

# Corporate Social Responsibility and Business Operations: An Empirical Analysis of Banking Industry

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## Abstract

This study is to explore the relationship between the domestic banking industries devoting to the Corporate Social Responsibility (CSR) actions with their operating performance. In contrast to the previous studies, this study further observes the effect related to the bank risk taking degree. Regarding recent studies, it can be found the level of corporate social responsibility usually being access by qualitative indicators, but cannot observe the differences brought by the degree of the corporate devotion to CSR. In view of this, by using the CSR quantitative data provided by CSRHUB to the banking industry of Taiwan, taking into account of the operating performance and various levels of risk categories regression models, the empirical results confirm that when the banks devote to CSR, it will be helpful for the company accounting-based performance levels, but it could not explain the potential risk of default, only has a significant relationship with the operating risk. If the bank is the subsidiary of the financial corporation, although devoting to the CSR would increase the operating cost of the company; however, the external benefits associated with CSR could ease the pressure of having less operating profit, and mitigate the fluctuations in earnings.

*Keywords:* Corporate social responsibility, banking industry, operating risk.

## 1. Introduction

The degree of devotion to CSR (Corporate Social Responsibility, CSR) was an important indicator for the efficiency of the business operations, and lately it has become a new regulation for how the international views the company success, and become a reference for the investors to decide the investment to the company. However, according to the existing literature, devoting into the CSR will not have a consistent relationship with the corporate performance; especially there is fewer data for such CSR activities devoted by the domestic banking sectors; therefore, for the decision-making units and market investors, the level of the company devoted to the CSR could become a political plan for them to blindly follow. In addition, recently the scholars Chang, Yan and Chou [9] proposed the CSR has the significant effect to the company risk level, especially when