



Customer perception towards CSR activities in banks: A study in the Ganjam district of Odisha

Gaurav Rath¹, Santanu Kumar Das²

¹ Assistant Professor & Head, Department of Business Administration, SBR Govt. Women's College, Berhampur, Odisha, India

² Research Scholar, Department of Business Economics, Faculty of Management Studies, Veer Bahadur Singh Purvanchal University, Jaunpur, Uttar Pradesh, India

Abstract

An organization's social responsibility strives towards achieving societal goals, whether through philanthropy, activism, charity, or supporting ethical practices. Loyalty and customer satisfaction are deeply intertwined. The banking industry has been affected by a corporate social responsibility to a certain extent, as have all other companies. Compared to other sectors, the banking sector has fewer studies on corporate social responsibility. In the wake of the recent failure of several banks, banks must follow CSR practices to demonstrate a positive reputation and gain customer trust. The survey was aimed at determining whether customers are aware of corporate social responsibility, while the survey was aimed at assessing the responsibility of banks.

Keywords: CSR, banking sector, customer, perception, customer welfare

Introduction

Recent years have seen a significant increase in studies on Corporate Social Responsibility (CSR) (Parminder, 2013)^[32]. Some studies have focused on the CSR activities of companies in developing and/or developed markets". Sustainability, the environment, and safety are the most common areas of CSR activities. An organization's products should provide safety as a primary characteristic. When compared with their competitors, companies with excellent safety records have a strong advantage (Benoit, 2013)^[3]. "Corporate social responsibility (CSR) is a commitment to improving community well-being through discretionary business practices and contributions of corporate resources (Kotler & Lee, 2005)^[22]". Changing social, economic, environmental, and technological conditions have made it once again a subject of interest since the beginning of the 2000s (Virakul *et al.*, 2009)^[36]. According to most reports and studies, businesses today must be responsible for the environment (Udomkit, 2013)^[34] and as a result, companies should understand that treating society well will result in prosperity and survival. (Falck & Heblich, 2007; Du Plessis & Gobler, 2013)^[14]. Communication with stakeholders could be achieved through CSR activities (Abugre and Nyuur, 2015)^[1]. CSR practices are motivated by profitability and sustainability (Ofari *et al.*, 2014)^[24]. "There is an increase in the amount of money being spent on CSR activities, yet the results are still few and inconsistent (Blomqvist & Posner, 2004)^[4]. Corporate social responsibility may be defined as a commitment to improving community well-being through discretionary business practices and contributions of corporate resources (Kotler & Lee, 2005)^[22]". Consumers are seeking relationships rather than just transactions, so CSR is becoming a standard operating procedure for companies to build relationships that products cannot. (McElhaney, 2009)^[27]. CSR expenditures could be verified if firms understand how consumer behavior is affected by CSR (Poolthong & Mandhacritara, 2009)^[31], by helping companies position their products internally to employees as well as externally

to customers, has the potential to be a powerful marketing tool (Melikyan, 2010)^[28]. As a means of attracting talent, CSR activities could be used (McElhaney, 2009)^[27] and Enhance employee commitment to the company as well (Ebeid, 2010)^[11]. Introducing products aligned with the interests of the customers is a CSR strategy that is used to penetrate new markets (McElhaney, 2009)^[27]. "Since consumers are one of the most important stakeholder groups nowadays, they expect responsible behavior (Van Den Berg & Lindfors, 2012)^[35]". Several studies examine CSR activities and compare a company's CSR activities with those of its competitors (Gao, 2009)^[19]. Consumers are increasingly preferring products from companies that are socially responsible (Edelman, 2010)^[12].

Review of Literature

"Bowen was the first to define Corporate Social Responsibility (CSR) in 1953. The company must pursue policies, make decisions, and take actions that are in line with our society's values and objectives. (Bowen, 1953)^[5]. Corporations can make money by doing good if they strategically implement corporate social responsibility (Falck and Heblich, 2007)^[14]. As a result of CSR initiatives, corporations can improve their perceived value, manage risks, increase their loyalty base, and implement policies related to safety and standards (Kanji and Chopra, 2010)^[21]". A significant amount of interest was shown by academics, the media, and investors from the beginning of the CSR concept's development. Business only has a responsibility to maximize profits for shareholders without violating the law, according to Friedman (1970). CSR is both a profit-maximizing corporate strategy and a socially responsible strategy, according to Baron (2001)^[2]. "For corporate decision makers, whether other issues than profitability should be considered has been a major question for business development (Mohr *et al.*, 2001)^[29]. As a socially responsible corporation, a corporation should address the concerns and demands of its stakeholders (Donaldson and Preston, 1995; Maignan *et al.*, 1999)^[8],

including consumers, merchandisers, shareholders, and regulators who can be affected directly or indirectly by the responsibilities of the corporation (Freeman, 1984) [17]. Stakeholders are individuals or groups that affect the objectives of an organization (Freeman, 1999) [18]". According to Freeman, corporations are responsible to all types of stakeholders in society as well as their shareholders. Corporations pay special attention to consumer reactions since their reactions are closely linked to managerial decisions (Brown and Dacin, 1997) [6]. A corporation's interest in the consumer is a critical factor that must be considered when running it. CSR requires an understanding of responsibilities and who has the responsibility of assuming them. (Clarkson, 1995) [7]. The stakeholder theory further clarifies corporate social responsibility, as well as enterprise social responsibility assessment. A corporation's preferences and behavior are directly influenced by the preferences and behavior of its consumers, who represent an influential corporate stakeholder group. CSR, as previously defined, is a corporate behavior that positively affects consumers. CSR is also influenced by important stakeholders. Buying products creates pressure on corporations which leads them to work on social issues (Gilbert and Rasche, 2007) [20]. Consumer perceptions of CSR activities are influenced by consumer satisfaction, trust, and commitment. As a foundation for perceived CSR activities, awareness and trust serve as key indicators for consumer perception (Lee and Shin, 2010) [23]. Consumer perception was also illustrated using trust and awareness of CSR (Dutta and Singh, 2013) [10], and It's proven that consumers love companies with CSR programs. "Studies have identified trust to be one of the most significant mediators in the relationship between consumers

and corporations, and it has been widely used to measure consumers' perceptions. (Esch *et al.*, 2006) [13]".

Statement of Problem

In the above literature reviews, it is evident that research has been conducted on corporate social responsibility, but it has been focused primarily on the corporate sector. In light of recent bank failures, it is crucial to promote a stellar reputation and establish trust in the minds of customers.

Scope of the Study

Throughout this research study, the consumer's perspective will be examined to better understand the concept of corporate social responsibility. A study is being carried out to determine to what extent the consumers in the Ganjam district of Odisha are aware of this concept and how it impacts them. Research questions are posed to the banks regarding social ethics.

Research Methodology

CSR perception was assessed through a survey conducted among customers. During the survey, participants were selected from the Ganjam district, Odisha. The research sample consisted of 587 respondents, 350 of whom provided feedback. This study involves both analytical and exploratory research. Using questionnaires filled out by respondents, primary data was collected. The study used a well-structured questionnaire. Questionnaires were filled out using a non-probability sampling method. Besides the literature review, secondary data were collected from books, articles published in different journals, and newspaper and magazine articles. Later, the opinions were analyzed and the means and percentages were calculated.

Data Analysis and Interpretation

Table 1: Responses of the respondent towards CSR activities by Banks

Attributes	SA	A	N	DA	SDA
CSR should be the responsibility of every Bank	210 (60%)	105(30%)	35(10%)	0	0
"CSR is a strategic tool for economic objective"	35(10%)	140(40%)	175(50%)	0	0
Focus on charity & donations	151 (43.14%)	117(33.43%)	44(12.58%)	38(10.85%)	0
CSR is helpful to solve society's problems	189 (54%)	104(29.71%)	57(16.29%)	0	0
"Banks should be more focused on vocational training, education, credit counseling for rural development through CSR activities".	194(55.42%)	139(39.73%)	17(4.85%)	0	0
"Banks should be more focused on customer welfare CSR Activities".	178(50.85%)	141(40.29%)	21(6%)	10(2.86%)	0
"Banks should be more focused on poverty eradication CSR activities".	203(58%)	119(34%)	11(3.14%)	10(2.86%)	7(2%)
"Banks should provide financial support to poor people through CSR activities".	119(34%)	145(41.42%)	65(18.57%)	19(5.42%)	2(0.57%)
"CSR has a great impact on the customer of Banks".	149(42.57%)	193(55.14%)	8(2.29%)	0	0
Banks should be more focused on health care activities	209(59.71%)	131(37.42%)	69(1.71%)	4(1.14%)	0

Source: Compiled from the survey, SA- Strongly Agree, A- Agree, N- Neutral, DA- Disagree, SDA- Strongly Disagree

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

"CSR should be the responsibility of every Bank: 60% of customers strongly agreed, more than 30% of customers agreed & more than 10% of customers are neutral with this statement".

"CSR is a strategic tool for the economic objective: More than 50% of customers are neutral, about 10% of customers are strongly agreed & around 40% of customers are agreed".

Focus on charity & donations: 33.43% of customers agreed, 43.14% of customers strongly agreed, more than 12.58 % are neutral & around 10.85 % are disagreeing with this statement.

CSR is helpful to solve society's problems: Around 54% of customers strongly agreed, 29.71% agreed, and 16.29 % are neutral.

"Banks should be more focused on vocational training, education, and credit counselling for rural development through CSR activities: 55.42 % of customer's

strongly agreed, 39.73% agreed, and 4.85% are neutral on this statement”.

Banks should be more focused on customer welfare CSR activities: 40.29 % of customers are agreeing, 6 % are neutral & 50.85% are strongly agreeing with this statement and 2.86% are disagreeing with this statement.

Banks should be more focused on poverty eradication CSR activities: 58% of customers strongly agreed, 34 % agreed, and only 3.14% are neutral, 2.86% are disagreeing and 2% are strongly disagreeing with this statement.

“Banks should provide financial support to poor people through CSR activities: 34% of customers strongly agreed, 41.42 % agree, 18.56 % are neutral, 5.42 % disagree and 0.57% strongly disagree with this statement”.

“CSR has a great impact on the customer of Banks: 42.57 % of customers strongly agreed, 55.14 % agree, and 2.29 % are neutral with this statement”.

Banks should be more focused on health care activities: 59.71 % of customers strongly agreed, 37.42 % agreed, 1.71 % are neutral & only 1.14 % are disagree with this statement.

Suggestions

“Consumers' responses to corporate social responsibility can be understood not just by external outcomes like purchase intentions, but also by internal outcomes like trust and consumer awareness (Fatma and Rahman, 2016) ^[15]. When awareness is raised artificially, CSR has been shown to have a positive impact on consumers' mental health. CSR activities have been cited by several scholars as contributing to consumer attention to a genuine marketplace that requires further research (Maignan, 2001; Maignan and Ferrell, 2001; Fatma and Rahman, 2016) ^[25, 15]”. “Those who were aware of CSR were more likely to purchase than those who were unaware. Consequently, CSR-aware customers are more likely to use the bank's banking services (Fatma and Rahman, 2016) ^[15]. Consumer awareness of CSR activities implicitly affects consumer behavior in a positive direction. (Pomeroy and Dolnicar, 2009; Pratihari and Uzma, 2018) ^[33, 30]”.

Conclusion

Customer attitudes toward corporate social responsibility are positive according to data analysis. CSR is not viewed by most customers as a strategic tool for generating profits. “It is widely believed that CSR is a social responsibility tool & is very helpful in solving society's issues. Additionally, customers expect the Bank to focus on areas such as healthcare, women empowerment, rural development, poverty annihilation, and customer service. Many customers are neutral and disagree with the bank's social responsibility to customer welfare”. There is a strong consensus among customers that banks should spend more time eradicating poverty. Reducing poverty will automatically lead to a country's development. Customers' perceptions of banks are positively impacted by CSR activities carried out by banks. The purpose of CSR should be to give back to society and be aimed at the general population.

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