

# Why banks undertake corporate social responsibility ?

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The widespread of acceptance of corporate societal duty in the banking industry implies that the public perceive the industry as to be socially responsible. Fiscal companies and specifically Bankss undertakes corporate societal responsibility on two footing.

First some Bankss adopt societal enterprises since they benefit from those enterprises and they become more net income motivations. This position is reinforced by ( Cannon, 1992, p. 33 ) who stated that « concern merely contributes to the full to a society if it is efficient, profitable and socially responsible. Similarly, ( Wood, 1991 ) stated that « the basic thought of corporate societal responsibility is that concern and society are interwoven instead than two distinguishable entities »

Another position is that Bankss undertake corporate societal responsibility plans for the improvement and public assistance of the society that is based on moral position. To this respect, ( Holmes, 1976 ; Moir. 2001, p. 23 ) cited in his survey of executive attitude to societal duty, found that the strongest response was that « in add-on to do net income, concern aids to work out societal job whether or non concern helps to make those jobs even if there is likely no short-term or long-term net income potency.

As involvement in the survey of corporate societal duty expanded over old ages, many surveys have as to why houses engage in activities or plans that benefit the society. Their researches reveals that directors are motivated by moral every bit good as strategic considerations. It is hard to find whether corporate societal responsibility are guided by moral values or whether they are profit motivations ( Graffland and Van de Ven, 2006 ) . Strategic

motivations are the grounds that compels fiscal services to prosecute in corporate societal responsibility. These motivations include factors such as profitability of the company, instrumental motivations and institutional motivations as named by ( Hahn and Scheermesser, 2006 ) . The instrumental motivations is similar to the legitimacy theory and institutional theory portions the same position as stakeholder theory. The 2nd reason why concern might prosecute in corporate societal duty is the moral motivations.

## **The strategic position**

Several researches have shown that directors in states around the Earth perceive strong strategic grounds for prosecuting in corporate societal duty ( Davis, 1973 ) . These are classified into instrumental motivations and institutional motivations ( Hahn and Scheermesser, 2006 ) . Instrumental motivations are managerial belief that prosecuting in corporate societal duty can maximize net income through production of goods and services that society demands. In the context of fiscal services, clients demand are « security, entree, liquidity, involvement and societal responsibility » ( Reifner, 1997 ) . At the same clip directors besides believe that stockholders value can be maximised by taking portion in corporate societal duty ( Tudway and Pascal. 2006 ) .

Advocates of corporate societal duty argues that it is in the self involvement of concern to set about assorted signifiers of corporate societal duty and cut down corporate hazard ( Baker, 2006 ) . Therefore societal enterprises help in strengthening corporate reputation of the company. In his 1973 article, Keith Davis outlined « societal ends are now a top precedence with members of

the populace, so the house which wishes to capture a favourable public image will hold to demo that it besides back up these societal ends » . In times of crisis or menace, corporate societal duties provides « reputé insurance » that can procure fiscal services profitableness. Reputé in banking industry is referred as an intangible plus that can increase merchandise or service demand and cut down costs ( Fombrun, 1996 ) . Thus one of the cardinal strategic motivations for prosecuting in corporate societal duty is the administration image and reputé.

Another strategic ground why fiscal services engages in corporate societal duty is aruged by ( Davis, 1997, p. 314 ) who stated that « the establishment of concern exist merely because it performs valuable services for society...if concern wants to retain its present societal function and societal power, it must react to society 's demands and give society what it wants » . Based on this statement it can be said that in order to run into society 's demand, concern should be competency.

Many surveies have shown that fiscal services engages in corporate societal duty due to institutional motivations. These motivations compels administrations to strenghten their corporate societal duties. Reasons that forces Bankss to set about societal enterprises are the force per unit area from the milieus such as stakeholder groups ( Aguilera et al, 2007 ) .

Directors beliefs from researches is that reacting to institutional force per unit areas is of import for continuing company image or geting good will among stakeholders ( Aguilera et al, 2007 ; Bansal and Roth, 2000 ; Bertels and Peloza, 2006 ; Gardberg and fombrun, 2006 ; Sen and Bhattacharya,

2001 ) . Pressure to prosecute in corporate societal duty is frequently generated from the community itself. Others found that houses are compelled to take part in corporate societal activities to fit that of rivals in their industry ( Believeau et al, 1994 ; Peloza, 2006 ) .

## **Moral position**

Moral motivations to prosecute in corporate societal duty implies that concern has an ethical responsibility to « give back » to society. Although surveys have demonstrated that houses engage in corporate societal duty for strategic intents ( Kotler and lee, 2005 ) . Others believe that personal moral values and the desire to lend positively to society for a better hereafter can be powerful drivers of corporate societal duty. The consequence from researches show that « making the right thing » appears to be a stronger motivation for prosecuting in corporate societal duty than the benefits these activities can bring forth for the house ( Bertoin Antsl, 1992 ; Hahn and Scheermesser, 2006 ) .

In a recent survey of Dutch directors showed that beside the fact that societal enterprises could improve profitability, enhance reputation and strengthen employee motive to the house, they besides portion a strong desire « to do the universe a better topographic point » ( Graafland and Van de Ven, 2006 ) . From another survey, it has been demonstrated that many participants strongly believe that concern has a responsibility to better local communities and work for the improvement of the society without any personal benefit ( Glaskiewicz and Colman, 2006 ) .