(Original Article)

Relationship between Social Responsibility, as an Ethical Factor and Corporate Image

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Abstract

Background: The purpose of this research is survey about the relationship between social responsibility of a company and corporate image in banking industry.

Method: This is a descriptive-correlation study. The population of the study includes all staffs of banks in Iran. Among all staffs, 240 subjects (in access group) filled the questionnaire completely. Data were gathered by questionnaire and were analyzed by SPSS through multiple regression

Results: Findings show that customers understand company social responsibilities activities as a main element when dealing with banks. When banks accept these activities, the positive figure of company reinforces and it creates positive relations and noticeable relations between activities of social responsibility and corporate image.

Conclusion: Many studies are spoken about company social responsibility, but a little were found in banking part. This subject needs more research for better understanding of corporate social responsibility activities and their effects on corporate image.

Keywords: Corporate image, Ethical responsibility, Economic, Philanthropic responsibility, Legal responsibility

Introduction

Social responsibility of a company has received a special attention in business environment. A researcher said that organization should be responsible for their works in environment. In past organizations purpose was increase of shareholder value and gain profit, but now day’s organizations can’t exclude society from their activities (1). The success of corporate social responsibility is depended on organization internal factors such as organizational culture, economic worries and eth-
ical effects. Also for external factors that are satisfaction with legal requirement, effect of technology and national culture (2), they divide company social responsibilities to parts: Philanthropic, business activity and activities related with product. Philanthropic, activities can be done by gift giving. Business activities are related with recycling, decrease of energy consumption and giving a safe place (3). Activities related to product is related with quality of product that given to society. Researchers pointed that executing of corporate social responsibility activities like activities about production leads to profit of companies, because its cost decreases and profit increases (4). So, corporate social responsibility activities make the relation between company and shareholders stronger and create a better name for company. This paper surveys about the effect of corporate social responsibility on company. This study is based on Carroll model that has four responsibilities: economic, legal, ethical and Philanthropic. Economic responsibility composed of profit gaining, creation a strong competitive situation and production saving and services with quality. Legal responsibility is about adaptation to rules, ethical responsibility about doing work with a good and clear method and Philanthropic responsibility is about get involved in activities that increases society life quality (5). Banking is one of the most important parts of governmental and private part. Researchers noticed that the concept of corporate social responsibility is one of the vital factors of success in job (6). Based on this, the research is searching about evaluation of the effect of corporate social responsibility activities on corporate image in banking part. This study increase to literature and creates instructions for banks to concentrates on the most important activities on corporate social responsibility that creates a good figure. This study shows that economic dimension has the most important effect on bank figure and after that, Philanthropic, legal and ethical dimensions exist. Four dimensions of corporate social responsibility are different from importance degree, but all dimensions of corporate social responsibility are important and banks should notice them to reinforce their figure. In next parts, corporate social responsibility literature and corporate image reviews. Then a research model and research hypothesis will present for research. Method and approach to use in this study presents for data gathering, results and findings, discussion and conclusion and proposals for future researches.

- Corporate social responsibilities: European commission defines corporate social responsibility as a concept that by it companies adheres social and environmental considerations in their interactions and business activities in relation with beneficiaries in voluntary way (7). This concept is for organizations that wants to walk away from least legal commitments and responsibilities of group agreements to notice social needs (8), in a more general definition, defines corporate social responsibility as methods that a job wants to line up values and behaviors with value and behavior of different beneficiaries of itself. Different groups that are under effect of an organization, called beneficiaries and beneficiaries of business are composed of workers, customers, providers, governments, beneficiaries groups such as environmental, its competitors in societies, investors and wider social groups that business can affect them (9). A researcher defines a pyramid model that composed of four categories of social commitments that a company wants it. These services are: economic, legal, ethical and Philanthropic responsibilities (5). From Carroll point of view, economic responsibility composed of satisfaction of customers from productions with high value and also creation of enough profit for investors. This part is main purpose of business and entrepreneurship that has profit for goods and services society and it makes profit too. For more profit making, agencies should increase stock value and has a strong place in competitive market. Juridical or legal responsibility
needs that companies obey from rules while they comply their commitments. Ethical responsibilities are behaviors or ethical norms that it is expected from business to follow it. Also these norms don’t exist in roles from before. This part of pyramid shows expectation of beneficiaries from companies. It is expected from companies to work in ethical methods. Today, beneficiaries want from companies to behave in ethical methods. So, ethical needs from companies, leads that in pyramid, they go to a layer upper than legal layer. Philanthropic responsibility composed of financial and non-financial helps for society improvement. This part composed of activities of company that shows company is like a good citizen (5). Based on literature background it is logical that these kinds of responsibilities have priority that responsibility itself.

- Economic responsibilities: As a fundamental condition or requirement of existence, businesses have an economic responsibility to the society that permitted them to be created and sustained. At first, it may seem unusual to think about an economic expectation as a social responsibility, but this is what it is because society expects, indeed requires, business organizations to be able to sustain themselves and the only way this is possible is by being profitable and able to incentivize owners or shareholders to invest and have enough resources to continue in operation. In its origins, society views business organizations as institutions that will produce and sell the goods and services it needs and desires. As an inducement, society allows businesses to take profits. Businesses create profits when they add value, and in doing this they benefit all the stakeholders of the business (5).

- Legal responsibilities: Society has not only sanctioned businesses as economic entities, but it has also established the minimal ground rules under which businesses are expected to operate and function. These ground rules include laws and regulations and in effect reflect society’s view of “codified ethics” in that they articulate fundamental notions of fair business practices as established by lawmakers at federal, state and local levels. Businesses are expected and required to comply with these laws and regulations as a condition of operating.

- Ethical responsibilities: The normative expectations of most societies hold that laws are essential but not sufficient. In addition to what is required by laws and regulations, society expects businesses to operate and conduct their affairs in an ethical fashion. Taking on ethical responsibilities implies that organizations will embrace those activities, norms, standards and practices that even though they are not codified into law, are expected nonetheless. Part of the ethical expectation is that businesses will be responsive to the “spirit” of the law, not just the letter of the law. Another aspect of the ethical expectation is that businesses will conduct their affairs in a fair and objective fashion even in those cases when laws do not provide guidance or dictate courses of action. Thus, ethical responsibilities embrace those activities, standards, policies, and practices that are expected or prohibited by society even though they are not codified into law. The goal of these expectations is that businesses will be responsible for and responsive to the full range of norms, standards, values, principles, and expectations that reflect and honor what consumers, employees, owners and the community regard as consistent with respect to the protection of stakeholders’ moral rights. The distinction between legal and ethical expectations can often be
tricky. Legal expectations certainly are based on ethical premises. But, ethical expectations carry these further. In essence, then, both contain a strong ethical dimension or character and the difference hinges upon the mandate society have given business through legal codification (5).

- Philanthropic responsibilities: Corporate philanthropy includes all forms of business giving. Corporate philanthropy embraces business’s voluntary or discretionary activities. Philanthropy or business giving may not be a responsibility in a literal sense, but it is normally expected by businesses today and is a part of the everyday expectations of the public. Certainly, the quantity and nature of these activities are voluntary or discretionary. They are guided by business’s desire to participate in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense. It can be said that some businesses do give partially out of an ethical motivation. That is, they want to do what is right for society. The public does have a sense that businesses will “give back,” and this constitutes the “expectation” aspect of the responsibility. When one examines the social contract between business and society today, it typically is found that the citizenry expects businesses to be good corporate citizens just as individuals are. To fulfill its perceived philanthropic responsibilities, companies engage in a variety of giving forms – gifts of monetary resources, product and service donations, volunteerism by employees and management, community development and any other discretionary contribution to the community or stakeholder groups that make up the community (5, 10).

- Social responsibility in banking industry: Banks and financial institutions executes company responsibility by using financial innovations like small credit plans and little investment, ethical investment, social and environmental investment, low income banking (with low profit) and deleting access barriers to credit (11). Corporate social responsibility activities concentrate itself on training, health growth and environment (12). In Lebanon, Baybelos bank, corporate social responsibility strategies, companies concentrates on training activities, giving scholarship to poor students and governmental schools, while in Aoudi bank, scholarship given to schools and protects from important festival (13). Contrary to emphasis on corporates social responsibility in market and amount of investment that banks given diverse strategy of company social responsibilities, there are a few survey about bank customer reaction to different innovations of company social responsibilities. This is what a customer’s point of view about social activities of banking. Also because of very limited researches, evaluation of users’ reaction to companies and banks social responsibility activities is important. (14) Especially, a little information about priority of consumers about innovations is important for different groups of shareholders. Based on some researches may be customers has a positive reaction to strategy that is important for them in comparison with strategies that are related to environment. There exists reports from growth of wanting from Asian customers about social responsibility, but almost, researches of company social responsibilities were concentrated a little on Asia (15). Also there is little research about banking customers against company’s social responsibility activities in non-western part. And in Taiwan that is in front of attention of customers and legislators of market, they pay attention to companies and factories (16).
Corporate image
Corporate image is as a total evaluation of people thought about a company (11). Corporate image is a mental thought that people have about a company (17). Corporate image is a result of a process. This process comes from ideas, feelings and experiences of customers of services by a company. So, corporate image is a result of evaluation process. May be a customer hasn’t enough information about a company, but information received from different sources like commercial ad and oral advertisements effects on creation of mental figure of company (11). Researchers defined corporate image as a collection of thoughts, beliefs and perception of people about an organization (18). Corporate image is a collection of beliefs, thoughts and perceptions of people from an organization (19). Keller points that corporate image is an understanding of organization that reflects a kind of associate that created in customers memory (20).

Corporate social responsibility and corporate image
Corporate social responsibility has a better relation between society and business with definition of roles and business responsibilities in that society (21). Clear action co-workers and putting them in strategy creates their satisfaction (22). Researchers studied about the effect of corporate social responsibility on fame of four big banks in Peru and they saw that corporate social responsibility can effect on company fame and investors trust (23). They also knew that organization fame can be a moderator variable between corporate social responsibility and investor trust. They also surveyed about the effect of bank corporate social responsibility activities that effects on customer loyalty and satisfaction (24). Writers used carroll way in corporate social responsibility that used in this research and its economic, ethical and Philanthropic. They knew that Philanthropic, economic and ethical are meaningful prediction of satisfaction and loyalty of customer, while legal responsibility hasn’t effect on satisfaction and loyalty customer. European business network for European commission in its report about internal relations of corporate social responsibility said that it is necessary for a worker that knows about company social responsibility. Share of workers ideas can create a corporate social responsibility strategy that at last increases workers value and makes that they feel that they are formalized by bosses. On the other hand, customers want to pay more for companies that are responsible in society (25). Researchers said that customer’s point of view is different about main reasons of using company social responsibilities. Companies because of government, shareholders and senior management pressure developed plans of corporate social responsibility to gain competitive advantage and increase of credits of corporate social responsibility plan. Corporate social responsibility has an important role in organization development. Company that accepts this concept gains many advantages such as positive thoughts to brands, customer loyalty, positive ad, customer trust and better financial function. Exercise of corporate social responsibility increases customer satisfaction and creates competitive advantage (26). Corporate social responsibility programs create competition and customer satisfaction in all institution like banks. So banks can have competitive advantage by taking part in corporate social responsibility activities (27). Scientists said that customers understand more value and profit in accompany proposal that have social responsibility and wants to pay more than 10% four productions. Researchers said that highest work of corporate social responsibility is their loyalty to a special agency (28). Other studies spoke about positive effect of corporate social responsibility on customer satisfaction and loyalty (29). Success of a company is depending on its figure that understands by customers. A researcher said that corporate image comes from external point of view to organization that composed of shareholders view, customers, suppliers, media and society (30). Another one assigns main elements of creating positive figure of company from financial function, innovation, brand fame, good workers and relation with society (31). In formed society protects form company to gain more sale and higher profit, in a way that people may use
negative effect about company and at last they becomes their rivals (32). Three factors in creation of a figure has role: company social responsibility, company marketing and customer demographic characteristics (33). Another group of researchers surveyed about corporate social responsibility role in creation corporate image and they concentrated on company Philanthropic and knew that these activities lead to improvement of corporate image and improvement of its relation with society (32). Doing corporate social responsibility by company creates competition and long and strong relation with shareholders. When corporate social responsibility activities do by company, corporate image and brand figure can be improved. Here brand figure composed from knowing about brand, loyalty to its name, satisfaction from brand and perceived understanding (34) shareholders wanting done when corporate social responsibility used from four dimensions of company social responsibility, economic, legal, ethical and Philanthropic. So, corporate image increases and gains competitive advantage (35). A committed company to economic development, obeying ethical cases in organization, protection from workers and their family, protection from private groups and supply society needs has a better figure than other companies in society mind (36). One of the dimensions of company social figure is execution of ethical things. Organization that has ethical obligation towards customer and workers, gives a positive figure from itself in society. Corporate social responsibility can create better function and effects on all activities (37) Commitment of company to social responsibility effects on customer evaluation of corporate image (36). It seems that nowadays customers by increase of society worries about environment and ethical, searching about companies that activate their company social responsibilities, (38).

Purpose of this research is evaluation of social responsibility effect on corporate image in banking. For this reason, conceptual model is from Carroll that concentrates on four dimensions of company: economic, legal, ethical and Philanthropic. This is based on this assumption that customers always wants a company that is responsible from social dimension because it leads to good feeling, buy more and speak good about them (figure 1) based on this model, research hypothesis given. Windsor believes that if this economic responsibility didn’t take considerations, other responsibilities didn’t taken (39). For doing economic responsibility in society, companies should prepare goods and services with good costs, give their workers money, increase their investment value and notice to whole benefit of shareholders (10). Companies use economic responsibilities when their main affair is a method that increases each share. This is saving high efficiency and looking to protect strong game (5). Companies in United States concentrates on profit taking and income for shareholders in a way that they are in Europe, they want to share it for other shareholders. Economy effect by that this company is how related with its beneficiaries (40).

**Fig.1:** Research conceptual model from Carrol model
Methods & Methodology

This study focuses on the impact of CSR activities on the corporate image in the banking sector. The target population is the aggregate of all elements defined before selecting the sample (46). The sample pool was banks’ retail customers. A convenience sampling method was selected for this study to get the sample unit and customers were conveniently reachable (47). The sample size was 260 customers of different banks in Iran. The primary data were collected using a questionnaire. The research instrument was structured into sections. A five-point Likert scale was used to measure the survey with 1 strongly disagree to 5 strongly agree. Out of 260 surveys distributed to customers, 240 responses were received, 7 were incomplete, leaving 233 responses for analysis using SPSS software. The survey was validated by 3 subject experts and distributed first as a pilot test to 20 respondents before distributing it to the entire sample to ensure clarity of the survey. Internal consistency using Cronbach’s alpha coefficient was applied to 233 observations to test the reliability and stability of the instrument in which the result was above 0.7 (48). Table 1 shows all variables have Cronbach’s alpha’s values above 0.70, which indicates their usefulness for analysis.

Table 1: Calculated α for each variable and whole α

<table>
<thead>
<tr>
<th>Cronbach α</th>
<th>Question number</th>
<th>Research variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.761</td>
<td>5</td>
<td>Economic</td>
</tr>
<tr>
<td>0.805</td>
<td>5</td>
<td>Legal</td>
</tr>
<tr>
<td>0.707</td>
<td>4</td>
<td>Ethical</td>
</tr>
<tr>
<td>0.862</td>
<td>5</td>
<td>Philanthropic</td>
</tr>
<tr>
<td>0.830</td>
<td>5</td>
<td>Corporate image</td>
</tr>
</tbody>
</table>

Results

Multiple regressions used for analysis of data and measuring of different variables, four independent variables of economic, legal ethical and Philanthropic and a dependent variable of corporate image chooses for analysis. Table 2 are results of regression that used in hypothesis examination. R amount was power criterion of relation between dependent and independent variable. (R²=0.689) that shows a strong and positive correlation between corporate social responsibility and corporate image. R² amount shows assign coefficient. (R²=0.465) that means (46/5%) of changes in dependent variable (corporate image) that will explain with independent variables. ANOVA analysis table with Meaningful level of 0/000 shows less than 0/05 and F amount is equal to 31/189 that shows the relation between corporate social responsibility and independent variables (economic, legal, ethical and Philanthropic responsibilities) is meaningful from numbers.

Table 2: Regression Results

<table>
<thead>
<tr>
<th>sig</th>
<th>T test</th>
<th>beta</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>0/000</td>
<td>4/830</td>
<td>0/399</td>
<td>Economic responsibility</td>
</tr>
<tr>
<td>0/016</td>
<td>2/425</td>
<td>0/190</td>
<td>Legal responsibility</td>
</tr>
<tr>
<td>0/020</td>
<td>2/358</td>
<td>0/121</td>
<td>Ethical responsibility</td>
</tr>
<tr>
<td>0/000</td>
<td>3/791</td>
<td>0/316</td>
<td>Philanthropic responsibility</td>
</tr>
</tbody>
</table>

Coefficient result shows that there is a positive and meaningful effect from dimensions of economic, legal, ethical and Philanthropic on bank figure. These results are shown in table 3 that all hypotheses accepted. Also we conclude that economic dimension is the highest effect on bank
figures, and ethical dimension has the least effect on bank figures. These results are compatible with Veisser results, a person who promised eco-
nomic responsibility has the highest effect and Philanthropic has the second priority, then legal and ethical responsibilities.

Table 3: Hypothesis test

<table>
<thead>
<tr>
<th>Result</th>
<th>sig</th>
<th>$T$ test</th>
<th>$\beta$</th>
<th>hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>accepted</td>
<td>0.000</td>
<td>4.830</td>
<td>0.399</td>
<td>Economic dimension of social responsibility of company has a high effect on corporate image.</td>
</tr>
<tr>
<td>accepted</td>
<td>0.016</td>
<td>2.425</td>
<td>0.190</td>
<td>Legal dimension of social responsibility of company has a high effect on corporate image.</td>
</tr>
<tr>
<td>accepted</td>
<td>0.020</td>
<td>2.358</td>
<td>0.121</td>
<td>Ethical dimension of social responsibility of company has a high effect on corporate image.</td>
</tr>
<tr>
<td>accepted</td>
<td>0.000</td>
<td>3.791</td>
<td>0.316</td>
<td>Philanthropic dimension of social responsibility of company has a high effect on corporate image.</td>
</tr>
</tbody>
</table>

This result gained that economic dimension has the most powerful effect on bank figure; it means that now a days people pay attention to financial problems. So in retail banking, customers knew it as an important factor that effect on their selection in bank selection. Customers are trend to transact with banks that has strong financial situation and be effective more. If a bank be more profitable, more people go there and try to develop it with advertisement. It seems that Philanthropic dimension is the second important dimension because it absorbs customers by bank and creates protection from society. When a society protects from institution, society becomes stronger and healthy (45). A bank is interested in a society that helps charities and voluntary activities. Legal part is in 3rd grade that customers saw it as a condition for doing a business. Customers should have a bank that is loyal to legal that obey rules because it made more trust. The least effect on bank figure is ethical dimension that shows people pay attention to it, but also shows all banks should have ethical as an advisor. As customer knows about market, they choose a bank that has share in society. Findings are protecting from Carroll study that in it 4 dimensions of company social responsibilities (economic, legal, ethical, and Philanthropic) have effect on corporate image from bank. This confirms study use in different parts of business like banking. This study by model development has share in places with less research. Changes is exists in importance of corporate social responsibility activities and this study wants more research in this field to gain new findings. Especially banks and managers use this study to improvement corporate social responsibility activities to a better organization figure. By regarding high competition in banking, economic situation is challenging and rules are changed very soon, and it is advises to banks to program their budget to be effective in these activities and looking them as investment against costs. Also it is advised to managers to see corporate social responsibility activities as an instrument to increase business value and have a competition value.

Conclusion

Corporate social responsibility is an inseparable part of a business and it is here that companies coordinate their final purposes to increase profit and do in a way to have a positive effect on society. In recent years, companies have improvements in development of society life quality, creating jobs, financial protection, and protection from disabled people and have commitment to environment. Four dimensions of corporate social responsibility have a good role with important effect in bank corporate image. Work to corporate social responsibility activities creates loyalty in customers and improves bank figure.
Positive figure creates good relation between bank and shareholders and absorbs investors to bank. This study was about the effect of social responsibilities of banks on corporate image based on Carrol study as seen by customers. These finding shows that corporate social responsibility is related with profit making have market, saving functional benefits, saving legal duties, having charity activities, helping poor people protection from environment. If bank surveys result as customers know, then they can have a positive effect on bank figure. All parts of social responsibility are important but their importance is different from customers view point. Bank can have these activities in their company strategy if they want to save business. Sampling of this study was short. Concentration on banks customers limits beliefs of one limited type. Studies of customers based on other classifications like money, traditional banking and Islamic banking has better results. Take part of most shareholders like employees and managers, development of sample and repetition of study in other parts. Make these results more powerful. Also having more meaningful groups like customers wealth, bank amount and kind of bank, makes study result more helpful.

**Ethical consideration**

Ethical issues (Including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, redundancy, etc.) have been completely observed by the authors.

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