

The Role of Legal Compliance and Sound Business Practices in the Sustainability of Rural Banks

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ABSTRACT

This study titled “*The Role of Legal Compliance and Sound Business Practices in the Sustainability of Rural Banks*,” explores the vital connection between adherence to legal standards, ethical operations, and the long-term sustainability of rural banking institutions. The findings revealed that legal compliance among rural banks encompasses multiple dimensions, including strict observance of Bangko Sentral ng Pilipinas (BSP) regulations, maintenance of institutional integrity, adherence to legal certifications, effective reserve management, and the assurance of stability and insurance. Moreover, sound business practices emerged as essential pillars of sustainability, highlighting profitability, growth, market assessment, strategic planning and monitoring, innovative marketing, and the significant influence of leadership styles—whether visionary, autocratic, or supportive—along with financial rewards and employee recognition. Economic themes underscored the banks’ continuous efforts to enhance financial performance through policy adaptation and effective strategies led by motivated and competent officers. Likewise, legal themes emphasized the banks’ identity as good corporate citizens committed to upholding safe, ethical, and sound banking operations. Overall, the study affirms that the sustainability of rural banks is deeply anchored in their unwavering legal compliance, dynamic leadership, and the consistent execution of sound business practices that safeguard both institutional growth and public trust.

Keywords: legal compliance, sound banking practices, sustainability of rural banks

INTRODUCTION

In today’s rapidly transforming financial landscape, the sustainability of rural banks depends greatly on their commitment to legal compliance and the consistent practice of sound business principles. These two elements serve as the backbone of institutional stability, public trust, and economic resilience in the banking sector. According to Gonzales (2025), adherence to legal standards ensures that banks maintain transparency, accountability, and credibility, while sound business practices promote efficiency, profitability, and long-term sustainability. Rural banks, being the cornerstone of countryside development, play a vital role in providing financial access to farmers, small entrepreneurs, and local communities (Yamak, 2015). Their operations, therefore, must be guided by lawful conduct, ethical governance, and prudent management to guarantee not only financial viability but also social and economic impact.

Legal compliance in rural banking involves strict observance of regulatory frameworks set by the Bangko Sentral ng Pilipinas (BSP) and other governing institutions (Tay, 2021). It encompasses compliance with reserve requirements, reporting standards, insurance mandates, and certification protocols that ensure financial soundness and institutional integrity. When banks uphold these standards, they safeguard their stakeholders’ interests and reinforce public confidence. However, as Gonzales (2025) emphasized, sustainability goes beyond mere compliance—it requires the implementation of strategic business practices such as effective planning and monitoring, responsible lending, risk management, leadership development, and customer-oriented innovation. These practices create a strong foundation that allows rural banks to adapt to evolving market conditions while maintaining operational stability.

Moreover, sound business practices rooted in transparency, profitability, and growth are essential in promoting sustainable development in rural economies (Porter & Kramer (2006). Through responsible financial management and visionary leadership, rural banks are able to balance the pursuit of economic gains with the long-term goal of community empowerment. In regions like Zamboanga Del Norte, where rural banking serves as an economic lifeline, the ability of these institutions to integrate legal discipline with effective business strategies determines their capacity to survive in competitive and highly regulated environments.

This study, *The Role of Legal Compliance and Sound Business Practices in the Sustainability of Rural Bank* seeks to analyze how regulatory adherence and well-grounded management practices contribute to the enduring stability, profitability, and credibility of rural banks. By examining these factors, the research aims to provide a deeper understanding of how rural banking institutions can sustain their operations, protect their stakeholders, and foster inclusive financial growth. Ultimately, the study underscores that the future of rural banks rests not only on their financial performance but also on their unwavering commitment to lawful, ethical, and visionary banking practices that ensure their relevance and resilience in the modern financial ecosystem.

Objectives of the Study

1. To examine and categorize the various dimensions of legal practices implemented by rural banks.
2. To explore and classify the diverse sound business practices adopted by rural banks.
3. To analyze and extract the emerging themes that characterize the legal initiatives of rural banks.
4. To identify and interpret the underlying themes that define the economic practices of rural banks.

Review of Related Literature

Legal Compliance on Rural Banks

Legal compliance plays a crucial role in ensuring the stability, integrity, and sustainability of banking institutions. According to Zulfikar et al. (2020), banks that maintain strong regulatory compliance through effective corporate governance—such as independent boards, active audit committees, and transparent oversight—are better able to protect depositors, reduce information asymmetry, and build long-term trust. Similarly, Hasan & Latiff (2009) emphasized that the presence of a compliance monitor strengthens the relationship between banks and supervisory authorities, ensuring adherence to banking laws, anti-money laundering measures, and overall regulatory frameworks. The European Central Bank (2020) also underscored that compliance functions serve as the “second line of defence” for managing regulatory risks, protecting institutions from financial misconduct and reputational harm. Moreover, the study on internal legal compliance culture by Gonzales (2025) highlighted that a well-embedded culture of compliance, reinforced by ethical leadership and organizational trust, not only prevents violations but also enhances employee engagement and operational efficiency. Likewise, the conceptual analysis by Riles (2014) argued that legal compliance in banks carries a unique public-interest dimension, as non-compliance threatens not only private stakeholders but the overall stability of the financial system. Collectively, these studies affirm that legal compliance is not merely a regulatory requirement but a strategic pillar of sustainable banking—safeguarding institutional credibility, promoting ethical governance, and ensuring continued public confidence.

Legal responsibilities of Rural Banks

Crane and Matten (2004) declared that legal responsibilities are the demands for businesses to behave in compliance with current laws and regulatory requirements. Consequently, the legal system promotes enterprises to be socially responsible and expected to obey the rules of society. CSR is referred to as the social license of organizations to operate (Waheed, 2005). It is important to legitimize business operations, particularly in global activities where corporations are accused of practicing soulless capitalism (Hameed, 2010).

According to Ahmed and Ahmad (2011), companies abide by the laws and regulations implemented by the government through paying taxes on schedule, and with the taxes collected; it is also a fair return to the people

through projects that provide jobs and help the well-being of every individual. Thus, companies have legal responsibilities. They will differ depending on the specifics of the company's operations. They must accept these commitments to prevent future problems. Business entails major responsibilities which need to be fulfilled without any compromises.

Sound Business Practices Among Rural Banks

Sound business practices are vital in ensuring the growth, competitiveness, and long-term sustainability of rural banks. Rosima and Apat (2022) emphasized that high-quality service delivery—particularly in assurance, reliability, and responsiveness—serves as a critical business practice that strengthens client trust and loyalty, enabling rural banks to remain competitive in local markets. In a related study, Roslinda (2025) highlighted that while rural banks employ strategies such as cost leadership, differentiation, and focused marketing, true effectiveness lies in the consistent and strategic execution of these approaches. The Rural Bankers Association of the Philippines (2023) also noted that digitalization and inclusive financial practices are becoming central pillars of sound business management, empowering rural banks to expand their reach and relevance in underserved areas. Furthermore, the Bangko Sentral ng Pilipinas (BSP, 2021) found that operational practices, including product innovation, market responsiveness, and strategic branch expansion, significantly influence the profitability and adaptability of rural banks in the countryside. Collectively, these studies reveal that sound business practices—anchored in strategic planning, quality service, innovation, and good governance—are indispensable in driving the sustainability and economic impact of rural banks in the Philippines.

Economic responsibility of Rural banks

According to Crane and Matten (2004), it refers to operating the company as an economically stable unit. This consists of generating profits, providing jobs, and creating products that consumers want. It also involves issues such as shareholder return on investment, fair wages for workers, and quality goods delivered to consumers at fair prices, which society needs. Kitmueller and Shimshack (2012) divulged that in economics, as businesses obtain good profit, they can help create jobs and more jobs for people. Hence, economic obligation entails assurance that there is an economic benefit both to the region from which the purchase came and to the region in which it is marketed. It makes certain if the process is economically fair to everyone and if anyone is being exploited or not.

To exercise economic responsibility is running a firm in such a way that money may be made, as well as responding to investors to secure the company's financial stability and return on invested capital. A business's economic duty is to consider the consumer's viewpoint and satisfy their desires and demands to make a profit. When a company makes money, it also means that the workers make money in the form of bonuses.

Sustainability of Rural Banks

The sustainability of rural banks is increasingly viewed as a multidimensional goal that extends beyond profitability and regulatory compliance. According to Cabaron (2023), rural banks that integrate sustainable banking models—combining environmental responsibility with effective capital and loan-portfolio management—demonstrate stronger financial performance and institutional resilience. However, Cabaron also noted that while social and economic sustainability practices are evident, environmental initiatives remain inconsistent, suggesting the need for a more balanced approach to long-term sustainability. The Rural Bankers Association of the Philippines (2023) further emphasized that embracing digitalization and inclusive financial practices has become essential for sustaining growth and relevance, particularly in rural and underserved communities. Through digital transformation, rural banks strengthen their operational efficiency, expand market reach, and reinforce their role in advancing financial inclusion. Complementing these findings, the Asian Institute of Management (2024) underscored that the sustainability of rural banks depends on aligning governance, risk management, and financial operations with global sustainable finance standards. Collectively, these studies reveal that the sustainability of rural banks hinges on their ability to integrate environmental, social, and economic priorities with innovation, sound governance, and community-centered strategies that ensure their continued viability and developmental impact.

THEORETICAL FRAMEWORK

The primary objective of this study is to look into the various dimensions of legal and economic corporate social responsibility (CSR) practices implemented by rural banks. This study is anchored on interrelated theories that collectively explain how regulatory adherence and effective management practices drive institutional resilience and long-term sustainability. Grounded in the Institutional Theory of Meyer and Rowan (1977)—as reinforced by Gonzales (2025)—the framework posits that organizations must conform to legal, normative, and institutional expectations to gain legitimacy, stability, and survival. In the context of rural banks, compliance with the Bangko Sentral ng Pilipinas (BSP) regulations, risk management standards, and statutory obligations enhances credibility and public trust. Gonzales (2025) emphasized that legal compliance serves as the moral and structural compass of financial institutions, safeguarding their integrity and ensuring accountability to both regulators and stakeholders. Through this theoretical lens, sustainability is achieved when rural banks consistently align their operations and governance practices with institutional frameworks that uphold lawful and ethical conduct.

Supporting this foundation is the Resource-Based View (RBV) Theory of Barney (1991), further expanded by Nelson (2023), which contends that sustainable competitive advantage arises from the effective management and utilization of an organization's internal resources and capabilities. In the context of rural banks, these resources include competent leadership, prudent financial management, strategic planning, and adaptive organizational culture. He found that rural banks employing sound business practices—such as efficient capital management, innovative financial services, and market responsiveness—demonstrate greater operational sustainability and profitability. The RBV perspective highlights that sustainability is not merely regulatory compliance but the outcome of resource optimization and continuous innovation that strengthens institutional adaptability.

Furthermore, the Stakeholder Theory of Freeman (1984), as supported by Roslinda (2025), underscores that the sustainability of any institution depends on its ability to balance the interests of all stakeholders—clients, employees, regulators, and the community. Rural banks, being community-based financial institutions, thrive by promoting transparency, equitable service delivery, and social responsibility. Roslinda (2025) argued that when rural banks integrate legal compliance with stakeholder-centered governance, they not only protect their financial reputation but also reinforce social trust and community engagement, which are vital for long-term sustainability.

Integrating these theoretical perspectives, this study establishes that Institutional Theory ensures legitimacy through legal compliance, Resource-Based View Theory fosters sustainability through internal strength and sound business practices, and Stakeholder Theory promotes ethical and socially responsible governance. Together, these theories provide a powerful foundation explaining that the sustainability of rural banks rests on the dynamic interplay between regulation, resource efficiency, and stakeholder trust—affirming that true institutional endurance is built upon lawful governance, strategic competence, and community-centered responsibility.

METHODOLOGY

This study employed a qualitative case study design to explore the legal and sound banking practices of selected rural banks in Dipolog City. The qualitative approach was deemed appropriate because it enables an in-depth understanding of real-life experiences, processes, and meanings in organizational settings. Through this method, the study compared and contrasted practices across different banks to identify both shared patterns and distinct approaches.

Sampling and Participants. The participants of the study included bank managers, key officers, and bank's customers from there purposively selected rural banks operating in Dipolog City. These banks were chosen based on their demonstrated engagement in legal and sound banking practices since their establishment. Purposive sampling was used to ensure that only institutions with sustained initiatives were included, as they could provide rich, relevant insights into the phenomenon under study.

Data Gathering and Analysis. Data were collected primarily through semi-structured interviews, supplemented by document reviews of the legal and sound banking reports, online publications, and community outreach records. Thematic analysis was conducted using open coding, categorization, and cross-case comparison to identify common themes and differences in legal and economic practices among the participating banks.

Ethical Considerations

Merriam (2009) theorized that ethical dilemmas are likely to emerge in qualitative studies as regards to the collection of data and dissemination of findings. Hence, all throughout in the study, the researcher observed ethical standards such as maintaining high considerations in terms of conducting interviews and observations. The researcher too, refrained from making comments or judgments that could affect the trust, confidence, or views of the participants. The researcher then informed the participants that their involvement should be voluntary, that they would not be obliged to share an experience they find uncomfortable. They were then reminded that they have the liberty to withdraw from the research process anytime they see it fitting.

More importantly, since the study dealt with corporate social responsibility practices among rural banks, they were given assurance that their names and shared experiences would be kept confidential. Because of the emergent and unpredictable nature of the study, research was followed as stated below (Houghton, Casey & Murphy 2010):

Voluntary Participation. The researcher provided the participants with all relevant information with all honesty- including the benefits and risks of participating in the study. None of the participants was forced to participate in the study. Upon agreement, they were asked to sign the participant's consent form that included all the details about the study. They were informed that in the event they could withdraw from the study while it is on-going and those they could be permitted to do so without hesitation. Only then, that they were included as participants after signing the participant consent form.

Privacy and confidentiality. In this study, the researcher made sure that the privacy of the participants and the confidentiality of the information they shared were protected. Subjects in this study were given a name code to ensure anonymity. All original field notes, including recorded interviews, transcriptions, and essay responses were kept for security purposes and deleted after the research is successfully done.

Research Settings

The three participating rural banks are situated in Dipolog City, the capital of Zamboanga del Norte, located in the southern part of Mindanao, Philippines. Dipolog serves as the province's economic and administrative center, known for its flourishing fishing industry, particularly sardine production, and its natural abundance of wild orchids. Historically, the National Statistics Coordination Board (NSCB, 2006) recognized Dipolog as the wealthiest city per capita in the Zamboanga Peninsula, reflecting its robust local economy and strategic development.

A key factor contributing to Dipolog's sustained economic growth is its high accessibility and connectivity through its airport, seaport, and the Roll-on/Roll-off (RoRo) transport system, which facilitate efficient trade and mobility. The city's major industries and products include coconut, rice, corn, bottled and processed sardines, fresh seafood, and nito handicrafts, which continue to support both livelihood and commerce. Moreover, Dipolog's vibrant cultural identity is highlighted by the annual Pagsalabuk Festival, a celebration symbolizing friendship, peace, prosperity, and unity among its diverse communities—values that align closely with the spirit of corporate social responsibility observed among its local institutions, including rural banks.

Research Respondents

Based on the initial screening conducted through interviews and direct observations, it was determined that the banks under study are in operations for more than 5 years already and consistently practiced legal and economic CSR initiatives since their establishment. The three identified rural banks met this criterion, as their

practices are well-documented in their institutional histories available on their official websites. These banks were founded with the vision of helping people and communities, thus integrating both minor and major legal and sound banking practices that contribute significantly to the sustainability of the business.

The study's respondents were categorized into three groups: management officers, bank employees, and bank clients. Specifically, three (3) management officers were chosen, complemented by fifteen (15) employees and fifteen (15) clients, resulting in a total of thirty-three (33) participants. To ensure credible and insightful responses, bank employees with longer years of service were prioritized, while clients with consistently renewed loans were included as participants. This sampling ensured that all respondents possessed substantial experience and familiarity with the bank's legal and sound banking initiatives. For clarity and systematic presentation of findings, participants were coded according to their group and respective banks. Top management officers were coded as *Participants 1* (1-A for Bank 1, 1-B for Bank 2, and 1-C for Bank 3). Employees were identified as *Participants 2*, subdivided into 2-A to 2-E (Bank 1), 2-F to 2-J (Bank 2), and 2-K to 2-O (Bank 3). Clients were labeled as *Participants 3*, ranging from 3-A to 3-E (Bank 1), 3-F to 3-J (Bank 2), and 3-K to 3-O (Bank 3). This coding system was adopted to avoid confusion in data analysis and presentation. Furthermore, it is important to note that all bank employees interviewed were drawn from the same branch, ensuring consistency in the contextual understanding of the legal and sound banking implementation within each banking institution.

RESULTS AND DISCUSSIONS

BANK 1

Sound Banking Practices. The bank practices a diminishing type of loan system, which is also called reducing balance interest rate. When the principal amount decreases, the interest amount also decreases, not to mention the highest appraisal of the collaterals and low interest rates of their various products and services. The bank offers low interest rates, higher appraisal of collaterals, and diminishing interest rate of their loan.

Top management strongly believed that they achieved good financial performance since the company's assets and net income significantly increased. It was confirmed because there was an increase of their loans and savings portfolio that led to the continuous operations of the bank.

Top management ordered the bank employees especially during the time of pandemic to closely observe proper monitoring of the accounts handled. The top management crafted solutions to address delinquency issues. In addition, the employees conducted marketing and promotion of their products and services in a legal and sound banking practice.

Employees were given benefits and bonuses packages during midyear and Christmas. Besides, deserving employees were recognized and they received certificates of recognition and plaques every year end. It was done to let employees feel their companies care about them as people.

Top management were persistent and risk-takers since they willingly listened to the ideas and opinions of their employees and supported their demands if necessary, and offered them guidance as well. To them, this is the best way to keep them motivated. On the part of the employees, they expressed that the management was supportive to their demands because they found them important.

Legal practices. The bank in its practices and policies strictly observed the rules and regulations governed by the BSP. They followed and adhered to such rules for the protection of their stakeholders. There were even times that the rules implemented by the BSP were to be followed right away leaving the bank with very limited time for compliance, but the bank still obeyed with them. There were also times that the customers complained about the things required by the bank. However, they had no other option but to follow the BSP's set of rules and regulations.

The bank consistently maintained its good reputation by strictly adhering to the implementing rules and regulations of BSP. They also complied with all the guidelines set by the government agencies in authority.

As proof of evidence, a certificate of compliance from general labor standards and occupational safety and health standards was awarded to the bank. In addition, the top management immediately complied with the requirements set by the BSP in terms of change of interest rates. Employees conveyed that they found it hard to explain to their clients the immediate change of interest rates when the management ordered them to do so.

The bank followed the minimum requirements of the local authorities such as complying with the safety and health standards protocol from the general labor. It received various certificates and awards from the local and national agencies for complying with the guidelines. The following were the ranks made by the bank after competing with all the rural and cooperative banks nationwide: **22nd** in terms of Total Capital in all Rural and Cooperative Bank Group, **33rd** in terms of Total Deposits in all Rural and Cooperative Bank Group, and **18th** in terms of Total Assets in all Rural and Cooperative Bank Group.

The management made certain to keep adequate reserves in case of emergency for hassle-free banking operations. It reserved an amount of money in meeting the demands of its customers.

BANK 2

Sound Banking Practices. Both the management and employees of the bank believed that they had lower interest rates, not lower than the standard set by the BSP. They had higher appraisals of collaterals and diminishing types of loans. Diminishing type means the lower the principal; the lower interest will be collected. Clients were happy with these offerings.

According to the top management, they did everything to ensure that the bank performed well. The management believed that they performed well since banking operations still existed. The company's assets and net income significantly increased. Employees strongly believed that the bank performed well.

Through proper and close monitoring of all their accounts, the bank officers made a contingency plan to solve some issues encountered during these challenging times through proper and close monitoring of all their accounts. Employees added that they were required to do marketing of the bank's products and services.

Further, the top management showed care to their employees by giving them bonuses; plaques and cash were awarded to deserving employees. At the same time, the employees were satisfied working at the bank since they received midyear and Christmas bonus packages annually. Every year-end, deserving employee received awards and recognition in the form of cash incentive and plaque. According to the bank officers, they gave recognition to deserving, dedicated, and committed employees.

The top management was strict when it came to banking transactions. This was done to ensure the best performance of the bank. Employees strongly agreed that there were some branch managers who were strict and not listening to their suggestions. Yet, there were other branch managers that were open to their employees' suggestions and opinions. When it comes to giving tips or guidance on what to do next, the said employees followed them. They took the advice given by their heads without hesitation.

Legal practices. The bank is regulated by the strict regulations of the BSP to protect stakeholders of the bank. Employees followed the strict banking regulations of BSP. The top management of the bank made it certain that the good reputation of the bank was always preserved. This is done by following the rules and regulations of the different government agencies. The officers of the bank guaranteed that they followed the minimum requirements of the local authorities such as complying with the safety and healthy standards from the general labor. The bank was an Awardee of Gawad Award Best CFI Intermediary.

The bank had adequate reserves in case of emergency to ensure that there would be no hassle and disagreement during bank operations. The top management expressed that they complied with all the requirements set by the BSP especially when setting the interest rates of their loan products. Employees had to implement changes of interest rates immediately though they were confused about the mechanism in changing the interest rates offered by banks.

The bank deposits were insured by the Philippine Deposit Insurance Corporation for the protection of depositors' money as mandated by the government authority. Besides, employees explained that the regulations from different agencies especially in the BSP must be adhered to for safety purposes of both the banks and stakeholders. This was done to have hassle-free banking operations.

BANK 3

Sound Banking Practices. The top management anchored some of the features of its products and services to the existing rules and regulations of the BSP like the interest rates. The appraisal of collaterals was also anchored on the existing rate in the market. They offered diminishing types of loans which gave them a competitive advantage. Hence, the clients choose their bank as they offer lower interest rate and higher appraisal of collateral compared to other banks. This caught the client's attention which the lending and cooperatives could not give.

The top management and employees strongly believed that the bank performed well as shown in the financial record. Increase of loans and savings portfolio was experienced which led to the increase of net income.

The top management crafted solutions and answers to delinquent accounts. They made a contingency plan to solve some issues encountered during the time of pandemic. They conducted proper and close monitoring concerning their clients' accounts. Employees expressed that the contingency plan helped them address delinquent accounts issues. The bank applied marketing and promotion strategies of their products and services together with their legal and sound banking practices.

Bonuses and incentives were given to keep their employees motivated and gave support if deemed necessary. The said employees confirmed that they received bonuses and benefits including snacks allowance, notarial pay, and monetary incentives. Aside from that, deserving employees received awards and recognitions in the form of cash incentives and plaques.

The top management assured that they managed and dealt with their people well. In fact, employees expressed that their leaders were persistent and risk-takers. They felt that they were important since their ideas and opinions were listened to. They felt proud of working with the company since pieces of advice were also given to make them productive in their work.

Legal practices. Rules and regulations of the agencies in authority were adhered to preserve the good reputation of the bank. General labor standards as well as the health and safety protocols were followed.

The bank reserved some amount of money to meet the demands of its customers. The top management and employees expressed that interest rates were adopted based on BSP guidelines.

The bank religiously observed the regulations from every regulatory agency. So, by having everyone follow properly communicated rules and regulations, the team does better; thus, the bank makes more money.

Sound Banking Practices.

Rural banks sound banking practices or economic activities centered on promoting financial stability by establishing a dynamic and stable financial system in order to achieve long-term economic development. Economic responsibility activities, according to Upadhyay (2020), entail enhancing a company's commercial operations while engaging in sustainable practices; it's a method for businesses to give back to society in the form of jobs, taxes, and services. Furthermore, economic practices entails collaborating with civil society and the community to enhance people's lives by promoting more inclusive growth. Hassan and Latiff (2009) stressed that economic initiatives aims to achieve clarity in order to speed up corporate operations and generate income by assisting and contributing to community development. Moreover, Alamer (2015) stated that economic responsibility aids in strengthening organizational operations by encouraging employees to engage in activities and practices that lead to long-term development. As a result, the economic measurement of CSR aids banks in determining their economic contributions in terms of community benefits and welfare. This aids

in identifying the social duty of concerned banks towards the community, resulting in community development (Zafar & Sulaiman, 2018).

The coding of the respondents' answers on the sound banking or economic practices of the rural banks yielded 22 open codes, 10 categories and 5 themes. The five economic themes are financial performance, economic policy adaptation, business strategy, leadership styles and motivation.

Financial performance. The themes on financial performance are pointing on profitability and growth. Profitability is a key component of financial performance. According to Musyoki (2012) financial performance refers to a company's ability to produce new resources over time from day-to-day activities; it is measured by net income and cash from operations. On the other hand, Helfert (2001) defines profitability as the efficiency with which management has used both total and net assets as represented on the balance sheet. The efficiency of a company is determined by comparing net profit to the assets used to generate the profit. The rural banks made sure that their practices lead to increase in their company's net assets and net income. Participant 1-C, 1-A, 2-B, 2-d and 2- C stated:

There is an increase of loans and savings portfolio of the bank that leads to the increase of company's assets and increase of net income. When the portfolio increases, net income also increases. That is why; banking operations still continue to operate. (P1-C)

All employees worked hard especially during this time of pandemic to achieve our target, closely monitored our accounts, and attended rigid meetings just to keep on track. With these actions and moves the bank resulted in an increase of the portfolio of loans and savings which led to increase of net income and company's assets. (P2-C)

We encourage Account Officers to closely monitor their accounts and do the marketing of the bank's products and services. Account Officers should make an initiative so that accounts handled will be collected. (P1-A)

The management strongly emphasized in the weekly meeting to closely monitor all accounts handled to avoid issues that come along the way. We encouraged making our own moves and initiatives on how to collect all the accounts handled, especially delinquent accounts. (P2-B)

Account Officers also do the marketing of the bank's product and services as we do the collection of our accounts in our areas. The management emphasized that in this way the bank reached its target to increase the portfolios of the loans and savings for the continuous operations of the bank. (P2-D)

The banks were concerned that the growth of the bank can be secured through practices that can increase portfolios of loans and savings leading to the continuous operations of the banks. These practices were done by having a suitable loan tracking system that allows daily monitoring of loan releases, collecting arrears, and any restructuring and refinancing arrangements (Manual of Regulation on Banks (MORB) Section X151.2). Furthermore, financial institutions must use solid and suitable risk measuring procedures that provide a framework for controlling and monitoring credit quality as well as the whole loan portfolio (Manual of Regulation on Banks Section X178.13). On a monthly basis, a complete analysis of the whole loan portfolio should be done.

Economic policy adaptation. The theme on economic policy adaptation spotlights market assessment. Rural banks ensured that they were flexible with the features and characteristics of their products and services especially in lowering interest rates, applying diminishing balance interest rate method, and high appraisal of collaterals. Participant 1-B and 2-A explained:

The bank offers various products and services which have lower interest rates, higher appraisal of collaterals, and diminishing types of loans. Setting lower interest rates help attract customers to avail of the bank's financial products and services. Most especially, the bank also offered diminishing types of loans and higher appraisal of collaterals. (P 1-B)

We offer lower interest rates, higher appraisals of collaterals and diminishing types of loans. When we say diminishing, the interest for the next month is calculated only on the outstanding loan amount. So, the lower is the loan amount, the lower is the interest they will pay. (P 2-A)

Moreover, the banks are constantly reliant on the market's rapidly shifting criteria and assessments. The bank guarantees that they always adopted the BSP's interest rate changes, as well as the most recent strategy utilized by other businesses to best attract clients, namely the diminishing type of method, in which interest is computed only on the outstanding loan amount. This means that the lower is the loan balance; the lower is the amount to be paid. The bank also anchored its appraisal of collaterals on what is the standard rate and value of collaterals set in the market to ensure that its appraisal is not higher than the set standard. This was done by the rural banks under study to show their flexibility and capacity in the world of banking industry competition. The power and function of the BSP to set interest rates is to preserve price stability. Price stability refers to a condition of low and stable inflation. By keeping the price stable, the BSP helps ensure strong and sustainable economic growth and better living standards (BSP, 2002).

Business strategies. According to Johnson Scholes and Whittington (2008) business strategies are the tactics and programs used to retain consumers and meet their needs, as well as to withstand competitive challenges and improve the company's market position. These business strategies enable the company to adapt to the various challenges that it faces in its operating environment (Allen, Thompson, & Datta, 2009).

The theme on business strategies pointed to planning and monitoring, and marketing. The rural banks assured that they continuously plan, observe and craft solutions to address delinquent accounts. Participant 1-B and 2-E stated:

During the time of the pandemic, the bank managed to collect our accounts because we demanded our bank personnel to constantly monitor their accounts, to have proper planning, and to craft solutions and answers to address delinquent accounts. (P 1-B)

We struggled in our collection when the pandemic struck because everybody was greatly affected. But with the good decisions made by the management like proper planning, close monitoring of accounts, and crafting of solutions and answers to the challenges encountered, financial issues were resolved. We do make adjustments as part of our activities to extend payments, but close monitoring was strictly observed. (P 2-E)

These key strategic practices can effectively connect business strategies to organizational efficiency. In addition, it is stated in the MORB of BSP that during the monitoring period, the rural bank shall continue to assess the capacity and capability of customers as well as the possible treatment of delinquency.

The bank also engaged in extensive marketing of their financial products and services to their customers and potential customers. Participant 1-C stated that "personnel-in-charge conducted marketing and promotion strategies. These actions of the bank helped a lot in protecting and safeguarding its financial performance."

This statement is supported by Participant 2-G:

The management always reminds Account Officers as they go to their separate locations to collect their accounts, to undertake simultaneous marketing on the bank's products and services. As Account Officers cover a wide range of regions, advertising of the bank's products and services can go a long way.

According to Valencia (2015) banks marketing strategy is an activity that ensures the overall achievement of goals and objectives, as well as a comprehensive plan of action that leads to a high likelihood of profit maximization. It should be emphasized that marketing is a critical component of business because it adds significantly to the organization's performance. Companies competing in a market's success or failure are primarily determined by the strategy they develop and adopt. The words "identifying, anticipating, and fulfilling" describe the core of marketing. These terms refer to a process in which an organization must determine what customers want, or do research into what customers are expected to want in the future, and then meet those demands by appropriately deploying its resources (Rai, 2014).

Leadership styles. Leadership style is the relatively consistent pattern of behavior that characterizes a leader (Nanjundeswaraswamy, 2014). He emphasized that leadership styles affect the employee performance leading to achievement of organizational goals productively. Oladipo (2013) added that a leadership style is significantly responsible for the success or failure of proper organizations, nations, and other social units.

The themes on leadership styles categorized the banks' leaders as visionary leaders, autocratic leaders, and supportive leaders.

According to Wallace (1996) an effective **visionary leader** is one who is able to connect with people both inside and outside the business, provides direction for the organization, and helps the organization to deal with the risks associated with every decision made. Some leaders of rural banks were visionary as they were persistent and risk-takers taking into account the full opportunities to give balance to the needs of the company and to the needs of the people. Bank A has visionary leaders who are willing to take risks by exploring and opening branches in all four corners of the Philippines. Bank A's management is aggressive and knows how to navigate challenges and push through them, keeping the team on course by leading with a "never give-up" attitude no matter how tough things get.

Participant 1-A said:

The bank really wanted to help the Filipino in general, that is why, we are establishing branches in different places across Luzon, Visayas, and Mindanao, beating the diverse challenges of such areas. Good thing is that the bank has good leaders who know how to deal with the risks and challenges that come along the way.

Participant 1-C added:

My big respect to the management, as they able to manage to show to us, employees, the big picture of what may happen to the bank. We are engaging cooperation and teamwork, and persistent in aiming and hitting the goal to be profitable and be on top of the rural banking industry across the Philippines. The bank manages to encourage us and motivate us that there is a good future waiting for all of us if we continue to put in our hard work and follow what is given to do for the best of all.

When a business leader needs to convey a new concept or direction to current employees, visionary leadership is the best management style to apply. According to Pink (2006) business leaders can use this strategy to motivate staff by presenting them with a positive and forward-thinking future view. To be successful with this strategy, leaders must establish a deep bond with their team in order to gain their dedication. This can be accomplished by fostering togetherness and emphasizing the importance of their team in assisting the corporation in achieving its new goal or direction.

Some leaders of the bank are **autocratic**. Autocratic leaders have total authority and control over decision making. He exerts a high level of power over his or her employees or team members, and while the team is given few opportunities for making suggestions, even if these would be in the team's or organization's interest (Cherry, 2015; Ardichvili & Kuchenke, 2010; Baughmann 2008; & Egwunyenga, 2010). Some of the leaders were autocratic in the sense that they did not accept the suggestions and opinions from the rank-and-file, and led the branch strictly. Some branch managers of Bank 2 are autocratic because they only listen to and trust themselves. Though they did listen to other opinions on occasion, she made the most of her decisions based on her own thoughts and convictions.

Participant 2-A stated:

Suggestions and opinions of the rank-and-file are good but I am relying more on results and justifications from their recommendations, if they will show no evidence, then it is just a paradox. I am instilling in the mind of the employees to strictly adhere to the bank policies as this will guide the bank to its success.

Participant 2-F and 2-D expressed their opinions of autocratic leaders:

As a bank employee, we have no choice but to follow what are the instructions given to us, as this leads the bank to its greater goal to generate profit and good financial performance. So far, with her kind of leadership, even we don't have freedom to express our opinion; still, the bank is on the right path of attaining its goal. (P 2-F)

The kind of leadership she is showing to all of the employees of the bank also gives advantage, as employees are afraid of committing mistakes and get scolded. The employees just put in their mind that leaders or in fact, all personnel of the bank, especially the leaders, are looking for the betterment of the bank through adhering to the laws and regulations for a safe and sound banking operations. (P 2-D)

These statements show that employees saw some advantages of autocratic leadership. For them the success of the bank is their main goal. This strategy has the advantage of allowing businesses and organizations to carry out their vision in an efficient and successful manner. However, workers may become complacent and be dependent on the leaders. They may no longer initiate innovations and improvements as they feel that either way it is only the leaders who will dictate what they should do.

Other leaders of the banks were **supportive leaders**. According to Grant, Curtayne, and Burton (2009) supportive leadership style increases goal attainment, enhances resilience and increases workplace well being. It is a tool in helping individuals deal with the uncertainty and challenges inherent in organizational change. Kemp (2008) added that supportive leaders hone staff members' individual talents so that they can develop their experience and expertise within their industry or field.

The responses revealed that the leaders supported the demands of the employees, offered guidance and motivated them to achieve the common goal.

These are narrated by Participants 1-C and 2-G:

If we have meetings, I usually listen to their ideas and recommendations, if I find it good, then we will do it and implement it. As a matter of fact, the bank is open to all the ideas and suggestions. Despite that fact, the management still ensures that the bank is still protected from whatever action that can cause harm and damage to its reputation. We support and offer guidance to our employees to motivate them to work harder and give all of their best in the company. (P1-C)

What is good in our management is that the top management guided us when we had doubt and confusion, when we were confused about some banking transactions. (P2-G)

This type of leadership is good since leaders are willing to support their employees to ensure their well-being, and in return, deliver a high standard of performance by alleviating any unnecessary obstacles. Under supportive leadership, the leader shows concern for the people and is personable and approachable, making work enjoyable for them. According to Quick and Nelson (2013) leaders under supportive leadership style concentrate on ensuring that their subordinates' physical as well as psychological requirements and preferences are met, resulting in a happy workforce. These businesses have discovered that happy employees serve customers better, which enhance employee and company performance through improved customer service and revenues. Employees who believe their coworkers and superiors actually care about them perform better, according to studies of Mandal (2012). The more employees know they have support from the organization and management, the more they will support the organization and the more profitable it will become (Bhatia, 2013).

Motivation. Employee motivation is defined by Shahzadi (2014) as a force that propels employees toward accomplishing the organization's specific goals and objectives. The data show that the employers motivated by giving financial rewards and recognizing good performance. These financial rewards were benefits and bonuses, snacks allowance, and monetary incentives. The participants shared:

The bank gives bonuses, and monetary incentives. In this way, we encourage and motivate all the employees of the bank to work better in their assigned area, instilling in employees the belief that all employees are treated fairly and equitably in the eyes of management. (P1-A)

We received midyear and Christmas bonuses, monetary incentives, snacks allowance, and notarial pay. These things given by the management are of great help to us, employees, we are motivated to work better because we know that we get something in return as long as we work harder, and of course to achieve a better performance of the bank. (P2-D)

These financial rewards certainly motivated the employees to work harder as these financial resources were helpful to augment their basic pay. Moreover, as it is the employees' goal to improve the performance of the bank, given financial rewards for their hard work propelled them to continue with their good performance. It is noteworthy to note that for the bank management, it is their way of showing fair treatment to its employees.

These findings are supported by Ullah (2010) who highlighted that financial rewards drive employees to increase their performance, because employee work motivation is directly proportional to financial incentives. Employees are referred to as an organization's human capital. Employees that are motivated and satisfied will work diligently and energetically to complete their tasks. Ali and Shakil Ahmed (2009) reiterated that financial incentive and motivation have a statistically significant link. Their research found that if employee rewards were changed, there would be a commensurate change in work motivation and satisfaction. In addition, Ali (2012) said that every employee requires financial rewards / perks in order to maintain himself and his family.

Recognition is also one of the motivating factors for employee engagement. Participant 2-F said, "Every December, the bank awards deserving employees for hard work. Plaques and certificates of recognition are given to them. Happy faces are painted to those who received such awards." Employee performance plays a big role in rural banks' ability to achieve their business goal and maintain a sustainable competitive advantage. Organizations frequently prioritize money benefits over non-financial rewards such as recognition in their efforts to push staff to attain high performance. However, extensive basic research has demonstrated that, while cash awards do help to promote performance-enhancing behaviors and satisfy employees to some extent, dedicated individuals require recognition to be motivated, respected, and devoted (Luthans, 2000; Danish & Usman, 2010). Employee recognition has been found to be a powerful motivator that focuses employees' energies on achieving organizational goals and objectives (Imran, 2014), as well as having a significant positive link with employee performance (Rahim & Daud, 2013).

In summary, the rural banks' sound banking or economic practices centered on financial performance, economic policy adaptation, business strategies, leadership styles and motivation.

Legal practices. Legal activities pertain to compliance with laws and regulations (Rahim, 2011). Business is expected to follow the laws and regulations enacted by the national and municipal governments as the ground rules under which it must function. Firms are supposed to pursue their economic objectives within the confines of the law as a partial fulfillment of the social compact between business and society. Legal duties, according to Carroll (2008), reflect a concept of codified ethics in that they encapsulate core notions of fair operations as set by the legislators. It is critical that rural banks perform in accordance with government and legal expectations, that they comply with different national and local rules, and that they act as law-abiding corporate citizens.

The coding of the respondents' answers on the legal practices of the rural banks yielded 18 open codes, 6 categories and 2 themes. The two legal themes are good corporate citizenship, and safe and sound banking (See Appendix B).

Good corporate citizenship. The categories on practicing as a good corporate citizen focused on complying with BSP regulations, maintaining bank's integrity, and complying with legal certifications. The rural bank ensures that they operate under BSP rules as all banking transactions are governed by the BSP standards to safeguard the interest of stakeholders. These participants stressed the importance of following regulations:

The bank has different departments, and each department has its own employees who work diligently in their designated jobs. The bank created a Compliance Department to ensure the legalities of banking operations are adhered to. (P1-A)

All employees of the bank have their own duties and responsibilities. All of our activities are anchored on the laws and regulations of the bank to ensure that the bank itself abides with the rules and regulations implemented by different government agencies, especially the BSP. All regulations that we followed can be found in the bank handbook or manual that all employees are required to read. (P2-G)

Government intervention in markets is intended to boost economic efficiency. The government may utilize regulation, pricing signals, and improved data to guide businesses toward more efficient operations. The government may take action to try to correct market failure and to improve economic efficiency (Lam, 2000). Furthermore, Chen (2006) said that the role of the government on the market has had a significant impact on countries such as maintaining competition and protecting consumers.

According to Barth, Caprio, Jr. and Levine (2000) there is a strong sense that if the government intervenes in the implementation particularly in the regulation and supervisory practices, then bank “safety and soundness” would improve, thereby promoting growth and stability. They added that poorly functioning banking systems impede economic progress, exacerbate poverty, and destabilize economies while well-functioning banks accelerate economic growth, which in turn alleviates poverty. Njanike (2009) reported that a number of banks were forced to close down because of poor credit risk management typified by high levels of insider loans, speculative lending, and high concentration of credit in certain sectors among other issues. To address such, the government intervened through BSP in designing Manual of Regulations for Banks (MORB) to promote good credit risk management for safe and sound banking practices. Another finding was reported by Apea and Sezibera (2002) that corruption and fraud were the general causes of bank failure. With the intervention of the government through BSP, banks are visited and evaluated annually by BSP auditors to examine every bank transaction and operation to avoid any fraud and to determine whether the institution is operating on a safe and sound basis.

Another practice is maintaining the banks’ integrity by ensuring that the good reputation of the bank is preserved at all times. Integrity refers to the culture and policies which are essential in all of business (Kouzes & Posner, 2020). A culture of integrity has to be seen in the conduct of activities. Moreover, Huberts (2014) said that integrity is acting in accordance with the relevant moral values, norms and rules of different agencies which companies should adhere to. The participants stated:

To ensure the good reputation of the bank, banking operations adhere to the guidelines implemented by different agencies to avoid sanctions and penalties. The bank has been preserving its good reputation for so long and still keeping its good image as the bank continued its operations. (P2-A)

One thing that we should avoid as employees is stealing money from the bank. It is clearly emphasized in the bank’s handbook that stealing bank’s money is a major offense that leads to dismissal. The management told us to always preserve the good reputation of the bank. (P2-F)

The bank always reminds us to not get involve in gambling especially in cockfights as we are working in a bank. People may think that we are using the bank’s money in gambling. This policy is one of the things that we have to follow which can be found at the bank’s handbook. (P2-G)

Reputation of rural banks is a very valuable asset; it is in the institution’s best interest that in dealing with the public, it observes a high standard of integrity. The Manual of Regulations for Banks stated that integrity must be established from the top management to the employees by setting corporate values, codes of conduct and other standards of appropriate behavior. According to Asikhia (2016), rural banks that execute the value of integrity increase the confidence and trust of the customers to the organizations. Customer trust and confidence will result in a better relationship with the bank (Guenzi, Johnson & Castaldo, 2009). Better relationship with the customers helps increase market share and profitability (Koech, 2019).

Still another practice was complying with legal certifications such as the standards from general labor, and health and occupational safety. Participant 2-B shared, “The bank did comply with the standards from general labor, health and occupational safety to avoid any problems in the bank’s operations.”

The rural banks also follow the Department of Labor and Employment's rules and requirements for employment, such as pre-employment policies, labor conditions, wage rate, work hours, employee benefits, and employee termination (DOLE). Premium pay, service charges, maternity leave, paternity leave, parental leave for single parents, VAWC (Victims of Violence Against Women and Their Children) leave, and special leave for women are among the other labor regulations. In terms of Occupational Safety and Health Standards, rural banks also abide by standards such as emergency exits, complete job safety instructions to all the workers, familiarization with their work environment, hazards to which the workers are exposed to and steps taken in case of emergency, and approved devices and equipment in the workplace. All of these are for the protection of every worker against the dangers of injury, sickness or death through safe and healthful working conditions.

According to Garcia-Herrero (2012), health and safety at work are aimed at creating conditions, capabilities, and habits that enable the workers and his/her organization to carry out their work efficiently and in a way that avoids events which could cause them harm. He added that it is clear that safe working conditions have an effect on the habits of workers, which in turn impacts on efficiency. This implies that employees working in a safe condition are likely to perform in a way that will not cause them harm. Lamm, Massey, & Perry (2007) agreed with Alli (2001) that a defined occupational health and safety strategy plays an essential role in minimizing workplace accidents and injuries. A successful Occupational Safety and Health Standards management approach improves task performance and citizenship behavior, which boost productivity at the end of the day. Lim (2012) stated that when employees who understand the health and safety rules and procedures of their jobs, as well as the tools they use to work, can work more effectively and efficiently, resulting in better employee performance. Moreover, the Australian National Commission for Health and Safety (2002) stressed that when employees are provided with a safe working environment through the use of effective occupational health and safety management systems, they reduce absenteeism which has a direct effect on the increase of productivity in which the end result is increase in profitability for the organization.

Safe and sound banking. The categories on safe and sound banking focused on reserve management, and stability and insurance. The rural bank ensured that reserve management was always done by keeping an amount of money reserved to meet the demands of customers. Participant 1-B said, “The bank ensures that no hassle will come along with its operations by keeping adequate reserves in case of emergency as required by BSP.” According to the MORB (2016), all banks shall comply with the minimum capital level requirement as prescribed. Deposits with the Bangko Sentral to meet reserve requirements are not normal current accounts, according to Section X254.1. As a result, the use of Bangko Sentral checks for reserve deposit withdrawals will be confined to the fulfillment of obligations with the Bangko Sentral and cash withdrawals to meet financial needs. However, it is to be noted that all financial institutions can borrow funds from the BSP as it is considered as the Mother of all banks.

Rural banks are operating in a safe and sound manner by stabilizing permanently the safety and security of their stakeholders. This is done by ensuring hassle-free operations, keeping amount of money as reserves in meeting the demands of customers, protecting deposits of depositors through the help of Philippine Deposit Insurance Corporation (PDIC), safeguarding investments of stockholders through presenting good financial indicators, stabilizing the smooth flow of banking operations by following all the mandates of the authorized government agencies, keeping the personal information of the clientele confidential, and ensuring the safety of the bank personnel by following all the guidelines set by the Bangko Sentral ng Pilipinas. Participant 1-B and 2-G narrated:

The bank is under PDIC insuring the deposits of depositors; this is one way of safeguarding the money of our stakeholders, the depositors. To ensure the safety and security of the bank operations, all employees are required to read the MORB which details the safe and sound banking operations. (P1-G)

The management will tell us not to inform anyone even our own families if the PDIC staff will visit the bank as they may lead to misinterpretation on the part of other people not really knowing the appearances of PDIC staff. PDIC staff annually visits the bank to examine deposit transactions to avoid money-laundering. Bank personnel are required not to disclose any single centavo to any person and again even to our family to observe bank secrecy. (P2-G)

According to the MORB, the primary purpose of PDIC is to protect the small investors/depositors and to build a strong banking confidence. In Section X178.7, a financial institution (FI) shall grant credits only in amounts and for the periods of time necessary for the effective execution of the financed activity, and only after determining that the obligor is capable of honoring his commitments to the FI, in accordance with safe and sound banking practice. An FI must establish well-defined credit-granting criteria and underwriting standards to achieve this goal, which must include a clear indication of the FI's target market and a thorough understanding of the obligor or counterparty, as well as the purpose and structure of the credit and its source of repayment. Financial institutions must conduct extensive assessments of their obligors' creditworthiness and should not place undue dependence on external credit assessments. Credit will be granted based on the major source of loan repayment or cash flow, the obligor's or counterparty's integrity and reputation, and their legal capability to take the liability.

To summarize, the legal practices of the rural banks are centered on practices that lead to becoming a good corporate citizen that practices safe and sound banking.

FINDINGS

1. Various dimensions revealed when it comes to legal practices such as complying with BSP regulations, maintaining bank's integrity, complying with legal certifications, reserve management, and maintaining stability and insurance.
2. Diverse sound banking practices that include profitability, growth, market assessment, planning and monitoring, marketing, visionary leaders, autocratic leader, supportive leader financial rewards, and recognition.
3. Sound banking or economic themes among banks geared towards improvement of financial performance through economic policy adaptation and good business strategies through the leadership styles of officers that greatly motivated the employees.
4. Legal themes of the banks consisted of being a good corporate citizen that practices safe and sound banking operations.

CONCLUSION

The study underscores that the sustainability of rural banks is deeply anchored in their unwavering commitment to legal compliance and the consistent application of sound business practices. Adherence to Bangko Sentral ng Pilipinas (BSP) regulations, the upholding of institutional integrity, and strict observance of legal certifications collectively ensure operational stability, credibility, and public trust. Equally, the practice of strategic and ethical banking—marked by effective financial management, growth-driven planning, market responsiveness, and motivational leadership—drives both profitability and resilience. The findings further reveal that leadership styles fostering vision, support, and recognition play a pivotal role in enhancing employee motivation and organizational performance. Ultimately, rural banks that operate as responsible corporate citizens, grounded in lawful and prudent banking operations, not only secure their own institutional sustainability but also contribute significantly to the broader economic and social development of their communities.

RECOMMENDATIONS

The following are the recommendations to **bank employees, customers, local government units, rural banks, and top executives of rural banks.**

For Bank Employees:

Employees should continuously uphold integrity and accountability in their daily transactions by strictly adhering to established legal and operational standards. Continuous professional development through training on financial regulations, ethical banking, and customer relations is recommended to strengthen competence and efficiency. Employees must also embrace innovation and teamwork to sustain productivity and deliver quality service aligned with the bank's vision and goals.

For Customers:

Clients are encouraged to actively engage with rural banks by maintaining transparency in their financial dealings and supporting institutional policies that promote stability and trust. They should also participate in financial literacy programs offered by the banks to enhance their understanding of responsible borrowing, saving, and investment practices. Through partnership and trust, customers become vital contributors to the bank's growth and sustainability.

For Local Government Units (LGUs):

LGUs should strengthen collaboration with rural banks by supporting financial inclusion initiatives, providing enabling policies, and facilitating programs that enhance local economic development. The LGUs can also assist in promoting the banks' community-based services and projects that foster entrepreneurship and livelihood, ensuring that financial growth translates into tangible social impact.

For Rural Banks:

Rural banks must continuously strengthen their compliance mechanisms with BSP regulations and other legal frameworks to maintain financial integrity and public confidence. They should institutionalize sound business practices through strategic planning, data-driven decision-making, and adaptive leadership. Rural banks are also encouraged to invest in digital transformation, employee capacity building, and community-oriented programs to sustain growth and resilience amid economic challenges.

For Top Executives:

Top management must lead with vision, ethics, and accountability by creating an organizational culture rooted in transparency, good governance, and sustainable practices. They should adopt leadership approaches that empower employees, encourage innovation, and recognize excellence. Executives must also ensure that every policy and decision aligns with both legal compliance and the long-term sustainability goals of the institution. By embodying these principles, leaders can steer rural banks toward continued growth, stability, and meaningful contribution to the nation's financial and social development.

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APPENDICES

Appendix A

Sound Banking Practices

Raw Data	Open Codes	Categories	Themes
Yes simply because banking operations still continue due to the company's assets are rising and net income increasing.	1.Rising of company's assets. 2.Increasing net income.	1. Profitability	1. Financial Performance
Account Officers also do the marketing of the bank's product and services as we do the collection of our accounts in our areas. The management emphasized that in this way the bank reached its target to increase the portfolios of the loans and savings for the continuous operations of the bank.	3.Increasing portfolios of loans 4.Increasing portfolios savings. 5.Operating continuously.	2. Growth	
We offer lower interest rates, higher appraisals of collaterals and diminishing types of loans. When we say diminishing, the interest for the next month is calculated only on the outstanding loan amount. So, the lower is the loan amount, the lower is the interest they will pay.	6.Lowering interest rates. 7.Diminishing balance interest rate method. 8.High appraisal of collateral.	3. Market Assessment	2. Economic Policy Adaptation
We struggled in our collection when the pandemic struck because everybody was greatly affected. But with the good decisions made by the management like proper planning, close monitoring of accounts, and crafting of solutions and answers to the challenges encountered, financial issues were resolved. We do make adjustments as part of our CSR activities to extend payments, but close monitoring was strictly observed.	9. Planning, observing, crafting solutions to address delinquent accounts. 10. Monitoring of accounts.	4. Planning and Monitoring ²	3. Business Strategies

The management always reminds Account Officers as they go to their separate locations to collect their accounts, to undertake simultaneous marketing on the bank's products and services. As Account Officers cover a wide range of regions, advertising of the bank's products and services can go a long way.	11. Marketing and promoting financial products and services together with CSR activities.	5. Marketing	
The top management ensures that demands of the employees are taken care of. We give our support to our employees and we offer guidance to them as well. We are persistent and risk takers.	12. Being persistent and risk-takers.	6. Visionary leaders	
Suggestions and opinions of the rank-and-file are good but I am relying more on results and justifications from their recommendations, if they will show no evidence, then it is just a paradox. I am instilling in the mind of the employees to strictly adhere to the bank policies as this will guide the bank to its success.	13. Not accepting the suggestions and opinions of the rank-and-file. 14. Leading bank strictly.	7. Autocratic leader	4. Leadership Styles
Top management is good; they give their support to us. The top management is supportive to the employees. The top management sometimes offer their guidance to us employees. It is good that some managers listened and motivate us to do better.	15. Supporting the demands of the employees. 16. Offering guidance to employees. 17. Motivating employees.	8. Supportive leader	
We received midyear and Christmas bonuses, monetary incentives, snacks allowance, and notarial pay. These things given by the management are of great help to us, employees, we are motivated to work			

better because we know that we get something in return as long as we work harder, and of course to achieve a better performance of the bank.	18. Giving benefits and bonuses. 19. Receiving of snacks allowance 20. Offering monetary incentives	9. Financial Rewards	5. Motivations
We receive midyear and Christmas bonus and awards every December in form of plaque and cash, then certificate of recognition.	21. Giving of plaque to deserving employees. 22. Receiving certificate of recognition.	10. Recognition	

Appendix B

Legal Banking Practices

Raw Data	Open Codes	Categories	Themes
The bank has different departments, and each department has its own employees who work diligently in their designated jobs. The bank created a Compliance Department to ensure the legalities of banking operations are adhered to.	1. Regulating under BSP rules. 2. Governing banking transactions with the BSP regulations. 3. Safeguarding the interest of stakeholders through BSP regulation.	1. Complying with BSP regulations	1. Good Corporate Citizen
To ensure the good reputation of the bank, banking operations adhere	4. Preserving the	2. Maintaining	

to the guidelines implemented by different agencies to avoid sanctions and penalties. The bank has been preserving its good reputation for so long and still keeping its good image as the bank continued its operations.	bank's good reputation.	Bank's Integrity	
The bank did comply with the standards from general labor, health and occupational safety to avoid any problems in the bank's operations."	5. Complying the standards from general labor. 6. Complying standards from health and occupational safety.	3. Complying with Legal Certifications	
To ensure the safety and security of the bank operations, all employees are required to read the MORB which details the safe and sound banking operations.	7. Ensuring hassle-free operations. 8. Keeping an amount of money as reserves in meeting demands of customers.	4. Reserve Management	2. Safe and Sound Banking
The bank is under PDIC insuring the deposits of depositors; this is one way of safeguarding the money of our stakeholders, the depositors. To stabilized the operations of the bank, all of the employees are required to read	9. Protecting deposits of depositors through PDIC. 10.Safeguarding investments of stockholders. 11. Stabilizing the smooth flow of banking operations.	5. Maintaining Stability and Insurance	

and understand fully the Manual of Regulation for Banks.	12. Keeping the personal information of the clientele.		
	13. Ensuring the safety of bank personnel.		

SURVEY QUESTIONNAIRES

Economic

Generate Profit

1. Do you think banks are much better than your competitor? Why do you say so?
2. Do you think the bank is performing well? Can you describe the basis of saying that you are performing well?
3. Do you have any problem collecting the accounts of the bank? Why can you say that?
4. Is the current and past due accounts increasing or decreasing? What are the reasons for its increase and decrease? Why do these reasons happen/occur?
5. Does the bank give you bonuses/incentives? Why do/don't you give bonuses/incentives?

Provide Jobs

Do you have a harmonious relationship between management-employees? Can you describe the relationship to your employees?

Legal

1. Is the bank regulated by any government agency? What type of agency in the government?
2. Do you comply with the laws and regulations with the BSP, local government, and the BIR? Why do you comply with these laws and regulations?
3. Are there any other regulations that you comply with? Can you state them and the reasons for complying?
4. Are there instances that the bank has been penalized for not following regulations? Why did the event happen? What were the actions taken by the management to solve the issue?

Appendix G

Interview Guide for Employees

Economic

Generate Profit

1. Do you think banks are much better than your competitors? Why do you say so?
2. Do you think the bank is performing well? Can you describe the basis of saying that you are performing well?
3. Do you have any problem collecting the accounts of the bank? Why can you say that?
4. Is the current and past due accounts increasing or decreasing? What are the reasons for its increase and decrease? Why do these reasons happen/occur?
5. Does the bank give you bonuses/incentives? Why do/don't you give bonuses/incentives?

Provide Jobs

Do you have a harmonious relationship between management-employees? Can you describe the relationship to your employees?

Legal

1. Is the bank regulated by any government agency? What type of agency in the government?
2. Do you comply with the laws and regulations with the BSP, local government, and the BIR? Why do you comply with these laws and regulations?
3. Are there any other regulations that you comply with? Can you state them and the reasons for complying?
4. Are there instances that the bank has been penalized for not following regulations? Why did the event happen? What were the actions taken by the management to solve the issue?

Appendix H

Interview Guide for CSR Bank Customers

Below are some questions regarding the corporate social responsibility practices among Rural Banks. Please answer those seriously and honestly. Rest assured that answers would be treated with utmost confidentiality.

1. Do you have any idea about Corporate Social Responsibility?
2. What are the CSR Practices of your bank?
 - 2.1. How helpful are the CSR Activities implemented by the bank?
 - 2.2. What are the benefits of CSR Activities in you or in the family/community in general?
 - 2.3. What can you say about the CSR Activities of the bank? Why?
 - 2.4. What can you say about the banking operations of the bank? Why?
 - 2.4. Who implemented the CSR Activities?
 - 2.5. Are implementers knowledgeable of the bank are CSR?
 - 2.6. What suggestions/recommendations can you offer to the bank?
 - 2.7. How did you react to the CSR Activities of the bank?
 - 2.8. Are CSR Practices sustainable?
3. Do you have any idea about the products and services offered by the bank? Why did you choose such a bank?
 - 3.1. Are those products and services beneficial to you?
 - 3.2. Do you think your bank is much better than the other bank? Why do you say so?
4. Is the bank observing transparency in every transaction? Please specify.