STAKEHOLDERS' VIEWS OF CERTAIN BANK BRANCHES IN KOLKATA'S CSR PRACTICES

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Abstract

Corporate Social Responsibility is defined as "the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time." The Banking system of the country is the base of the economy and economic development of the country. From the literature review it has been found that there is no such provision regarding CSR for the Banks, the leading component in Indian Service Sector, in their relevant regulation like the Banking Regulations Act. They only engage in CSR voluntarily. Therefore, the present study investigates empirically, what the selected banks could do if they had been modelled to comply with the CSR regulations provisioned in the Companies Act, 2013 and the stakeholders' perception in this regard. Finally we have done a comparative analysis with the help of Garrett Ranking Method. We find that 'Benefits of CSR' is the most important factor influencing Stakeholders' Perception on CSR practices in the Banking Sector. Finally it can be concluded that in the present regulation of the bank namely, Banking Regulation Act, no provision is there for the banks for the compulsion of CSR activities just like that being mandated in the Companies Act, 2013 and 2020 and therefore, the only engagement in CSR activities by the banks is voluntary. The researcher, through this perception study, wants to highlight the benefits of CSR as influenced by stakeholders' perception so that the policy makers of the public and private sector banks could think about the compulsion to set CSR parameters and benchmarks to stop manipulating and window-dressing CSR data which does not really reflect the opinion of actual stakeholders like the listed companies, as there is no compulsion of fund allocation and utilization for CSR in banking industry.

Keywords: CSR, Banking Regulations act, Garrett Ranking, EFA.

Introduction

Corporate social responsibility is everything an organization does for society's benefit above and above what is required by law. The phrase "responsibility" highlights the fact that the company has moral duties to the community. CSR is a type of corporate self-regulation incorporated into a business strategy. It is also known as Sustainable Responsible Business (SRB) or Corporate Social Performance. However, on the flip side, industrialization and commercialization of the service sector have rooted the use of non-renewable energy sources, global warming, the greenhouse gas mission, and rising levels of waste that have detrimental

effects on the next generation. The idea of Corporate Social Responsibility (CSR) has gained widespread acceptance as people's concerns about sustainable development, environmental performance, and the management of natural resources have grown. To ensure the sustainable growth of an economy, CSR concepts must be fully integrated into business operations. These programmes have successfully retuned industrialized nations to act in a socially responsible manner. However, there aren't enough targeted and efficient responses to the current need in underdeveloped countries. Additionally, a very small amount of research has been done to look into CSR practices in emerging and developing countries.

Conceptual Aspects - CSR

Corporate social responsibility (CSR) is the ongoing commitment made by businesses to the socioeconomic advancement of the communities in which they operate. It is an effective strategy for creating long-lasting stakeholder values and earning sustainable competitive profits. Corporate social responsibility is regarded as a crucial tool for gaining a competitive edge and enhancing a company's reputation. Numerous Indian banks have developed their unique brand identities in the area of corporate social responsibility (CSR) by participating in a range of social projects for community improvement and social welfare. According to research, banks mostly focus their CSR efforts on women, children, rural development, education, and community welfare. Banks need to step up their CSR efforts, and this can be achieved by including an increasing number of social development issues related to the business sector.

Banking Sector in India

The foundation of the nation's economy and economic progress is its banking system. It is the most important component of the nation's financial system because it accounts for more than 70% of the money that moves through it. The nation's banking system serves three main purposes:

a. Operations of Payment system
b. Depositor & protector of people's savings
c. Issue loans to individual and Companies

Brief Review of the Literature Reviewed

The whole literature review has been sub-divided into **three sections**

1. Literature review on the CSR performance of banking sector
2. Employees' perception on CSR practices in banking sector
3. Customers' perception on CSR practices in banking sector

Literature Review on the CSR Performance of Banking Sector

According to **Holmes and Watts** (1999), CSR is a company's ongoing commitment to act morally, promote economic growth, and enhance the lives of its employees, their families, the local community, and society as a whole. Some academics contend that working with a CSR viewpoint increases long-term earnings for organizations, while others contend that CSR detracts from the economic purpose of businesses.

"There is one and only one social responsibility of business," asserts **Friedman** (2006), "and that is to use its resources and engage in activities designed to increase its profits as long as it plays by the rules, that is, as long as it engages in open and free competition without deceit or fraud."

Paramasivan C, Savarimuthu S (2015) The term became popular in the 1960's and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed. World business council for sustainable development regards Corporate Social Responsibility as engine for the social dimension which supports companies to fulfill their responsibilities as good citizens and defines Corporate Social Responsibility as business commitment to contribute to sustainable economic development, working with employees, their families, local community and society at large to improve their quality of life (WBCSD, 2006).

Carroll (2008) elucidated they also owe it to the community to support them by using their goods and services and allowing their establishment through various laws and regulations.

Literature Review on Employees' Perception on CSR Practices in Banking Sector

Imran Ali, Kashif Ur Rehman, Syed Irshad Ali, Jamil Yousaf and Maria Zia their research indicates a strong correlation between CSR initiatives and employee organisational commitment, employee organisational co

mmitment and performance, and CSR initiatives and performance.

DanZheng found that CSR has a major impact on the attitudes and behaviours of people atworkCSR has the potential to improve employee attitudes and behaviours, support corporate success, and create a winwin scenario.Consequently, businesses should examine the degree of empl

Literature Review on Customers' Perception on CSR Practices in Banking Sector

Alan Pomering andSara Dolnicar discovered that there is a low level of knowledge of banks' social endeavours and the underlying societal concerns these CSR programmes address. There was also a poor level of general consumer awareness of any bank activities aimed at improving social or environmental issues in their town.

Rojanasak Chomvilailuk Ken Butcher discovered that the three CSR initiatives had a small but significant impact on consumers' brand preference. The degree of determinant differed with respect to cultural values, age, and CSR temperament. Even though older consumers valued perceived brand quality more generally, the kind of CSR programme could have a significant impact on customer preference.

Identification of the Research Gap

It is clearly seen from the above literature review that although there are stringent regulations relating to the compliance of the Corporate Social Responsibility for the Corporate Sector in India, especially those for the listed companies, there is no such provision for the Banks, the leading component in Indian Service Sector, in their relevant regulation like the Banking Regulations Act. They only engage in CSR voluntarily. Further, no specific empirical work is done on the Stakeholders' Perception on the CSR Practices followed by the Banks, which is very much needed, as per the financial inclusion policy and strategies of the Government and Bank Policy Makers.

Therefore, the present study investigates empirically, what the selected banks could do if they had been modeled to comply with the CSR regulations provisioned in the Companies Act, 2013 and the stakeholders' perception in this regard.

Objectives of the Present Study

In view of the above research gap identified, the following objectives were found pertinent for the study:

1. To examine the regulatory environment for CSR in Indian Banking Sector.
2. To determine which key sectors the Indian banking sector's CSR initiatives are focused on.
3. To conduct evidence based and participatory research for identifying key issues for CSR interventions.

Research Methodology for the Present Study

Data Source

Structured questionnaires that have been completed have been used to gather quantitative data. The sample will be selected based on convenient sampling procedure. Necessary data support has also been taken from various secondary sources of information, relevant books, journals, periodicals and websites, wherever necessary.

Tools for Analysis

The collected data has been analyzed using SPSS 25 and descriptive statistics; Exploratory Factor Analysis (EFA) using Principal Component Analysis (PCA) has been carried out to depict the findings of some data. Finally, we have done a comparative analysis of factors influencing respondents' perception. For that the present study has been used Garrett's Ranking Method to prioritize the components of Corporate Social Responsibility as identified by the respondents in the study area and for the select Banks.

Employees' Perception Study on the CSR Practices of Select Bank Branches in Kolkata

Primary Data

The required Primary Data has been collected from first-hand experience through primary data by preparing structured questionnaire comprising of Open-ended and Closed-ended questions. This survey consists of demographic questions in the beginning, dichotomous and multiple-choice questions in the middle, 5-point Likert Scale questions, and finally open question where respondent could write suggestions or opinions. The primary data is collected with the help of **convenient sampling** from **10 Public Sector Banks** and **4 Private Sector Banks** employee through personal connection. Structured questionnaire (Physically & Online) was sent to all the employees of **133 bank branches** but only **905** properly filled up questionnaire were received from the respondents.

Data Collection Period

The broad period of primary data collection using the structured questionnaire is from January, 2022 to August, 2022 approximately 08 months.

Exploratory Factor Analysis (EFA)

Factor interpretation based on Exploratory Factor Analysis on Employees' Perception on CSR activities of select sample banks

The value of **KMO is 0.957** which is higher than 0.5 indicates that the sample is adequate for carrying out factor analysis and has sufficient items for each factor.

Similarly, the control of **Sphericity (Bartlett's sig < 0.001) indicates that EFA can be carried out** as because the correlation matrix is different from an identity matrix and correlations between variables are not zero.

Principal Component Analysis (PCA) is a method of reducing large number of variables into smaller number of factors and at the same time preserving most of the statistical information. In order to carry out Principal Component Analysis to identify the factors which have an effect on perception study of the sample select respondents regarding the employees' perception on CSR practices by select bank branches in Kolkata, it's evident that **twenty one (21) variables are extracted into two (2) exploratory factors which explain 54.127% of the total variance.**

a) Factor 1:

The first exploratory factor with eleven variables is named as **"Benefits of CSR".**

The variable **"Benefits of CSR"** has a multiple regression equation that is greater than 1. It looks like this:

$\beta1=0.759X16F+0.740X16E+0.717X16D+0.716X16M+0.703X16L+0.694X16G+0.681X16N+0.674X16K+ 0.652X16O+0.642X16J+ 0.636X16H$…………………………. (i)

b) Factor 2:

The second exploratory factor with four variables is named as **"CSR Practices".**

The multiple regression equation for this variable **"CSR Practices"** is greater than 1 and is:

$\beta2=.856X15A+.828X16A+.708X15B+.639X16B$…………………………. (ii)

So, from the above findings it can be concluded that employee's perception on CSR (EP$_{CSR}$) depends on two factors namely," **Benefits of CSR" and "CSR Practices".i.e.**

EP$_{CSR}$ = β1 + β2

Customers' Perception Study on the CSR Practices of Select Bank Branches in Kolkata

Primary data

The required Primary Data has been collected from first-hand experience through primary data by preparing structured questionnaire comprising of Open-ended and Closed-ended questions. This survey consists of demographic questions in the beginning, dichotomous and multiple-choice questions in the middle, 5-point Likert Scale questions, and finally open question where respondent could write suggestions or opinions. The primary data is collected with the help of convenience sampling from **14** public sector banks and **8** private sector bank customers through personal connection. Structured questionnaire (physically and online) was sent to all the customers of **442** number of branches but only **2341** properly filled up questionnaire were received from the respondents.

Data collection period

The broad period of primary data collection using the structured questionnaire is from November, 2022 to April, 2023, approximately 06 months.

Factor interpretation based on Exploratory Factor Analysis on Customers' Awareness on CSR activities of select sample banks

The value of **KMO is 0.941**which is higher than 0.5 indicates that the sample is adequate for carrying out factor analysis and has sufficient items for each factor.

Similarly, the control of **Sphericity (Bartlett's sig < 0.001)** indicates that EFA can be carried out as because the correlation matrix is different from an identity matrix and correlations between variables are not zero.

Principal Component Analysis (PCA) is a method of reducing large number of variables into smaller number of factors and at the same time preserving most of the statistical information. In order to carry out Principal Component Analysis to identify the factors which have an effect on perception study of the sample select respondents regarding the customers' perception on impact of CSR practices by select bank branches in Kolkata, , it's evident that *twelve (12) variables are extracted into two (2) exploratory factors which explain 64.192% of the total variance.*

a) Factor 1:

The first exploratory factor with nine variables is named as **"Importance of CSR".**

For the variable **"Importance of CSR"** which has a value greater than 1, the multiple regression equation is as follows:

$\beta1=.643X18+.766X19+.803X20+.680X22+.680X23+.824X24+.769X25+.710X26+.680X27$............................ *(i)*

b) Factor 2:

The second exploratory factor with two variables is named as **"Economic impact"**.

For the variable **"Economic impact"** which has a value larger than 1, the multiple regression equation is as follows:

$\beta2=0.830X16+0.863X21$.................... *(ii)*

So, from the above findings it can be concluded that the impact of CSR on customers' awareness **(CA_{CSR})** depends on two factors namely **"Importance of CSR" and "Economic impact" i.e.**

$CA_{CSR}= \beta1 + \beta2$

Factor interpretation based on Exploratory Factor Analysis on Customers' Perception on CSR activities of select sample banks

The value of **KMO is 0.941** which is higher than 0.5 indicates that the sample is adequate for carrying out factor analysis and has sufficient items for each factor.

Similarly, the control of **Sphericity (Bartlett's sig < 0.001) indicates that EFA can be carried out** as because the correlation matrix is different from an identity matrix and correlations between variables are not zero.

Principal Component Analysis (PCA) is a method of reducing large number of variables into smaller number of factors and at the same time preserving most of the statistical information. In order to carry out Principal Component Analysis to identify the factors which have an effect on perception study of the sample select respondents regarding the customers' perception on impact of CSR practices by select bank branches in Kolkata, , it's evident that **fifteen (15) variables are extracted into three (3) exploratory factors which explain 68.690% of the total variance.**

a) Factor 1:

The first exploratory factor, **"Customer engagement"** has six variables.

For the variable **"Customer engagement"** which has a value greater than 1, the multiple regression equation is as follows:

$\beta1=.783X46+.744X47+.729X48+.727X45+.680X44+.602X49$......... (i)

b) Factor 2:

The second exploratory factor with four variables is named as **"Customer satisfaction"**.

For the variable **"Customer satisfaction"** which has a value greater than 1, the multiple regression equation is as follows:

$\beta2 = .789X42+.735X52+.658X50+.635X51$............................ *(ii)*

c) Factor 3:

The third exploratory factor with four variables is named as **"Improvement in perception of CSR"**.

The variable **"Improvement in perception of CSR"** has a multiple regression equation that is greater than 1:

$\beta3 =.765X55+.735X56+.702X54+.613X53$............................ *(iii)*

So, from the above findings it can be concluded that the customers' perception on CSR (**CP_{CSR}**) depends on three factors namely **"Customer engagement ","Customer satisfaction" & "Improvement in perception of CSR"** i.e.

$CP_{CSR}= \beta1 + \beta2 +\beta3$

Qualitative Research and Garrett Ranking

After completing the Exploratory Factor Analysis on employees' perception on CSR activities in banking sector with primary data collected from **905** respondents and customer' perception on CSR activities in banking sector with primary data collected from **2341** respondents, we found the total of **7** exploratory factors, comprising of **2** factors from the employees' perception on CSR activities in banking sector out of **21** variables and **2** factors from the customer' perception on CSR activities in banking sector out of **12** variables and again **3** factors from the customer' perception on CSR activities in banking sector out of **15** variables.

So, the final factors coming out are: -

1) Importance of CSR (F1)
2) Economic impact (F2)
3) Customer engagement (F3)
4) Customer satisfaction (F4)
5) Improvement in perception of CSR (F5)
6) Benefits of CSR (F6)
7) CSR Practices (F7)

Here, we found the limitations of quantitative research because the exploratory factors were named only, but how much they impacted the perceptions of stakeholders of banks could not be found out properly. For that purpose, we switched over to qualitative research involving some common factors & common

respondents. We used focus group discussion with time scale modified approach, where we asked the respondents to rank the factors in an unbiased manner. Finally, we identified 55 common respondents and asked them to rank these factors. After that we used Garrett Ranking Method. From the Statistical Garrett Ranking, we can easily see that 55 respondents gave:

1. *'Benefits of CSR' is given the highest rank i.e. Rank -1 (i.e., 63.4727%),*
2. *'Importance of CSR' is given Rank -2 (59.4%),*
3. *'Economic impact' is given Rank - 3 (56.1818%),*
4. *'Improvement in perception of CSR' is given Rank - 4 (54.3273%),*
5. *'Customer satisfaction' is given Rank - 5 (45.7455%),*
6. *'CSR Practices' is given Rank - 6 (33.9818%)*
7. *'Customer engagement' is given Rank - 7 (33.8909%)*

CONCLUSION

The data collected during the study period has been analyzed using Principal Component Analysis and Garrett Ranking

Table 1: Comparative Analysis of Rank Identified Under Principal Component Analysis and Garrett Ranking Method

Factor	Principal Component Analysis		Garrett Ranking Method	
	Value	Rank	Value	Rank
Benefits of CSR (F6)	**9.949**	**1**	**63.4727**	**1**
CSR Practices(F7)	1.417	4	33.9818	6
Importance of CSR(F1)	6.551	3	59.4	2
Economic impact(F2)	1.152	6	56.1818	3
Customer engagement(F3)	7.997	2	33.8909	7
Customer satisfaction(F4)	**1.263**	**5**	**45.7455**	**5**
Improvement in perception of CSR(F5)	1.043	7	54.3273	4

(Source: Author's own Tabulation)

From the above table we can easily see that -

1. As per Principal Component Analysis
- 'Benefits of CSR' is given the highest rank i.e. Rank - 1(9.949)
- 'Customer engagement' is given Rank - 2(7.997)
- 'Importance of CSR' is given Rank - 3(6.551)
- 'CSR Practices' is given Rank - 4(1.417)
- 'Customer satisfaction' is given Rank - 5(1.263)
- 'Economic impact' is given Rank - 6(1.152)
- 'Improvement in perception of CSR' is given Rank - 7(1.043)

2. As per Garrett Ranking Method
- 'Benefits of CSR' is given the highest rank i.e. Rank - 1 (i.e., 63.4727%),
- 'Importance of CSR' is given Rank - 2 (59.4%),
- 'Economic impact' is given Rank - 3 (56.1818%),
- 'Improvement in perception of CSR' is given Rank - 4 (54.3273%),
- 'Customer satisfaction' is given Rank - 5 (45.7455%),
- 'CSR Practices' is given Rank - 6 (33.9818%)
- 'Customer engagement' is given Rank - 7 (33.8909%)

3. The table showing a Comparative Analysis of Rank identified under Principal Component Analysis and Garrett Ranking Method which clearly shows that *'Benefits of CSR' is given the highest rank i.e. Rank-1* in both Principal Component Analysis and Garrett Ranking Method with values 9.949 and 63.4727% respectively.

Thus it can be saidthat 'Benefits of CSR' is the most important factor influencing Stakeholders' Perception on CSR practices in the Banking Sector.

4. Thus, finally it can be concluded that the arrangement of ranks as evolved through Garrett Ranking Method can be of practical importance to decision makers & policy planners.

However, in the present regulation of the bank namely, Banking Regulation Act, no provision is there for the banks for the compulsion of CSR activities just like that being mandated in the Companies Act, 2013

and 2020 and therefore, the only engagement in CSR activities by the banks is voluntary. The researcher through this perception study wants to highlight the benefits of CSR as influenced by stakeholders' perception so that the policy makers of the public and private banks could think about the compulsion to set CSR parameters and benchmark for public and private sector banks to stop manipulating and window-dressing CSR data which does not really affect the actual stakeholders like the listed companies, as there is no compulsion of fund allocation and utilization for CSR.

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