

Corporate Social Responsibility: Importance to the Progression of the Selected Universal Banks in Batangas City, Philippines

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Abstract - *The practice of CSR increases brand recognition through positive publicity while also enabling societal development. It promotes sustainable relationship among banks to their partners and customers. Companies owe their profit not only to their top management and bottom ranks, but also to the people who help them continue to survive year after year. Therefore, this study is made to depict the importance of CSR in progression of selected universal banks in Batangas City, Philippines. By means of quantitative descriptive method the researcher was able to create a self-made questionnaire that holds 90 participants from various universal banks in Batangas City. It was concluded that stakeholders, government and globalization affects the CSR of their respective bank. Also, increase business competitiveness was the major advantage of CSR. All selected banks in Batangas City viewed the factors affecting CSR on the same level. Moreover, this study recommends that banks may engage themselves more to social and charitable activities that will surely benefit the people around them and observe the application of CSR in the management system of banks to further improve their transaction among their clients and employees.*

Keywords: *Universal banks; Corporate Social Responsibility; Stakeholders; Government; Globalization*

INTRODUCTION

Corporate Social Responsibility (CSR) is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large [1]. CSR is designed to respond to huge unmet needs of the society in the achievement of long term and

persistent business value. To reinforce CSR activities banks have focused the area of market place, work place, community and environmental policy [2]. Business leaders of today express their companies' commitment to social development in their core business principles and practices. One such objective is working and creating the image of a concretized organization, one which practices social responsibility [3].

The concept of corporate social responsibility is dynamic and evolves in accordance with modern business practices and the expectations of society and stakeholders [4]. ISO 26000 states that social responsibility is the "responsibility of an organization for the impact of its decisions and activities on society, through transparent and ethical behaviour that; contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour, and is integrated throughout the organization and practiced in its relationships [5].

Over the past few years, the concept of CSR has become the worldwide trend for companies. It is spreading very rapidly among financial institutions, mostly on banks because of its benefits [6]. The main goal of CSR is for companies to recognize their responsibility to the society for every operational activity they perform. In addition, CSR projects are directed for the advantage of the environment that can contribute to the successful innovation of the society and the companies as well [7].

Burianová and Paulík [8] defines key element of CSR in the banking sector such as: understanding of financial services complexity, risk management, strengthen ethics in the banking business, strategy implementation for financial crisis, protection of

customers' rights and channels settings for customer complaints.

The practice of CSR increases brand recognition through positive publicity while also enabling societal development. It promotes sustainable relationship among banks to their partners and customers. Companies owe their profit not only to their top management and bottom ranks, but also to the people who help them continue to survive year after year. Based on previous researches, common CSR practices are centered on for poverty alleviation, healthcare, education, charity activities, cultural enrichment, youth development, women empowerment, and these activities are devised to be the partners in development as responsible citizen [9].

Practicing CSR on a level of sincerity that satisfies the minimum based on shareholder's opinion can make the company noticeable in local and international markets which lead to stakeholders' confidence. For banks, reputation is a major factor in order to retain old customers and attract new ones. It can be said that the corporate social responsibility is a key to success for banks.

The researchers came up to this study because they become curious on what their professor taught them on how corporate social responsibility affects the banking industry as well of its importance to the progression of some universal banks.

OBJECTIVES OF THE STUDY

The purpose of this study is to depict the importance of corporate social responsibility for the continuous progression of selected universal banks in Batangas City. Specifically, this study sought to answer the following objectives: to identify the factors affecting the corporate social responsibility of chosen universal banks in terms of Stakeholders, Government and Globalization; to recognize the advantage of having CSR; to know how CSR is being applied in the universal banks, and to test the significant difference on the factors affecting CSR when grouped based on banks.

METHODS

Research Design

In this research, the quantitative descriptive method was used. Quantitative methods emphasized objective measurements and the statistical, mathematical, or numerical analysis of data collected through polls, questionnaires, and surveys, or by manipulating pre-existing statistical data using

computational techniques. It focuses on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon.

Participants

The respondents of the study are the employees of selected universal banks in Batangas City, with a total number of 90 participants. They are included in the top 10 universal banks in the Philippines according to <http://www.bsp.gov.ph>. In addition, they are operating for more than 10 years in Batangas City.

Instrument

For this study, the researchers made a self-made survey questionnaire data gathering to get the quantitative data and sort of adopted one. The primary aim of the questionnaire is to identify the factors affecting the corporate philanthropy of chosen universal banks and to eventually recognize the advantage of having good governance in their day to day operation.

The questionnaire used was structured in such a way that respondents will be able to answer it easily. Thus, the set of questionnaire was designed using the Likert format with a four-point scale. Likert Scale assumes that the strength/intensity of experience is linear, i.e. on a continuum from strongly agree to strongly disagree, and makes the assumption that attitudes can be measured.

Procedure

The researchers came up with the CSR topic, after their professor taught them Good Governance and Corporate Social Responsibility and how it affects the stewardship of the company and banking institutions. Then, they involved themselves in making the introduction and related literature. Request letters were prepared to ask for the number of banks' employees, and permission to give questionnaires to them. When the questionnaire was structured, they did a reliability test to other banks and got it validated. The researchers gave it to the employees, with the approval of their managers. The respondents were given one week to complete the survey questionnaire upon request. Followed by the retrieval of the questionnaires, the responses were tallied, tabulated, statistically analysed and interpreted using descriptive analysis.

Data Analysis

In determining the impact of CSR in banks, the likert scale has been used. It used a four-point scale; each point corresponding to a likert item. The

composite mean was used to determine as to what extent the CSR affects the operation of universal banks in Batangas City, Philippines. Ranking was also used to rank the highest and lowest indicators based on its weighted mean. The given scale was used to interpret the result of the study: 3.50 – 4.00 = Strongly Agree (SA); 2.50 – 3.49 = Agree (A); 1.50 – 2.49 = Disagree (D); 1.00 – 1.49 = Strongly Disagree (SD).

RESULT AND DISCUSSION

Factors Affecting Corporate Social Responsibility of Banks With Regards to Stakeholders

The composite mean of 3.55 and verbally interpreted as strongly agree implies that all those features in stakeholders are considered as factors that affects the corporate social responsibility of banks. As explained by Noked [10], the primary objective of corporate stakeholder's engagement is to build relationship with stakeholders to better understand their perspectives and concerns on key issues, including CSR issues, and to integrate those perspectives and concerns into the company's corporate strategy.

Among the factors cited, connects small business owners with the resources necessary to sustain and expand their operations ranked first with a weighted mean score of 3.60. Moreover, banks are interacting with small business owners to guide them to expand their business. According to Crawford [11] Universal banks offer a variety of loans and financing services for small businesses to expand their operations, such as term loans for short- or long-term purposes, informal lines of credit or revolving credit facilities, construction loans, letters of credit, asset-based lending and accounts receivable financing. Depending on the business customer's needs, there are many bank services that can be useful. These include night deposit services, investment programs, customized deposit accounts, credit and debit cards, payroll services, customer financing and consultation. Employees of small businesses or professional firms may also enjoy special accommodations.

However, the respondents' only agree on the factor that engages in different kinds of social and charitable activities (e.g. donations, scholarships etc.) which obtained the lowest mean value of 3.47. Banks need to begin to appreciate charitable activities as a way to improve their image internally and externally. According to David [12], a company with a strong community involvement program is likely to score

high in profitability and employee morale. Social responsibility should, in fact, reflect cultural values and may differ in forms from one society to the other.

Factors Affecting Corporate Social Responsibility of Banks With Regards to Government

The composite mean of 3.45 is verbally interpreted as agree. Government issues have been a good factor in executing corporate social responsibility as it showcase equality among public. As stated by Peters [13], corporate Social responsibility as a governance approach allows government to establish framework condition to use voluntary corporate efforts to complement regulatory measures in the pursuit of the common good.

Among the factors cited exercises the principle of social justice (e.g. rationality, fairness, equality and ethics) ranked first with a weighted mean score of 3.48. Considering that the respondents agree on that, maybe because government requirements lifts their positive traits that help them to foster good deeds in their workplace. Based on Colquitt et al [14], justice and fairness are issues that resonate in many realms of life. Employees focus on the justice of key decisions and events in the workplace.

However, develops transparency among financial documents which obtained the lowest mean value of 3.42. There are some banks that don't allow public viewing of documents due to the privacy and information they are into. According to Gerald et al [15], regulatory bodies need to ensure more transparency by closing loopholes and better enforcement of accounting standards. Boards of directors, especially the audit committees, need to be sure that a company is communicating the true economic reality of the financial transactions and financial position of the business entity.

Factors Affecting Corporate Social Responsibility of Banks With Regards to Globalization

The composite mean of 3.46 and verbally interpreted as agree implies that globalization somehow affects the CSR of the universal banks as it contributes to the communication of the local universal banks to the international ones. According to Chern [16] because of technology, international connections between those who are helping and those who are being helped are possible.

Among the factors cited, acts in a socially responsible manner within laws, customs and traditions of countries ranked first with a weighted mean score of 3.55. Being fully equipped with the knowledge and

tradition among various international banks helps the local to develop their own strategic management.

However, the factors that influence the banking sector and its financial condition of the economy obtained the lowest mean value of 3.40. It is because not all banks can adapt easily to the changing trends considering that they need to increase their expense, for them not to be left behind by their competitors. Burger [17] emphasized that globalization is a risk, whether it's political or economic risk that challenges the operational system and products beyond their core markets.

Table 1. Summary Table on the Factors Affecting Corporate Social Responsibility of Banks

Indicators	WM	VI	Rank
Stakeholders	3.55	SA	1
Government	3.45	A	3
Globalization	3.46	A	2
Composite Mean	3.49	A	

Table 1 presents the summary of factors affecting CSR of banks. The over-all composite mean of 3.49 and verbally interpreted as agree implies that all those indicators can be said to be important aspect on CSR of universal banks, as it helps to the strengthening and increasing brand loyalty through their clients. According to Bustamante [26], companies that promote corporate social responsibility are the most look upon by consumers, they only invest to those that really have it in their policy.

Factors affecting CSR of banks to stakeholders ranked first with a weighted mean score of 3.55. The judgment of stakeholders is the same as the perspective of the clients, employees and the owners of universal banks. It therefore concludes that the involvement of those individuals has an impact in developing corporate social responsibility.

Globalization takes the second spot having a weighted mean of 3.46 due to essentiality when it comes to adaptation of new trends in banking sector and the diverse culture that now emerging. According to Marous [18], less than 40% of customers globally reported positive customer experiences with their financial institution. With upcoming generations of consumers fully embedded in mobile, digital, and social media as a way of life, interaction expectations are changing. Diversity arises due to the global connection that exists in the financing industry.

However, the factors affecting CSR of banks with regards to government which obtained the lowest mean value of 3.45. Considering that this aspect is still observed by universal banks it is on the bottom because there are lot of requirements that are needed to achieve to further apply good governance on banks. Ahmed [19] cited that balance must be made between the regulation and independence of a bank. This means that banks should neither be overregulated nor should they be left alone to enjoy complete freedom, which often results in banking disasters.

Table 2. Advantages of CSR on Universal Banks

Indicators	WM	VI	Rank
1. Enhance corporate reputation	3.57	SA	6
2. Improve relations with suppliers, institutions, donors, community	3.61	SA	4
3. Increase business competitiveness.	3.68	SA	1
4. Increase efficiency of the employees.	3.59	SA	5
5. Acquisition of commercial benefits	3.53	SA	8
6. Increase sales and customer loyalty.	3.65	SA	2
7. Protects against some long term loss.	3.56	SA	7
8. Increase credibility among other banks.	3.64	SA	3
Composite Mean	3.60	SA	1

Table 2 presents the advantages of CSR on universal banks. The composite mean of 3.66 and verbally interpreted as strongly agree. Implementing corporate social responsibility is truly a beneficial one, especially to the banking sector as it helps them to attain the interest of the public as well of having a good reputation on the industry they are belong to. As stated by Saeed and Arshad [20], reputation is additional to the market value of a firm and he also believed that corporations' social responsibility activities can be used for image enhancement of an organization, which can build legitimacy to the eyes of stakeholders.

Among the factors cited, increase business competitiveness ranked first with a weighted mean score of 3.68. Therefore, competitiveness is a key issue for private companies. Just like what Ali [21] said, in order to deal with the challenging business atmosphere, private companies seek for new ways to provide a sustainable development strategy. Environmental concerns have an important place in the sustainable development strategies. They can be evaluated within the corporate social responsibility concept which may have an impact on the competitiveness ability of private companies.

However, the factors that engage in acquisition of commercial benefits obtained the lowest mean value of 3.56. Therefore, banks did not really acquire benefits to the customers. According to Farme [22], commercial benefit is any benefit that comes about as a result of the directors acting for the good of the company, which reflect positively on the company in the wider, commercial world. And since CSR is an established policy, most companies are performing good CSR practices.

Application of CSR on Universal Banks

The computed composite mean of 3.40 implies a verbally interpreted as agree, banks maybe are focusing their efforts more to their operations. As stated by Weinger [23] customers tends to make decision based on how much good a corporation is doing outside of the workplace and how they are positively impacting their community. Therefore, application of CSR on banks is important.

Among the application cited, accepts suggestions and any other complaint from the customer ranked first with a weighted mean score of 3.63. As a service provider it is just right for banks to make sure that all their clients can voice out their opinions and concern when it comes to their transactions. Just like what MacDonald [24] said, a customer's complaint and suggestions highlight problems with employees or internal processes and can be fixed before further problem arise and cause bad customer experience.

However, the application allows solicitation, though verbally interpreted as agree just like the others, obtained the lowest mean value of 2.53. Because banks are always busy with different transactions, it is understandable that some of them won't allow solicitation. According to Johnson [25], some firms don't allow it mainly because employees usually find themselves overloaded with demands from solicitors vying for donations, time and business.

Table 3. Difference of Responses on the Factors Affecting Corporate Social Responsibility of Banks When Grouped According to Bank

Factors	F-value	p-value
Stakeholders	0.674	0.612
Government	2.444	0.053
Globalization	1.791	0.138

*Significant at $p\text{-value} < 0.05$

As shown from the result, all computed p-values were all greater than 0.05 alpha levels, thus the researchers fail to reject the null hypothesis of no significant difference on the factors affecting CSR of selected banks in Batangas. This only means that all selected banks in Batangas City viewed the factors affecting CSR on the same level. It is mainly because they are aware and knowledgeable enough about the benefit of applying corporate social responsibility on their respective banks as a way of progression.

CONCLUSION AND RECOMMENDATION

The respondents agreed that stakeholders, government and globalization affect the CSR of their respective bank. Increase business competitiveness was the major advantage of CSR. CSR of selected universal banks accepts suggestions and other complaints from the customer. There is no significant difference on the factors affecting CSR when grouped based on banks.

The banks may intensify their efforts regarding legal matters, management system and government related concerns. This study recommends that banks observed proper application of CSR for further enhancement as: they engage themselves more to social and charitable activities that will surely benefit the people around them; and they conduct seminar and trainings to widen the knowledge and the awareness of their employees about CSR. The banks may utilize the used of social media for building their brand reputation prior to their CSR advocacy. Future researches may conduct similar studies using other variables not utilize in this research.

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