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karya ini dan pada pandangan saya/kami* karya ini
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**Potong yang tidak berkenaan*

THE IMPACT OF
CORPORATE SOCIAL RESPONSIBILITY (CSR) TO SOCIETY:
THROUGH SOCIETY'S PERSPECTIVE IN BANKING INDUSTRY

NURUL FAREHAH BT AHMAD

Laporan ini dikemukakan sebagai
memenuhi sebahagian daripada syarat penganugerahan
Ijazah Sarjana Muda Teknousahawanan
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“Saya akui laporan ini adalah hasil kerja saya sendiri kecuali ringkasan dan petikan yang tiap-tiap satunya saya telah jelaskan sumbernya”

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DEDICATION

To my beloved father, most beautiful mother and wonderful family in the world:

Ahmad bin Abu Bakar

Maznah binti Hamid

Ahmad Farhan bin Ahmad

Nurul Fatimah binti Ahmad

Nurul Fasihah binti Ahmad

Shahrul Nizam bin Abdul Hamid

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ABSTRACT

This research is to examine *The Impact of Corporate Social Responsibility (CSR) to Society: through Society's Perspective in Banking Industry*. The focused bank is Bank Islam and Maybank. The power of consumer is the main factor of such banks want to strengthen their names as it can build a strong relationships with society. This research outlines several number of impacts of CSR to society, such as community outreach, environmental protection and education plans. The objectives of this research are to determine the factors influenced CSR in Banking Industry, to identify the relationship between CSR in society's perspective and to know the other important factors that can improve CSR in society's perspective. The method that had been used in this research is a quantitative method, which is through questionnaire. The data collected which is a primary source will be analyze for further research. Researcher also used the secondary data which is by surfing an internet, reading journals, articles, books and newspapers as a reference. This research proves CSR give many impacts to society as all the impacts studied by researcher have a positive relationship between all variables. As a conclusion, all the factors studied have gives positive impact to society and also society knows the other factors that will improve them by the implementation of CSR by Banking Industry.

Keywords : CSR, Impacts of CSR, Banking Industry, Society

ABSTRAK

Kajian ini adalah untuk mengkaji „Kesan Tanggungjawab Sosial Korporat (CSR) kepada Masyarakat: melalui Perspektif Masyarakat dalam Industri Perbankan.“ Bank yang difokuskan adalah Bank Islam dan Maybank. Kuasa pengguna merupakan faktor utama bank tersebut mahu mengukuhkan nama mereka kerana ia boleh membina hubungan yang kukuh dengan masyarakat. Kajian ini menggariskan beberapa beberapa kesan CSR kepada masyarakat, seperti mendekati masyarakat, perlindungan alam sekitar dan pelan pendidikan. Objektif kajian ini adalah untuk menentukan faktor-faktor yang mempengaruhi CSR dalam Industri Perbankan, untuk mengenal pasti hubungan antara CSR dalam perspektif masyarakat dan untuk mengetahui faktor-faktor lain yang penting yang boleh meningkatkan CSR dalam perspektif masyarakat. Kaedah yang telah digunakan dalam kajian ini adalah kaedah kuantitatif, iaitu melalui borang soal selidik. Data yang dikumpul dimana ianya merupakan sumber utama akan dianalisis untuk penyelidikan selanjutnya. Penyelidik juga menggunakan data sekunder dengan melayari internet, membaca jurnal, artikel, buku dan surat khabar sebagai rujukan. Kajian ini membuktikan CSR memberikan banyak kesan kepada masyarakat kerana semua impak yang dikaji oleh penyelidik mempunyai hubungan yang positif antara semua pembolehubah. Kesimpulannya, semua faktor yang dikaji telah memberi kesan positif kepada masyarakat dan juga masyarakat tahu faktor-faktor lain yang akan meningkatkan mereka dengan pelaksanaan CSR oleh Industri Perbankan.

Kata Kunci: CSR, Kesan CSR, Industri Perbankan, Masyarakat

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LIST OF ABBREVIATION

ANOVA	Analysis of Variance
CSR	Corporate Social Responsibility
DV	Dependent variable
IV	Independent variable
MRA	Multiple Regression Analysis
SPSS	Statistical Package for the Social Sciences
Std. Deviation	Standard Deviation
STPM	Sijil Tinggi Persekolahan Malaysia
UTeM	Universiti Teknikal Malaysia Melaka

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter will explain about an overview background of the study, problem statement, research questions, research objectives, scope of the study and also the significance of the study. Then, it also briefly explains about the CSR, in the scope of its meaning, purpose, advantage and future impact.

1.2 Background of the Study

Corporate Social Responsibility (CSR) means that *a form of corporate self-regulation integrated into a business model* (Wikipedia, 2013). This can be further explained by how the organization uses CSR as a medium to integrate social, environment and economic concerns into organization's value, strategy and operations in an accountable manner. This can develop a better practice within an organization, create more profit and wealth, thus can also improve the society.

CSR can be implemented within an organization once the organization had been set up. This can help an organization to be well known. An organization can keep a customer engagement by delivering a message through their actions, as the message will become a right tool of communication between an organization and society. At the same time, organizations can maintain their position in the market

with CSR. Society will know and support the organization through the contribution for them.

Besides that, the future impact to the organization also can be predicted, which means that the organization can assume what will happen in the future based on their current action. An organization can implement CSR at all levels within the organization so that they can create competitive advantage and assess risks and opportunities in managing their business, that could resulted them a good relationship towards them with the society.

CSR is important for the organization as it will attract the future customers and investors to go through the organization. Then, it will also can create advance in communication technology, for instance the use of the internet. People nowadays are IT users, which means that they will use the internet to search something likes corporate activities or information about the organization. The aspect that organization should be aware more is about meeting the standards for operation, as it cannot harm the society and also the environment.

1.3 Statement of the Problem

CSR is a fast growing concept in banking industry with little attention paid to its linguistic (Richard, E. O. And Okoye, V. 2013). Thus, to survive in business, banks are always trying to create and involve in CSR programs. But, how can CSR contribute to increase the awareness of their programs to society? Nowadays, CSR has been determined to become one of the elements for any firm, especially the Banking Industry that this research focused for, due to gain many advantages from it. However, there has a few empirical tests that have been conducted by other researcher to support the advantage or disadvantage of implementing CSR in their business. This makes *CSR practice sustainable to the popular accusation of being a profitable public relations and marketing strategies* (Adegboyega and Taiwo, 2011). At the same time, CSR also can help banks in showing their concern apart from the social obligation towards the society.

Therefore, what are the factors of CSR in Banking Industry? The question that arises is, are CSR was created oriented more to profit or to benefit the society? Thus, this research want to finds out what are the factors that give the impact of CSR in Banking Industry, through the society's perspective. Other than that, the issue that arises here is there any relationship between CSR in society's perspective. So, this research also outlines the relationship between CSR in society's perspective and indirectly can know the important factor of CSR in society's perspective.

1.4 Research Question

Based on the problem discuss above, the aim of this study is to gain a better understanding about the impact of CSR to society: through society's perspective in Banking Industry.

In order to fulfill this research, several research questions have been constructed and will be used as a foundation for the research:

- What are the factors influenced CSR in Banking Industry?
- What are the relationship between CSR in society's perspective?
- What are the other important factors that can improve CSR in society's perspective?

1.5 Research Objective

- To determine the factors influenced CSR in Banking Industry.
- To identify the relationship between CSR in society's perspective.
- To know the other important factors that can improve CSR in society's perspective.

1.6 The Scope of the Study

The scope of the study involves the feedback from the civilians or committee as their opinion and experiencing in facing CSR. Besides that, this research was conducted at Malacca City, where it is an ideal spot for the Banking Industry take place. The purpose of choosing that location is the researcher have identified that there have two main banks, which is Bank Islam and Maybank located at there. This situation will ease the researcher in gaining an information.

The reason researcher only focused on Bank Islam and Maybank is because Bank Islam is mostly known as an Islamic Banking in Malaysia. This was proven by *“Since its inception, it has emerged as the symbol of Islamic banking in Malaysia... Being the pioneer in the industry, Bank Islam has played a leading role in promoting the expansion of Malaysia’s brand of Islamic finance into other markets, especially in the region.”* (Bank Islam Webpage, 2014). This statement shows that Bank Islam is the Banking Institution that focused on the rise of public awareness about the Islamic Banking. Therefore, they will certainly organize activity to the society.

Meanwhile, Maybank is the popular bank among all the banks. This was proven by *“Over the years, it broke several records to become the largest bank in Malaysia and among the top 120 worldwide.”* (Online Bank Watch Webpage, 2014) This is because they are always involving themselves with the public. This statement was supported by *“MayBank Islamic Berhad, the Islamic banking subsidiary of the MayBank, is the biggest Islamic commercial bank in the region of Asia Pacific and ranks 17th in the world. The bank has been active in society as well and as a part of its CSR (Corporate Social Responsibility), the bank offers scholarships to deserving students for their higher studies.”* (Online Bank Watch Webpage, 2014).

1.7 Significance of the Study

This study is important in order to get a better understanding about the impact of CSR to society: through the society's perspective in Banking Industry. CSR must be a crucial aspect for every bank as it can help the bank in creating a people awareness about the bank. Then, it could help in improving the society awareness about the programs, activities, and even a charity made by the bank. So, this can result in the society can know which bank can benefit them more.

Generally, this study can give the contribution to society as they can know and make comparisons between the bank, which is the difference of CSR programs between Bank Islam and Maybank.

1.8 Summary

CSR is the most important issue that the bank looks today. This is because it can give many impacts to society. Thus, based on the bank that the researcher focused, which is Bank Islam and Maybank, the researcher has identified all the elements that need to be carried out in this research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter will focus more on the CSR which is the overview as well as its definitions, issues and trends, previous studies on its perception, arguments and impacts. All the aspects will be made as a subtopic in this chapter. This will help the researcher to be more focused about the scope of this research. Then, it will make the researcher have a very good understanding about the topic, by the review of those literatures, which was much related to the research questions and research objectives. The researcher will outline the key point and study about the discussions and reference made by others.

2.2 Overview of Corporate Social Responsibility

According to Sydney (February 2007), stated that “*social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that is consistent with sustainable development and the welfare of the society; takes into account the expectations of stakeholders ; is in compliance with applicable law and consistent with international norms of behavior and is integrated throughout the organization.*” Thus, this statement can explain about the study that related to the researcher’s topic, which is the impact of CSR to society.

Corporate Social Responsibility (CSR) means that *a form of corporate self-regulation integrated into a business model* (Wikipedia, 2013). There are many definitions of CSR by different persons based on its abroad concept. For example, Mohr (1996) classified the definitions by two different types which are: (1) *multidimensional definitions* and (2) *definitions based on the concept of societal marketing*. *Multidimensional definitions delineate the major responsibilities of companies*. Other than that, Carroll's (1991, 1996) suggests that *"CSR includes four kinds of responsibilities or dimensions: economic, legal, ethical, and philanthropic"*.



Source: Carroll (1996)

Figure 2.1: The Example of Archie Carroll's Pyramid of Corporate Social Responsibility

Within his model, each dimension of CSR is related to the various stakeholders of the organization (e.g., owners, customers, employees, the community, and the public at large). On the other hand, the society element can be used to define CSR at a more abstract level. According to Kotler (1991), CSR also can be defined as *doing business in a way that maintains or improves both the customer's and society's well-being*. Petkus and Woodruff (1992) extend this concept, defining CSR to include both *avoiding harm and doing good*.

Next, Lord Holme and Richard Watts in their articles mentioned that, “*Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*”. Meanwhile, Denis Leonard and Rodney McAdam (October 2003) stated in their articles, *the International Organization for Standardization, known as ISO, a strategic advisory group on CSR describes it as “a balanced approach for organizations to address economic, social and environmental issues in a way that aims to benefit people, communities and society.”*”

Finally, Mallen Baker (8 October 2012), defines CSR as “*how businesses respond to society’s expectations*”. At the same time, she also provides an illustration to support the meaning of CSR.

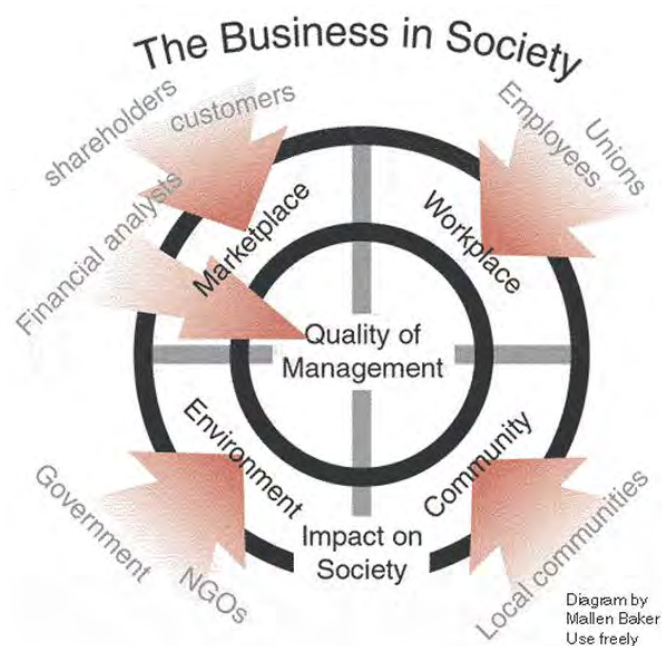


Figure 2.2: The Illustration of Mallen Baker’s Meaning of CSR

According to her again, companies need to answer to two aspects of their operations. First, the quality of their management - both in terms of people and processes, which represent the inner circle. Second, the nature of and the quantity of their impact on society in the various areas which represent the outer circle. “Outside stakeholders are taking an increasing interest in the activity of the company. Most

look at the outer circle - what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused - as well as past financial performance - on quality of management as an indicator of likely future performance” (Mallen Baker, 8 October 2012).

2.3 Issues and Trends of Corporate Social Responsibility

Nowadays, there are many issues that arise about CSR. Many people have shown their opinion about this issue. Based on Denis Leonard and Rodney McAdam (October 2003) stated in their articles, the issue that related to CSR is *“human rights, workplace and employee issues (including occupational health and safety), unfair business practices, organizational governance, environmental aspects, marketplace and consumer issues, community involvement and social development.”*

On the other hand, Mallen Baker (8 October 2012), has addressed many issue and trend about CSR. For the first, she highlighted about the element that drives trends in an area like CSR. In her article, she stated that those elements are *(1) attitudes to business and its relationship with society are changed and shaped by outside events, (2) expert practitioners have a vision for how sustainable business should operate, and develop new ideas, or increase expertise on past experience, and implement these within the business, and (3) outside agencies create a vision for the achievement of future goals, and actively recruit businesses and partners.* Next, she also found out the interesting demonstrable trends about CSR which are *(1) moving from reporting to engagement, (2) it’s about the business model, (3) finding our own identity and respect, and (4) taking the role of global citizens.*