



## Corporate Social Responsibility (CSR) in People's Bank (PD) of Sri Lanka (SL)

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### ABSTRACT

*Corporate social responsibility (CSR) is becoming prominent not only in developed countries but also in developing countries. People's bank is one of the state banks in Sri Lanka undertaking CSR activities in society. Objective of this research is to know activities of CSR undertaken by Peoples' Bank of Sri Lanka. Data are collected from CSR activities of PB. Source of data are secondary source. Conclusions revealed that People's Bank undertakes its CSR on 13 activities. Of these 13 activities, 9 activities are on disaster management, culture, housing, physical challenge, banking, human resource development, development, environment and welfare which are poorly focused by bank. 2 activities are on health and sports which are moderately focused by bank. 2 activities are on education and religion which are highly focused by bank. Whereas health falls in the moderate focus education falls in high focus. However, there is a positive strong correlation between health and education.*

### Keywords : Corporate Social Responsibility, Sri Lanka

#### 1. Introduction

Montiel (2008) defined corporate social responsibility (CSR) as solutions for social and environmental management issues. Corporations should be liable for society for various reasons. Survival of companies rests on CSR. Foster, Meinhard, Berger & Krpan (2009) researched on corporate philanthropy in the Canadian context from damage control to improve society. They conducted fourteen in-depth interviews among corporations representing natural resources, finance, retail, technology, food and beverage, and communications to explore the diverse approaches to philanthropy in corporate Canada. This study focused on the organizational differences among companies that have integrated corporate philanthropy into their cultures, those where philanthropy is marginal to their main business and those that see philanthropy as a beneficial relationship. They found that philanthropy into their operations are quite distinct in both attitudes and behavior from the others. CSR is used in foreign countries long ago in several fields. Arrival of the term CSR in developing countries has got immense and deep understanding in almost all fields not only by Industry experts but also by academics. Sri Lanka has also been paying a number of efforts in CSR in several disciplines. Both state and private sectors pay attention on CSR. Srilankan banking sector has been evolving time to time. Peoples' Bank is one of the largest domestic commercial bank in Sri Lanka. Competition is intense among banks. It has to attract its customers time to time. Banks exist in the environment. They have to satisfy many stakeholders in environment. Survival of banks depends on the satisfaction of the stakeholders. Banks have to be concerned about the society. Society has a number of expectations such as education, health, sports, environment and many more. Link between corporation and banks is important to pay concerns on society and its stakeholders. CSR plays significant role in number of ways. CSR gets scholarly attention not only in Global academics but also in Srilankan academics. CSR can be helpful to maintain a very good rapport between corporation and society. Stakeholders of society can have a positive attitude towards banks. Activities of CSR can promote banks clients by which deposits can be increased. This research fills the literature gap. There are a number of researches in abroad in several disciplines and in different time frame. This research is

expected to fill the literature gap in term of different fields and time frame.

#### 1.1 Statement of the problem

This study states the problem by previous empirical findings. Park & Lennon (2006) investigated organizational factors that influence buying/sourcing professionals' socially responsible buying/sourcing (SRB) effort. The study was carried out in U. S. apparel/shoe companies. Analysis revealed that SRB consisted of three dimensions such as employment, environment and consumer safety. A socially responsible organization has to concentrate on these three activities. When companies concentrate on these three activities purchasing will be high. Authors' findings are confirmed by the definition of The European Commission which defines CSR as a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Dickson & Eckman (2006) studied about Social Responsibility in Apparel and Textile Scholars. Eighty-seven members of the International Textile and Apparel Association (ITAA) involved in electronic survey focused on the scholarly activities in which they are engaged that relate to social responsibility. A wide range of social responsibility topics was considered important to address in teaching. Most important were topics related to labor practices and trade with developing countries, consumerism, aspects of environmental protection and body image. It was defined socially responsible apparel/textile business revealed a three dimensional concept incorporating an orientation encompassing the environment and its people, a philosophy balancing ethics/morality with profit, and an emphasis on the business actions and strategies resulting in positive outcomes for people and the environment.

#### 1.2 Research gap

Research gap is identified from statement of the problem. Findings of previous researchers and definition of European Commission agrees upon few elements such as environment. However, these findings disagree with many elements of CSR. Therefore, there is confusion on what elements are undertaken as CSR. Research gap is shown in figure 1.

Figure 1: Research ga



(Source: Ismail)

**1.3 Research question and objectives**

Researcher raises "in what activities, CSR is undertaken by Peoples' Bank of Sri Lanka?" as research question. Researcher sets "know activities of CSR undertaken by Peoples' Bank of Sri Lanka" as research objectives in order to answer to this research question,.

**2 Literature survey**

Velnampy & Pratheepkanth (2012) studied about corporate governance and firm performance in relation to selected listed companies in Sri Lanka. Researchers used board structure and corporate report to measure the corporate governance. They used returns on assets, return on equity and net profit to measure the

**3. Research methodology**

**3.1 Population and sample**

Population covers all the 31 types of banks. People's bank is selected as a sample bank. This sample selection was made on the basis of non- probability sampling termed as convenient sampling. Population and sample is shown in the table 1.

Table 1: Population and sample of banks

Central Bank	Commercial Banks		Savings Banks	Merchant Banks
	Local Banks	Foreign Banks		
1. Central Bank of Sri Lanka	1. Bank of Ceylon 2. People's Bank 3. Commercial Bank of Ceylon 4. Hatton National Bank 5. Sampath Bank 6. DFCC Vardhana Bank 7. Seylan Bank 8. Union Commercial Bank 9. Nations Trust Bank 10. Pan Asia Bank 11. Amana Bank 12. NDB Bank	1. HSBC 2. Standard Chartered Bank 3. Citibank 4. Deutsche Bank 5. State Bank of India 6. ICICI Bank 7. Public Bank Berhad 8. Habib Bank 9. Indian Bank 10. IOB 11. MCB	1. National Savings Bank 2. MBSL Savings Bank 3. Sri Lanka Saving Bank	1. Merchant Bank of Sri Lanka 2. Mercantile Merchant Bank 3. Seylan Merchant Bank 4. People's Merchant Bank

(Source:bank website)

**3.2 Data collection and instrument**

Data are collected from CSR activities of PB. Type of data is qualitative. This qualitative data is quantified by the researcher. When PB undertakes same/ similar CSR such CSR things are counted and frequency is calculated and quantified. Source of data are secondary source. Data are collected during January to June, 2012. Data collection is shown in table 2. Instrument for collecting data is websites of PB. Collected data are presented and analyzed using SPSS and Excel.

Table 2: Area of classification of CSR

Serial Number	Year	Area of classification of CSR						
		2005	2006	2007	2008	2009	2010	
1	Religion	3	3	13	0	2	2	
2	Sports	8	0	2	0	0	0	
3	Education	3	5	11	5	6	1	

firm's performance. The data of ten manufacturing companies in Sri Lanka representing the period of 2006 to 2010 were used for the study. The multiple regression analysis was applied to test the impact of corporate governance on firm performance. The study found a positive relationship between the variables of corporate governance and firm's performance. Antal & Sobczak (2007) researched on corporate social responsibility in France in relation to a mix of national traditions and international influences. They explored the dynamics of the discourse and practice of corporate social responsibility (CSR) in France to illustrate the interplay between endogenous and exogenous factors in the development of CSR in a country. Results showed that the cultural, socioeconomic, and legal traditions influence corporations. Valentin (2009) presents a conceptual exploration of public opinion (PO) from the point of view of corporate social responsiveness (CSR). This study showed about public opinion (PO) on corporate social responsibility. This study revealed that the particular characteristics of public views are important tools for understanding and analyzing corporate social responsiveness. Park & Lee (2009) studied about financial rewards for social responsibility in a mixed picture for restaurant companies. This study empirically examined the effects of publicly traded U.S. restaurant companies' social responsibility activities on two financial performance measures such as accounting performance (return on equity) and value performance (total shareholder return). Results showed that responsibility activities have a U-shaped effect on accounting performance whereas they have no impact on a firm's value performance. It was found that restaurant companies should promote their social responsibility activities to consumers (and the financial market) as a means of enhancing the effects of those activities on their value performance.

4	Disaster Management	4	0	1	0	4	0
5	Health	1	1	4	1	3	1
6	Culture	0	1	0	3	0	1
7	Housing	0	1	1	0	1	0
8	Physical challenge	0	2	2	0	0	0
9	Banking	0	1	0	0	1	1
10	Human Resource Development (HRD)	0	0	6	0	0	1
11	Development	0	0	2	0	0	4
12	Environment	0	0	1	0	1	4
13	Welfare	0	0	0	0	1	0

(Source: survey data)

**3.3 Data presentation**

Collected data are presented in clustered bar chart and area chart. Clustered bar chart is shown in figure 2. Area chart is shown in figure 3.

Figure 2: clustered bar chart

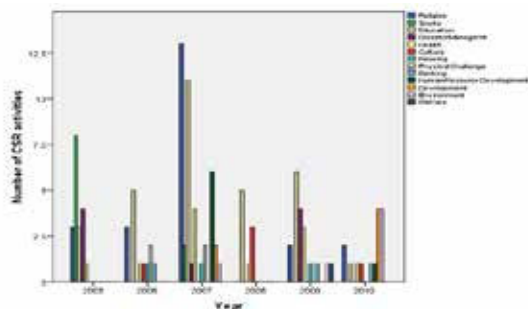
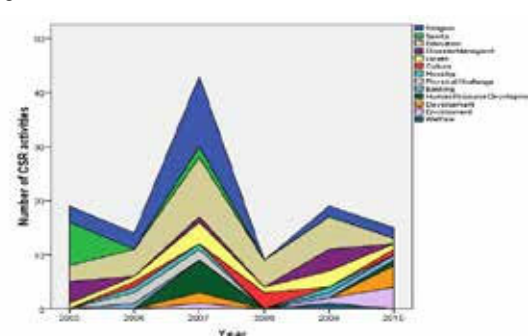


Figure 3: area chart



4. Results & discussion of findings

4.1 Descriptive statistics

Researcher divides CSR activities into low, moderate and high focus. Low focus consists of less than 10 total CSR activities (TCSRA). Moderate focus consists of 10 to 20 total CSR activities. High focus consists of greater than 20 total CSR activities. They are symbolized into < 10 TCSRA, 10 > TCSRA < 20 and > 20 TCSRA. Sum is used in descriptive statistics for categorizing the CSR activities. Sum is shown in table 3. < 10 CSRA include disaster management, culture, housing, physical challenge, banking, human resource development, development, environment and welfare. 10 > TCSRA < 20 include health and sports. > 20 TCSRA include education and religion.

Table 3: Descriptive Statistics

	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
		Statistic	Statistic	Statistic		Statistic		
Religion	6	13	0	13	23	3.83	1.887	4.622
Sports	6	8	0	8	10	1.67	1.308	3.204
Education	6	10	1	11	31	5.17	1.376	3.371
Disaster Management	6	4	0	4	9	1.50	.806	1.975
Health	6	3	1	4	11	1.83	.543	1.329
Culture	6	3	0	3	5	.83	.477	1.169
Housing	6	1	0	1	3	.50	.224	.548
Physical Challenge	6	2	0	2	4	.67	.422	1.033
Banking	6	1	0	1	3	.50	.224	.548
Human Resource Development	6	6	0	6	7	1.17	.980	2.401
Development	6	4	0	4	6	1.00	.683	1.673
Environment	6	4	0	4	6	1.00	.632	1.549
Welfare	6	1	0	1	1	.17	.167	.408
Valid N (list wise)	6							

(Source: Survey data)

People's bank undertakes 1 CSR activity in culture, housing, physical challenge, banking, human resource development,

development and environment on an average. Whereas disaster management has the mean value of more than 1 welfare has less than 1 mean value. 2 Health and sports related CSR activities are undertaken by People's Bank on average. 4 Education and 5 religious CSR are undertaken by People's Bank on average.

4.2 Correlation analysis

Correlation analysis was conducted between two CSR activities undertaken by PB. Correlation value shows that there is a close relationship between them. Correlation is shown in table 4.

		Education	Health
Correlation Education	Pearson Sig. (2-tailed)	1	.855
	N	6	.030
Correlation Health	Pearson Sig. (2-tailed)	.855	1
	N	.030	6

(Source: Survey data)

Pearson r correlation indicates that there is a positive strong correlation between health and education. When health is good education will also be good. Otherwise, vice versa.

4.3 Hypothesis testing

Researcher tested hypothesis. Null hypothesis (H0) indicated that there is no relationship between health and education. Alternative hypothesis (H1) indicated that there is relationship between health and education. Sig. value (p value) is less than significance level (α). 0.030 is less than 0.05 i.e. Sig. value falls within the region of Significance level researcher rejects H0 and accepts H1. This means there is relationship between health and education. It has also been proved by the Pearson Correlation value.

5. Conclusions

People's Bank undertakes its CSR on 13 activities. Of these 13 activities, 9 activities are on disaster management, culture, housing, physical challenge, banking, human resource development, development, environment and welfare which are poorly focused by bank. 2 activities are on health and sports which are moderately focused by bank. 2 activities are on education and religion which are highly focused by bank. Whereas health falls in the moderate focus education falls in high focus. However, there is a positive strong correlation between health and education.

6. Limitations and policy implications

This research focuses on People's Bank only. This research can be extended for other state banks and private banks. This research is based on secondary data. However, this research is important for policy makers. Of these 13 CSR activities undertaken by People's Bank, 9 activities are on disaster management, culture, housing, physical challenge, banking, human resource development, development, environment and welfare which are poorly focused by bank. Authorities of People's Bank have to concentrate on these activities more on in future. Further, this research adds value to CSR activities undertaken by People's Bank have been identified in Sri Lanka.

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