



A Study Of Impact Of CSR Policy Information On Banks Customer Satisfaction

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Introduction

In the early days the main banking function of the goldsmiths was to keep in custody other people's money and lending a part of it. Gradually, these functions were extended, and others were added. As a result, the dependence of commerce upon banking has become so great that in the modern money economy, the cessation, even for a day or two, of the banker's activities would completely paralyze the economic life of a nation. Now-a-days, the bankers have to deal with many matters. They serve as custodians of stocks and shares and other valuables. They are often required to countersign indemnities and guarantees given by their customers and they undertake the administration of estates, assuming the position of trustees; they assist industrial undertakings by underwriting their shares and debentures, providing them with working capital finance and fixed capital requirements also. The functions of the bank have changed to cope with the changes. The development of new technologies has profoundly changed the way in which customers interact with service providers. Indian banking sector has to face the most crucial challenge, customer satisfaction. Customer satisfaction is considered the essence of success in today's highly competitive world of business.

Corporate social responsibility is the continuing commitment by business to achieve commercial success in ways that honor ethical values,

address legal issues and contribute to economic development while improving the quality of the workforce and their families as well as the local community and society at large. Indeed, the idea of social responsibility is not new to this age; rather it has been around as long as businesses have existed. Sometimes it comes in the shape of caring owners who provided housing, paid the workers who are off due to sickness or otherwise in form of attempts made to provide ease and comfort to the employees lot. Although many such voluntary social measures have become legal requirements, a number of business leaders have gone further ahead by utilizing their wealth to improve the living conditions of many people in the society. Simultaneously, a shift is already occurring from traditional philanthropy to wholesome community development among the more progressive of the companies. Financial System is the most important institutional and functional vehicle for economic transformation of any country. Banking sector is reckoned as a hub and barometer of the financial system. As a pillar of the economy, this sector plays a predominant role in the economic development of the country. Thus the banking sector has been playing a significant role as growth facilitator. In recent years corporate social responsibility has become an important issue at global level. The concept of corporate social responsibility recognizes as commitment of an



organization to operate in a socially responsible manner. It takes into consideration the social and environmental implications of corporate financial decisions. It is also associated with While studying the literature of corporate social responsibility in developing countries only a few studies are available in this regards. Survey was conducted jointly by Confederation of Indian Industry (CII), UNDP, British Council and Price Water & House Coopers (PWC) in 2002, which reported that all most all the companies under the study recognize the importance of CSR and believed that the passive philanthropy was no longer sufficient.

The study conducted by Chahoud (2007) revealed that corporate social responsibility in India, is still characterized mainly by philanthropic and community development activities and Indian companies and stakeholders have begun to adopt some aspects of the mainstream agenda, such as the integration of CSR into their business processes and engagement in multi-stakeholder dialogues. Recognizing the importance of CSR, the Ministry of Corporate Affairs, Government of India, has recently brought out a set of voluntary guidelines on CSR for corporate sector. These CSR guidelines pertain to areas, such as, care for all stakeholders, ethical functioning, respect for workers' rights and welfare, respect for human rights, environment and social and inclusive development.

While studying the current state of CSR in India, Cheung (2009) commented that India's economic reform and its rise to become an emerging market and global player has not resulted into substantial changes in its CSR approach. Ahmed (2009) contributed in the same context through an empirical research, under the supervision of ASSOCHAM Research Bureau, on 300 Indian companies which are active in 26 various theme areas for their CSR initiatives. Karmayog (2009), showed that

corporate governance and ethical business procedure.

Review of Literature

community welfare perceived to be the top priority area on the corporate sector's list with a share of 21.93 per cent out of the total 26 activities.

To highlight the role of banks in corporate social responsibility the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title "Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting – Role of Banks". Major issues discussed in the notice were regarding Corporate Social Responsibility, Sustainable Development, and Non-Financial Reporting. Briefing about the corporate social responsibility program to other member commercial banks RBI followed many international initiatives to highlight the importance of this notice like United Nations Environment Program Finance Initiative (UNEPFI), Global Reporting Initiative (GRI), International Finance Corporation, The Equator Principles, and Declaration on Financial Institutions.

Apart from these international initiatives, RBI report also talked about other important and urgent issues regarding global warming & extent of problem, the economics of climate change, the Happy Planet Index, the Kyoto Protocol etc and requested to implement the same earnestly and sincerely.

In the context of Indian banking sector very little systematic documentation of CSR initiatives is available so far. However, an effort is made in this paper to understand whether CSR initiatives make any difference in the satisfaction level of the customers in Indian banking sector.

Objectives:

To study whether bank retail customers have knowledge about Corporate Social Responsibility initiatives of their bank



To understand retail customers' perception about importance of Corporate Social responsibility

H1 – Retail customers of Bank do not understand Corporate Social Responsibility

H2 – Retail Customers do not take CSR as important activity

H3 – “Bank’s observation of CSR policy” does not make any difference in satisfaction level of customers

Methodology

Data and Collection Tools: Primary data was collected with the help of unstructured interview consisting of open ended questions. Flow of the interview was as follows:

General information about the customer including no. of years he/she is dealing with the bank.

Customer’s awareness of the concept of CSR, Respective bank’s initiatives for CSR.

Post CSR information, Satisfaction level of customers.

Data Analysis: Data analysis of unstructured interview is difficult because of lack of standardization. Hence the data was analyzed with the help of simple percentage analysis method.

Findings

As per the instruction of the RBI, majority of its member commercial banks started new programs on social and economic welfare of the masses, keeping parity with the guidelines. To highlight the role of banks in corporate social responsibility the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title “Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting – Role of Banks”. Major issues discussed in the notice were regarding

H2 – Retail Customers do not take CSR as important

When the customers were asked whether they appreciate the CSR initiatives of banks, 20 out of 30 customers were agree. They were of the

To study whether observation of CSR policy by banks affect retail customers' satisfaction

Hypothesis of the Study

Corporate Social Responsibility, Sustainable Development, and Non-Financial Reporting. Briefing about the corporate social responsibility program to other member commercial banks RBI followed many international initiatives to highlight the importance of this notice like United Nations Environment Program Finance Initiative (UNEPFI), Global Reporting Initiative (GRI), International Finance Corporation, The Equator Principles, and Declaration on Financial Institutions.

Major CSR initiatives of banks (Compiled from the Annual reports of Banks)

- 1 Educational support.
- 2 Research and Development on Education.
- 3 Poverty eradication.
- 4 Vocational training to unemployed
- 5 Rural development.
- 6 Rural Clinic Service
- 7 Rural Service Volunteer Scheme
- 8 Rural Resource Development Centre
- 9 Formation of Farmer’s Club
- 10 Establishment of Village Knowledge Centers.
- 11 Joint Liability Groups for promotion of SHGs.
- 12 Promotion of adoption of the Girl Child.
- 13 Establishment of Farmers Training Centers
- 14 Development of Model Villages

H1 – Retail customers of Bank do not understand Corporate Social Responsibility

It is observed that more than 90% of the customers interviewed didn’t know about Corporate Social Responsibility. Only 2 out of 30 customers knew about CSR by Banks. This does not reject our first Hypothesis. We can say that banks customers are still not aware about CSR in general.

activity

opinion that these type of activities need to be increased so that a wider spectrum of the society can be benefitted. The observation does



not accept the hypothesis. The customers feel that CSR is an important activity but has to be secondary against the objectives of bank.

H3 – Bank's observation of CSR policy does not make any difference in satisfaction level of customers.

100% customer respondents were of the opinion that banks observation of CSR policy is not resulting in any benefit for them. The prudency norms for customers are supposed to be "Responsibility" of banks. This does not reject our hypothesis. We can say that primarily no difference observed in the satisfaction level of customers of banks. Even some of the customers were worried about rise in service charges for observation of CSR policy and some connected the same to recent order of RBI for restricting the number of ATM operations.

Conclusion

Banks in general have recognized their responsibility towards society and are making their contribution in the field of employment generation, education, health care, farmer training, women welfare and women empowerment.

At a time when banks are increasing the amount of funds allocated towards CSR activities, many banks across the globe are experiencing increasing levels of retail customer dissatisfaction (Australian Consumer Association, 2005; Two-thirds of US Banking

Customers, 2006; Thornhill, 2007). For example, in their 2006 CSR report, Japan's biggest bank, MUFG, reported extremely low customer satisfaction with the bank's interest rates and service charges despite massive investment in diverse CSR activities (Mitsubishi UFJ CSR Report, 2006). A similar situation exists in Australia where proportion of dissatisfied customers was increasing (Australian Consumer Association, 2005).

This paper does not reflect a same trend in the Indian Banking industry but it reveals that CSR initiatives are not sufficient enough to improve the satisfaction level of customers.

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