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IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY IN BANKING SECTOR DURING THE COVID-19 PANDEMIC

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Abstract

In order to successfully implement Corporate Social Responsibility (CSR) in the banking industry, it is crucial to understand the factors that influence it and the impacts caused. This research is useful for future researchers who examine Corporate Social Responsibility and functions as decision-making materials for banking sector practitioners. This study employs a systematic literature review method of 32 articles relevant to the research questions. This study found that there are 11 factors influencing Corporate Social Responsibility and 22 impacts of it. However, this research is still limited to one source database. Therefore, it is advised that future scholars include other databases to improve the study.

Keywords: Corporate Social Responsibility, Bank, and Covid-19 Pandemic

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INTRODUCTION

Over the past few decades, Corporate Social Responsibility (CSR) has emerged as a crucial component of ethical business practices. In a challenging situation such as the COVID-19 pandemic first appeared in China at the end of 2019, the role of CSR becomes even more crucial. The pandemic has caused significant economic and social impacts around the world, including in the banking sector (Neitzert & Petras, 2022). Therefore, it is important for banks to carry out their corporate social responsibility seriously and contribute in combating against the pandemic and the restoration of the economy.

Implementation of CSR in banks during the pandemic requires adjustments to relevant strategies and policies to the current situation. Banks as financial institutions have a vital role in maintaining economic stability and supporting people affected by this health crisis (Chi et al., 2022). In this case, CSR practices in banks do not only cover legal and ethical responsibilities, but also are one of the ways for banks to be able to strengthen relationships with stakeholders, including customers, employees, government and the public.

During the pandemic, banks were faced with various challenges, such as dealing with surges in demand for financial services, overcoming increased credit risk, and maintaining operational sustainability (Tran et al., 2020). However, in the midst of these challenges, banks also have the opportunity to act as agents of positive change by implementing innovative and solution-oriented CSR practices (Tran et al., 2020).

Previous research has shown that banks actively implementing CSR during crisis can contribute significantly in

mitigating the negative impacts faced by the community and the surrounding environment. However, despite several studies on the implementation of CSR in the banking sector, there is still a lack of understanding of specific CSR practices during the pandemic (Duong et al., 2023).

Based on the background above, the researcher wants to conduct research related to CSR to provide an updated understanding to the banking sector and add references related to this topic for researchers. The research utilizes a literature review system with two research questions. First, what are the factors that influence the implementation of CSR in the banking sector? and, what are the impacts of the implementation of CSR in the banking sector?

LITERATURE REVIEW

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a concept referring to the social and environmental responsibilities carried by companies towards society and the environment (Anh & Phuong Thao, 2021). CSR refers to efforts made by corporations to operate morally and responsibly, beyond their financial interests, by considering the social, economic, and environmental consequences of their operations. The term CSR refers to a number of significant components, including:

1. **Responsibility:** CSR describes the company's commitment and obligation to behave responsibly towards various stakeholders, including customers, employees, society, government, and the environment (Chi et al., 2022).
2. **Society and Environment:** CSR covers social aspects, such as efforts to improve public's welfare, involve

themselves in social initiatives, support education, health and welfare, and promote equality and inclusiveness (Moliner et al., 2020).

3. Sustainability: CSR emphasizes the importance of conducting business in a sustainable way, managing social and environmental risks, and promoting initiatives fostering the long-term development of the economy, society and environment (Anh & Phuong Thao, 2021).
4. Business Ethics: CSR is based on the principles of business ethics, including integrity, transparency, fairness, and accountability (Duong et al., 2023).

In practice, CSR can involve various initiatives, such as donating part of the profits to social causes, involving employees in volunteer activities, reducing greenhouse gas emissions, supporting educational programs, and collaborating with local communities.

Banking Sector

Bank is a financial institution acting as a facilitator to connect those who have excess funds (depositors) and who need funds (debtors). Banks provide a variety of financial services to individuals, businesses and government, including acceptance of deposits, granting of credit, transfer of funds, provision of payment services, investment and electronic banking services (Yankovskaya et al., 2022). In general, banks have several main characteristics as followings:

1. Safekeeping of Funds: Banks allow individuals and other entities to save their funds in the form of deposits (Zhang & Jiang, 2021).

2. Lending: As financial institutions, banks provide loans to individuals, businesses or government who need funds for investment, consumption or operational purposes (Uslu & Şengün, 2021).
3. Financial Intermediation: Banks act as an intermediary in connecting parties who have extra funds with those who are in need of funds (Quick & Inwinkl, 2020).
4. Other Financial Services: In addition to providing depository and lending services, banks also offer a variety of additional financial services, such as fund transfers, bill payments, electronic banking services, investment management, foreign exchange trading, credit card services, and so on (Duong et al., 2023).

Banks are regulated by the banking regulations in force in their respective countries and usually operate under the supervision of monetary authorities or financial supervisory institutions. The main objective of the bank is to maintain financial system stability, provide liquidity, provide access to finance, and support economic growth through financial intermediation.

METHODS

This study examined the Corporate Social Responsibility variable using the Systematic Literature Review (SLR) method. This method was used to analyze the factors of the implementation of Corporate Social Responsibility (CSR) in the banking sector. This study conducted Systematic Literature Review (SLR) which was according to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA)

guidelines. The PRISMA flowchart in Figure. 1 presents the data search and decision-made process for the final results of the study.

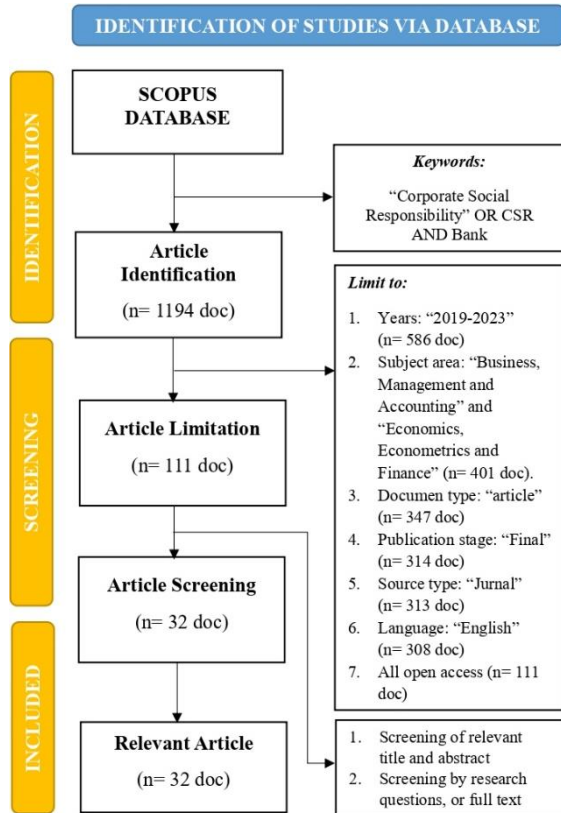


Figure 1. Flowchart PRISMA of Data Search Process

Source: Researcher Analysis (2023)

Systematic Literature Review (SLR) research used literature from the Scopus database. The first step was to write "Corporate Social Responsibility" OR CSR AND Bank as the keywords used in the search for articles and 1194 articles were found. Furthermore, limitations were carried out in order to obtain relevant articles, to make it easier for researchers to find articles that were in accordance with the research questions and the research objectives. Limitation was done by selecting the article based on the category "year" which was from 2019 to 2023 and selecting the subject area, namely "Business, Management and Accounting" and "Economics, Econometrics and Finance", with the document type

namely "article" and the publication stage namely "final" which was the Source type was "Journal" in English and articles that were open access so that it was easy to get reference articles. From the results of the limitations carried out, there were 111 appropriate articles from the Scopus database. The next step was to download the 111 articles via the Scopus, ScienceDirect, Google Scholar, Taylor and Francis Online, and the Index Copernicus International pages.

The following step was to perform screening and article selection from 111 papers corresponding to the research questions. The initial screening was conducted by determining the relevancy based on the title and abstract in relation to Corporate Social Responsibility. Furthermore, the screening process was carried out by reading the references thoroughly to obtain results address to the research questions. Articles considered inappropriate will be excluded, and the results of the screening remained 32 articles that were appropriate to the research questions. The final step was data analysis.

RESULT AND DISCUSSION

After going through a detailed screening and review according to the research questions, there are 11 antecedents and 22 impacts of CSR in the banking sector as explained in table.1 and table.2. Antecedents are factors that can influence a research variable, while impact is the result of a process of a variable. Table.1 describes several antecedents of CSR, as follows:

Table 1. The Antecedents of CSR

No.	Antecedent	Source
1	Religiosity	(Chantziaras et al., 2020)
2	Corruption	(Chantziaras et al., 2020)

3	Assurance	(Quick & Inwinkl, 2020)
4	CEO overpower	(Duong et al., 2023)
5	State ownership	(Duong et al., 2023)
6	Profitability	(Abdelmoneim & Elghazaly, 2021)
7	Corporate Governance	(Tran et al., 2020)
8	Female board composition	(Igbekoyi et al., 2021)
9	Financial inclusion	(Bhattacharyya & Khan, 2021)
10	Organizational engagement	(Galdeano et al., 2019)

Source: Researcher Analysis (2023)

Table.1 presents that there are 11 factors influencing CSR in the banking sector, both negative and positive influences. Starting from the CEO, if a CEO has a strong authority and supports CSR initiatives, the bank tends to have better CSR activities and will not easily take actions that harm other parties, such as corruption. The CEO takes a part in determining the level of insurance provided to employees and the company's external policies. Not only is CSR carried out to the internal organization, but also to the external organization, such as concerns for religious places and the surrounding environment. This comes from the political policies taken by the CEO and the financial condition of the organization. The implementation of CSR is the result of the analysis of the profits earned, the financial situation, and the sense of responsibility embraced. In addition to understanding the influencing factors of CSR in the banking industry, it is essential to understand the impacts of Corporate Social Responsibility (CSR) in the banking sector as explained in table.2.

Table 2. The Impacts of CSR

No.	Impact	Source
1	Bank efficiency to materialize	(Belasri et al., 2020)
2	Binancial performance	(Zhou et al., 2021); (Van Nguyen et al., 2022)
3	Engage in employees	(Wang & Pala, 2021); (Chi et al., 2022)
4	Bank risk	(Neitzert & Petras, 2022)
5	Financial risk management	(Yankovskaya et al., 2022)
6	Customer loyalty	(Sang, 2022); (Al-Ghamdi & Badawi, 2019); (Vo et al., 2020); (Uslu & Şengün, 2021)
7	Customer's word-of-mouth	(Sang, 2022)
8	Liability of foreignness	(Zhang & Jiang, 2021)
9	Organisational reputation	(Zhang & Jiang, 2021)
10	Firm value	(Harun et al., 2020)
11	Customers' perceptions	(Moliner et al., 2020)
12	Customer satisfaction	(Al-Ghamdi & Badawi, 2019)
13	Earnings management	(Setiawan et al., 2019)
14	Firm performance	(Bhattacharyya & Khan, 2021); (Ellili & Nobanee, 2022); (Bolton, 2020); (Ali et al., 2023)
15	Customer trust	(Anh & Phuong Thao, 2021)

16	Lower valuations	(Bolton, 2020)
17	Greater risk	(Bolton, 2020)
18	Society demand	(Widiyanto et al., 2023)
19	Banks' competitive advantage	(Eyasu & Arefayne, 2020)
20	Stock price volatility	(Tasnia et al., 2020)
21	Trust	(Amegbe et al., 2021)
22	Satisfaction	(Amegbe et al., 2021)

Source: Researcher Analysis (2023)

Table. 2 shows that CSR activities can assist banks to strengthen the organization's position in the market, establish greater relationships with customers and stakeholders, manage risk, and contribute to sustainable development. This can create long-term value for the bank and society as a whole. The 22 impacts presented in Table.2 can be grouped on organizations, individuals, and the environment. It influences the policies taken by the organization. Moreover, CSR does not cause negative impacts, but has positive impacts on sustainable organizational development.

CONCLUSION AND SUGGESTIONS

The banking sector is experiencing greater social responsibilities during the COVID-19 pandemic. They actively take a part in providing direct assistance to community affected economically, such as donating funds and resources for COVID-19 countermeasures, assisting the health sector, and providing support to customers and local communities. Banks are taking steps to provide relief to their customers experiencing financial difficulties due to the pandemic. Furthermore, banks establish

partnerships with government and non-government institutions in order to strengthen efforts to combat the pandemic. Therefore, the implementation of CSR by the banking sector during the COVID-19 pandemic not only assists the community and their customers, but also plays a role in strengthening the role of the financial sector in dealing with crises. Through effective CSR, banks can significantly contribute in supporting social and economic recovery and strengthening relationships with stakeholders. In realizing an effective implementation of CSR, it is essential to recognize the factors influencing it and the impacts as well. This study found that there are 11 factors affecting CSR and 22 impacts of it. These findings are useful for future researchers who examine CSR and function as decision-making materials for practitioners of banking sector. Nevertheless, this research is still limited to one source database, it is recommended for future researchers to include other databases to improve it.

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