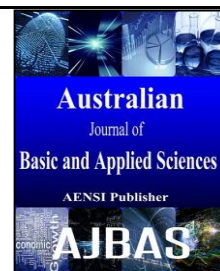




ISSN:1991-8178

Australian Journal of Basic and Applied Sciences

Journal home page: www.ajbasweb.com



Corporate Social Responsibility Profile of Malaysian Banking Institution

¹Mohamad Yazis Ali Basah, ²Safwan Hamdy, ³Mazlynda Md Yusuf, ⁴Hisham Sabri, ⁵Khairil Faizal Khairi

¹Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, 71800 Bandar Baru Nilai Negeri Sembilan, Malaysia.

^{2&3} Faculty of Science and Technology, Universiti Sains Islam Malaysia, 71800, Bandar Baru Nilai, Negeri Sembilan, Malaysia

^{4&5} Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, 71800 Bandar Baru Nilai Negeri Sembilan, Malaysia.

ARTICLE INFO

Article history:

Received 23 June 2015

Accepted 25 July 2015

Available online 30 August 2015

Keywords:

Corporate Social Responsibility (CSR), Malaysian Banking

ABSTRACT

Corporate social responsibility (CSR) has had a long and varied history since its beginnings in the early 1930s (Berle and Means, 1932; Carroll, 1999). It has become part of the corporate agenda for business development and survival, and is considered important in explaining business relationships and business management in order to achieve business goals. CSR acts by providing a framework for strategic management and business relationship among various stakeholders. In general, CSR can be divided into four main dimensions: the environmental, the human resource, the philanthropic, and human rights. The study tries to investigate on how the Malaysian Banking Institutions react towards these four dimensions of CSR. For that purpose, this paper employed content analysis of five years periods of annual report of Malaysian Banking Institutions. Its comprises of total 43 banks which include 8 local commercial banks, 19 foreign commercial banks, 10 local Islamic banks and 6 foreign Islamic banks. The study found that, human resource dimension are the most popular CSR activities in Malaysian banking institutions. The environment dimension is among the least CSR activities followed with human resource issues. From the result, we identify on how CSR issues being implemented in Malaysian banking sector. It is very useful for the industry for better improvement on CSR implementation.

© 2015 AENSI Publisher All rights reserved.

To Cite This Article: Mohamad Yazis Ali Basah, Safwan Hamdy, Mazlynda Md Yusuf, Hisham Sabri, Khairil Faizal Khairi., Corporate Social Responsibility Profile of Malaysian Banking Institution. *Aust. J. Basic & Appl. Sci.*, 9(28): 26-31, 2015

INTRODUCTION

Corporate social responsibility (CSR) has had a long and varied history since its beginnings in the early 1930s (Berle and Means, 1932; Carroll, 1999). It has become part of the corporate agenda for business development and survival, and is considered important in explaining business relationships and business management in order to achieve business goals. CSR acts by providing a framework for strategic management and business relationship among various stakeholders. In general, CSR can be divided into four main dimensions: the environmental, the human resource, the philanthropic, and human rights. The study tries to investigate on how the Malaysian Banking Institutions react towards these four dimensions of CSR. For that purpose, this paper employed content analysis of five years periods of annual report of Malaysian Banking Institutions. Its comprises of total 43 banks which include 8 local commercial banks, 19 foreign commercial banks, 10 local Islamic banks and 6 foreign Islamic banks. The study found that, human resource dimension are the most popular

CSR activities in Malaysian banking institutions. The environment dimension is among the least CSR activities followed with human resource issues. From the result, we identify on how CSR issues being implemented in Malaysian banking sector. It is very useful for the industry for better improvement on CSR implementation. The paper is presented as follows, first is an introduction as overview of the study, Second, part discuss on literature review that discuss on the concept of CSR and its development. The third part discuss on the methodology used in the study follow by result and analysis. The last part is a conclusion that conclude the whole finding of the study.

Literature Review:

The Concept of Corporate Social Responsibility (CSR):

The corporate social responsibility (CSR) concept has had a long and varied history. Although references to a concern for social responsibility appeared during the 1930s and 1940s, the modern era of social responsibility began in the 1950s (Carroll, 1999). Bowen (1953, cited in Carroll, 1999) referred

Corresponding Author: Mohamad Yazis Ali Basah, Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, 71800 Bandar Baru Nilai Negeri Sembilan, Malaysia.
E-mail: yazis@usim.edu.my

to CSR as the obligations of businessmen to pursue those decisions, those policies, those lines of action which are desirable in terms of societal objectives and values. In the 1960s, in an overview of CSR, Frederick (1960) defined CSR as an action taken by businessmen to oversee the operations of an economic system so that it fulfils the expectations of the public. In other words, production and distribution must be conducted in such a way that will enhance total socio-economic welfare. Frederick (1960) drew attention to five major thoughts about business responsibility at that time, each attempting to tackle the problems of power in a complex society and highlighting the importance of businesses' responsibility to society.

Davis (1960) divided CSR into socio-economic obligation and socio-human obligation. As regards socio-economic obligation, the businessmen's role is to manage economic units in the society, with a broad obligation to the community with regard to economic development and public welfare. As regards socio-human obligation, businessmen are obliged to nurture and develop human values, such as morale, cooperation, and motivation. These two obligations should underlie businessmen's decisions and actions should be taken for reasons at least partially beyond the firm's direct economic or technical interests.

In the 1970s and 1980s, the debate on obligation extended to groups other than shareholders. Jones (1980) extended CSR to include the notion that corporations have an obligation to constituent groups in society other than shareholders and beyond those prescribed by law or union contract. Such obligation is voluntary and, second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups, such as customers, employees, suppliers, and neighbouring communities. According to Carroll (1999), in the 1980s and 1990s research into CSR increased. Three conceptual categories were employed to discuss business performance: business ethic, CSR, and corporate social responsiveness. These categories influenced perceptions of the role of business (Epstein, 1987).

Carroll (1991) argued that one of the factors that contributed to the ambiguity that frequently shrouded discussions about social responsibility was the lack of consensus on what the concept meant. The concept of CSR expounded by Carroll (1979; 1991 and 1994) introduced four layers of CSR or four kinds of social responsibility: economic, legal, ethical and philanthropic. According to Carroll (1991), the four components of CSR begin with the basic notion that economic performance undergirds all else. At the same time, business is expected to obey the law because the law is society's main reference of acceptable and unacceptable behaviour. It is also obliged to do what is right, just, fair, and to avoid or to minimise harm to stakeholders. Business

is also expected to be a good corporate citizen. This can be achieved through philanthropic responsibility, where business is expected to contribute financial and human resources to the community and to improve the quality of life. Since then, Carroll's pyramid has received substantial attention among scholars and has been used as a main concept in CSR studies.

Aupperle *et al.* (1985) utilised Carroll's (1979) four CSR orientations (economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility) in their study, which endeavoured to assess how CEOs viewed CSR. Their study found that CEOs were capable of distinguishing between the four CSR orientations when sorting written statements reflecting each orientation.

Ten years later, Pinkston and Carroll (1996) repeated the study in order to ascertain if there had been differences in the priorities accorded to CSR orientations over time. A relatively strong preference towards economic and legal responsibility was reported. Moreover, ethical responsibility was consistently less important than economic and legal responsibility, but more important than philanthropic responsibility. Their study also found the same orientation rankings as reported in Aupperle *et al.*'s (1985) study.

O'Neill *et al.* (1989), Ibrahim and Angelidis (1995), and Ibrahim *et al.* (2003) examined how board of directors (BODs) viewed CSR orientations. O'Neill *et al.*'s (1989) study revealed that BODs could successfully differentiate between the four CSR orientations as in the earlier study. Ibrahim and Angelidis (1995) and Ibrahim *et al.* (2003) expanded O'Neill *et al.*'s (1989) study by categorising BODs into two groups: (1) inside; and (2) outside. Their study results indicated that outside BODs expressed greater concern about philanthropic responsibility and less concern about economic responsibility. No significant difference between the two groups was observed with respect to legal and ethical responsibility.

Pinkston and Carroll (1994) expanded previous studies on CSR orientations to examine the influence of country of origin on attitude towards them. Their study sought to determine whether CSR orientations and their approximate weightings were similar for respondents employed by local and foreign organisations. Their findings indicated that the four CSR orientations were perceived differently by respondents. Germans and Swedes attached greater importance to legal responsibility than economic responsibility. The study result therefore demonstrated that there were significant differences in the perceived relative importance of CSR orientations based on the country of origin of respondents' employing organisations.

Edmondson and Carroll (1999) conducted a study on CSR orientations among the owners or

CEOs of African American businesses. Their study results revealed that economic responsibility was perceived to be the most important, and ethical responsibility was more important than legal responsibility. Philanthropic responsibility was found to carry more weight for this study's sample than previous studies. Thus, the present study investigates the inter-relationship between multi-racial, multi-cultural society in the wider sense (difference racial groups), and multi religious society (difference religions) in a more specific sense as exists in Malaysia, and how this interrelationship is reflected in different perceptions amongst bank managers specifically and stakeholders more generally towards CSR.

Smith *et al.* (2001) examined how personal characteristics and organisational characteristics influenced attitude to CSR orientations. Personal characteristics included gender and racial group while organisational characteristics included respondents' role, such as BOD, employee or customer. The study results indicated that both personal characteristics and organisational characteristics influenced attitude to CSR orientations. Employees were most concerned about economic responsibility whereas customers were most concerned about ethical responsibility. The results also indicated that women black employees and customers were more concerned about whether an organisation fulfilled its philanthropic responsibility than males and whites.

Marz *et al.* (2003) carried out a study that evaluated the influence of organisational and personal characteristics on CSR orientations in Germany. Organisational characteristics comprised hierarchical level and professional activity. Personal characteristics comprised political system origin (former East Germany versus former West Germany) and gender. The results indicated that mid-level management exhibited a significantly lower social orientation than low-level managers. Female respondents expressed a higher social orientation than male respondents. However, no political influence as an affecting factor in the context of CSR orientation was found.

As cultural diversity is one of the major factors influencing CSR orientation, several studies have compared evaluation of CSR orientation between countries. Maignan (2001) examined American, French and German consumers' evaluation of CSR orientation. The study's results suggested that American consumers highly valued economic responsibility, whereas French and German consumers were more concerned about legal responsibility and ethical responsibility.

Kusku and Zarkada-Fraser (2004) conducted a study which compared Turkish and Australian business organisations' CSR orientation, since Turkey and Australia differ in terms of culture and economics. The study results showed that Australian

and Turkish business organisations' CSR practices differed significantly on a number of variables. For example, Australian business organisations were more likely to obey the law than Turkish business organisations.

In their study, Ibrahim and Parsa (2005) examined the differences between American and French managers' CSR orientations. Their study showed that American and French managers significantly differed with regard to CSR orientation. American managers expressed greater concern about the legal and ethical components of CSR than their French counterparts. French managers expressed greater concern about the economic and philanthropic components of CSR. Smith *et al.* (2007) investigated differences in CSR orientation between American and Japanese students. Their study finding supported the assertion that CSR orientation would vary across students of different cultures.

Peterson (2004) and Smith *et al.* (2001) investigated the relationship between CSR orientation and CSR commitment. Their study findings indicated that ethical responsibility was a stronger predictor of business commitment towards CSR than economic, legal or philanthropic responsibility. The result also revealed that philanthropic responsibility was more strongly associated with organisational commitment towards CSR than economic, legal or ethical responsibility. The study also found that legal responsibility was positively related to the willingness of businesses to observe legal requirements. The aforementioned studies were all conducted in developed countries. The following paragraphs will review studies carried out in developing countries.

Ramasamy and Yeung (2009) studied differences in the importance consumers in China attached to CSR orientation based on Carroll's (1979) pyramid. Their study found that Chinese consumers considered economic responsibility to be most important and philanthropic responsibility to be least important. Arli and Lasmono (2010) conducted a similar study on Indonesian consumers. Their study results showed that economic responsibility was considered to be the most important responsibility followed by philanthropic responsibility, legal responsibility, and ethical responsibility.

Dusuki and Yusuf (2008) investigated the importance attached to CSR orientations in Malaysia. Their study results showed that Malaysians ranked the orientations in order of importance as follows: economic, ethical, legal, and philanthropic. The ranking differed slightly from the idealised model of Carroll (1979) suggesting that personal characteristics such as gender, racial group, educational level, work experience, and religious affiliation contributed to the difference. However, the research focused only upon MBA students in a

public university in Malaysia. A different sample may have produced different results. Given the above review of studies in developed and developing countries, this study investigated differences in importance attached to CSR orientations in Malaysian banking sector

Methodology:

Data Collection:

The study tries to investigate on how the Malaysian Banking Institutions react towards these four dimensions of CSR. For that purpose, this paper employed content analysis of five years periods of annual report of Malaysian Banking Institutions. Its comprises of total 43 banks which include 8 local commercial banks, 19 foreign commercial banks, 10 local Islamic banks and 6 foreign Islamic banks.

Content Analysis:

Qualitative content analysis is a method where we collect documents and texts (printed or visual) for their contents and deduce the information into categories (Bryman, 2012). It is also a method that demands codifying and categorizing the information, from a piece of writing, based on selected criteria (Weber, 1990). It assumes frequency of appearance of the same information indicates significance of the subject (Krippendorff, 2013; Weber, 1990). It is also a process to study human expressions which is in

written or spoken form. The categories of consideration will be identified and listed down. After categorizing, the materials will be paraphrased, generalized and abstracted, which will be extracting the main facts and necessary information from the content analyzed. There will also be additional categories while going through the process when there is new relevant information that seems needed to be included into the data analysis (Mayring, 2008).

As to how this study will make use this method to start with, we will glance through every year annual report for every bank listed, identify the categories and extract any statement within their bank policy indicates any consideration on natural environment risk, and have them content-analyzed. Through this, based on annual reports which are said showing the best impression of their corporate image and reporting, this study is able to see the commitment through environmental management reporting and make use of it to collect data for content analysis purpose.

Results and Analysis:

CSR on All Banks:

Table 1 below showed the total activities of CSR in Malaysian banking sector. Based on the data, it shows increasing pattern every year from 2008 to 2012. It shows the increment by almost 38% from 2009 to 2012.

Table 1: Total frequency of CSR each year in 2008 to 2012.

Year	Total frequency
2008	810
2009	831
2010	1028
2011	1040
2012	1110

Table 2 below showed the contribution of CSR activities based on 4 components of CSR,

environment, human resource, philanthropy and human right.

Table 2: Total frequency of each CSR from 2008 to 2012.

Year	Environment	Human Resource	Philanthropy	Human Right	Total
Total frequency	423	2783	1604	9	4819
Percentage	8.78%	57.75%	33.28%	0.19%	100%

Comparing the variables, it shows that Human Resources has the highest frequency, followed by Philanthropy, Environment and Human Right. This

may be due to the banks that has put their employees as the highest priority above all, in general.

Table 3: CSR based on each element for each year.

Year	Environment	Human Resource	Philanthropy	Human Right
2008	68	446	296	0
2009	96	453	282	0
2010	86	609	331	2
2011	65	616	352	7
2012	108	659	343	0

Looking into each variables for all CSR elements, all banks has shown a steady and maintained progression for all variables, while a very significant improvement from Human Resources

variable. In spite of its high percentage of increment, this may be due to its high relation with the workers, so the banks are really taking care of the work force.

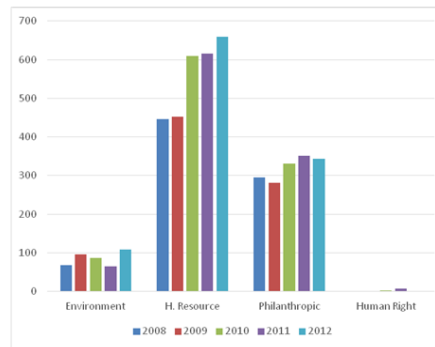


Fig. 1: Graph on CSR based on each element for each year.

Conclusion:

Based on the above results, it shows that CSR activities are not new activities for Malaysian banking sector. As general, all activities have been implemented for the all years under investigation. However, activity that involves on human right is among the least activities compare than the others three components of CSR. Besides that, natural environmental issues are the second lowest activities compare than the others two. The two components of CSR, human right and natural environment are not directly involves in banking activities. However, banking activities are indirectly involved in human right and natural environment especially when it involves financing. For example, project financing that involve native land of indigenous peoples. This type of financing exposes banking institutions towards human right and natural environment. Thus, least CSR activities show that banking institution in Malaysia is not fully aware on these two CSR issues. Therefore, it is suggested for future research to explore on the implementation of natural environment and CSR activities in Malaysian banking sector. Human resource recorded the highest activities as this activities directly involve the bank especially when it dealt with their employees. A strong employee union in banking sector also among the factors that contribute for the highest score in human resource.

ACKNOWLEDGEMENT

Financial support for this study was provided by a grant from the Universiti Sains Islam Malaysia (USIM) under the Grant No: PPP/USG-0113/FEM/30/10813.

REFERENCES

- Arli, D.I. and H.K. Lasmono, 2010. Consumers' perception of corporate social responsibility in a developing country. *International Journal of Consumers Studies*, 34: 46-51.
- Aupperle, K.E., A.B. Carroll and J.D. Hatfield, 1985. An empirical examination of the relationship between corporate social responsibility and

profitability. *Academy of Management Review*, 28(2): 446-463.

Berle, A.A. and G.C. Means, 1932. *The modern corporation and private property*. New Jersey: Transaction Publisher.

Bowen, H.R., 1953. *Social responsibilities of the businessman*. New York: Harper & Row.

Bryman A., 2012. *Social research methods*. Oxford University Press Inc.

Carroll, A.B., 1979. A three-dimensional conceptual mode of corporate performance. *Academy of Management Review*, 4(4): 497-505.

Carroll, A.B., 1991. The pyramid of corporate social responsibility: Towards the moral management of organization stakeholder. *Business Horizons* 34(4): 39-48.

Carroll, A.B., 1994. Social issues in management research." *Business and Society* 33 (1), pp. 5-25.

Carroll, A.B., 1999. Corporate social responsibility. Evaluation of definitional construct. *Business and Society* 38(3): 268-295.

Davis, K., 1960. Can businesses afford to ignore social responsibility? *California Management Review*, 2 (3): 70-76.

Dusuki, A.W. and T.F.M.T.M. Yusuf, 2008. The pyramid of corporate social responsibility model: empirical evidence from the Malaysian stakeholder perspective. *Malaysian Accounting Review*, 7(2): 32-58.

Edmondson, V.C. and A.B. Carroll, 1999. Giving back: An examination of the philanthropic motivations, orientations and activities of large Black-owned business. *Journal of Business Ethics*, 19(2): 171-179.

Epstein, M., Edwin, 1987. The corporate social policy process: beyond business ethics, corporate social responsibility and corporate social responsiveness. *California Management Review* 29(3): 99-114.

Frederick, W.C., 1960. The growing concern over business responsibility. *California Management Review* 2(4): 54-61.

Ibrahim, N.A. and J.P. Angelidis, 1995. The corporate social responsiveness orientation of board members: Are there differences between inside and

outside directors? *Journal of Business Ethics*, 14(5): 405-410.

Ibrahim, N.A., D.P. Howard, and J.P. Angelidis, 2003. Board members in the service industry: An empirical examination of the relationship between corporate social responsibility orientation and directorial type. *Journal of Business Ethics*, 47(4): 393-401.

Ibrahim, N.A. and F. Parsa, 2005. Corporate social responsiveness orientation: Are there differences between U.S and French managers? *Review of Business*, 26(1): 27-33.

Jones, T.M., 1980. Corporate social responsibility revisited, redefined. *California Management Review*, 22 (3): 59-67.

Krippendorff, K., 1980. Content analysis: An introduction to its methodology.

Kusku, F. and A. Zarkada-Fraser, 2004. An empirical investigation of corporate citizenship in Australia and Turkey. *British Journal of Management*, 15(1): 57-72.

Maignan, I., 2001. Consumers' perceptions of corporate social responsibilities: A cross-cultural comparison. *Journal of Business Ethics*, 30(1): 57-72.

Marz, J. W., Powers, T. L. and Queisser, T. (2003) Corporate and individual influences on managers' social orientation. *Journal of Business Ethics*, 46(1): 1-11.

O'Neill, H.M., C.B. Saunders and A.D. McCarthy, 1989. Board members, corporate social responsiveness and profitability: Are tradeoffs necessary? *Journal of Business Ethics*, 8(5): 353-357.

Peterson, D.K., 2004. The relationship between perceptions of corporate citizenship and organizational commitment. *Business and Society*, 43(3): 296-319.

Pinkston, T.S. and A.B. Carroll, 1996. A retrospective examination of CSR orientations: Have they changed. *Journal of Business Ethics*, 15(2): 199-206.

Pinkston, T.S. and A.B. Carroll, 1994. Corporate citizenship perspective and foreign direct investment in the U.S. *Journal of Business Ethics*, 13(3): 157-169.

Ramasamy, B. and M. Yeung, 2009. Chinese consumers' perception of corporate social responsibility (CSR). *Journal of Business Ethics*, 88: 119-132.

Smith, W.J., R.E. Wokutch, K.V. Harrington and B.S. Dennis, 2001. An examination of the influence of diversity and stakeholder role on corporate social orientation. *Business and Society*, 40(3): 266-294.

Smith, W.J., M. Singal and W.B. Lamb, 2007. Corporate social orientation in Japan and the USA: A cross-cultural comparison. *International Journal of Organizational Analysis*, 15(3): 181-209.

Weber, R., 1990. Basic content analysis. *Qualitative Applications in the Social Sciences*.