

A Study of Corporate Social Responsibility Activities of Bank Towards Society and Its Impact on Bank Reputation

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Abstract

Regarding their CSR initiatives, banks differ in their perspectives and justifications. A portion of them think that bank performance will be impacted by CSR efforts toward the community. Therefore, the purpose of this study topic is to gain an understanding of the bank's CSR initiatives toward society and how they affect the bank's reputation. This study's goal is to examine a bank's CSR initiatives and how they affect performance in southern Tamilnadu.

Keywords: Corporate social responsibility, bank performance. Social reputation.

INTRODUCTION

Global attention has been drawn to the topics of corporate social responsibility (CSR) and sustainable development, mostly in the media and in academia. The goal of a modern corporate organization is to maximize profit in order to become socially dependable to society. A country's banking sector plays a significant role in its economy. CSR is simply the idea that businesses should consider how their daily operations affect the people who live in their community and the sustainability of their operations for the environment when making decisions about how best to recognize profits from their operations.

Business leaders are now widely aware that their companies must accept a broader accountability than short-term profits thanks to the concept of corporate social responsibility, which has been the subject of numerous conceptualizations since the 1950s, along with the related notions of corporate social responsiveness, corporate social responses, and corporate social performance, which originated primarily from the management literature.

The majority of company managers nowadays think that the primary goal of business operations should be something other than producing money. As a result, managers should make every effort to consider the interests of workers, shareholders, consumers, business partners, and the general public when making decisions because this provides the greatest guarantee of steady profitability.

LITERATURE REVIEW

Himandri Kewlani and Krupa Bhatt (2020) in their research paper entitled “A Comparative Study on Corporate Social Responsibility Practices in Selected Public and Private Sector Banks in

India". The researchers focused on aspects including CSR initiatives, CSR expenditure, and the influence of CSR on the share price of Indian banks in their analysis of CSR practises and internal comparisons between Indian banks. They concluded by noting that whereas private sector banks have a far more static upward tendency for change in CSR expenditure, public sector banks have a dynamic trend.

Richa Kriplani (2021) in his article entitled "**Comparative Analysis of CSR Initiatives in Public vs Private Sector**", made an effort to research the many CSR programmes and strategies used by public and private sector organisations, particularly with regard to banks. The researcher also made an effort to explore the applicable legal guidelines for CSR in India. According to his observations, the banks have made investments in their target areas, but they have not made CSR expenditures in accordance with standards or have been exempt from CSR regulations because of losses. According to the survey, the private sector has been investing far more in CSR than its counterparts in the public sector.

STATEMENT OF THE PROBLEM

The majority of company managers in the modern period think that business operations should be separated from the mere possibility of making money. Therefore, in order to provide the best guarantee for steady profitability, managers should make every effort to consider the interests of their staff members, business partners, clients, shareholders, and the general public while making decisions.

Currently, the majority of corporate managers think that the primary goal of business operations should be to make money. The greatest way to ensure steady profitability is for managers to make every effort to consider the interests of their staff, shareholders, consumers, business partners, and the general public while making decisions.

OBJECTIVES:

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- o Know the CSR activities of Banks towards society T
- T
- o Measure the Performance of Banks T
- T
- o analysis the impact of CSR activities on bank performance T
- T
- o offer suitable suggestion based on findings of the study

RESEARCH METHODOLOGY:

There are both expressive and inquisitive components to the learning process. Both primary and secondary information are included. The key facts are exercised along with a prearranged questionnaire. After distributing this questionnaire in southern Tamil Nadu, 309 examples were received. The secondary data for the study came from relevant books, journals, websites, and other sources. To investigate the results, statistical tools such as the Chi-square test, Likert scale, Weighted Arithmetical mean Rank, Confirmatory factor analysis, Analysis of Moment Structure, Simple Percent technique, and Cronbach's Alpha test were applied using SPSS.

HYPOTHESIS:

H₁: There is a positive relationship between CSR activities towards society and its bank reputation.

DATA ANALYSIS AND INTREPRETATION OF THE STUDY:

CSR initiatives for the community are one of the key tenets of the concept, which holds that every business has a legal obligation to society in addition to concerns for the workplace, the market, and the environment. There are several approaches to community involvement. For example, some businesses choose to provide financial support to a local nonprofit, sponsor a community event, organize clean-up days, or assign volunteers to work on neighborhood projects or at nearby schools. It is financially advantageous for most businesses to engage in community-based corporate social responsibility (CSR) related to their goods or services. The researcher examines how well the banks carry out their social obligations in this study.

During the survey, the respondents are asked to opinion about the CSR activities of banks towards society. The opinion is obtained for 20 statements which are related to the CSR activities of banks towards society by adopting scaling technique, namely Likert’s five point scaling technique. Table1 shows the opinion of the respondents about the CSR activities towards society.

Table 1 CSR activities towards society

S.No	Variables	SA 5	A 4	NO 3	DA 2	SDA 1	Total
1	Banks have recruitment policy in favour of local community	181 (58.60)	122 (39.50)	6 (1.90)	0 (0)	0 (0)	309 (100)
2	Provides quality of products and services at reasonable cost	173 (56.00)	121 (39.20)	15 (4.90)	0 (0)	0 (0)	309 (100)
3	Provides funds to women and disabled person	130 (42.10)	166 (53.70)	13 (4.20)	0 (0)	0 (0)	309 (100)
4	Sponsor for sports events	161 (52.10)	119 (38.50)	23 (7.40)	6 (1.90)	0 (0)	309 (100)
5	Conducting awareness camp for road safety and disaster management	135 (43.70)	149 (48.20)	22 (7.10)	3 (1.00)	0 (0)	309 (100)
6	Conducting camp for eye checkup, blood donation camp etc.	158 (51.10)	121 (39.20)	24 (7.80)	6 (1.90)	0 (0)	309 (100)
7	Provide subsidized loans to young entrepreneurs and self help group	146 (47.20)	140 (43.50)	20 (6.50)	3 (1.00)	0 (0)	309 (100)
8	Donate fund for charities, trust, NGOs etc	158 (51.10)	130 (42.10)	19 (6.15)	2 0.65	0 (0)	309 (100)

9	Banks staff members actively involved in charity volunteer work on behalf of the bank	143 (46.30)	150 (48.50)	13 (4.20)	3 (1.00)	0 (0)	309 (100)
10	Banks actively involved in local community project	164 (53.10)	116 (37.50)	25 (8.10)	4 (1.30)	0 (0)	309 (100)
11	To sponsor socio-educational activities	143 (46.30)	143 (46.30)	20 (6.50)	3 (1.00)	0 (0)	309 (100)
12	To sponsor cultural activities	171 (55.30)	102 (33.00)	29 (9.40)	7 (2.30)	0 (0)	309 (100)
13	Economic donations to social cause	155 (50.20)	133 (43.00)	19 (6.10)	2 (0.60)	0 (0)	309 (100)
14	Have non-discriminatory recruitment policy	149 (48.20)	132 (42.70)	26 (8.40)	2 (0.60)	0 (0)	309 (100)
15	Provide scholarship to meritorious students	134 (43.40)	157 (50.80)	18 (5.80)	0 (0)	0 (0)	309 (100)
16	Conduct awareness program for child labour	162 (52.40)	123 (39.80)	23 (7.40)	1 (0.30)	0 (0)	309 (100)
17	Provide funds to rural development	143 (46.30)	146 (47.20)	19 (6.10)	1 (0.30)	0 (0)	309 (100)
18	Poverty eradication	148 (47.90)	120 (38.80)	37 (12.00)	4 (1.30)	0 (0)	309 (100)
19	Village adoption	140 (45.30)	134 (43.40)	26 (8.40)	9 (2.90)	0 (0)	309 (100)
20	Farmers welfare	155 (50.20)	115 (37.20)	39 (12.60)	0 (0)	0 (0)	309 (100)

Source: Primary data

The majority of respondents, as shown in Table 1, strongly agree with all of the factors, with the exception of the following: "Provide funds to women and disabled person," "Conduct awareness camp for road safety and disaster management," "Banks staff members actively involved in charity volunteer work on behalf of the bank," "To sponsor socio-educational activities," "Sponsor scholarships to deserving students," and "Provide funds to rural development."

Cronbach's Alpha Reliability test – CSR activities towards society

The most popular internal consistency measurement is Cronbach's Alpha. A general criterion for dependability measurement is that the alpha value must be more than 0.70. Using SPSS, the Cronbach's Alpha test is performed to assess the validity of the Likert Five-Point Scale used to measure CSR efforts toward the community.

Table 2 Reliability Test: CSR activities towards community	
Cronbach's Alpha value	No. of Items
0.857	20

Source: Computed Data

With a Cronbach's Alpha value of 0.857, it can be concluded that the Likert scale used to evaluate CSR efforts for society is trustworthy.

Model fit indices- CSR activities towards society

The results of model fit indices for the construct CSR activities towards society is presented in table 3.

Table 3 CFA Model fit indices– CSR activities towards society

Values	CMIN/DF	GFI	AGFI	NFI	TLI	CFI	RMSEA
Recommended	<5.0	>0.900	>0.900	>0.900	>0.900	>0.900	<0.080
Actual	2.990	0.956	0.920	0.899	0.902	0.930	0.058

Source: Computed Data

Table 3 displays the CFA values and how heavily all of the qualities are loaded on to the latent components. The fit indices' value reflects how well the measurement model fit the data. The Chi-square value in this case is 2.990, which is over the suggested level. All additional fit indices (GFI 0.956, AGFI 0.920, NFI 0.899, TLI 0.902, CFI 0.930, and RMSEA 0.058) were all within the acceptable range.

Results of Standardized and unstandardized Regression Weights: CSR activities towards society

Table 4 shows the standardized and unstandardized regression weights for CSR activities towards society.

Table 4 Standardised and unstandardized Regression Weights: CSR activities towards community

Statements			RW	SRW	S.E.	C.R.	P
SOC20	<---	Responsibility to Society	1.000	0.563	Reference Point		
SOC19	<---		1.293	0.681	0.155	8.371	***
SOC18	<---		0.998	0.534	0.139	7.158	***
SOC17	<---		0.946	0.602	0.122	7.764	***
SOC15	<---		0.867	0.575	0.115	7.536	***
SOC13	<---		0.969	0.597	0.125	7.725	***
SOC11	<---		0.881	0.532	0.123	7.140	***
SOC1	<---		0.805	0.593	0.105	7.691	***

Source: Computed Data

CSR initiatives geared toward the Society dimension are subject to first order CFA. There are twenty items in it. Due to low factor loading, or SRW > 0.50, twelve items were removed during first order

CFA. The item "Providing information that is true and useful" (COM 19) is determined to be the strongest contributor out of the eight things because it has the highest SRW.

BANK REPUTATION

In order to study the opinion of employees about impact on bank reputation, the researcher has formulated 6 statements and they are quantified by using Likert’s five point scale. The five point scale consists of strongly agree, agree, no opinion, disagree and strongly disagree. The score of each statement in five point scale carry five, four, three, two and one respectively. Table 5 shows the opinion of bank employees about impact on bank reputation.

Table 5 Bank Reputation

S.No	Variables	SA 5	A 4	NO 3	DA 2	SDA 1	Total
1	CSR practices improved reputation of the bank	258 (83.50)	51 (16.50)	0 (0)	0 (0)	0 (0)	309 (100)
2	A bank support to the society will always have a positive image	155 (50.20)	154 (49.80)	0 (0)	0 (0)	0 (0)	309 (100)
3	Bank CSR practices helps to fulfill their stakeholder expectations	152 (49.20)	132 (42.70)	24 (7.80)	1 (0.30)	0 (0)	309 (100)
4	Bank has increased its number of branches	114 (36.90)	181 (58.60)	14 (4.50)	0 (0)	0 (0)	309 (100)
5	CSR helps to improved community relations	168 (54.40)	124 (40.10)	15 (4.90)	2 (0.60)	0 (0)	309 (100)
6	CSR helps to socio-economic development	150 (48.50)	146 (47.20)	13 (4.20)	0 (0)	0 (0)	309 (100)

Source: Primary Data

Table 5 shows that majority of the respondents strongly agree with all the factors except the factor namely “Bank has increased its number of branches” for those factor the response is high for agree.

Cronbach’s Alpha Reliability test – Bank reputation

Cronbach’s Alpha is the most common measure of internal consistency. A general rule for measuring reliability is alpha value must be above 0.70. For testing the reliability of Likert’s Five point scale used for measuring bank reputation, Cronbach’s Alpha test is applied using SPSS.

Table 6 Reliability Test: Bank reputation	
Cronbach's Alpha value	No. of Items
0.912	6
Source: Amos text output	

The Cronbach’s Alpha value is 0.912 which infers that the Likert’s scale used for measuring Opinion of Bank Employees about Impact on bank reputation is considered reliable.

TESTING STRUCTURAL RELATIONSHIP – CSR ACTIVITIES OF BANK AND ITS IMPACT ON PERFORMANCE

The researcher has framed a hypothesized model which has good fit with the observed data as per critical fit indices. The regression weights of the output and results of the hypothesis testing provide support for hypothesis are presented in the following table 7

Table 7 Result of Hypothesis testing – CSR activities of bank and its impact on performance

S.No	Hypothesis	SRW	R ²	SE	CR	P Value	Result
1	Positive impact on CSR of banks towards society and its bank reputation	0.572	0.425	0.031	2.134	0.000	Significant

Source : AMOS output

Table 7 shows that, the Standardized Regression Weight is 0.572, which means that for every one Standard Deviation (SD) increase in CSR activities of banks, there is a 0.572 standard deviation increase in bank performance. The standard error (SE) is very low (0.031) hence the sample size is sufficiently large and it truly belongs to the selected population. The path between CSR of banks and bank performance is significant at 0.05 level since the critical ratio (CRF 2.134) is greater than 1.96. Therefore, it is concluded that there is a positive impact on CSR activities of banks and its bank reputation.

FINDINGS OF THE STUDY

CSR activities towards Society

First order CFA is performed on CSR activities towards society dimension. It is constituted of twenty items. While running first order CFA, twelve items got deleted because of low factor loading i.e., SRW >0.50. Out of eight items, item “Providing information that is truthful and useful” (SOC 19) is adjudged as the strongest contributor as it has the highest SRW.

Bank reputation

First order CFA is performed on bank reputation. Standardized Regression Weights ranged from 0.670 to 0.906 and critical ratio values lies between 12.140 and 22.279. (SRW) > 0.50. Out of six items, item “A bank support to the society will always have a positive image” (BR2) is adjudged as the strongest contributor as it has the highest SRW.

SUGGESTIONS OF THE STUDY

According to the survey, the CSR efforts of banks toward their society include establishing positive relationship with society. The banks must implement the following recommendations in order to keep their current positive connection with society.

- till today, many banks waste energy by using lights, fans, and air conditioning during the day. More windows must be added to bank buildings in order to prevent energy waste. More natural air and sunlight spaces are beneficial.

- E
very bank must have a solar-powered electricity generation system. It ought to be built into their building's roof.
- A
robust internet banking system must be promoted by banks to both its clients and staff. The majority of banks currently use paper to open accounts, pay bills, withdraw money, etc. Reducing paper waste can help banks conserve trees.
- A
bank may also provide an advantageous auto loan for electric or hybrid cars or a home loan for homes with green features like solar panels.
- A
All banks are required to operate with recyclable paper, LED lighting, and environmental friendly computers, fans, and other equipment.
- C
Community involvement, which extends far beyond conventional charity giving, is the foundation of all effective CSR policy initiatives. Banks shall start innovative initiatives.
- A
A bank might use regional marketing techniques. Local advertising shall involve donations to charitable causes, supporting fundraising activities, sponsoring events like concerts and festivals, or even contributing to the repair of items like potholes in the road.
- P
Programs for financial literacy can also be tailored to a particular group. For college students, first-time homebuyers, retired persons, or anyone with credit card debt or loan debt, a bank could develop financial literacy. The goal is to develop a training course that covers the material individuals need to know and deliver it for free or at a cheap cost.
- C
Community Bank marketing services must be adopted by the bank. It implies that employees must be courteous, take time to treat clients as individuals, and resolve issues in a clear, calm, and pleasant manner.
- O
One of the best strategies for small and local banks is community bank marketing since it enables you to engage with customers directly, establish human ties, and foster trust.
- B
Banks may also provide mentoring and parental education programmes to non-governmental organisations working to reduce juvenile drug use. During one academic year, bank personnel can serve as mentors for students in the senior class of the compulsory school.

CONCLUSION

The results of this study showed that the banking industry may uphold positive societal relations by engaging in CSR activities. Through increased community reputation for their socially conscious actions, banks are able to save operating costs and enhance their service offerings thanks to the strategy benefits of CSR participation. A bank's corporate social responsibility (CSR) should encompass not just

the provision of education, healthcare, sports, and competitions, but also socio-economic development, healthcare services, and environmental activities. They can grow and perform better if they do this. The researcher also found that when large banks invest a lot of resources in CSR in exchange for receiving more stock, they are more likely to see improved growth and performance from it. Thus the study concluded that there is a positive impact on CSR activities of banks and its bank reputation.

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