



CSR and Its Impact on Customer Satisfaction: Case study of State Bank of India

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ABSTRACT

The main purpose of this research is to examine the impact of corporate social responsibility initiative of the state bank of India on the customer satisfaction. A conceptual frame work comprised of four elements (economic, social, legal and philanthropic) developed by carroll 1991 is used to examine the impact of corporate social responsibility on customer satisfaction. A multivariate likert scale (1-5) has been developed with one additional dimension customer satisfaction. A sample of 192 customers of the bank has been used to collect the data. Regression and correlation analysis is conducted using SPSS 22 on full version of data to generate the result of analysis. The results show that there is a significant and positive impact of CSR dimensions on customer satisfaction. Also this research shows that economic CSR have a significant impact on customer satisfaction. This result is confirmed by correlation analysis. Correlation analysis shows that the CSR positively and significantly correlated with customer satisfaction. Hence the research found that there is significant and strong positive relationship between improved customer satisfaction and CSR. This study concluded that improving customer perception of CSR practices such as legal, ethical and philanthropy CSR will improve customer satisfaction. Therefore the banks should take initiatives to improve their CSR practices to enhance customer satisfaction.

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Introduction

The CSR generally applies to company efforts towards various social welfare initiatives to benefit employees, customers, and the community at large. CSR is a long-term approach to business that addresses the needs of communities, people and their employers. CSR provides frameworks for successful enterprise that is harmonious with its surroundings. Nowadays, many nationalized banks in India have created their own corporate image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives in the era of social welfare and community development. The catalytic contributions made by nationalized banks for economic growth in India have created their separate entities towards financial growth.

Nowadays almost all the companies' web sites include CSR reports. One reason conveyed from the different researches is the increasing acceptance of the positive impact of CSR on consumer behavior. Corporate social responsibility (CSR) activities have been used to create a favorable corporate image and a positive relationship with consumers and other stakeholders. CSR is becoming increasingly important in the corporate world CSR now has become consistent with the company's objectives. Banks globally are pouring millions of dollars into different kinds of CSR strategies in the race to strengthen their reputation and improve relationships with stakeholders, including customers, both business and retail. We can see now the literature on studies that explore the relation among CSR initiatives and the consumers.

To highlight the role of banks in corporate social responsibility the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title "Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks". The Reserve Bank of India

(RBI) 2011 on stressing the need for CSR, suggested the banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development.

Many studies have been undertaken in terms of CSR and its impact on customer satisfaction, but it seems that only few studies have been done with respect to CSR and its impact on customer satisfaction in banking sector (specifically case study on banks). Therefore a case study with respect to CSR initiatives of the state bank of India and its impact on customer satisfaction has conducted. The main objective of the research is basically to study whether the customer perception of CSR practices influences the customer satisfaction

CSR Practices of State Bank of India

The concept of Corporate Social Responsibility (CSR) was introduced in the State Bank of India as early as 1973, under the name Innovative Banking, covering both banking as well as non-banking activities. The initial emphasis was on assisting groups belonging to the weaker and downtrodden sections of society by providing avenues for improvement of their economic condition. Non-banking activities involved participation in community activities which contributed to the communal good, e.g. blood donation camps, health camps, participation in local festivals, adult literacy, tree planting etc

In the present scenario bank adhere to the highest standards of social, economical and environmental responsibilities and make efforts to understand the impact of the bank operations on the society and strive to respond to the needs by utilizing the allocated resources to protect the interests of the less fortunate and under-privileged members of the society. The Bank has a Board approved CSR Policy which lays down the framework for discharging its responsibility towards Society. Bank's CSR

The main CSR activities of the bank include national donations to the funds sponsored and recognized by the central and state governments and normal donations covering the following areas:

- Health
- Education
- Sports and Games.
- Adoption of the Girl Child
- Women's empowerment
- Child development
- Welfare and rehabilitation of poor and handicapped
- Assistance to poor and under privileged
- Entrepreneur development programmes
- Vocational guidance
- Thrust for assistance to IT education in Rural /Tribal / unreached areas
- Environment protection,
- Adoption, maintenance , restoration of historic / heritage monuments / buildings including activities such as audio visual shows
- Assistance during natural calamities like floods/droughts

A lump sum amount of Rs.3000/ to Rs.5000/- per annum is given for the child's education.

As part of community service, the Bank undertakes a number of welfare activities and programmes directly which have a high social content through its branches / offices by way of voluntary efforts of the staff members. These activities which are conducted on an ongoing basis showcase the Bank's concern to the societal needs / welfare.

Some of such activities / programmes are:

- Blood donation camps
- Medical camps
- Family planning camps
- Veterinary camps
- Adult literacy classes
- Ladies club activities
- Tree planting camps
- Special programmes for children
- Other cultural activities.

Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) of State Bank of India for FY 12-13 was 1% which amounts to INR 117.07 crores. The Bank's actual spend on CSR activities for FY 12-13 was INR 123.27crores.

The focus areas of the Bank CSR activities

The focus areas of the Bank CSR activities are listed here under:

- Supporting education.
- Supporting healthcare.
- Assistance to poor & underprivileged.
- Environment protection.
- Entrepreneur development programme.
- Help in National calamities

Review of Literature

Although academicians and businessmen have engaged in much discussion concerning the social responsibilities of business, there has been only a little research conducted on customers.

While researchers have considered the impact of CSR by innumerable number of factors, including word of mouth, customer loyalty, their attitudes, their intentions, customers' emotional attachment, and brand identification, very few studies have considered the relationship between customer satisfaction and CSR. Luo and Bhattacharya (2006) investigated Fortune 500 companies, and he concluded that there is a direct link between CSR and customer satisfaction. The study concluded

that customer satisfaction is mediated by the Relationship between CSR and firm market value. But the researchers also found situations where CSR did not always lead to customer satisfaction. Of all the existing researches of consumer's expectations and their responses to CSR activities, much has been on consumer goods, with very little research on service industries such as banking. The study by Luo and Bhattacharya (2006) highlighted the fact that the relationship between CSR and satisfaction is not always straightforward.

Indeed, a study by Pomeroy and Dolnicar (2006) indicated that customers may prefer more self-serving initiatives. Thus, in some instances, companies choosing to pursue CSR programs with the expectation of improvement in customer satisfaction may misdirect precious resources towards causes that do not benefit the majority of their own customers. The study instead, suggested that customer-centric initiatives may better achieve improved customer satisfaction levels than CSR initiatives.

Sen and Bhattacharya, 2001 One of the most highly-cited categorizations of CSR dimensions is that used by Bhattacharya and Sen (2004). The six CSR dimensions identified by Bhattacharya and Sen (2004) were (1) employee diversity (e.g., gender, disability, race), (2) employee support (e.g., union relations, concern for safety), (3) product (e.g., research and development, innovation, product safety), (4) impact on the environment (e.g., environmentally friendly products, pollution control), (5) overseas operations (e.g., overseas labor practices such as use of sweat shops), and (6) community support (e.g., support of arts programmes, housing programmes for the disadvantaged).

Handelman and Arnold (1999) noted that consumers will engage in positive word of mouth communication about those firms that were committed or engaged to actions that were allied with institutional norms. Research by Maignan and Ferrell (2001) identified by using a managerial survey that there exists a direct positive relationship between CSR and customer loyalty. A review of the literature by Maignan and Ferrell (2004) identified a number of studies on CSR programs' positive effects on customers.

The view of the above listed studies indicated that the role of CSR in determining customer satisfaction has received diminutive research attention despite the acknowledged importance of customer satisfaction in the marketing literature (Fornell 2006). According to Sen and Bhattacharya (2001), CSR initiatives can lead to positive perceptions of the consumers about the organization and the product or service produced and marketed by the organization. Positive consumer perceptions lead to customer loyalty and customer satisfaction. According to Oloko (2012), customer loyalty and satisfaction are key predictors of the overall performance of banking institutions in Kenya. Customer loyalty is a key factor in any business success (Kotler and Armstrong, 2008;

There is varied opinion in academic literature on the relationship between customer satisfaction and customer loyalty. Some researchers have concluded that the relationship is non-linear. There are some who have concluded that the relationship is asymmetrical (Anderson and Mittal, 2000). However, some have shown a direct link (Grace and O'Casey, 2004) by concluding that more satisfied customers are likely to make a repeat purchase that leads to the generation of more favorable evaluations and attitudes and ultimate customer loyalty. The most important factors that determine bank customer retention and acquisition are quality service and customer satisfaction (Jamal, 2004). According to Brown and Dacin (1997), CSR record provides a general evaluation criterion for customer satisfaction. CSR influences positive client evaluation in three

Ways. Firstly, according to Daub and Ergenzinger (2005), social programmes make consumers feel that they belong to a community or social group when consuming a service. Secondly, CSR strengthens a sense of positive feeling towards the organization thereby creating a connection between the client and the organization (Sen and Bhattacharya, 2001) and thirdly, clients view such organizations as providing more value to them when compared to the non-socially responsive organizations (Mohr and Web, 2005). Banking institutions should endeavor to create positive evaluations in the mind of a customer through aligning their corporate image with their actions on the societies in which they operate (Kay, 2006) as the perceived customer positive image evaluations about a service organization depends on the organization's configuration of its social programmes and strategies. CSR can play an important role in building trust, reputation and hence increase customer satisfaction and retention. What customers talk about among organization is important to business success (Clemes 2010). It is important for the banking institutions to understand how their social programmes are likely to influence consumer perception about them for their corporate philanthropy activities to have a meaningful impact on their positive reputation (Lee 2012)

Research design and methodology

Under this study the data in two phases were collected through secondary and primary sources. to study the consumer perception of corporate social responsibility and its impact on consumer satisfaction with reference to the state bank of India and bank of Baroda through survey approach using structured questionnaire. This questionnaire was designed to seek general information of the respondents, factors that influence the CSR activities along with other metrics related to the research area. Respondents were asked to rate on a 5-point Likert scale.

Secondary Data has been collected from various sources that include particularly concerned Banks Annual Report, web sites, newsletters and other secondary sources like libraries, online databases, books, journals, white papers, and a few web pages

For the data collection, web-based survey through e-mail and social networks was conducted in the NCR region. The participants were asked to respond to the survey questionnaires based on their most recent experiences .The questionnaire was

divided into various sections. Under first section the demographic information of the respondent was collected, whereas in other sections the questions relevant to the objectives of the study were asked. The objective of the present study is to assess the customer's perception about the CSR initiatives of banks and the impact of this perception on various other variables like trust, satisfaction and loyalty. All items used in this study were measured on a five-point Likert-type scale.

The study has adopted a multiple linear regression technique to analyze the data. Multiple linear regressions are a statistical technique for testing and estimating casual relationships using a combination of statistical data. Regression analysis examines the sensitivity of changing CSR dimensions (independent variable) and its impact on customer satisfaction (dependent variable) .also to further analyze the casual relationship between CSR and customer satisfaction, two tailed test have been conducted to ensure the level of significance of the relationship between two variable.

Findings and Analysis

Demographic Profile of Respondents

A sample of 192 respondents was selected. The sample includes customers from various age groups and different income groups.

The table shows that 61.46% of the respondents were male and 38.54% respondents were female. The highest percentage is of respondents is of the age group 21-35.

CSR Dimensions in the Measurement Construct

1. Philanthropic CSR (Carroll 1991)
2. Ethical CSR (Carroll 1991)
3. Legal CSR (Carroll 1991)
4. Economical CSR (Carroll 1991)
5. Customer satisfaction

The table above shows the statistical mean and standard deviation for each dimension of CSR on the measurement construct. Over the 31 items the average mean value of six dimensions, the mean ranged from 3.467 to 3.993 indicating good CSR practices undertaken by the state bank of India.

The perceived customer satisfaction scored the highest with the mean of 3.993 with the standard deviation of .24119 followed by the economic CSR with mean 3.8877 and standard deviation.15894.

Profile	State bank of India				
	High school	diploma	Bachelor's degree	Master's degree	Professional degree
Qualification	13.5 4%	2.08%	35.94%	33.85%	14.58%
Occupation	student	worker	businessman	unemployed	housework
	29.69%	45.83%	19.79%	1.56%	3.13%
Gender	male		female		
	61.46%		38.54%		
Age	Under20	21-35	36-50	51-65	65 above
	18.85%	68.06%	9.95%	2.09%	1.05%

Dimensions	N	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Std. Error
Philanthropic CSR(A) (6 items)	6	3.4679	.24541	-.046	.845
Philanthropic CSR (B) (5 items)	5	3.5188	.26574	.464	.913
Ethical CSR (5 items)	5	3.8083	.11595	-1.841	.913
Legal CSR (5 items)	5	3.8469	.11615	-2.155	.913
Economical CSR (5 items)	5	3.8771	.15894	-.390	.913
Customer satisfaction (5 items)	5	3.9938	.24119	.947	.913

Table 22. Correlation and Regression analysis of State Bank of India

Dimensions		Philanthropic	Ethical	Legal	Economic	Customer satisfaction
Philanthropic	Pearson Correlation	1	-0.009	0.079	-0.584	-0.743
	Sig. (2-tailed)		.559	.587	.283	.001
Ethical	Pearson Correlation	-0.0091	1	.958	.202	.431
	Sig. (2-tailed)	0.988		.010	.744	.469
Legal	Pearson Correlation	0.079	.958	1	-.021	.396
	Sig. (2-tailed)	0.898	.010		.935	.510
Economic	Pearson Correlation	-0.584	.020	-.021	1	.549
	Sig. (2-tailed)	0.301	.974	.730		.317
Customer satisfaction	Pearson Correlation	-0.743	.431	.396	.549	1
	Sig. (2-tailed)	0.150	.469	.510	.337	

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary^b

Model	R	R Square	df	Std. Error of the Estimate
1	1.000 ^a	1.000	4	0

a. Predictors: (Constant), economic, philanthropic a, ethical, philanthropic b

b. Dependent Variable: customer satisfaction

Model	Standardized Coefficients		Correlation	
	Beta	t		Sig.
Constant)	-4.5663	-	-	-
Philanthropic	-1.3552	-5.302		0.000
ethical	-5.5856	6.584		0.000
legal	6.6974	5.944		0.000
economic	2.3172	9.054		0.000

Dependent Variable: customer satisfaction

The table indicates that bank demonstrates higher level of customer satisfaction and the initiatives with respect to economic, legal and ethical CSR are more than the philanthropic CSR.

Correlation and Regression analysis

The table above shows the correlation of all the factors representing the direction and strength of interrelationship between these factors. The correlation between the factors is important for the research. Previous researchers have undertaken similar studies, although it seems all the dimensions were not tested against customer satisfaction. However similar study conducted shows the entire dimension has significant and positive relationship with customer satisfaction (Nareeman and Hasan, 2013). Similarly this research study also shows that all other factors are correlated with each other with the correlation coefficient range from 0.020 to 0.958 except philanthropic CSR. The weakest correlation amongst all is between ethical CSR and economic CSR where the correlation coefficient is 0.051.

The relationship between CSR dimensions and customer satisfaction is significant and have a positive correlation coefficient. The results suggest that changes in the CSR practices will have changes in the customer satisfaction.

Regression analysis

The table below shows the bivariate linear regression, where beta values are the coefficient of regression and t-value are used to decide on the significance. The rule in here is that if the t-value should be greater than +1.96. The beta value is considered significant and is used for making decisions on the constructed table.

Regression model1 was applied to test how far the CSR had impact on customer satisfaction. Coefficient of determination r^2 is the measure of proportion of the variance of dependent variable (customer satisfaction). Higher value of r^2 represents greater explanatory power of regression equation. The above

table shows the r^2 value of 1.00. It means CSR is contributing to the customer satisfaction by 100%.

The coefficients table shows the beta value of each type of variable of corporate social responsibility dimensions.

Further the models shows that economic CSR has greater impact on customer satisfaction as compared to other CSR dimensions suggesting that economic CSR highly contributed to the customer satisfaction in state bank of India. Economic CSR is supported by the regression analysis, as the t-value of coefficient of beta economic CSR is more than +1.96 ($t = 9.054$) suggesting that economic CSR has a significant and positive influence on customer satisfaction. This suggested that the respondents who perceived that bank acts economically towards its customers tend to be more satisfied and intends to stay with the bank. The second most significant and highly influencing factor is legal CSR (6.69) on customer satisfaction. In terms of t-value ethical CSR has significant and positive impact on customer satisfaction ($t = 6.584$).

The other two factors do not have a significant impact on customer satisfaction. Especially the philanthropic CSR has a negative impact on customer satisfaction as both the values are negative.

Conclusion

The results show that there is a significant and positive impact of CSR dimensions of ethical, and philanthropy on both customer satisfaction. The correlation of all the factors of CSR shows that there is a significant and positive relationship with the customer satisfaction. The inter-relationship between CSR dimensions and customer satisfaction suggest that minor changes in the CSR practices of the banks could have a significant change in customer satisfaction. This study concluded that improving customer perception of CSR practices such as legal, ethical and philanthropy CSR will improve customer satisfaction.

Therefore managers working in banks should take initiatives to improve customer perception of CSR practices to enhance customer satisfaction. Further research could be undertaken on different context or by increasing the sample size to test the economic dimension of CSR to confirm previous research findings.

Future Research Scope

Further research could be undertaken on different context or by increasing the sample size to test the various dimensions of CSR to confirm previous research findings. It is suggested that analysis should be done with some influential customers, those having very frequent contacts and personal experiences with the banks to improve the credibility of findings. The observations adopted by the study could be used for the purpose of CSR scale development.

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