

A STUDY OF CSR PRACTICES IN STATE BANK OF INDIA

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ABSTRACT

Corporate social responsibility (CSR) is emerging as a new field in the management research. In India, many firms have taken the initiatives of CSR practices which have met with varying needs of the society. India, many firms have taken the initiatives of CSR practices which have met with varying needs of the society. Essentially, CSR is the deliberate inclusion of public interest into corporate decision making, and the honoring of a triple bottom line: People, Planet, and Profit. Corporate social responsibility is one such niche area of corporate behavior & governance that needs to get aggressively addressed & implemented tactfully in the organizations. This study is a descriptive study which has been done in State Bank of India.

Key words-CSR, Profit, Societal context, Altruistic duties, Reducing poverty.

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INTRODUCTION:

The term "corporate social responsibility" came into common use in the early 1970s, after many multinational corporations formed. The term stakeholder meaning those on whom an organization's activities have an impact, was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman Strategic management: a stakeholder approach in 1984. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Others argue CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. A responsible corporate recognizes that its activities have wider impact on the society in which it operates. Therefore it takes account of the economic, social, environmental and human rights impact of its activities on all stakeholders. According to the results of a global survey in 2002 by Ernst & Young, 94 per cent of companies believe the development of a Corporate Social Responsibility (CSR) strategy can deliver real business benefits, however only 11 per cent have made significant progress in implementing the strategy in their organization. Senior executives from 147 companies in a range of industry sectors across Europe, North America and Australasia were interviewed for the survey.

Corporate social responsibility ("CSR") also known as corporate conscience, citizenship, social performance, or sustainable responsible business is a form of corporate self regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. CSR is the deliberate inclusion of public interest into corporate decision making that is the core business of the company or firm, and the honouring of a triple bottom line: people, planet, profit.

CSR is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR (currently a Draft International Standard).

REVIEW OF LITERATURE

Maon et al. (2009) suggest an integrative framework of corporate social responsibility design and implementation. The research proposed integrative framework for designing and implementing corporate social responsibility incorporates nine steps: raising corporate social responsibility awareness inside the organization, assessing corporate purpose in societal context, establishing a working definition and vision for corporate social responsibility, assessing current corporate social responsibility status, developing an integrated corporate social responsibility strategic plan, implementing the corporate social responsibility integrated strategic plan, maintaining internal and external communication, evaluating corporate social responsibility related strategies and communication and institutionalizing corporate social responsibility policy.

Marshall Judi (2007) reviewed the potential gendering of leadership in the emerging field of corporate social responsibility. It explores whose voices are becoming dominant, how leaders

speak, and what forms men's and women's leadership takes. Simeon Scott (2007) examined five themes arising from definitions of corporate social responsibility: responsibility to the community and society; promoting democracy and citizenship; reducing poverty and the inequality between rich and poor; employee rights and working conditions; ethical behaviour. The paper also aims to evaluate three important articles on CSR, and investigate conceptual value added, with reference to these five themes. Shah Anup (2007) found that recent years have witnessed increasing importance on corporate social responsibility, especially as concerns about climate change are becoming mainstream. There have been criticisms of corporate social responsibility from ardent free trade capitalists and anti globalization activists/environmentalists alike.

Campbell and Slack (2006) found that the “rate of charitable giving against profit is found to respond positively to public visibility.” This study suggests that corporations with high visibility (often consumer brands) are more likely than low visibility corporations to engage in philanthropy to improve their corporate reputation in the increases the risk of companies being found out for unethical practices. For example, criticisms of Nike’s operations in Asia in the 1990s forced the company to alter its manufacturing processes. In order to redeem its strong customer loyalty, Nike changed many of its labour, environmental and reporting practices, and regularly insists on independent inspections of local subcontractors. (Gardberg and Fombrun 2006).

Christian Superti (2005) said that corporate responsibility (CR) has gained a lot of attention during the last decade and many more companies are producing non-financial reports today than ten years ago. Although a widespread definition is not available CR means that businesses are pursuing their economic, social and environmental responsibilities on a voluntary basis and are integrating them into all business operations, while interacting with their stakeholders.

Moir Lance (2001) reviewed definitions of corporate social responsibility from both practice and the literature and looks at theories to explain why such behaviour takes place. The literature has strong divides between normative or ethical actions and instrumental activities. The article concludes by posing the question of when instrumental activities become business activities rather than largely social responsibility. Lantos Geoffrey P. (2001) reviewed the development of the corporate social responsibility (CSR) concept and its four components: economic, legal, ethical and altruistic duties. Discusses different perspectives on the proper role of business in society, from profit making to community service provider. Suggests that much of the confusion and

controversy over CSR stem from a failure to distinguish among ethical, altruistic and strategic forms of CSR. Sarbutts Nigel (2003) reviewed a spectrum of views on reputation and CSR and argues that searching for a definitive, value-for-money based formula for reputation management and CSR is at odds with stakeholder expectations, and that much evidence exists to suggest that truly effective CSR is the result more of pragmatism than theory or corporate strategy and in some ways SMEs are better placed to take advantage of CSR programmes.

OBJECTIVE

1. To understand the perception of customers and employees towards profitability of CSR.
2. To identify the perception of customers and employees towards the Ethical promotion of CSR.
3. To find out the perception of customer and employees in the context of Customer expectation of CSR.
4. To understand the perception of customer and employees towards Consumer welfare of CSR.
5. To identify the perception of customer and employees in the context of SBI policies of CSR.
6. To find out perception of customer and employees with respect to Social responsibility of CSR.

METHODOLOGY

Universe of the study is Indore (MP) district. This study is descriptive in nature. Respondents were 100. Scale of Peter (1972) has been used to collect the data which consist of 19 statements each operationalized using five place bipolar scales labelled “strongly disagree “to “strongly agree “.Data has been analysed with the help of Normality test, Reliability test. Z test has been applied on the generated factors .

HYPOTHESES

H₀₁: Customer and employees do not differ in their perception towards the profitability of CSR.

H₀₂: Customer and employees do not differ in their perception towards the Ethical promotion of CSR.

H₀₃: Customer and employees do not differ in their perception towards the Customer expectation of CSR.

H₀₄: Customer and employees do not differ in their perception towards the Consumer welfare of CSR.

H₀₅: Customer and employees do not differ in their perception towards the SBI policies of CSR.

H₀₆: Customer and employees do not differ in their perception towards the Social responsibility of CSR.

RESULT AND FINDINGS

Normality test:

In order to find out the appropriateness of data KMO and Bartlett's test was used. KMO measures the magnitude of observed correlation coefficient to the magnitude of partial correlation coefficient. A value greater than 0.5 is desirable. Bartlett's test measures the correlation of variables. The KMO measure is observed to be 0.627 and Bartlett's test shows 0.000 as level of significance which is less than 0.05 hence is desirable and acceptable.

Reliability test:

Chronbach's alpha was applied to ensure the consistency or stability of the items which came as 0.631 (table 3.1) which is more than .6.

Z- TEST:

z test is used to compare the employees' and customers' perception towards factors generated namely Profitability, Ethical promotion, Customer expectation, Consumer welfare, SBI policies and Social responsibility of SBI at Indore district. In order to test hypothesis z- test was applied at 5% level of significance.

Factor	Customers		Employees		Calculated value of z	Accepted/ Rejected
	M1	SD1	M2	SD2		
H ₀₁	2.780	1.488	2.100	1.313	2.422	Rejected
H ₀₂	17.160	2.418	18.060	2.660	-1.770	Accepted
H ₀₃	3.880	0.917	3.960	1.009	0.415	Accepted
H ₀₄	7.620	1.210	6.980	1.186	2.670	Rejected
H ₀₅	10.260	2.553	8.700	2.426	3.130	Rejected
H ₀₆	10.270	2.553	8.700	2.426	3.130	Rejected

Table 1

(If the calculated value of z is more than 1.96 then the null hypothesis is rejected at 5% level of significance)

INTERPRETATION

H01: Customer and employees do not differ in their perception towards the profitability of CSR.

On the basis of calculated value of t which is $2.442 > 1.96$, hence null hypothesis 1 is rejected. It means the customers and employees differ in their perception towards the factor of profitability of CSR. Evidence that the company's values are congruent with an employee's beliefs should affirm the employee's sense of self and increase perceived similarity and fit with the organization. Employees who feel that they truly belong to an organization should internalize responsibility for its success and be willing to work hard to achieve the organization's goals. Therefore, CSR that satisfies belongingness needs and promotes feelings of fit should be positively associated with in-role performance and organizational citizenship behavior (Ashforth & Mael, 1989; Brief & Motowidlo, 1986; Organ, Podsakoff, & MacKenzie, 2006; O'Reilly & Chatman, 1986 ; Ryan, Connell, & Deci, 1985). A recent global survey of 1,122 corporate executives suggests CEOs perceived that businesses benefit from CSR because it increases attractiveness to potential and existing employees (Economist, 2008: 13).

The economic approach overlooked the fact that in the effort to maximize profits, corporations do affect multiple stakeholders (Freeman, 2001). The stakeholder approach to CSR viewed the corporation as "a set of interrelated, explicit or implicit connections between individuals and or groups of individuals" (Rowley, 1997) that include anybody who "can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984).

H02: Customer and employees do not differ in their perception towards the Ethical promotion of CSR.

On the basis of calculated value of t which is $1.437 < 1.96$ thus hypothesis 2 is accepted. It means customers and employees have same perception about the factor of ethical promotion of CSR. Campbell and Slack (2006) found that the "rate of charitable giving against profit is found to respond positively to public visibility." This study suggests that corporations with high visibility (often consumer brands) are more likely than low visibility corporations to engage in philanthropy to improve their corporate reputation in the eyes of society.

H03: Customer and employees do not differ in their perception towards the factor Customer expectation of CSR.

On the basis of calculated value of t which is $0.415 < 1.96$ thus hypothesis 3 is accepted. It means the customers and employees have same perception about the factor of customer acceptance of CSR. Customer expectation: Luo & Bhattacharya (2006) found that Corporate Social Responsibility “increases customer satisfaction which in turn leads to positive financial returns”. They suggest that building customer satisfaction is an “important intermediate step in converting Corporate Social Responsibility into financial gains.”

H04: Customer and employees do not differ in their perception towards the factor Consumer welfare of CSR. On the basis of calculated value of t which is $2.670 > 1.96$ thus hypothesis 4 is rejected. It means the customers and employees differ in their perception towards the factor consumer welfare of CSR. According to Moskowitz (1972); Turban and Greening (1996); Albinger and Freeman (2000); Greening and Turban (2000); Backhuas et al. (2002); Peterson (2004); Dawkins (2004), they stated that contribution of CSR to the community will make the employees increased motivation in performing their task because they may feel proud to work in an organization that cares for the society as a whole. Besides, they are more committed to the organization as they feel that they are part of the members contributing to the society. Yeosun Yoon and Zeynep Gürhan-Canli found that consumer’s use CSR information to infer product quality only when the firm’s CSR activities are relevant to judgments of corporate ability. Niraj Dawar and Jill Klein found that CSR reputation plays an important role during a product crisis. Consumers are more likely to attribute blame to the firm for a crisis when the firm has a poor record on CSR. When the record is positive, however, consumers blame other parties, and brand image remains intact.

H05: Customer and employees do not differ in their perception towards the SBI policies of CSR.

On the basis of calculated value of t which is $3.130 > 1.96$ thus hypothesis 5 is rejected. It means the customers and employees differ in their perception towards the factor SBI policies of CSR. SBI Policies Banks are considered to be financial intermediaries having amazing powers of leverage. In India, the RBI and the government play a vital role in the governance of banks, mainly by way of bank regulation and supervision (Samantray et.al. 2008).

H06: Customer and employees do not differ in their perception towards the responsibility of CSR.

On the basis of calculated value of t which is $3.130 > 1.96$ thus hypothesis 6 is rejected. It means the customers and employees differ in their perception towards the social responsibility of CSR. Holmes (1976), supports this and states that "in addition to making a profit, business should help to solve social problems whether or not business helps to create those problems even if there is probably no short-run or long-run profit potential".

CONCLUSION

The findings of the study reveal that SBI are compelled to review their activities from social and environmental perspective. Customer and employees are much aware of CSR practices of SBI at Indore region. The important factors of this study are concentrating mainly on profitability, ethical promotion, customer expectation, consumer welfare, SBI policies and social responsibility. The Indian banking industry is found to be adopting an integrated approach by combining CSR with the ultimate customer satisfaction.

In this study stakeholders' are employees and customers and their perceptions are compared. Employees and customer's perception are found to be same for the factor ethical promotion and customer expectation. While there is a significant difference between the perception of employees and customers for the factor profitability, consumer welfare, SBI policies and social responsibility. Impact of CSR practices of SBI have improved financial performance, reduced exposure to reputational risk, increased customer loyalty Improved government relations and reduced regulatory intervention.

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