INTRODUCTION AND RESEARCH METHODOLOGY

1.1 INTRODUCTION

Business is a socio-economic entity. Society cannot do without business and vice versa. Businesses cannot detach itself from the social spectrum within which it functions. The relationship between business and society has become increasingly significant in recent years as businesses must respond to rapid global change and serious societal concerns, many of which cannot be adequately attended to by government alone. In this evolving times society, governments and businesses are more closely connected than ever.

In this age of globalization, corporations and business enterprises are no longer confined to the traditional boundaries of the nation. In the last 20 years, Multi-National Corporations (MNCs) have played an influential role in defining markets and consumer behavior. The rules of corporate governance have also changed. Reactions to this change have been varied. Labourers, marginalized consumers, environmental and social activists protested against the unprecedented predominance of multinational corporations. Corporate Social Responsibility (CSR) is, essentially a new business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence.

The new generation of corporations and entrepreneurs recognize the fact that social and environmental stability are two important prerequisites for the long-term sustainability of their markets. Corporate social responsibility is both a value and a strategy to ensure the sustainability of business. For the new generation of corporate leaders, optimization of profit is the key and is more important than its maximization.
Hence there is a noticeable shift from accountability to shareholders to accountability to all stakeholders for the long-term success and sustainability of the business. Stakeholders include consumers, employees, affected communities and shareholders, all of whom have the right to know about the corporations and their business. This raises the important issue of transparency in the organization.

As corporates are profit making organizations basic assumption is that they should be sensitive to the needs of communities or society at large in which they operate, similarly, their products and services should be such that it should be free of any negative impact on people and the planet. The concept of Corporate Social Responsibility (CSR) has a wider scope. The banks are one of the major stakeholders in the financial sector. Through its huge network of branches and profit the banking industry is considered as one of the major corporates in India. The banks can have a wider socio-economic impact in the society through their financial products and services. Considering this, the Reserve Bank of India has issued guidelines to banks regarding CSR, sustainable development and non-financial reporting and advised that the banks should frame their policies on CSR. Further, RBI considers implementation of CSR as crucial.

CSR is not all about expending money and resources without proper planning and implementation. A company treading on the CSR path must pass several stages of planning. The company can begin the actual implementation of the project only after it has got the entire program details in place.

The Government has introduced the new Companies Act, 2013\(^1\) which mandates a certain percentage of expenditure on CSR initiatives. The Companies Act, 2013 has introduced the idea of CSR to the forefront and through its disclose-or-
explain mandate is promoting greater transparency and disclosure. Schedule VII of the Act, which broadly lists out the CSR activities on which the amount may be spent.

There are several concerns with the introduction of mandatory CSR. One of the biggest concerns is the anticipated rise in ‘Green washing’. Green washing is the practice of making an unsubstantiated or misleading claim about the environmental benefits of a product, service, and technology or company practice. Green washing can make a company appear to be more environmentally friendly than it really is. The second concern is the creation of a monitoring body to oversee the implementation of mandatory CSR. The third issue is that the bill covers a very small section of the private sector.

One feature of the Companies Act, 2013 while mandating CSR is that the government had decided it will not police and monitor the implementation. Instead, it will leave it to the companies to implement what is mandated by the law. In case a company fails to meet the prescribed spend, it will have to report and explain the reasons to its shareholders. The CSR spending in the new Companies Act would be in addition to what is being prescribed for companies in the mining or the coal sector.

1.2 STATEMENT OF THE PROBLEM

Corporate Social Responsibility is attaining importance day-by-day. CSR is a relevant subject which appears constantly in vast majority of academic and professional journals. It is also an emerging topic of discussions, deliberations, seminars and conferences among corporate world and academic community. It is considered as a new and improved management tool for long-term success and sustainability of business. The extent of social orientation among companies varies widely.
It is necessary to have more clarity and the ambiguities regarding the concept of CSR must be eliminated, particularly in a fast growing economy like India where Corporate Social Responsibility is brought under legal spectrum. A very little systematic documentation of CSR initiatives is available so far in the Indian scenario of the banking industry, though a number of Indian Banks have adopted various initiatives to execute the concept of CSR. Commercial banks in India have taken up CSR activities seriously as the Reserve Bank of India has advised all the commercial banks operating in India to set aside at least one per cent of their profits for CSR activities, but the fact to be borne in mind is that CSR activities depend more on the vision, mission and philosophies of the top management rather than the legal obligations.

The literature review revealed that a good number of studies were conducted across the globe relating to CSR practices in the banking sector. Only countable studies are made in respect of CSR in Indian banking sector; besides studies relating to measure the impact of CSR on organizational performance of banks and to measure the awareness of employees’ and beneficiaries are few and far between. The present study is undertaken to know how the organizational performance is affected by CSR initiatives of banks and to study about the awareness about CSR by the bank’s employees and beneficiaries of the programs initiated by banks. To what extent CSR has been implemented by banks? Did different banks perform well in fulfilling their objectives to society? Initiation of a new study on the subject of CSR will naturally throw up additional information which will be useful in the overall performance of the banks. These problems call for empirical studies. The present study is undertaken with this end in view.
1.3 SIGNIFICANCE OF THE STUDY

The business of the 21st century will have no choice but to implement CSR. The corporates and the government should try to build up a relationship between the business and the society. The study will help in identifying whether requisite awareness is created among various stakeholders of the entity and also regarding the impact which CSR is having on organizational performance. This will help in bringing the importance of good corporate governance in banks so as to implement CSR in proper time and situations to achieve the projected growth. It further tries to assess the importance of training and motivating the employees to take part in community based programs. The study also aims to understand whether implementation of strong CSR mechanism has any effect on public perception and how it affects the overall performance of the banking company. In this context, the researcher feels that it is necessary to make an in-depth study on CSR and corresponding performance of the banking industry. The result of the study will be of great use to the bankers, government, policy makers, academicians, researchers and to the society at large.

1.4 SCOPE OF THE STUDY

The present study is an attempt to evaluate the impact of corporate social responsibility on organizational performance of commercial banks in India. Further the study also aims to comprehend the awareness and perception of employees and beneficiaries regarding CSR activities and the policies of banks. The study will cover State Bank Group (SBG), Nationalized Banks (NBs), Old Private Sector Banks (OPSBs) and New Private Sector Banks (NPSBs). Study based on secondary data aims to review CSR initiatives of various Indian commercial banks.
1.5 OBJECTIVES OF THE STUDY

Following are the important objectives of the study;

1. To study the concept and development of corporate social responsibility globally in general and India in particular.
2. To study the growth and development of commercial banks in India.
3. To make comparative analysis of CSR practices in various Indian commercial banks.
4. To analyze the impact of CSR on organizational performance in Indian commercial banks.
5. To study the awareness of CSR initiatives by employees of the bank.
6. To study the awareness of CSR initiatives by beneficiaries of commercial banks in India.
7. To make suitable suggestions on the basis of the findings of the study.

1.6 HYPOTHESES OF THE STUDY

Based on the literature review following hypotheses were framed;

1. There is no significant positive relationship between corporate social responsibility and organizational performance.
2. The mean score of corporate social responsibility and organizational performance does not differ with banks.
3. The mean score of corporate social responsibility and organizational performance does not differ with location of banks.
4. Bank-wise and location-wise there is no significant difference among employees’ opinion that CSR forms a part of the basic business framework.
5. Bank-wise and location-wise there is no significant difference among employees’
opinion that banks provide a greater say to employees.

6. Bank-wise and location-wise there is no significant difference among the
beneficiaries regarding their awareness on the terminology ‘CSR’.

7. Bank-wise and location-wise there is no significant difference among the
beneficiaries regarding their awareness on the CSR activities other than the one
provided to them.

1.7 PERIOD OF THE STUDY

The period of the study extends seven years, starting from 2011 to 2017. Profitability
and branch expansion of different categories of Indian commercial banks is analyzed separately vis-à-vis this period. This is done with the help of secondary
data.

To make comparative analysis of CSR practices of various Indian commercial
banks, secondary data from the fiscal year 2013-14 till 2016-17 were used.

The field survey was conducted during February 2017 to October 2017.

1.8 RESEARCH METHODOLOGY

Both primary and secondary data are used for the study.

University of the Study

The universe of the present study is Indian commercial banks. The study is
directed to examine the impact of CSR on organizational performance of Indian
commercial banks.
Primary Data

Primary data were collected from senior managers and other bank officials of selected banks and its branches using separate questionnaires specifically designed for the purpose. This was supplemented by a direct one-to-one discussion with them. For measuring the awareness of beneficiaries a well-structured interview schedule was used.

Sample Design

Multi-stage random sampling technique was used to draw sample respondents. In the first stage banks were selected. Then the regions were demarcated. In the third stage districts were identified. In the fourth stage branches, bank officials and employees were selected. Finally the beneficiaries were selected.

Selection of Banks

Initially Indian commercial banks were classified into four core groups viz. State Bank Group (SBG), Nationalized Banks (NBs), Old Private Sector Banks (OPSBs) and New Private Sector Banks (NPSBs). Then one commercial bank was selected from each of the four core groups. The selection of banks from each group was based on a study conducted by IIM-Udaipur along with Economic Times and an independent organization named Futurescape\(^2\). Their study identified India’s top 100 companies for sustainability and CSR. The HDFC Bank was ranked 44\(^{th}\) among the top companies in the 2016 rankings and thus selected for the study to represent New Private Sector Banks. Union Bank of India was ranked 69\(^{th}\) and it is the highest ranked Nationalized Bank in that group. State Bank of India (before amalgamation) ranked 93\(^{rd}\) in the list and was taken as a sample bank for the study of State Bank Group. There were no banks in the list representing Old Private Sector Banks. The list
of Old Private Sector Indian Commercial Banks were obtained and the banks having the highest number of branches in South India were selected purposefully and hence Federal Bank was selected from the group.

**Selection of Regions**

Three states of south India were randomly selected using the lottery method. The states selected are Kerala, Karnataka and Tamilnadu.

One district is selected from each sample State. For selecting the districts; the regional and zonal offices of the selected banks located in Ernakulam, Coimbatore, Chennai and Bengaluru were visited by the researcher. On the basis of discussions with the higher officials and the documents provided by them regarding the districts which lead in CSR spending on educational institutions the following districts viz. Bengaluru in Karnataka, Coimbatore in Tamilnadu and Ernakulam in Kerala were selected.

**Selection of Respondents**

The objectives of the study are to find out the impact of CSR on organizational performance and also to analyze the awareness and perception of employees and beneficiaries with respect to CSR in general and about the CSR initiatives of the banks in particular. The study thus includes three categories of respondents.

i. **Senior Managers**

Senior managers were selected for studying the impact of CSR on organizational performance of commercial banks in India. The CSR projects are visualized and planned at top management level and implemented through regional offices or through the bank’s trust or foundation created specifically for the CSR
project implementation. Thus, for finding out the impact of CSR on organizational performance senior managers of regional offices are interviewed using a structured questionnaire.

In the fourth stage researcher visited the regional offices of four selected banks in each region. From each regional office list of senior managers were obtained. There were ten to fifteen senior managers in each regional office of each bank. Questionnaires were distributed among these managers so as to collect a minimum of 10 responses from each bank. In order to maintain uniformity in numbers incomplete and excess responses were rejected. They were interviewed after prior permission and approval at their convenient time. Altogether 40 senior managers (Ten from each bank) from each region were selected. Thus the sample respondents consist of 120 senior bank managers in total from the four selected banks in the three regions.

ii. Employees

Employees were selected to study their awareness and perception with respect to CSR. The employees include branch managers, probationary officers and clerks of the branches of the sample banks selected.

One of the major problems facing in the accuracy of data collection was sample size justification. In the present study sample size was calculated using power analysis on the basis of information obtained from the pilot study. The power analysis determined the sample size which is adequate for the study. On the basis of power analysis information was collected from 90 samples from each of the four categories of bank. Thus, total sample size fixed at 360.

The sample respondents consisted of 120 employees in Bengaluru, 120 in Coimbatore and 120 in Ernakulam. A sample of 30 employees was collected from each
of the banks in each region. Thus 90 employees were selected from State Bank of India, 90 from Union Bank of India, 90 from HDFC Bank Ltd. and 90 from Federal Bank Ltd.

For selecting employees, list of branches of selected banks were obtained from the regional office representing the selected district. To represent the sample size generated by power analysis, from the list of branches five branches of each bank were picked randomly. There were 10 to 25 employees in each bank branch. Copies of the questionnaire were distributed among the employees of selected branches so as to obtain a minimum of six responses from each branch. Thus the total sample size was 360.

iii. Beneficiaries

Beneficiaries include those who have received the benefits from social projects of the sample banks selected. There are a large number and class of beneficiaries to a project. In order to maintain uniformity only educational institutions which received benefits were considered. The list of educational institutions which received benefits from the CSR projects of respective bank within the last five years was obtained from regional offices of the selected banks. The representatives of these institutions were interviewed who included Directors, Principals and Bursars of the institute.

Required sample size was calculated using power analysis on the basis of information obtained from the pilot study. The power analysis determined the sample size which is adequate for the study. On the basis of power analysis information was collected from 30 samples from each of the four categories of bank. Thus, total sample size was fixed at 120.
The sample respondents consisted of 40 beneficiaries in Bengaluru, 40 in Coimbatore and 40 in Ernakulam. A sample of 10 respondents was collected from each of the banks in each region. Thus 30 beneficiaries were selected from State Bank of India, 30 from Union Bank of India, 30 from HDFC Bank Ltd. and 30 from Federal Bank Ltd.

Of the total beneficiaries, 25 per cent are arts and science colleges, 32.5 per cent, engineering and technology colleges, 25 per cent, schools, including higher secondary schools and the remaining 17.5 per cent, special schools for children who need special attention.

Field Work and Data Collection

After selecting the sample banks, data were collected using a structured questionnaire and interview schedule. A pilot study was conducted and the questionnaires were pre-tested during the month of December 2016 and January 2017 to perfect the questionnaire. Internal consistency was estimated by using Cronbach’s alpha. During the pilot study thirty copies of the questionnaire were distributed to the senior managers for analyzing the impact of Corporate Social Responsibility (CSR) on organizational performance. To analyze awareness of employees on CSR fifty copies of the questionnaire were distributed among employees of sample bank groups. With the help of interview schedule thirty beneficiaries of sample bank groups were interviewed for the pilot study to examine their awareness of CSR. On the basis of doubts raised by the respondents certain questions in the questionnaire were dropped and redrafted in the present form.
The questionnaire for managers contained, total twenty-two statements at five-point Likert scale (1=Strongly Disagree to 5=Strongly Agree) to measure the four dimensions of CSR under study. It also contained five statements at six-point scale (1=Very Low to 6=Very High) to study organizational performance. Hard copy of the questionnaire was administered to some of the senior managers and some had agreed to fill the questionnaire through online mode viz. Google Forms since they wanted to save time. A copy of the questionnaire is appended as Appendix I-A.

Appropriate questionnaire/interview schedule was prepared for analyzing the awareness and perception of employees and beneficiaries. A copy of the questionnaire/interview schedule is appended as Appendix I-B and Appendix I-C.

All possible steps were taken to minimize the errors in the collection of data from the respondents by gaining their confidence and co-operation. Co-operation of senior managers and beneficiaries were quite encouraging. However, certain employees of certain banks expressed their inconveniences owing to their work pressure.

Secondary Data

Secondary data necessary for the study were collected from;

2. Statistical tables relating to banks - RBI, Mumbai.
3. Reserve Bank of India monthly bulletins, circulars and notifications.
4. Annual Reports of various commercial banks in India.

Various other publications of Reserve Bank of India, Government of India, books, research journals and periodicals, publications of the Indian Bankers
Association, websites of RBI and various banks, were also used for collecting secondary data.

1.9 PARAMETERS OF THE STUDY

I. Growth and Development

To study the growth and development of commercial banks in India following parameters are selected.

- Branch Expansion and,
- Profitability

II. Impact of CSR on Organizational Performance

The two parameters selected for the study of impact of CSR on organizational performance are;

- Corporate Social Responsibility and,
- Organizational Performance

III. Corporate Social Responsibility

For measuring Corporate Social Responsibility four dimensions of CSR are selected as parameters viz.

- Economic Responsibilities (ER)
- Ethical Responsibilities (EtR)
- Philanthropic Responsibilities (PR) and,
- Legal Responsibilities (LR)
1.10 STATISTICAL TOOLS

The collected data were tabulated and analyzed using SPSS. The various mathematical and statistical techniques used in the study were average, standard deviation, coefficient of variation, mean percentage score, correlation and one way ANOVA. All the statistical tests were conducted at 5 per cent and 1 per cent level of significance with the help of appropriate test statistic. All these statistical measures and tests were conducted using SPSS, Microsoft Excel and AMOS.

i. Correlation

The Correlation analysis is the statistical tool used to study the closeness of the relationship between two or more variables. The variables are said to be correlated when the movement of one variable is accompanied by the movement of another variable. The purpose of such analysis is to find out if any change in the independent variable results in the change in the dependent variable or not.

ii. One way ANOVA

One way Analysis of Variance (abbreviated as ANOVA) is an extremely useful technique to examine the significance of the difference amongst more than two groups based on one factor (independent variable). The one way ANOVA test is conducted to reveal whether the variation in the ratios is significant or not. If the calculated value is less than 0.05, we accept the null hypothesis otherwise rejected.

iii. Average

Mean has been used to find the average of various items. For a data set, the mean is the sum of the observations divided by the number of observations.
iv. Annual Average Growth Rate (AAGR)

The growth rate and annual average growth rate are the commonly used technique in research studies. Annual Average Growth Rate is calculated by taking the arithmetic mean of the growth rate over two annual periods. With this it is possible to compare the variability of two or more than two series. The growth rate of years is defined as ratio of the difference of the value of the current year and the previous year to the previous year expressed in percentage.

v. Cronbach’s Alpha

Cronbach’s alpha is a statistical tool used in factor analysis to measure the reliability of data. An alpha value of 0.70 or above is considered to be criterion for demonstrating strong internal consistency and an alpha value of 0.60 or above is considered to be significant.

vi. Mean Percentage Score (MPS)

Mean Percentage Score is used to identify the level of satisfaction of the variables.

\[ \text{MPS} = \frac{\text{Mean score of the variable} \times 100}{\text{Maximum possible score}} \]

vii. Chi Square – Test of Independence

To test the hypothesis, that two attributes are associated or not, the Chi-square test for independence has been applied. Chi-square is measured as \( \chi^2 = \sum \frac{(O-E)^2}{E} \), where \( O \) refers to the observed frequencies and \( E \) for the expected frequencies (the ratio of the product of the row total and column total to the grand total).
viii. Tukey’s HSD Post-hoc test

If the null hypothesis is accepted, a post-hoc test is needed to determine which groups differ from each other. For the Tukey’s post-hoc test we will first find the differences between the means of all of our groups. We will compare this difference score to a critical value to see if the difference is significant. The critical value in this case is the HSD (Honestly Significant Difference) and it must be computed. It is the point when a mean difference becomes honestly significantly different.

ix. Simultaneous Equation Modeling (SEM)

Simultaneous Equation Modeling (SEM) was performed to test the fit between the research model and the obtained data. This technique is chosen for its ability to examine a series of dependence relationships simultaneously, especially where there are direct and indirect effects among the constructs within the model. In this study, AMOS 7.0 was used and the SEM estimation procedure is maximum likelihood estimation. Using SEM, it is a common practice to use a variety of indices to measure model fit. In addition to the ratio of the $\chi^2$ statistic to its degree of freedom, with a value less than 3 indicating acceptable fit, researchers recommended a handful of fit indices to assess model fit. These are the Goodness of Fit (GFI), Adjusted Goodness of Fit Index (AGFI), Normated Fit Index (NFI), Tucker Lewis Index (TLI), Comparative Fit Index (CFI), Standardised Root Mean Residual (SRMR), and Root Mean Square Error of Approximation (RMSEA).

1.11 LIMITATIONS OF THE STUDY

Every research work is subjected to certain limitations; and this study is also not an exception. The present study has the following limitations;
1. The sample was restricted to commercial banks only. Foreign banks and Regional Rural Banks were not taken for the study.

2. Secondary data for the study were taken from various sources. There are chances of errors which are common in traditional accounting reports.


4. As the primary data were collected using structured questionnaire through interview method, there is a possibility of bias in the opinion of respondents despite all the efforts.

5. The respondents of four commercial banks in three districts in three states were only selected for the study.

1.12 CHAPTER DESIGN OF THE STUDY

The thesis is organized under nine chapters. The First chapter provides an introduction to the study. It also presents the statement of the research problem, importance and scope of the study, objectives, hypotheses, research design, statistical tools used, period and limitations of the study.

The Second chapter reviews the relevant literature on Corporate Social Responsibility in banking sector in India and across the world.

The Third Chapter provides the theoretical background on the origin, evolution and development of Corporate Social Responsibility (CSR) globally and in
India. It looks into the various theories, models and practices of CSR with specific reference to Carroll’s Pyramid Model and reforms in the Indian banking system.

The Fourth Chapter looks into the history of commercial banks, classification of banks, and structure of scheduled commercial banks in India. It also presents the branch statistics and profitability statistics of the Indian banking industry.

The Fifth Chapter analyzes the relevance of CSR in Indian banking industry and reflects the CSR activities and practices of major commercial banks in India.

The Sixth Chapter analyzes the impact that the CSR may have on the organizational performance of banks.

The Seventh Chapter explains the level of awareness and perception of employees of the banks with respect to CSR and the social initiatives of the bank.

The Eighth Chapter presents the level of awareness and perception of beneficiaries of the banks on CSR and the social initiatives of the bank.

The Final chapter presents the major findings of the study. Suggestions for enhancing efficiency in implementing CSR activities and scope for future research are also presented herein.
REFERENCES
