A Survey on the CSR in Private Financial Institutions  
(Case Study: Saderat and mellat Banks in Bojnord, Iran)

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Abstract

Recently CSR have become an important issue in business and society because it is as a specific grant for improves their competitive edge of businesses. Corporate Social responsibility is high viewpoint to business that sees social influence an organization on internal and external society with target companionship economic rent with internal and external society with target companionship economic rent with environment and business sustainable development. In developing countries, such as Iran, there are concerns for promote CSR in banking industry. Therefore in this paper with!target achieve to results for help to promote CSR in banking industry, the first focus to the specific literature on CSR, then we use of questionnaire and semi structured interview with 24 managers of Saderat and Mellat bank's branches in Bojnord state to surveyed Issues and challenges CSR. The result obtained show middle/low level of awareness of CSR and they still have a long way to go towards learning how to inform CSR for their best practices. In other hand, there are many barriers to its implementation.

Key words: CSR, Corporate Social Responsibility, Banking Industry, Bojnord

1. Introduction

Corporate social responsibility (CSR) is becoming an important and mainstream issue for many organizations. A large number of companies appear increasingly engaged in a serious effort to define and integrate CSR into all aspects of their businesses (Zu & Song, 2008:3). The banking sector has been quite slow in considering the consequences of the issue of sustainability, despite of the fact of their exposure to risk having an intermediary role in the economy (Viganò& Nicolai, 2008:5)

According to one definition (0midvar, 2010) CSR is:

"...corporate Social responsibility is high viewpoint to business that sees social influence an organization on internal and external society with target companionship economic rent with internal and external society with target companionship economic rent with environment and business sustainable development...”

Social responsibility of companies in turn is based on the conduct of managers at the top. To contribute to an ethical climate, leaders at the top or organizations have to feel that there is a need for ethical behavior and that strategic importance has to be given to ethical and moral values. As characteristics of top level executives appear to be related to organizational outcomes, they are the ones that have to think and act on the basis of social responsibility behaviors (Engelbrecht, 2005).

In addition to banking industry undeniable influence on the society through management of the performance evaluation, financial institutes, in fact, have a pivotal role in encouraging and motivating customers to act
responsibly and decrease the negative impacts of their social and environmental activities. Banking, in this regard, has a remarkable role in instilling social responsibility thought nationally and internationally, and it is anticipated that banking surpasses other rival industries in achieving social responsibility (CSR development center, 2008). As an indication of the customer service and satisfaction, CSR has turned into one of the most important issues in the Iranian banking system. In spite of this fact and based on the results of several studies done in this field, financial institutes-it is sad to say- are losing larger and larger numbers of their customers due to their failure in areas and activities including CSR, but the majority of them are not aware of this even worsening situation (EkhtiarI Bidhendi, 2008).

According to the interviews with related officials of banks and CSR development center on the topic of CSR, we are confronting limitation of resources and, therefore; it is undoubtedly important to identify issue and challenges of CSR in the field of banking. However, CSR becomes one of the most important topics within the Banking industry in Iran. Implementing CSR is vital for the future of the Iran banking industry. But, what is the status, and how could CSR being implemented in Iran banking industry? A review of literature show that little is available on CSR research in Iran banking industry. In light of this, the research aims to address this gap by providing an overview of CSR activities in Iran banking industry, especially focusing on Bojnord state. With this broad aim, we have organized this paper as follows. First, we discuss the theoretical evolution of CSR to clarify the relationship between banking industry and CSR. Then, the research method is described. The findings from surveys and case interviews are reported and analyzed and finally, the wider implications of this research are on the Saderat and Mellat banks in Bojnord are discussed.

2. Review of Literature

2.1. Corporate Social Responsibility (CSR)

The concept of CSR evolved from two parallel developments. The first one comprises the efforts of policy makers and organizations to spread the idea of SRB (social responsibility behaviour) and CSR practices at every level, by means of numerous initiatives, formal definitions and so on. The second path consists of the academic contributions, evolved from an initial, vague awareness of the relationship between companies and social-environmental contexts into an explicit identification of rules of conduct and management tools (perini, 2006). From the academic perspective, there is no one clear-cut definition of CSR. In particular, if social responsibility encompasses interaction with the entire social environment, then the difference between the managerial/academic literature and actual CSR behavior must refer to the limitless possible interpretations of social phenomena and the links that result between companies and their stakeholders. Despite this complexity, the CSR paradigm in academic literature, which can be traced back to the 1920s, can be subdivided into distinct phases (Perrini, 2006).

What is referred to as the modern contribution to this topic developed when both academic and managerial literature began to assign social duties to companies? The earliest modern contribution to the CSR complex came in the 1953, when Bowen provided the first CSR definition: the “obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Choi & Gary, 2008).

CSR is defined from three separate different words: ‘corporate’, ‘social’ and ‘responsibility’. Therefore, CSR can be seen as the enterprise or a person active in the business or responsibilities corporations have to care about the society where they are based and operate (Zhu & Tan, 2008).

Smith (2003) sees CSR as a wealth creation process, enhance the competitiveness of the enterprises and maximize the value of wealth creation to society. CSR has been active within a cycle that built by government, NGOs and business. Therefore, CSR can be defined as the business commitment and contribution to the quality of life of employees, their families and the local community and society overall to support sustainable economic development (Holme& Watts 2000).0midvar (2010), suggests CSR is:

"... Corporate Social responsibility is high viewpoint to business that sees social influence an organization on internal and external society with target companionship economic rent with internal and external society with target companionship economic rent with environment and business sustainable development..."
Chandler (2005), suggest CSR covers all aspects of an organization's operations and can be divided into subsections, that is,

1-day-to-day operations, this include environmental sustainability and workplace issues
2- Corporate governance, transparency and social audits by government
3- Strategic philanthropy
4- Corporate activism
5- Stakeholder relations, this area include internal (employees, suppliers, distributors) and external (investors, NGOs, government, media, consumers) parts
6- Strategic brand management, including brand building and brand insurance. (Zhu & Tan, 2008)

2.2. CSR AND Banking Industry

The banking sector has been quite slow in considering the consequences of the issue of sustainability, despite of the fact of their exposure to risk having an intermediary role in the economy (Viganò& Nicolai, 2008:5) In addition to their undeniable influence on the society through management of the performance evaluation, financial institutes, in fact, have a pivotal role in encouraging and motivating customers to act responsibly and decrease the negative impacts of their social and environmental activities. Banking, in this regard, has a remarkable role in instilling social responsibility thought nationally and internationally, and it is anticipated that banking surpasses other rival industries in achieving social responsibility (CSR development center, 2008). As an indication of the customer service and satisfaction, CSR has turned into one of the most important issues in the Iranian banking system. In spite of this fact and based on the results of several studies done in this field, financial institutes-it is sad to say- are losing larger and larger numbers of their customers due to their failure in areas and activities including CSR, but the majority of them are not aware of this even worsening situation (Ekhtiari Bidhendi, 2008).

3. Methodology

The main objective of the present study is a survey on the Issues and Challenges of the CSR Practices in Private Financial Institutions from the viewpoint of Saderat and mellat banks’ highest executives in bojnord, Iran. Therefore, having decided on the theoretical premises, a questionnaire was provided and passed out and interviews were carried out with banks managers in person to collect Field data.

The statistical population of the study is includes 24 managers of the Saderat and mellat banks central branch and its Branches located in bojnord City.

To using judgmental sampling, twenty-four questionnaires were then distributed among the targeted managers of which all were approved of as acceptable after the final reconsideration and edition. Based on experimental research by Sheth and Lantos (2006, 2001) as well as the emphasis on the undeniable role of directing managers, public relation officers, and organizational marketing in developing CSR activities, the research questionnaires were merely passed out among directing managers, head of the managing board, public relation managers, marketing deputies, and the managers of organizational promotion or members of the managing boards who were sufficiently aware of CSR situations.

The structure proposed by Kraisornsuthasinee and Swierczek (2006) was adapted to structure the questionnaire. This is because; CSR is still at an initial stage in Iran. The questionnaire had 18 questions and was structured around following categories:

1-CSR awareness
2-integration into business practices
3-motivation for CSR
4-stakeholder engagement
5-implementation barriers and challenges
In additional to the survey, a series of case interviews were carried out to gain better insight into current CSR. Of the responded questionnaire, the author managed to access with four superior managers in center branch of Saderat and Mellat banks for case studies. The interview took around half-day with public relation and superior managers. A semi structured interview approach was adopted, and the questions are divided into categories including questionnaire issues, challenges, drivers and risks for CSR investment.

4. Survey findings and analysis

4.1. CSR awareness

Many of the targeted banks Branches not heard term CSR. However, it is not possible to make any conclusions at this point. On the questions “does your bank concern about social commitments (CSR)”? Interestingly, 76% of the answer was” Yes” and 24% "No", however the results indicate that banks Central branch are more aware and of the targeted banks branches are less aware of the term CSR. From the survey, 25% of the managers are between 35-45 years and 75% of them are between 45-55 years in targeted banks in bojnord. This is interesting as CSR has been seen by many as long-term investment activities by banks. Thus, the results indicated young managers may have less awareness in CSR. On the other hand, less than two years old banks branch have not invested in CSR and experienced branches have a lot CSR operation in targeted banks. Thus, the findings reveal that CSR is still at an initial stage in some banks in boujnord.

4.2. Integration into bank practices

On investment on CSR activities, 24%of survey branch of bank between 2 and 5 million, 24% of them between 5 -10 million that more done by banks central branch. (See figure 1) 52% of the managers don't reply this question. Almost banks central branches replied that they have engaged in CSR activities. They engaged CSR in bank with Profitability for the Organization growth and shareholder satisfaction, compliance with regulation and activity charity. More customers' related issue seems like the main concerns for banks managers.

4.3. Motivation for CSR

Almost all of the managers agreed that they wanted to implement CSR. Interestingly, the questions “do your organization thinks CSR should be enforce through law or social pressure?”76%of the managers answered 'law' and 24% was on CSR (See figure 2). None of the managers aren't see CSR is a social pressure. However on the questions” does your organization think CSR is more relatives with your own or with social”? 48% of the managers answer " social" and 52% of them "own". If we take this to questions together, there is an interesting finding, it indicates that banks are aware of social commitments activities and it is they social responsibility but majority of them are reluctant to implement it and think that "law ” is required to make it happen. In total 26% of the managers see CSR could help to law insight in the country, 26% of them social expectance, 12% of them to raise brand reputation or company image, 12% of them economic benefit (See figure 3). A case study with public relation managers, saderat and mellat banks, provides more insight for the CSR motivation. The bank put a lot off capital and energy into CSR investment. We are expect the benefits CSR investment, but main reason for initiation of CSR activities are stakeholders expectance, values of founder and social/economic model and economic benefits for organization. Also in interview with public relation and superior manager other case study for provide under main drivers for SME CSR. (See figure 4)

4.4. Stakeholder engagement

Although centers so CSR development center in Iran report the success and strategies of successful Iran companies, none of them has information on CSR operations in bojnord Banks. Many managers believe that activities CSR have a positive impact on performance. Every organization needs to CSR if it done right thereby will benefit both the organization and the community. If organization do the CSR activity in the positive direction, it achieves it's financially goals.CSR is goal all of the activities of the organization that have active in the community.
The findings reveal that of the responded banks, almost 20 of them gave no on the question: "do your organizations have any other CSR target beside your own profit? Just four managers identified that they want to achieve sustainable long-term development by investing in CSR. This is an interesting result as it indicated that CSR is not on the main business agenda of many managers in Bojnord. Most of the managers see stakeholder engagement as community services. They see an organization is a part of the community and contributes to it in terms of sponsorships and other needs.

4.5 Implementation barriers and challenges

On implementation, most of the managers (50%) thought that CSR should be a duty carried out by organizations. 50% of the managers said that investing in CSR is a part of government duty. The survey indicated that though CSR awareness is middle/low among managers, on the other word; they would want nothing to do with CSR if possible. As on the reason for CSR implementation, 25% managers denoted that they will invest in CSR if the government make it into the law, and the 75% rest said that they will invest the CSR under the condition of get enough profit. Clearly, CSR is not the priorities for managers at this stage, and the results indicated that government will have to play a key role in encouraging banks to invest in CSR.

In terms of barriers and challenges to CSR implementation, the findings revealed the followings:

• Information about CSR: results indicate that banks managers are less aware of the term CSR; thus, many managers still unclear of what can CSR do?
• Implementation cost: for bank branches, investment in CSR activities could be too costly and uneconomical for their operations. For central branch, unless clear benefits could before seen from the CSR investment, any additional costs for CSR activities will increase their unit cost and make them less competitive when compare to other lost cost competitors.
• Time: CSR benefit or impact can only be felt by banks after a period of time as CSR is a long-term investment. For banks operate in a very competitive market, this is not a good investment.
• Government involvement in the program: Each organization has its own perspectives as to achieve its long-term and short-term plans, but it never entirely does not result without government support.

5-Discussions

The results indicated that Saderat and Mellat banks in Bojnord have a middle level of awareness of CSR. However, most of them see CSR is the “duty” imposed by government to Support organization than a mean for competitiveness advantage. It is interesting to note that, majority of the survey managers considered that they will invest in CSR only if writes it into the law by government and bank central branch and help low many of managers think that can get benefit from CSR investment. The results show that they still have a long way to go towards learning how to inform both entrepreneurs and stakeholder of their best practices.

The survey results obtained from this study has provided a basis to discuss CSR status in banks. From these results, following suggestions to improve CSR status in banks can be drawn:

• Government regulation: the results show that majority of the organization look to government to support CSR. Clearly, to encourage more CSR adoption in the banking industry, the government should study the possibility of regulating it.
• More CSR awareness events: although majority of the respondents answered that they have concern about CSR. But, more CSR awareness events should be organized to correct this view and enable managers to understand the real ‘benefit’ behind CSR is much wider than just profit. Initially, the event may need government support to kick start and eventually NGOs can take over.
• Engage with researchers to understand CSR development: the amount of support received from officials in this study was amazing. Clearly, managers are keen to know more about CSR and how do they perform. Thus, more CSR research activities should be carried out to disseminate academic findings to banking industry.

6- Conclusions

Case study banks are in Bojnord state of Iran has the difficulties and risks to invest the CSR into the banking industry. The aim of carrying out CSR in banks is to combine results to use banking industry development as the
insurance to build the new baking structure. The core of CSR requires that organization to combine and achieve economic value, environment value and people–social value together. Development requires economic value achievement but achieve economic value is one of the targets of development, not the only target. CSR also combine the human–social relations and human–environment relations together to make the industry development. By investing CSR into banking industry, their actors found that achieving sustainable and continuance development is the most important thing to do, not just business incomes. Promoting and achieving social responsibility will help the Iran banking industries integrate well into the global supply chain, create a fair market and meet the requirements of the global market. The implementation of social responsibility management system will enhance business enterprises’ core competitiveness, protect the legal rights and interests of all employees and benefit all parties involved.

The findings revealed from this study contribute to both academic knowledge and industrial understanding. In terms of knowledge, this study provides a rare but solid glimpse into a banking industry which has not been looked at in CSR research. It provides a basis for future CSR research to both in Iran banking industry. For Shiraz banks, this research shows the issues and challenges face in CSR adoption. Guidance on how to overcome the barriers to implementation is also proposed.

However, due to time and resource constraints, this study focused on the status of CSR in Bojnord banks only. From the study and results obtained, it is clear that there are rooms for future research to build on this dissertation. Below is the list of areas for future research:

• More case studies: It would be interesting to understand more about CSR challenges and issues faced by those organizations that not implementing CSR.
• Expand survey to cover banking industry in Iran: Future research should cover all banks in Iran. This research has provided empirical data, and it would be interesting to compare with other provinces in Iran on CSR implementation.
References


Annexure

Figure 1: Investment in CSR activities

![Investment in CSR activities chart](chart1.png)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Under 2 million</td>
<td>0%</td>
</tr>
<tr>
<td>2-5 million</td>
<td>24%</td>
</tr>
<tr>
<td>5-10 million</td>
<td>24%</td>
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<tr>
<td>Above 10 million</td>
<td>0%</td>
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Figure 2: Forces for CSR implementation

![Forces for CSR implementation chart](chart2.png)
Figure 2: Benefits for CSR

Figure 4: Bank CSR drivers

1- Compliance with regulation
2- Social Expectance
3- Obtained benefits for organization
4- Raise brand reputation or company image
5- Achieve to international standards
6- Competitive impact