

INFLUENCE OF CSR FACTORS ON THE IMAGES FOR FINANCIAL ORGANIZATIONS: A STUDY ON DUCH BANGLA BANK

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Abstract: *In recent times social responsibility has become a well known idea in the corporate world. The research paper aims to underline the comparative picture of corporate social responsibilities (CSR) of Duch Bangla Bank Ltd.. This study necessitates the influence of CSR factors in images of financial organizations like DBBL. The purpose of this research is to identify the components that result in greater image. Fifteen (15) correlated variables are selected from related literatures. Factor analysis has been conducted to reduce the number of total variables because correlations exist among the pairs of variables. Bartlett's test of Sphericity has been used along with the Kaiser-Meyer-Olkin (KMO) statistic. This analysis reveals the most important factors that contribute to the images of DBBL to perform corporate social responsibilities.*

Key words: *CRS, DBBL, image of the organization.*

1. Introduction

CSR is gaining increasing importance in the global business culture since many businesses attempt to accommodate the CSR plan. By disclosing information on social and environmental issues, financial institutions can improve their image and obtain a competitive advantage. Although practicing social responsibility costs money, failing to report on social responsibility also has costs-in terms of fines, increased regulation, negative publicity, public disfavor or loss of customer (Deegan and Gordon, 1996).

There is no doubt that the benefits of corporate social responsibility (CSR) for companies, including increased profits, customer loyalty, trust, positive brand attitude and combating negative publicity, are well-documented (Brown and Dacin, 1997; Drumwright, 1996; Maignan and Ferrell, 2001; Murray and Vogel, 1997; Sen and Bhattacharya, 2001; Sen *et al.*, 2006). Along with these known positive effects, CSR strategies have been cuddled by the international banking sector.

Corporate Social responsibilities are not only moral dilemma that financial institutions face in an atmosphere of fraudulent corporate practice but also concern with a level of commitment for sustainable development. A well-functioning finance sector in any country can contribute directly to a healthy economy and can also play an important role in country's economic condition while ethics and transparency are crucial premises in

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this sector. Currently in Bangladesh, CSR is a matter of self interest for the corporate sector (Azim, Ahmed and Islam, 2009).

A very popular for its online services and social cause DBBL is a Bangladesh European joint venture commercial bank registered by the Bangladesh Bank follows the rules and regulations prescribed by the Bangladesh Bank. As a responsible corporate citizen, DBBL is fully aware of its responsibilities about how its operational activities impact its stakeholders, the economy, and the society, its staff and the environment. At the heart of corporate social responsibility policy of DBBL, it conducts its business in an ethical way, creates opportunities for business and economic growth, empowers people to fulfill their aspirations, ensures protection of environment while financing businesses and supporting the distressed people of the society. Hence, DBBL believes that responsible conduct directly correlated with the images of the organization. And the present study identify some factors those influence the images of DBBL.

The remainder of the paper is organized as follows. Section 2 provides literature review. Section 3 mentions the objectives and section 4 describes the research techniques. Section 5 provides analysis, empirical results and findings. Section 6 concludes the analysis of the research.

2. Literature Review

Adequate corporate social responsibility has important allegations for the reliability of the capital markets in transition economies. In the annual reports of Bangladesh, firms, play a role for the corporate regulators, are seen to promote the enhancement of such disclosures. To comprehend the influence of CSR factors in the images of financial organizations, the meaning of CSR is the central point. Sarwar, Zahidul and Ikramul on their study “Corporate Social Responsibility and Financial Performance Linkage : Evidence from the Banking Sector of Bangladesh” mentioned CSR is a growing term that still does not have a standard definition or a fully recognized set of specific criteria. CSR is generally understood to be the way a company attains a balance or integration of economic, environmental, and social imperatives while at the same time addressing shareholder and stakeholder expectations, with the understanding that businesses play a key role on job and wealth creation in society.

According to the Commission for the European Communities (2001), CSR is defined as “a concept whereby companies integrate social and environmental concerns in the business operations and in their interactions with their stakeholders on a voluntary basis”. Wood (1991) defined CSR as, “the basic idea of CSR is that business and society are interwoven rather than distinct entities” and for Mallenbaker (2006), “CSR is about how companies manage the business process to produce an overall positive impact on society”. Carroll (1979) found out that “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”.

Musonera (2010) stated that whenever organizations, companies, businesses contribute to the community they are giving back to the people. Companies articulate their corporate social responsibility by making environmental and socially vital commitments while others have set aside a percentage of their revenues to be given to nonprofit organizations in education, health, human service, arts and culture, civic life and environments.

Hu and Scholtens, B. (2012) considered Corporate social responsibility (CSR) policies of commercial banks in developing countries based on a sample of 402 banks from 44 countries. It was found that there is significant difference regarding the CSR scores among individual banks and countries by analyzing how bank and country characteristics connect with bank's CSR policies. A positive and significant association between CSR policies and bank characteristic is found there.

Although financial institutions, such as banks, do not produce hazardous chemicals or discharge toxic pollutants into the air, land or water and thus apparently they might be viewed as uninvolved with environmental issues (Cowton and Thompson, 2000) they are supporting commercial activity that ultimately degrades the natural environment through their financing practices (Smith, 1993). They perform as intermediaries by providing the funds to support the production process which ultimately causes environmental degradation (Sarokin and Schulkin, 1991). Consequently banks should confess the accountability of indirect involvement in environmental damages and recognize their environmental responsibility, which is a part of their CSR, to strike a balance between economic and social goals to encourage the efficient use of resources and it is not just charity and obeying the laws, rather an endeavor to ensure their own sustainability and profitability (Wanless, 1995).

Islam, Hossain and Haque (2005) established that a significant statistical difference in sales revenue and in employee size between companies having environmental disclosure and companies not having environmental disclosure exists in Bangladesh through using Wilcoxon rank sum test and Mann-Whitney U Test.

Imam and Malik (2007) found in Bangladesh that foreign holdings are increasing in those firms that have good governance. They identified a positive relationship between institutional ownership and firm performance suggesting that institutional shareholders had the incentive as well as the power to monitor and control the behavior of firms, and played a significant role in corporate governance.

Wise and Ali (2009) in their article "Corporate Governance and Corporate Social Responsibility in Bangladesh with special reference to Commercial Banks" reviewed the annual reports of three commercial banks, e.g. Agrani Bank, NCC bank and Trust Bank Bangladesh Ltd. to identify whether the reports appeared to reveal a particular corporate social responsibility perception.

Therefore, it is assessed that the researches done previously to understand the CSR activities are exploratory in nature. Most of those studies are based on annual reports. Dutch-Bangla Bank performs their social responsibility in different sectors. This research considered the popular efforts of those as well as focused on a small sample to understand their influence in the images of DBBL.

3. Objectives of the Study

The broad objective of this study is to understand the **influence of CSR factors in building images for financial organizations: A study on DBBL**". The specific objectives of the study are as follows:

- i. To identify the CSR activities served by Dutch-Bangla Bank Limited.
- ii. To categorize the important CSR factors in choosing DBBL.
- iii. To coordinate the effect of the performance after practicing CSR of DBBL.
- iv. To gain awareness with the banking performance and environment.

4. Methodology

The research is descriptive in nature. Data and information required for this study were collected from both primary and secondary sources. We reviewed the annual reports of DBBL to identify whether the reports appeared to reflect a particular corporate social responsibility perspective. Primary source includes structured questionnaire and data were collected through surveying the inhabitants of Dhaka city who enjoyed the social responsibilities of DBBL. Secondary data were collected from company website, reports, electronic database and journals to develop theoretical background for the study.

The sample size is 120 considering 90% incidence rate and 95% completion rate. The survey was conducted in January 2013 in Dhaka city. Random sampling technique was used to collect data. A structured questionnaire was developed by using seven-step likert scales ranging from strongly disagree to strongly agree to get the interval scale data. Fifteen correlated variables are selected by reviewing the annual reports of DBBL. The questionnaire consists of 15 statements that are able to explore the response of the consumer toward the CSR activities of Duch Bangla Bank accurately. Other than these, some demographic questions are also set to classify the respondents. The rationale behind claiming this is that there are several CSR variables that affect the image of DBBL, but most of the variables are inter-correlated. Thus, it is necessary to reduce the number of variables to represent only a group of factors necessary for image enrichment. In this study factor analysis seemed to be perfect. Data entry was done in SPSS 16.0 data editor.

5. Data Analysis

In this study, 15 variables have been taken into consideration. The variables are derived from reviewing the Annual Reports of Duch Bangla Bank. And for the factor analysis to be appropriate, the variables must have to be correlated. These variables are as follows:

- V1- DBBL is making the technology affordable for masses to facilitate seamless transaction and socio-economic development
- V2-DBBL is giving commitment to rural area and supporting SMEs
- V3- DBBL is taking responsibility to protect the environment
- V4- DBBL has financed CNG refueling stations and CNG run public transports under Dhaka Clean Fuel Project
- V5- DBBL has sanctioned first waste recycling project of the country
- V6- DBBL is providing scholarship Programs.
- V7-DBBL is offering fellowship Program
- V8- DBBL is rehabilitating the Disabled
- V9-DBBL introduces “Smile Brighter program” for cleft-lip patients
- V10- DBBL Caring patients living with AIDS/HIV Positives
- V11-DBBL provides “Medi-Care Services” for the rural people
- V12- DBBL contracts operation for unprivileged blind people.
- V13- DBBL is offering V.V.F. and prolapsed uterus operating facilities for the financially handicapped women
- V14- DBBL is giving assistance to Acid Victims
- V15- DBBL serves as assistance for different organizations working for the betterment of women

Bartlett’s test of sphericity has been used to test the null hypotheses that the variables in the study are not correlated. In other words, the null hypothesis states that the population correlation matrix is an identity matrix. In an identity matrix, all the diagonal terms are 1 and all off-diagonal terms are 0. If this hypothesis cannot be rejected, the appropriateness of the factors will be questioned. Another useful statistic is the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. Small values (below 0.5) of the KMO statistic indicate that the correlations between pairs of variables cannot be explained by other variables and that factor analysis may not be appropriate.

KMO and Bartlett's Test

| | | |
|---|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | | .598 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 602.486 |
| | Df | 75 |
| | Sig. | .000 |

Consequently, from the above table, it is apparent that factor analysis is appropriate. Here, the KMO value is **.598**, which is between 0.5 and 1.0, and the approximate chi-square statistic is **602.486** with **105** degrees of freedom, which is significant at the **0.05** levels. Therefore, the null hypotheses can be rejected and the alternative hypotheses that all variables are correlated to each other can be accepted. To analyze the variables

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ranging from V1 to V15, factor analysis has been used for data reduction. This analysis tells the most essential factors that add to the images of DBBL to execute their corporate social responsibilities.

Total Variance Explained

| Component | Initial Eigenvalues | | | Rotation Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 2.690 | 17.934 | 17.934 | 2.608 | 17.390 | 17.390 |
| 2 | 2.656 | 17.703 | 35.637 | 2.388 | 15.920 | 33.310 |
| 3 | 1.877 | 12.516 | 48.153 | 1.770 | 11.798 | 45.108 |
| 4 | 1.768 | 11.784 | 59.937 | 1.761 | 11.737 | 56.845 |
| 5 | 1.484 | 9.891 | 69.829 | 1.753 | 11.685 | 68.530 |
| 6 | 1.059 | 7.060 | 76.889 | 1.254 | 8.359 | 76.889 |
| 7 | .835 | 5.568 | 82.456 | | | |
| 8 | .734 | 4.895 | 87.352 | | | |
| 9 | .423 | 2.818 | 90.170 | | | |
| 10 | .355 | 2.368 | 92.538 | | | |
| 11 | .307 | 2.046 | 94.585 | | | |
| 12 | .276 | 1.842 | 96.427 | | | |
| 13 | .226 | 1.505 | 97.932 | | | |
| 14 | .175 | 1.167 | 99.099 | | | |
| 15 | .135 | .901 | 100.000 | | | |

Extraction Method: Principal Component Analysis

From the above table, only 6 factors have been extracted as here eigenvalue is greater than 1.0 (it is recommended that factors with eigenvalues greater than 1.0 should be retained), that indicates the adequacy of the analysis using derived factors.

Rotated Component Matrix

| Variables | Factors | | | | | |
|--------------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Affordable technology | -.095 | -.017 | .126 | -.034 | -.019 | .841 |
| Assistance to betterment of women | .020 | -.007 | -.038 | -.021 | .932 | -.011 |
| Financed CNG | -.145 | -.105 | -.246 | -.539 | .037 | .223 |
| Commitment to SME | .173 | .273 | .060 | .101 | -.145 | .617 |
| Protect environment | -.001 | .078 | .916 | .050 | .080 | .039 |
| Smile brighter program for cleft-lip | .017 | .881 | -.041 | .121 | -.005 | .152 |
| Offering Fellowship | -.187 | .045 | -.160 | .809 | .117 | .192 |
| Rehabilitate the disables | .014 | .883 | .031 | .109 | -.047 | .052 |
| Contract operation for blind people | .019 | .848 | .041 | -.016 | .024 | -.001 |
| Sanctioned waste recycling | -.072 | -.053 | .895 | .032 | -.031 | .152 |
| Caring patients of AIDS/HIV(+) | .912 | .020 | -.050 | -.122 | -.035 | .050 |
| Medi-care services for rural people | .906 | -.069 | .032 | .041 | .047 | -.071 |
| Assistance to Acid victims | .008 | .076 | -.050 | -.017 | .924 | .050 |
| Uterus operating facilities | .002 | -.020 | .088 | .071 | .913 | -.127 |
| Giving Scholarships | -.041 | .074 | .063 | .867 | -.017 | .037 |

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A Rotation converged in 5 iterations.

Rotation Method: Varimax with Kaiser Normalization (Rotation converged in 6 iterations)

The extracted 6 factors can be interpreted in terms of the variables that load high coefficients. From the rotated component matrix table, factor 1 has high coefficients Caring patients of AIDS/HIV(0.912) and Medicare services for rural people(0.906). Thus, factor 1 can be entitled as “**Health care services for patients**”. Factor 2 has high coefficients for Smile brighter program for cleft-lip (.881) and Rehabilitates disable (.883) and Contract operation for blind people (0.848). Thus, this factor may be labeled as “**Recover the disables**”. Factor 3 has high positive coefficients for Protect environment (.916) and Sanctioned recycling (.895) whereas negative coefficient for CNG financing (-

.246). Hence, this can be tagged as **“Defend environmental pollution”**. Factor 4 has high coefficients for Fellowship program (.809) and Scholarship program (.867). So, this factor can be named **“Educational programs”**. Factor 5 has high coefficient for Assistance to betterment of women (.932), Assistance to acid victims (.924) and Uterus operating facilities (.913). So, this factor can be named as **“Help the women”**. Finally Factor 6 has high coefficient for affordable technology (.841) and commitment to SME (.617). Thus, this factor can be said as **“Socio-economic Development”**.

6. Conclusion

We have undertaken a modest effort to observe the association between corporate social responsibility performance and its effect on the images of banking companies in Bangladesh. CSR actions in Bangladesh have risen extensively. It is anticipated that the growth of CSR of financial organizations will continue as Bangladesh is increasingly exposed to global standards. CSR is becoming attractive to Bangladeshi companies for strategic reasons. To create the image of socially responsible firms, organizations employ their CSR records. However, the principal motivation of Bangladeshi firms to engage in CSR activities has stemmed from a sense of their moral obligation. As our government is financially unable to secure social problems, the organizations want to give support to society as businesses control. The business owners of this country can contribute more significantly towards the betterment of the society. If more companies came forward to contribute to the society like DBBL, it will help to create the positive image of social branding and serve the society.

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