutcher, 2014; Mayne, 2008). This operational model can be viewed as an innovative approach to social and economic wealth creation that fosters social, economic, commercial, and community-oriented values that benefit a wider range of stakeholders (Byrne et al., 2005).

Indigenous banks are, therefore, important, making invaluable economic and non-economic contributions to the communities and people they serve. They are an integral part of what Hillman and D'Agostino (2009) refer to as the heroic struggles of the Caribbean islands to liberate themselves from the strictures and exploitation of colonialism, slavery, imperialism, neo-colonialism, and dependency. However, these institutions are vulnerable, a feature common with both the early indigenous banks established during colonisation and the present post- independence banks. Their demise can potentially have disastrous consequences for the economic stability of the region. Before proceeding to the next section that will delve into a deeper examination of the vulnerabilities of the indigenous banks, an alternative provider of financial intermediation to customers in the Caribbean, the credit union, is worth mentioning.

McKillop & Wilson (2015) refer to credit unions as a social movement whose philosophy and identity as non-profit organisations positioned them well to provide financial services to those who are often denied access by mainstream financial institutions. Branch (2018) argues that credit unions in the Caribbean have been steadily expanding their services especially to those in the lower and middle-income strata in society due in part to the higher rates offered to customers on their savings, lower rates on loans and much easier access to credit relative to commercial banks.

This is evident as seen in Table 3 below which shows healthy annual growth in customers' savings and loans, and the total assets of credit unions in the Eastern Caribbean which averaged 9%, 8% and 10% respectively. The total assets of the credit unions in the Eastern Caribbean of 4.3 billion Eastern Caribbean dollars (XCD) at the end of December 2020 is significant compared to the total assets of the indigenous banks at March 2022 of 19.8 billion XCD as seen in Table 2 above.

Table 3 Growth in Credit Unions in the Eastern Caribbean

Year	Savings		Loans		Total Assets	
	XCD M	Growth (%)	XCD M	Growth (%)	XCD M	Growth (%)
2018	3,314	11%	2,761	11%	3,904	11%
2019	3,385	2%	2,896	5%	4,400	13%
2020	3,842	14%	3,110	7%	4,710	7%
Average over the last three years	3,514	9%	2,922	8%	4,338	10%

Source: Caribbean Co-operative Credit Union https://caribccu.coop/

2.3 The vulnerabilities of Indigenous banks

The foregoing analysis on the meaning and origin of indigenous banks and their importance to the Caribbean provides invaluable insights into the vulnerability of these institutions. As seen in Table 2 that follows, several indigenous banks in the Caribbean have failed and had to be rescued through a consolidation process led by their regulators. Various contributing factors for their failures have been proffered in the literature. Therefore, this section will seek to identify and distinguish between those factors that are inherent to the nature of indigenous banking, those that are the result of the management decisions, and those external to the institutions over which they have no control.

Table 4 Failed Indigenous Banks in the Anglophone Caribbean

Resident Island	Bank	Year Established	Year Demised or Regulator Intervened
Jamaica	Citizens Bank	1967	1997
	Eagle Commercial Bank	1988	1997
	Island Victoria Bank	1993	1997
	Workers Banks	1979	1998
	Mutual Security Bank	Not seen	1996
	Century National Bank	1984	1996
Trinidad and Tobago	National Commercial Bank	1970	1993
	Trinidad Co-operative Bank	1913	1993
	Workers Bank	1971	1993
Antigua and Barbuda	Antigua Barbuda International Bank (ABI)	Not seen	2011
	Bank of Antigua	1981	2009
Anguilla	National Bank of Anguilla	Not seen	2013
	Caribbean Commercial Bank	Not seen	2013

Sources: ECCB Press Release (2011); Ramsaran (2013); Rogers (2016); Wai (2010); Wallace (2011).

Uche (2010, pg. 469), in his study of the local banking system in Nigeria during colonisation, summarised the challenges to the indigenous banks as follows:

> Prior to its independence, Nigeria developed an indigenous banking system alongside the colonial banking system. With the establishment of indigenous banks, Nigeria had a dual banking system that exhibited a 'paradoxical and potentially dangerous dichotomy'. One group of banks – the foreign banks – possessed ample reserves, highly skilled executives, and long experience. Such banks, however, maintained a restricted branch system, provided finance for only the most respectable and conventional borrowers, and tended to engage in capital export. The other group of banks– the indigenous banks – lacked capital, controlled a small volume of deposits, and specialised in the finance of relatively risky undertakings. This resulted in not only a 'maldistribution of finance but also a dangerous distribution of risk'. It was therefore not surprising that these indigenous banks faced a much higher risk of failure than their foreign counterparts.

While Uche's (2010) study highlights what can be considered the inherent vulnerability of indigenous banks in colonial Nigeria, the narrative remarkably describes the indigenous banks in the post-independence Caribbean islands. The initial domination of foreign own banks of the financial sector in the Caribbean has provided them with significant brand presence and customer loyalty (Wai, 2010). As a result, Wai (2010) argues that late entrants to the market like indigenous banks had to pay significantly more to attract deposits, thus having an unfair cost disadvantage. The Financial Stability Report (2018) issued by the Eastern Caribbean Central Bank identifies another major risk to the indigenous banks in the Eastern Caribbean. This relates to the risk in the loan portfolio that to a large extent is associated with the characteristic of being an indigenous bank. Operating mostly in restricted geographic locations, the loan portfolio of these banks displays high concentration risk, with large exposure to household mortgages and elevated levels of non-performing loans.

Another observation from the literature is that the vulnerability of the indigenous banks in the Caribbean is intensified by factors external to these banks. A common factor that appeared to play a pivotal role in all three modern indigenous banking crises in the Caribbean is a financial or economic crisis. The point of no return for the three indigenous banks in Trinidad and Tobago during the banking crisis in the mid-1980s was the local economic recession which brought about a sharp deterioration in the quality of assets, with the non-performing loans ratio peaking at 49% by 1989 (Wai, 2010). Similarly, the crisis in Jamaica that almost wiped out the entire indigenous banking sector in the 1990s was triggered by a downturn in the local real estate and stock market which was accompanied by significant challenges with liquidity and non-performing loans among the indigenous banks (Kirkpatrick & Tennant, 2002; Persaud, 2006; Wallace 2011). In the ECCU, the demise of the indigenous banks in the decade leading to 2020 was greatly influenced by the global financial crisis which brought about a heightened awareness and sensitivity in the confidence in the financial sector as several indigenous banks were closed and with public knowledge that several others were experiencing difficult times (Ramsaran, 2013). Di Vittorio et al. (2017); IMF (2016) & IMF (2017) posit that the high concentration of risk, relatively high levels of non-performing loans, and high volatility in their Return on Assets (ROA) increase the vulnerability of indigenous banks to economic shocks. Another external threat to the indigenous banks that has been identified by the regulator is cybersecurity (Financial Stability Report, 2018). In the context of the indigenous banks, it is a relatively new and emerging risk that potentially can affect the long-term sustainability of the banks.

While the analysis above demonstrates how external factors such as an economic recession or financial crisis can precipitate the demise of an indigenous bank, there may be other underlying factors that have contributed to this outcome. Both Kirkpatrick & Tennant (2002) and Wai (2010) mentioned the strategy of rapid expansion in consumer credit and branch network that the indigenous banks in Jamaica and Trinidad and Tobago adopted before the onslaught of their respective crisis. These decisions are managerial and therefore draw attention to the contribution of management to the vulnerability of these banks. Ramsaran (2013) noted that the experiences of the indigenous banks created a perception problem about the safety and soundness resulting in many customers moving their deposits to the foreign-owned banks who were perceived to be safer.

Indigenous, community or small banks globally have also displayed tendencies to be vulnerable. Critchfield et al. (2004) in their study which examined the future of community banks in the United States posed a poignant question on whether small banks are destined to disappear, being victims of their inability to compete with larger institutions. Both Hassan and Hippler (2015) and Gilbert (2007) cited that since the 1980's the number of community banks in the U.S. has declined by over fifty percent. Changes in regulations that removed restrictions on interstate banking and advances in technology that allow large banks to reach customers without a physical presence, have made it difficult for community banks to attract and retain customers, hence threatening their survival (Amel & Prager, 2016). In response to changes in regulation and advances in technology, there have been waves of consolidation through mergers and acquisitions across community banks in many countries (Amel et al., 2004; Hassan & Hippler, 2015). The motives driving that trend were the lure of economies of scale, increased market share, and more diversified loan portfolios and customer base (Amel et al., 2004). This trend has been of concern to policymakers as it threatened the survival of community banks and the resulting impact on small business lending and local community development (Hein et al., 2005).

In summary, the challenges faced by indigenous banks in the ECCU will threaten their sustainability. The concern over their demise is not simply a nostalgic longing for the 'good old days' but rather it is about the loss of important iconic institutions with significant historic, social, and political meaning and economic consequences to the people of the region. Therefore, for stakeholders of these institutions, the important questions are whether the argument for saving these institutions is compelling; and if so, how should these banks be sustained. The next section of this review will therefore look at the theoretical framework through which the sustainability of the indigenous banks will be explored.

2.4 Sustainability through a stakeholder approach

2.4.1 Sustainability of business organisation

Having examined the challenges faced by indigenous banks which have led to the demise of several of these institutions, it is now necessary to explore a theoretical framework for the study on the sustainability of these banks. However, before delving into the theoretical framework, the concept of sustainability will be examined in more detail which will provide context for the application of the chosen theory.

The concept of sustainability of business corporations is broad and its meaning has evolved over the years from only achieving economic goals to include social and environmental objectives (Jan & Marimuthu, 2015). In recent times, the concept has received much attention in management and organisation studies (Linnenluecke & Griffiths, 2010). Costanza & Patten (1995) describe sustainability as the ability to survive or persist. In other words, it is about the ability to avoid extinction and living to survive and to reproduce. This concept has been transposed in many areas including business where several definitions link sustainability of a business to meeting the present and the future needs of its constituents. Dyllick & Hockerts (2002) define corporate sustainability as meeting the needs of the direct and indirect stakeholders of a firm without endangering its ability to meet the needs of future stakeholders. In their study of corporate sustainability, they also concluded that the sustainability of a business is dependent on maintaining and growing social, natural, and economic capital. Social capital is optimised when stakeholders understand, are motivated by, and broadly agree with the value system of a company. Efficient and effective management of financial, tangible, and intangible capital is critical for economic sustainability while natural capital refers to the ecological balance in the use of natural resources to produce goods and services (Dyllick & Hockerts, 2002). Other definitions of sustainability include Bansal and Des Jardine (2014) who define it as the ability of a business to respond to short-term financial needs without compromising its ability to meet future needs. From an economic point of view, Costanza & Patten (1995) refer to sustainability as the ability to avoid major disruptions and collapses, hedging against instabilities and discontinuities. Aksoy et al. (2020) describe it as a dynamic strategic business approach that incorporates sustainable practices that not only meet shareholder goals but also energise stakeholders. The various definitions of sustainability in business academic literature led Brown et al. (1987) to conclude that the meaning of the term is highly dependent on the context in which it is used, which can fall into three broad perspectives: economic, social, and ecological.

Sustainability has come a long way and is now an imperative for the survival of many business organisations (Uribe et al., 2018). Having been driven by market forces, it has now become a major strategic focus for businesses (Hoffman, 2018). Schaltegger et al. (2017) argue that this is essentially the inherent nature of businesses, which is creating values in response to the changing attitudes and expectations of society. A more focused approach towards sustainability will therefore enhance the financial performance of the business. It will also improve the social performance, corporate reputation, governance, risk management and overall competitiveness of the business (Uribe et al. 2018). This is of particular importance in today's highly volatile business environment with its ever- changing behaviours of stakeholders (Ontita & Kinyua, 2020).

As in other industries, sustainability in banking is not a new concept and has been studied and practised from different dimensions. According to Jan & Marimuthu (2015), each bank has its sustainability strategy to ensure its survival. One such strategy they highlight is the use of the CAMELS rating technique which assesses the long-term survival of a bank through the adequacy of its capital, the quality of its assets and management, its earnings, liquidity, and sensitivity to market risk. This rating technique takes an economic perspective in assessing both the short and long-term soundness of a bank. However, Schaltegger et al. (2017) argue against the use of financial indicators that measure the financial success for one group of stakeholders only. Rather, they suggest that broad indicators, including those that cannot be quantified, be used to measure the creation of value for all major stakeholders. The principles espoused by Global Alliance for Banking on Values, an independent network of banks whose aim is to serve communities by providing sustainable banking, take a broader perspective of sustainability in banking. The principles advocate that to be sustainable, banks should be grounded in the communities they serve, establish a strong relationship with their customers, adopt a long-term perspective, be resilient to external shocks, and ensure that social and environmental concerns are at the heart of their business model (Strong, 2012).

The socio-economic contributions and importance of indigenous banks to the ECCU, and the risk and implications of their demise, present a compelling perspective through which the sustainability of these banks can be studied. Several of the definitions examined earlier communicate a common theme; that the extent to which a firm survives indefinitely depends on its ability to satisfy its stakeholders in the present and future (Sureeyatanapas et al., 2015). This is at the heart of this thesis which is building sustainable indigenous banks in the ECCU through meeting the expectations and managing the perceptions of key stakeholders of these institutions. Therefore, the use of the term sustainability, in the context of this study, will focus on the socio-economic perspective and not necessarily the environmental dimension. The next section will now look at the theoretical framework underpinning this study, which is stakeholder theory.

2.4.2 Stakeholder theory

The concept of stakeholder theory in management literature is often credited to Freeman's landmark book, Strategic Management: A Stakeholder Approach (1984) and the Stanford Research Institute (Donaldson & Preston, 1995; Ontita & Kinyua, 2020; Strand & Freeman, 2015). Over the years several other scholars have contributed to the concept including Clarkson (1995) and Donaldson & Preston (1995). The core tenet of stakeholder theory is that a corporation has many constituencies, or otherwise referred to as stakeholders, whose relationship with the organisation can either build or destroy the organisation’s wealth (Post et al., 2002). Clarkson (1995) argues that a corporation’s survival depends on its ability to generate value or satisfaction to its stakeholders. This will ensure their continued participation as part of the corporation’s stakeholder system. Failure to retain their participation will result in the failure of the corporation. Therefore, each stakeholder group should be treated as an end in itself and not as a means to some other end as their participation can determine the future success of the firm (Donaldson & Preston,1995). Both Collins et al. (2007) and Zink (2005) therefore link sustainability of a business with stakeholder theory by concluding that an organisation can enjoy sustainable success by being responsive to the demands of all its relevant stakeholders.

According to Freudenreich et al. (2020) stakeholder theory with its focus on mutually beneficial relationships, provides a good basis for studying value exchange in reciprocal relationships. Unlike agency theory which advocates that the managers of businesses should serve the interest of shareholders, stakeholder theory suggests that those managers should broaden their focus on a network of relationships including suppliers, employees, and business associates (Ontita & Kinyua, 2020). Hence, stakeholder theory has increasingly become an important theoretical framework for studying the relationship between an organisation and its stakeholders from multiple perspectives with the aim of achieving economic, social, environmental, and other dimensions that ultimately contribute to sustainability (Uribe, 2018). Relationship is therefore a core aspect of any business model and hence stakeholder theory switches the focus from producing value to one stakeholder group to creating a multiplicity of values, each of which will be deemed valuable by the respective stakeholder groups in a different way (Freudenreich et al. 2020).

2.4.3 Stakeholders’ identification

Having briefly explained the concept of stakeholder theory and its relationship to the survival of a business, the next step is to identify who are the stakeholders of a business entity. According to Donaldson & Preston (1995), this is dependent on the interest of the individuals in the corporation, irrespective of whether the corporation has an equivalent interest in them. Several definitions of stakeholders have been proposed, the most widespread being that of Freeman (1984) who referred to stakeholders as any group of individuals who can affect or is affected by the activities of the firm while achieving the firm's objectives (Collins et al., 2007). Both Donaldson & Preston (1995) and Clarkson (1995) define stakeholders as individuals or groups who have an interest, claim, ownership, or rights in a corporation and its activities. Clarkson (1995) went on to make an important distinction between primary and secondary stakeholder groups. The primary groups being those whose continuing participation is essential for the survival of the corporation. They include customers, shareholders, investors, suppliers, government, and communities. Secondary shareholder groups on the other hand are those that are not essential for the survival of the business as they are not engaged in transactions with the corporation; examples of such are the media and various other special interest groups. The distinction between the two groups is important. Clarkson (1995) explains that dissatisfaction by any primary stakeholder group can lead to withdrawal from the corporate system in whole or in part. This can seriously damage a corporation and threaten its ability to continue as a going concern.

It is not just about the continuing participation of primary stakeholders that contributes to the long-term sustainability of a business. According to Hillman & Keim (2001), effective management of primary stakeholder relationships can result in social capital which enhances a firm's ability to outperform competitors. Alpaslan et al. (2009) in their study on developing a stakeholder theory of crisis management, also argue that adopting the principles of stakeholder theory will lead companies to be more proactive in their crisis management strategies, hence promoting their long-term survival. Overall, addressing the interest of stakeholders can have a positive effect on the financial performance of a business, thus ensuring its sustainability (Driessen & Hillebrand, 2013).

The underlying premise of stakeholder theory is that sustainable companies recognise the importance of managing multiple stakeholder relationships and continuously build and rejuvenate those relationships to create more value for more stakeholders (Strand & Freeman, 2015). This view is also supported by Collins & Porras (2005) who in their study of successful habits of visionary companies, have found that the stakeholder approach was practiced for many years by some of the more successful and established multinational companies before the concept was theorised by academia. Many successful firms, such as Google and eBay and those featured in Good to Great (Collins & Porras, 2005), were developed and ran on principles consistent with stakeholder theory (Freeman et al., 2004). Freeman et al. (2004) elaborated further that although these firms value their shareholders, profitability was not the fundamental driver of what they did. Rather, their ongoing success was underpinned by values and relationships with their stakeholders. This provides a compelling argument for managers to understand and use the core insights of stakeholder theory to create sustainable businesses. Donaldson & Preston (1995) conclude that while there may not be any explicit references to stakeholder theory by managers, many of them adhere to the principle of stakeholder management.

Overall, a stakeholder approach to the management of an organisation is a good thing (Kaler, 2004). It provides a structure for managing the challenges and dynamics of changing demand in the business environment (Ontita & Kinyua (2020). Identifying the needs and wants of stakeholders help managers to be cognisant of the core purpose of their businesses which is critical for decision making in times of crises when trade-offs are considered (Schaltegger et al., 2017). It also advocates that the economic and social purpose of a firm is to distribute the wealth and value created to the primary stakeholder groups without favouring one group over the other (Clarkson, 1995).

However, implementing can be a challenge (Driessen & Hillebrand, 2013; Kaler, 2004). Managers often face the daunting task of servicing the wide and often conflicting issues of the various stakeholder groups, much more than organisations that focus on a single stakeholder (Driessen & Hillebrand, 2013; Ontita & Kinyua, 2020). Schaltegger et al. (2017) argue that each stakeholder group has their own views with regards to sustainability which may be in harmony with each other but can sometimes contradict. According to Jensen (2001), it is impractical to maximise more than one dimension at the same time unless they are ‘monotone transformations of each other’. There is also the risk that vulnerable and less organised stakeholder groups who are currently not represented in the stakeholder network, but will be in the future, may be neglected (Schaltegger et al., 2017).

To resolve these potential conflicts, management must deploy strategies to ensure a fair distribution of the firm’s wealth among the primary stakeholders. Clarkson (1995) advocates good ethical judgement, choices, and a balance in the distribution of the firm’s wealth. Talha et al. (2015) suggest the use of an integrative strategic management system that integrates the firm’s strategy with the various elements of its value chain. Integrating the various stakeholders’ interest is about integrating the voice of stakeholders in the decision-making process (Hart, 1995 as cited in Driessen & Hillebrand, 2013). Ontita & Kinyua (2020) recommend that managers should provide opportunities to stakeholders to participate in formulating and executing strategies. This will allow greater participation and involvement in all critical stages of strategic management in a business.

2.4.4 Implication for Stakeholder theory on the sustainability of the indigenous bank

Having established that indigenous banks make important social and economic contributions to the people and economies of the ECCU, but that their inherent vulnerabilities and other external forces may threaten their survival, this thesis will now explore how the application of the fundamental principles of stakeholder theory can lead to the sustainability of these institutions. In particular, this section will first identify the primary or key external stakeholders of the banks and then discuss how the actions or inactions of each stakeholder group can affect the sustainability of these institutions. Being mindful of the limitation of available studies on the banking sector in the Caribbean, a discussion will follow on the general perceptions and expectations of each stakeholder group including how meeting those expectations can contribute to the sustainability of these institutions, how expectations and perceptions of stakeholders can be measured, and finally commenting on the scarcity of publicly available information on expectations and perceptions of stakeholders specific to indigenous banks in the ECCU.

2.5 Key stakeholders of the indigenous banks in the ECCU; their perceptions and expectations

2.5.1 Customers

Customers are among the foremost stakeholder group whose perceptions and expectations can affect the sustainability of the indigenous banks. This view is supported by Collins et al. (2007) who in their study of the effect of customers' values and beliefs on sustainable corporate performance, conclude that when deciding on corporate policies and priorities, customers are among the most important stakeholders that a corporation must consider. For the indigenous banks, this has become even more pronounced and relevant in the context of studying the sustainability of these institutions. This is so as these banks operate in a customer-oriented industry, and hence are dependent upon customers for their survival in the market (Karim & Chowdhury, 2014). Solomon's (2001) study examining management's perceptions of stakeholder groups that were responsible for initiating change and innovation in businesses argues that customers are most influential. The power of customers in contributing to the long-term sustainability of banks, and hence their recognition as key or primary stakeholders (Hillman & Keim, 2001), rests in their purchasing behaviours. By purchasing or refusing to purchase the services offered, customers get the attention of management, otherwise, the business runs the risk of ultimate demise (Collins et al., 2007).

Current and potential customers of commercial banks, such as indigenous banks in the ECCU, have varying perceptions and expectations of their banks. The competitive banking environment, where several financial institutions provide a variety of financial solutions with practically little or no switching cost, significantly influences customers' expectations (Mathapati & Kodag, 2017). One of the foremost expectations of bank customers is the quality of the service offered to them (Agrawal et al., 2016). Customers demand superior services, the quality of which they assess by comparing their perception of the services received with their expectations (Van Quyet et al., 2015). The reliability of the products, services, and solutions tailored to meet the expectations and wants of customers often matter most, rather than the superiority of what is offered (Hemel & Rademakers, 2016). Bank customers also expect cost-effective and convenient products and services (Mathapati & Kodag, 2017). This expectation has been heightened by advances in technology which have allowed banks to provide a plethora of tailored products and services to meet customers' needs (Das, 2013). Another key expectation of customers is knowledgeable staff who can provide appropriate advice and display soft skills when interacting with them (Van Quyet et al., 2015).

Creating sustainable indigenous banks through the application of stakeholder theory requires management to develop suitable systems and mechanisms to satisfy the expectations and manage the perceptions of various segments of customers (Rode, 2017). Both Hemel & Rademakers (2016) and Shah et al. (2006) argue that organisations should ensure that their structures, strategies, processes, and functions are fully aligned and integrated to provide superior value from a customer perspective. This includes developing suitable reward and performance measurement systems that will promote more customer-centric behaviours (Lamberti, 2013). According to Mathapati & Kodag (2017), meeting customers' expectations is more than providing a multi-channel platform for customers. Rather, it is to clearly understand customer needs by being more in touch with the customers, providing tailored solutions to their needs, and letting them know what the bank can do for them (Lamberti, 2013; Rode, 2017; Van Quyet et al., 2015). This will increase customer satisfaction and hence minimise the risk of defection to other financial institutions. Shaping perceptions and meeting expectations of customers of the indigenous banks require a genuine 'outside in' thinking where the value of the perceptions of customers shapes the organisation and therefore, all decisions relating to products and services start and end with the wants, needs, and priorities of the customers (Hemel & Rademakers, 2016).

The expectations and preferences of customers in the Caribbean have been evolving. This can be attributed to the rapid demographic, social, economic, and political transformations in the Caribbean triggered by the sustained reduction in mortality followed by increases in population (Turra & Fernandes, 2020). Statistical data from the ECCB shows that the population of the Eastern Caribbean grew by eleven percent over the last twenty years to 2020 while economic growth averaged around two percent for the same period, when adjustment is made for the covid related sharp decline in 2020. The evolution of customer behaviours in the Caribbean has also been examined by Robinson & Moore (2011) who in their study of how attitudes and preferences influence the use of internet banking concluded that the adoption and frequency of use are directly related to age, income, and educational attainment, with younger, more educated, and higher income people more likely to use internet banking more frequently. Rambocas & Arjoon (2011), in their case study of ethics and loyalty in Trinidad also argue that that customers' loyalty to the goods and services supplied by an organisation is heavily influenced by their perception of the ethical behaviours of that business. This demonstrates that the utility that a good or service provides is not the only determinant that influences the buying decision of Caribbean customers.

2.5.2 The Community

Another key external stakeholder group identified in the literature, whose perceptions and expectations are critical to the long-term sustainability of banks, such as the indigenous ones in the ECCU, is the community in which these banks operate (Clarkson, 1995). These institutions, as their names imply, are deeply embedded in, and have enjoyed mutually beneficial relationships with the communities in which they operate, hence contributing to their sustainability (Mayne, 2008). However, a shift in perceptions by the community because of negative public awareness campaigns by advocacy groups, for example, may damage the reputation of these institutions and cause a decline in revenue (Gill & Williams, 2005). There is therefore now a greater recognition and appreciation that a positive relationship with the community, as a stakeholder group, affects the reputation of a business and by extension its long-term sustainability. This is in part due to the new and growing demographics of the community that place a high value on healthy living, the environment and ecological sustainability, and social justice (Haigh & Hoffman, 2011). These values influence the goods and services they buy, the companies which they work and invest in, political and social issues they support, and ultimately the lifestyles they live (Haigh & Hoffman, 2011).

As already settled, the community in which indigenous banks operate has perceptions which shape their expectations of these institutions. The foremost argument is that community-type banks are expected to remain true to their names by maintaining the local ethos (Clutcher, 2014). As they are embedded within the social and environmental systems, they are expected to maintain a close relationship with the communities by employing locals from entry-level to managerial positions (Haigh & Hoffman, 2011). They are also expected to pay decent wages that will enable their employees to enjoy a good quality of life and provide training to them in techniques that are specific and relevant to the sustainability of the business (Haigh & Hoffman, 2011). Retaining capital in communities through local share ownership, reinvesting profits back into the local communities, and revenue sharing arrangements with stakeholders are important perspectives from the community (Stubbs & Cocklin, 2008). These banks are also expected to resist the temptation of expanding beyond their local communities as this can lead to challenges in maintaining local relationships (Institute of Social Banking, n.d.).

The community also expects the banks to demonstrate socially transparent and ethically responsible behaviours, which are consistent with sustainable development and the welfare of society (Das, 2013). Because of this greater awareness, banks cannot hide behind the protection of limited liability for the consequences of their actions concerning their social and ethical responsibilities (Green, 1989). The community, therefore, expects banks to invest in their local communities by providing opportunities for marginalised groups and support social, ethical, and environmental issues rather than focusing on making a profit (Das, 2013). Therefore, banks are expected to monitor their environmental and social impact to ensure that they conform to society’s expectations and ethical values (Finch, 2005).

As part of their social responsibility, the community also expects banks to play a major role in poverty alleviation through financial education and access to credit. According to Akudugu (2011), high levels of poverty in local communities are closely linked to access to financial capital**.** Forcadell & Aracil (2017) also argue that a critical barrier to accessing credit is poor financial education. Local banks are therefore expected to be part of the financial education process of locals which can lead to the empowerment of people, enabling them to make more informed decisions that can improve and transform their future (Forcadell & Aracil, 2017). In assessing the capacity of locals to borrow, banks are also expected to use more suitable methodologies to assess credit risk which consider the local economic realities such as the informal economy, relationship variables such as the number of financial products already contracted, and other socio-economic variables (Prior & Argandon˜a, 2009).

Managing the perceptions and meeting the expectations of the community, which is a key external stakeholder group, are critical to the sustainability of indigenous banks. According to Haigh & Hoffman (2011), these banks depend heavily on the communities in which they operate for their survival. Focusing on the needs of the communities in which they operate will generate greater social acceptance and the recognition of being a good corporate citizen (Condosta, 2011). This acceptance and recognition create opportunities for the banks to attain sustainable competitive advantage (Goyal & Joshi, 2011), which is potentially a powerful marketing tool (Byrne et al. 2005). Byrne et al. (2005) conclude that being a good corporate citizen is building a strong case for changing the relationship between business and community as a basis for future sustainability.

2.5.3 Shareholders/Investors

According to both Clarkson (1995) and Donaldson & Preston (1995), the shareholders are another stakeholder group with a legitimate interest in a substantive aspect of a corporation and qualify as a primary or key external stakeholder. For the indigenous banks in the ECCU, this group provides the funds or capital for the banks to operate, and its composition reflects the socio-economic structure of Caribbean societies: ordinary working individuals, business owners, and governments. In legal terms, this group does not own the corporations, rather, they own shares that make up the capital of the corporation **(**Fox & Lorsch, 2012). However, their ownership allows them to participate in the governance of these entities through the appointment of the directors and external auditors, and generally to satisfy themselves that an appropriate governance structure is in place (Cadbury Report, 1992).

The significance of shareholders as a stakeholder of the indigenous banks in the ECCU rests with their oversight of the governance process in these banks. According to Brennan (2006), the directors, who are appointed by the shareholders, owe their duty to the company and not to the shareholders. Shareholders provide an effective oversight function over management which in the literature is referred to as 'Corporate Governance'; a term introduced by the Cadbury Report of 1992 (Tulung et al., 2018). One of the code of principles is the responsibilities of directors which include setting the organisation's strategy and supporting management in executing and monitoring same (Tulung et al., 2018). They are also responsible for reporting to shareholders on their stewardship.

Therefore, shareholders have a critical role to play in the corporate governance practices of indigenous banks in the ECCU. Several authors have concluded that poor corporate governance practiced by indigenous banks was one of the main underlying reasons for the near demise of several indigenous banks in the region (Kirkpatrick & Tennant, 2002; Richardson & Williams, 2013 and Rogers, 2016). This manifested itself in numerous ways, foremost of which was the rapid expansion of these banks, or what has been referred to as management empire-building, through excessive risk-taking prior to their collapse as experienced by indigenous banks in Jamaica, Antigua, and Anguilla. Another manifestation was the quality of the Board of Directors in these institutions. Both Richardson & Williams (2013) and Rogers (2016) observed that the boards of the failed indigenous banks in both Anguilla and Antigua were characterised by directors and senior managers whose appointments were attained through political connections or by being significant shareholders, rather than academic achievements or business skills and experiences that are relevant to the successful running of a bank. Several other studies in the post-2008/2009 financial crisis, including Berger et al. (2016) and Macey & O'Hara (2016), have concluded that corporate governance issues, including ownership structure, were not inconsequential but played a major role in bank failures.

The general perception and expectation of shareholders, as a stakeholder group, therefore, are that both directors and management should conduct the affairs of the bank well such that all decisions are aligned to enhance corporate profits and hence maximise shareholders' wealth (Green, 1993). This should be evident by well capitalised banks with good asset quality, high earnings, and sufficient liquidity which will minimise the probability of failure (Berger et al., 2016). Other expectations include timely, transparent, and truthful reporting on banks' performance, well-defined shareholders' rights, and good board practices (Nworji et al., 2011; Rogers, 2006). These practices build trust and loyalty with key external stakeholders like shareholders who in turn will patronise the bank more and will be more willing to increase their shareholding in the bank (Rogers, 2006).

Meeting shareholders' expectations for good corporate governance practices can contribute to the long-term sustainability of indigenous banks. This is consistent with the findings of Rogers (2006) who in their investigation of the link between financial performance and corporate governance concluded that good corporate governance could influence up to 34% of the financial performance of banks. Where shareholders perceive that their expectations are not met, they may respond by either casting their votes or selling their shares; the latter, if done on a large scale, can have significant consequences for the banks' survival.

2.5.4 Regulator

The final key external stakeholder group that this study has identified that is critical to the long-term sustainability of the indigenous banks in the ECCU is the regulator. The identification of this group is consistent with the definition of a primary stakeholder examined thus far. The primary regulator of the indigenous banks in the ECCU is the ECCB. Its main objectives, as stated by its enacting legislation, are to maintain the stability of the single currency used by ECCU and to preserve the integrity of the banking system (ECCB Act, 1983). The supervision of the banking sector in the ECCU is governed by the Banking Act of 2015, which has been enacted in the eight participating states (ECCB, 2018). The governing body overseeing the ECCB is the Monetary Council which comprises ministers of governments nominated by the participating governments (ECCB Act, 1983). The term regulator in this study, therefore, refers to both the ECCB and the various governments that comprise the ECCU.

The significance of the regulator to the sustainability of the indigenous banks in the ECCU rests in the legal powers vested in the ECCB that can determine the fate of these banks. The ECCB Act of 1983 gives the Central Bank the powers to investigate, assume control of and carry out the affairs of a bank, and take all necessary steps to protect the rights of depositors and other creditors (ECCB Act, 1983). This power is exercised through the enforcement of various prudential regulations aimed at reducing risk-taking activities by banks, thus ensuring the soundness and safety of these institutions (Gee et al., 2016; Mishkin, 2000; Tanda, 2015). Therefore, the quality and effectiveness of the supervision by ECCB of the indigenous banks will influence the risk management practices in these institutions and ultimately their long-term sustainability.

With the impact of the 2008/2009 financial crisis on the indigenous banks, the general perception of the regulator is that indigenous banks face certain vulnerabilities which can potentially affect their long-term sustainability (ECCB, 2018). To ensure the stability of these banks, the Monetary Council agreed on a plan for the amalgamation of the indigenous banking sector. The expectation is that amalgamation will result in fewer but larger and stronger entities that will benefit from economies of scale, efficiencies and improve governance practices (ECCB, 2017).

The existing literature on bank consolidation in developing countries does not provide an unambiguous answer on the effectiveness of consolidation in creating a stable banking sector (Di Vittorio et al., 2018). Both Adebayo & Olalekan (2012) and Oloye & Osuma (2015) in reviewing the performance of the banking sector in Nigeria after undergoing a major consolidation exercise, concluded that financial stability and efficiency improved while the occurrence of insolvency and illiquidity in banks reduced. Abbas et al. (2014) and Ahmed et al. (2018) in their studies assessing the contribution of mergers and acquisition to the survival and performance of banks in Pakistan concluded that most merged banks failed to improve in key performance areas such as return on equity, return on assets, and net margin. Shrestha et al. (2017) found that mergers in Nepal positively impacted larger banks but were counterproductive for smaller and troubled financial entities which faced significant financial loss after the merger. They concluded that mergers should not be viewed as a definite solution to a capital crisis, but that it should be a voluntary exercise acting out of necessity rather than being forced.

After over ten years following the 2008/2009 crisis, the general perception and expectation of the regulator remain. The hope is that some level of consolidation in the banking sector will contribute to the long-term sustainability of these banks. The IMF, in advocating for the consolidation of the indigenous banks, outlined several reasons why implementing the consolidation strategy as advocated by the regulator will lead to the long-term survival of these banks. Consolidation will strengthen the capital positions, diversify the credit portfolio, lower compliance costs, promote the sharing of best practices, and strengthen the case to maintain foreign correspondent bank accounts.

2.5.5 Measuring stakeholder perception and expectations.

A review of the literature reveals extensive research regarding measuring perceptions and expectations mainly of customers in the financial sector and banking in particular. Most took a quantitative approach using the SERVQUAL model developed by Parasuraman et al. (1985) or some modified form of the model (Ali & Raza, 2017; Karim, & Chowdhury, 2014; Peng & Moghavvemi, 2015). According to Collins et al. (2007), most studies on customers' perceptions of goods and services have been taken from a market research perspective to find out what goods and services they require, and it is rare to find any research done from a stakeholder theory perspective.

Collins et al. (2007) went on further to state that even when a stakeholder approach is taken, the focus is on managers' views concerning their dealing with stakeholders rather than examining the views of customers themselves.

Two studies identified in the literature on assessing perception under the theme of sustainability are Caiado et al. (2018) and Stubbs & Cocklin (2008). Caiado et al. (2018) in their study measuring sustainability performance in Brazilian organisations, utilised a triangulated methodology collecting both quantitative and qualitative data through multiple methods including documentary analysis of corporate reports, survey questionnaires, and semi-structured interviews. Stubbs & Cocklin's (2008) study on sustainable business models employed an abductive research strategy combined with a case study and grounded theory. Twenty-one in-depth, semi-structured interviews were conducted with two cases of organisations considered to be leaders in operationalising sustainability. The commonalities in the two studies are the concept of measuring sustainability and the use of the qualitative method semi-structured interviews. These two studies also bear resemblance to this study on the sustainability of the indigenous banking sector in the ECCU and hence are instructive to the methodology and method to be applied in this thesis**.**

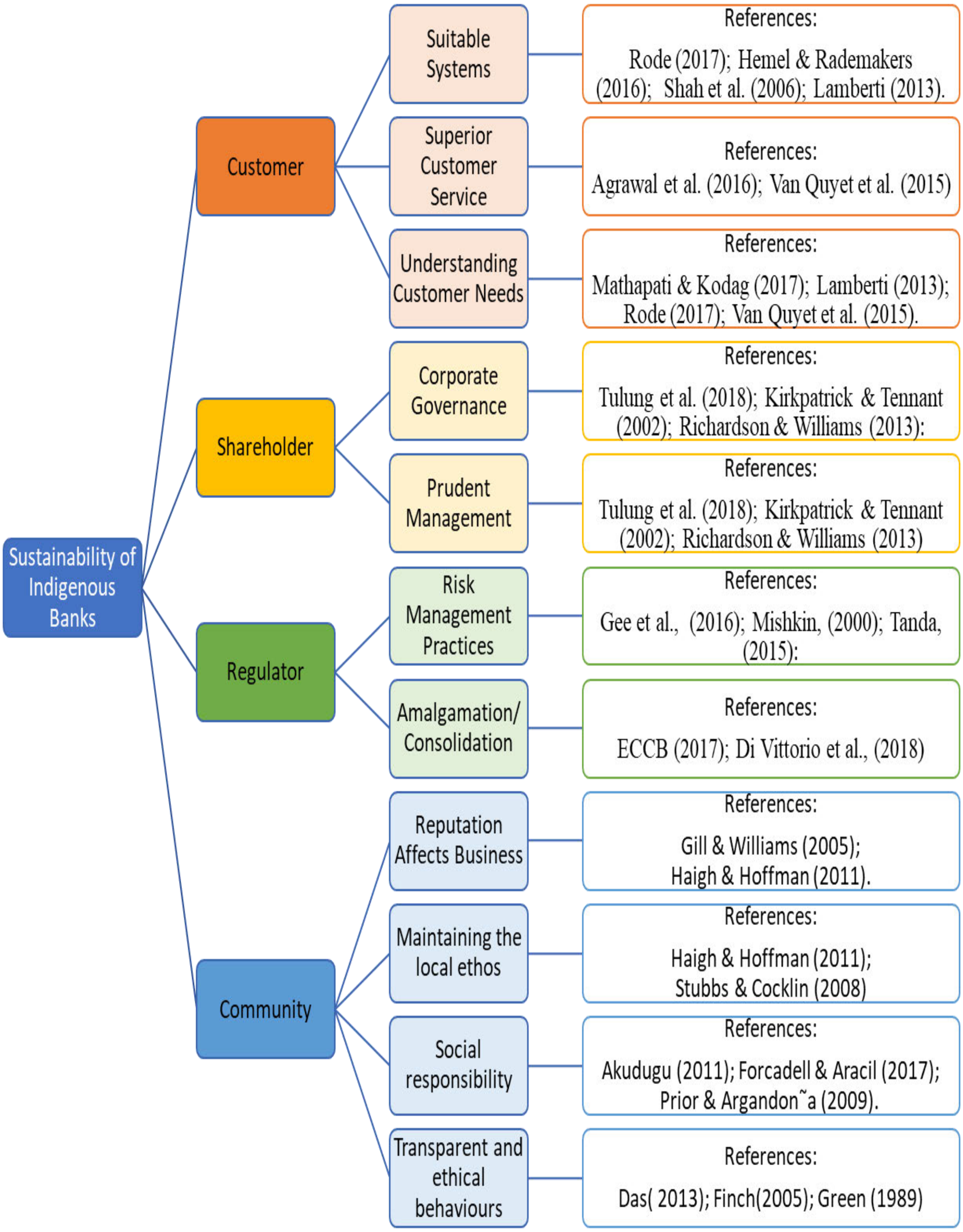
2.5.6 Stakeholders' expectations and perceptions in the ECCU

Given the centrality of the expectations and perceptions of key external stakeholders to the sustainability of the indigenous banks in the ECCU, the lack of academic scrutiny evident by the scarcity of publicly available information is alarming. While there are findings and reports from assessments done by the principal regulator, ECCB, the voices of the other key stakeholders such as shareholders, members of the community, and customers, remain silent in published academic research. This view was shared by Smith (2016) who, in lamenting on the paucity of scholarly work on the role of customer value in long-term sustainability, concluded that research is needed to assist Caribbean financial firms to better understand the value proposition of customers that will propel business growth. This value proposition, he added, must be realised through understanding the perception of the customers. Therefore, this study is timely in filling this void.

2.6 Summary and conclusion

The sustainability of the indigenous banks was explored using stakeholder theory. The discussions were built around the seminal work of both Clarkson (1995) and Donaldson & Preston (1995) who along with Freeman (1984) are some of the most frequently cited sources, although over twenty years have since passed. From the review, several high-level themes were identified that represent the perceptions and expectations of the key external stakeholders on long-term sustainability. These are captured in the framework that follows.

Figure 2 High Level Themes from the Literature



The above framework embodies the principle of stakeholder theory on the sustainability of the indigenous banks. The four key external stakeholders, and their interactions with the banks, are identified. The interactions demonstrate the dependency by the indigenous banks on the external stakeholders for their survival. The high-level themes on the perceptions and expectations of each key external stakeholder group and the related references are captured in the respective boxes. These themes will provide guidance in developing interview questions for collecting data for this study.

This chapter has provided a review of the literature exploring the sustainability of the indigenous banking sector in the ECCU. These banks are historic national icons making invaluable socio-economic contributions to the people and economies of the ECCU dating back from the colonial era to the present post-independence period. However, the inherent vulnerabilities of these banks put them at risk of external shocks. They are also disadvantaged, relative to the branches of multinational banks operating in the region and the larger regional banks. Therefore, there is a strong argument that these institutions must be sustained, not just because of their legacies, but also because of their continuing importance to the region.

The next chapter will outline the approach to fulfilling the aim and objectives of the research. It will begin with an examination of the philosophical assumptions that will underlie the design. The chapter concludes with an in-depth analysis of the research method including its strengths and weaknesses.

Chapter 3 Research Methodology

3.1 Introduction

The theoretical framework through which the research problem was investigated is outlined in this chapter. The objective is to provide clarity and justification for the research methodology as it seeks to explore the perceptions and expectations of key external stakeholders on the sustainability of indigenous banks in the ECCU. The chapter is presented in nine sections. The next section introduces the philosophical assumptions underpinning this research and how it informs the adoption of a qualitative design as the most appropriate methodology for answering the research question which is discussed in section three. Section four provides a detailed description of the data collection technique used in this study which is semi-structured interviews. This method is consistent with qualitative design methodology. The advantages and disadvantages will be discussed concluding with a justification for choosing this method over other alternatives. This section will conclude with an examination of the sampling procedures for identifying both the sample banks and the participants for the interviews. Section five discusses the ethics surrounding this research which will be followed by a reflection on the pilot study conducted and the lesson learned that can strengthen the full study once incorporated. Section seven explains the strategy adopted for analysing the data collected, followed by the strengths and weaknesses of the research before the conclusion section.

3.2 Research Philosophy

3.2.1 Research Design

This research was designed to obtain rich qualitative data on the views of key external stakeholders of the indigenous banks in the ECCU, and how meeting these expectations can lead to the long-term sustainability of these banks. Easterby-Smith et al. (2008) refer to this as the conceptual framework, an action plan for answering the research question. It is essentially the research methodology which Crotty (1998) also refers to as the strategy, action plan, or design process that informs the method used for the study and ultimately the study outcome.

The design of this research process acknowledges that academic research is based implicitly or explicitly on some form of theoretical perspective which Creswell (1998) describes as the philosophical assumptions the researcher brings to the research. These assumptions generally are the researcher's view of the nature of reality (ontology), the way knowledge is acquired (epistemology), and the values a researcher brings to a study (axiology). These philosophical assumptions were critical in creating coherence in designing this research as it guided the kind of evidence gathered about the indigenous banks and their stakeholders, how the evidence was gathered and interpreted, and ultimately how the research questions were answered, which is consistent with that posited by (Easterby-Smith et al., 2008).

3.2.2 Research paradigm

Before proceeding to the methodology adopted for this study, it is important at this stage to have a more general discussion on the theoretical assumptions that informed the methodology and the related method chosen for this study. This discussion starts with clarifying the concept of 'research paradigm.' Guba & Lincoln (1994) define research paradigm as the basic belief system or world view held by the researcher that deals with first principles or ultimates. This worldview explains the nature of the world and the combination of relations among the individuals that comprised the world. Guba & Lincoln (1994) also argue that the important contribution of the research paradigm is that it guides the researcher in areas of ontology and epistemology as well as a choice of methods. While there were several research paradigms available to conduct this research, the objective according to Crotty 1998, was not to pick one from the shelf, but rather to devise a research process that best serves to answer the research question using established paradigms to elucidate and delineate that held by the researcher. Each paradigm is therefore associated with particular ontological and epistemological assumptions on reality and knowledge which guide the methodology and methods adopted for a study (Scotland, 2012).

The concepts of ontology and epistemology are therefore key components and the starting point on any discussion of research paradigm. Benton & Craib (2011) refer to ontology as a technical term in philosophy used to answer the question of ‘what kind of things are there in the world’. It concerns the nature of reality and the related assumptions a researcher holds on the way the world operates (Saunders et al., 2009). It is the study of being (Crotty, 1998). According to Bell et al. (2018), ontology addresses the important question of whether the social phenomena being studied exist objectively, external to their social actors, or whether their reality is made through the activities and meanings that humans attached to them.

A researcher can, therefore, adopt differing ontological perspectives or ways of viewing a social reality (Bracken, 2010). On one hand, an objectivist ontological position implies that the social worlds have realities independent of the social actors that interact with them. These entities are rationale and responsive to scientific and positivist modes of inquiry (Bracken, 2010). Alternatively, Bell et al. (2018) argue that where a constructivist or subjectivist ontological position is held, the assumption the researcher makes is that realities are co-constructed through the interaction of social actors who make meaning of their world.

While ontology deals with the world view of the researcher, epistemology assumptions are about how knowledge can be acquired, created, and communicated (Scotland, 2012). It logically flows from ontology and according to both Bell et al. (2018) and Grix (2010), a researcher’s view of reality implies a particular understanding of how knowledge is gained about that reality. Therefore, where an objectivist ontology is adopted, the epistemological position is that knowledge is gained by observation and measurement. Conversely, with a constructionist or interpretivist ontology, knowledge of a phenomenon would be acquired by other methods such as interviewing and observing the interactions of social actors with that phenomenon (Bell et al., 2018).

There are therefore underlying ontological and epistemology assumptions underlying each research paradigm. The choice of assumptions made by the researcher will ultimately influence the methodology chosen for a particular study. Guba & Lincoln (1994) identified four paradigms of choice available to a researcher in informing and guiding research: positivism, post-positivism, critical theory, and social constructivism. They can be viewed on a continuum with positivism on one end to social constructivism on the other.

Adopting a positivist paradigm in the design of this study of the indigenous banks would imply that from an ontological perspective, these banks have realities external to their key external stakeholders or the researcher who studies them. Therefore, the primary ways of acquiring knowledge on the realities of these banks are through measurement and observation techniques that gather relatively large-scale representative data (Blaxter et al., 2006).

This, however, would have been inconsistent to understand the role of perceptions and expectations of stakeholders in the sustainability of the indigenous banks. There are fundamental differences between studying social systems such as indigenous banking and the facts of nature which are the subject of the natural sciences (Benton & Craib, 2011). Crotty (1998) also points out that the real everyday world of social science research is filled with uncertainties, idiosyncrasies, and ambiguities and therefore attempts to equate the study of social systems such as indigenous banks by adopting the methods and forms of explanation used in natural science is flawed. The researcher is also often not independent of the participants in research and is sometimes a member of the social system that is being researched.

An alternative paradigm that was determined to be more relevant to this study, and congruent with the researcher’s view about the nature of reality, is social constructivism. Its ontological assumption is that organisations are social entities that are heavily influenced by the actions and understanding of humans (Bell et al., 2018), and in the case of indigenous banks, the stakeholders. Social constructivism attempts to explain human and social realities and the meaning that humans attach to things.

Individuals seek comprehension of the world in which they exist (Creswell, 1998). Social constructivists enter the social world of the researched to understand their world from their point of view. As a research paradigm, it denies the existence of a single reality (Mills et al., 2006). Rather, the focus is to understand the social world from the experiences, perspectives, and subjective meanings that people attached to it (Wahyuni, 2012). Social reality is therefore co-constructed by the stakeholders of the banks and therefore the findings and interpretation from the study of this group are critical to understanding the sustainability of these institutions.

From an epistemological position, social constructivists focus on how people construct their world and the interpretation of their experiences, and the meaning they attribute to them (Merriam, 2009). Knowledge of a phenomenon is acquired by qualitative methods such as interviewing and observing the interaction of social actors with that phenomenon (Bell et al., 2018). The aim is to achieve depth rather than breadth by focussing on as many details as possible on small sample sizes or occurrences (Blaxter et al., 2006). Dialoguing with research participants allows constructivists researchers to obtain rich descriptions of social constructs (Wahyuni, 2012). Social constructivists also recognised that the personal, cultural, and historical experiences of both the participants and researcher shape their views and interpretations (Creswell, 2007).

Taking a social constructivism philosophical approach for the design and execution of this study sits well within the aim of this thesis, which is to explore the perceptions and expectations of key stakeholders on the sustainability of indigenous banks in the ECCU. As a qualitative design, this approach will allow the researcher to gain valuable insight and a clear understanding of the factors that shape the perceptions and expectations of stakeholders of the indigenous banks and how effective management of this knowledge contributes to the sustainability of these institutions. Clarity is also provided for the design of an appropriate methodology and the selection of appropriate methods to answer the research problem. The focus will be on the interaction between the researcher and the participants of the study which will generate rich qualitative data that will inform the construction of a conceptual framework on the sustainability of the indigenous banks.

Irrespective of the philosophical position adopted, this research will be affected by the values and beliefs that the researcher brings to the study. As posited by Hill (1984), there is no value-free research as the researcher brings a perspective even from the start by the project selected. This perspective will influence what attention will be paid to, which provides clarity on the prejudices, biases, beliefs, and perceptions of the researcher (McGregor, 2011). Biedenbach & Jakobsson (2016) in examining the role of values, or axiology, on the knowledge-creating process, conclude that axiology in any research addresses the questions related to what is valued or good for society and mankind.

This research also reflects an emancipatory axiological perspective. The argument for the sustainability of the indigenous banks rests on the importance and roles these institutions have played in providing banking services to certain disenfranchised sectors of the population, the social and economic justice they brought, and a sense of true political and economic independence to the islands of the Caribbean. The stakeholders being interviewed are also provided with the freedom to share their perspectives without limitations.

3.3 Methodology

Having explored the concept of the research paradigm, its various components, and its impact on the design of the study, the focus will now be on the choice of an appropriate research design for this study. In choosing an appropriate research design to explore the relationship between meeting the expectations and perceptions of key external stakeholders and the sustainability of the indigenous banks in the ECCU, careful considerations were given to several factors. Foremost is the philosophical position of the researcher, a social constructivist. Lee & Lings (2008) argue that methodology or the how in going about doing research is dependent on the ontology, epistemology, and the axiology perspectives of the researcher. Crowe et al. (2011)

also argue that the approach taken is dependent on the epistemological position of the researcher, which is whether they take a positivist approach (strong emphasis on measurement, observation, and generalisation), a critical approach (questioning all assumptions made) or an interpretivist (understanding meaning and perspectives of individuals). The literature review and the researcher's prior appreciation of the theoretical issues and setting were also deciding factors (Crowe et al., 2011). Several groups of stakeholders of the indigenous banks operating in island states that comprised the ECCU were identified in the literature. These are the social actors whose expectations and perceptions affect the sustainability of the banks. These circumstances readily lend themselves to a qualitative design for this study. To assist with understanding more of the chosen methodology, the section that follows will explain the concept of qualitative research designs, provide some background information on the academic work of the proponents of qualitative designs, the advantages and disadvantages, and its relevance to this study. The rationale for an inductive approach to support the chosen methodical design will also be given.

3.3.1 Qualitative Research

According to Wahyuni (2012), qualitative research design, as a research methodology, is related to a socially constructed ontology and an epistemology that focusses on the subjective meaning of social phenomena. Unlike quantitative designs that involve data that are expressed numerically, qualitative designs focus on data that are mainly expressed in words (Easterby-Smith et al., 2008). It reflects the subjective assessment of attitudes, behaviours, and opinions by the researcher (Wang, 2013). However, it is a rigorous approach to finding answers to questions in social and human science research (Soiferman, 2010). It is exploratory in nature and seeks to expound on the context of the 'how' and 'why' a social phenomenon operates (Mohajan, 2018). Qualitative design is therefore ideally suited for connecting the meaning people attached to their social world in which they live (Miles & Huberman, 1994).

Creswell (1998) argues that while there is no single approach in designing a qualitative study, there are certain commonly accepted design principles. This view is also supported by Miles & Huberman (1994) who outline several common recurring features of a qualitative design. These features centre around the researcher, who is the main measurement instrument in the study, and who often spends a prolong period collecting data in the field. The researcher aims to get an understanding of the context of the study including its implicit and explicit rules, and capture data on the perceptions of local actors. Ultimately, according to Miles & Huberman (1994), the primary goal of qualitative research is to elucidate the ways in which people in a particular setting make meaning of, account for or act in response to their situation.

Taking a qualitative approach for the design of this study on the perceptions and expectations of key external stakeholders on the sustainability of the indigenous banks in the Eastern Caribbean has several advantages. Creswell 1998 postulates that when there is a need for a detailed understanding of a complex problem, an exploratory approach is ideal which is a key feature of qualitative design. This is the essential aim of this study. Qualitative inquiry is broad and open ended and allows the researcher to probe underlying values, beliefs, and assumptions (Yauch & Steudel, 2003). It is also flexible and facilitates the collection of data with smaller sample sizes relative to quantitative approaches (Mohajan, 2018). However, there can be potential drawbacks using a qualitative design. This includes the time-consuming process of both collecting and analysing data that requires the researcher to be skilled in conducting those tasks as well as the subjectivity involved (Choy, 2014).

3.3.2 Inductive Approach

This qualitative study that seeks to explore perceptions and expectations that are critical to the sustainability of the indigenous banks in the Eastern Caribbean takes an inductive approach. Eisenhardt, Graebner & Sonenshein (2016) refer to induction as an approach through which a researcher generates theory from data in the process of attempting to solve a significant problem that affects people profoundly. Deduction starts with a theory, tests hypothesis, and then revises the theory, while an inductive study starts with a research problem associated with a particular phenomenon and identifies, extends, or makes new theories based on the research findings (Locke, 2007; Woiceshyn & Daellenbach, 2018). An inductive approach is aligned with qualitative studies, while a deductive approach is quantitative (Soiferman, 2010).

According to Ormerod (2009), studies whose aim is to get an intuitive understanding of the purpose and meaning of a social phenomenon are best suited for an inductive approach as deductive reasoning, with its focus on causal explanation, does not adequately capture the way people think and behave. Locke (2007) also argues that methodically, deductive reasoning is divorced from reality in social science and hence building or expanding theory should be inductive. Therefore, having adopted a qualitative design for this exploratory study for which there is a scarcity of published research and with no plan for testing hypothesis, an inductive approach is taken.

3.3.3 Alternative methodologies considered

A qualitative design was not the only methodology considered by the researcher. The decision on the choice of design was an evolving process as the researcher's knowledge and understanding of the relationship between the nature of the study and philosophical assumptions grew. In this regard, designs that are closely aligned to a positivist epistemology such as quantitative studies were ruled out as they were deemed inadequate for collecting deep rich qualitative data on the sustainability of the indigenous banks. Case study was initially considered. However, having considered the challenges in getting more than two methods that were appropriate for collecting data from the key external stakeholders, that option was abandoned.

3.4 Method used in this study

The preceding section in this chapter has demonstrated how the philosophical position of the researcher has informed the methodology chosen for this study. This section will now identify the data collection method used, justifying the reason for its selection before proceeding to the sampling approach. Due to the explorative nature of this study and the need for an in-depth understanding of the phenomenon, qualitative semi-structured interviews were chosen as the most appropriate data collection technique. The chapter ends with a discussion on the analysis of the data collected.

3.4.1 Semi-Structured Interviews

To obtain a comprehensive understanding of stakeholders' views on the sustainability of the indigenous banks, the views of stakeholders needed to be solicited directly. Semi-structured interviews offered an ideal opportunity to obtain this qualitative feedback and hence it was the main data collection tool used in this study. Longhurst (2003) describes semi-structured interviews as conversations where an interviewer draws out information from the interviewee by asking questions. It is also a qualitative interviewing technique that is effective in capturing the voices and the ways people make sense of their encounters (Rabionet, 2011). The main objective is, therefore, to allow the stakeholders being interviewed to share their perspectives, experiences, or stories about a social phenomenon (Wahyuni, 2012), which is the sustainability of the indigenous banks in the ECCU.

Semi-structured interviews, as a research tool, have several features that make them ideal for collecting data from stakeholders in this research. They allow the researcher to dig deep into the problem and to understand thoroughly the responses provided by interviewees (Harrell & Bradley, 2009). They allow a great deal of flexibility as it is characterised by elements of both structured and unstructured questions with a fixed set of sequential questions acting as a guide for the interview (Cachia & Millward, 2011; Kallio et al., 2016). They, therefore, provide the option of having a list of predetermined questions based on themes from the literature while at the same time being flexible, allowing the interviewee to talk freely on the subject matter during the interview (Wahyuni, 2012). They are ideally suited for follow-up queries and further explanations in response to open-ended questions (Newcomer et al., 2015). The flexibility in semi-structured interviews allows for what Newcomer et al. (2015) refer to as a constructive dialogue that can meander around the research topic, rather than slavishly adhering to a set of verbatim questions. However, a major drawback to semi-structured interviews is that they are time-consuming, labour-intensive exercises that require the interviewer to be adept and knowledgeable of the research topic (Newcomer et al., 2015).

3.4.2 Developing the interview procedures

To facilitate the interview process, an Interview Guide was developed as outlined in Appendix 1. The objective of the Interview Guide was to ensure that the interview was logical, comprehensive, and efficiently done. As suggested by Rabionet (2011), to achieve this, the interview guide had two critical components: the introduction by the interviewer to the interviewee, and the questions that followed. Therefore, each interview started with a brief introduction of the researcher and an explanation of the aim of the research. The intention was to make the participant aware of the background of the researcher including his experience and knowledge of the research topic and the current study at ENU. This allowed the participant to be more comfortable in sharing their thoughts and opinions on even the more highly technical details in the field of banking. After the introduction, the protocol and consent forms that were previously sent to participants were discussed. Participants were reminded to return a signed copy of the consent form. Following the interview questions, the researcher thanked participants and assured them that they will be provided with a copy of the final thesis. All interviews were done using Zoom because of the impact of the Covid 19 pandemic and the required social distance protocol in the ECCU.

3.4.3 Interview Questions

Sets of tentative interview questions were drawn up for each of the four stakeholder groups as shown in Appendix 2. They were designed around both the research objectives and the leading themes arising from the literature review. The questions were aimed at gaining relevant insights and understanding of participants' views of the indigenous banking sector. The lists were not exhaustive but indicative of areas for discussion. As much as possible, all 'leading' words or technical terms in banking were not used to avoid confusion of the participants. The tentative lists of questions were provided to the participants before the dates of the scheduled interviews. This allowed participants to prepare for the interviews and to bring along any relevant documents to support the study. Based on responses provided during the interviews, additional follow-up questions were posed to them.

3.4.4 Rejected methods

Other qualitative methods were considered but rejected. Archival records, documentary analysis, and physical artefacts were not deemed as relevant, based on the aim and nature of the study. Additionally, initial inquiry revealed that there was little by way of archival records held by these banks. Focus groups were initially considered but were rejected. The participants were senior and busy individuals residing in several islands, and hence it would have been challenging to coordinate and get all participants to agree to a single interview session for the same day and time. Also, the study aimed at getting the perceptions and expectations of key stakeholders. Hence, each stakeholder group was expected to have different perceptions and expectations, and hence a focus group of all stakeholders together was not ideal. Obtaining expressed perceptions and expectations was not practical through observations of stakeholders. Finally, quantitative methods such as surveys and experiments were not chosen because they are inconsistent with the social constructivist philosophical standpoint.

3.4.5 Documents used for Contextualisation

While this study lays no claim for the use of documentary analysis as a second method, documents were used to provide context to the research findings. The documents used included the most recent published annual reports of each of the sample banks. These annual reports were readily accessible on the banks' websites, as licensed banks in the ECCU are required by regulation to publish their annual reports within 90 days of their financial year-end. Other documents studied were the Mission and Vision statements of the sample banks, an audited report on a Customer

Service Charter of one of the sample banks, and a Corporate Governance Policy provided by the management participant of one of the sample banks.

3.4.6 Sampling Procedure

Designing the sampling procedure for this qualitative study was initially challenging. This outcome is consistent with the views of Coyne (1997) who concluded that qualitative research sampling can be very complex, and that sample selection can have a profound effect on the rigour and ultimately the quality of the research. The importance of the process of how to select the sample, therefore, merited some reflection (Crowe et al., 2011). Such reflection, as also suggested by Ghauri (2004), required a mixture of theory and pragmatism when selecting the samples. In theory, the samples chosen had to conform to the theoretical framework and the variables that were being studied, and practical considerations including the time available for the study (Ghauri, 2004).

To analyse key stakeholders' perceptions and expectations of indigenous banks in the ECCU, two levels of sampling were required as recommended by Merriam (1996). The banks were first identified and then a sample of key stakeholders within each bank. To guide the sampling process several sampling options were considered. They included random probability sampling, where each member of a population has an equal chance of being selected, and various other non-random forms of sampling where the researcher uses some subjective criteria to identify the sample. This includes convenience sampling, snowball sampling, and critical sampling. However, in keeping with the underlying philosophical assumptions of this qualitative research work, the objectives, and the nature of the study, the researcher adopted a purposeful sampling technique for identifying both the banks as well as the individual participants for the study. Random probability sampling was not selected as it is better aligned with studies that have adopted a positivist paradigm.

Purposive sampling is a popular sampling technique used for identifying information - rich samples in qualitative research (Palinkas et al., 2015). It fits in well with this research design as it allows the researcher to make a non-random selection of individuals possessing certain qualities such as proficiency and knowledge about the phenomenon, availability, and willingness to participate, and the ability to articulate their opinion in a reflective manner (Etikan et al., 2016; Tongco, 2007). It is also ideal for this study because of the limited resources and time to complete this doctoral study by the researcher and the fact that the aim was not to generalise the findings of this study to the entire population of the phenomenon being studied (Etikan et al., 2016; Tongco, 2007). Creswell (1998) summarises the advantage of using a purposeful sampling technique for this qualitative research which allows the researcher to select individuals that purposefully inform an understanding of both the research problem and the phenomenon in the study.

The first stage in selecting the sample in this qualitative design was, therefore, to identify the population of indigenous banks from which to choose. There were twelve licensed indigenous banks within the ECCB at the time when the research began. As suggested by Ghauri (2004), each sample bank chosen had to serve a particular purpose and therefore had to be justified by the researcher. After discussion with the research supervisor, it was concluded that since the research is explorative rather than deductive, and to get the depth in the quality of information required, a sample size of two banks was adequate. Additionally, to guide the process of selecting the two sample banks, the following criteria were established:

1. The bank can be considered to be one of the ‘too big to fail’ banks because it has at least twenty-five percent of the total deposits on the island where it is domiciled. Hence, its collapse can result in significant economic, financial, and social consequences not only for the island wherein it is domiciled but for the ECCU as well.

2. Based on publicly available sources of information such as published annual reports, the bank is known to have been challenged during the last ten years by issues such as a problem with bad loans, capital adequacy, or liquidity issues that potentially threatened its survival at some point in its recent history.

3. The bank is one with a long rich history of serving the local community.

4. The chosen bank must each be on a different island in the ECCU.

Two banks were purposefully selected. The first being a systematically important bank, one of the two larger indigenous banks whose failure can likely have a significant impact on the entire ECCU, meeting all the selection criteria with particular emphasis on numbers one and two. The second bank, being one of six banks that can be considered 'mid-tier', also met all the criteria set particularly numbers one and three. To maintain their anonymity, they were given the pseudonyms Hills Bank and Valley Bank. The researcher believes that the purposeful selection of the two banks and the findings that will follow will provide invaluable insights into the sustainability of these institutions.

Once the banks were identified, the next step was to identify participants for the qualitative semi-structured interviews. Criteria were developed to guide the selection process. Foremost was that the participants must be associated with the selected banks, and meet the criteria established in the literature review of a key external stakeholder. Once so determined, the other criteria were:

1. Their willingness to share their opinion on the research topic.
2. The ability to provide rich details that answers the research objectives.

After establishing the criteria for recruiting prospective participants, the key contact person at each bank was approached to assist with identifying possible candidates for the interviews. The nature of the study and the criteria for selection was first explained. A shortlist of potential candidates was developed. In making the final decision, care was taken to ensure that the sample of participants fairly represented the key external stakeholder groups identified in the literature review, identified sub-groups within each stakeholder group, a gender balance, and a mixture of youth and experience. These sub-groups are typical of the customer type. It was also important to have the input of millennials whose buying and investing decisions will dictate the future survival of the banks. The goal was to ensure that the aim and objectives of the study were realised through the divergent views of the various types that comprise each stakeholder group. Ultimately, as argued by Fusch & Ness (2015), the size of the sample chosen was one that provides the best opportunity to reach data saturation.

A summary of the sample composition and the number of participants is shown in the table that follows.

Table 5 Sample Composition

Stakeholder group	**Hills Bank**	**Valley Bank**	**Common to both banks**	**Total**
Customers– Corporate and Small business	1	2		3
Customer- Retail				
Millennial		1		1
Professional	1	1		2
Housewife/ farmer or rural	1	1		2
Shareholders - Corporate	2			2
Individual – female	0	1		1
Individual – male	1	1		2
Community Activist	1	1		2
Regulator			1	1
Management: CEO or Deputy CEO	1	1		2
Total	9	8	1	18

3.4.7 Data collection

To facilitate the collection of data from the semi-structured interviews, a five-stage approach was utilised which is as follows.

Stage 1

After compiling a list of prospective participants, the researcher contacted each person via email, inviting them to participate in an interview as part of a research study on the sustainability of indigenous banking in the ECCU. The introductory letter also explained that due to the Covid 19 pandemic, interviews would be conducted either via zoom, skype, or telephone rather than face to face. Assurance was given to participants that their anonymity will be preserved, and they were also encouraged to contact the researcher to inform of their willingness to participate. A copy of the introductory letter is included in Appendix six for reference.

Stage 2

A follow-up telephone call was made to each of the prospective participants seeking confirmation of their willingness to participate. Further explanations were provided on the nature of the study during the call. Most of them were excited to participate as the interview provided them with an opportunity to share their views on a phenomenon that they interact with regularly and hence affect their daily lives. Only one person declined due to the challenges of post-natal care, having recently given birth. Once their willingness to participate was confirmed, tentative interview dates were agreed upon. Confirmation was also obtained that the participant was willing and able to use zoom for the interviews. Within twenty-four hours of the call, a copy of the consent form and the list of tentative interview questions were submitted to participants. At that stage, one participant was removed as he provided brief written responses to the tentative list of questions sent and appeared unwilling or too busy to be available for the interview. A copy of the consent form is included in Appendix 7.

Stage 3

One day before each interview, a reminder of the scheduled interview was sent to participants together with a zoom link to the meeting. At the beginning of each interview, participants were reminded of the voluntary nature of the interview and that their anonymity will be maintained. Each interview began with an introduction of the researcher and the research topic. The consent form was explained in greater detail, and participants were also reminded to sign, scan, and return by email, if they had not already done so.

Participants were advised that the interviews will be recorded, and the transcription will be sent to them once completed. The interviews were generally successful, with most ranging between forty minutes to an hour. Participants were given ample opportunity to express their views and were prompted to expound further on statements made which were interesting or significant to the interviewer. However, there was one failed recording in the early stage of the interviews, which required the researcher to rely on the hand-written notes. At the end of each interview, participants were thanked for their time and feedback. An email was sent immediately following the interview, again thanking participants for their contributions and sacrifices in making this research possible. Participants were also reminded to submit any documents that may be of relevance to the study. A copy of the interview guide is included in Appendix 1 for reference.

Stage 4

Using the record and transcription features in zoom, a completed transcript of each interview was available within twenty-four hours of conducting the interviews. There were challenges with the transcribed data associated with the various accents of participants. However, by repeatedly listening to the voice recordings, the documents were edited to reflect the intent and meaning of what was expressed by participants. The edited document was then submitted to participants who indicated their satisfaction with the documents. Two participants, however, resubmitted their transcripts with corrections. Each transcribed interview was labelled with a unique combination of letters and numbers that denote the type of stakeholder and the sample bank the participant is associated with. These were then stored in a secured folder on a laptop computer that is password protected and is accessible to the researcher only.

3.5 Major ethical issues in conducting research

Ethical consideration played a key role in conducting this qualitative research. While this study may be deemed to be a low-risk business research, according to Wallace & Sheldon (2015) ethical issues could have arisen during the entire research process. These issues included power relationships, informed consent, access, time pressure to complete the research, conflict of interest, and cultural differences that can pose ethical challenges. The ultimate objective was to protect the rights and privacy of the participants in the research and to ensure that they were not harmed in any way (Blaxter et al., 2006).

Ethical consideration was not restricted only to protecting research participants. The focus was also on the personal values and integrity that the researcher brought to the entire research process; from formulating research questions, collecting and analysing data, and writing up the research findings (Blaxter et al., 2006; Snowden, 2013). To a considerable extent, the reliability and validity of the research project were dependent on the ethics of the researcher (Merriam,1998).

Several potential ethical issues related to this study were identified. Some of the participants held very senior positions at their place of employment and hence assurance that their identities would not be disclosed was a required condition for participating. As a result, pseudonyms were given to each participant and to the sample banks studied. The researcher is also a senior manager at one of the indigenous banks with access to information not available to the public, has business connections with other senior people in the industry, and has strong views about the direction of the industry, having participated in regional projects that were related to the sustainability of the indigenous banking sector. This scenario is what Pike (1967) refers to as the emic or insider position of the researcher which contrasts to the etic standpoint which studies behaviour from outside a system. This insider position provides several advantages to a qualitative inquiry including having a good understanding of the setting, culture, nuances of the phenomenon being studied. However, in the context of this study, there were potentially ethical issues relating to the confidentiality of the information accessed and keeping the anonymity of people participating. There was also the potential for bias in the way the researcher collected and interpreted the data, and the analysis and conclusion drawn.

As posited by Wallace & Sheldon (2015), to mitigate against the potential ethical risks, the researcher ensured that there were proper reflection and planning at the early stage of the research project. Ethical clearance was applied for and obtained from Edinburgh Napier University before commencing the data collection process. The application addressed the guiding principles supporting ethical research which are the imperatives of doing no harm to participants and preferably benefiting society, as outlined in the Code of Practice on Research Integrity of Edinburgh Napier University. Other areas addressed in the application were assurances on informed consent, anonymity, confidentiality, freedom to participate, storage of data, and the dissemination of research findings.

To apply these principles into practice, the researcher used two instruments: an invitation letter and a consent form. The invitation letter requested participants to volunteer for the interview. It also provided background information on the nature and purpose of the study. This was supported by signed consent forms which provided evidence of participants' willingness to be part of this process based on the promises stated therein. The key promises were the assurance of anonymity of participants and confidentiality of source documents. A copy of the invitation letter and the consent form are included in Appendices 6 and 7, respectively.

Despite the structures adopted to ensure that this study was conducted at the highest ethical standards, Houghton et al. (2010) argue that due to the nature of qualitative research, a priori prescription to manage all possible ethical issues that might arise is not possible. Therefore, it was incumbent upon the researcher to be constantly mindful of the impact of the research on others while at the same time being morally competent and sensitive to ethical matters that may arise during the research process.

3.6 The Pilot Study

As part of the research process, a pilot study was conducted during the period March to May 2019. The objective was to assess the research design and its accompanying methods before proceeding to the full study. In the words of Sampson (2004), ‘there are potential benefits in putting a toe or two in the research waters before diving in.’ Such benefits include high-quality research for the full study that follows, once the pilot is properly planned and conducted (Malmqvist et al., 2019). It may also provide a warning on the inappropriateness of any methods or instruments and research protocols followed that can contribute to the failure of the main study (Van et al., 2001).

The pilot study utilised four semi-structured qualitative interviews of participants identified with the sole pilot bank in the ECCU. The research topic generated much interest as participants generally felt that the study was highly relevant and timely. All interviews started on time and were completed within the agreed timeframe. However, several areas required further attention before proceeding to the full study. Foremost was the selection of participants from all key external stakeholder groups as identified in the literature. Another issue was ensuring that recording devices are properly functioning before the start of interviews. Finally, there was a need for greater clarity to some of the interview questions to ensure that participants understand, and as a result provide appropriate answers to the questions.

The lessons learned from the conduct of the pilot study were incorporated in the main study. The research instruments and protocol were modified. However, the pilot sample bank and results of the semi-structured interviews were not incorporated in the full study. The chapter on the review of the literature was revised after the pilot study was conducted. Since the findings from the literature guided the design of the interview questions, revisions were required to the interview questions before commencing the full study.

3.7 Data Analysis Strategy

Analysing qualitative data can be a painstaking task for a beginner researcher, but several approaches are available to assist the process (Kekeya, 2016). It is not as standardised as statistical analysis. Rather, it is influenced by the aim and objectives of the research, the volume of data collected, the analytical skills and epistemological orientation of the researcher (Neale, 2016). It is about making sense and meaning of what participants have said and what the researcher has seen and read and therefore starts with identifying segments of the data responsive to the research objectives (Merriam, 2009). Maguire & Delahunt, (2017) also refer to data analysis as interpreting and describing experiences and perceptions which are key to understanding meaning in a particular context and situation.

To analyse the data in this research, a thematic approach was utilised. Braun & Clarke (2012) refer to thematic analysis as a flexible and systematic approach to organising qualitative data that allows a researcher to identify commonalities, patterns, and meaning in a data set. The goal of thematic analysis is to identify themes that are important in addressing the research problem (Maguire & Delahunt, 2017). It, therefore, begins with preparing and sorting the data for analysis before reducing it into themes by a process of coding (Creswell, 1998).

To begin the process of analysing the data through thematic analysis, the transcribed interviews, grouped by stakeholder types and then by interview questions, were imported into an excel spreadsheet. Patterning after Braun & Clarke (2012) six-phase approach to thematic analysis as reproduced in Appendix 8, the next step was to read and to re-read participants' responses to each interview question. In a blank column to the right of the transcribed interviews, codes or labels were inserted to assign meaning to 'chunks' of data of varying sizes such as words, phrases, or even whole paragraphs (Miles and Huberman, 1994; Saldaña, 2013). Significant statements were also highlighted in red on the excel spreadsheet. A similar approach was taken for the documents analysed where relevant portions of documents that relate to the research objectives were also transferred and coded in an excel spreadsheet.

After completing the coding of the transcript and excerpts of the documents, the next stage was reviewing the codes to identify patterns, commonalities, and consistencies among the data sets. Attention was placed on the codes attached to the responses of the different stakeholder groups to the same question and between participants of the two sample banks. The analysis began taking shape as themes began to emerge based on observing how frequently codes were reappearing in the document. From this process, thirty-three initial themes emerged which were then categorised into ten major themes.

The major themes were further reviewed, contextualised, and validated by comparing them against the entire data set and the research objectives. The themes were now clearly defined and named. Once completed, the finalised themes were transferred to another excel workbook. Significant statements represented by quotations from participants were transferred and attached to each theme, grouped by stakeholder type and banks. From this, the final picture emerged summarising the perception and expectation of key external stakeholders on the sustainability of the indigenous banks in the ECCU. The significant statements provide compelling examples to support the final report on the analysis of the data collected.

3.7.1. Data Collection and Analysis from Management Participants

The fourth objective in this study is to examine management's responses and their challenges in meeting the expectations and managing the perceptions of key external stakeholders on the sustainability of the indigenous banking sector in the ECCU. For this study, the managers were not considered as stakeholders in and of themselves. Their role was to provide feedback on the challenges raised by the external stakeholders. Therefore, after completing the process of analysing the data obtained from the key external stakeholders resulting in the ten emergent themes, the next step in the process was to present those findings to the two management participants representing each of the sample banks to get their perspectives and challenges on what the external participants had proffered.

Consistent with the process followed to collect the data earlier from the external stakeholders, as previously described, the four-stage process of data collection was adopted. Qualitative semi structured interviews were conducted using the Zoom software. The Interview Guide as outlined in Appendix 1 and the introductory letter were key tools in that process. Once the transcriptions of the interview were obtained, Braun & Clarke's (2012) Six-Phase Approach to thematic analysis, as outlined in Appendix 8, was followed to identify the key themes relating to Management challenges in meeting the expectations and managing the perceptions of the external stakeholders.

3.8 Strengths and weaknesses of the research

The strength of this qualitative research was the opportunity to gain deep insights from key stakeholder groups on critical factors affecting the sustainability of the indigenous banking sector in the ECCU. The purposeful sampling technique, aided by the researcher's privileged access and insider status, resulted in a sample of interview participants that comprised some influential and relevant people with quite a comprehensive knowledge and understanding of the dynamics affecting the industry.

However, qualitative research, using purposeful sampling techniques, has its limitations. The relatively small sample size taken from a specific and limited geographic area means that the results obtained, and conclusions drawn cannot be generalised to other indigenous banking sectors in other regions of the world. The limitation of the size and spread of the sample size was also a factor of the resource and time constraint of doing a doctoral study as a full-time employed professional. Another limitation was the fact that the study was focused on the views of key external stakeholder groups and hence the views of other stakeholder groups such as employees were not considered. This was keeping within the scope of this exploratory study which did not seek to broadly identify all possible factors that can affect the sustainability of the indigenous banks. Rather, the intent was to have rich deep discussions from the perspective of external stakeholders. Hence, the inclusion of other categories such as employees, despite the potentially invaluable insights, would have changed the focus of the study. These limitations, however, have not in any way impacted the rigor and high standards in which the research was conducted including thorough review and supervision by the supervisory team on the research.

3.9 Conclusion

In this chapter, the methodological approach taken in the research of the indigenous banking sector in the ECCU was outlined with the supporting justification for the position adopted. The chapter first discussed the alternative philosophical approaches that can influence the design of the research. Based on the aim and objectives of the study and the paradigm adopted by the researcher, a qualitative design was deemed the most appropriate to answer the research question. The chapter then identified the supporting research method; semi-structured interview, followed by a detailed account of how the research was designed and conducted including the process of selecting both the sample banks and the participants for the interviews. Ethical issues surrounding the research were also examined. The chapter concluded with the analytical approach taken to evaluate the data collected to ensure that the data is presented fairly and consistently.

While there are always several approaches available to conduct research, with each presenting its strength, weakness and success levels, the researcher is convinced that a qualitative design was ideally suited to obtain the perception and expectations of the key external stakeholders on the sustainability of the indigenous banks in the ECCU. The exploratory nature of the study, the distinct units of the study which are the key external stakeholders of the indigenous banks, and the constraints of time and resources support that reality.

The chapter that follows will present the detailed findings of the research based on the data collection methods used. It will also start to lay the foundation for the final recommendation to be made by this study on the sustainability of the indigenous banks in the ECCU.

Chapter 4: Findings

4.1 Introduction

The findings are presented in four sections in this chapter. After the introduction, section two provides a contextual analysis for the findings from the semi-structured interviews presented in section three. The findings are categorised by major themes which represent the most dominant views arising from the research and will be illustrated with exemplars. While every attempt is made to ensure a fair representation of participants, the number of quotations attributed to each is not equal, since well-articulated views, which indicated a deeper knowledge and passion on the subject matter, were afforded more quotations. Each major theme arising will be followed by the challenges faced by the management of indigenous banks in managing the perceptions and meeting the expectations of key external stakeholders on the critical factors that affect the long-term sustainability of the indigenous banks. The chapter concludes with an overall summary of the findings of the data collected.

4.2 Context for the findings

This section introduces the sample banks used in the study. A brief assessment of the performance of each bank is provided based on publicly available data. This provides context for the major themes identified from the analysis that follows.

4.2.1 Sample bank 1: Hills Bank

Hills Bank is one of the largest indigenous Banks in the ECCU. Based on its most recently published financial statement as of December 31st, 2020, the bank has total assets of XCD $2.3 billion or approximately GBP £600 million (Annual Report, 2020). The government of the island where the bank is domiciled has a twenty percent shareholding making it one of the largest single shareholders. Its origin as an indigenous bank started shortly after the departure of US multinational bank Chase Manhattan Bank, now JPMorgan Chase Bank.

The vision of Hills Bank, as articulated in its published annual reports, is to be strong, secure, and profitable while its mission emphasises its desire to be the bank of choice, dedicated to meeting the needs of its people professionally and efficiently. From the vision statement, it can be inferred that the goal of the bank is to be sustainable by being a strong, secure, and profitable financial institution. Similarly, based on its mission statement, the bank intends to meet its goal to be sustainable by satisfying the needs of its stakeholders.

The bank's survival has been challenged in recent years as evidenced by its financial performance. As seen in Table 5 below, the performance of the bank fluctuated over the decade ending in 2020 with the best performance being a profit before tax of XCD $57 million in 2019, contrasting with the worst performance being a loss of XCD $123 million in 2012. There was also a significant loss of XCD $105 million reported in 2016.

Table 6 Financial Performance of Hills Bank

FY	2011 $M	2012 $M	2013 $M	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	2020 $M
Operating Revenues	85	87	97	85	85	93	105	113	132	114
Operating Expenses	61	63	66	62	66	69	63	64	69	71
Impairments	37	147	40	20	39	129	16	9	7	29
Profit / (loss) before tax	(13)	(123)	(9)	4	(20)	(105)	26	40	57	14
Dividend per share (cents)	0	0	0	0	0	0	0	0	.39	N/A
Total Assets	1,925	1,923	1,765	1,778	2,009	2,022	2,149	2,219	2,231	2,339

Sources: Annual Reports of Hills Bank 2011 to 2020

The above figures are expressed Eastern Caribbean dollars (XCD) at the approximate conversion rate of XCD 3.83 to the Pound Sterling

The years for which significant losses were reported were also associated with significant impairment expenses for bad loans. The extract from the annual report of 2012 that follows, explains the impact of impairment on the bank's corporate loan portfolio.

> The elevated level of impairment provisions has resulted in a loss of XCD $122.8M in 2012. The most significant contributor to the sizable provisions was the high level of impairment in the Bank's corporate lending portfolio, particularly in the tourism sector. Provisions for corporate loans accounted for almost 90% of the loan impairment provisions charge for the year. The provisioning issues have arisen

> amongst the larger corporate loans, but the cornerstone of the bank's business is the smaller retail and mortgages loans which have continued to earn good returns. (Summary of financial performance, pg. 23, 2012 Annual Report)

Four years later, by 2016 the bank again reported significant impairment expenses which negatively affected the profits for that year. Explaining the reason for the performance, the then Chairman in his statement in the Annual Report of 2016 attributed the outcome to the legacy non-performing loan portfolio which had continued to plague the performance of the bank.

4.2.2 Sample Bank 2: Valley Bank

Valley Bank is one of the oldest indigenous banks in the Eastern Caribbean. Its website proudly tells the story of its humble beginning and its initial mission of making banking services more available, an excerpt of which is shown below.

> July 26, 1932: On the centenary of Emancipation, Valley Bank Limited was established by a group of local businessmen to create a banking institution for local working-class families who could not have afforded to open accounts at other banks. The other local banks were foreign-owned and to establish an account, one had to have a pound (£1) as a minimum deposit—a criterion, which was associated with the wealthy. Since this was well out of reach for the lower working-class families, they were forced to save their monies at home under their mattresses. (Website, Valley Bank)

The bank recognises that its long-term sustainability is dependent on its key stakeholders. This is evident in its mission statement, its raison d'etre, which speaks to improving the lives of its customers, providing a fair return to its shareholders, and contributing to the well-being of the citizens where it operates.

Being a mid-size indigenous bank, the total assets of Valley Bank was reported at XCD $1.3 billion or GBP £348 million as of the last published financial statement of September 30th, 2020. As seen in Table 6 that follows, during the ten years to 2020, the performance of the bank fluctuated with a relatively significant loss reported in 2012 followed by five years of subdued profits or loss before what appears to be a steady recovery during the last four years to 2020. It was also observed that the significant loss reported in 2012 was associated with the highest level of impairment expenses for loans and investments. Notable also is that this was the period immediately following the global financial crisis of 2008/2009.

Table 6 Financial Performance of Valley Bank

FY	2011 $M	2012 $M	2013 $M	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	2020 $M
Operating Revenues	23	30	26	28	34	39	46	52	57	57
Operating Expenses	20	21	23	21	25	28	31	36	39	40
Impairment	17	7	5	4	5	6	5	5	5	4
Profit (loss) before tax	(14)	2	(2)	3	4	5	10	11	13	13
Dividend per share (cents)	0	.07	0	.08	.08	.11	.15	.17	.22	.15
Total Assets	590	601	629	654	747	825	970	1,058	1,163	1,286

Sources: Published annual reports of Valley Bank from 2011 to 2020.

The above figures are expressed Eastern Caribbean dollars (XCD) at the approximate conversion rate of XCD 3.83 to the Pound Sterling.

Other stakeholder initiatives that the bank has reported include its annual shareholder engagement forum and its financial support for various community-oriented programmes. In addition to its annual general meeting, Valley Bank hosts an annual event targeting shareholders. The aim is to educate shareholders on their rights, obligations, and responsibilities. It can also be seen as a means of engaging shareholders to obtain their views and to help manage their perceptions of the bank. Community initiatives include over twenty scholarships covering primary, secondary, and tertiary education, ongoing support for a local cricket tournament, and support to produce three local theatre presentations. These events aim at building goodwill with the communities in which the bank operates.

4.3 Summary of Findings

This section will report on the findings from the semi-structured interviews with external stakeholders of the two sample banks. Each theme arising will be followed by the views of the management participants.

4.3.1 The socio-political and socio-economic contributions of indigenous banks in the ECCU

A cross-section of participants representing the various stakeholder groups saw the emergence and growth of indigenous banks in the Eastern Caribbean as the attainment of true independence where locals are in control of important strategic institutions. This is within the context of the history of the region which is marked by colonisation, slavery, and political independence. However, even with the attainment of political independence, economics and commerce were still dominated by foreign institutions. Hence, as indicated by Individual Shareholder Phillip, indigenous banks engender a sense of pride in that locals are now in control of making strategic decisions rather than being dominated and exploited by foreign entities. Retail Customer Alex went on further using the term ‘captains of our own future’ to describe the significance of institutions and people coming together to establish a local bank for the benefit of ordinary people.

Participants see indigenous banks as playing an integral role in maintaining the independence of the region and therefore preserving these institutions is key in achieving that objective.

We do need to be more self-sustained. We need to be able to stand on our own. If everyone else packs up and leaves, we need to still be able to function. So, you know the job that indigenous banks play is pivotal. If every other bank leaves us, through our indigenous banks we can continue doing business with the world. So, it is not an institution that we can allow to fail. (Mary, Retail Customer)

Indigenous banks in the Eastern Caribbean, not only engender a sense of economic and political independence but also have made significant contributions to the social advancement of locals. As captured in the quotations that follow, indigenous banks have promoted the economic liberalisation of locals by providing access to finance to certain segments of the population hitherto were denied. This was particularly beneficial to local small entrepreneurs who often lack the standard requirements such as collateral security to obtain a business loan. In addition, the indigenous banks offer a unique value proposition as they are closer to the customers than the foreign-owned banks and hence are better able to understand and meet the needs of customers.

> The reason why my local bank was started in the first place was to give access to people lower in the social order access to finance so that they will not remain in a poverty trap. You know, you must be able to buy a home, difficult to do that by cash, impossible almost. Through that ownership of that home, you can now have equity which can help you finance a small business, education, and other things like this. It all starts with access to finance. (Phillip, Individual Shareholder)

> I think the indigenous banks are extremely important. The Penny Bank is a good example of how banks began to increasingly democratise, make available to all, poor and otherwise, other segments, financial services which hitherto seem to have somehow not been available to them because you had institutions that probably did not look like them, did not understand their needs, were not committed to them. (Browne, Regulator)

For some participants, the indigenous banks represent the desire of locals to be in control of their destiny and evoke a strong feeling of national pride and achievement. For Corporate Shareholder Antoinette, indigenous banks are about patriotism, loyalty, a feeling of belonging, with profits remaining to develop the banks and others. This was raised by Corporate Shareholder Fleur who also commented on the humble beginnings of these banks and their growth and development over the years which she is proud off.

The importance of having locally owned and controlled banks stems from the perception that foreign banks have little interest in the socio-economic development of the region. Their primary motive is profitability as evident by their history of closing rural branches or leaving islands altogether with short notice. Hence, the region cannot over-rely on foreign banks in the long-term to satisfy their banking needs.

> Although the majority-owned foreign banks will tell you that they are also interested in socio-economic development, I believe the primary focus of banks like First Caribbean International is to ensure that dividends and profits are paid to the shareholders. (Louis, Individual Shareholder)

Another viewpoint given by participants for the perceived lack of interest in local development by foreign banks is the lack of understanding of the local environment by the foreign banks. As shared by Corporate Customer Pierre, foreign banks simply do not understand the needs of micro-enterprises for raising initial capital, expanding, or even ordinary working capital. This has created a void over the years during which the local indigenous banks have capitalised, hence the perception that indigenous banks are more focused on supporting small and medium-sized businesses. The quotation that follows chronicles the experience of one participant on the support received from her local bank in building her business from the ground up. It is a story that holds for several other participants.

> I have had a long history with the bank. I was able to obtain significant financing at the start of my business. Let us say from 1998 when we opened, we were operating at an old warehouse building. By 2003, five years later, I was negotiating major multi-million loans acquiring the property that the warehouse was situated on, demolishing it, and going right into building a new facility much larger, more modern, and so on. (Fleur, Corporate Shareholder)

Participants also recognised indigenous banks for their significant contribution to corporate sponsorship which has been conflated with Corporate Social Responsibility. They readily identify and expect an indigenous bank to be part of any major cultural, educational, or sporting activities. These include major events such as football and cricket tournaments, musical festivals, and a host of educational and cultural activities geared towards primary and secondary schools. This view is succinctly captured in the quotation that follows.

> As it stands now, in my mind the significance now stems from a lot of the corporate social responsibility in that in almost every sport, cultural group, or social activity, something along those lines, you can find an indigenous bank name attached to it as a sponsor; be it Gold, Platinum,

> Diamond or whatever it is, you can find at some point their involvement in it. (Vuitton, Community Activist)

4.3.2 Sustainability through the satisfaction of key external stakeholders' expectations

A wide cross-section of participants representing shareholders, the community, customers, and the regulator readily associated the financial success of the indigenous banks as an indicator of their sustainability. Financial success to them is being profitable and as Individual Shareholder Louis indicated, the banks can only survive and be profitable by giving loans, which he also referred to as the lifeblood of the banks. The ability to give loans and be profitable is the epitome of success, and as indicated in the quotation that follows, has allowed some indigenous banks to be able to take over other financial institutions.

> To a large extent, if they were not meeting the expectations of the community, I do not think they would have been in such an excellent financial position now, as some of the indigenous banks are buying out some of the foreign banks which are leaving the region. So, it must be the case that they have been meeting and satisfying the expectations. That is why they keep getting this economic activity and can evolve and expand over the last couple of years. (Vuitton, Community Activist)

> And frankly, the proof of an indigenous bank is in its success. So, when a regulator puts certain demands on an indigenous bank, what the regulator is doing is trying to help them ensure their success, as a proof of concept that the indigenous banks can serve and are being run sustainably. (Browne, Regulator)

Key to the success of the banks, contributing to their sustainability, is meeting the expectations of customers. The customer stakeholder group, which includes other stakeholders such as shareholders when they play the dual role of also being customers, are the ones who patronise the banks. Their dissatisfaction with the quality of service and or the products of the banks would be expressed in their buying decisions, thereby affecting the revenues of the banks. This relation was summed up well in the quotation from Corporate Customer Pierre who bluntly stated that without customers there would be no bank.

> I think they must be conscious of customer satisfaction. Meeting customers' expectations is paramount to any sustainability. It is not just about the numbers; we must have quality customer service. They must be able to satisfy the basic customers' needs. So, it must be on both ends and there is no bank if there are no customers. (Pierre, Corporate Customer)

For several participants, sustainability of indigenous banks is viewed as a reciprocal relationship between the stakeholders and the banks that mutually benefits all parties involved. As stated by Retail Customer Mary, 'banks need money to stay open.' The money referred to is the deposit customers put into the banks which in turn is given out as loans to other customers. Retail Customer Mary also indicated that the banks need to inspire customers to remain and grow with their indigenous banks. That inspiration will come through exceptional customer service. Once the customers are satisfied, they will also promote the banks to others. Hence, in the view of Retail Customer Alex, once indigenous banks continue to meet the needs of their customers in terms of the service levels and the products and services, the banks will be in business for a long time.

The reciprocating relationship that fosters sustainability of the banks also extends to the communities in which they operate. The community extends beyond the existing customers and shareholders to include potential shareholders, customers of the banks and the pool of people from which the banks will recruit their future employees. The relationship between the communities and the banks is therefore critical to the long-term sustainability of these institutions. This point is well encapsulated in the quotation that follows.

> The community members are their customers and any improvement in the quality of life, the social fabric of the community will benefit the bank. So, there is merit in helping to build a community. A strong community financially, socially, and intellectually will result in a stronger bank especially where that bank sees itself as being stuck here. So that is how we see social responsibility, a stronger society is also a stronger bank. (Harry, Community Activist)

Both Manager John and Manager Mark readily identified and agreed that there is a relationship between the indigenous banks and meeting the perceptions and expectations of key external stakeholders. Manager John made the analogy of the sustainability of indigenous banks with sustainability in biology. Like living organisms which comprise of various parts that function collectively to sustain life, the stakeholders are the integral parts of the banks whose continuing participation will ensure the banks' survival. Therefore, the banks need to better connect to their stakeholders to better understand their perceptions and expectations.

> If you look at a bank, an organisation, as a living organism which I think they are, they only exist because there are people in them. So, understanding the views is more than an aspiration, it is key. And I may also add, that if you understand them, able to extract from them what you need to survive and to grow, it allows you to mutate because as the views, the values, and the perspectives change, you as an organisation

> need to change and adapt to ensure your perpetuity in that environment. (John, Manager)

Similarly, Manager Mark concluded that the very existence of these indigenous banks is dependent on the ability to perform the core function of the bank, which is serving customers.

> Well, we have no choice because we must ask ourselves, why do we exist. We do not exist in and of ourselves. We exist to provide service and to respond to the needs of the community. I think becoming an organisation that is relevant to the communities that we serve would bode well for our sustainability, because at the end of the day is really about relevance, you know, if you are not relevant, if you are not meeting a particular need, you are not going to be sustainable. I mean, you may be able to do it for a few years, but ultimately you know you will not be able to sustain any level of financial profitability if you are not responding to needs. (Mark, Manager)

4.3.3 Effective Corporate Governance

In engaging the key external stakeholders of Hills Bank on their views of the critical factors that are affecting the sustainability of indigenous banks, one of the foremost concerns was that of corporate governance. In their view, governance is embodied in the functions of the board of directors, which include the appointment of directors and senior managers. This was particularly concerning to several participants as they indicated that several large shareholders, including the government and a quasi-government entity, use their voting powers to determine who are elected to the board. This has given rise to perceptions that individuals get elected to the board of Hills Bank based on their political affiliation rather than having the requisite skill set to ensure proper governance practices. In their view, this shortcoming can seriously affect the profitability of the bank and by extension the long-term sustainability as suggested by the quotations that follow.

> Unfortunately, sometimes, you also hear of accusations of political interference resulting sometimes in square pegs in round holes. You hear for example that certain unqualified people are placed on the Board of Directors or in management because the government used its shareholding power to support and influence a particular appointment. I for example have always had serious reservations regarding the appointment of civil servants on the board just because they are from the Ministry of Finance. Such people, I have been reliably informed, are so absorbed in their daily duties that they simply do not have the time to do the background preparation necessary to make genuinely meaningful contributions at the board meetings. (Louis, Individual Shareholder)

> Another serious challenge to the bank was the bad loans they made that almost bankrupted the bank. This may be because of the lack of leadership and decision-making capacity at the top. They must be conscious of that, but they must have a face. You are not doing this just to please shareholders, but the country depends on us. (Pierre, Corporate Customer)

The concern expressed by Corporate Customer Pierre is consistent with the results in Table 6, located at the beginning of this section, which show the financial performance of Hills Bank over the last ten years. The significant write-off for bad loans and investments made by the bank had a negative impact on the profitability of the bank resulting in the suspension of dividend payments for several years until 2019.

While small shareholders of Hills Bank may not be able to determine who gets to serve on the board of directors of the bank, because of the existence of significant shareholders like the government of the island, several participants believe that such shareholders still have a role in promoting good governance practices in the bank. This they can do by attending annual general meetings during which they can direct their questions to senior management and directors as it relates to the governance of the bank. However, to be effective, shareholders must be prepared and knowledgeable about the affairs of the bank. These concerns were expressed in the two quotations that follow.

> The banks have a very important role to play, and we the shareholders must help to ensure that they execute the said role through our ideas, constructive criticisms, support, accountability, and transparency provided during the Annual General Meetings. This should also contribute significantly to the long-term sustainability and success of the banks. (Louis, Individual Shareholder)

> And of course, the other thing too is that shareholders must pay attention to their investment. This thing about only once a year you go and vote for something. It must be rooted in concreteness, factual stuff, knowledge. You need to develop these shareholders to the extent that they know what they are doing. So, the banks themselves must have capacity-building initiatives that would allow shareholders to be at the level of decision making that is way above the average. (Pierre, Corporate Customer)

Effective governance practices were deemed critical to the continuing survival of indigenous banks by the regulator. In assessing the factors contributing to the more recent failures of indigenous banks in the Eastern Caribbean, Regulator Browne concluded that poor governance climate in the failed banks was the major and most common cause. This manifested itself in several areas as outlined in the quotation that follows:

> It was poor corporate governance, no question about that. Poor corporate governance: less than arms-length relationships in terms of the lending arrangements, lending to related parties, not following through sufficiently on recommendations from the Central Bank. They were asked to remedy this and remedy that and it was not done in a timely fashion. Credit risk issues, you look at some of the loans provided and they were extended under very dubious circumstances. So, poor corporate governance, weak credit underwriting, less than strong commitment in addressing remedial actions. These are clear reasons that led to the demise of those institutions. (Browne, Regulator)

Corporate governance practices have been given much attention by both the board and senior management of indigenous banks. At Hills Bank, a Corporate Governance Policy was approved by the Board of Directors in 2018. This document outlined the overall philosophy of the bank towards corporate governance, the functions and roles of directors, and the relationship with the bank's stakeholders which includes the regulator and shareholders. Public disclosures on key governance matters were also addressed in the annual reports of both sample banks which were published on their websites. The reports indicate the banks' commitment to having a 'fit for purpose' board through disclosure on qualification, experience, independence, beneficial interest, and the attendance record for directors to meetings of the board of directors.

However, there is a recognition by both management participants interviewed that there are challenges with some corporate governance practices at the banks. Manager Mark deduced this to too much political interference in the election of directors to the board. This is particularly so in Hills Banks where the government on the island in which it is domiciled, and a statutory body, are two of the largest shareholders and hence have the power to dominate the election of people to the board of directors. The assertion by Manager Mark raises the argument on whether the ownership of a significant or controlling interest in indigenous banks by governments is incongruous with a culture of good corporate governance practices. Manager John also raised the challenge of the inadequacy of the skills and experience of some of the people appointed to the board of the banks. Having too many directors who are at junior levels where they are employed, and lacking the skills and experience in governance, often lead to groupthink behaviours which can be detrimental to the banks.

4.3.4 Remaining Relevant to customers

Another factor that participants believe is critical to the long-term sustainability of the indigenous banks is the need for the banks to be relevant to its customers. Being relevant requires the banks to offer products and services tailored to the needs of its customers, which Corporate Shareholder Antoinette believes is not adequately met. Convenient and cost-effective delivery channels are also significant attributes of being relevant in a service-driven financial sector. This was highlighted by Community Activist Vuitton and Regulator Browne who both suggested that the banks need to be a little more digitised, offering as many of its services as possible online.

> I think also that you must continue to deploy technological innovation. Technology is a very, very important part of the way forward. Indigenous banks must learn to make better use of technology to serve the customer better. Now part of doing that is to have a good strong digital platform. In other words, the banks must be able to draw out more from the customer using data analytics to help you meet the needs of customers. We have a lot more data, a lot more information that could create much more value for the customer and the banks themselves If it is used with the appropriate technology. (Browne, Regulator)

It is also perceived by Community Activist Vuitton that more digitisations will attract more of the younger generation to become customers of the bank as this demographic segment tends to have a natural affinity for technologically driven products and services.

Relevance to customers was also highlighted when Corporate Customer Pierre indicated that he believes that the slow responsiveness of the bank to finding solutions to the repeated complaints. One common complaint noted is the length of time it takes to process transactions which may reflect the failure to find a technological solution. Listening and responding promptly to customers' concerns are therefore integral to remaining relevant.

As indicated by Retail Customer Alex, customers are now empowered, given the advent of social media. They are more aware of what the competition is offering and what goods and services are being made available through technological innovation. Therefore, as expanded upon by the quotation that follows, the indigenous banks need to monitor social media and the economic environment, assess trends, and make appropriate and timely responses to changes in customers' demands.

> The bank needs to read the economic environment and pivot to satisfying customers' needs. The bank needs to look at trends, to know what is happening and not to be just riding the wave. It needs to reach out to customers on a one-on-one basis, relate to its customers, work with its customers particularly its business customers. (Anthony, Corporate Customer)

Another important issue raised by participants for indigenous banks remaining relevant to customers, is having up to date systems in place for delivering products and services that are on par with competitors. This view is captured in the quotation that follows:

> I am hoping for modernisation in terms of moving away from a lot of paper. It is one of the distinctions that you see among the banks. The country is growing, and I think that the indigenous bank should grow with it and continue to extend the home grown feel, but with all the modern advances that are available with banking elsewhere. Make the processes more streamlined, more user friendly, and generally anything that would help with timeliness, ease of doing business and efficiency. (Mary, Retail Customer)

While modernisation by indigenous banks is a key part of being relevant to customers, Individual Shareholder Elise indicated that there should always be alternative solutions available to customers, such as senior citizens, who are not comfortable or inclined to use the technological solutions provided.

Remaining relevant to customers would require a commitment by indigenous banks to continuously invest in technological innovation to enhance processes, products, and services. The challenge to management in achieving this is the high cost involved. This is further exacerbated by the lack of skilled and experienced resources locally to manage these changes, and hence there is often an over-dependence on external consultants which adds to the high cost of adopting new technology.

> The biggest challenge is the cost associated with the technological investment; the cost involved is a prohibitive factor. We all understand the importance of having the technology, but do you necessarily want to spend $2 million in one year for an application, you know. A cost-benefit analysis must be done. The other challenge I see is the level of skills

> and competencies required in indigenous institutions to monitor and adopt to trends (Mark, Manager).

The adoption of more technology to enhance the customer experience and the challenges associated with meeting those expectations by the management of the indigenous banks may not be unique to the banking sector in the Eastern Caribbean. The perspective may apply equally to other customer service industries in the Eastern Caribbean. However, it is clear from the testimonies of key external stakeholders that the use of more technologies to enhance customer service is of critical importance to indigenous banks. This will be returned to in Chapter 5.

4.3.5 Exceptional Customer Relationship

Sustaining the indigenous banks through the provision of excellent customer service was mentioned by several participants in the study. Excellent customer relationship, in their view, centres around the banks being more proactively engaged with their customers. This starts with getting to know the customer in a more personal way such as knowing and calling them by their first name and conversing with them on both financial and other matters affecting them (Antoinette, Corporate Shareholder). Corporate Customer Pierre indicated that this would make the customer feel more than a number, giving them a sense of belonging.

Proactive engagement goes deeper than just a superficial knowledge of the customer. It involves understanding the needs of the customer and advising them through the various stages of their life cycle. This view was captured by Retail Customer Francois who expressed his views on the kind of interaction that Hills Bank should be having with its customers.

> My indigenous bank must follow my development as a customer. Starting as a Children Savers Account holder and then I go to secondary school. There should be some education about how my local bank has been involved in savings, involved in preparing for school education, what college I choose, student loan, you know. This sort of engagement should be happening. And after you should be giving me advice about saving to buy a piece of land, constructing my home. And then when I passed that stage, you should be telling me about tertiary level education, masters, or Ph.D. if I want to, or starting a family, health insurance, medical insurance. (Francois, Retail Customer)

Another imperative for strong customer relationships is the need for more customer-centric policies and procedures to guide the practices of the bank. This, Retail Customer Francois believes is genuinely lacking. He articulated that customer-centricity means that policies and procedures, including opening hours and accessibility, should be reflective of the needs of the customer. It is therefore more than having an express queue for the elderlies or a smile at the counter implying that the bank cares about customers, when, this is not reflected in its policies and procedures.

Unsurprisingly, participants felt that exceptional customer service is integral to any discussion on the long-term sustainability of the indigenous banks. Constantly recurring were the words ‘the personal touch’ which appear to be a natural expectation of customers from the relatively small, locally owned, and controlled banks. Retail Customer Mary, who recently moved from a branch of a foreign bank to Valley Bank eloquently summarised the sentiments about the personal touch. She described the concept as more than just getting more business from you, rather, it is about being focussed on the customer, with genuine intentions, and offering solutions that are in the best interest of the customer.

> As I said, there is something about the personal touch. I do not know if it is because it is an indigenous bank or not, but there is a customer focus, there is follow-up. There seems to be a genuine intention to find offerings that suit the customer. So, with my mortgage, there was a lot of interaction in what can we do for you. What can make sense for you, without overextending? There was that sort of interaction that I thought was very customer-focused, not just let me get more business. It was how do we make sure that this is something that works for you. You feel satisfied. And this is something that I think you know some other banks might fail at. (Mary, Retail Customer)

Several participants recognised that the demand for personalised service and interaction with bank personnel may not be in sync with the thrust of the banks for greater automation including promoting its automatic teller machines and internet banking. However, Individual Shareholder Phillip saw greater automation by the banks as an opportunity that will allow the staff of the banks to spend more time developing relationships with the customers. Retail Customer Easter indicated that more technology could create distance between the banks and its customers. However, being in regular contact with customers can make a difference. It demonstrates that the banks care about the customer which Individual Shareholder Phillip indicated can create a kind of unshakable loyalty much like the Donald Trump supporters.

There is a growing concern by some participants about the perceived high fees by Valley Bank, a phenomenon often associated with profit-driven foreign banks. Corporate Customer Anthony describes the fees as ‘weaponry charges’ against the customer. Retail Customer Alex acknowledges that in the current environment of high operating costs, though fees are inescapable, some of the fees are a bit exorbitant. This issue has the potential for creating discontent among customers and hence their long-term commitment to the bank, especially so since there is the perception that the fees at the credit unions are much lower.

Valley Bank appears committed to providing exceptional customer service to drive the performance of the bank as suggested by the presence of a Customer Service Charter. Launched in 2011, this document outlines the bank's promise and commitment to providing a consistent, professional, and superior customer experience whenever customers transact with the bank. This is audited annually and the result, which represents customers' feedback on whether the bank is delivering on its promise and commitment, is published. The annual report for 2020 reported the outcome of the 2020 audit which shows an overall customer satisfaction score of 76%, 95% for a friendly and courteous staff, and 89% for being responsive to the needs of the customer. Also reported is the result of a quantitative marketing survey which shows that among the foreign and regional banks on the island, Valley Bank was ranked number one for customer patronage, with the public perception of the bank as trustworthy, ethical, honest, prudent with resources and always giving back to the community.

There is overwhelming consensus from a wide cross-section of key external stakeholders who participated in the study that the quality of the products and services provided to customers is important to the long-term sustainability of the indigenous banks. Both Manager John and Manager Mark agreed. In their view, the single greatest challenge to the indigenous banks in delivering exceptional customer service is their current recruitment strategy that has failed to attract staff with the proclivity for serving customers. This is captured in the quotation that follows.

> One of the challenges we have is whether we brought on board the right people to provide customer service and I think once you work in a bank you should have a customer service dispensation. What we have found is that a lot of people, who just do not have the requisite skills, or they just do not care to focus on customer service. I think if you are naturally empathetic, you would instinctively provide good customer service. But if you are somebody who is not caring, very self-centred, I think it would

> be difficult in terms of administering good customer service. So, from the recruitment, we need to get the right people. (Mark, Manager)

As indicated by Manager Mark, addressing the challenges regarding poor customer service will therefore require a culture shift in the banks' approach to identifying and recruiting individuals with a disposition towards customer-centricity.

The role of excellent customer service in the long-term sustainability of the indigenous banks may be axiomatic for all business entities. However, the fact that this theme has been raised by several participants, demonstrates the importance stakeholders placed on the need to enhance customers service by these banks. Competitive pressure and stakeholders' expectations may be the driving imperative. This will be returned to in the chapter that follows.

4.3.6 Leveraging on indigenousness

Another imperative that participants believe is critical to the long-term sustainability of indigenous banks in the Eastern Caribbean is for greater leveraging on the indigenous identity of these institutions. As indicated by Community Activist Vuitton, Caribbean culture is heavily influenced by the values and beliefs passed on from generation to generation. Hence there is a strong tendency for individuals to simply bank where their parents have banked before. The culture is also embodied with patriotism and loyalty to institutions whose origin is intricately connected to the political history of the islands.

Indigenous banks in the Eastern Caribbean also have a strong brand presence. This is attributed to their unwavering support for various sporting, cultural, and other social causes that members of the community readily ascribed to the ethos of indigenous banking. These sentiments are ably captured in the quotation that follows:

> Indigenous banks are always sponsoring sports tournaments, basketball, volleyball, purchase of uniforms for teams, travel for national teams, Cancer Awareness Society, the Lupus Society, or the Red Cross. You can always see their banners in some of the national development activities, the Jazz Festival, and any national activity. You can always get at least one of them participating in activities such as the planting of trees. Doing their part there or something to that effect. (Vuitton, Community Activist)

Hills Bank's philosophy towards supporting various community-based initiatives is guided by its policy on corporate sponsorship which is displayed on its corporate website. This policy is based on four pillars. They are improvement in adult and financial literacy, youth development through sports and education, responsible environmental practices, and visible involvement in community-based initiatives. By taking a structured approach to the development of a key stakeholder group, the communities in which the bank operates, significant social goodwill is created that contributes to long-term sustainability.

The patriotic Caribbean culture and the strong brand presence of indigenous banks have led some to conclude that an opportunity exists for the banks to leverage more on their identity to expand their customer base and grow their business. Retail Customer Francois, whose quotation follows, also indicated that it is an opportune time for such a move given the recent withdrawal or downsizing of some of the foreign banks operating in the region and the yearning to preserve social identity and heritage by locals.

> Because right now with the awareness of so many movements and the identity of black people, racism, people want to have something they call

> theirs. This is my bank, our bank, reflecting me. If they could tap into that they will get loyalty. The indigenous banks must embrace the culture as deeply as possible and the nuances of the people and then you take the people with you because people want to be a part of that. People want to move away from the Canadian banks, they want to. But you must be professional, you must bring first-world facilities, you must be flexible, you must segment. You must be involved in the communities. You must sponsor a reading competition, you must sponsor creole heritage month, sponsor independence, you must be in the forefront, and at the same time, you must educate. (Francois, Retail Customer)

Manager John agreed with the views of key external stakeholders that indigenous banks should leverage more on the national pride and identity associated with these banks. This he suggested should start with ensuring that the banks succeed and provide services whose quality is at least on par with the foreign-owned banks. However, from a management perspective, Manager Mark believes that the greatest challenge to leveraging more on the identity of these banks is the rapidly evolving nature of Caribbean societies. As such, while more can be done to promote the banks to those segments who are loyal and patriotic, indigenous banks may want to have a broader strategy of wanting to serve all the market segments.

A second challenge that both Manager John and Manager Mark identified is the higher standards that locals hold indigenous banks to compared to foreign-owned banks.

> People are unforgiven of their own. In other words, the thing that some foreign banks will do to customers, and they will keep quiet and say nothing, an indigenous bank dares do not do that to them. They will be quick to jump up and make noise, whether it is about fees or anything at all. They do not complain at all when it is a foreign bank but for an indigenous bank they down in their throat in a flash. (John, Manager)

Therefore, as indicated by Manager Mark, indigenous identity can be a double-edged sword that is often used conveniently by locals against indigenous banks.

4.3.7 More Strategic Support for small business

Another customer-related theme that emerged on the factors critical to the long-term sustainability of the indigenous bank is expanding the portfolio of small business loans by providing more support for small businesses. While Individual Shareholder Phillip narrated how well Valley Bank assisted him in starting his business by providing a loan, participants were of the view that the bank does not have a strong focus on business customers.

> No real attention is paid by the bank to the service sector which is the main stay in the economy. The bank must make itself more relevant to its customers. It must see itself beyond its present customers. It must establish relationship with its customers, sit with its customers and have that one-on-one discussion. (Anthony, Corporate Customer)

This apparent vacuum in financing for small businesses is an opportunity for indigenous banks to grow and expand by having a more creative strategy towards servicing small and medium-sized enterprises (SMEs). Both Community Activist Harry and Corporate Customer Anthony suggest that the bank should establish a business unit or at a minimum a service desk to provide support for SMEs. This is elaborated further by the quotation that follows.

> The bank, for instance in sectors such as light manufacturing, should have a business unit that can give technical support, even hand holding, to budding entrepreneurs. You should not just give them a loan and a

> stern warning to repay. You must partner with them in a sense. You do not just give them money for bricks and mortar. If you have a small business unit which has the capacity to give that type of business support and even some kind of hand holding. For instance, you can have technical consultants attached to you but necessarily employed by you that you can call in now and again to help these people. (Harry, Community Activist)

Focusing more on small business by providing financing and other non-financial support will increase the chances of these businesses succeeding which will result in more business for indigenous banks.

Management participants welcome the suggestion of providing more support for small businesses as a means of helping the long-term sustainability of the banks. However, they were of the view that there are major challenges that hider the indigenous banks in providing further support to small businesses. These challenges include the perceived inability of the banks to provide the non-financial support such as marketing and accounting those small businesses need to survive, the low profitability of lending to that sector, and also the high level of delinquency in small business loans experienced in the recent past by some banks. Manager John provided the following summation:

> I will put it this way, that small business support does not have a snowball's chance in hell to survive inside a commercial bank and it is for obvious reasons. (John, Manager)

Manager John reiterated that lending to small businesses requires relatively more time and effort to underwrite and monitor, and hence less profitable compared to lending for consumer durables like loans to purchase vehicles. In addition, Manager Mark reflected on the situation in his bank not too long ago when the ratio of non-performing loans for small businesses was 14%, which is way over the 5% permitted by the regulator. These factors make lending to small businesses unattractive to the indigenous banks.

4.3.8 Consolidation

In the Eastern Caribbean, the debate on consolidation of the relatively small, mostly government-owned indigenous banks, as a way of sustaining these banks began almost twenty years ago. This is outlined by Retail Customer Bubb who is also a retired Managing Director of one of the indigenous banks.

> Let me take you back to the early 2000s, there were National Commercial Banks (NCB) in Grenada, St. Lucia, Antigua, etc. We decided that the best thing for the region at that time was for these NCBs to come together as one bank so each would therefore be a branch of one larger bank. It was felt that size was important. All the banks were owned by the government either fully or partially. So, with one larger bank, we can sell the shares from the government to the public. So, I am saying that most of these banks will have to either amalgamate or purchase another bank or get stronger in going forward. There might be room for one or two small banks, but I think largely they will have to get together. (Bubb, Retail Customer)

Consolidation is therefore an emotive subject with no less than eight key external stakeholders' participants expressing strong views on the matter. Both Individual Shareholder Elise and Retail Customer Easter were of the view that consolidation of banks, particularly among smaller banks, is a common reality in more developed countries like the US. This reality is also expected to trickle down to the Caribbean as some of the financially weaker banks are taken over by their stronger counterparts. (Easter, Retail Customer)

Participants generally agreed that consolidation or some form of functional co-operation will be beneficial to the indigenous banks. Individual Shareholder Phillip highlighted the potential for economies of scale from scaling up. Individual Shareholder Elise believes that by consolidating, the banks can draw strength from each other by adopting best practices. Both Individual Shareholder Louis and Corporate Customer Pierre are of the view that since the regulator is keenly interested in the consolidation of the banks, it will become a reality. An alternative view shared by Corporate Shareholder Antoinette is that economic necessity in a post-Covid 19 environment will force some form of merger among banks that are struggling.

Despite these expectations, there are apprehensions about consolidation, which Corporate Customer Pierre attributes to the risk-averse culture of Caribbean people where the fear of failure is a handicap for progression to something different. Then, there is the issue of choice for the customer, for which Individual Shareholder Louis was emphatic that even though he supports consolidation in principle, he is against the idea where customers have only one indigenous bank available to them. Corporate Customer Pierre also indicated that there is a fear by the Government, a major shareholder of Hills Bank, that a single consolidated bank in the ECCU will limit their ability to borrow and have overall influence over the bank. The fear of losing control and status by the directors and managers of these banks was also proffered, (Bubb, Retail Customer). Individual Shareholder Phillip believes that polarisation, with diverse cultures and views between the northern and southern islands, also contributed to the lack of progress. However, as outlined in the quotation that follows, the lack of progress reflects the absence of a strong commitment by the various governments in the ECCU that are major shareholders in some indigenous banks.

> There is also a political issue. Half of our indigenous banks are owned or have significant government interests. Governments may say that they want to support consolidation, I am not sure they do because if they did, we would have moved along faster. Some governments still want to influence their institutions. They may not want to get into the day-to-day management and so on, but they want access to credit facilities. They want to be able to have some influence on the board and so on. They are not necessarily ready to give that up. (Browne, Regulator)

The observation in the quotation above is an interesting finding when taken in the context of the information provided in Table 1: Indigenous Banks in the ECCU. The individual governments have ownership of at least 40% in four banks, and between 20% and 25% in another three banks. This clearly indicates the level of influence of the various governments on the indigenous banking sector in the Eastern Caribbean.

Regulator Browne admitted that there is a need to re-assess the consolidation initiative in the ECCU, which does not negate, in his view, the argument that the region is overbanked and there are significant economic and financial benefits to be derived from consolidation. Corporate Shareholder Antoinette also added that some form of consolidation is imperative for the way forward for the indigenous banks.

> And there must be shared services. Even if you are not able to have a consolidation now, the indigenous banks must be able to have shared services among themselves. If they do not have that they will not be cost-effective. (Antoinette, Corporate Shareholder)

The management participants also had a similar conclusion to the key external stakeholders. In their view, the unwillingness of management and board of directors of these indigenous banks to give up power and control is the single greatest obstacle to the consolidation of the indigenous banks.

> I think we still have a very insular mentality that stems from what I said earlier in that you know we are small banks in small countries and with that, I believe comes a certain perception that we are powerful. You know we are significant players. There is a tendency to feel that you may lose some of that power, some of that influence. And it is something that, you know, we are very reluctant to relinquish. (Mark, Manager)

Both management participants agreed that only a crisis requiring an intervention will push the process of consolidation or functional co-operation among the banks. Manager Mark cited the example of the failure of two indigenous banks on the island of Antigua, which led to the intervention of the ECCB, resulting in the merger of the operations of the two failed banks to form a new banking entity named ECAB.

4.3.9 Supporting legal framework and institutions

The current insolvency and foreclosure legislation and the lack of a credit bureau were highlighted by participants as critical to the long-term sustainability of indigenous banks. This challenge is particularly concerning to banks on some islands in the ECCU, including the island where Hills Bank is domiciled. As elaborated on by the quotation that follows, the current legislation favours borrowers over lenders such as banks by limiting the ability of banks to foreclose on delinquent borrowers. As a result, the process of recovering assets used to secure loans is lengthy and costly. As cited by Corporate Shareholder Fleur, it also affects the conscientiousness and attitude of customers to other people’s money. Therefore, some indigenous banks such as Hills Bank tend to have a relatively high amount of non-performing loans which can adversely impact the profitability and capital of the banks.

> In the Caribbean region even though banks want to be able to offer commercial and residential loans, I think our issue is more with the existing legislation. Although the loans are secured, the banks are not able to move quickly to liquidate assets through a process such as a foreclosure. So, my understanding is that regional governments want to protect borrowers as much as possible and so it would take years of litigation and huge costs to the banks if they ever move because of non-payment. (Fleur, Corporate Shareholder)

Corporate Customer Pierre also expressed similar concern as Corporate Shareholder Fleur on how the current legislation on insolvency and foreclosure is influencing customers' attitude towards their responsibility to repay monies borrowed from banks. He also commented on legislation that was only recently approved allowing credit bureaus to operate on his island. Although a small step, he believes that this is a significant development that will help change the attitude of borrowers and ultimately the financial landscape of his island.

Having national laws that will facilitate the realisation of securities pledged by borrowers when they are delinquent is of great importance to the management of indigenous banks in islands with restrictive foreclosure legislations. However, as pointed out in the quotation that follows, the challenge of changing the legislation is the reluctance of governments to pass laws that are unfavourable to the public.

> I am not optimistic that we will see a solution anytime soon. The last I heard about it is that the government is considering making foreclosure applicable to commercial properties but not residential properties. The government always has an interest in ensuring that its constituents are protected. (Mark, Manager)

4.3.10 External threats

Participants in the study highlighted several threats which could imperil the long-term survival of the bank. Foremost is the loss of correspondent banking relationships (CBR). As indicated in the quotation that follows, several indigenous banks in the Caribbean have lost their correspondent accounts with major international banks due to concerns over money laundering and terrorism financing risks. Without a foreign correspondent bank account, an indigenous bank is not able to provide foreign exchange-related services that many people and companies rely on. In addition, compliance with the requirements for maintaining correspondent accounts imposed by the major foreign banks is a significant cost burden to indigenous banks in the Caribbean.

> One of the things that worry me most about the indigenous banks is their whole relationship with correspondent banks. Anti-money laundering, anti-terrorism extension, regulations, and rules that are coming down the pipes that are affecting the relationship between the indigenous banks and their correspondent banks in the money centres city like New York. And within the last years, we have had many indigenous banks losing their correspondent banking relationships. I fear that this kind of pressure will continue to impact negatively on the performance of the indigenous banks. They are going to have to beef up their anti-money laundering, anti-terrorism. That is going to cost more because we have not found a way in my mind to deal with those international correspondent banks on these matters. I have a real concern regarding the sustainability of the indigenous banks. (Bubb, Retail Customer)

Finally, indigenous banks also face other threats over which they have little or no control over, are unknown, and are unpredictable. As elaborated on in the quotation that follows, these threats require the banks to have adequate capital to withstand the shocks from the occurrence of those external risk events.

> The other thing is the sort of existential threat that nobody can do anything about. It's like what we have come through and it was the whole financial services industry right around the world. These things you have no control, and you do not know when they will come. They are always there and the only thing you can do is to beef up your capital in the hope that you can withstand whatever comes. (Louis, Individual Shareholder)

Both management participants agreed that loss of CBR is a significant threat to the survival of the indigenous banks. For Manager John, maintaining CBR is dependent on having effective and responsive compliance systems within the banks which include utilising adequate technology for managing anti money laundering risk, attendance, and engagement during the various conferences and seminars on anti-money laundering. However, as outlined in the quotation that follows, the challenge of maintaining a correspondent bank account is the unprofitability of the relatively small account with the low volume of activities held by the indigenous banks at the correspondent banks.

> I think our size is our worst enemy because, as you know, the risk for the correspondent bank is really about an assessment of the costs and benefits of doing business with us. The scale of our business, the volume, the size just does not justify the risk for them so there is very little that we can do. (Mark, Manager)

4.5 Summary

This chapter has presented the views of key external stakeholders from two sample banks on the sustainability of indigenous banks in the ECCU. Ten themes emerged from the analysis of the data collected. This is summarised in the table that follows.

Table 7 Summary of Themes

Research Objective	Themes	Sub themes
1 To assess the perceived importance of indigenous banks to the people and economies of the Eastern Caribbean	Political and socio-economic contributions of indigenous banks	Control of economic destiny Patriotism and national pride, Financing businesses, Financial inclusion, Community support
2 To examine the relationship between the sustainability of the indigenous banks and the perception and expectation of key external stakeholders.	Satisfying stakeholders expectations and sustainability	Financial success Reciprocal relationship Customer satisfaction
3 To ascertain the views of key external stakeholders on the critical factors affecting the sustainability of indigenous banking.	Effective corporate governance practices	Culture, Engagement, Skillsets
	Remaining relevant to customers	Technological innovation, Monitoring and adapting to market trends, Meeting customer needs
	Exceptional customer relationship	Proactive engagement, Personal touch, Policies and Procedures, Service delivery
	More strategic support for small businesses	More focus on business customers Provision of technical support
	Leveraging on indigenousness	Initial perception loyalty and patriotism Social involvement
	Consolidation	Trends, Benefits, Hindering factors, Way forward
	Supporting legal framework and institutions	Enabling Legislation Supporting institution
	External threats	Loss of correspondent banking relations, Existential threats

The first two themes highlighted the importance of the banks and the relationship between stakeholders. The remaining eight themes identified participants' perceptions of critical factors to the long-term survival of these banks. These were then presented to senior management of the sample banks to determine the challenges they believe are hindering the banks from meeting the expectations of the external stakeholders. The meaning and significance of these findings in the context of both the research objectives and findings from the literature review, will be discussed in the next chapter.

Chapter 5: Discussion

5.1 Introduction

This chapter expounds on the emergent themes from the research findings to identify the key issues, from the perspective of key external stakeholders, associated with the sustainability of the indigenous banks in the ECCU. This will be presented in five sections. The next section will discuss the importance of indigenous banks to the economic and social wellbeing of the people of the Eastern Caribbean. The section will also discuss the reciprocating relationship that appears to exist between the indigenous banks and its external stakeholders. On this basis, the argument is being made that the sustainability of these banks is dependent on how well the banks can manage the perceptions and satisfy the expectations of its key external stakeholders. The third section will discuss in detail the key factors that key external holders believe are critical to the long-term sustainability of the banks as well as the challenges faced by management of these banks in addressing the factors identified. The chapter proceeds with a proposed conceptual framework developed from the research findings. The framework depicts the interaction among the various concepts in the sustainability process. The chapter concludes with a summary that preludes the recommendations and conclusion in the chapter that follows.

5.2 Socio-economic and Socio- political contributions of indigenous banks to the region

One of the key outcomes from this study is that indigenous banks in the Eastern Caribbean are more than mere banks, but rather an ideology that is nested in the history and structures of Caribbean societies. This provides the context and lens through which participants interpret and conclude that indigenous banks are important for the region. Hence the terms patriotism, national pride, economic independence, in control of economic destiny, feeling of belonging, profits remaining to develop the country, were repeatedly stated by participants when asked about what indigenous banks mean to them. This view of indigenous banks is supported by Hudson (2014) who described indigenous banks as important political, social, and economic institutions, impacting every facet of Caribbean societies. This is also consistent with the findings of Bourne (1974) who over forty years ago claimed that the growth and development of these banks were part of a political philosophy for greater control over the allocation of resources critical for economic growth and development. The preceding authors both located the emergence of indigenous banks in the Caribbean in the context of the history of the region, from colonisation and slavery to independent states, a societal class structure comprising of a privileged class verses a deprived or disadvantaged class, a dual banking system with foreign owned banks catering for the needs of the privileged class and an indigenous banking system servicing the deprived or disadvantaged.

Therefore, as indicated in the history of Valley Bank, which is published on the bank's web site, its development was a fulfillment of a socio-economic and socio-political philosophy of the early founders. Its creation was typical to that of several other indigenous banks, aimed to provide banking services to the working class who otherwise could not have afforded to open a bank account at foreign owned banks because of the minimum deposit requirement. For several participants, however, democratisation of access to finance is still a very important issue today as it has been throughout the history of the islands. There is still a consciousness among participants that the availability of banking services such as credit depends heavily on the socio-economic strata to which the borrower is identified. This view is consistent with the writing of Hudson (2014) and Teelucksingh (2014) who gave a detailed account on the past systemic discriminatory practices by foreign banks, not only by the type of jobs that were made available to people from the lower socio-economic strata, but also conditions required to access credit. Indigenous banks have broken those long-standing barriers and have provided opportunities for many ordinary locals to participate in the formal intermediation process, enabling them to save and later borrow to own their own homes and educate their children; key socio-economic development priorities for developing nations. Forcadell & Aracil (2017) support this view by arguing that access to finance can empower and transform the lives of locals.

Arising from the findings of the study, another key contribution of indigenous banks is their support to small businesses. Participants from both sample banks readily associated lending to small business with indigenous banks, a feature that distinguishes those banks from their larger foreign counterparts. This finding is consistent with several studies on the contribution of community banks to the local economies and industries (DeYoung et al., 2004; Lux & Greene, 2015; Minton et al., 2019; Reichow, 2017). The unique proposition attributed to indigenous banks is that their local presence and decision-making allow them to better understand the needs of the business community. The addition of character to the list of collateral required for a loan affords many people of good character but who otherwise lack the financial standing which often reflects their class status, to be able to access credits for their businesses. The use of character in the lending decision process by these banks is referred to as the soft information that DeYoung et al. (2020) and others attribute to the comparative advantage of community banks, and hence their greater focus in supporting local businesses.

Corporate sponsorship is a hallmark of indigenous banks. From the findings, it is evident that the banks recognised the strategic importance of social capital arising from the various social initiatives conducted by the banks. Hills Bank has developed a formal social responsibility policy while Valley Bank, although not having a formal policy, has identified a few areas which they focus on. Nevertheless, consistent with the finding of Byrne et al. (2005) and Goyal & Joshi (2011), investing in the communities creates social acceptance and recognition as a good corporate citizen, which are sources of competitive advantage for the indigenous banks and ultimately positively impact their sustainability. The recognition by a cross section of participants of the study that the indigenous banks are regularly major sponsors of various cultural, sporting, educational and other community activities, to the extent that the banks' names are synonymous with these activities, solidifies the reputation of indigenous banks as major corporate sponsorship partners.

Indigenous banks have, therefore, demonstrated their importance to the social and economic fabric of Caribbean societies and participants of the study have also recognised the need for a strong and sustainable indigenous banking sector. The perception held is that the social and economic development of the region, and the distribution of economic resources must be directed locally. The withdrawal by both Bank of Nova Scotia and Royal Bank of Canada after operating successfully in the region for over a century have cemented that view. Hence, strategically it would be of great importance to sustain the locally owned and controlled banks to ensure the stability and availability of banking services in the islands of the Eastern Caribbean.

5.3 Sustainability through satisfaction of expectations of key external stakeholders

The research findings confirm that the concept of sustainability through the satisfaction of the expectations of key external stakeholders is central to any discussion on the future of the indigenous banking sector. The broad acceptance of this proposition by participants from each of the key external stakeholder groups justifies the theoretical framework of this study. This was further validated by the responses of management participants, one of whom in an apt description of indigenous banks referred to them as living organisms that depend on inputs from their environment to grow and survive. The inputs are the values and perspectives of the stakeholders, expressed through their participation with the banks. The evolving nature of these values and expectations require that indigenous banks to be receptive and adjust accordingly.

The indigenous banks themselves have recognised that their survival depends on how well they satisfy their stakeholders in the present and future which is consistent with the findings of Sureeyatanapas et al. (2015). This is evident in their mission statements, with Valley Bank clearly articulating that its role is to improve the lives of its customers, providing a fair return to shareholders and contributing to the well-being of its communities. The mission of Hills Bank speaks to efficiently and professionally meeting the needs of its people. It can be inferred that its people in this context are the stakeholders such as the customers, shareholders, and communities of the bank.

For several participants in the study, sustainability of the banks is associated with financial success. Shareholder participants were able to identify the relationship with the frequency and value of dividends paid with reported profits of the banks. The decade following the 2008 /2009 financial crisis was challenging, to varying degrees, for both sample banks. As seen in their published annual reports, their average profits during that period were lower compared to previous periods, with relatively significant losses being reported in some years. The chairman of one of the sample banks admitted that the relatively poor performance of his bank was related to the significant write-off of non- performing loans, a fallout from the financial crisis.

Collins et al. (2007) and Zink (2005) concluded that successful organisations are those that are responsive to the demands of all their stakeholders. Participants representing all stakeholder groups in the study also concluded that for the indigenous banks to be successful, they must satisfy the needs of its customers. Customers in this context include the many small shareholders of the banks and people in the communities who also patronise the banks. One participant implied that without customers, there is no bank. Therefore, the banks are dependent on their customers to survive. This view is consistent with the findings of Karim & Chowdhury, (2014) who argued that because banks operate in a customer-oriented industry, they are dependent upon their customers for their survival. Collins et al. (2007), and Hillman & Keim (2001) also buttressed that argument by adding that the power of customers as a stakeholder group rests in their purchasing powers which can make or break a business.

In summary, the views of participants on the relationship between the sustainability of the indigenous banks and meeting the expectations of key external stakeholders are consistent with the Principles of Sustainable Banking as outlined by the Global Alliance for Banking Values and therefore provide an opportunity to indigenous banks to follow a similar strategic approach for their long-term survival. The principles, as outlined by Strong (2012), advocate that sustainability is dependent on how well banks are grounded in their local communities, the strength of the relationship with their customers, having a long-term perspective, resilience to external shocks as determined by the adequacy of their capital, and how well their business model reflects social and environmental concerns.

5.3.1 Governance Practices in indigenous banks

The imperative of good governance practices was recognised by participants representing all the four major external groups as critical to the sustainability of the indigenous banking sector. Their understanding of good governance practices is consistent with the tenets outlined by several authoritative documents on the subject including the Cadbury Report (1992) and the Prudential Guideline on Corporate Governance issued by the ECCB. In summary, respondents' interpretation of good governance practices in banking considers the individual and yet collective responsibilities of the various stakeholder groups responsible for governance in the banks; board of directors, shareholders, the regulator, and management, and how their responsibilities interrelate to ensure the success of these institutions.

Several practices and outcomes were identified by participants with recently failed indigenous banks in the Eastern Caribbean. Foremost was the incidence of high levels of non-performing loans of which significant amounts being loans given to individuals and entities closely connected to the management and directors of these banks, some of which appeared to be given under suspicious circumstances. Another feature is what appeared to be a less than satisfactory relationship with the regulator with a low rate of compliance in addressing remedial matters highlighted by the regulator. One participant even noted that bad loans and investment decisions may have almost caused the demise of Hills Bank.

The perception of participants that poor governance practices, as evidenced by the high levels of non-performing loans, have contributed to the recent failure of indigenous banks in the Eastern Caribbean, is consistent with the findings of several other studies including Kirkpatrick & Tennant (2002), Wai (2010), and Wallace (2011) of indigenous banking failures in the bigger Caribbean islands of Jamaica and Trinidad and Tobago. While macro-economic factors were identified with the start of the crisis that led to the bank failures in those studies, the underlying risk factors associated with the credit risk policies and cultures in these banks, which are the remit of the board of directors and management, were major contributors. Therefore, the views of the external participants are strongly merited.

Shareholders play an integral role in the governance process in the indigenous banks. As affirmed by the Cadbury Report (1992), they participate in the governance process through the appointment and oversight of the board of directors. However, some participants in the study are of the opinion that the boards of indigenous banks are often characterised with unfit individuals occupying those seats, to a large extent due to the policies of major shareholders such as governments. Therefore, participants felt that the onus rests with shareholders, particularly those with significant voting rights, to ensure people elected to the board have the requisite skills and experience and are committed to dedicating the time to cogitate on the affairs of the banks.

The ownership structure of the banks therefore directly influences the governance practices. As indicated by Regulator Browne, while the governments of the islands do not want to be involved in the management of the banks in which they have controlling interest, they do want to exercise influence to ensure access to credit. Therefore, one may conclude that the choice of their nominees to the Board may be guided by the willingness of the nominees to carry out the mandates of the governments rather than the skills and experience that are needed to foster and enhance governance practices at the banks. As seen in Table 1, with governments owning at least 20% controlling interest in at least seven of the thirteen indigenous banks in the Eastern Caribbean, concerns of misalignment of the competencies of government nominated directors may not be unwarranted. It should also be noted that participants associated with Valley Bank, a bank in which the government has no ownership interest, expressed no concerns about governance.

The role of shareholders in the governance process goes beyond appointing ‘fit and proper’ people to the board. There is an expectation that shareholders should provide effective oversight through proactive and regular engagement with the board. Attendance of annual general meetings and other forums dedicated for shareholders provide opportunities for shareholders to be apprised of developments in the banks and allow them to provide feedback to the directors and management of the banks. As one participant indicated, shareholders are a vital source of information for the effective running of the banks. It was also felt by some that the shareholders’ contribution to the governance process can be more effective by their reading more to acquire a broader understanding of the industry, the trends, and challenges, to facilitate a more engaged interaction with directors and management during meetings held for shareholders.

While the findings on the relationship between good governance practice and the sustainability of indigenous banks focused on the need for fit and proper people to serve on the boards of indigenous banks, the unique role of the banks’ regulator in the governance process cannot be underestimated. As argued by Nworji et al. (2011), in addition to having solid rules and regulations on governance, there must be mechanisms to ensure that there is strict adherence to those rules. For the banking sector, the regulator plays that special role of enforcement. The quality of the regulatory oversight with respect to enforcing the tenets laid down by the Prudential Standard on Corporate Governance and the policy framework on governance that the banks themselves may have adopted, are therefore important.

The findings also indicate that the challenges for management of the indigenous banks with enhancing the governance framework and practices were consistent with the perspective of key external stakeholders, which are the inadequacies in the skill set and the lack of commitment of the people appointed to the board of directors of these banks. While a significant section of the published annual report highlights the banks' corporate governance practices such as attendance record, qualification, share ownership, responsibilities, and independence of directors, an interesting finding is noted. The most recently published report for Valley Bank shows that over seventy percent of directors were serving for more than ten years; with thirty percent approaching or surpassing twenty years. This is incongruent with the Bank's stated governance principle that most of its directors must be independent, with directors serving over ten years being deemed non-independent. Such a scenario raises concern on whether the boards of these banks understand and appreciate acceptable governance practices and its implication on the bank's performance. Hills Bank has codified its governance practices by developing a corporate governance policy to guide management and the board on matters relating to effective governance of the bank.

In conclusion, the perception of participants is that good governance practices by the board and management can enhance the profitability of the indigenous banks and hence their sustainability. This is consistent with the findings of Rogers (2006) who found that good corporate governance practices, including transparency and timeliness on disclosure of bank performance, can influence over 34% of the performance of banks. Since participants are of the view that good governance can motivate a greater level of participation, commitment and loyalty by stakeholders and therefore long-term sustainability, it may worth pursuing a more codified approach to governance in the banks along with effective feedback mechanisms that will facilitate timely corrective actions.

5.3.2 Greater focus on customer perceptions and expectations

The findings from the study identified three major themes which argue that the long-term sustainability of the indigenous banks is dependent on a greater focus on the perceptions and expectations of customers. This is not surprising as several studies have pointed out that banks operate in a highly competitive, customer-oriented market where the buying behaviours of customers readily get the attention of management (Collins et al., 2007; Karim & Chowdhury, 2014). This apparent greater focus towards satisfying the needs of customers appears to be inconsistent with the tenets of stakeholder theory as advocated by Clarkson (1995) who argue that the wealth of the firm should be distributed equally, not favouring one stakeholder group over the other. However, the study of indigenous banks in this regard is unique. While there are four distinct external stakeholder groups in this study; regulator, shareholders, the community, and customers, the first three stakeholder groupings are often also customers of the indigenous banks. Hence, the study participants representing all four major external stakeholder categories typically shared similar concerns on customer service issues.

5.3.3 Remaining Relevant to customers.

The first theme relating to the sustainability of the banks and having a greater focus on customers is that of remaining relevant. Participants felt strongly that the continuing survival of the indigenous banks is dependent on how relevant they are to customers. Relevance in this regard is not only associated with providing products and service that meet the needs of customers, but also through the preferred or most convenient medium and timely response to the evolving demands of customers. Achieving these require banks to have systems in place to keep abreast with changes in the economic, social, and technological environment.

There is the perception by participants that the indigenous banks in the Eastern Caribbean have not sufficiently adopted advanced technology to enhance their channels for delivering financial products and services This is evidenced by the length of time it takes to process a transaction, relative to that by the international banks, or the time it takes to get a loan. Expectations of customers are heightened, which is consistent with the findings of Das (2013) and Mathapati & Kodag (2017) who, in their studies on how technology and technological based services have transformed the banking sector in India, argue that advances in technology have raised the expectations of customers for a variety of ‘tailored made’, cost effective and convenient products and services. While the studies were situated within the banking sector, it can also be argued that the perceptions of participants are not unique to that sector. Rather, it can be viewed as a common demand by customers in other service-oriented industries. Nevertheless, from the findings of this study, it can be concluded that customers are increasing their demands for the indigenous banks to digitalise more to reduce the time it takes to process transactions.

The urgency for adopting new technology which will allow the banks to provide more tailored products and services at a greater level of efficiency and thereby remain relevant is heightened by the age distribution of the populations in the islands. The concern was raised by a participant that there is a growing youthful population who is more technologically savvy and has a stronger preference for the convenience of online banking services. The recent impact of the COVID 19 pandemic during which customers had restricted access to banking halls, further strengthened this argument.

However, as indicated by several participants, care must be taken to ensure that in moving in the direction of a more digitised bank, customers who are not as savvy with technology, such as the elderly, are not disenfranchised from banking services.

Remaining relevant to customers transcends the adoption of new technology to better serve customers. Listening to what customers are saying is an important feedback loop to remain relevant. This appears not to be a strong feature of indigenous banks as one participant described the complaints from customers as being constantly recurring in nature. Alternatively, it may describe a culture of slow response or little or no empowerment of officers who are in receipt of these complaints. However, listening to customers should broadly include monitoring market and economic trends that will provide early feedback on the behaviours of customers.

Consistent with the unique features of community banks as described by Hein et al. (2005), the indigenous banks in the Eastern Caribbean are narrowly focused on relatively small markets. This restricts their ability to gain from economies of scale and hence the cost of adopting major new technologies to enhance customer experience. This was viewed as the major challenge by management participants in adopting new technology. A related challenge is the availability of technical people to lead the change initiatives within the banks, thereby resulting in an overreliance on external consultants which adds to the cost of adopting new technology. Interestingly, the discussion on consolidation or some form of functional cooperation among the banks often pivot around the need for economies of scale which will allow the banks to maximise the use of more advanced technology.

5.3.4 Maintaining Excellent Customer Relationships

The second theme relating sustainability of the banks to having a greater focus on customers is the need for maintaining excellent customer relationships. This broad finding is consistent with that of Hillman & Keim (2001), who argue that customers exert tremendous power through their purchasing power. Hence, there is a compelling argument that if customers are happy in their relationship with a business, they would remain loyal and patronise more. Good customer relationships are therefore important for the survival of any business in a customer-oriented industry (Karim & Chowdhury, 2014). This is also very relevant to the indigenous banking sector in the Eastern Caribbean. Not surprisingly, participants from a cross section of stakeholder groups were unanimous in their opinion that providing good customer service is key to long term sustainability of the indigenous banks.

Serving the local market and being locally owned and controlled, there is a high expectation for what participants referred to as a personal touch when servicing customers. This is the defining ethos of the indigenous bank and is consistent with the findings of several studies including Lux & Greene (2015) and DeYoung et al. (2020) who concluded that these banks are relationship based in nature which is also a source of competitive advantage. Some participants complimented indigenous banks in this regard. From these compliments, one can deduce that even though these banks may not have the advanced technology and systems like their foreign competitors, what matters equally is the flexibility in finding solutions to meet customers' needs. As Hemel & Rademakers (2016) concluded, what matters most is not the superiority of what is being offered but the tailoring of the products and services to meet the expectations of customers.

The findings from the study also revealed that in addition to the challenge of delivering personalised services that meet the expectations of customers, there is a perception that indigenous banks are not sufficiently strong in proactively engaging customers.

The saying by one participant that 'banks sit on their laurels like if the customers cannot do without them' amounts to a strong rebuke of the banks' customer engagement strategy. Some customers segments are expecting bank officers to play the role akin to personal financial consultants who are expected to listen more to the customers and guide them in making their financial decisions. Customers also expect their bank to advise and make available appropriate products and services based on the various stages they are at in their life cycle. For some customers, that expectation extends to non- financial matters that might be affecting them personally and in other areas of their business. The indigenous banks are therefore expected to know their customers more and in so doing they are better able to sell and cross sell more of their products and services to the customers.

The expectation of participants that indigenous banks should be more engaging with their customers is consistent with the findings of a study of proactive customer orientation and its role in creating customer value by Blocker et al. (2011). One of the key contributions of that study is that a more thorough understanding of the customer will foster a more proactive engagement to address both current and future needs. Increased knowledge of the perceptions and expectations of customers will therefore likely lead to increased responsiveness by the indigenous banks thereby creating superior customer value and engendering strong loyalty.

Other issues highlighted by participants that were deemed important to supporting customer relationships were having policies and procedures at the banks that are more focus towards the delivery of good customer service, and secondly a policy on fees that is more in line with the ethos of the banks.

There is a perception by participants that the processes at indigenous banks are inefficient and hence there is always a lengthy turn-around time for getting a loan or transacting in the banking halls. While not being able to catch up with the foreign banks with implementing the latest in technological innovation may be a contributing factor, there is a strong feeling among some participants that the source of the problem is the policies and procedures within the banks that are antiquated and do not put the needs of the customer at the forefront. This is so although these banks pride themselves on being customer centric, a theme that features highly in publications emanating from these banks.

Indigenous banks, therefore, must address the perceived inadequacies of the policies and procedures to meet the needs of customers and hence becoming more customer centric banks. Striving to become customer-centric organisations requires that the impact on the customers must be considered in every decision made (Shah et al., 2006). In other words, the needs of customers must be fully understood before developing products, services, and solutions (Hemel & Rademakers, 2016) and the relating policies and procedures.

The narrative on the essence of customer centricity was echoed by a customer participant who questioned whether the banks fully understood what the concept meant. Relative to the branches of foreign banks, indigenous banks have been recognised by some participants for their friendly and engaging staff who always serve with a pleasant disposition. However, as highlighted by one participant, and consistent with the findings of other studies, indigenous banks will need to take the next step to ensure that their policies and procedures are more customer friendly. The findings from the studies done by Hemel & Rademakers (2016) and Shah et al. (2006) suggest that the banks need to move even beyond having customer centric policies and procedures to ensuring that their structures, functions, processes, and strategies are better aligned and integrated to meeting the expectations of customers.

To the defense of the banks, measures have been taken by some to drive the customer centricity agenda in their organisation. The findings of the study reveal that Valley Bank has developed a Customer Charter. This charter is publicised and outlines the bank’s standard of service promised to customers. This charter is audited periodically with the most recent results posted on the bank's website. This demonstrates a high level of accountability to customers. Other measures revealed from the findings include social media monitoring for customers' complaints on the products and services offered by the banks which would facilitate timely corrective actions.

The final sub theme under the need to maintain excellent customer relationship is the discussion on fees and charges which is a relatively new challenge faced by the indigenous banks, but one that is quickly becoming an irritant to customers. Traditionally, because of the initial focus of indigenous banks toward servicing the lower to middle socio-economic segment of the population, fees and charges were relatively low compared to that of the foreign owned banks. However, there appears to be a recent shift in strategy with regards to fees by the indigenous banks as the trend was observed and noted by several participants, with one participant describing it as the weaponising of fees against customers.

Perceptions of high fees and charges should therefore be of concern to the indigenous banks. Foremost are the ways in which advances in technology have provided customers with a variety of options for bank products and channels of delivery (Das, 2013). With increased competition in the banking industry and practically little or no switching cost (Mathapati & Kodag, 2017), customers can easily change financial institution when they are unhappy about fees. An alternative provider of intermediation services in the Eastern Caribbean, who several participants perceived have lower fees, are the credit unions. Their growth in customers loans and deposits over the years as seen in Table 3 is testimony of their growing strength as potential rivals to the indigenous banks.

The criticalness of quality customer service to the long-term sustainability of the indigenous banks was acknowledged by the two senior manages interviewed. In their views, the biggest barrier to delivering customer centric services that meet the expectations of customers is staff with little or no aptitude for customer service, do not empathise with customers or have not acquired the necessary skills to perform their jobs properly. Van et al. (2015) recommend that where such a gap exists between the expectation and performance of staff, the banks should focus on improving the professionalism of their staff who interact with customers. The banks should ensure that their staff are trained to fully understand the nature and utility of the products that they are selling so that they can properly advise, communicate, and accommodate customers. Additionally, this should be complemented by strong ‘soft’ skills while communicating, negotiating, and selling. Another suggestion is that from Lamberti (2013) who advocates for the development of suitable reward and performance measurement systems that will promote more customer centric behaviours among staff.

Attaining the goal of being a customer centric bank will lead to a satisfied and loyal customer base and ultimately the long-term sustainability of the banks. However, this would require a paradigm shift. The indigenous banks must be more customer oriented, not only in quality and price of their products and services but also in their policies and procedures that guide how the services and products are delivered. Equally important are the people and channels that support the delivery of the banks’ offerings.

From the findings and the literature review, it can be concluded that the indigenous banks have a unique purpose and meaning to the people of the Eastern Caribbean. Stakeholders have certain expectations and perceptions on how excellent customers service, including the adoption of technology to enhance service delivery, can contribute to the continuing survival of these banks. However, these banks exist in a competitive environment and therefore face similar challenges as other financial service-oriented businesses. Hence, in this study, no claims are being made on the uniqueness of the application of the findings to indigenous banks. The thesis is restricted to the sustainability of the indigenous banks and provides a perspective on what key external stakeholders believe are critical factors that must be addressed by these banks.

5.3.5 Supporting Small and Medium Enterprises (SME)

Creating more sustainable indigenous banks through an expanded customer base to include more SME customers, is the third sub theme relating sustainability to a greater focus on customers. A larger customer base will potentially create more opportunities for the banks to sell their products and services and hence increase their profitability. It is also an opportunity to further strengthen the brand of the banks which will augur well for their future profitability.

There is a general expectation that indigenous banks, unlike their foreign counterparts, have a responsibility to contribute to the national development agenda. This expectation stems from the political and social ideologies that drove the formation of these banks in several former colonies (Teelucksingh, 2014; Uche, 2010). Providing SME with greater access to credit facilities is therefore viewed as critical for the growth and development of small businesses in the economy. As these businesses expand, so will the local economies, which in turn may generate further opportunities for the banks to sell their products and services. This is consistent with the findings of several studies in more developed countries on the relationship between community type banks, small business financing and economic growth (Gilbert, 2007; Lux & Greene, 2015; Minton et al., 2019; and Reichow, 2017). These studies concluded that community banks provide a disproportionate amount of loans to the small business sector particularly in the rural area, a sector that is sometimes referred to as the engine of economic activity.

However, there is a perception that the indigenous banks are not strongly focused on lending to SME, particularly to those in the service sector which is a mainstay for most of the tourism dependent economies of the Eastern Caribbean. Small manufacturing is also a sector that has been underserved. This perception exists despite the comparative advantages of the banks in lending to this sector; being able to utilise qualitative information for assessing credit applications (DeYoung et al., 2020). Indigenous banks are therefore foregoing an opportunity that some participants believe can contribute to their long-term survival.

Participants offered several suggestions on how the banks can promote the growth of the SME sector. One such is the establishment of a dedicated department to serve SME. This department should be staffed with people with the appropriate skills and training to provide handholding and advice to customers on areas such as accounting, finance, and other technical areas that small businesses need to survive. This can provide a competitive edge and allow the banks to grow and diversify and hence reduce the level of concentration risk in their loan portfolio.

An alternative suggestion is for the banks to partner with other institutions that already provide various forms of technical and non-technical assistance to small businesses. These institutions, either mainly government or non-profit oriented, are often supported by various regional and international funding agencies. Partnering with these institutions means that the banks do not have to reinvent the wheel. While the indigenous banks provide the funding and related financial support, the partnering institutions can provide the additional support required such as marketing, human resources and more. This novel idea is consistent with what Hemel & Rademakers (2016) describe as a genuine ‘outside in’ way of thinking to overcome constraints to meet customer expectations.

While the management of indigenous banks recognises that expanding their customer base to include more SME customers can contribute to long term sustainability, they are of the opinion that the banks do not have the necessary skills and resources, neither are they sufficiently focused nor incentivised to provide greater support to

SME. The ease of underwriting, getting approval and subsequently managing the loans in segments such as consumer durables are relatively much easier compared to lending to SME. Added to this is the inadequacy in the skills set of a typical lending officer to deal with the additional support that a small business requires. Therefore, without a strategic focus coming from the top, there is little hope of advancing the cause of SME.

The perceived challenges faced by indigenous banks in servicing small businesses have caused the managers of these banks to be cautious in their approach. The challenges appear inherent to indigenous banks which seem to contradict the findings of this study and the literature review. The riskiness associated with past lending to this sector appears to be a major handicap. Therefore, finding solutions to overcome the fears of managers are critical to satisfying the perceptions and expectations of external stakeholders.

5.3.6 Leveraging indigenousness

Another significant finding from the study is that the identity of indigenous banks has a special and varied meanings for the people of the Eastern Caribbean. This is consistent with findings of Andrikopoulos et al. (2014) and Hudson (2014) who argue that the identity of indigenous or community banks transcends the economic and financial meaning readily associated with commercial banks. Earlier studies by Bourne (1974) and Ramkisoon (1981) also associate the identity of indigenous banks with the social, cultural, and political liberalisation of Caribbean societies and the philosophy of owning, controlling, and directing economic resources locally. Several participants also associate indigenous banks with community initiatives such as sponsoring of major sporting, educational and community related activities.

The indigenous banks in the Eastern Caribbean have strong brand presence and awareness. There is also national pride and loyalty toward the banks which are undergirded by a strong Caribbean culture where values and beliefs are handed down from generation to generation. This was evident in the way in which one participant described how many people, naturally and without conscious thought, became customers of indigenous banks through simply patterning their behaviours after their parents, on whose lives the indigenous banks may have had a significant impact. Such loyalty and commitment to the indigenous banks have caused some customers to continue patronising their local banks even when there are occasions where they are aware of lower interest rates on loans from the branches of foreign banks.

However, despite the brand presence and loyalty, and as indicated by at least two participants, there may be a level of reluctance of some people in the community to patronise the indigenous banks. That reluctance is driven by a perception that indigenous banks have lower operation and service standards, compared to the branches of international banks. In addition, there is also a concern that with local management and decision making, there may not be a strong culture of confidentiality of customers' information. Whether this perception of participants is a myth or reality, indigenous banks have made significant strides in improving their service standards as evidenced by the various strategies that they have employed to monitor and address the concerns of customers and the positive reviews of some participants who have previously held this perception.

The significant goodwill and brand presence of the indigenous banks in the Eastern Caribbean provide an opportunity for the banks to grow their customer base and to get more business from their existing customers. A similar conclusion was reached by Byrne et al. (2005) who in their study of the distinctive features of the community banking model in Australia, concluded that the collaborative relationship arising from the ownership structure and purpose of the community banks create a powerful marketing advantage. As indicated by one participant in the study, there is a growing awareness of cultural and social identities attached to local institutions. This is in addition to the waning interest by Canadian banks who are leaving or are giving all the indications that they are not interested in remaining in the region. These pose ample opportunities for indigenous banks to leverage on their brand to expand their customer base.

Management, however, is cautiously optimistic. They agree that the banks should do more to uplift the pride and national identity of the people, and the best way to do so is for the banks to succeed through the provision of a high-quality service that is at least on par with their foreign counterparts. However, there are challenges in pursuing a strategy of leveraging more on the indigenous identity of these banks. Foremost, as identified by one participant, is the evolving nature of Caribbean societies with growing youthful populations that are more transaction base minded, displaying little loyalty and commitment. Having adopted a strategy of appealing to a wide cross section of customer segments with various interests, over emphasis on indigenous identity may not be a universally accepted marketing strategy.

Another challenge for management identified in the findings is the perceived double standards of Caribbean people, with local institutions often being held to a higher standard. As one management participant indicated, the non-functioning of the ATM of any foreign banks is quite unlikely to be trashed on social media as that given when that of an indigenous bank’s ATM is out of service. Hence, there is the perception that indigenous identity is abused conveniently by some customers to get an advantage when negotiating with the banks. Nevertheless, management is of the view that indigenous banks have a responsibility to help locals fulfil their aspirations and in doing so the indigenous identity and brand will be promoted.

5.3.7 Consolidation

The discussion on consolidation of the indigenous banks in the Eastern Caribbean as a means of sustaining these banks has evolved. From the review of the literature on the topic and from the findings from this study, the initial idea of merging the indigenous banks into one single bank has tapered along the way into what appear to be more palatable: functional co-operation or shared service. Nevertheless, participants form across all the stakeholder groups from both sample banks studied believe that the merging of resources of the relatively small commercial banks can lead to more profitable and better capitalised banks, and ultimately a more stable banking sector. In several other developing countries, consolidation as a means of creating greater stability in the banking sector has been guided by regulators and governments and has been the subject of several studies including Abbas et al. (2014); Adebayo & Olalekan (2012); Ahmed et al. (2018), and Oloye & Osuma (2015).

As mentioned by one participant, consolidation of small banks is not just a third world phenomenon, rather it is a global trend that is expected to trickle down to the Caribbean. This observation is consistent with the findings of several studies including Critchfield et al. (2004) and Hassan & Hippler (2015) who elaborated on how advances in technology and the evolution of the regulatory and economic environments have led to the disappearance of many small community banks in the United States of America. While regulatory changes have made it easier for banks to conduct business across state lines, advances in technology create significant opportunities for economies of scale through mergers and acquisitions.

In the context of the Eastern Caribbean, the discussion on consolidation surrounds the survival of relatively small indigenous banks. Banks which Uche (2010) described as having inherent challenges and disadvantages of operating in a dualistic banking system in a post-colonial environment. As indicated by one participant, a customer and former managing director of one of the indigenous banks, the discussion on consolidating the banks that were majority owned by the governments started in the early 1980's. Although that initiative has failed, the discussion that started almost forty years ago is indicative that there was an early recognition of the challenge for survival for these small, stand-alone entities.

There is a consensus among participants from all stakeholder groups represented in the study that the future of the indigenous banks depends on how successful they are. That success is defined by their ability to increase their revenues and at the same time reduce their operating costs. Economies of scale arising from consolidation is therefore one proposition through which that objective can be attained. However, from the interviews done with participants, there is no unified opinion as to what format consolidation should take. An earlier version emanating from ECCB, IMF and the Monetary Council seems to suggest one single consolidated indigenous bank for the ECCU. With the lack of traction on this, alternatives have been suggested. One participant mentioned the shared platform and centralised back-office function operated by Scotia Bank who, before their withdrawal from the Eastern Caribbean, operated in over twenty locations in the Caribbean and was one of the most profitable banks in the region. The option of a centralised shared back-office arrangement was also raised by other participants as a reasonable alternative to a full-fledged consolidation of all the banks in the ECCU. There are variations to this approach, one of which is centres of excellence where individual banks in such an arrangement can provide shared service support in a particular area where they possess a comparative advantage. As indicated by one participant, this will allow the banks to draw on each other's strength through the sharing of industry best practices.

While consolidation or some form of functional cooperation provides much hope for the sustainability of the indigenous banking sector in the ECCU, not much has been achieved in this regard. Failure to achieve this goal is not beyond the comprehension of participants and several reasons were proffered. Foremost is the lack of commitment at the political level. This is ironic, yet understandable. As indicated by the regulator participant, over half of the indigenous banks are majority owned either directly or indirectly by the various governments in the ECCU. The Monetary Council, comprising representatives of the respective governments in the ECCU, has also taken a policy position advocating the consolidation of the indigenous banks (ECCB Act, 1983; ECCB, 2017). The lack of any traction on at least consolidating the government-controlled banks has led some participants to conclude that the fear of the individual governments of losing their power to direct these institutions in satisfying the credit needs of those governments is a big hindering factor. This fear is not unfounded as Ramsaran (2013) confirmed that indigenous banks exercise significant control and influence over industry and commerce through credit financing. Added to this is the brokerage service offered by some banks through which the governments raise significant amount of treasury bills and bonds.

The second factor, identified by participants, hindering the consolidation process also relates to the fear of losing control. In this instance, however, it is the individual managers and directors who would be at risk of losing power and status if their banks were merged and became one bigger entity. As expanded on in the literature, the motives for mergers and acquisitions in the banking sector include meeting regulatory capital requirement, realising economies of scale and scope, and generating efficiencies from synergistic gains (Pathak, 2016). However, as outlined by Ellis et al. (2015), there are usually integration challenges in the process which include cultural complexity, knowledge transfer and trust, and justice expectations. Also, not all management positions may be retained after a merger and there is usually a lack of trust by management personnel in the acquired entity that they will be treated fairly. These are legitimate concerns and may explain the reason for the reluctance by senior management and directors in the indigenous banks to support consolidation.

The third factor that may have contributed to the slow progress of consolidation is to some extent unique to the Caribbean. As indicated by one participant, Caribbean people are generally risk adverse. Merging several banks together can be seen as a risky venture as the outcome is uncertain. Therefore, the fear of a failed consolidation process can be debilitating, which is not unfounded as studies on consolidation of banks in developing countries have provided no clear indications on their effectiveness (Di Vittorio et al., 2018). In some instances, as reported by Abbas et al. (2014) and Ahmed et al. (2018), consolidation may lead to no improvement in key performance areas. The fear of failure was also evident when one participant expressed his disapproval of having one single bank on the grounds that this will limit the choice available to customers. The proverbial term of 'not putting all your eggs in one basket' may aptly describes that participant's perception with regards to managing risk that may arise from the failure of a single large financial institution.

When the perceptions of key external stakeholders on consolidation were presented to management, there was no surprise even though they, the managers, were viewed as obstructionists to the consolidation process. Having first-hand experience of how politics affects banking in the region, management participants were of the view that only a crisis will propel the consolidation agenda in the Eastern Caribbean. This was evident with the consolidations that took place among the four failed banks in Antigua and Barbuda, and Anguilla. In both cases, the regulator, and the respective governments along with the support of fellow indigenous banks intervened, merging two failed banks in each of the respective islands to form one (ECCB, 2017).

Further consolidation among the indigenous banks in the ECCU remains on the agenda of several stakeholders, particularly the regulator, as a way of ensuring the sustainability of these institutions. While a single well-capitalised bank as opposed to twelve seems elusive, the prospect of having some form of shared service model appears more palatable. However, any approach to consolidation must be measured with caution as the findings from several studies have shown that consolidation does not always work and can be counterproductive to small and troubled financial institutions (Di Vittorio et al., 2018; Shrestha et al., 2017).

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5.3.8 Legal framework and supporting institutions

The penultimate theme on factors that can contribute to the sustainability of the indigenous banks in the Eastern Caribbean is the need for a legal framework and institutions that assist and protect private businesses by providing them with a legal environment that is conducive for operating their business. This view was expressed by two participants: a customer and a shareholder of Hills Bank. From discussion with the participants who raised the concern, it appears that some of the islands that comprise the ECCU, such as the island on which Hills Bank is domiciled, have inadequate foreclosure legislation. This legislation outlines the rights of both lenders and borrowers in the process of recovering assets pledged on loans that the borrower has failed to pay. However, as indicated, the current foreclosure legislation limits the ability of lenders such as Hills Bank to dispose of the collateral securing non-performing loans. It can be deduced that the legislation has a socio-political objective of ensuring that banks and other lenders cannot easily repossess securities offered for obtaining a loan such as one's dwelling house. However, there is the unintended consequence of fostering a culture of indifference among some in meeting their commitment to their lenders.

The impact of not having a legal framework that is conducive for banks to recover the securities on non-performing loans can be seen in the performance of Hills Bank in the decade following the 2008/ 2009 financial crisis. Significant amounts were written off for bad loans which, as reported by the Bank's Chairman, contributed to the overall loss declared for the related periods. This has affected shareholder participants who expressed their dissatisfaction with the non-payment of dividends for several years when Hills Bank reported losses or suboptimal profits. And while some participants attributed the performance of the bank to issues of inadequacy of governance and credit risk management, there are others who have concluded that the restriction in the existing foreclosure legislation is a major problem.

The conscientiousness and attitude of customers to depositors' money they have borrowed are not helped by the lack of a functioning credit bureau. This has been non-existent for a while, although as reported by one participant, legislation has been recently approved allowing the establishment of a credit bureau on one of the islands. An environment where there are difficulties in realising collateral on non-performing loans and lacking the discipline of the deterrence and or consequence of poor credit scores, is likely to lead to high levels of non-performing loans. The capital of the affected banks will be eroded as non-performing loans are required to be written off based on regulatory and accounting standards thereby putting the banks at risk.

From the perspective of management, the biggest challenge in overcoming the legislative shortcoming is the lack of appetite by governments to make the required changes due to the likely negative political fallout. The Westminster style democracy system adopted in the Eastern Caribbean where elections are held every five years is a disincentive for any political party to champion what might be considered an unpopular move by most voters. As indicated earlier, the protection given to loan customers from the existing foreclosure legislation is meant to protect citizens from vulture-like behaviours of powerful lenders who otherwise can easily dispose of the properties of borrowers such as their homes, once they breach their mortgage contracts. Hence, participants from management have little hope for any change soon.

5.3.9 External threats

Thus far, the themes discussed pertaining the sustainability of the indigenous banks are inward looking. To some extent they relate to the factors over which the banks can influence through a strategic refocus and a reallocation of resources to achieve sustainability in the long term. However, as pointed out in the literature, the relatively small community type banks operating in the Eastern Caribbean are vulnerable to external factors that can affect their long-term survival (Birchwood, 2003; Critchfield et al., 2004). Such factors include the features that uniquely defined the banks as well as macro- economic and other factors that the banks have little control over (Bowe et al., 2014; Di Vittorio et al., 2017 & Venner, 2009).

A major external threat that participants believe can affect the long-term sustainability of indigenous banks is the loss of correspondent banking relationship (CBR) with major North American banks. Alleyne, et. al. (2017) described CBR as bilateral banking relationship between banks that facilitates the movement of funds in multiple currencies. In that relationship, the corresponding bank, which is usually a major international bank, allows another bank, referred to as a responding bank, to hold a deposit account with the correspondent bank (Boulton & Winton, 2018). Through that account, the responding bank is allowed to facilitate receipt of funds and payments in foreign currencies on behalf of its customers. The inability of the indigenous banks to operate corresponding bank accounts would therefore severely restrict the array of services that can be offered to customers, thereby limiting the banks' ability to effectively compete with the branches of the foreign banks and large regional banks on the islands.

One participant, a customer, who is also a retired banker with one of the foreign banks, noted her observations on the loss of CBR by several indigenous banks and the increased cost for the indigenous banks that were able to hold on to these accounts. This is corroborated by several studies including Alleyne et al. (2017) who concluded that following the global financial crisis, major international banks begun curtailing their services to customers in regions they perceived as too risky or unprofitable, a process commonly referred to as 'de-risking'. Wright et al. (2019) in their study on the loss of CBR in the Caribbean also concluded that the drivers of de-risking fall in two broad categories: business-related where the relationship is not profitable to the correspondent bank; and secondly regulatory risk related where there is a high probability for material loss and fines from regulators arising from weak systems and practices for anti-money laundering and counter financing terrorism (AML/CFT) at responding banks.

The smaller indigenous banks in the relatively small islands that comprised the ECCU appear to have been most affected by de-risking. Wright et al. (2019) explained that these small banks may not be able to generate the volume of business to the correspondent banks to make the relationship profitable. In addition, they may not have the resources to afford an effective AML/CFT regime. While some of the indigenous banks may have been able to keep their CBR, according to Alleyne et al. (2017), they have all experienced significant increases in the cost of maintaining these relationships. These increases were felt in the fees for maintaining the correspondent account, ongoing cost for performing robust due diligence on customers and training of staff, and the cost involved in implementing advance systems to enhance AML/CFT compliance.

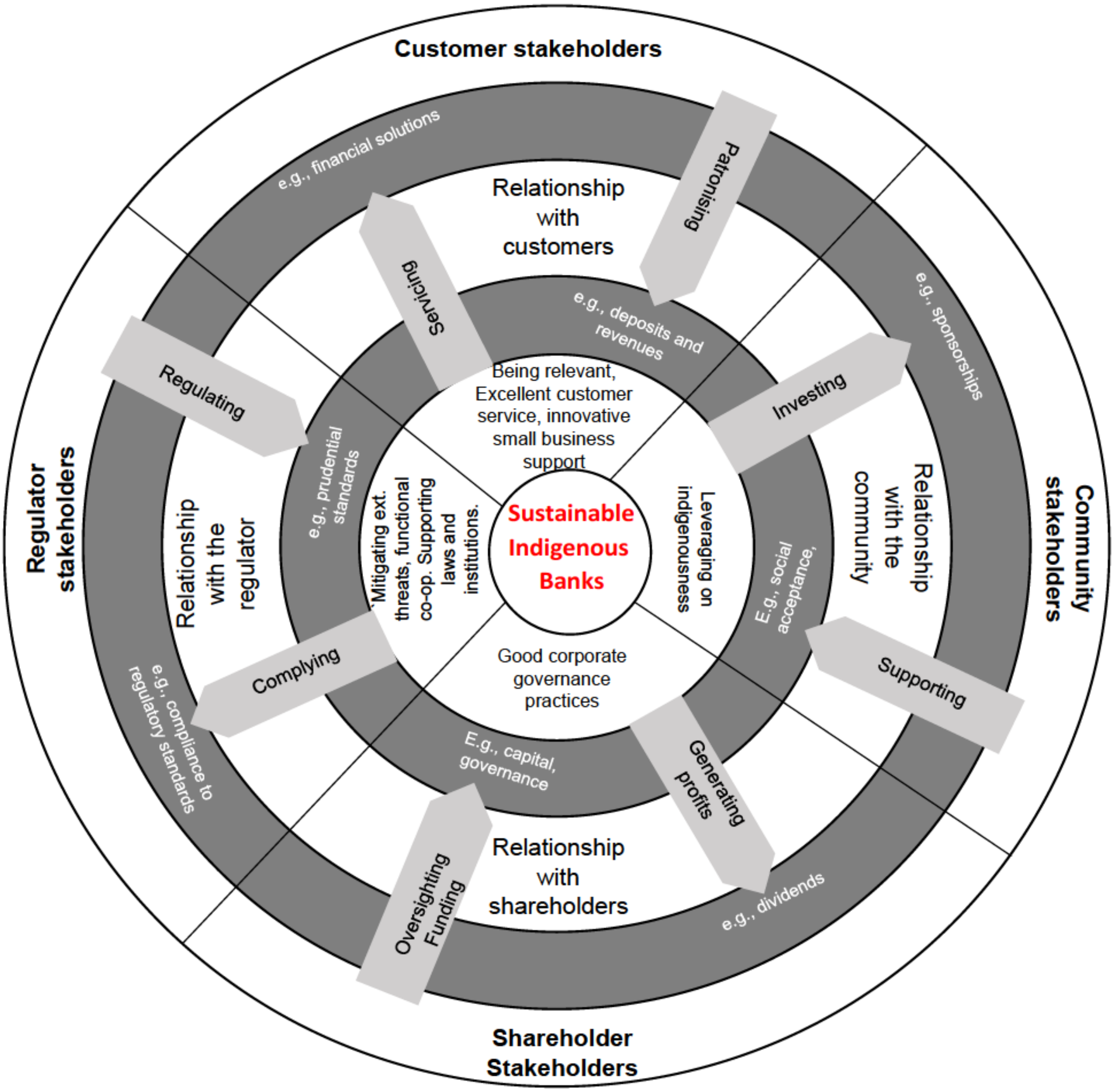
When presented to management participants of the indigenous banks, it was accepted that the loss of CBR can significantly threaten the long-term sustainability of the banks. In their view, without a CBR, the indigenous banks would be reduced to the level of a credit union or a building society. Their understanding of the drivers of the loss of CBR was also consistent with the findings of studies by Alleyne et al. (2017) and Wright et al., (2019). Srinivasan et al. (2017) offer several suggestions to the management of the indigenous banks to minimise the risk of losing CBR. This include maintaining fewer CBR to allow for volumes and economies of scale or alternatively bundling CBR with other products and services to increase the profitability of the relationship to the corresponding banks, merger of the small indigenous banks which would also allow increased volumes in any CBR, and finally explore technological innovations such as blockchain to provide an alternative means of processing cross border transactions.

The Financial Stability Report (2018) issued by the ECCB highlights another external threat, that of cyber security. Although not mentioned by participants, after the completion of the field work of this study, public releases from one of the largest indigenous banks in the ECCU point to the occurrence of a major cyber-attack on the bank’s information system that forced the suspension of services for several days. While the extent of the damage is not known to the public, it reinforces the conclusions of several studies on small community type banks like those in the Eastern Caribbean, that these banks are vulnerable to external threats (Bowe et al., 2014; Di Vittorio et al., 2017).

5.4 A conceptual framework

A conceptual framework to help sustain indigenous banks in the ECCU is one of the key outcomes of this study. Jabareen (2009) defines a conceptual framework as a network of concepts that is developed through a qualitative analysis process, which provides a complete understanding of the working of a phenomenon. This framework, as seen in Figure 3 below, depicts the reciprocal relationship between the key external stakeholders and the indigenous banks and how managing perceptions and satisfying expectations of key external stakeholders can lead to the long-term sustainability of these banks. From the review of the literature and the analysis of the data from the findings of the research, ample evidence is provided to support the proposition that a relationship exists between long-term sustainability and stakeholder satisfaction.

Figure 3 Conceptual Framework on Sustainability of the Indigenous Banks in the ECCU



Source: Adopted from Freudenreich et al. (2020)

The overarching theme in the framework is that there is a reciprocating engagement between the banks and their key external stakeholders. The framework advocates that success of the indigenous banks is dependent on the relationship between the banks and their stakeholders and the resulting values that reciprocate. The four key external stakeholder groups; customers, shareholders, regulator, and the community, are each represented by a dimension on the framework. The mutual dependencies between the banks and the external stakeholders are represented by arrows that point in the opposite direction. The relationship between each stakeholder group and the banks is different but critical to long term sustainability. At the centre of the framework lies the indigenous banks which are enclosed by the expectations and perceptions of the key external stakeholders.

As outlined by Freudenreich et al. (2020) the circular shape of the framework demonstrates the importance of the multiple reciprocal value flows. The loyalty and commitment of stakeholders as they continue to patronise the services provided by the indigenous banks, provide the capital and deposits to finance the operations, provide the regulatory and governance oversight, and the stable and supportive operating environment that is conductive to the growth and development. This will only be attained to its fullest when stakeholders perceive that their expectations and perceptions are met. These expectations and perceptions, as identified by this study, include the need for good governance practices by the banks, providing excellent customer service, remaining relevant to customers, more innovative ways of providing support for small businesses, leveraging more on the indigenous identity of the banks, a more supportive legal framework and institutions, strategies for mitigating external threats, and a strategy for enhancing functional co-operation among indigenous banks in the sub region.

Figure 3 reiterates the earlier argument made in Chapter 3 that, unlike Agency theory with its focus on shareholders, a business is dependent on its primary stakeholder groups to survive. Hence, as stated by Donaldson (1995) there is no prima facie priority of one stakeholder group over another. This is evident in the figure where all stakeholder relationships are depicted in the same size and shape, is equidistant to the bank in the middle, and the arrows between the bank and its stakeholders point in both directions. However, this does not rule out the fact that there can be tension among the priorities of different stakeholders. It can be argued that providing more corporate sponsorship or spending more to enhance customer service means less is available for distribution to shareholders in the form of dividends. The opposite argument can also hold true. This challenge of satisfying what appears to be conflicting demands from various stakeholder groups was also recognised by Driessen & Hillebrand (2013). However, the key takeaway from the model is that the long-term sustainability of the indigenous banks is dependent on meeting the expectations and managing the perceptions of all the primary stakeholder groups. Each primary stakeholder group plays a key role in that process and hence cannot be ignored by management.

A key feature of the framework is interoperability. While it was developed to provide a blueprint for sustaining a group of locally owned and controlled banks in the ECCU, it is of relevance to organisation settings with similar features and challenges. The framework identifies the interactions between the key stakeholders and the business. The extent to which their expectations are met will determine their commitment to continue participating with the organisation. These principles can be transposed and applied to other business sectors. Organisations that are of national and strategic importance, particularly in the context of small island developing states, and provide public goods and services are prime candidates.

This conceptual framework is intended to help managers understand the key issues and players in the sustainability of the indigenous banks. Freeman et al. (2004) argue that stakeholder theory is managerial in that it reflects and directs how managers should operate as articulated in two core questions; what the purpose of the firm is and what are managers responsibilities to the stakeholders. The answers to both will create benefits to the firm and its stakeholder (also, Freeman, 1994). The conclusion of the conceptual framework is that the long-term sustainability of the indigenous banks in the ECCU is dependent on a constructive and participatory two-way relationship between the banks and their key external stakeholders, customers, the community, shareholders, and regulators.

The representations in the framework reflect the focus of the study which is limited to the views of key external stakeholders. Hence, an expansion of the scope of this study to include other key stakeholders such as employees, would have necessitated the inclusion of additional dimensions in the model.

5.5 Summary

This penultimate chapter in this study has presented a discussion on the findings from both the interviews of key external stakeholders and the documents analysed. In the context of the research objectives and the findings of related studies, the discussion commenced with the argument that the indigenous banks are important to the social and economic livelihood of the people of the Eastern Caribbean. However, these banks are vulnerable and so the second theme discussed was the concept of sustainability through the satisfaction of the expectations of key external stakeholders. Following this, the remaining eight themes discussed focused on the major factors that key external stakeholders believe are critical the long-term sustainability of the indigenous banks in the ECCU, and management challenges in fulfilling those expectations. The chapter culminates with a conceptual framework which encapsulates the ideas and suggestions arising from the findings. It is a conceptual guide on how sustainability of the indigenous banks can be achieved.

The discussions in this chapter set the stage for the final chapter which will summarise the study, its limitations, identify possible areas for future research and recommendations, based on key stakeholders' perspectives, on ways to enhance the long-term sustainability of the indigenous banks in the ECCU.

Chapter 6: Conclusion

6.1 Introduction

This chapter concludes the study on the sustainability of the indigenous banking sector in the ECCU. A sector that the research has shown is important to the livelihood of the people and economies of the region. However, their vulnerabilities and the implications for their demise require a deliberate intervention by those entrusted with the governance, management, and setting of policies that affect these banks. Therefore, through the eyes of key external stakeholders, the research identified eight major sustaining factors that can play a critical role in achieving the sustainability of these indigenous banks.

The chapter is presented in seven sections. Following the introduction, the aim and objectives of this study will be revisited to determine the extent to which they have been achieved. The chapter continues by examining the contributions of the study to knowledge and professional practice, limitations to the study, and opportunities for future research based on the findings and interest generated. These will be followed by recommendations, which are a synthesis of the findings from the fieldwork and suggestions from the review of the literature. The chapter concludes by restating the argument of this thesis and declaring that the aim has been achieved.

6.2 Achievement of the Research Aim and objectives

The overall aim of this study was to explore the perceptions and expectations of key external stakeholders on the sustainability of indigenous banks in the ECCU. To achieve this aim, the following objectives were set:

1. To assess the importance of indigenous banks to the people and economies of the Eastern Caribbean

2. To examine the relationship between the sustainability of the indigenous banks and the perceptions and expectations of key external stakeholders.

3. To explore the views of key external stakeholders on the critical factors affecting the sustainability of indigenous banking.

4. To examine managements' responses and their challenges in meeting the expectations and managing the perceptions of key external stakeholders on the sustainability of the indigenous banking sector in the ECCU.

5. To propose a conceptual framework to assist with the development of a more sustainable indigenous banking sector in the ECCU.

To achieve the aim of this study, an extensive review of the literature was done. The review examined the literature on indigenous banking in the Caribbean and other developing and developed countries. Stakeholder theory was also examined and determined to be the most appropriate for the research topic. Following the literature review, a qualitative study of two indigenous banks was used to collect data on the perceptions and expectations of key external stakeholders on the sustainability of the indigenous banks. Semi-structured interviews were utilised.

Both the review of the literature and the findings from the data collected revealed the importance of indigenous banks to the people and economies of the Eastern Caribbean. This was the first objective of the study and was embodied in theme one, which was discussed in the prior chapter. The indigenous banks in the ECCU are iconic financial institutions that make significant social and economic contributions to the region. These include democratising the access to finance to a wide cross section of people in society, allowing more individuals to be part of the formal intermediation process. In addition to facilitating more access to finance for individuals to buy their homes or educate themselves and their children, another key contribution of these banks is their financing of small businesses which is critical to the growth and development of the local economies. Being major corporate sponsors, as is evidenced in their support for the various sporting, educational, cultural, and other community-based initiatives, is also a key contribution of the indigenous banks.

The second theme that emerged from the study confirmed the relation between managing the perception and satisfying the expectations of key external stakeholders and the sustainability of the banks. This fulfilled the second objective of the study and was demonstrated through stakeholder theory and the opinions proffered by several participants in this study on the sustainability of these indigenous institutions. The conclusion is that the continuing survival of the indigenous banks is dependent on the banks' ability to effectively manage the perceptions and satisfy the expectations of their key stakeholders; customers, shareholders, the regulator, and the communities where the banks operate.

The third research objective, which was to explore the views of key external stakeholders on the critical factors affecting the sustainability of the indigenous banks, was satisfied through the remaining eight themes discussed in Chapter 5. From the semi structured interviews conducted, participants identified good corporate governance practices, remaining relevant to customers, exceptional customer service, more support for small businesses, leveraging more on their indigenous identity, consolidation or some form of functional cooperation, a more supporting legal framework and institutions, and developing capacity and or strategies to manage external threats, as key imperatives that the banks must give greater attention to ensure their long term survival.

To satisfy the fourth objective, these factors were then presented to senior management of the sample banks to get their perspective on the challenges in managing the perceptions and meeting the expectations of the external stakeholders. Some of the challenges were consistent with the views expressed by the external participants. Management also indicated that there were challenges relating to the political, economic, and social environments in which the banks operate.

Finally, a visually constructed conceptual framework was presented at the end of Chapter 5. This was the fifth objective of the study. The framework demonstrates that stakeholders would be loyal and committed to the banks once they perceived that their expectations are being met. Loyalty will lead to continuing patronage. This, along with implementing some key imperatives suggested by participants will contribute to the long- term sustainability of the banks.

6.3 Contribution to Knowledge

This study on the sustainability of indigenous banks in small developing islands in the Caribbean from a stakeholder perspective breaks new ground in the field of academic research. As substantiated in the literature, several gaps were identified. Foremost is the dearth of published academic research on indigenous banking in the Eastern Caribbean. While there are several studies such as Birchwood (2003), Persaud (2006), Teelucksingh (2014) and Wai (2010), they provided more of a historic socio-economic account of indigenous banking in the larger Anglophonic Caribbean islands such as Jamaica, and Trinidad and Tobago. This study fills a gap in the literature by focusing on indigenous or community-type banks in small island economies, from the perspectives of key external stakeholders who are affected by or can affect these institutions.

While several aspects of the findings are consistent with some themes on the sustainability of business corporations in the available literature, the emergent themes in this study provide new insights on the role of external stakeholders on the sustainability of institutions that are of national importance to relatively small island state economies such as those in the ECCU. The knowledge gained focused on the key perceptions and expectations of the external stakeholders that the indigenous banks must satisfy to ensure their long-term survival. This was summarised in a conceptual framework presented, which can be utilised to promote the sustainability of other sectors or industries, such as insurance and regional air transport, operating in a similar context to the indigenous banks. This is new as no other study was available that took a qualitative approach to sustainability from the perspective of key external stakeholders, and considered key areas such as governance, customer service, and national policies.

This new knowledge, therefore, adds to the wider body of literature in several areas including sustainability of industries that are deemed to be of importance to small developing states like the Caribbean, the significance and contribution of indigenous banks to the people and economies of the Anglophone Caribbean, and the importance of external stakeholders to the survival of businesses. It also adds to the small but growing collection of academic studies in the Caribbean conducted by individuals with extensive practical experience in the areas that are being researched. The study can therefore be utilised by university students in the Caribbean and the wider world as research materials on Caribbean studies.

6.4 Contribution to professional practice

Contribution to professional practice was expected to be an important outcome of this professional study of Doctor of Business Administration. Therefore, the first major contribution was researching the topic of sustainability of the indigenous banks. This was done in the aftermath of the failure of several indigenous banks and with the prospect of future failing. To avert the potentially disastrous economic consequences of further bank failures, this study presents several recommendations that are targeted at two distinct audiences: those responsible for the management or governance of the indigenous banks, and secondly those responsible for making and implementing policies that directly and indirectly affect the banking sector such as the regulator and governments in the ECCU.

The recommendations presented provide those entrusted with the management and governance of the indigenous banks with some clear guidelines on the critical areas that they must focus on to enhance the operation and financial performance of these banks. The external perspectives which were validated by two experienced management personnel add to the strength and objectivity of the recommendations.

For the regulator and governments who are responsible for supervising and setting policies to regulate these banks, the recommendations are timely and relevant. Their experience dealing with the recently failed banks, having to guarantee depositors' funds, the recommendations, particularly on the consolidation of the indigenous banks, are instructive. It will help them to redefine and strengthen their policy approach to deal with challenges faced by the indigenous banking sector in the Eastern Caribbean.

Contribution to professional practice will ultimately be achieved by making the findings available to the targeted audience. An executive summary of the thesis will be submitted to the senior managers and directors of the indigenous banks, the regulator, and senior government personnel in the Ministries of Finance. The researcher will also capitalise on opportunities to present the findings of the research at conferences and seminars.

6.5 Limitations of the Study

Guided by a social constructivist research paradigm, a qualitative methodology was adopted to achieve the aim of this study. While this approach is well suited to the explorative nature of this study, the level of subjectivity involved in the research process leaves the design open to criticism. Purposive sampling, with its relatively small sample size, selected on some subjective criteria rather than random techniques, was used to identify both the sample banks and the participants. The findings from the study also reflect the subjective opinions of the participants on which conclusions were drawn. As a result, care must be taken with any attempt to generalise the findings to other research settings that are markedly different to the average size of both the indigenous banks and the economies they operate in, the culture and operating environment in the ECCU.

Another limitation was the fact that the study focused on the views of key external stakeholders. It was not intended to gather the views of all the possible stakeholder groups. However, the absence of the views of other stakeholders such as employees of the indigenous banks, an internal stakeholder group with insightful perspectives on many of the issues raised, means that the recommendations from the study lack the collective perspective of all stakeholder groups.

The criticism above can be extended further by questioning whether examining sustainability, through a stakeholder perspective, is sufficient to identify all the major factors that can contribute to the long-term survival of these banks. Studies on the survival of any organisation or industry can be multi-dimensional and hence the result of this study provides a perspective but is by no means the only perspective. The recommendations from the study are therefore not a panacea for all indigenous banks.

6.6 Future Research

From the findings of the literature review, it is evident that there is very limited peer-review academic research on the banking sector in the Caribbean. This provides opportunities for further research examining the sector from several other perspectives. A broader approach can be taken by looking at the sustainability of indigenous banks in the wider Caribbean. This should incorporate the indigenous banking sector in the larger islands such as Trinidad and Tobago, and Jamaica which have a rich and long tradition of indigenous banking.

An alternative approach to the study of the sustainability of the indigenous banks is through a quantitative study using a comparative analysis of financial trends. Such a study can also take a sample study approach where a carefully selected sample comprising of strong performing and weaker banks based on established industry and regulatory standards. Such a study should seek to identify the features associated with both weak and strong banks, the analysis of which can contribute to recommendations for bank management and policymakers to implement to ensure their long-term sustainability.

6.7 Recommendations

This qualitative study on the indigenous banking sector in the Eastern Caribbean was very insightful. Arising from the study, several imperatives were identified by participants which they believe are critical for the long-term sustainability of the indigenous banks in the ECCU. These imperatives are summarised into three proposed recommendations that, if implemented, will help to promote strong and stable indigenous banks in the region.

6.7.1 Recommendation one: A comprehensive regional strategic policy framework on banking in the sub region

The findings from this study have shown that indigenous banks make significant contributions to the social and economic development of the region. However, they are vulnerable, and their demise can have major negative consequences for the entire ECCU. Some of the contributing factors affecting their vulnerability relate to the macro-economic, business, political, and legal environments in which these banks operate. Hence, the first recommendation is for a comprehensive banking policy framework to be agreed on at a regional level by the participating governments of the islands that comprise the ECCU. The objective of this policy framework is to create an enabling environment for indigenous banks to grow and survive. This should be developed after extensive consultation with the various stakeholders and other interest groups to ensure widespread acceptance. Among other things, this policy framework should provide clarity and focus on a national strategy with regards to banking such as the role and position that indigenous banks should play in the region, the consolidation and ownership structure of indigenous banks and the required supporting laws and institutions.

The first component of the framework should be a clearly stated policy position on the role and importance of the indigenous banks to the economic and social development of the Eastern Caribbean. There should be a bold declaration that the banking system in the ECCU should be dominated by locally owned and controlled banks. In this regard, regulation on the entrance and exit of regional and foreign banks should be strengthened that will prevent the emergence of domineering non-local banks on any of the islands. At the same time, the policy position should recognise the strategic importance of allowing international and regional banks to play a limited role in the domestic banking sector. This is a contingency to ensure that international settlements are not disrupted due to unexpected loss of CBR by the indigenous banks.

The second component of the framework should address the issue of consolidation of the indigenous banks in the ECCU. As indicated from the findings of this study, there is little appetite and interest for a single consolidated indigenous bank in the ECCU. However, the risks affecting the sustainability of the relatively small banks operating on individual islands remain. These include lack of economies of scale and relatively low profitability which can affect their long-term survival. Therefore, the policy framework must propose strategic options for the consolidation of the indigenous banks. This can vary from having a few larger consolidated banks to arrangements where the banks operate shared service centres which can result in a reduction in the operating cost of each bank. However, comprehensive due diligence and assessment should be done to arrive at a feasible model. Considerations should also be given to the idiosyncrasies of the region associated with the history, economics, customs, and way of life of the people. In other words, it must be uniquely adapted for the region and not a model imported or imposed from outside of the region.

Thirdly, the policy framework should address the role of governments in banking in the ECCU. As evident in the findings of this study, the governments of the islands that comprise the ECCU play a dual role of regulator by their control of the Monetary Council that oversees the ECCB, and at the same time are major shareholders of several of the indigenous banks in the ECCU. The governments should focus on their role of being facilitators for the smooth and efficient operation of the banking system. Enacting appropriate foreclosure legislation and other fiscal measures to promote an efficient banking system should be their priority. There should also be clear limits on the ownership stake of individual governments in any single bank, and hence a strategy should be articulated for the divestment of government ownership to the public. This will alleviate the perception of a conflict of interest where governments are involved in the regulation of banks in which they are major shareholders. More importantly, though, the divestment of governments' interests in these banks will remove what some participants believe is the primary obstacle to the consolidation of the indigenous banks. In addition, less government involvement in the ownership of the banks would contribute to better governance practices as it reduces the possibility of individuals being elected to the board of directors based on their political connection rather than the skills and experiences they bring.

The feasibility and acceptability of this recommendation is not void of any contention. While this policy framework will provide clear direction on matters such as consolidation and the role of governments in banking, it is a political matter. With eight governments comprising the ECCU, each with its distinct political agenda and constituents to serve, this proposal requires the full-hearted support of all the governments to succeed. Buy-in by the public is also very important as they may have the deciding vote ultimately on any major policy position of the governments. The ECCB and the Monetary Council, along with the support of influential international bodies such as the World Bank and IMF, may be required to play key roles in directing and funding the technical studies required to implement some of the components of this recommendation, and the impetus to make these happen.

6.7.2 Recommendation two: Corporate Governance Framework

The second recommendation arising from this study is the need for indigenous banks to develop or enhance their existing corporate governance frameworks. The findings from the study reveal that there are challenges concerning corporate governance practices at the indigenous banks. In particular, the need for individuals who are appointed to the board of directors of these banks to have the requisite skills and experience to perform their roles. The study also shows that there is a strong relationship between good governance practice and bank performance. Council (2003) posits that good corporate governance practices impact management, stewardship, public engagement, performance, service levels, and ultimately an organisation's financial performance. Therefore, a robust governance framework is needed to guide the governance practices at the banks, which will mitigate the associated risks identified earlier in this study.

The framework must be principle-based. Several authoritative documents on corporate governance practices can be referred to when developing or enhancing the framework. These include the Prudential Guideline on Corporate Governance issued by the ECCB, Corporate Governance Principles for Bank issued by the Basel Committee on Banking Supervision, the UK's Cadbury Report of 1992, and the USA's

Sarbanes-Oxley Act of 2002. This approach will minimise the cost of developing the document.

To be effective, the framework should guide the following key areas:

1. The functioning of the board of directors which must include:
   i. Board structure, procedure, and composition including the establishment of relevant sub-committees, particularly nomination, audit, and governance committees.
   ii. Directors' responsibilities, duties, required qualifications and skill set, orientation, and ongoing training.
   iii. The leadership responsibilities of the chairman and the supporting role of the corporate secretary.
   iv. The independent functioning of the board including clear demarcation of responsibilities between management and the board.

2. Shareholder relationship. This must spell out the rights and obligations of shareholders including access to timely and relevant information, the various fora that will be provided for shareholders' participation, and a clear dividend policy.

3. Transparency in governance. This must cover matters of fair disclosure to the public on the performance of the banks and their governance practices. This should include information on the share ownership and compensation of directors and senior management and a balanced and fair narration of the performance of the bank with realistic expectations for the immediate future.

This should be reported to stakeholders ideally quarterly, but at least on a semi-annual basis.

4. The Board's responsibility towards the senior management team. This includes the appointment of all senior management personnel, particularly the CEO, with the required competence, integrity, and experience; succession planning, annual remunerations review; challenging management decisions and assumptions; and the ongoing review of the senior management team.

5. The roles and responsibilities of internal and external auditors and the regulator in the governance process. As indicated by the Cadbury report, the annual audit is one of the cornerstones of good governance. Hence, the banks should have a proper framework to foster objectivity and effectiveness in both the internal and external auditing processes in the Bank.

While the proposed framework seeks to codify best practices in good governance, which will ultimately promote the long-term stability of the indigenous banks, corporate governance cannot be reduced to a set of rules. As suggested by Council (2003), good governance should flow from a shared culture or ethos in addition to the requisite systems and structures. Also, to create accountability and ensure effectiveness, the framework should be subjected to a periodic, independent audit or examination either by the regulator or a professional consulting firm. It is also recommended that a survey of stakeholders should be conducted annually to assess their perception of the effectiveness of the implementation of the components of the governance framework. The results of both the audit and the annual survey should be incorporated in the published Annual Report thereby accessible to all stakeholders.

Enhancing an existing corporate governance framework or developing such a document from inception is quite feasible. With the assistance of an external consultant or through internal resources at the banks, the authoritative documents on corporate governance mentioned earlier in the chapter should guide the process and be the minimum standards for the framework. The challenge, however, is the motivation and commitment of the various boards and senior management to not only assigning or allocating resources to craft the framework, but more importantly following wholeheartedly the principles laid out in the document. Therefore, in the spirit of good corporate governance, the board of directors of indigenous banks must lead in enhancing the governance practices at the banks. This starts with ensuring that the mission and goals of the banks take priority over that of the individual directors, managers, or major shareholders. The experience over the years has proven that this has not always held true and therefore to enhance governance practices in the indigenous banks would require a culture shift supported by strong regulatory enforcement.

6.7.3 Recommendation three: Customer centric strategy

Creating sustainable indigenous banks through customer-centricity is not an incidental outcome. Rather, this requires a deliberate and methodological approach that will put customers at the forefront of all aspects of the banks' activities resulting in an experience for the customers that motivate them to patronise the banks more. From the findings of the study, it can be concluded that there is insufficient focus on the customers of the banks which can jeapordise their long-term survival. Therefore, to correct that perceived deficiency, indigenous banks should develop a comprehensive customer-centric strategy that among other things, must have the following at its core: a marketing strategy that leverages more on the indigenous identity of the banks; better utilisation of customer data to inform the development of products and services; the realignment of the organisational structures, processes, policies, and practices to focus on the delivery of excellent customer service; and finally more investment in technology to enhance the efficiency of the delivery of products and services to the customers.

The first area of focus should be leveraging more on the strengths of the banks to gain a comparative advantage. This is consistent with the findings of Adebayo & Olalekan, (2012) whose study affirms that for a bank to survive, it needs to maximise its comparative advantage by promoting its uniqueness in the areas it does well. Based on the current study, the strength of the indigenous banks is their indigenous identity and how that influences the expectations of customers. The marketing activities of the banks must focus on preserving and promoting the banks and their mission without attempting to resemble competing entities. Getting more mileage for the promotional activities of the banks, and a greater focus on the younger generation are also important considerations.

A second component of the strategy should be a more strategic and innovative approach for the management of data on customers' behaviours and interactions with the banks. The objective is to create a greater degree of agility and responsiveness in satisfying customers' needs. The banks must therefore identify and use a plurality of sources such as data analytics to provide insights on customers' perceptions and expectations. There must be systems in place to facilitate timely communication of the information obtained on customers' behaviours to decision-makers to allow proactive and corrective actions.

Another aspect of the customer-centric strategy is the alignment of the banks' structures, processes, and systems to focus more on meeting or exceeding customers' expectations for excellent customer service. Integral to this is the development of policies and procedures whose foremost intent is promoting excellent customer service delivery rather than primarily about building internal control, which when overdone retards service delivery. Aligning the human resource practices to the proposed customer-centric strategy is also required. This is to ensure that the banks can attract, identify, and recruit individuals with a passion for delivering excellent customer service. To achieve this, emphasis must be placed on the following:

1. Aligning the remuneration systems of the banks to promote a customer-centric culture. This system must promote greater recognition and appreciation of front-line or customer interacting staff. Maturity and experience must be some of the essential criteria for customer interacting positions. Compensation schemes should be structured such that employees who consistently demonstrate a high aptitude towards providing superior customer service are properly incentivised; monetary and otherwise.

2. Making sufficient budget allocations for training and developing soft skills, product knowledge, and overall empowerment of frontline staff.

3. Establishing that the main criterion for the recruitment of staff to the banks is a strong aptitude for serving customers, irrespective of the department to which they were initially assigned.

The fourth component of a customer-centric strategy should address the adequacy of amounts allocated in the annual capital budget for investment in technology for enhancing efficiency in the delivery of customer service. This may be a challenge, particularly for the smaller and less profitable indigenous banks who are constrained by the availability of resources for investments. However, the expected impact on customer service delivery should outweigh the cost once the acquisition of technology is properly planned and executed.

Since the indigenous banks may be at various stages of development in becoming more customer-centric organisations, for some, the additional work required to reach that goal may not be a quantum leap. Adopting a strategic framework will provide a structure, discipline, and guide to the various customer-centric activities and initiatives being conducted and those to be considered in the future. It, therefore, offers a more cost-efficient way of attaining that goal, which should be welcome news for the management of those banks. However, in the final analysis, the effectiveness of the suggested approach is dependent on customers' perceptions and expectations about customer service. Hence, this should be gauged from periodic customer feedback which can be obtained by conducting customers surveys.

However, despite the advantages to the banks of having a comprehensive customer-centric strategy, there are potential challenges in successfully implementing the same. The recommended strategy will affect several distinct functions within the banks including Human Resources, Marketing, and Operations. This, therefore, requires a collaborative effort taking a unified view of the organisation which ordinarily is a challenging proposition. In addition, transitioning to a customer-centric organisation may require a culture change that can span over several years. There must be buy-in at all levels of staff within the banks. During that period inertia can step in unless there is a strong commitment and focus by those responsible for implementing the changes. These potential challenges are manageable. However, if left unchecked, they can easily prevent the banks from achieving their goals.

6.8 Conclusion

The underlying argument of this thesis is that while indigenous banks in the ECCU are important to the economic and social livelihood of the people and economies of the ECCU, their sustainability, as observed through the history of indigenous banking in the region, is often under threat. Being responsive to the perceptions and expectations of key external stakeholders can contribute to the long-term survival of these institutions. Through the lens of stakeholder theory and adopting a qualitative design methodology, a conceptual model is presented which summaries some of the key areas that the banks must focus on. Based on the limitations of the study as already outlined, this should by no means be the sole area of focus. Several other possible areas for research are recommended which can complement the findings from this study. Nevertheless, the research undertaken has achieved its aim of exploring the perceptions and expectations of key external stakeholders on the sustainability of the indigenous banks in the ECCU.

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Appendices

Appendix 1. Interview Guide/ Protocol

1. Introduce oneself to the interviewee and thank them for participating.
2. Explain the nature of the study including the research topic, aim and objectives.
3. Discuss the consent form which was previously submitted to interviewees, answering any concerns or questions and ensure that participants indicate their understanding of their role in the study.
4. Remind participant to submit a signed copy of consent form where the signed document was not received prior to the interview.
5. Advise interviewee that the interview will be recorded. Explain the reason for this and get their consent.
6. Ensure that the recording features are activated on the device or medium to be used.
7. Allow the interviewee to introduce himself/herself and state organisation and position held.
8. Begin the interview starting with question one through to the final question.

Appendix 2. Interview questions- customers

Research Objectives	Interview questions (Grounded in the research objectives)
Introductory questions (Building rapport and putting interviewee at ease) (2 questions)	Approximately, how long have you been a customer of (name bank)? Are you also a shareholder of the bank? Why or why not?
Research Objective # 1 To assess the importance of Importance of indigenous banks to the people and economies of Eastern Caribbean. (4 questions)	Why have you chosen this bank and not one of the branches of a foreign or regional bank? Can you tell me anything about the history of this? (name) bank or indigenous bank in the ECCU? Please tell me how the services provided by this bank is important to you? Please tell me how the services provided by this bank is important to the local economy?
Research Objective #2 To ascertain the views of key external stakeholders on the critical factors affecting the sustainability of indigenous banking. 8 questions	As a customer, what are the main expectations of your bank? How do you interact with the bank? How satisfied are you with the services and products offered by your bank? Is there a need to improve the services and products offered by your bank? If yes, how?

	How was your answer above informed by your most recent experience with the bank? Based on your satisfaction with the bank, will you continue to be a customer in the foreseeable future? Will you recommend your bank to other people? Why or why not? Can you indicate any other concerns you may have with your bank?
Research objective 3 To examine the relationship between the sustainability of the indigenous banks and the perception and expectation of key external stakeholders. 3 questions	In what ways do you think meeting your expectations can contribute to future growth and development of the bank? Do you believe that there is a future for indigenous banks in the Eastern Caribbean? Please explain. How can indigenous banks compete more effectively with foreign and large regional banks?

Appendix 3. Interview questions- Community Activist

Research objectives	Interview questions (Grounded in the research objectives).
Introductory questions (Building rapport and putting interviewee at ease) (2 questions)	Please tell me about your involvement in the local community. Are you also a customer or shareholder of an indigenous bank? Why or why not?
Research Objective # 1 To assess the importance of Importance of indigenous banks to the people and economies of Eastern Caribbean. 5 questions	Can you tell me anything about the history of (name) bank or indigenous banks in the ECCU? In your views, how important are these banks to the communities they serve? What would you say is the overall role of indigenous banks? Do you think that the role played by indigenous banks can be done by the branches of foreign or regional banks? What will be the consequences if these banks no longer have a presence in the local communities?
Research Objective #2 To ascertain the views of key external stakeholders on the critical factors affecting the sustainability of indigenous banking.	What are the main expectations of the communities of indigenous banks? To what extent are indigenous banks meeting these expectations? To what extent are indigenous banks ethical in their dealings with the community at large?

7 questions	Can you please provide examples that support your views on the questions above? To what extent are indigenous banks socially responsibility to their local communities? Please provide examples of some behaviours of these banks that demonstrate their commitment to be socially responsible citizens. In what other ways can indigenous banks make a more meaningful contribution to the community they serve?
Objective 3 To examine the relationship between the sustainability of the indigenous banks and the perception and expectation of key external stakeholders. 4 questions	In what ways do you think that meeting the needs of the community contributes to the long- term sustainability of these banks? How critical is it for indigenous banks to be ethical and socially responsible? Do you believe that there is a future for indigenous banks in the region? Please explain. How can indigenous banks compete more effectively with foreign and large regional banks?

Appendix 4. Interview questions - Shareholders

Research objectives	Interview questions (Grounded in research objectives)
Introductory questions (Building rapport and putting interviewee at ease) 2 questions	Please tell me how long have been a shareholder of the bank? Are you also a customer of the bank? Why or why not?
Research Objective # 1 To assess the importance of Importance of indigenous banks to the people and economies of Eastern Caribbean. 4 questions	Can you tell me anything about the history of this bank or indigenous bank in the ECCU? What motivated you to be a shareholder of the bank? As a shareholder, what would you say are the roles of indigenous banks? Do you think that the role played by indigenous banks can be done by the branches of foreign or regional banks?
Research Objective #2 To ascertain the views of key external stakeholders on the critical factors affecting the sustainability of indigenous banking. 6 questions	How satisfied are you with the performance of the bank in recent years? How satisfied are you with the level of returns on your investment in the bank? What measures do you think the bank can take that will improve the return that you can earn on your investment? Do you believe that your investments in the bank are safe.? Please explain.

	What other expectations do you have of your bank? How engaged are you in the governance process of your bank? For example, do you attend and participate in annual general meetings?
Objective 3 To examine the relationship between the sustainability of the indigenous banks and the perception and expectation of key external stakeholders. 2 questions	In what ways do you think providing a satisfactory return on your investment can contribute to the long-term sustainability of these banks? Do you believe that there is a future for indigenous banks in the region? Please explain.

Appendix 5. Interview questions - Regulator

Research objectives	Interview questions (Grounded in the research objectives)
Introductory questions (Building rapport and putting interviewee at ease) 2 questions	How long have you been involved in the regulation of the indigenous banking sector? Do you believe that the pioneers of these banks would be satisfied that the banks have achieved their initial objectives?
Research Objective # 1 To assess the importance of Importance of indigenous banks to the people and economies of Eastern Caribbean. 4 questions	How are indigenous banking impacting the economies of the ECCU? How are indigenous banking impacting the lives of the people of the ECCU? What more can indigenous banks do to have a greater impact on the economies and people of the ECCU? What is unique about indigenous banks relative to the branches of foreign and regional banks that operate in the ECCU.

Research Objective #2 To ascertain the views of key external stakeholders on the critical factors affecting the sustainability of indigenous banking. 4 questions	How would you describe the present regulatory environment in the ECCU? At a macro level, what do you believe are the major factors influencing the performance of indigenous banks? In your view, do you believe that these banks are prudently managing their affairs to the benefit of all stakeholders? Do you believe that that the banking system in the ECCU are relatively sound and able to withstand external shocks?
Objective 3 To examine the relationship between the sustainability of the indigenous banks and the perception and expectation of key external stakeholders. 2 questions	In recent years, the ECCB has advocated for the amalgamation of indigenous banks to ensure the long-term sustainability of this sector. In your view i. What are factors that may have deterred banks from pursuing this initiative? ii. What possible alternative strategies may receive better reception by these banks? Do you think that proactive and prudent risk management by banks will be the key to their long-term sustainability?

Appendix 6 Letter of Invitation to Participate in an interview for a Doctoral Post Graduate Research

October 1st, 2020

Dear Sir,

My name is Aaron Logie, and I am presently pursuing a doctoral research programme with the University of Edinburgh Napier. My experience as a senior accounting and banking professional over the years have spurred by interest in the survival of indigenous banks. My study therefore aims to explore the perceptions and expectations of key stakeholders on the sustainability of indigenous banks in the Eastern Caribbean.

In this regard I would like to interview you to get your perspective as a ----------- on this all- important industry in our region. I would also appreciate if you can make available any relevant document that will support this study.

Due to the impact of Covid 19 pandemic, the interview will be done through skype, phone, or zoom. There may also be a need for a follow-up discussion to further clarify any thought or idea that arose during the interview. Your anonymity will be preserved throughout the research process.

I will be grateful if you reply to me by email or by telephone at [redacted] confirming your willingness to participate and any question or for clarity on any concern you may have regarding the research process.

Thank you in advance for your co-operation.

Aaron Logie

Appendix 7 Consent Form

Dear Sir,

Edinburgh Napier University requires that all individuals who participate in research studies give their written consent to do so. Please read the following and sign it if you agree with what it says.

1. I freely and voluntarily consent to be a participant in the research project on the sustainability of the indigenous banks in the Eastern Caribbean Currency Union (ECCU) to be conducted by Aaron Logie, a doctoral candidate at Edinburgh Napier University.

2. The broad goal of this research study is to explore the challenges facing the indigenous banking sector and to produce workable solutions. Specifically, I have been asked to do an interview which should take no longer than one hour to complete.

3. I have been told that my responses will be anonymised. My name will not be linked with the research materials, and I will not be identified or identifiable in any report subsequently produced by the researcher.

4. I understand that any of my personal data collected will be handled under the principles of Data Protection Legislation. This means by law that the researcher must process, use, and destroy any of my personal data appropriately according to the legislation.

5. I also understand that if at any time during the interview I feel unable or unwilling to continue, I am free to leave. That is, my participation in this study is completely voluntary, and I may withdraw from it without negative consequences. However, after data has been anonymised or after publication of results it will not be possible for my data to be removed as it would be untraceable at this point.

6. In addition, should I not wish to answer any question or questions, I am free to decline.

7. I have been given the opportunity to ask questions regarding the interview and my questions have been answered to my satisfaction.

8. I have read and understood the above and consent to participate in this study. My signature is not a waiver of any legal rights. Furthermore, I understand that I will be able to keep a copy of the informed consent form for my records.

Participant's Signature Date ___________________________________

I have explained and defined in detail the research procedure in which the respondent has consented to participate. Furthermore, I will retain one copy of the informed consent form for my records.

Researcher's Signature Date____Aaron Logie_________________________

Appendix 8 A Six-Phase Approach to Thematic Analysis

Phase 1	Familiarizing Yourself with the Data
Phase 2	Generating Initial Codes
Phase 3	Searching for Themes
Phase 4	Reviewing Potential Themes
Phase 5	Defining and Naming Themes
Phase 6	Producing the Report

Source: Braun & Clarke (2012).

Appendix 9 Definitions

Balance sheet	A financial statement that reports a company's assets, liabilities and shareholders' equity at a specific point in time
Capital	The financial resources or assets contributed by the owners of a business
Deposits	Monies placed into a bank by customers
Equity	Another term for capital which is the contribution of the owners of a business
Impairments	Loans and investments written off.
Millennials	The demographic cohort following Generation X and preceding Generation Z, and in 2022 falls within the age range of 26 to 41.
Non-performing loans	Loans that borrowers have defaulted, having made no payments for at least 90 days
NPL Ratio	Total non- performing loans expressed over the total

	value of the loan portfolio
Omnibus Survey	A quantitative marketing research where data on a wide variety of subjects are collected during the same interview.
Operating Expenses	Cost incurred in the normal course of doing business.
Operating Revenues	Interest Income plus Other Income less Interest Expense

END