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A Systematic Literature Review Approach to Understanding Stakeholders' Perceptions on CSR Practices in the Banking Sector

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Business social responsibility is everything an organisation does for society's benefit above and above what is required by law. However, on the flip side, industrialization and commercialization of the service sector have rooted the use of non-renewable energy sources, global warming, greenhouse gas emissions, and rising levels of waste that have detrimental effects on the next generation. The idea of Corporate Social Responsibility (CSR) has gained widespread acceptance as people's concerns about sustainable development, environmental performance, and the management of natural resources have grown. To ensure the sustainable growth of an economy, CSR concepts must be fully integrated into business operations. The banking industry is now more developed and strong than ever. Numerous non-governmental organisations exert pressure on banks to treat their stakeholders fairly. As a result, the idea of corporate social responsibility has emerged. The definition of corporate social responsibility (CSR) is "the economic, legal, ethical, and philanthropic expectations placed on organisations by society at a given point in time." The literature review makes it abundantly clear that while there are strict regulations relating to the compliance of corporate social responsibility for the corporate sector in India, particularly those for the listed companies, there is no such provision for the banks, which make up the majority of the Indian service sector. Their CSR is wholly voluntary on their end. Additionally, no specific empirical research is done on how stakeholders perceive the CSR practises used by banks, which is crucial given the government's and banks' initiatives for financial inclusion. As a result, the current study empirically explores what the chosen banks could have been able to accomplish if they had been designed to comply with the CSR requirements set forth in the Companies Act, 2013, as well as stakeholders' perceptions in this regard.

Keywords: Corporate Social Responsibility, Banking Sector, Stakeholders, Regulations.

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INTRODUCTION

Business social responsibility is everything an organisation does for society's benefit above and above what is required by law. The phrase "responsibility" highlights the fact that the company has moral duties to the community. CSR is a type of corporate self-regulation incorporated into a business strategy. It is also known as Sustainable Responsible Business (SRB) or Corporate Social Performance. However, on the flip side, industrialization and commercialization of the service sector have rooted the use of non-renewable energy sources, global warming, greenhouse gas emissions, and rising levels of waste that have detrimental effects on the next generation. The idea of Corporate Social Responsibility (CSR) has gained widespread acceptance as people's concerns about sustainable development, environmental performance, and the management of natural resources have grown. To ensure the sustainable growth of an economy, CSR concepts must be fully integrated into business operations. To ensure the adoption of CSR practises in regular business operations, a number of international initiatives, including the UNEP Finance Initiative, Global Reporting Initiative, Equator Principles, and Coll Vecchio Declaration on Financial Institutions, are currently under way in the financial sector. These programmes have successfully retuned industrialised nations to act in a socially responsible manner. However, there aren't enough targeted and efficient responses to the current need in underdeveloped countries. Additionally, a very small amount of research has been done to look into CSR practises in emerging and developing countries. In actuality, western culture dominates the scholarly literature on this contentious topic. Belal (2001) stated that the majority of CSR research carried out thus far were in the setting of affluent nations like Western Europe, the USA, and Australia and that we still know insufficiently about practises in smaller and rising nations. CSR is typically seen as a moral responsibility that corporations have to the community. Corporate governance, leadership style, societal obligations, and a desire to take on social concerns make up the entirety of CSR. Employees' and staff members' attitudes towards participating in and carrying out CSR activities are also quite focused and favourable.

OBJECTIVE OF THE STUDY

The study seeks to conduct a thorough analysis of the existing literature to gain a general understanding of CSR in the banking industry.

METHODOLOGY

Secondary data were used only to complete this study. The study's purpose has been met by classifying and presenting the results of an examination of various pieces of national and foreign literature while keeping the context in mind.

STUDY AND ANALYSIS OF AVAILABLE LITERATURE

Corporate Social Responsibility (CSR) is not an entirely new idea. However, its focus shifts in response to shifting commercial demands and shifting social needs. Corporate social responsibility (CSR) acknowledges that businesses have a variety of responsibilities, including economic and legal obligations. CSR first appeared in 1960 in an effort to connect business and society. The basic idea throughout this time was to use resources responsibly, i.e., to promote social welfare as well as economic development. The key claim was that the means of production should be used in an economy in such a way that production and distribution can improve overall socioeconomic welfare. CSR was defined as industry principles compliance in the 1970s. The main goal was to distance pure economic boundaries from the scope of CSR effects. Corporate houses made sure that the possible usage of business resources didn't contradict business ethics in this regard. The idea produced profit maximisation without deceit or fraud against any party, i.e., lying within the bounds of the game. During this time, a company was considered socially responsible if it balanced multiple interests rather than focusing just on its stockholders' profits.

According to Davis[1] (1973), corporate social responsibility (CSR) is the firm's consideration and response to many concerns that may extend beyond the firm's more limited economic, technical, and legal needs. In this stage, researchers emphasised that CSR covers the social expectations that exist at any particular time in terms of economics, law, ethics, and discretion (philanthropy). In the 1980s and 1990s, it was considered that new ideas such as stakeholder theory, corporate governance, corporate social performance, corporate citizenship, corporate social innovation, and communication of CSR practises through CSR reporting needed to be acknowledged.

According to Lee[2] (1997), CSR refers to a company's commitment to conducting business in a way that is both economically and environmentally sustainable, while also taking into account the interests of various stakeholders and maximising economic, social, and environmental value.

According to Holmes and Watts[3] (1999), CSR is a company's ongoing commitment to act morally, promote economic growth, and enhance the lives of its employees, their families, the local community, and society as a whole. Some academics contend that working with a CSR viewpoint increases long-term earnings for organisations, while others contend that CSR detracts from the economic purpose of businesses.

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[1] BUSINESS & SOCIETY, Vol. 38 No. 3, September 1999 268-295 © 1999 Sage Publications, Inc.
[2] flybase.org/reports/FBrf0092605.html
[3] http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.390.6989&rep=rep1&type=pdf

However, Matten & Crane[4] (2005) emphasised that because enterprises are rooted in various national business systems, they would suffer varying degrees of internal, external, and lateral pressures to engage in CSR. A general effort was made in the twenty-first century to combine economic, legal, social, and ethical principles in order to promote sustainable development.

According to the World Business Council for Sustainable Development[5] (2001), CSR is a company's promise to support sustainable economic development by collaborating with its employees, their families, and the local community.

The economic, legal, ethical, and philanthropic components of CSR were covered by Uhlaner [6]et al. in 2004.

Juholin [7](2004) distinguished between CSR and ethical business practises, as opposed to CSR as only following the law.

"There is one and only one social responsibility of business," asserts Friedman[8] (2006), "and that is to use its resources and engage in activities designed to increase its profits as long as it plays by the rules, that is, as long as it engages in open and free competition without deceit or fraud."

Robbins and Coulter[9] (2007) emphasised that, in contrast to Friedman's assertion, management's social duty extends beyond earning a profit to encompass preserving and enhancing the welfare of its stakeholders and the setting in which the business conducts its operations.

Carroll[10] (2008) elucidated They also owe it to the community to support them by using their goods and services and allowing their establishment through various laws and regulations.

Extending Carroll's assertion, Zain[11] (2008) claimed that ethical standards are crucial to a company's long-term performance. A company's ethical behaviour and social responsibility standards can foster goodwill among all of its stakeholders. Sharma (2011) attempted to analyse CSR practises and CSR reporting in India with a focus on the banking industry and came to the conclusion that while the Indian banking industry is demonstrating interest in incorporating sustainability into their business models, their CSR reporting practises are far from satisfactory.

CSR has received a lot of attention recently in the business sector**. Hertz[12]** (2012) explains that earlier forms of capitalism placed a lot more value on our possessions—whether we owned a Gucci handbag, for instance—than on factors like the state of our environment, the quality of the air we breathe, the type of healthcare we receive, and the things that give us happiness and contentment. She referred to it as Gucci capitalism and foresaw its eventual death being followed by a new period of responsible capitalism she dubbed Co-opt capitalism. Co-opt capitalism holds that the community comes before the individual that cooperation is preferable to competition. In short, throughout this time, the idea of CSR was surrounded by a variety of opposing ideas pertaining to the social, ethical, philanthropic, and legal facets of corporate houses.

Five theme divisions have been used to split the entire literature review:

A.CSR and practises for reporting and disclosing it
B. Financial Performance and CSR
C. Bank Performance and CSR
D. Customer Loyalty & CSR
E. Bank Risk & CSR

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4 https://www.jstor.org/stable/20159101
5 https://www.wbcsd.org/
6 http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.471.1649&rep=rep1&type=pdf
7 http://www.scirp.org/(S(czeh2tfqyw2orz553k1w0r45))/reference/ReferencesPapers.aspx?ReferenceID=2006021
8 https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1540-5842.2006.00787.x
9 http://www.scirp.org/(S(351jmbntvnsjt1aadkposzje))/reference/ReferencesPapers.aspx?ReferenceID=1910012
10 https://www.researchgate.net/publication/282746355_A_History_of_Corporate_Social_Responsibility_Concepts_and_Practices
11 https://zain.com/en/press/zain-announces-record-financial-results-for-2008/
12 https://www.scribd.com/document/139114275/Hertz-Annual-Report-2012

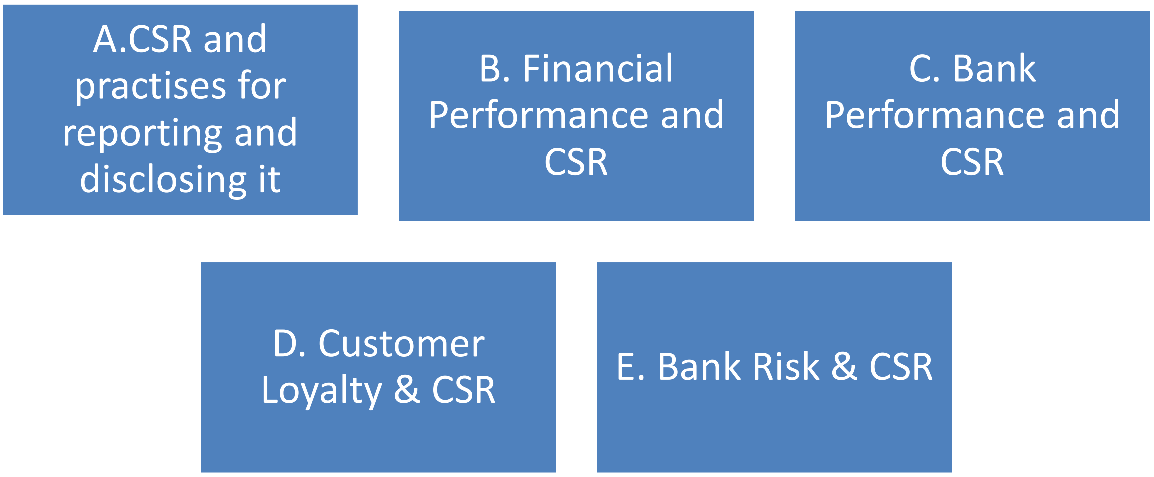

Diagram 1: *Theoretical Model of Stakeholders' Perceptions on CSR Practices in the Banking Sector*

Each of the following sub-themes, which are covered below, is organised chronologically:

A.CSR and practises for reporting and disclosing it

According to Dianne Thomson and Ameeta Jain[13] (2010), CSR currently affects every aspect of business. It entails conducting business in a way that satisfies community expectations for socially and ecologically responsible behaviour in addition to meeting profit-driven imperatives.

According to certain academics, including Simona Mihai Yiannaki[14] (2010), the financial viewpoint is insufficient to assess the level of either CSR or any other perspective alone, except from the value importance perspective. If a bank or any other business experiences financial trouble, any outstanding employee perks become void.

According to Amirul Afif Muhamat, Mohamad Nizam bin Jaafar, and Norfari dahbinti Ali Azizan[15] (2010), the end goal of CSR and ethical banking products is the same: to benefit the public and environment. However, CSR is carried out to improve a company's image, and the majority of the activities are carried out outside of regular business hours. The outcome of these activities for ethical banking products is developed and carried out during normal business hours.

According to Sayd Farook, M. Kabir Hassan, and Roman Lanis[16] (2010), the majority of Islamic banks publish a lot less information than was anticipated, with noticeable variances in the amounts of disclosure. The importance of the variable PRCL leads to the conclusion that Islamic banks' level of CSR disclosure is influenced by the severity of political and civil repression.

Edgar Löw, Deborah E. Klein, and Adrian Pavicevac[17] (2020) assert that banks should integrate CSR into their business practises in order to promote sustainable growth and uphold their social responsibility.2. Listed banks typically offer more CSR data than unlisted banks. And third, the number of external guarantees should rise as CSR reports that are subject to external audits reveal more and better CSR data. These findings suggest that external audits should be made legally binding throughout the EMU in order to further increase transparency and accuracy.

According to Edgar Löw, Giulia Erichsen, Benjamin Liang, and Margret Louise Postulka[18] (2021), statistical analyses

[13] Corporate Ownership & Control / Volume 7, Issue 4, Summer 2010,
[14] http://ssrn.com/abstract=1572490
[15] http://ssrn.com/abstract=1558165
[16] http://ssrn.com/abstract=1828624
[17] EUROPEAN BANKING INSTITUTE EBI Working Paper Series 2020 – no. 56
[18] EUROPEAN BANKING INSTITUTE EBI Working Paper Series, C2021 – no. 83

showed a substantial correlation between the disclosure scores of the banks that were acquired and their size and country of origin. A substantial positive link between the type of report released and the information relevant to CSR (integrated vs. non-integrated Report) is also found. Furthermore, implications for the function of external assurance in enhancing the dependability and trust in CSR disclosures are disclosed with regard to the potential for regulatory environment improvement.

B. Financial Performance and CSR

According to SarwarUddin Ahmed, Md. Zahidul Islam, and Ikramul Hasan[19] (2012), the average return on asset ratios of the banks with high CSP are higher than those of the banks with low CSP, even if this could not be statistically proven.

According to Md. Abdul Kaium Masud and Mohammad Sharif Hossain[20] (2012), their survey showed that 100% of banks reported their CSR activities, however it is also concerning that less than 60% of banks participated in the CSR activities that the finance act requires them to.

C. Bank Performance and CSR

According to Arup Mukherjee[21] (2012), the RBI and the Indian government would demonstrate their political willpower by allocating their resources to the advancement of financial inclusion. The model further assumes that both the RBI and commercial banks are aware that complete financial inclusion is the only condition necessary for long-term viability and profitability.

According to Mona Kamal[22] (2013), the findings suggest a bad and statistically significant correlation between CSR-dimensions and bank profitability.The neoclassical economists' contention that a company's adoption of CSR is linked to competitive disadvantages is supported by this empirical data.

First, CSR and operating performance as well as company value have a favourable link, according to Brian Bolton's[23] (2013) classification of his findings. The biggest banks show this result in the most obvious ways.

Second, there is a conflict between a bank's willingness to take risks and CSR elements that are essential to the operation of the bank.

Third, while those same factors were positively correlated with a bank receiving TARP support, elements that were associated with greenwashing were adversely correlated with a bank receiving TARP support.

According to Yaroslav Mozghovyi and Iuliia Ratnykova[24] (2011), statistical study did not clearly demonstrate a connection between CFP and CSR of the bank in general or between specific indicators of the CSR strategy and activity efficiency.

According to research done in 2013 by Alexander Kostyuk, Olena Kostyuk, Yaroslav Mozghovyi, and Yana Kravchenko[25], there is a correlation between a bank's size and its corporate social performance (CSP), although it is not uniform and cannot be treated as an absolute.

1. It was proven that resident and non-resident Ukrainian banks' CSPs differ.
2. Swedish banks will perform better in the CSR index than Ukrainian banks.

According to Hussein A. and Hassan Al-Tamimi (2014), the findings show that the UAE banks are aware of the concept of corporate social responsibility. They also emphasise compliance with mandatory social and environmental legislation more than non-mandatory legislation, gather information about/from stakeholders, consult stakeholders, and take part in multi-stakeholder initiatives, and positively support community activities. And lastly 90% of the respondents

[19] Journal of Organizational Management
[20] IOSR Journal of Business and Management (IOSR-JBM) ISSN: 2278-487X. Volume 6, Issue 2 (Nov. - Dec. 2012), PP 42-47
[21] INTERNATIONAL JOURNAL OF MARKETING, FINANCIAL SERVICES & MANAGEMENT RESEARCH VOL.1 NO.4, OCT – DEC.2012, ISSN 2277 6788
[22] http://ssrn.com/abstract=2227621
[23] https://ssrn.com/abstract=2277912
[24] The Second Annual Online International Conference on Corporate Governance & Regulation in Banks, Sumy, Ukraine, February 02 – February 04, 2011
[25] Corporate Ownership & Control / Volume 10, Issue 4, 2013, Continued – 4

said it was critical for their banks to share information with stakeholders about their CSR efforts.

Md. Tarikul Islam and Md. Kaysher Hamid[26] (2014) claim that bank contributions to CSR initiatives are rising daily. A large number of stakeholders benefit, which has two impacts. Stakeholder participation with banks is growing on the one hand, while organisations are working on inclusive growth, a concept where growth equals growth for all stakeholders, on the other.

According to Marcia Millon Cornetta, Otgontsetseg Erhemjamtsa, and Hassan Tehranian (2015), financial performance is favourably and strongly correlated with CSR scores, suggesting that being socially responsible is often rewarded. Additionally, it has been discovered that larger banks promote socially responsible initiatives to a much greater level than smaller banks. After 2009, the biggest banks also observe a sharp rise in CSR strengths and a sharp decline in CSR concerns.

According to Sumon Das, Rob Dixon, and Amir Michael's[27] (2015) study, banks' participation in CSR activities has increased from an average CSR disclosure index of 59.02% in 2007 to 76.87% in 2011, and direct financial spending has increased more than 10 times during this time. The findings demonstrated a positive correlation between CSR disclosure and business size, board size, ownership structure, and independent non-executive director on the board, but a negative correlation between CSR disclosure and firm profitability and company age. The association between CSR disclosure and board leadership structure, on the other hand, is negligible.

Holtjana Bello and Tiran Elvin Meka [28](2016) assert that the effectiveness of the CSR approach depends on integration and alignment with the company.

Financial institutions need to understand that CSR is an essential component of a sustainable business, according to Dr. Asok Kumar Panigrahi and Prof. Trilok Nath Sukla [29](2016). The core strategy, product design, mission, and business policy of financial institutions must all be integrated with CSR. A well-developed, clearly stated, and business-aligned CSR plan is essential.

According to Mohammad Hassan and S. M. Ashraf Siddiqi's[30] (2016) research, there is a positive correlation between CSR and total deposit and a neutral correlation between CSR spending and profit.

Christine Mallin, Hisham Farag, and Kean Ow-Yong [31](2017) claim that Islamic banks appear to be more dedicated to the board and senior management, financial product/services, and vision and mission dimensions, while the environment dimension receives the least amount of attention. Islamic banks exhibit a high level of awareness of the AAOIFI's (Accounting and Auditing Organisation for Islamic Financial Institutions) requirements for mandatory disclosure, while they give voluntary CSR disclosure less attention.

Dr. Anita Sharma and Dr. Ashok Panigrahi [32](2020) aid that financial institutions must realize that CSR is an intrinsic part of a sustainable business. CSR needs to be embedded into every aspect of business, including product design, innovation, operations, Supply chain, and marketing. Financial institutions must integrate CSR with their core strategy, product design, Mission and company policy. An effective CSR strategy should be well- formulated, articulated, and aligned with Business.

D. Customer Loyalty & CSR

Customers' loyalty is significantly impacted by the conceptions of customer centricity, philanthropy, the green environment, and ethics, according to Mohammed Masum Iqbal and Shah AlamKabir Pramanik[33] (2017). The study also showed that, in the case of Bangladeshi financial institutions, client centricity has the biggest impact on consumers' loyalty while ethics had the least bearing.

E. Bank Risk & CSR

Noor Wan Hazlina In order to ensure the effectiveness of Islamic banks' CSR applications, Wan Jusoh and Uzaimah

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[26] World Review of Business Research Vol. 5. No. 1. January 2015 Issue. Pp. 130 – 154
[27] World Review of Business Research Vol. 5. No. 1. January 2015 Issue. Pp. 130 – 154
[28] http://ssrn.com/abstract=2693840
[29] http://ssrn.com/abstract=2736814
[30] International Journal of Novel Research in Marketing Management and Economics Vol. 3, Issue 3, pp: (1-6), Month: September - December 2016
[31] https://ssrn.com/abstract=3027644
[32] CSR in Indian Banks and Financial Institutions
[33] Daffodil International University Journal of Business and Economics, Vol. 10(1), June Issue, Pp. 1-18.

Ibrahim[34] (2017) determined that a number of important concerns, particularly those related to corporate social responsibility disclosure (CSRD), CSR departments, and CSR funds, need to be addressed.

1. CSR has a favourable effect on risk-adjusted ROA and risk-adjusted CAR, according to Florian Neitzerty and Matthias Petrasz's research from 2020.
2. The origin and primary forces behind risk-reduction are the environmental pillar and its subcomponents.
3. One benefit of encouraging higher CSR is the related lower idiosyncratic risk.

CONCLUSION

All of a bank's stakeholders, including its workers, the local government, clients, suppliers, and the communities in which the bank operates, are impacted by the economic success of the bank in both direct and indirect ways. Corporate social responsibility is receiving increased attention in this scenario. It refers to the management's responsibility to make decisions and behave in ways that will advance both the bank's interests and the welfare of society.

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