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Pooja Rani
 Research Scholar, Department
 of Rural Management, School
 for Management Studies,
 Babasaheb Bhimrao
 Ambedkar University
 (A Central University),
 Lucknow-25

Dr. MS Khan
 Associate Professor
 Department of Rural
 Management, School for
 Management Studies,
 Babasaheb Bhimrao
 Ambedkar University
 (A Central University),
 Lucknow-25

Correspondence
Pooja Rani
 Research Scholar, Department
 of Rural Management, School
 for Management Studies,
 Babasaheb Bhimrao
 Ambedkar University
 (A Central University),
 Lucknow-25

Customer perception towards corporate social responsibility (CSR) in banking sector

Pooja Rani, MS Khan

Abstract

CSR is the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives & values of our society". CSR has got popularity and contentious field of study since the 1970s. CSR which has largely been voluntary contribution, by corporates has now been Included in law. Now every company has to do CSR activities which come under the guidelines of new companies act, 2013. This research paper tried to know the consumer perception towards CSR practices in Indian Banking sector. Both Primary & secondary data has been used for this study.

Keywords: CSR, Banking sector, Customer, Perception, Companies act

Introduction

The relationship of the company beyond the legal existence to the socio-economic scenario is well summarized by Berle (1959), the 'company' is not merely a legal institution. It is rather a legal device for the publicly and by being socially responsible. It is, therefore, a combined political, social, economical, and legal institution. This brings us to the concept of corporate social responsibility (CSR) as corporations derive wealth from society, create wealth for society, and earn profit by dealing with the wealth for society. Thus, in the larger perspective, it is society that actually gives permission to business to operate in society and earn money. This obviously demands that the business worlds pays for this permission by a legitimate sharing of the wealth it is earning from society by sharing it with society. There is not any prescribed definition regarding CSR but some different definition of CSR shown in Table 1.

Table 1: definitions of CSR

CSR definitions from different sources	Definition of CSR
According to Bowen (1953)	"The obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives & values of our society"
According to Davis (1973)	"The firm's considerations of, and response to issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks"
According to Carroll (1979)	"The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point of time"
According to WBCSD (2001), as cited in Jamali (2006)	"The commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities"

Corporate social responsibility & companies act, 2013: The act enacted on 29 August 2013 on accord of Hon'ble President's assent, has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, enhances the interests of minority investors and for the first time legislates the role of whistle-blowers. The new law replaced the nearly 60-year-old Companies Act, 1956. The 2013 Act has introduced several provisions for changing the way to do business of Indian corporates and it also introduced a

new provision regarding spending on Corporate Social Responsibility (CSR) activities. On the basis of CSR provisions it became mandatory for Indian companies and Companies have to spend a particular amount on CSR activities as well. They have to mention their report regarding CSR activities in a prescribed format in their website. The Reporting of CSR will be implemented on an annual basis commencing from fiscal year 2014-15.

Objective of the Study

- To know the concept of Corporate Social Responsibility.
- To know the customer perception regarding CSR implementation of Indian Banking sector.

Literature Review: The concept of CSR originated in the 1950's in the USA but it became prevalent in early 1970s. During the 1980's to 2000, corporations recognized and started accepting a responsibility towards society. Corporate social responsibility (CSR) focuses on the wealth creation for the optimal benefit of all stakeholders – including shareholders, employees, customers, environment and society.

According to Bowen, —CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society.

Carroll, (1991) ^[2] defined that CSR is the social obligations towards wider stakeholders, environment while

making profit the shareholders. Carroll developed a theoretical framework of CSR, where he proposed four dimensions of CSR. These are economic, legal, ethical and philanthropy of CSR. Carroll defined economic CSR is measured in terms of shareholders wealth maximization generates profit, being competitive (high quality & low cost), operational efficiency, and continuous profitability. Carroll defined legal responsibilities of CSR dimension is measured in terms of the extent that organization's activities are consistent with laws and regulations, law-abiding corporate citizen, fulfilling legal obligation, and goods and services must meet the minimal legal requirement. Carroll defined Ethical responsibility of CSR dimension is measured in terms of societal mores and ethical norms, extent that organization adjust themselves to emerging moral norms, degree of compromising ethical standards or norms, corporate citizenship behavior accepted by society and the extent that organization go beyond the legal and regulation requirements to maintain integrity of the organization. Carroll defined Philanthropic is the highest level of CSR, where it will be measured in terms of philanthropic and charitable expectation of society, assistance provided to fine and performing arts, extent that managers and employees of the organization involvement voluntary charitable activities organized by community, and assistance provided by organization to the projects that enhances "quality life".



Fig 1: Pyramid of social responsibility by Carroll (1991) ^[2]

Namrata singh, Rajlaxmi srivastava *et al.* (2013) proposed a study on CSR practiced & CSR reporting in Indian banking sector, concluded that at present the Banking Sector performing their banking services more effectively in comparison with the past and also started working towards social banking that is Corporate Social Responsibility. Maximum number of banks whether related to private sector or public sector highly performing CSR activities as per their priority but if we look towards the CSR reporting then we can see that most of the banks are still not disclosing their amount for such initiatives in their websites. After the involvement of RBI the CSR becomes the important part of Banking Sector but still more regulations and new policies are required to implement the concept of CSR in Indian Banking Sector.

Suman kalyan chaudhary, Sanjay kanti das *et al.* (2011) explored a study on Practices of Corporate Social Responsibility (CSR) in banking sector in India: An assessment resulted that in India there is a need to promote a drive in banking Companies towards greater accountability on Corporate Social Responsibility (CSR). In order to attain the social objectives, there is a need for framing a CSR Policy in every banking company for prioritization of

activities for social spending and allocation of separate funds for this purpose. Moreover, to have an impact of the CSR spending and utilization of allocated budget, there should be a system of periodical monitoring and reporting to the Board of Directors.

Research Methodology: A survey was conducted to find out the perception of customer regarding CSR. The survey was conducted to banking employees, Lucknow. The convenient sample of 100 banking employees was taken for the study out of which 85 employees gave their feedback.

The study is descriptive and exploratory in nature. Primary data has been collected through questionnaire with the Respondents. A well, structured questionnaire was designed for the study. Non probability sampling has been used to fill the questionnaires. Secondary data has been obtained from existing literature, published books, articles published in different journals, Banks website, news papers and magazines. The opinion was later analyzed and computed by mean, percentage.

Result & Data Analysis: According the responses given by the respondents following analysis has been calculated.

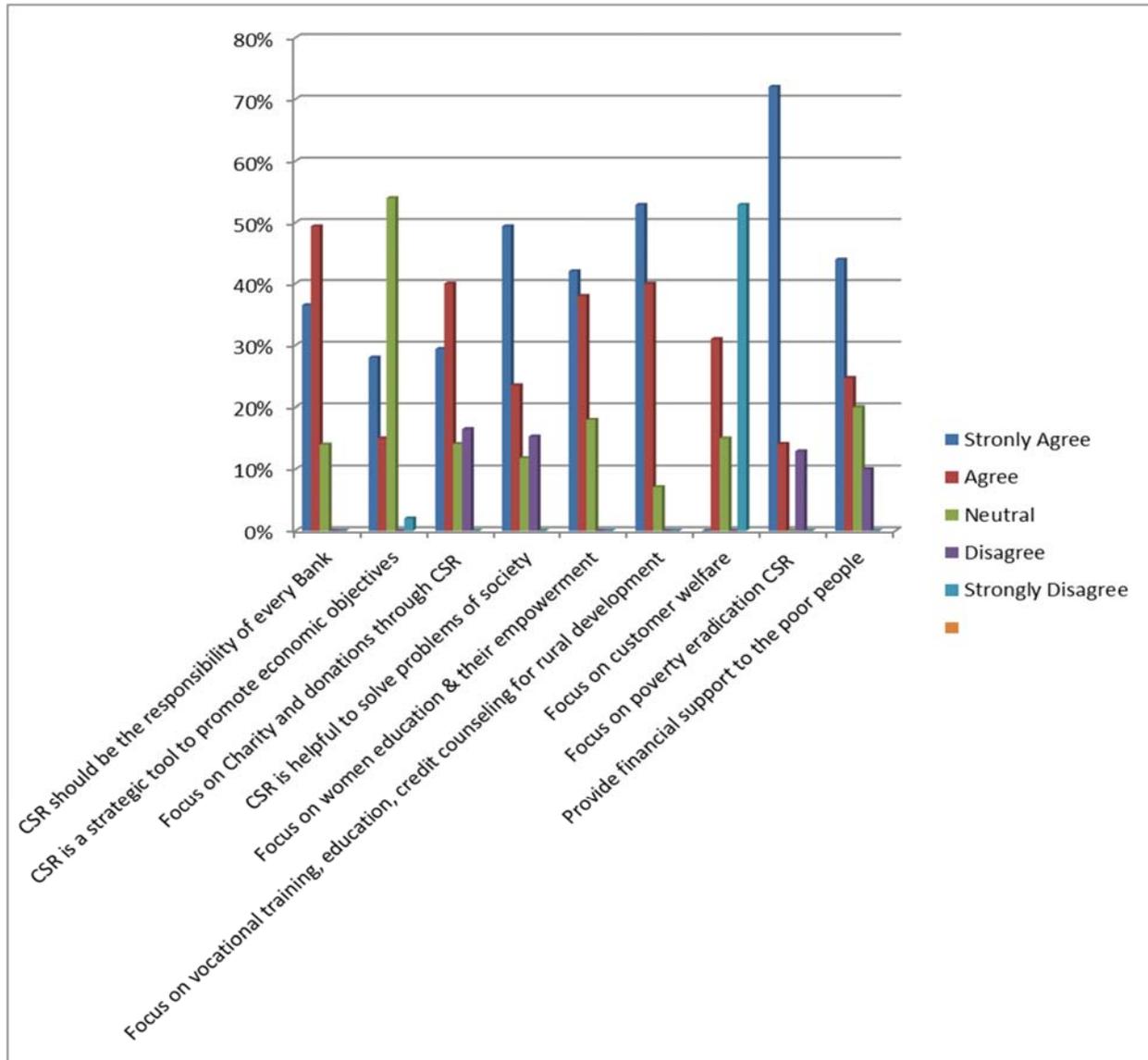


Fig 2: Customer perception regarding CSR implementation

The above given chart shows the percentage of customer perception regarding nine statements about CSR implementation by the Banks.

- **CSR should be responsibility of every Bank:** The 50% customers are strongly agreed, more than 30% customers are agreed & more than 10% customers are neutral with this statement.
- **CSR is a strategic tool for economic objective:** More than 50% customers are neutral, near about 30% customers are strongly agreed & around 15% customers are agreed & very few customers are strongly disagreeing with this statement.
- **Focus on charity & donations:** The 40% of customers are agreed, 30% customers are strongly agreed, more than 10% are neutral & around 15% are disagreeing with this statement.
- **CSR is helpful to solve society problems:** Around 50% customers are agreed, 24% are agreed, 10% are neutral and more than 10% are disagree with this statement.
- **Bank should be more focus on vocational training, education, credit counseling for rural development through CSR activities:** 53% customers are strongly

agreed, 40% are agreed, 7% are neutral on this statement.

- **Bank should be more focus on customer welfare CSR activities:** The 31% customers are agreeing, 15% are neutral & 52% are strongly disagreeing with this statement.
- **Bank should be more focus on poverty eradication CSR activities:** The 73% customers are strongly agreed, 14% are agreed, and only 12% are disagreeing with this statement.
- **Bank should provide financial support to the poor people through CSR activities:** The 45% customers are strongly agree, 24% are agree, 20% are neutral, 10% are disagree with this statement.
- **CSR has a great impact on customer of Banks:** The 56% customers are strongly agree, 32% are neutral, 11% are disagree with this statement.
- **Bank should be more focus on health care activities:** The 20% customers are strongly agreed, 50% are agreed, 25% are neutral & only 5% are disagree with this statement.

Conclusion: According to the result of data analysis it is proved that Customers has a positive approach towards corporate social responsibility. Very few customers are agreeing that CSR is a strategic tool for earning profit. Most of customers have given believe that CSR is a social responsibility tool & very helpful to solve the issues of society. The customers also believe that Bank should be focus on areas like healthcare, women empowerment, rural development, poverty eradication, customer welfare etc. Many customers are neutral and disagreed on the bank's social responsibility towards customer welfare. The customers are very strongly agreed that banks should be more focused on the poverty eradication. Because when poverty will be reduce than country will also developed automatically. It is also shown that CSR activities done by the banks develop a positive impact on customers' perception towards banks. I would suggest that CSR should be meeting the general population & should be based on the principles of paying back to the society.

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