

# Influences of Non-economic Responsibilities on Economic Responsibilities: A study on Consumers of Banking Industry in Sylhet

Wahiduzzaman Khan, Shahedul Alam Khan

Dr.Sc. Wahiduzzaman KHAN,  
Mr. Shahedul ALAM KHAN

## Abstract

Corporate social responsibility (CSR) comprises of economic, legal, ethical and philanthropic responsibilities. However, these aspects of CSR may have significant influence over each other. The rest of the aspects of CSR may influence specifically the most critical aspect of CSR, economic responsibilities. Therefore, the aim of this study is to evaluate the impact of philanthropic, ethical, and legal responsibilities on economic responsibilities of banks. In total 250 customers of different banks in sylhet district were surveyed for the study. Multiple linear regression method in SPSS was used to analyze the data. Among the non-economic dimensions of CSR, the ethical and philanthropic responsibilities found to be significant influencer of economic responsibilities of CSR. On the other hand, the legal responsibilities was concluded as an insignificant influencer of economic responsibilities. More precisely, one percent increase in ethical responsibility will increase the economic responsibility by 50 percent and alike one percent development in philanthropic responsibility will increase the economic responsibility by 20 percent.

**Keywords:** CSR; Social Responsibility; Economic; Responsibility; Bangladesh; Bank;

## **1. Introduction**

Corporate social responsibility (CSR) is a method of business self-ruling by instituting the priority of community interest into its business decision-making. CSR is the consideration of economic, legal, social and physical facets of the surroundings (Barnard, 1938). The origination of the conception of the term CSR dates back to the 1930's when Berle and Means (1948) recommended integration of collective decision making by the stakeholders for better transparency and accountability. Later, Bowen (1953) suggested community development as part of duty of every business and Freeman (1984) advised business to generate values for every stakeholder instead of only owner in his Stakeholder theory. Carrol (1979) supported four responsibilities for every business towards the society: economic, legal, ethical and philanthropic. The prime goal of every business is to make profit by best utilizing its resources (Economic responsibility), then the firm has to obey the law and order of the states in which it operates (legal responsibility). Afterward, firm has to be fair and ethical in its decisions and actions (ethical responsibility). Finally, firm has to contribute to solve social problems (philanthropic responsibility). The paper is structured as follows: the initial unit arrange for a problem statement and literature review; the second segment of the study set the objectives and developed the hypothesis. Later, the research methodology and analysis was given. Finally, the discussion and conclusion will be drawn.

### **1.1 Problem Statement**

The consumers' perception on the different dimensions of CSR contrasts significantly (Khan & Hossen, 2016). Therefore, the influence of the non-economic responsibilities (legal, ethical and philanthropic) has on economic responsibilities must be verified. Primarily, the non-economic responsibility improves the perception of consumers' economic responsibility of firm; it will help firms to identify the critical responsibilities. The study will enlighten the following questions: What extent of affects the noneconomic dimensions has on the economic dimension of CSR according to the perception of consumers?

## **1.2 Literature Review**

CSR activities even provide strategic benefits to firm and improves long-term profitability (Burke & Logsdon, 1996; Murray & Vogel, 1997). CSR activities even have a positive impact on market share, brand value, employee satisfaction (Kotler & Lee, 2005). This confirmation of the significance of CSR in business and management. Earlier studies found CSR activities as means for improving consumer loyalty. (Asaad, 2010; Pakseresht, 2010).

Studies in Bangladesh on CSR covered the its reporting in firms' financial statement and accounts, which only considered the ways firms mention it CSR activities in its accounts and statements. (Belal, 1999; Belal, 2000b; Belal, 2000a; Belal, 2001; Belal & Owen, 2007; Imam, 2000). Some researchers evaluated the perception of managers on performance of CSR in different firms (Mamun & Ahmed, 2009; Duarte & Rahman, 2010). Sobhan (2006) found in Bangladesh the true concept of CSR and in the country, only philanthropy is practiced as part of CSR. Studies found the positive relation between the loyalty of consumers and firms CSR activities (Brown & Dacin, 1997; Du, Bhattacharya, & Sen, 2007; Lichtenstein, Drumwright, & Braig, 2004).

## **1.3 Objectives**

The main objective of the study is to assess the impact of non-economic responsibilities on the economic responsibilities of firm. The specific objectives of the study are given as follows:

- To check the influence of legal responsibilities on economic responsibilities
- To verify the impact of ethical responsibilities on economic responsibilities
- To assess the effect of philanthropic responsibilities on economic responsibilities

## **1.4 Hypotheses Development**

The following hypotheses are developed for this study:

H1: Legal responsibilities of firms has a significant positive influence on economic responsibilities

H2: Ethical responsibilities of firms has a significant positive influence on economic responsibilities

H3: Philanthropic responsibilities of firms has a significant positive influence on economic responsibilities

## **2. Research Methodology**

The study used convenience-sampling method and collected responses from 250 customers of different banks in sylhet district of Bangladesh by using structured questionnaire. The study covered 21 variable on economic, legal, ethical and philanthropic dimensions of CSR adopted from different research papers (Rizkallah, 2012; Wu & Wang, 2014). Variables were measured on basis of scale 1 to 5 (1=strongly disagree to 5= strongly agree). In order to test the hypothesis, multiple regression analysis was conducted. Beforehand, a series of test was done to verify the assumption of regression.

## **3. Results and Findings**

Primarily the assumptions of regression were tested. First, the all the variables were found to be approximately normally distributed after inspecting the histograms and Q-Q plots as shown in appendix (Ghasemi, 2012). The skewness and kurtosis of the dependent variable economic responsibility was -.514 (SE=.15) and -.190 (SE=.31) respectively. In case of independent variables: legal, ethical and philanthropic responsibilities skewness were .264 (SE=.15), -.608 (SE=.15), .979 (SE=.15) and Kurtosis were -.190 (SE=.31), -.164 (SE=.31), .268 (SE=.31), 8.0 (SE=.31) respectively (Cramer D., 1998; Cramer D. &, 2004; Doane, 2011). Later, in order to check linearity between the dependent variable and independent variables, a matrix scatterplot was build. The dependent variable, economic responsibility had a linear relation with independent variables as the plots shows. Later, the scatterplot, given in Appendix between Regression Standardized Residual and Regression Standardized Predicted Values shows non-violation of Homoscedasticity (Pryce, 2002). Finally, with tolerance value  $> .1$  and  $VIF < 10$ , the multicollinearity was approved (Belsley, Kuh, & Welsch, 1980; Goldberger, 1991; Hill & Adkins, 2001).

**Table1:** Summery Result

Hypotheses	Model	Standardized Coefficients	Sig.	Result
H1	Legal responsibilities of firms has a significant positive influence on economic responsibilities			
	Legal Responsibilities ->Economic Responsibilities	.062	.257	Rejected
H2	Ethical responsibilities of firms has a significant positive influence on economic responsibilities			
	Ethical Responsibilities ->Economic Responsibilities	.502	.000	Accepted
H3	Ethical responsibilities of firms has a significant positive influence on economic responsibilities			
	Philanthropic Responsibilities ->Economic Responsibilities	.203	.000	Accepted

**Source:** SPSS

To test the hypothesis, multiple regression was used. The result of the regression indicates that the legal, ethical and philanthropic responsibilities explained 38.3% of the variance in economical responsibility of firms ( $R^2=.383$ ,  $F(3,246)=52.47$ ,  $p<.001$ ). The legal responsibility insignificantly influence the economic responsibility of firm ( $\beta = .06$ ,  $p=.252$ ). However, the ethical responsibility has a significant influence on the economic responsibility ( $\beta = .50$ ,  $p<.001$ ). Similarly, the philanthropic responsibility showed a significant influence on economic responsibility of firm ( $\beta = .20$ ,  $p<.001$ ). The summary of results are given in table 1.

It means consumers perceived that one percent increase in ethical responsibility will increase the economic responsibility by 50 percent and similar one percent surge in philanthropic responsibility will increase the economic responsibility by 20 percent. Hssain (2013) found in a study conducted in Pakistan that legal, ethical and philanthropic dimensions as an insignificant determinants of economic dimension. Contrary, in this study the ethical and philanthropic dimensions except legal dimension

found to be significant influencers of economic responsibilities of firm. Therefore, the results rejected the first hypothesis that Legal responsibilities of firms has a significant positive influence on economic responsibilities. On the other hand, the results accepted third hypothesis that Ethical responsibilities of firms has a significant positive influence on economic responsibilities and third hypothesis that Ethical responsibilities of firms has a significant positive influence on economic responsibilities.

#### 4. Conclusion

CSR is a major factor that helps business firms to build their reputation among the consumers. No business organization can evade its economic responsibilities and firms legal, ethical and philanthropic responsibilities influences the way consumer perceives its economic responsibilities. This perception of consumers reflects the firm's performance in gaining market share, retaining customer, promoting word of mouth marketing, ensuring customer satisfaction. This study concludes that firm should be more concern about the ethical and philanthropic responsibilities compared to legal responsibilities in order to improve consumers' perception their economic responsibilities. Thus investing in ethical and philanthropic CSR, firms will be able to improve their economic CSR. Contrary, legal aspect of CSR will not support the development of economic CSR for firms. Future researchers can study the changing effects of dimensions of CSR between different countries as this study found results that contrasted the evidence found in other country.

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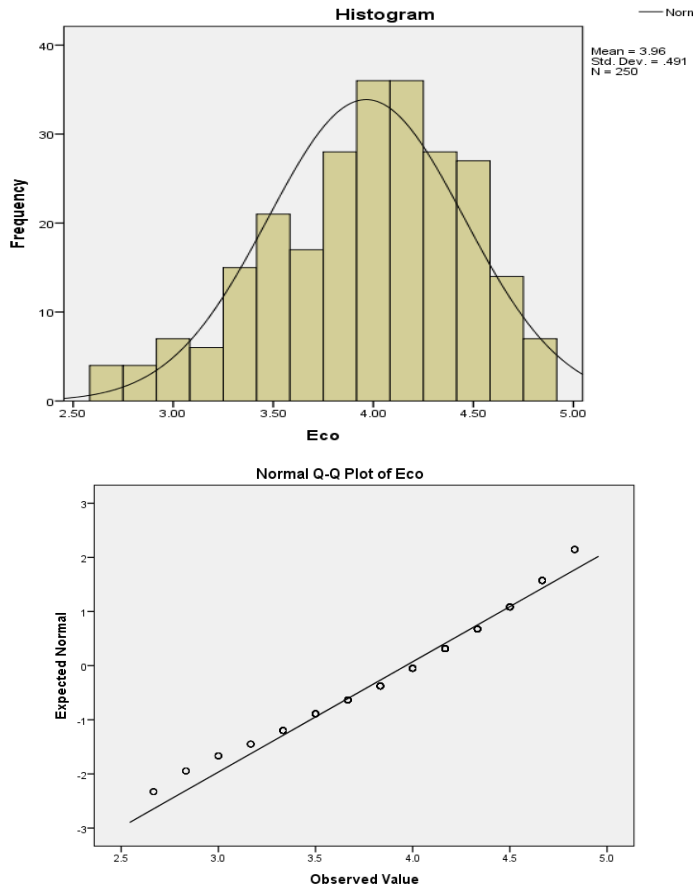
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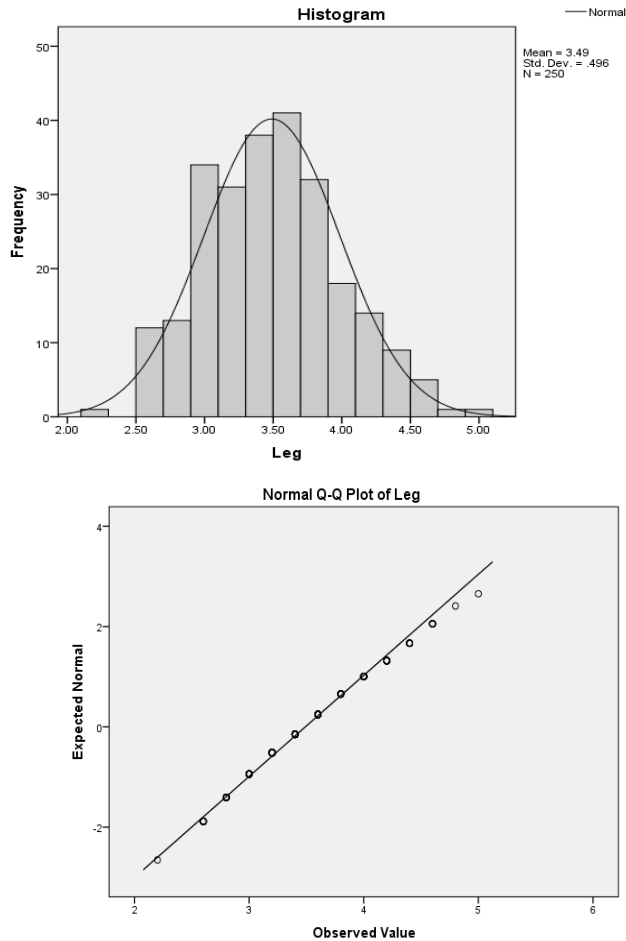
**Appendix**

**Figure 1:** Histogram and Q-Q plot of Economic responsibility (Dependent Variable)



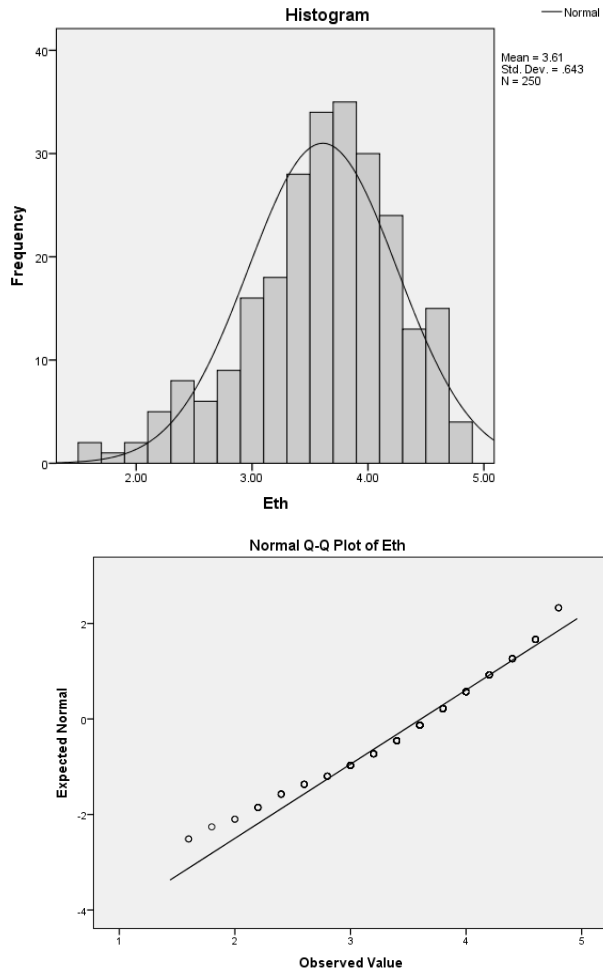
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**Figure 2:** Histogram and Q-Q plot of Legal responsibility (Independent Variable)



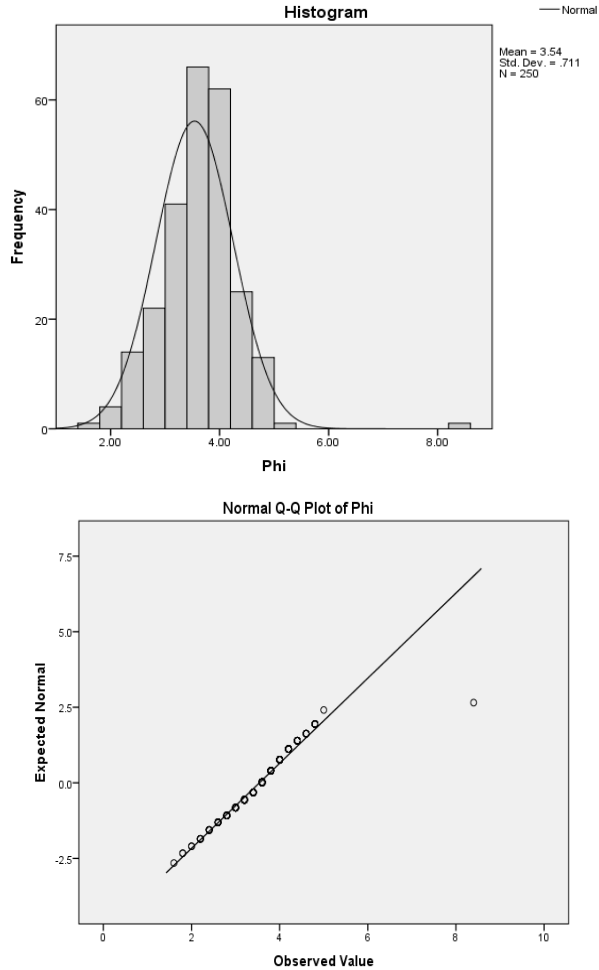
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**Figure 3:** Histogram and Q-Q plot of Ethical responsibility (Independent Variable)



Source: SPSS

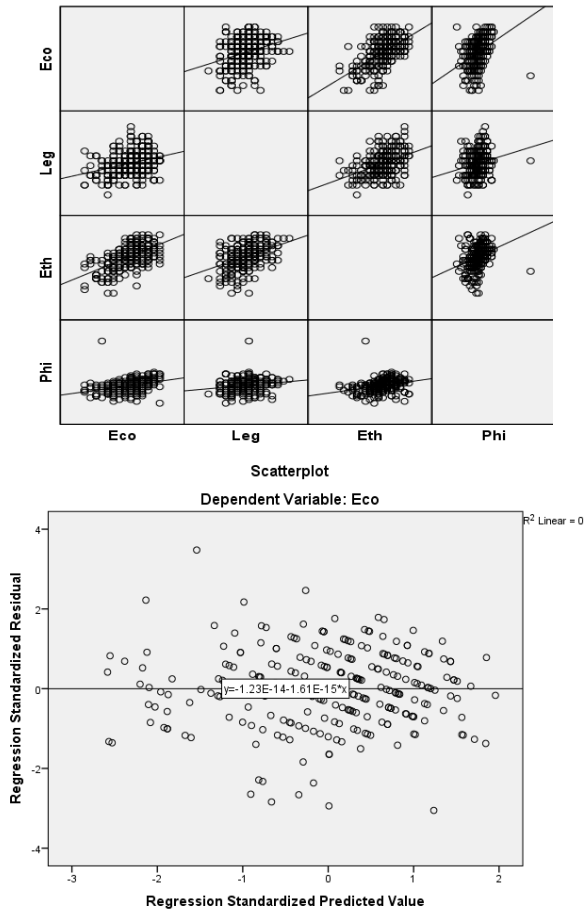
**Figure 4:** Histogram and Q-Q plot of Philanthropic responsibility (Independent Variable)



Source: SPSS

**Figure 5:** Scatter Diagram among the variables

**Figure 6:** Scatter plot between regression standardized residual and standardized predicted value



Source: SPSS

