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THE IMPACT OF CSR ACTIVITIES ON CORPORATE PERFORMANCE: MANAGERIAL PERSPECTIVES IN PUBLIC AND PRIVATE BANKS

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ABSTRACT

There are quite a few studies on the Corporate Social Responsibility (CSR) in relation to employees of public and private banks. Responsibilities of these CSR actions burden on the manager`s shoulders and their awareness from magnitude of their efforts importance to perform their social role effectively without being under pressure from government might push these sort of organizations to meet a richer and positively greater influence on the society. The study investigates how CSR is embedded within the frame of the bank and how this concept is perceived by the managers and to what extent their perception and understanding impacts the formation of the financial decision-making process and the ultimate impact on the society. Therefore, research in banking sectors is utmost necessary to be undertaken to know the arrays of CSR measures being taken and enacted. The study was based on private and public sector banks in Punjab with the sample size of 390 bankers to know the influence of their perceptions for shaping the corporate reputation of banks. This research is rooted from the perspective of CSR with the Banking Employees as they directly have a vital bearing on the CSR policies of the Banking Sector. Implications for marketing strategy and reinforcing CSR activities accompany the report of the statistical analysis.

Keywords: Managerial Perception, Corporate Social Responsibility, Corporate Ethics, Corporate Reputation

1. INTRODUCTION

CSR (Corporate Social Responsibility) has gradually become an integral part of the modern business dynamism and it is not only about the responsibility of a company in fulfilling business purpose and mission in providing quality goods and services for the consumers and simultaneously also positively contributing to social and environmental effects of diverse stakeholders beyond shareholders. In the banking sector, CSR is crucial as banks are major organs for moulding the economic and social structure of the society. Consequently, it has become important to investigate what are the perceptions of managers of CSR actions and how do those perceptions affect the corporate reputation and performance.

Achilles (1788) once beautifully wrote that it is pleasant privilege to act irresponsibly, but the consequences cannot be eluded. The above quote applies to CSR, as ignoring the social concerns of all the relevant stakeholders and the environment can have adverse consequences for companies (Ashrafi, 2019). Local banks in India are highly dependent upon

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the socio-economic environment for resource mobilization which renders it necessary to investigate how worthwhile their senior managers perceive CSR projects (Chang, 2017). Nevertheless, there is limited literature on CSR within the Indian banking sector (Garicano, 2015). To contribute to both these literature gaps, in this paper attention will be devoted to investigate the association existing between managers' perception of CSR practices and their influence on corporate reputation and performance. Bank-based CSR is a strategy towards enhancing the bank's strategic placement in the society and the revitalization of survival (Ashrafi, 2019). Therefore, the research problem is referred to as: how do responses of managers in the Indian banks and the perception of CSR involvement have on implications of corporate reputation and performance?

2. **REVIEW OF LITERATURE AND RESEARCH GAP**

Along with growing interest in CSR from scholars and practitioners, CSR has been recognized as having influence on organizational performance. For public and private sector banks, the current review of literature focuses on management perception of CSR activities as a major driver for corporate performance. The review is based on ten studies that have examined the relationship between CSR initiatives and corporate performance, focusing specifically on the impact of managerial perception. A study by Marques et al. (2016) analysed the effects of CSR on the performance of Portuguese banks. The results suggested that CSR has a positive effect the financial performance of banks and managers' attitude to CSR is an important predictor of bank's financial performance. Hwang and Kim (2018) examined the impact of CSR activities on financial performance in South Korean banks. The findings indicated that CSR has a positively significant impact on financial performance, and that managerial image acts as a mediating variable between both (AlKubaisy et al., 2017). A study by Valdés et al. (2019) examined the link between CSR behaviors and organizational performance in Chilean banks. The research results showed a positive relationship between the CSR activities of companies and their performance, and indicated that manager point of view to CSR activities is effective in success of CSR practices. In their report, Oluwole et al. (2019) investigated the effect of CSR practices on financial performance of Nigerian banks. The findings suggest that CSR initiatives have a positive impact on financial performance, and that the management perception is an important element for the success of CSR programs. A study by Wu et al. (2019) study the effects of CSR on the financial performans of Chinese banks. The findings suggest that CSR programmes positively affect financial performance, and the managerial approach towards CSR was a key factor in the success of CSR programmes. Themistocleous (2010) analysed the effect of Corporate Social Responsibility (CSR) on the financial performance of banks for the UK. Findings indicated a directly positive relationship between CSR activities and financial performance and the critical contribution of the managerial perception to the performance of CSR projects. A study by Azimi et al. (2020) examined the impact of CSR and financial performance in Iranian banks, while. The evidence indicated that CSR is positively associated with firm financial performance, and that managerial perception is an important factor which leads to successful implementation of CSR. In their study, Hassan et al. (2021) studied the effect of CSR initiatives on the financial performance of Pak banks. The findings showed that CSR engagement has a positive impact on financial performance, and taken in the context of

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managerial perception, it acts as a driving force in the success of CSR initiatives. Patel and Patel (2021) have investigated the relationship between CSR activities and financial performance in Indian banks. The findings suggest that CSR practices enhance financial performance and that managerial perception significantly contributes to the successful implementation of CSR practices. Agyemang-Mintah et al. (2021) examined the association between CSR initiatives and financial performance of Ghanaian banks. The findings indicate that there is a positive association between CSR activities and financial performance and the manager's perception for CSR activities is a determining factor with regard to the effectiveness of CSR projects.

There is a lack of literature on CSR practices in banks as literature has only focused on customers perspective and financial ratios for measuring performance and not on various dimensions of CSR practices and the influence of social demographic variables, managerial heterogeneity, and organisational factors. In addition, there are no internal reliability and dimensional validity indices and the generalizable model is not reported to be used nationally or country-wise. In the search for such a research object, a rational channel through which to extract value from CSR and achieve enhanced organisational performance, a field of rare exceptions, the contributions of stakeholder perspectives – both employees and managers – on the practice of CSR indulgence and what it means for performance constitute the focus of the current research – including a resulting useful road-map for how organisations can harness pan-societal business opportunities.

3. SAMPLE & DATA COLLECTION

The purpose of this study is to investigate the causal relationship between such managerial perceptions towards CSR and the implications for corporate reputation and performance. Five constructs capturing manager perceptions of CSR decadence in banks were summarily operationalized using a 5-point Likert scale for measurement purposes of the five constructs. The study population was: all localized bank managers, from which 390 managers in different functions were recruited as a sample. A total of 390 eligible responses were included in the study, with a total response rate of 55%. The research used random sampling technique, and the selected managers were picked in urban areas as it was easily accessible and reached on time using communication media. The open door criteria was permanent staff with over 2 years of experience in their positions. The role of managerial sense-making in the implementation of CSR is emphasized in the findings of the study.

4. ANALYSIS AND INTERPRETATION

For achievement of the aim of the study, Partial Least Squares (PLS) was used as statistical analysis (Hair et al., 2019). The original model had 22 reflective measurement indicators for four exogenous variables. Seven hypotheses in conjunction with the objectives of the study were tested overall. The Smart PLS analysis was carried out in two steps, namely, measurement model evaluation and structural model evaluation. Convergent validity and discriminant validity were the key issues during measurement-model evaluation (Hair et al., 2019). Convergent validity was tested through the factor loadings and AVE. In addition, the composite reliability (CR) was used to examine the reliability of the construct. Factor Loadings The factor loading of each item should be more than 0.5 (Henseler et al., 2009),

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thus implying that the assumed relationships between observed and latent variables can be established. Moreover, a higher value of CR means that the construct is more reliable, with a threshold value of 0.7 for the CR compared to AVE.

The factor loadings, AVE and CR in the present study (Table 1) were higher than the threshold values (Henseler et al., 2009). This evidence supports the convergent validity of the measurement model employed in this work.

Table 1: Analysis of Convergent Validity

Construct	item	Loadings	AVE	CR	Cronbach Alpha
Customer based CSR activities	CUS 1	0.812	0.655	.919	.823
	CUS 2	0.851			
	CUS 3	0.730			
	CUS 4	0.765			
	CUS 5	0.826			
	CUS 6	0.864			
Employee based CSR activities	EMP 1	0.832	0.638	.875	.817
	EMP 2	0.724			
	EMP 3	0.861			
	EMP 4	0.772			
Ethical CSR	ETH 1	0.781	0.586	0.894	0.837
	ETH 2	0.725			
	ETH 3	0.716			
	ETH 4	0.778			
	ETH 5	0.723			
	ETH 6	0.861			
Environmental CSR	ENV 1	0.827	0.679	0.927	0.893
	ENV 2	0.795			
	ENV 3	0.745			
	ENV 4	0.892			
	ENV 5	0.845			
	ENV 6	0.832			
Managers Perception of CSR Activities	MPR 1	0.764	0.620	0.830	0.857
	MPR 2	0.794			
	MPR 3	0.803			
Attachment to the Bank	ATB 1	0.721	0.542	0.855	0.794
	ATB 2	0.753			
	ATB 3	0.735			
	ATB 4	0.719			
	ATB 5	0.753			

Perceived Corporate performance	PCP 1	0.817	0.595	0.880	0.727
	PCP 2	0.763			
	PCP 3	0.768			
	PCP 4	0.716			
	PCP 5	0.789			

The discriminant validity was tested by Fornell-Larcker criterion for construct which consideration the associations among all items of the measurement model (Fornell & Larcker, 1981). By this criteria the diagonal values of the correlation matrix are always greater than those in their own row or column.

Table 2 provides the results for the discriminant validity of the current study. This shows that the values on the diagonal are higher than the ones in the row and column, showing discriminant validity has been met (Fornell & Larcker, 1981).

Table 2: Discriminant Validity Analysis

	1	**2**	**3**	**4**	**5**	**6**	**7**
Customer based CSR activities	**0.872**						
Employee based CSR activities	0.631	**0.756**					
Ethical CSR	0.685	0.728	**0.874**				
Environmental CSR	0.677	0.663	0.727	**0.798**			
Managers Perception of CSR Activities	0.712	0.676	0.769	0.665	**0.870**		
Attachment to the firm	0.693	0.618	0.718	0.68	0.770	**0.834**	
Corporate performance	0.66	0.71	0.71	0.69	0.70	0.671	**0.837**

Bootstrapping was employed to test the hypotheses and the t-values and path coefficients are presented in table 3. The importance of each coefficient was established through its standard error. In order for a coefficient to be considered significantly different from zero, the t-value of that coefficient should be larger than the critical value of that t-statistic and error probability. For this study, two-tailed test was used and the critical value for the significance level of 0.05 was 1.96.

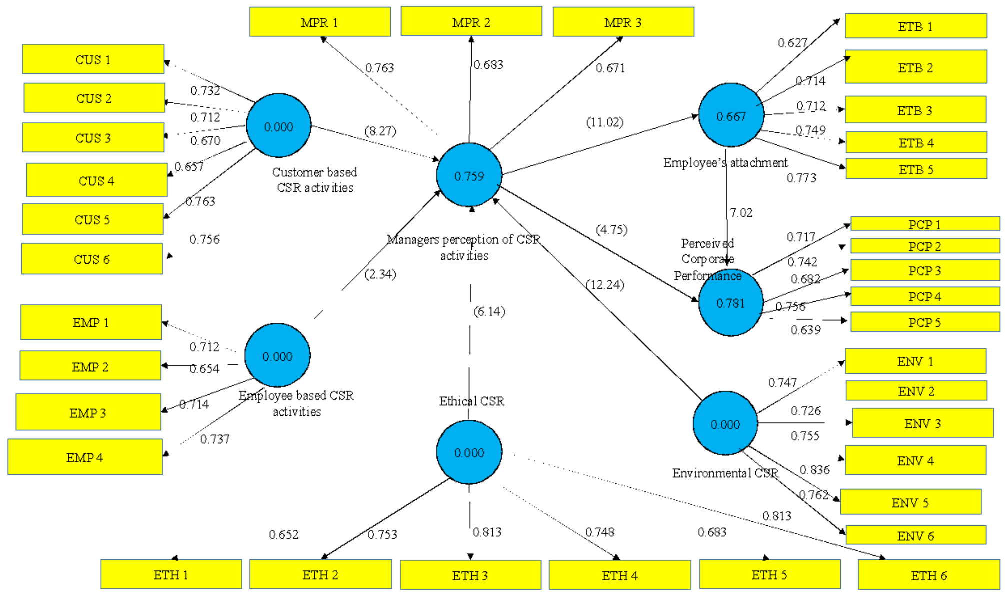

Figure:1 The Structural Model Employed to Assess Managers' Perceptions of Corporate Social Responsibility (CSR) Activities

Table 3: Path Coefficients and Hypotheses Testing

Relationship	Std. Beta	Std. Error	t- value	Decision	Hypothesis
Customer based CSR activities -> Managers Perception of CSR Activities	0.39	0.03	13.00	Supported	H1
Employee based CSR activities -> Managers Perception of CSR Activities	0.27	0.04	6.75	Supported	H2
Ethical CSR -> Managers Perception of CSR Activities	0.49	0.05	9.80	Supported	H3
Environmental CSR -> Managers Perception of CSR Activities	0.38	0.11	3.45	Supported	H4

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Managers Perception of CSR Activities -> Employee attachment	0.38	0.12	3.17	Supported	H5
Managers Perception of CSR Activities -> Perceived Corporate performance	0.61	0.12	5.08	Supported	H6
Employee attachment -> Perceived Corporate performance	0.27	0.04	6.75	Supported	H7

The results indicate that all seven hypotheses were supported, as the corresponding coefficients were statistically significant with t-values exceeding the critical value.

H1: The hypothesis suggests that customer-based CSR activities have a positive impact on managers' perception of CSR. The analysis reveals significant results, indicating that managers perceive banks to be effectively adopting customer-based CSR activities and catering to customers' needs. This perception is seen as positive and favorable for customers.

H2: The hypothesis proposes the effect of employee-based CSR activities on managers' perception. The analysis also shows significant results, suggesting that when employees perceive CSR capabilities in a more positive light, managers view the bank's CSR activities as favorable, leading to a positive and significant impact on their perception of CSR activities.

H3: The hypothesis examines the impact of ethical practices on managers' perception of CSR activities. The results indicate a significant influence, indicating that when banks engage in ethical practices, it has a favorable impact on managers' perception of CSR activities.

H4: The hypothesis postulates the impact of environmental-based CSR activities on managers' perception of CSR. The significant results support the notion that when banks prioritize environmental rules and regulations, it positively affects managers' perception of CSR activities.

H5: The hypothesis suggests that managers' perception of CSR activities influences employee attachment. As managers perceive CSR activities more positively, employees become more attached to the company.

H6: The hypothesis posits that managers' perception of CSR activities impacts performance. The results show a significant relationship, indicating that when employees perceive CSR activities positively, it leads to an increase in corporate performance.

H7: The hypothesis explores the effect of employee attachment on performance. The results support a significantly positive relationship, indicating that higher levels of employee attachment to the company contribute to perceived corporate performance.

5. DISCUSSION & CONCLUSION

The contributive factors of the research findings of this study to existing knowledge are threefold. First, the research stresses CSR engagement as a key factor for the development of the social legitimacy and of social acceptance. It deals with the task, which the banking organization is faced, to reach the un-banked segment of the society and how the corporate interest is strengthened through the corporate social responsibility.

Secondly, the study adds to business model- and banking measures for social inclusion. It confirms the stakeholder theory: all stakeholders have the right to have a say in business on a fair basis. The research shows that CSR activities towards customer welfare, employee welfare, environment, and ethical practices on the part of a bank can result in outcomes such as commitment of employees and better corporate performance.

Third, the previous research has mainly focused on the organisational focus in the BM, while the managerial role as the locus for decision making and change implementation was submerged. The research points to CSR involvement as a change management tool of organizational development in the economic and social context. It contributes to the enrichment of the bank-based CSR phenomena, particularly in India, and provides managerial implications concerning capacity building.

The results also provide evidence in support of previous research results on the importance of managerial ability of adaptiveness in dealing with environmental uncertainties. They highlight the role of management development, organisational interventions, and policy making in exploiting the potential of CSR to build business opportunities for society.

In sum, This study adds to the existing literature by empirically validating the CSR construct in an Indian setting and in determining the managerial challenges and opportunities presented by CSR. It offers implications for improving managerial skills, conducting successful organizational measures, and devising policies to enhance how CSR can be most beneficial in various societal environments. This paper makes a useful contribution to our understanding of the effects of CSR activities on managerial perceptions in the sectoral context of banking; nevertheless, it is subject to certain limitations that should be considered in future research. These include broadening the boundaries (e.g., to other industries and regions), applying objective measures and multiple methods, taking into account multiple stakeholders' perceptions, examining mediating and moderating variables, applying longitudinal perspectives, and studying potential dark side effects of CSR initiatives and barriers to their implementation. In addressing these gaps, research could add to our knowledge of the relationship between CSR and managerial perceptions, and offer important implications for organisations that would like to use CSR as a tool to promote sustainability.

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