

Corporate Social Responsibility in the Banking

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Abstract

Changes in social system circumstances, accelerated by economic procedure or political innovations, have made new social demands and requirements of firms. The attention of organization social responsibility is as often as possible seen as a conceivable gadget for dealing with social demands and response as firms deliberately assume obligation for society. Organization Social Responsibility is an idea whereby banking institutions grant the rewards of society and in this manner the earth by forward responsibility regarding the effect of their exercises on partners, investors, employees, clients, atmosphere rather than their gains and development. This paper aims to provide a review of quantitative and qualitative research on corporate Social Responsibility in banking sectors. So, we tend to establish five issues of stress of CSR research during this sector. These issues are recognition toward CSR, drivers, impacts, CSR practices, and CSR reports. By doing this, we tend to raise the need for doing research in some rising and missing issues that are gotten from empirical practices. The new research direction proposed during this paper could encourage developing an enhanced understanding of CSR and encouraging CSR execution in banks.

Key Words

CSR, literature review, banking sectors, new research direction, CSR driver

Introduction

- In the ongoing years the concept of Corporate Social Responsibility (CSR) is spreading very quickly in the entire world and every one of the sectors including banking sector (Chaudhury et al., 2011; Das, 2012; Omur et al., 2012).
- This prevalence is because the quick pace of globalization and social development offers to all corporations, big or small, local orientation, to take their CSR by enhancing the social and environmental performance (Qi Lai, 2006).

- Also, under destructive impacts of the worldwide financial crisis and create competitiveness in the financial market, the banking sector, plays a critical role in encouraging the country's economy and driving the country to discharge CSR (Singh et al., 2013)
- CSR varies from place to place, from industry to industry after some time (Richard Welford et al., 2007). Given the absence of consensus on the CSR definition among academicians and professionals (Abagial McWilliams et al., 2003), clearly CSR can bring numerous advantages for the banking sector.
- The most important is to improve banks reputation and financial performance because, for the bank, its reputation is a deciding component to retain old clients and attract new ones, which eventually upgrades bank's financial status.
- In addition, if a bank focuses on social responsibilities, the bank can get benefits for themselves through better risk management, workers loyalty and higher reputation.
- Social Responsibility (CSR) in banks has turned a worldwide demand. These days, by recognizing CSR, banks from everywhere throughout the world endorse programs of educational, social, and environmental, as well as health initiatives.
- As a matter of fact, numerous studies have explored the status of CSR in banks. Additionally, the areas of CSR drivers, effects, and practice are relatively well researched topics.
- The banking sector responded moderately late to the challenges of CSR. First it thought about environmental, then social issues (Vigano – Nicolai, 2009). CSR as an instrument of the business sector serves to increment and legitimize the sector's economic performance and furthermore appears as the embodiment of the fundamental standards of business ethics (Scholtens, 2006)
- The 2008 Financial crisis attracted regard for the need of CSR in the Banking sector also, expanding the need for trust, accountability and transparency that lead to it. Besides the role of a middle person which channels savings into investments, traditionally considered as the primary social function of financial institutions, other than efficient allocation and risk management, the requirement for ethical and responsible conduct has prompted Financial and investment processes pointing beyond the assurance of the legitimate interests of investors and owners (Tzu-Kuan Chiu, 2013).

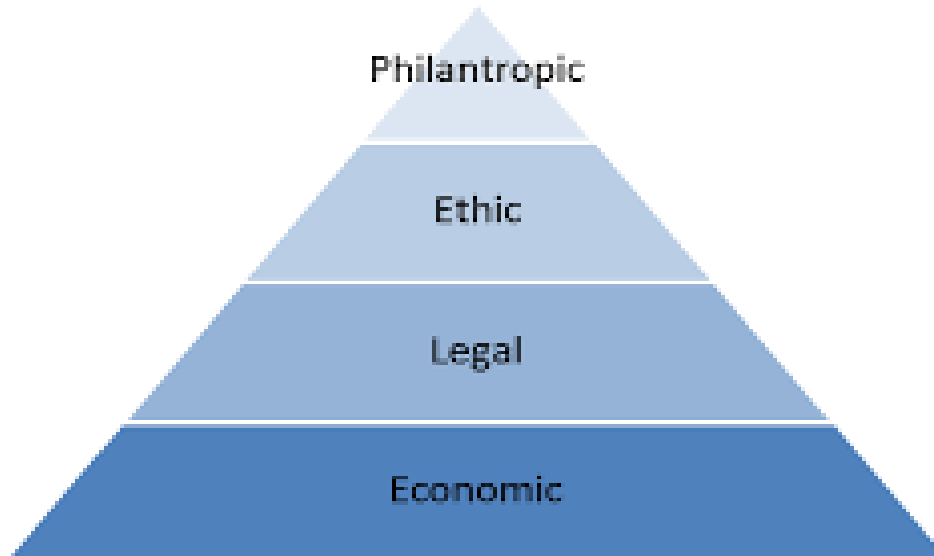
Objectives

- CSR in the banking sector has received inefficient attention, in this paper intends to explore a literature review on CSR of banks in order to study main sector of research. Accordingly, we can propose a conceptual framework of CRS in banking sectors.
- In addition, the paper can investigate the distinctions between CSR theoretical framework and the need raised from CSR practice within the banking services.
- The paper can propose the new research direction which aims at encouraging banks to undertake CSR and build a powerful CSR implementation.

Research methodology

- ▶ In this study, forty refereed experimental and theoretical researches and articles pertinent to CSR in the banking sector were assessed and analyzed.
- ▶ In other words we utilize just secondary information gathered through those articles and researches to analyze and build a literature review of five important issues on CSR in banks.
- ▶ By examination and contrastive previous results, we can plot every tended to issue relating to CSR in banks, and suggesting some new issues in future research.

Responsibilities of a firm – Pyramid of CSR/CSP

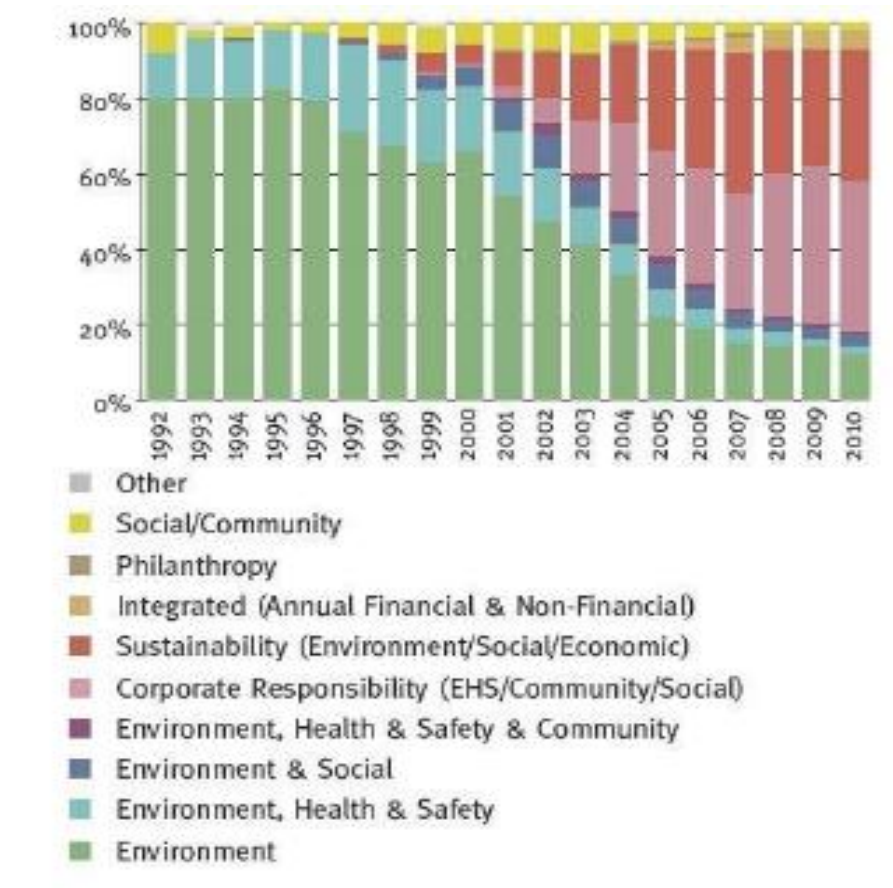


CSR Pyramid according to (Carroll 1991)

Carroll (1991) builds up a supposed pyramid of corporate social responsibility, including economic, legal, ethical and philanthropic perspectives. Economic responsibilities structure the premise of the pyramid, contained providing goods and services, being profitable and competitive - the most essential responsibilities of a company. In the diagram, legal responsibilities mirror a “social contract” between the society and businesses and incorporate essential ideas of “right” and “wrong” which can be systematized. Legal responsibilities manufacture a kind of structure constituting “the rules of the game” between organizations as well as between organizations and the society. On the image, ethical responsibilities of organization go beyond codified norms, including non-classified social values and desires of society. For organizations, this implies a level of social performance higher than as of now required by the law. Ethical responsibilities compare to the essential standards of moral philosophy, for example justice, rights and utilitarianism. On the top level of the pyramid, philanthropic responsibilities grasp those activities of organizations that are responses to society’s desires that organization should be good corporate residents. They can accomplish this by contributing to the arts, education and local community development.

Matten and Moon (2008) endeavored to highlight some differences of CSR issues in various geographical areas and different sectors of economy and clarify them by comparing CSR approaches of the American and European companies. After discussing a few differences between the United States and Europe as far as political and financial systems, education and labour systems, organization of market processes, coordination and control as well as cultural systems, they recognized the ‘explicit’ and ‘implicit’ CSR. By ‘explicit’ CSR they comprehend “voluntary programs and strategies by companies that consolidate social and business esteem and address issues apparent as being piece of the social responsibility of the company” (Matten and Moon 2008, p. 409).

How many organizations get involved for CSR? Corporate Register is the main association in collecting, publishing and analyzing CSR reports and maintainability reports around the world (for details see www.corporateregister.com). Until today, this learning hub contains more than 30.000 reports from about 7.500 organizations. Their long-term investigation shows that environmental reporting, which ruled the 1990s has been always replaced by sustainability reporting and corporate obligation announcing (which is both tended by the term CSR in this proposal)



Global report output by type and year (CorporateRegister.com 2011, p. 5)

Areas of CSR research

Perception towards CSR, CSR Reporting, CSR Practices, Impact of CSR on Banks, Drivers of CSR.

Emerging Issues

- ▶ Globally, there is a increasing concern about the CSR and its effects of the organization's activities, because providing a quantitative report about CSRs impact on the society can enable bank clearly recognise both advantages and disadvantage of embracing CSR in banking sectors.
- ▶ As such, they can have a proper perception toward CSR therefore, they can embrace CSR activities. However, the lack of assessment of impacts of CSR in banks on society still exists.
- ▶ The result from previous studies shows that impact of CSR of banks in developing countries like India should be addressed in future research.
- ▶ From the past studies, three main methodologies are utilized by authors to research CSR in the banking sector, including information synthesis and analysis, quantitative method and survey method.
- ▶ In order to study the CSR as socially developed, the information synthesis and analysis often consists of three main steps. The CSR definitions were gathered through a literature review on management, quality management, banking industries, and CSR activities.
- ▶ Almost on earlier studies, the authors often gather secondary information from many banks to draw the image how banks conducted their responsibility.
- ▶ In addition, numerous researchers used quantitative method to identify the relationship of CSR with different factors in the banking sector such as financial performance, bank reputation.
- ▶ However, the earlier study also raise an issue that measurement of CSR is as yet risky, and previous literatures provides several methods for estimating corporate social activities, a large portion of them have limitations .
- ▶ Further, survey is the most widely recognized methodology applied. Data is regularly gathered via questionnaires from a wide range of banking or finance practitioners and academics with face to face interviews.
- ▶ Some authors used case study methods to make an in-depth investigation, but it has a limitation on the number of organizations to be studied due to time and cost requirement.

- ▶ We recommend another approach to conduct research in this issue is the combination of the three techniques.
- ▶ Besides, future research should be done with a larger sample of banks and their stakeholders simultaneously in order to accomplish greater reliability.
- ▶ In addition, a more extensive time of analysis could provide more secure results.

Conclusion

- ▶ Banking sector is currently facing heavy burden of dealing with destructive effects of the global financial crisis.
- ▶ In addition, the demands for heightened levels of CSR in banks are being pressed worldwide because of increasing serious competitiveness and potential advantages given by CSR.
- ▶ This study does great contribution to building a framework for a superior CSR understanding about CSR research and CSR status in developing countries like India in perception, report, drivers and effects. Moreover, the study proves numerous facts about CSR.
- ▶ Evidently, numerous overall banks have recently and increasingly adopted CSR as a tool to accomplish benefits and become successful in balancing the benefits against the costs of undertaking this tool.
- ▶ In addition, the key boundaries for CSR that should be tended to in future studies include lack of awareness, lack of standard norms for assessing and spreading social practices, lack of motivational incentives, lack social accounting and reporting and lack of consolidated activities from governments.
- ▶ Thus, this study is relied upon to contribute significantly to encourage CSR adaptability and accomplishment of CSR usage in banking sector.

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