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Crypto-assets and financial consumers: A review of surrounding legal issues

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ABSTRACT

Crypto-assets or cryptocurrencies have emerged globally lately. This paper aims to discuss several issues about crypto-assets or cryptocurrencies while it introduces the some Korean issues. Recent attempts to regulate crypto-assets or cryptocurrencies are mostly to avoid/decrease regulatory arbitrage. Activities surrounding crypto-assets or cryptocurrencies may constitute pseudo-deposit taking activities subject to the related banking regulations. As cryptocurrencies are sometimes traded like money, activities dealing with cryptocurrencies may be subject to regulations about anti-money laundering (AML) and counter terrorist financing (CTF). Securities issues to protect investors are most topical; securities issues makes ICOs reviewed from an investor protection aspect thereby justifying application of securities regulations. Furthermore, the issue of accounting and taxation, and privacy issue are also important which need to keep watching.

Keywords: crypto-asset, cryptocurrency, ICO, securities, accounting, pseudo-banking, anti-money laundering

I. Introduction

Nowadays we call Bitcoin and Ether as crypto-assets¹. Crypto-assets are digital assets recorded on a distributed ledger; their name is derived from the cryptographic security mechanisms used within public, permission-less distributed ledgers.² In many cases, they are said to challenge established beliefs about money, economic relationships and investing.³

When we look at a crypto-asset to find out its features, there are several features which make it distinguished from other virtual currencies: it is ① a digital asset designed to work as a medium of exchange using cryptography to secure integrity, ② a type of digital currencies, alternative currencies and virtual currencies, ③ decentralized currency as opposed to centralized electronic money and central banking systems, and ④ equipped with a mechanism working through a blockchain, that is, a public transaction database functioning as a distributed ledger.⁴

South Korea whose population is less than 50 million people is the third-biggest market in the world for Bitcoin trades, behind Japan and the US (a digital currency website Coinhills). As of January 2018, Korea had more than a dozen crypto-assets exchanges according to the estima-

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¹ Nowadays, the word of crypto-assets becomes more prevailing than cryptocurrencies, so we also call Bitcoin, et al. as crypto-asset except in some cases focused on a function of currency.

² Ernst & Young, "IFRS (#) Accounting for crypto-assets", (Aug. 2018), p.2, [https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/\\$File/EY-IFRS-Accounting-for-crypto-assets.pdf](https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/$File/EY-IFRS-Accounting-for-crypto-assets.pdf).

³ Ernst & Young, "IFRS (#) Accounting for crypto-assets", (Aug. 2018), p.2, [https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/\\$File/EY-IFRS-Accounting-for-crypto-assets.pdf](https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/$File/EY-IFRS-Accounting-for-crypto-assets.pdf).

⁴ Wikipedia, "cryptocurrency", <https://en.wikipedia.org/wiki/Cryptocurrency>

ting-for-crypto-assets/\$File/EY-IFRS-Accounting-for-crypto-assets.pdf.

tion by Korea Blockchain Industry Association and there's so much demand that the virtual currency has traded at as much as a 30% premium compared with other countries until last January.⁵

However, due to many bad social situations such as speculative activities, etc.⁶, the South Korea government even considered of shutting down its all crypto-asset trading platforms (so-called exchanges) to protect investors. But instead of shutting them down, the financial supervisory authority (FSC) of Korea banned initial coin offerings (ICOs) in September 2017 following China's lead. So ICOs are technically not allowed as the token-based funding method was banned.⁷ Moreover, Korea has implemented regulations aimed at banning anonymous crypto-asset exchange accounts thereby forcing a real-name account system on 30 January 2018. For the more, several bills have been proposed at the Korean national assembly to address legal/social issues related to crypto-asset passion.

II. Legal characteristics of crypto-assets

A. Crypto-assets and related issues to be addressed

What are crypto-assets? The following Figure 1 tries to classify what we call crypto-assets. Crypto-assets are digital representations of value, issued by private developers and denominated in their own unit of account and they fall within the broader category of digital currencies. Their schemes have different levels of convertibility to real-world goods, services, national currencies, or other crypto-assets.⁸ Decentralized VC schemes use techniques from cryptography for their operations.⁹

As mentioned already, crypto-assets are posing challenges to our established beliefs surrounding money, eco-

nomical relationships and investing, so topics of crypto-assets are brand new. But without appropriate regulation, crypto-assets will enjoy regulatory arbitrage which we usually need to address. Furthermore, so variety of diverse coins and tokens have been issued, which makes us impossible to approach/solve problems in a simple/unilateral way.

As distributed ledgers are located in computers around this world, there is incontestable limitation on control by a country; each nation cannot shut down the whole network or alter its technical rules. Even worse, countries have shown so variable attitudes on crypto-assets regulations¹⁰, so international cooperation seems more difficult.

B. Classification and purpose of use

There are diverse types of crypto-assets in the world. So one of the very potential and influential standards for classification may be based on the purposes of using crypto-assets. As seen in the following table, crypto-assets can be used for payment, investment (capital gain), a specific service, or for mixed purpose or other. It is not easy to classify what crypto-assets are in real cases.

C. Need for legitimization

As main features of most of crypto-assets, features are known such as irreversible transactions, lack of or inadequate understanding, experienced price volatility and following economic risk. Most crypto-assets have no valuation guarantee scheme except few cases like Petro in Venezuela or emCash in Dubai.¹¹

⁵ BBC, "Bitcoin: South Korea sways cryptocurrency prices - but how?", (17 Jan. 2018), <https://www.bbc.com/news/business-42713314>.

⁶ MBN, "From the tulip bubble to the bit coin, the history of madness", (1 Dec. 2017), <http://news.mk.co.kr/newsRead.php?year=2017&no=797703>.

⁷ Coindesk, "Korean Financial Watchdogs Probing Blockchain Firms Over ICO Activity", (Sep 12, 2018), <https://www.coindesk.com/korean-financial-watchdogs-probing-blockchain-firms-over-ico-activity/>.

⁸ IMF Staff Discussion Note, "Virtual Currencies and Beyond: Initial Considerations", SDN/16/03, (Jan. 2016), pp.7-8.

⁹ Ibid. p.9

¹⁰ Bloomberg, "What the World's Central Banks Are Saying About Bitcoin", (15 Dec. 2017), <https://www.bloomberg.com/news/articles/2017-12-15/what-the-world-s-central-banks-are-saying-about-cryptocurrencies>

¹¹ Petro is a crypto-asset of which underlying asset is oil produced in Venezuela. Petro began to be issued since February 2018 backed by the state (Venezuela). Seoul Daily, "Pepper, whiskey, oil coin ... cryptocurrencies linked with physical assets being issuing burst", (28 Mar. 2018), <http://decenter.sedaily.com/NewsView/1RX5N13AU7>; Dubai launched emCash in 2017 and emCash was developed as a digital-fi at equivalent of the United Arab Emirate dirham as the UAE State pushes official blockchain-based crypto-asset emCash. Coinspeaker, "UAE State Pushes Official Blockchain-based Cryptocurrency emCash for Wider Adoption", (Oct. 9th, 2018), <https://www.coinspeaker.com/2018/10/09/uae-state-pushes-official-blockchain-based-cryptocurrency-emcash-f-or-wider-adoption/>

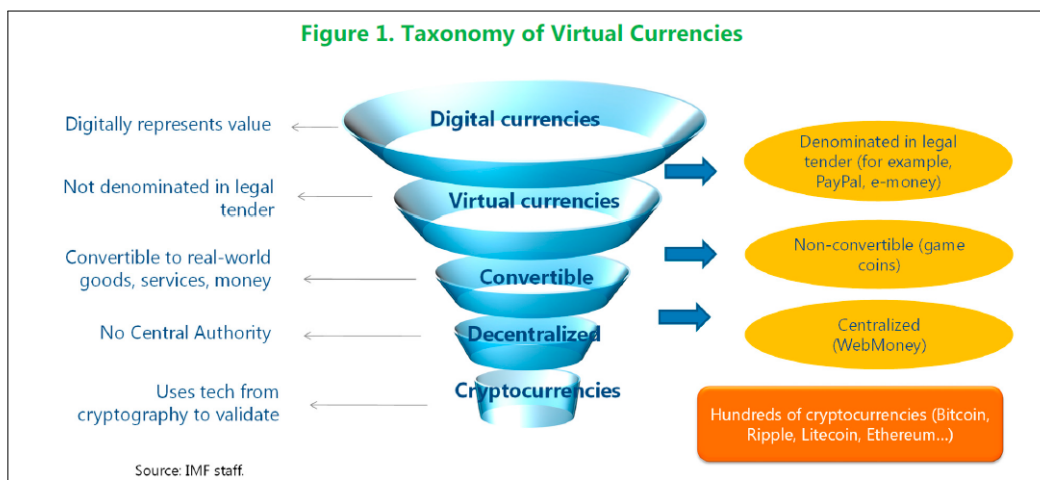


Figure 1. Taxonomy of virtual currencies

Source: IMF Staff Discussion Note, “Virtual Currencies and Beyond: Initial Considerations”, SDN/16/03, (Jan. 2016)

Potential classification	Related issue
Cash	Legal tender?
Cash equivalents	High volatility in its price?
Financial instruments	Any contractual right to counterparty?
Intangible assets	Suitable for making profits with it?
Inventories	The same as the other inventory goods?
Fair value measurement	Can the market price be accepted as objective and trustable?

Figure 2. Potential classification

Note: the English translations were added by the author.
Source: HangSang Lee, KAI Forum (22 Mar. 2018)

Pros: useful	Cons: bad
Easy for funding as it helps the issuer collect money globally. Need to make good regulations to keep good investors remain in the funding market	No underlying real value; solely based on Demand in the market <ul style="list-style-type: none"> • If there is no demand, there will be no value to crypto-assets holders. • Concern of Ponzi scheme
Helpful for a new business model where, without the intervention of venture capitals (middle man), consumers can invest to the business and share profits therefrom.	Not much useful for buying goods unlike the fiat money, stocks, etc. <ul style="list-style-type: none"> • No tangible assets • Difficult to calculate its value • Vulnerable to speculation • Speculative bubble [tulip]

Figure 3. Pros and cons of crypto-assets

ChosunBiz Daily, “[Virtual currency regulation] Economists vs IT experts ... clearly cut wires” (6. Dec. 2017), http://m.biz.chosun.com/svc/article.html?contid=2017120502948&related_m_all

III. Legal issues on crypto-assets

A. Overview

As crypto-assets are variable, they can be classified in diverse categories.

For crypto-assets related issues, firstly we can name banking business issues of countering pseudo-deposit taking activities and deposit insurance, capital adequacy test, etc. Secondly, there are payment/settlement issues on enhancing efficiency and ensuring integrity (cyber risk). Thirdly, anti-money laundering (AML) and counter terrorist financing (CTF) issues forces Know Your Customer (KYC) rule. Fourthly, securities issues for investor protection need to establish related regulation, authority, etc. Securities issues make initial coin/token offering (ICO/ITO) in a consumer protection point of view, and regulating transaction platforms. Fifthly, there is an issue of accounting and taxation. Furthermore, there are also a privacy issue and an issue of central bank cryptocurrencies (CBCC) and related financial instability issue.

This article lightly introduces and deals with these crypto-asset related issues except the issues of payment/settlement and CBCC; payment/settlement issues are rather technical matters and CBCC issue is so controversial.

B. Banking business issue

1. Countering pseudo-deposit taking activities

When it comes to the banking business issue, regulatory

arbitrage matters. If a coin/token can be cash or a cash equivalent for payment, the issuer might have to be regulated as a deposit institution. And the issuing activity may be subject to the Banking Act which demands banking licence, deposit insurance, regulatory capital ratio under the BIS regime, etc. Although this issue is controversial, there is reportedly no country which has begun to apply actively banking regulations to cryptocurrencies. However, this might matter if cryptocurrencies prevail so much in the future as to encroach on the legal tender area.

Under the current Banking Act in Korea, any person who intends to engage in banking business shall obtain authorization in advance from the relevant authority (the Financial Services Commission) (Art. 8 para.1). The term "banking business" means a business of lending funds raised by bearing debts owed to many and unspecified persons, by the receipt of deposits or the issuance of securities and other bonds (Art. 2 para.1). Therefore, if a person manages a business raising cryptocurrencies by act of receiving deposits of cryptocurrencies and lending those to many and unspecified persons, he/she might be doing a banking business using cryptocurrencies.

The current Banking Act stipulates strict requirements for acquiring a banking business license such as capital of at least 100 billion won, an appropriate plan for raising funds, sufficient investment capabilities for large shareholders, a feasible and sound business plan, a plan for stockholder composition in compliance with this Act, sufficient capabilities (human resources, business facilities, computer systems and other physical facilities), individual incorporators and executive officers' requirements under the Act on Corporate Governance of Financial Companies, etc.

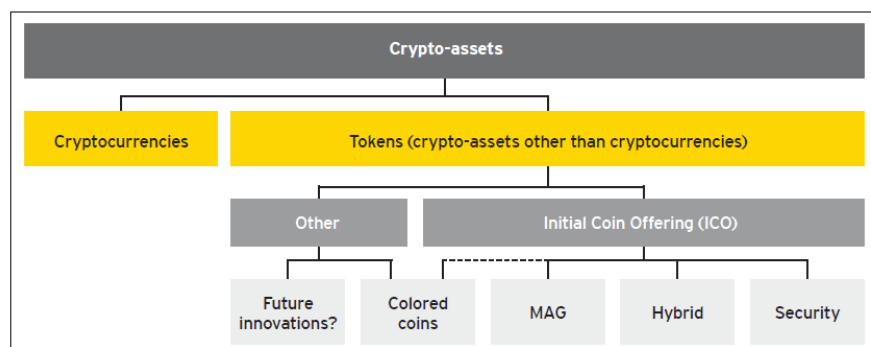


Figure 4. Classification of crypto-assets

Ernst & Young, "IFRS (#) Accounting for crypto-assets", (2018), p.3, [https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/\\$File/EY-IFRS-Accounting-for-crypto-assets.pdf](https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/$File/EY-IFRS-Accounting-for-crypto-assets.pdf).

2. Deposit insurance, capital adequacy test, etc.

In Korea, the Depositor Protection Act aims to protect depositors, etc. and maintain the stability of the financial system by efficiently operating the deposit insurance system, etc. (Art. 1). Accordingly, it provides that banks authorized under the Banking Act are also imposed on duties by the Depositor Protection Act so bank must pay the insurance premium in the capacity of an insured financial company (Art. 2 and Art. 30).

In addition, banks should abide by regulations of regulatory capital ratio or capital adequacy ratio; regulatory capital ratio is a bank's capital reserved against its risk. To ensure a bank can absorb a reasonable amount of loss and complies, The Detailed regulation on Banking Business announced by the Governor of the Financial Supervisory Service forces the regulatory capital ratio as statutory capital requirements (Art. 17). Therefore, if a cryptocurrency could be classified as a *currency*, it might become subject to the regulations under these Korean Deposit Protection Act and Banking Act. As for now, there remains legal uncertainty as there is no statutory definition under Korean laws although related bills are being discussed in the Korean parliament.

C. AML/CTF issue

Currently in Korea, no cryptocurrency is the legal tender recognized under Bank of Korea Act. Neither are they regulated digital currency of the Electronic Financial Transactions Act in Korea as they lack of exchangeability with fiat currency under this Act. Furthermore, cryptocurrencies are not subject to the Electronic Financial Transactions Act as they cannot be "electronic currency" of this Act. Electronic currency, issued with transferable monetary values stored by electronic means, must be issued in exchange for the same value of cash or deposits and must be exchangeable for cash or deposits under guarantee of the issuer (Art. 2 para.15). As such, Korean AML/CTF requirements are hard to be applied to cryptocurrencies under the existing Korean legal framework.

However, to cope with the *practical* money laundering problem, the Korea Financial Intelligence Unit (KoFIU) announced AML Guideline after it co-worked with the Korean financial supervisory authorities (the FSC, the FSS) and the AML Guideline was enforced on 30 January

2018. This AML Guideline provides Banks' heightened duty of care in relation to Know Your Customer (KYC) rule. As heightened duty of care, banks should care enough to identify whether their financial transaction counterparties are cryptocurrencies trading platform. Secondly, banks are imposed on heightened duty of care in relation to KYC; if a bank's transaction counterparty is identified as cryptocurrency trading platform, banks have an Enhanced Due Diligence (EDD) on KYC. Therefore, banks should check additional information such as a platform's goal of financial transaction and its money source: what services provided by the platform: whether the platform provides real name verification deposit account service and it checks the identity of its platform users: whether the platform manages separately its own asset and its users' trusted money (ring-fencing funds), etc. If the platform does not check the real-names of trading account holders or it refuses to offer information to the banks, banks should deny transaction with it. Moreover, if there is a reasonable doubt of AML, banks have duties to report to KoFIU when a financial transaction related to cryptocurrencies is doubted as ML one.¹²

Other countries are preparing or have prepared to address AML issue. For instance, the Monetary Authority of Singapore (MAS) announced the Payment Services Bill as its proposed payments regulatory framework in 2017. This bill will empower the MAS to regulate payment services with a view to anti-money laundering and terrorism financing.¹³ Korean parliament is also preparing to make appropriate law which can deal with cryptocurrency AML issue.

D. Securities issue

Securities issue is definitely most topical and con-

¹² KoFIU suggests several transaction types doubted as money laundering in relation to cryptocurrency trading such as ① large amount of transaction with a platform (\$10,000/day, \$20,000/week), ② frequent transactions during a short period (such as 5 times/day, 7 times/week), ③ platforms'f continuous remittance to people presumed as their executives and staffs. FSC, "Virtual Money Anti-Money Laundering Guidelines", FSC release (2018.1.28.), <http://www.fsc.go.kr>

¹³ MAS, "MAS Launches Second Consultation on New Regulatory Framework for Payments", (21 Nov. 2017), <http://www.mas.gov.sg/News-and-Publications/Media-Releases/2017/MAS-Launches-Second-Consultation-on-New-Regulatory-Framework-for-Payments.aspx>; as of September 2018, this bill still remains as a bill.

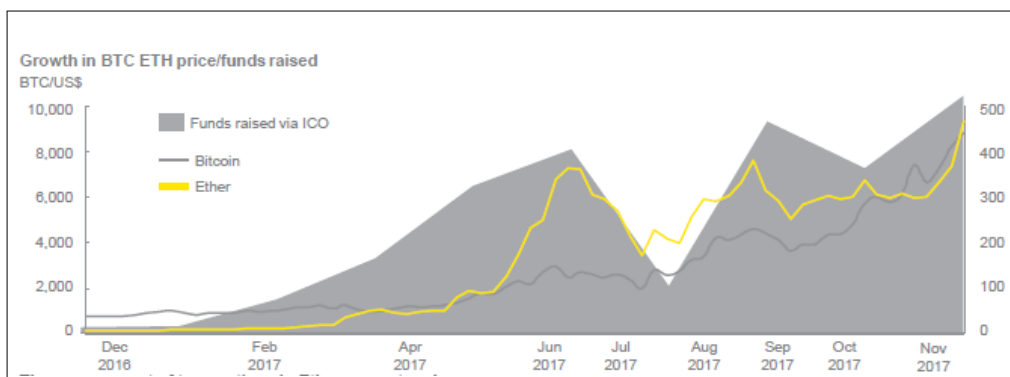


Figure 5. Token valuation ICOs fuel demand for Ether and bitcoin (BTC)

Ernst & Young, "EY research: initial coin offerings (ICOs)", (17 Dec 2017), p.27, <https://bravenewcoin.com/insights/ey-research-initial-coin-offerings-icos->.

controversial one among legal issues on crypto-assets. These days lots of fund are being raised by ICOs substituting for IPOs. Fund raised by ICOs are mostly cryptocurrencies such as Bitcoin or Ether, not the legal tenders.

Securities issue begins from the feature of programmable cryptocurrencies like Ethereum. Unlike Bitcoin, Ethereum is not just a blockchain; it is a rather blockchain-based software platform. Ethereum allows users to build and execute smart contracts and Distributed Autonomous Applications (DApps).¹⁴ After that, its cryptocurrency asset (Ether) helps in executing these apps and contracts.

Various tokens can be issued in return for Ether in each project which is automatically executable through smart contracts in DApps. Those tokens can constitute securities under securities regulations if they are sold to investors for expectation of future profit. Having said that, now some countries like Singapore, Switzerland and the US have developed or are developing securities regulations on cryptocurrencies to protect investors. This approach focuses especially on regulation of ICOs.

On the other hand, Korea has not yet discussed this issue enough but its financial supervisory authorities are now showing signs of changes surrounding regulation of crypto-assets. Recently Korean authorities contacted domestic blockchain startups as part of an investigation

into ICOs¹⁵ although there is no announcement of applying securities regulations on crypto-assets so far.

The SEC, US securities regulator has not only to agreed that crypto-assets can be securities under related laws but it also announced in March this year that trading platforms for crypto-assets are required to be registered as an exchange. US related federal laws require a trading platform to be registered with the SEC as a national securities exchange or must be exempt from registration, if it offers trading of digital assets that are securities and operates as an "exchange", as defined by the federal securities laws.¹⁶

For another example, Singapore, one of the countries where ICOs are being actively done, published a guide to digital token offerings' in November 2017. This guide says that Singapore supervisor, the MAS will examine the structure and characteristics of, including the rights attached to, a digital token. If the MAS decides that a digital token is capital markets products, offerors of that digital token should register with the MAS subject to the Securities and Futures Act. In this context, exchanges must consult the MAS before trading in digital tokens that are deemed to be securities or futures contracts.¹⁷

¹⁴ The inbuilt programming language Solidity is used to write smart contracts and DApps. Quora.com, "How is the Ethereum blockchain different from the Bitcoin blockchain?", (Feb. 7, 2018), <https://www.quora.com/How-is-the-Ethereum-blockchain-different-from-the-Bitcoin-blockchain>

¹⁵ Coindesk, "Korean Financial Watchdogs Probing Blockchain Firms Over ICO Activity", (Sep 12, 2018), <https://www.coindesk.com/korean-financial-watchdogs-probing-blockchain-firms-over-ico-activity/>

¹⁶ SEC, "Initial Coin Offerings (ICOs)", <https://www.sec.gov/ICO>

¹⁷ Straitstimes, "MAS turns up heat on cryptocurrency exchanges, ICOs", (May 25, 2018), <https://www.straitstimes.com/business/banking/mas-turns-up-heat-on-cryptocurrency-exchanges-icos>

E. Accounting and Taxation

Taxation closely depends on the characteristics of the taxation objects and usually taxation is related with accounting. Accounting treatments of crypto-assets will depend on the particular facts and circumstances.¹⁸ Depending upon the features of crypto-assets and the people's purposes for holding them, crypto-assets can be classified as cash and cash equivalents, financial instruments (securities or derivatives), inventories, prepayment assets, or an intangible asset.¹⁹ However, as of the 2018 summer, the International Accounting Standards Board (IASB) has not yet decided about the topic of digital currencies accounting although it continuously searches how existing IFRS requirements may apply in accounting for ICOs and tokens held.²⁰ Currently the Korean government is working on these accounting and taxation matters.

F. Privacy issue

The belief that all transactions on a blockchain are anonymous is a prevalent misconception. In fact, transactions on public, permission-less blockchains such as the Bitcoin blockchain are pseudonymous; anyone can view the ledger where ownership of Bitcoin and all transactions that have occurred upon it are recorded. As these information exist as pseudonymous, one could track activity to particular addresses with enough data thereby addressing to individuals or parties involved in that blockchain.²¹

Therefore, there is a legal risk because personal subjects in blocks might be identifiable²². Personal data pseudony-

mised in blocks can be subject to the related law such as the EU General Data Protection Regulation (GDPR).

IV. Summary and Concluding Remarks

So far this paper introduced and discussed several issues about crypto-assets or cryptocurrencies.²³ If activities taking cryptocurrencies and lending them can constitute pseudo-deposit taking activities, those activities may be subject to the related banking laws which requires strict regulations like capital adequacy test and deposit insurance, etc. Although cryptocurrencies are not legal tenders, they are sometimes playing similar roles as that of money. Therefore, activities dealing with cryptocurrencies can be misused to evade anti-money laundering (AML) and counter terrorist financing (CTF). Currently, some nations including Korea have already implemented related regulations as Know Your Customer (KYC) rule.

Among others, securities issues to protect investors are most topical and strongest regulations. Securities issues makes ICOs reviewed from an investor protection aspect which forces appropriate securities regulations to avoid regulatory arbitrage. Among issues to be being discussed there is the issue of accounting and taxation, and privacy issue which we need to keep watching. Crypto-assets or cryptocurrencies related issues are developing very fast. This paper intends to cover current major legal issues briefly thereby helping to improve our understanding.

Some issues this paper has not dealt with, though important, are payment/settlement issues; these issues are mostly focused on enhancing efficiency and ensuring integrity. In addition, the issue of central bank cryptocurrencies (CBCC) and related financial instability issue remain untouched by this paper which need to be addressed alter. Most of all, various types of crypto-assets or cryptocurrencies are being created, so legal studies will con-

¹⁸ Ernst & Young, "Applying IFRS: Accounting by holders of crypto-assets", (Aug. 2018), p.2, <https://bravenewcoin.com/insights/applying-ifrs-accounting-by-holders-of-crypto-assets>; Cryptocurrencies or crypto-assets have diverse terms and conditions and people's purposes for holding them differ among the entities and sometimes even differ within the same entities that hold them. Ibid.

¹⁹ For detailed information, Ernst & Young, "Applying IFRS: Accounting by holders of crypto-assets", (Aug. 2018), p.6.

²⁰ IFRS Foundation website, IASB Update (July 2018), www.ifrs.org/news-and-events/updates/iasb-updates/july-2018 [recited from Ernst & Young, "Applying IFRS: Accounting by holders of crypto-assets", (Aug. 2018), p.23]

²¹ Ernst & Young, "IFRS (#) Accounting for crypto-assets", (2018), p.16. [https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/\\$File/EY-IFRS-Accounting-for-crypto-assets.pdf](https://www.ey.com/Publication/vwLUAssets/EY-IFRS-Accounting-for-crypto-assets/$File/EY-IFRS-Accounting-for-crypto-assets.pdf)

²² Mauro Conti, et al. survey the security and privacy aspects of Bitcoin and review the existing vulnerabilities in Bitcoin based on its major underlying technologies of blockchain and PoW-based consensus

protocol. Conti, et al. say that Bitcoin's vulnerabilities may lead to various security threats and that the anonymity considerations in Bitcoin are wrong with the privacy-related threats to Bitcoin users. Mauro Conti, et al., "A Survey on Security and Privacy Issues of Bitcoin", Submitted on 3 Jun 2017, last revised 25 Dec 2017, <https://arxiv.org/abs/1706.00916>.

²³ However, the issue of central banks cryptocurrencies (CBCC) remains not dealt with here although it should be addressed as an important issue in the aspect of financial instability.

tinuously have to be adjusted for new changes.

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Citizens' Perspective of Corporate Social Responsibility(CSR): Are They Societal or Promotional?

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A B S T R A C T

The study tried to find out citizens' perception regarding different CSR activities undertaken by the financial institutions of Bangladesh. The financial institutions of Bangladesh are found to be mostly involved in 27 CSR activities in five major areas (education, health, infrastructural, public awareness, socio-cultural). The analysis of the 27 CSR activities on the basis of the citizens' responses has shown a clear perception of the citizens' understanding regarding the CSR activities undertaken by different institutions of Bangladesh. As noted, the citizens very clearly indicated that the health sector activities, infrastructural development and social awareness campaigns for CSR are more societal than profit-oriented. On the other hand, education related activities to them are to some extent societal than profit driven. But the socio-cultural events they perceive to be more profit driven than societal. Overall the citizens view regarding these CSR activities not purely societal but more societal than profit-oriented. Gender-wise not much difference is observed in the responses.

Keywords: corporate social responsibility (CSR), education, health, infrastructural, promotional, public awareness, societal, socio-cultural

I . BACKGROUND

Ethical corporate responsibility originating from humanistic, religious and moral orientation are taken as additional responsibilities going beyond legal compliance and profit making and include those that firms trust are the right things to do. The voluntary responsibilities to the society refer to the discretionary nature of obligations rooted in the altruistic principles which are not required by law (Jamali and Mishak 2007). Such sense of errands arises from the reciprocal obligation of giving back to the society in exchange of profit and power that companies receive from them. This gave rise to CSR¹ (Corporate

Social Responsibility) which is seen as continuing commitment by business to behave ethically and contribute to improving the quality of life of the workforce, their families, local community, and society at large, including the environment. With global steady business growth, the importance of CSR activities in the globe have risen significantly (Siegel and Vitaliano 2007).

Business is an inseparable and embedded part of the society. In addition to its economic role in society, business also has several other roles and responsibilities towards society (Preston and Post 1975; Davis and Blomstrom 1971). Responsible business conducts activities while pursuing economic gains; the social and environmental responsibilities of the business towards its stakeholders; and business's contributions that would benefit the society at large (Margolis and Walsh 2001; Sethi 1975). CSR has become an important part of the corporate fabric

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and it calls for socially responsible activities from corporations. There has been a significant increase in the expectations of a wide range of stakeholders - consumers, employees, investors, communities, and governments. As such, businesses are coming at the forefront position, asserting their commitment in addressing the needs of the community. The history of social and environmental concerns about business is as old as trade and business itself. Nowadays, businesses not only need to fulfill their economic obligations, but also have to be socially responsible in order to stay competitive and thus uses the CSR program as a marketing tool to improve image and make good business sense (Friedman 1970).

Today CSR is not about philanthropy or charitable work; it refers to something more fundamental. It is about how companies take responsibility for their actions in the world at large (Sethi 1975). To address the problems of the stakeholders, the business community evolved the approach of CSR in their business strategies to strike a balance between economic and social goals, where resources are used in a rational manner and social needs are addressed responsibly. A company might implement these activities as part of a strategic CSR plan or because it sees these activities as good for business. CSR activities are either real examples of responsibility or just instances of a company tooting its own horn without a social impact. CSR has become a buzzword in the corporate world; As a result, to be competitive, more and more business organizations are engaging themselves in socially responsible activities. A number of companies with good social and environmental records indicate that these activities can result in better performance and can generate more profit and growth.

The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities. The key drivers for CSR include:

- Enlightened self-interest - creating a synergy of ethics, a cohesive society and a sustainable global economy where markets, labor and communities are able to function well together.
- Social investment - contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.
- Transparency and trust - business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more

accountable and be prepared to report publicly on their performance in social and environmental arenas

- Increased public expectations of business - globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment.”

In Bangladesh, apart from the benevolent social services by some business firms, the new concept of CSR is emerging despite several hindrances. Globalization has made CSR practice an imperative for Bangladesh business. Companies are getting aware of it because being a part of global market, as it is really difficult to ignore CSR particularly in the export sector. Stringent compliance from the importer has taught the local business community about the immense importance of CSR and adoption of this modern and competitive practice for increasing value to the brand. Awareness and sense of necessity for practicing CSR is becoming more and more pronounced as the country has to adapt itself to the process of globalization (Belal 2001). But the overall standing of CSR in Bangladesh is still very dubious and meager. Lack of good governance, absence of strong labor unions or consumer rights groups, and inability of the business community to perceive CSR as a survival pre-condition in export and PR investment - local market constitute some of elements undermining the evolution of CSR practices.

It is evident that CSR practices are gradually getting integrated into cross-border business practices and consequently becoming one of the determining factors for accessing market. There has been increasing pressure on national and multinational corporations in Bangladesh to consider the social implications of their actions (Belal 2001). With well-informed and educated general people, it has become threat to the corporate and CSR is the solution to it. Most of the companies in Bangladesh gradually engage themselves in CSR activities and their broad categorization are: Education, Health, Social Awareness, Poverty Alleviation, Empowerment, Environmental, Social events, Disaster relief, etc. Among the local companies, banks are at the leading position, followed by the pharmaceutical companies, local production companies, textiles and garments.

In a Bangladesh context, several multinational companies and few local companies practice CSR. While the multinationals are influenced by their own “enterprise social responsibility” disposition, most of the business

concerns in Bangladesh do not rate high in practicing CSR unless being pressured (Islam 2012). So, the question arises why these business organizations are doing CSR activities, and what the cognizant citizens² think about those activities. This research tried to explore the citizens thought about these activities: whether these are promotional³ (only for promotion to increase profitably) or societal⁴ (for social welfare).

II. OBJECTIVES

The broad objective of the study is to explore the perception of the citizens regarding CSR activities that are executed by the financial institutions in Bangladesh. Specifically, the study looked into citizens' perspective about CSR activities related to i) health care, ii) educational, iii) multi-facet events (i.e., sports, cultural, competitions, conferences, etc.), iv) infrastructure and aesthetic initiatives, v) socio-environmental awareness raising programs taken by the companies.

III. METHODOLOGY

The main objective of this research was to analyze the perception of people about the CSR activities in Bangladesh. The research used both primary and secondary sources and made pertinent literature review. The primary data was collected by means of questionnaire survey of 194 community conscious citizens (e.g., students, service holders, businessmen and housewives). The survey questionnaire contains 27 key variables using a 5-point Likert scale (1: Only societal, 2: More societal than profit driven, 3: Neutral, 4: More profit driven than societal, and 5: Only profit driven). From the responses mean indices are calculated to measure the citizens' views and perceptions.

The survey was conducted within Dhaka Metropolitan – the capital of Bangladesh. A combination of convenience, judgmental and quota sampling techniques were used to select the respondents (n=194). The secondary sources include books, reports, journal articles, etc. The study used face validity and the responses were found to be

reliable (Cronbach's alpha=0.845). The survey questionnaire was pretested with 15 respondents and necessary editing was done. Data analyses were done using a number of statistical tests. The tests used are one-sample frequency distribution, descriptive statistics, indexing, t-tests, factor analysis, etc.

The limitations of the study include small sample size and study area confined to the capital city only. The sample of 194 citizens can be justified with a level of significance of 10%, precision of 6%, and proportion of 50%. Time shortage and non-response error resulted into small sample size. Keeping the boundary within capital city is rational in the sense that most of the people living here are conscious, cognizant, alert and vigilant of the CSR activities of the corporations.

IV. DATA ANALYSIS

The citizens' view regarding the CSR activities are grouped into 5 complex variables containing 27 simple variables. The five CSR related complex variables are: i) health sector facilities, ii) education related activities, iii) multi-facet events, iv) aesthetic-infrastructure CSR, and v) socio-environmental awareness campaign. The citizens' survey is conducted using a 5-point Likert scale regarding their view towards these activities (1: only societal, 2: more societal than profit driven, 3: neutral, 4: more profit driven than societal, 5: only profit driven). Here 194 citizens view restricted to 27 variables are quantified using the 5-point likert scale values (1, 2, 3, 4, 5). On the basis of the responses the mean indices of all the variables are calculated for testing the research objectives. The detailed analyses of these complex variables are described below.

A. Health Sector

The citizens' perspective about CSR activities involving health sector contains seven simple variables. The citizens' have given their view against each of the components in a 5-point Likert scale focusing if it is societal or promotional. The component wise analysis is given below.

1. Health care facilities

Regarding health care facilities (Table 1) we can see that most (30.9%) of the respondents think it is more societal than profit driven, but quite a few (17.5%) of the respondents think that health care facilities taken by the companies are only societal. Again, a significant number (29.9%) think these are more profit driven than societal. About 16.5% gave a neutral view, whereas another 4.6% respondents think health facilities are only given for promotion and to drive profit from that. But the central tendency of 2.72 indicates that mostly people see these initiatives as more societal than profit driven. We also notice that responses are quite bi-modal and are quite dispersed ($\sigma = 1.21$).

2. Free medicine provided

From the Table 2 we can see, 22.2% of the respondents think that free medicine provided by the companies are purely societal, whereas 45.9% see it as more societal than profit driven. Though 8.8% gave a neutral view but quite a few (23.3%) think these are more profit driven than societal. Here it is noted that the central tendency is again 2.33 which mean mostly people see these initiatives as more societal than profit driven. We also notice that nobody think this initiative is profit driven only. Here

also responses are quite dispersed ($\sigma=1.065$) which means people have different views.

3. Free Medical check-up

From the Table 3 regarding free medical check-up we can see, 32.0% of the respondents think that free medical checkup programs taken by the companies are only societal whereas 47.4% think it as more societal than profit driven, 8.8% gave a neutral view, 11.3% think these are more profit driven than societal and the other 0.5% respondents think free checkup facilities are only given for promotion and to drive profit from that. As noted the mean index here is 2.01 which means mostly people see these initiatives as more societal than profit driven. We also notice that responses are also quite dispersed (0.955).

4. Free dental checkup

From the Table 4 we can see, 24.2% of the respondents think that free dental checkup programs taken by the companies are only societal, whereas, 41.8% think it as more societal than profit driven, 12.9% gave a neutral view, 20.1% think these are more profit driven than societal and the other 1% respondents think free dental checkup facilities are only given for promotion and to drive profit

Table 1. Health care facilities

Responses	f	%	Descriptive Statistics
No Response	1	0.5	Mean Index (μ)=2.72
Only Societal	34	17.5	Std. Deviation (σ)=1.212
More Societal than profit driven	60	30.9	Significance Level (α)=0.001
Neutral	32	16.5	
More Profit driven than societal	58	29.9	
Profit driven	9	4.6	
Total	194	100.0	

Table 2. Free medicine provided

Responses	f	%	Descriptive Statistics
Only Societal	43	22.2	Mean Index (μ)=2.33
More Societal than profit driven	89	45.9	Std. Deviation (σ)=1.065
Neutral	17	8.8	Significance Level (α)=0.000
More Profit driven than societal	45	23.2	
Total	194	100.0	

from that. It is noted that the mean index here is 2.32 which means mostly people see these initiatives as more societal than profit driven. We also notice that responses are quite dispersed ($\sigma=1.083$).

5. Free pure drinking water supply

From the Table 5 we see that 29.9% of the respondents think that free pure drinking water supply program taken by the companies are only societal whereas 39.2% think it as more societal than profit driven, 15.5% gave a neutral view, 13.4% think these are more profit driven than societal and the other 1.5% respondents think these campaigns are only undertaken only for promotion and to drive profit from that. It is noted that the mean index here is 2.16 which mean mostly people see these initiatives as more

societal than profit driven. We also notice that responses are quite dispersed ($\sigma=1.063$) which means people have different views.

6. Free vaccination service

From the Table 6 we can see, 32.0% of the respondents think that free vaccination service programs taken by the companies are only societal whereas 40.7% think it as more societal than profit driven, 9.8% gave a neutral view, 14.9% think these are more profit driven than societal and the other 1.5% respondents think free vaccination facilities are only given for promotion and to drive profit from that. So we see that the mean index is 2.10 which means mostly people see these initiatives as more societal than profit driven. We also notice that responses quite

Table 3. Free medical check-up

Responses	f	%	Descriptive Statistics
Only Societal	62	32.0	Mean Index (μ)=2.01
More Societal than profit driven	92	47.4	Std. Deviation (σ)=0.955
Neutral	17	8.8	Significance Level (α)=0.000
More Profit driven than societal	22	11.3	
Profit driven	1	0.5	
Total	194	100.0	

Table 4. Free dental checkup

Responses	f	%	Descriptive Statistics
Only Societal	47	24.2	Mean Index (μ)=2.32
More Societal than profit driven	81	41.8	Std. Deviation (σ)=1.083
Neutral	25	12.9	Significance Level (α)=0.000
More Profit driven than societal	39	20.1	
Profit driven	2	1.0	
Total	194	100.0	

Table 5. Free pure drinking water supply

Responses	f	%	Descriptive Statistics
No Response	1	0.5	Mean Index (μ)=2.16
Only Societal	58	29.9	Std. Deviation (σ)=1.063
More Societal than profit driven	76	39.2	Significance Level (α)=0.000
Neutral	30	15.5	
More Profit driven than societal	26	13.4	
Profit driven	3	1.5	
Total	194	100.0	

dispersed ($\sigma=1.092$) which means people have different views.

7. Free eye care

From the Table 7 we can see, 26.3% of the respondents think that free eye care facilities taken by the companies are only societal whereas 42.3% think it as more societal than profit driven, 16.0% gave a neutral view, 13.4% think these are more profit driven than societal and the other 1.5% respondents think eye care facilities are only given for promotion and to drive profit from that. So we see the central tendency in the scale is 2.2 which means mostly people see these initiatives as more societal

than profit driven. Here we notice that the data is quite dispersed ($\sigma=1.041$) which means people's views are mostly societal oriented.

8. Overall (Health sector)

The citizens' perspective about CSR activities involving health sector contains seven simple variables. The mean indices, standard deviations and significant difference from neutral view (3) of each of the variables are summarized in Table 8. The overall mean indexes of the variables is found to be 2.26 [significantly ($\alpha=0.000$) less than 3 (neutral)] and narrowly dispersed ($\sigma=0.23$) [between 2 (more societal than profit driven) and 3

Table 6. Free vaccination service

Responses	f	%	Descriptive Statistics
No Response	2	1.0	Mean Index (μ)=2.10
Only Societal	62	32.0	Std. Deviation (σ)=1.092
More Societal than profit driven	79	40.7	Significance Level (α)=0.000
Neutral	19	9.8	
More Profit driven than societal	29	14.9	
Profit driven	3	1.5	
Total	194	100.0	

Table 7. Free eye care

Responses	f	%	Descriptive Statistics
No Response	1	.5	Mean Index (μ)=2.20
Only Societal	51	26.3	Std. Deviation (σ)=1.041
More Societal than profit driven	82	42.3	Significance Level (α)=0.000
Neutral	31	16.0	
More Profit driven than societal	26	13.4	
Profit driven	3	1.5	
Total	194	100.0	

Table 8. Health Care Sector

Variables	Mean Index (μ)	Std. Deviation (σ)	Significance Level (α)
Health care facilities	2.72	1.212	0.001
Free medicine provided	2.33	1.065	0.000
Free medical check-up	2.01	0.955	0.000
Free dental check-up	2.32	1.083	0.000
Free pure drinking water supply	2.16	1.063	0.000
Free vaccination service	2.10	1.092	0.000
Free eye care	2.20	1.041	0.000

(neutral)]. This indicates that the citizens' view regarding the health-related CSR activities are more societal than profit-oriented.

B. Education Sector

There are 3 variables in this sector to measure the citizen's perspective about the CSR activities involving the education sector. The detailed analysis is given below.

1. Establishment of Educational Institutes

We can see from the Table 9 that 9.8% of the respondents think educational institutes established by the companies are only societal whereas 25.8% think that it is actually more societal than profit driven, 21.1% gave a neutral view, 28.4% think these are more profit driven than societal and the other 13.9% respondents think that these educational institutes are established only for promotion and to drive profit from that. So we see the central tendency in the scale was 3.09 which means mostly people see these initiatives as more profit driven than societal. We can also notice that the responses are quite dispersed which means people have different views about these

initiatives.

2. Donation for Library

We can see from the Table 10 that 11.9% of the respondents think donations made by the companies for libraries are only societal whereas 36.1% think that it is actually more societal than profit driven, 25.3% of the respondents gave a neutral view, 19.6% think these are more profit driven than societal and the other 6.2% respondents think that they donate for the libraries only for promotion and to drive profit from that. So we see the central tendency in the scale was 2.69 which mean mostly people see these initiatives as more societal than profit driven. We can also notice that the responses are quite dispersed ($\sigma=1.132$) which means people have different views about these initiatives.

3. Scholarship Offers

We can see from the Table 11 that 26.8% of the respondents think the companies offer scholarship only for societal purpose whereas 41.2% think that it is actually more societal than profit driven, 13.9% gave a neutral view, 14.4% think these are more profit driven than societal

Table 9. Establishment of educational institution

Responses	f	%	Descriptive Statistics
No Response	2	1.0	Mean Index (μ)=3.09
Only Societal	19	9.8	Std. Deviation (σ)=1.259
More Societal than profit driven	50	25.8	Significance Level (α)=0.393
Neutral	41	21.1	
More Profit driven than societal	55	28.4	
Profit driven	27	13.9	
Total	194	100.0	

Table 10. Donation for Library

Responses	f	%	Descriptive Statistics
No Response	2	1.0	Mean Index (μ)=2.69
Only Societal	23	11.9	Std. Deviation (σ)=1.132
More Societal than profit driven	70	36.1	Significance Level (α)=0.000
Neutral	49	25.3	
More Profit driven than societal	38	19.6	
Profit driven	12	6.2	
Total	194	100.0	

and the other 3.6% respondents think that these scholarships are offered only for promotion and to drive profit from that. It is noted that the mean index here is 2.27 which mean mostly people see these initiatives as more societal than profit driven. Here we can notice that the respondents' views are quite dispersed ($\sigma=1.115$) which means people have different views about these initiatives.

d) Overall (Education sector)

The citizens' perspective about CSR activities involving education sector contains three simple variables. The mean indices, standard deviations and significant difference from neutral view (3) of each of the variables are summarized in Table 12. The overall mean indexes of the variables are found to be 2.68 [not significantly ($\alpha < 0.305$) less than 3 (neutral)] and quite dispersed ($\sigma=0.405$) [between 2 (more societal than profit driven) and 3

(neutral)]. This indicates that the citizens' view regarding the health-related CSR activities are more societal than profit-oriented.

C. Multi-facet Events

We had five variables to measure citizens' perspective towards CSR activities by different companies involving different types of events.

1. Sports Events

We can see from the Table 13 that 4.1% of the respondents think that the companies sponsor sports events only for societal purpose whereas 12.4% think that it is actually more societal than profit driven, 14.4% gave a neutral view, 42.3% think these are more profit driven

Table 11. Scholarship Offers

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=2.27
Only Societal	52	26.8	Std. Deviation (σ)=1.115
More Societal than profit driven	80	41.2	Significance Level (α)=0.000
Neutral	27	13.9	
More Profit driven than societal	28	14.4	
Profit driven	7	3.6	
Total	194	100.0	

Table 12. Education sector

Variables	Mean Index (μ)	Std. Deviation (σ)	Significance Level (α)
Building educational institution	3.08	1.259	0.393
Donation for library	2.69	1.132	0.000
Student scholarship	2.27	1.115	0.000

Table 13. Sports Events

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=3.75
Only Societal	8	4.1	Std. Deviation (σ)=1.11
More Societal than profit driven	24	12.4	Significance Level (α)=0.000
Neutral	28	14.4	
More Profit driven than societal	82	42.3	
Profit driven	52	26.8	
Total	194	100.0	

than societal and the other 26.8% respondents think that the sports events are sponsored by the companies only for promotion and to drive profit from that. It is noted that the mean index here is 3.75 which mean mostly people see these initiatives as more profit driven than societal. Here we can notice that the respondents' views are quite dispersed ($\sigma=1.11$) which means people have different views about these initiatives.

2. Cultural Events

We can see from Table 14 that 2.6% of the respondents think that the companies sponsor cultural events only for societal purpose whereas 10.3% think that it is actually more societal than profit driven, 19.6% gave a neutral view, 42.8% think these are more profit driven than societal and the other 24.2% respondents think that the cultural events are sponsored by the companies only for promotion and to drive profit from that. The mean index in this case is 3.76 which means mostly people see these initiatives as more profit driven than societal. And it is seen that the respondents' views are quite dispersed ($\sigma=1.02$) which means people have different views about these initiatives.

Table 14. Cultural Events

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=3.76
Only Societal	5	2.6	Std. Deviation (σ)=1.02
More Societal than profit driven	20	10.3	Significance Level (α)=0.000
Neutral	38	19.6	
More Profit driven than societal	83	42.8	
Profit driven	47	24.2	
Total	193	99.5	

Table 15. Seminar and Workshop

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=3.11
Only Societal	11	5.7	Std. Deviation (σ)=0.946
More Societal than profit driven	40	20.6	Significance Level (α)=0.113
Neutral	64	33.0	
More Profit driven than societal	75	38.7	
Profit driven	4	2.1	
Total	194	100.0	

3. Seminar and Workshop

We can see from Table 15 that 5.7% of the respondents think that the companies organize seminars and workshops only for societal purpose whereas 20.6% think that it is actually more societal than profit driven, 33% gave a neutral view, 38.7% think these are more profit driven than societal and the other 2.1% respondents think that the seminars and workshops are organized by the companies only for promotion and to drive profit from that. The mean index in this case is 3.11 which means mostly people see these initiatives neither profit driven nor societal. And it is seen that the respondents' views are quite dispersed ($\sigma=1.02$) which means people have different views about these initiatives.

4. Conferences

We can see from the Table 16 that 3.6% of the respondents think that the companies sponsor conferences only for societal purpose whereas 16% think that it is actually more societal than profit driven, 26.8% gave a neutral view, 31.4% think these are more profit driven than societal and the other 22.2% respondents think that the conferences are sponsored by the companies only

for promotion and to drive profit from that. The mean index in this case is 3.53 which mean mostly people see these initiatives as more profit driven than societal. And it is seen that the respondents' views are quite dispersed ($\sigma=1.11$) which means people have different views about these initiatives.

5. Competitions

We can see from the Table 17 that 2.1% of the respondents think that the companies sponsor competitions only for societal purpose whereas 9.3% think that it is actually more societal than profit driven, 19.1% gave a neutral view, 45.9% think these are more profit driven than societal and the other 23.7% respondents think that the competitions are sponsored by the companies only

for promotion and to drive profit from that. The mean index in this case is 3.80 which mean mostly people see these initiatives as more profit driven than societal. And it is seen that the respondents' views are not that dispersed ($\sigma=0.974$) and most of them think that these activities are mostly profit driven.

6. Overall (Multi-facet Events)

The citizens' perspective about CSR activities involving social events contains five simple variables. The mean indices, standard deviations and significant difference from neutral view (3) of each of the variables are summarized in Table 18. The overall mean indexes of the variables is found to be 3.59 [significantly ($\alpha<0.01$) greater than 3 (neutral)] and narrowly dispersed ($\sigma=0.29$) [between

Table 16. Conferences

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=3.53
Only Societal	7	3.6	Std. Deviation (σ)=1.11
More Societal than profit driven	31	16.0	Significance Level (α)=0.000
Neutral	52	26.8	
More Profit driven than societal	61	31.4	
Profit driven	43	22.2	
Total	194	100.0	

Table 17. Competitions

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=3.80
Only Societal	4	2.1	Std. Deviation (σ)=0.974
More Societal than profit driven	18	9.3	Significance Level (α)=0.000
Neutral	37	19.1	
More Profit driven than societal	89	45.9	
Profit driven	46	23.7	
Total	194	100.0	

Table 18. Overall (Socio-cultural Events)

Variables	Mean Index (μ)	Std. Deviation (σ)	Significance Level (α)
Sports events	3.75	1.106	0.00
Cultural events	3.76	1.018	0.00
Seminar and workshop	3.11	0.946	0.113
Conferences	3.53	1.111	0.00
Competitions	3.80	0.974	0.00

4 (more profit driven than societal) and 3 (neutral)]. This indicates that the peoples’ perception about social event related CSR activities is more promotional than societal.

D. Infrastructure and Aesthetic Development

The study had six variables to measure citizens’ perspective towards CSR activities involving infrastructures. The citizens’ have given their view against each of the components in a 5-point Likert scale focusing if it is societal or promotional. The detailed analysis is given below.

1. Road Dividers

We can see from Table 19 that 24.2% of the respondents think that the companies build road dividers only for societal purpose whereas 40.2% think that it is actually more societal than profit driven, 19.1% gave a neutral view, 13.9% think these are more profit driven than societal and the other 2.6% respondents think that road dividers are built by the companies only for promotion and to drive profit from that. The mean index in this case is 2.3 which mean most of the people see these initiatives

as more societal than profit driven. And it is seen that the respondents’ views are quite dispersed ($\sigma=1.065$).

2. Constructing Waiting sheds

We can see from Table 20 that 9.3% of the respondents think that the companies build waiting sheds only for societal purpose whereas 24.2% think that it is actually more societal than profit driven, 16.5% gave a neutral view, 43.3% think these are more profit driven than societal and the other 6.7% respondents think that waiting spots are built by the companies only for promotion and to drive profit from that. It is noted that the mean index here is 3.14 which means most of the people see these initiatives neither as profit driven nor societal. And it is seen that the respondents’ views are quiet dispersed ($\sigma=1.14$).

3. Roads and Bridges

We can see from Table 21 that 22.7% of the respondents think that the companies build roads and bridges only for societal purpose whereas 44.3% think that it is actually more societal than profit driven, 17% gave a neutral view, 14.4% think these are more profit driven than societal

Table 19. Road Dividers

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=2.30
Only Societal	47	24.2	Std. Deviation (σ)=1.065
More Societal than profit driven	78	40.2	Significance Level (α)=0.000
Neutral	37	19.1	
More Profit driven than societal	27	13.9	
Profit driven	5	2.6	
Total	194	100.0	

Table 20. Constructing Waiting Spots

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=3.14
Only Societal	18	9.3	Std. Deviation (σ)=1.14
More Societal than profit driven	47	24.2	Significance Level (α)=0.091
Neutral	32	16.5	
More Profit driven than societal	84	43.3	
Profit driven	13	6.7	
Total	194	100.0	

and the other 1.5% respondents think that roads and bridges are built by the companies only for promotion and to drive profit from that. It is noted that the mean index here is 2.28 which means most of the people see these initiatives as more societal than profit driven. And it is seen that the respondents' views are a little dispersed ($\sigma=1.02$) and mostly societal oriented.

4. Lake Cleaning and maintenance

From Table 22 we can see, 31.4% of the respondents think that lake cleaning and maintenance program taken by the companies are only societal whereas 40.7% think it as more societal than profit driven, 16.5% gave a neutral

view, 9.3% think these are more profit driven than societal. It is noted that the mean index here is 2.01 which mean mostly people see these initiatives as more societal than profit driven. We also notice that responses are societal oriented mostly and skewed towards that.

5. Beautifications of roads and highways

From Table 23 we can see, 13.4% of the respondents think that beautification programs of roads and highways taken by the companies are only societal whereas 22.7% think it as more societal than profit driven, 27.3% gave a neutral view, 33.5% think these are more profit driven than societal and the other 3.1% respondents think are

Table 21. Roads and Bridges

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=2.28
Only Societal	44	22.7	Std. Deviation (σ)=1.02
More Societal than profit driven	86	44.3	Significance Level (α)=0.000
Neutral	33	17.0	
More Profit driven than societal	28	14.4	
Profit driven	3	1.5	
Total	194	100.0	

Table 22. Lake Cleaning and maintenance

Responses	f	%	Descriptive Statistics
No Response	3	1.5	Mean Index (μ)=2.01
Only Societal	61	31.4	Std. Deviation (σ)=0.96
More Societal than profit driven	79	40.7	Significance Level (α)=0.000
Neutral	32	16.5	
More Profit driven than societal	18	9.3	
Profit driven	-	-	
Total	194	100.0	

Table 23. Beautifications of roads and highways

Responses	f	%	Descriptive Statistics
No Response	0	0.0	Mean Index (μ)=2.9
Only Societal	26	13.4	Std. Deviation (σ)=1.104
More Societal than profit driven	44	22.7	Significance Level (α)=0.218
Neutral	53	27.3	
More Profit driven than societal	65	33.5	
Profit driven	6	3.1	
Total	194	100.0	

only given for promotion and to drive profit from that. It is noted that the mean index here is 2.9 ($\alpha=0.218$) and quite diverse ($\sigma=1.104$) meaning mostly people see these initiatives neither as profit driven nor societal.

6. Waste disposal initiative

From Table 24 we can see, 31.4% of the respondents think that waste disposal initiatives taken by the companies are only societal whereas 42.3% think it as more societal than profit driven, 13.4% gave a neutral view, 9.3% people think this kind of activities are more profit driven than societal and only 1.5% think these are only profit driven. It is noted that the mean index here is 2.01 which mean mostly people see these initiatives as more societal than profit driven. We also notice that responses are societal oriented mostly.

7. Overall (Infrastructural development programs)

The citizens' perspective about CSR activities involving infrastructural development programs contains six simple variables. The mean indices, standard deviations and significant difference from neutral view (3) of each of the variables are summarized in Table 25. The overall mean indexes of the variables are found to be 2.44

[significantly ($\alpha<0.034$) different than 3 (neutral)] and narrowly dispersed ($\sigma=0.473$) [between 2 (more societal than profit driven) and 3 (neutral)]. This indicates that the peoples' think that CSR activities related to infrastructure undertaken by the companies are mostly for the sake of the society and not promotion oriented.

E. Socio-Environmental Awareness Campaign

The study had six variables to measure citizens' perspective towards socio-environmental awareness raising programs undertaken by the companies as a part of their CSR activities. The citizens' have given their view against each of the components in a 5-point Likert scale focusing if it is societal or promotional. The detailed analysis is given below.

1. Anti-drug awareness

From Table 26 we can see, 39.2% of the respondents think that antidrug awareness campaign programs taken by the companies are only societal whereas 45.4% think it as more societal than profit driven, 6.7% gave a neutral view, 6.7% think these are more profit driven than societal and the other 2.1% respondents think antidrug awareness

Table 24. Waste disposal initiative

Responses	f	%	Descriptive Statistics
No Response	4	2.1	Mean Index (μ)=2.01
Only Societal	61	31.4	Std. Deviation (σ)=1.02
More Societal than profit driven	82	42.3	Significance Level (α)=0.000
Neutral	26	13.4	
More Profit driven than societal	18	9.3	
Profit driven	3	1.5	
Total	194	100.0	

Table 25. Overall (Infrastructure and aesthetic development)

Variables	Mean Index (μ)	Std. Deviation (σ)	Significance Level (α)
Road dividers	2.30	1.065	0.000
Roads and bridges	2.28	1.020	0.000
Waiting sheds	3.14	1.141	0.091
Lake cleaning and maintenance	2.01	0.96	0.000
Beautification of roads and highways	2.90	1.104	0.218
Waste disposal initiative	2.01	1.023	0.000

campaigns are only given for promotion and to drive profit from that. It is noted that the mean index here is 1.87 which mean mostly people see these initiatives as more societal than profit driven. We also notice that responses are societal oriented mostly and skewed towards that.

2. Road safety campaign

From Table 27 we can see, 35.1% of the respondents think that road safety awareness campaign programs taken by the companies are only societal whereas 42.8% think it as more societal than profit driven, 13.4% gave a neutral view, 6.7% think these are more profit driven than societal

and the other 2.1% respondents think road safety awareness campaigns are only given for promotion and to drive profit from that. It is noted that the mean index here is 1.988 which mean mostly people see these initiatives as more societal than profit driven. We also notice that responses are societal oriented mostly and skewed towards that.

3. Hand washing campaign

From Table 28 we can see, 19.1% of the respondents think that hand washing campaigns are taken by the companies are only societal whereas 25.3% think it as more societal than profit driven, 24.2% gave a neutral view,

Table 26. Anti-drug awareness

Responses	f	%	Descriptive Statistics
No Response	-	-	Mean Index (μ)=1.87
Only Societal	76	39.2	Std. Deviation (σ)=0.949
More Societal than profit driven	88	45.4	Significance Level (α)=0.000
Neutral	13	6.7	
More Profit driven than societal	13	6.7	
Profit driven	4	2.1	
Total	194	100.0	

Table 27. Road safety campaign

Responses	f	%	Descriptive Statistics
No Response	-	-	Mean Index (μ)=1.988
Only Societal	68	35.1	Std. Deviation (σ)=0.971
More Societal than profit driven	83	42.8	Significance Level (α)=0.000
Neutral	26	13.4	
More Profit driven than societal	13	6.7	
Profit driven	4	2.1	
Total	194	100.0	

Table 28. Hand washing campaign

Responses	f	%	Descriptive Statistics
No Response	-	-	Mean Index (μ)=2.74
Only Societal	37	19.1	Std. Deviation (σ)=1.21
More Societal than profit driven	49	25.3	Significance Level (α)=0.003
Neutral	47	24.2	
More Profit driven than societal	49	25.3	
Profit driven	12	6.2	
Total	194	100.0	

25.3% think these are more profit driven than societal and the other 6.2% respondents think are only profit driven activities. It is noted that the mean index here is 2.74 which means most of the people see these initiatives as more societal than profit driven. And it is seen that the respondents' views are a little dispersed ($\sigma=1.21$) and a little societal oriented.

4. *Anti-Dowry campaign*

From Table 29 we can see, 50.5% of the respondents think that Anti-Dowry campaign taken by companies are only societal whereas 33.5% think it as more societal than profit driven, 11.3% gave a neutral view, 4.1% people think this kind of activities are more profit driven than societal and only 0.5% think these are only profit driven. It is noted that the mean index here is 1.718 which mean mostly people see these initiatives as more societal than profit driven. We also notice that responses are societal oriented mostly and skewed towards that.

5. *Waste disposal awareness*

From Table 30 we can see, 29.9% of the respondents think that waste disposal awareness program taken by

the companies are only societal whereas, 44.3% think it as more societal than profit driven, 16.5% gave a neutral view, 5.2%% think these are more profit driven than societal and the other 1.5% respondents think eye care facilities are nothing but profit driven. It is noted that the mean index here is 1.97 which mean mostly people see these initiatives as more societal than profit driven. We also notice that responses are societal oriented mostly and skewed towards that.

6. *Tree plantation*

From Table 31 we can see, 31.4% of the respondents think that tree plantation programs taken by the companies are only societal whereas 45.9% think it as more societal than profit driven, 10.3% gave a neutral view, 10.3% think these are more profit driven than societal and the other .2.1% respondents think tree plantation activities are only given for promotion and to drive profit from that. It is noted that the mean index here is 2.06 which mean mostly people see these initiatives as more societal than profit driven. We also notice that responses are societal oriented mostly and skewed towards that.

Table 29. Hand washing campaign

Responses	f	%	Descriptive Statistics
No Response	-	-	Mean Index (μ)=1.718
Only Societal	98	50.5	Std. Deviation (σ)=0.865
More Societal than profit driven	65	33.5	Significance Level (α)=0.000
Neutral	22	11.3	
More Profit driven than societal	8	4.1	
Profit driven	1	.5	
Total	194	100.0	

Table 30. Waste disposal awareness

Responses	f	%	Descriptive Statistics
No Response	4	2.1	Mean Index (μ)=1.97
Only Societal	58	29.9	Std. Deviation (σ)=0.949
More Societal than profit driven	86	44.3	Significance Level (α)=0.000
Neutral	32	16.5	
More Profit driven than societal	10	5.2	
Profit driven	3	1.5	
Total	193	99.5	

7. Overall (Socio-environmental awareness campaign)

The citizens' perspective about social awareness related CSR activities contains six simple variables. The mean indices, standard deviations and significant difference from neutral view (3) of each of the variables are summarized in Table 32. The overall mean indexes of the variables is found to be 2.055 [significantly ($\alpha < 0.001$) different from 3 (neutral)] and narrowly dispersed ($\sigma = 0.356$) [close to 2 (more societal than profit driven)]. This indicates that the people think that environmental CSR activities undertaken by the companies are mostly for the sake of the society and less promotion oriented.

F. CITIZENS' OVERALL VIEW

The analysis of the 27 simple variables grouped into five complex variables on the basis of the citizens' responses has shown a clear perception of the citizens' understanding regarding the CSR activities undertaken by different corporations (Table 33). As noted, the citizens very clearly indicated that all complex variables except socio-cultural events (i.e., health sector activities, educational activities, infrastructural development, and social awareness campaigns) for CSR are more societal than profit-oriented. But the socio-cultural events they perceive to be more profit driven than societal. The overall mean index of the complex variables (2.61) is found between

Table 31. Tree plantation

Responses	f	%	Descriptive Statistics
No Response	-	-	Mean Index (μ)=2.06
Only Societal	61	31.4	Std. Deviation (σ)=1.01
More Societal than profit driven	89	45.9	Significance Level (α)=0.000
Neutral	20	10.3	
More Profit driven than societal	20	10.3	
Profit driven	4	2.1	
Total	194	100.0	

Table 32. Overall (Socio-environmental awareness campaign)

Variables	Mean Index (μ)	Std. Deviation (σ)	Significance Level (α)
Anti drug awareness	1.87	0.949	0.000
Hand washing campaign	2.74	1.207	0.003
Road safety campaign	1.98	0.971	0.000
Anti Dowry campaign	1.71	0.865	0.000
Waste disposal awareness	1.97	0.949	0.000
Tree plantation	2.06	1.01	0.000

Table 33. Mean Indices of the Complex Variables

Complex Variables	Mean Index (μ)	Std. Dev. (σ)	Significance Level (α)	Overall statistics
Health sector activities	2.26	0.23	0.000	Mean Index (μ)=2.61
Education related activities	2.68	0.45	0.305*	Std. Deviation (σ)=0.597
Multi-facet events	3.59	0.29	0.010	Significance Level (α)=0.213*
Aesthetic-infrastructural development	2.44	0.473	0.034	
Socio-environmental awareness campaign	2.06	0.356	0.001	

* not significant at $\alpha = 5\%$.

2 (more societal than profit driven) and 3 (neutral). This indicates that the citizens overall view regarding these CSR activities not purely societal but more societal than profit-oriented.

Further analysis of the simple variables shows that except 4 (i.e., building educational institutes, organizing seminars, construction of waiting sheds and beautification of roads and highways) the mean indices of all the variables are significantly different from neutral value (3). Again, it is noted that mean indices of only four variables (i.e., Sponsoring Sports events, cultural events, conferences and competitions) are found significantly above 3. All of these are socio-cultural events. The overall mean of the 27 simple variables found to be 2.55 (significantly less than 3) with a standard deviation of 0.63. Hence it can be concluded that overall the citizens perceive the CSR activities to be more societal than profit-oriented, but for socio-cultural events they view the other way.

G. FACTOR ANALYSIS

A factor analysis is conducted to reduce the 27 variables into sizable factors. The factor analysis reduced the 27 survey variables into six factors with eigen-value greater than one (Table 34). The factor analysis of 27 variables with 194 sample is found adequate (KMO test result=0.786 ≥ 0.5) and valid (Bartlett's test of sphericity indicates a significance level of 0.000). As can be seen from the table, these six factors explain 61.90% of the variability. Also, it can be noted that the first two factors (Health sector events and Socio-cultural activities) appears to be the most important as they explain 21.41% and 13.6% of the variability respectively. Other factors include social awareness campaign ($s^2=9.81\%$), infrastructural initiatives ($s^2=6.17\%$) and educational activities ($s^2=4.944\%$). The communalities of the variables that constituted the factors are found very strong, which indicates strong relationships among the variables.

As can be noted from the factors table that the grouping we made from the schema and the variables under the factors are quite consistent. As noted, factor 1 (Health

Table 34. Factor Analysis

Factors	Variables	Factor Loadings
Factor 1: Health Sector Events ($\sigma^2=21.41$)	Free dental Check up	0.794
	Free Vaccination service	0.784
	Free medical check-up	0.731
	Free medicine provided	0.714
	Free eye care	0.705
Factor 2: Multi-facet events ($\sigma^2=13.6$)	Free pure drinking water supply	0.685
	Cultural events	0.804
	Sports events	0.803
	Conferences	0.780
	Competitions	0.704
Factor 3: Social awareness Campaign ($\sigma^2=9.81$)	Seminar and workshop	0.601
	Anti-drug awareness	0.808
	Road safety campaign	0.776
	Anti-Dowry campaign	0.738
Factor 4: Infrastructural Initiatives ($\sigma^2=6.17$)	Waste disposal awareness	0.718
	Roads and bridges	0.812
	Lake cleaning and maintenance	0.692
	Road Dividers	0.637
Factor 5: Aesthetic CSR ($\sigma^2=5.74$)	Waste disposal Initiative	0.590
	Waiting sheds	0.746
	Beautification of roads and highways	0.522
	Scholarship offer	-0.505
	Hand washing campaign	0.437
Factor 6: Educational ($\sigma^2=5.19$)	Health care facilities	0.427
	tree plantation	-0.413
	Establish educational institution	0.811
	Donation for library	0.646

contains 6 of the 7 variables considered in previous health related grouping; whereas factor 2 (Multi-facet events) includes all 5 of initial multi-facet variables. Both the factor 3 (Social awareness) and 4 (infrastructural initiatives) has 4 out of 6 variables in common from previous similar groups (socio-environmental and infrastructural). The variables of factor 5 (Aesthetic) are a combination of 1 or 2 variables from different groups developed earlier. The sixth factor (education) has 2 out of 3 variables from education grouping.

V. GENDERWISE RESPONSES OF THE VARIABLES

Difference of opinion between male (n=150) and female (n=44) citizens' responses are tabulated in Table 35. As noted, that all except three activities (i.e., waste disposal awareness, road safety campaign, and anti-dowry campaign) the gender-wise responses are not significantly different at 5% level of significance.

Table 35. Gender-wise Responses

Simple Variables	Male (150)		Female (44)		Sig. (2-tailed)	
	μ	σ	μ	σ	$\sigma_1^2 = \sigma_2^2$ assumed	$\sigma_1^2 \neq \sigma_2^2$ assumed
Health care facilities	2.66	1.197	2.91	1.254	0.231	0.246
Free medicine provided	2.27	1.029	2.52	1.171	0.173	0.207
Free medical check-up	1.98	0.937	2.11	1.017	0.416	0.438
Free dental check up	2.26	1.058	2.52	1.151	0.157	0.180
Free pure drinking water supply	2.14	1.062	2.23	1.075	0.633	0.637
Free vaccination service	2.04	1.055	2.32	1.196	0.138	0.169
Free eye care	2.22	1.035	2.14	1.069	0.641	0.467
Establish educational institution	3.05	1.241	3.16	1.328	0.625	0.639
Scholarship offering	2.29	1.125	2.20	1.091	0.669	0.664
Donation for library	2.65	1.112	2.84	1.200	0.318	0.341
Sponsoring sports events	3.73	1.091	3.82	1.167	0.656	0.668
Sponsoring conferences	3.49	1.104	3.64	1.143	0.454	0.465
Sponsoring cultural events	3.69	1.033	4.00	0.940	0.077	0.065
Sponsoring competitions	3.75	0.984	.984	0.080	0.168	0.157
Seminar and workshop	3.06	0.950	3.27	0.924	0.190	0.186
Road dividers	2.29	1.119	2.36	0.865	0.675	0.630
Roads and bridges	2.27	1.055	2.30	0.904	0.900	0.891
Constructing waiting spots	3.10	1.157	3.27	1.086	0.379	0.364
Beautification of roads & highways	2.89	1.100	2.93	1.129	0.839	0.842
Lake cleaning and maintenance	2.03	0.965	1.93	0.950	0.565	0.563
Waste disposal initiative	2.05	1.025	1.89	1.017	0.362	0.362
tree plantation	2.09	1.045	1.93	0.873	0.352	0.306
Waste disposal awareness	2.05	0.968	1.70	0.832	0.030*	0.020*
Anti drug awareness	1.92	1.013	1.70	0.668	0.186	0.101
Hand washing campaign	2.77	1.199	2.64	1.241	0.509	0.519
Road safety campaign	2.05	1.035	1.73	0.660	0.050*	0.014*
Anti Dowry campaign	1.78	0.911	1.45	0.627	0.028*	0.008*

* Different at 5% level of significance

VI. SUMMARY, CONCLUSION AND RECOMMENDATION

This research tried to find out the citizens' perception of the CSR activities of the Business organizations. Specifically, this study tried to see whether these CSR activities are done for promotion purpose to increase profitability or for contributing to social welfare. Our hypotheses include business organizations' positive attitude towards the social development and thus engagement in CSR activities aiming at both societal and promotional benefit. The study is conducted among 194 citizens of Bangladesh. A convenience sampling technique was adopted for the sample survey. The responses are found reliable and valid.

The study focused on citizens' perception regarding (i) health, (ii) educational, (iii) socio-cultural, (iv) infrastructural, and (v) public awareness development related CSR activities. The citizens' perspective about CSR activities involving health sector contains seven simple variables. Overall the citizens' view regarding the health-related CSR activities are more societal than profit-oriented. The citizens' perspective about CSR activities involving education sector contains three simple variables. The overall mean indexes of the variables are found to be more societal than profit driven. The citizens' perspective about CSR activities involving socio-cultural events contains five simple variables. The overall mean indexes of the variables are found to be more profit driven than societal.

The citizens' perspective about CSR activities involving infrastructural development programs contains six simple variables. The overall mean indexes of the variables are found to be more societal than profit driven. This indicates that the peoples' think that CSR activities related to infrastructure undertaken by the companies are mostly for the sake of the society and not promotion oriented. The citizens' perspective about social awareness related CSR activities contains six simple variables. The overall mean indexes of the variables are found to be more societal than profit driven. This indicates that the people think that environmental CSR activities undertaken by the companies are mostly for the sake of the society and less promotion oriented. Demography wise (Gender, age, education, occupation, etc.) not much difference is observed in the responses.

The factor analysis has found that the initial grouping of variables made from the schema and the variables

found under the factors are quite consistent. As noted, factor titled "Health" contains 6 of the 7 variables considered in previous health related grouping; whereas factor titled "socio-cultural" includes all 5 of initial socio-cultural variables. Both the factor "social awareness" and "infrastructural initiatives" has 4 out of 6 variables in common from previous similar groups. The factor "education" has 2 out of 3 variables from previous education group. The variables of factor "Aesthetic" are a combination of 1 or 2 variables from different groups developed earlier.

NOTE

1. According to Business for Social Responsibility (BSR), corporate social responsibility is defined as "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment." McWilliams and Siegel (2001:117) describe CSR as "actions that appear to further some social good, beyond the interest of the firm and that which is required by law." But by Frooman (1997:227), the definition of what would exemplify CSR is "An action by a firm, which the firm chooses to take, that substantially affects an identifiable social stakeholder's welfare."
2. Typically, citizen means any person inhabiting in a particular town or city. But in this research, by citizen it means citizens who are socially aware of the issue of CSR. They can involve in or beneficiaries of CSR activities or any stakeholder in the CSR system.
3. Promotional means any activity that is of or relating to the publicizing of a product, organization, business activity or venture to increase sales or public awareness.
4. Societal means identifying a need in the community & coming up with a way of remedying that issue voluntarily.

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Financial Education Renaissance in Japan and the Role of CCFIS: A Policy Commentary

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ABSTRACT

Financial education became a global agenda after the global financial crisis, and is one of the important elements of the SDGs. In Japan, although we have established a comprehensive system of financial education, the level of financial literacy is not high enough in comparison to other advanced economies.

Rapid aging of the society and the increase in financial fraud demonstrate stronger need for enhancing the financial literacy of general public. The Central Council for Financial Services Information responded by publishing *the Financial Literacy Map* which describes the necessary knowledge and skills regarding money and finance, targeting at different age groups. We also conducted the Financial Literacy Survey, the result of which was widely reported by mass media. Based on the aforementioned products of our work, the Council is conducting various seminars, and publishing materials aimed at protecting consumers from financial fraud by enhancing their financial literacy and at providing necessary knowledge and skills to cope with the era of the 100-year life.

In this connection, we are faced with the issue of how to enhance the financial literacy of teachers in times of rapid financial innovation, as well as in the unprecedented financial environment, such as the zero/negative interest rates. In particular, FinTech could have the effect of causing reverse literacy gap between teachers and students. In order to deal with such challenges, the Council is collaborating with relevant public and/or private institutions, e.g., the Financial Services Agency, local governments, representatives of financial institutions, to revive the spirit of Meiji era, when prominent figures stressed the importance of money in life. We should aim at “financial education renaissance” in Japan.

Keywords: Financial Education, Financial Literacy, SDGs, FinTech

1. Why Financial Education Renaissance?

Financial education became a global agenda after the global financial crisis as is evidenced by the initiative taken by the INFE (International Network for Financial Education), which was established by the OECD in 2008. In 2012, OECD/INFE published “High-level Principles

on National Strategies for Financial Education,” which was endorsed at the subsequent G20 Summit. The principles defined financial literacy as follows;

“a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”¹

Promotion of financial education is also consistent

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¹ Organisation for Economic Co-operation and Development. 2012

with the basic spirit of the SDGs (Sustainable Development Goals) set by the United Nations², e.g., Goal 4 of the SDGs seeks sustainable lifestyles in the context of ensuring inclusive and quality education. Moreover, Goal 8 seeks to expand access to banking, insurance and financial services for all. These targets are deeply related to financial literacy.

On the other hand, in Japan, a comprehensive system for promoting financial education was established well before the global financial crisis, partly in response to the serious financial crisis in late 1990's it had experienced.

The origin of financial education in Japan can be traced back to the 19th century, i.e., in the Meiji era (1868-1912).

Eiichi Shibusawa and Yukichi Fukuzawa, prominent figures among founders of modern Japan, both said that financial literacy is essential to an independent and complete life. This is a strong message for promoting financial education.

Furthermore, Fukuzawa, in his famous book *Gakumon no Susume* (Encouragement of Education), defined literacy as follows;

In order to possess virtues and talents, one needs to be intelligent.

In order to possess intelligence, one needs to be literate, i.e., to be able to read and write. That is the reason why promoting education is an imminent issue.

This definition exactly corresponds to that of the OECD mentioned above.

On the other hand, Empress Shoken, wife of Emperor Meiji, composed a profound poem on money to the effect that, money can be a blessing or a curse depending upon the literacy of the owner. Eiichi Shibusawa, in his famous book *Rongo to Soroban* (Analects of Confucius and Abacus), quoted this poem and stressed the importance of recognizing both pros and cons of money in life and society.

In this connection, it might be advisable to reflect on Japan's economic history, particularly that of Edo era (17th to 19th century). Contrary to the prevailing view among ordinary citizens that Japan's free and market based economy started with the Meiji Restoration (1868), the recent studies strongly suggest that Japan had an

efficient and robust market economy in Edo era.³ For example, Okazaki (2004) provides good insight into the institutional aspect of the economy in Edo era, such as the economic role of kabu nakama, a coalition of merchants or artisans which served as a vehicle to instill corporate governance in the economy. Also, Japan is credited with creating the first futures exchanges, i.e., Dojima Rice Exchange in Osaka, which was launched in the 18th century.

Additionally, in those days, basic knowledge and skills regarding money and finance, such as the calculation of compound interest rates, were taught in primary schools, which might reflect the legacy of high literacy rates in Edo era, preceding Meiji, when a lot of children from ordinary families went to *Terakoya* (primary schools run by temples). Although there is a limit to empirical analysis due to the lack of comparable data, it would be fair to say that the literacy rate of Japan in Edo era was much higher than that of the other developing countries, and at least as high as the advanced countries of that period.⁴

These episodes would suggest that Japan had broad intellectual base for financial education.

At present, despite an aforementioned environment being conducive to financial education, the level of financial literacy in Japan is not high enough in comparison to other advanced economies. Details pertaining to this will be presented later.

In my view, this could be explained as a paradox of high education. During the Meiji era, most people had to find jobs after graduating from primary schools, which would call for basic financial education for children. Now that almost all people attend high schools and around 80% of them attend universities or vocational colleges, such necessity may have diminished. On the other hand, education regarding money in universities is provided in the context of academic courses of economics or finance, and not considered as a basic curriculum to be learned by all students.

The title of this paper is "Financial Education Renaissance," which hints towards the importance of reviving the spirit of old Japan where the importance of money and finance was stressed by prominent figures and widely recognized by the general public.

In this paper, I would like to present an outline of

² United Nations. 2015

³ Okazaki 2004

⁴ Dore 1984

the current financial education system in Japan, followed by the results of the recently conducted Financial Literacy Survey. I will then try to address the issue of where we should go from here.

II. Financial Education System in Japan

The Central Council for Financial Services Information is the vehicle by which various organizations co-operate with each other for promoting financial education⁵. These organizations include the local councils for Financial Services Information, the central government, local governments, the Bank of Japan (BOJ) as well as private institutions.

In other words, the Japanese financial education system is quite comprehensive based on the three-tier structure comprising of the central, local, and grassroots levels. The Central Council consists of 41 members, who are representatives of the industries, such as the chairman of the bankers association, members from economic and consumer organizations including the President of the Japan Economic Federation and the representative of the consumer federation, press, academia, and the central bank or BOJ.

Also, nine councilors are designated from director-generals of related ministries, such as the Financial Services Agency (FSA) and the Ministry of Education, Culture, Sports, Science and Technology, and BOJ, while the Commissioner of the FSA and the Governor of the BOJ serve as advisors.

Secretariat of the Council is located within the Bank of Japan's Public Relations Department and most of the staff are from the BOJ, having concurrent post in the Council's secretariat. Thus, this is a broad based entity, and BOJ supports the Council in providing with human resources and expertise in financial knowledge.

On the other hand, local committees are located in all 47 prefectures. They are formed primarily of local governments, branches and offices of the BOJ (24 local committees are located in the BOJ offices and 23 in local government offices). These local councils are devel-

oping financial services information activities in local areas by maintaining a close relationship with the Central Council.

This system may reflect the post-war reform undertaken by the Japanese society based on the principles of local autonomy. Each local council designates financial services advisors who will be sent to schools or universities as lecturers and support the financial education system at the grassroots levels. At present, there are approximately 500 financial services advisors, cooperating voluntarily with the councils.

The basic principles upon which the Central Council is based are;

Fair and neutral, i.e., we avoid promoting the interest of specific financial sectors or institutions. For example, when a representative of the securities industry comes to a meeting hosted by us, he or she is asked not to use that opportunity to encourage participants to buy specific financial products.

Keeping the network open; most of the teaching materials or related documents can be obtained from the website of the Council and they are also available as hard copies for educational use.

Encouraging grassroots and local movements; as already explained, local councils serve as a vehicle of grassroots efforts aimed at enhancing financial literacy, from primary schools to universities, and from younger generation to senior citizens.

This system may be a bit unique. This is due to the history of the system (Figure 1).

Although the Council originated in the governmental initiative to encourage savings after the Second World War, Japan's savings promotion movement had its birth at the beginning of the Meiji era. The major characteristic of the movement in the period from the Meiji era until the Second World War was that it was carried out under the government's initiative in order to achieve national goals. Since savings were regarded as an important funding source for new industries, supporting policies were adopted by the government to catch up with advanced Western countries. After the Second World War, savings were encouraged by the government as a means to rehabilitate the Japanese economy and to contain vicious inflation, which resulted in the launch of the Central Council for Savings Promotion in 1952. Although it was under the strong initiative of the government, the establishment of the Council changed the nature of the savings promotion

⁵ For further information about the Central Council, please refer to its website <https://www.shiruporuto.jp/e/>

movement from being more or less an officially sponsored movement to being under the control of private organizations. Thus, such dramatic changes after the war resulted in the current comprehensive system based on a nationwide network.

After Japan overcame the economic plight of the post war period, the imminent need for savings gradually diminished and the role of the Council became somewhat diversified.

For example, in the 1980's, Japan's large current account surplus was attributed to excess savings and the economic policy was oriented towards achieving the right balance between savings and consumption rather than savings promotion.

Under these circumstances, there was a fundamental review of the Council and the name of the Council was changed from the Central Council for Savings Promotion to the Central Council for Savings Information in 1988 and further to the Central Council for Financial Services Information in 2001.

It would be fair to say that with such changes in its mandate, the status of the Council gradually changed. In response, the council has tried to reinvent itself as the center for promoting financial literacy. After the financial crisis of the late 1990's, the new role of the Council has been clearly established and recognized.

In this connection, many initiatives have taken place after the turn of the century as is shown in Figure 1. In 2005, the First Year of Financial Education was declared and the *Agenda for Finance and Economics Education* was published, seen as a basic national strategy. Based on this strategy, the *Financial Education Program* of 2007 was published. The OECD High Level Principles in 2012 gave further momentum to these activities and

resulted in the creation of the *Financial Literacy Map* of 2014, which is a more extensive version of the *Financial Education Program*. The Council also conducted the Financial Literacy Survey in 2016.

III. Why financial education matters

In this connection, two specific factors could be pointed out as to why financial education has become a central issue in Japan in the 21st century.

The first is the rapid aging of the society and the associated uncertainty about the future. As evidenced by Figure 2, in 2013, for the first time in the past 60 years, "after retirement" becomes the largest factor explaining the purpose of owning financial assets. Education, housing, and retirement are said to be three major expenditure items in one's life, but in Japan, retirement is now by far the most important one. Before 2013, general contingency was the largest factor, which might suggest that now ordinary Japanese citizens have begun to take longevity over 80 years as a natural way of life rather than a contingent event.

In a sense, this might imply the necessity of a new type of savings promotion to cope with the era of the 100-year life. The Japanese government has introduced a series of financial schemes with preferential tax treatments to encourage asset formation, such as iDeCo (the Individual Defined Contribution Pension Plan), and Tsumitate NISA (the installment-type Nippon Investment Savings Account).

In addition, increase in financial fraud is an important

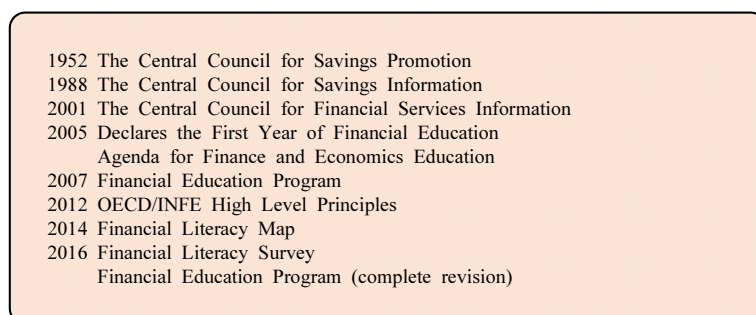


Figure 1. Evolution of the Central Council for Financial Services Information

element necessitating the promotion of financial education (Figure 3). Although many public and private institutions, including the Council have undertaken initiatives to educate the general public about fraud, the amount and extent of financial fraud has been on the rise. Particularly worrisome is the telephone fraud which may reflect the unique family relationship in Japan. A typical case is a telephone call to a housewife of a wealthy family by someone pretending to be her son living away from home asking for money because his wallet was stolen or providing some other excuse. It is unbelievable how many well-

educated parents are deceived by such stories and transfer money to fictitious bank accounts designated by criminals.

Financial fraud is also given special attention in the area of consumer education particularly after the establishment of the Consumer Affairs Agency in 2009 and the consumer education legislation in 2012.

Under these circumstances, the recent Civil Code amendment, which will lower the age of adulthood from 20 to 18 years old after 2022 onward, may serve as a further momentum for financial and consumer education at schools. Lowering of the age of adulthood would elimi-

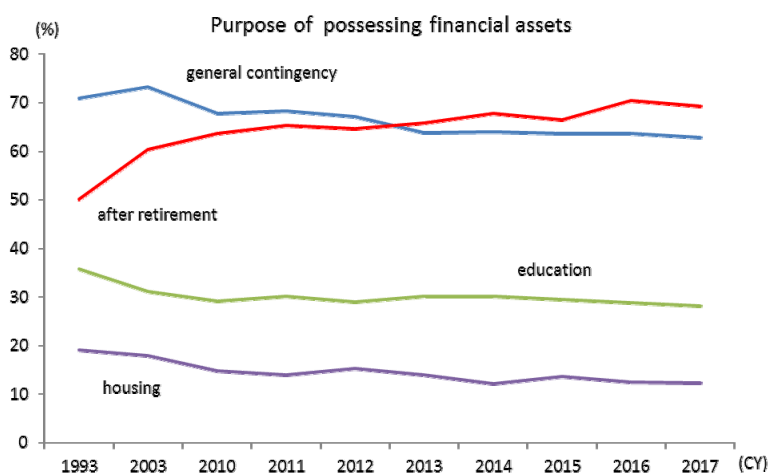


Figure 2. Survey of Household Finances by the Central Council for Financial Services Information, 2016

Source: The Central Council for Financial Services Information, 2016b Households with at least two members

Fraud		2010	2011	2012	2013	2014	2015	2016	2017
Fraud by telephone	number (cases)	6,637	6,233	6,348	9,204	11,256	12,741	13,605	17,926
	amount (¥ billion)	10.1	12.7	16.0	25.9	38.0	39.4	37.5	37.8
By financial products	number (cases)	112	773	1,986	1,875	1,228	663	346	104
	amount (¥ billion)	0.7	6.9	18.6	17.9	12.5	6.7	2.5	0.7

Figure 3. Increase in Financial Fraud

Source: The National Police Agency

nate the so-called minors' cancellation rights for some high school students and they will face the threat of financial and consumer fraud without the protection in place for minor people.

Events in recent years demonstrate stronger need for financial education. First, as mentioned at the outset, financial literacy became a global agenda after the global financial crisis. In fact, the crisis which followed the collapse of Lehman Brothers is attributed to the lack of financial literacy. On the domestic front, the consumer education legislation in 2012 also served as a driving force for financial education. As mentioned earlier, consumer education and financial education are deeply related each other. The Central Council is actively involved in the various consumer-education-related meetings such as the Consumer Education Promotion Council hosted by the Government.

IV. Activities of the Central Council

A. Financial Literacy Map

This section addresses the activities of the Central Council more in detail. One of the most important products of the Council is *the Financial Literacy Map* which describes necessary knowledge and skills regarding money and finance, classified by different age groups (Figure 4). As mentioned earlier, the map is an extensive version of *the Financial Education Program* published in 2007. While the program covered primary, secondary, and high

schools, the Map was extended to universities and adults.

According to the Council's website, basic attributes of the Map are as follows;

The standard learning goals designated for high school students and younger students in the Financial Literacy Map are consistent with the financial education goals for the same age groups designated in the Financial Education Program, which has already been put into use in school education. Accordingly, education on financial literacy at primary school to high school will be promoted based on the "Financial Education Goals by Age Group" designated in the Financial Education Program

The Map may be seen quite detailed for practical use. However, it is essential to prepare this type of detailed materials for teachers because the majority of them, particularly at the primary school level, do not necessarily possess the expertise on financial issues. In other words, the issue of financial literacy is not only for students but also for teachers.

B. Financial Literacy Survey

The Financial Literacy Survey 2016 is Japan's first large-scale questionnaire survey conducted with the aim of understanding the current state of financial literacy, i.e., financial knowledge and financial decision-making skills, of individuals aged 18 and above (Figure 5).

We believe that this survey is useful in many respects, such as its local breakdown and behavioral economics

	Categories	Primary School	Secondary School	High School Students	University Students	Young Adults:	Adults:	Senior Citizens:
		Students ^(Note)	Students	Students	Students			
		Forming the foundation of the capability to live in society.	Cultivating the basic capability to live independently in the future.	Cultivating basic skills to live independently when they become adults.	Establishing the ability to live independently as adults.	Starting to live independently in terms of lifestyle and financial aspects.	Living independently and assuming full-fledged responsibility as working people.	Covering living expenses mainly with pension income and money obtained by cashing out financial assets.
Family budget management	Family budget management	Being able to recognize the difference between needs from wants and buy things according to a plan.	Gaining a better understanding of household income and expenditure, and managing income and expenditure practically through school activities.	Learning how much money is spent on oneself, and being able to make better choices and decisions while bearing in mind one's family budget as a whole.	Understanding the necessity of income and expenditure management and being able to spend money according to a plan in order to improve one's skills, while improving the balance of payments by earning more from a part-time job as needed.	Being able to spend money on one's hobby or improving one's skills according to a plan, while properly managing income and expenditure to support one's household income.	Being able to understand income and expenditure as well as assets and liabilities of one's household by keeping a household account book as the breadwinner of the household, and improve the balance as necessary.	Being able to manage income and expenditure and take necessary action for improvement according to a post-retirement plan.

Figure 4. Excerpts from the Financial Literacy Map

Source: The Central Council for Financial Services Information 2015b

related questions. In fact, the result of the survey is widely reported in the press.

According to the website of the Council, the basic characteristics of the Survey are as follows;

Purposes

- The Financial Literacy Survey is a questionnaire survey conducted with the aim of understanding the current state of financial literacy, i.e., financial knowledge and financial decision-making skills, of individuals aged 18 and over in Japan.
- The Central Council for Financial Services Information conducted the first survey in 2011, and for this second 2016 round, the Council made a sweeping review of the contents and methodology, reflecting changes in the situation surrounding financial education, such as the release of *the Financial Literacy Map** in 2014, which was compiled based on a report of the Study Group on Financial Education (Secretariat: Financial Services Agency in Japan).
- As a result, the 2016 survey is Japan's first large-scale survey in this area, covering all categories of *the Financial Literacy Map*.

* The "Standard Learning Goals for Different Age Groups" from the "Minimum Level of Financial Literacy That Should Be Attained" prepared by the Committee for the Promotion of Financial Education (Secretariat: the Central Council for Financial Services Information. See next page for details).

Methodology

- An online survey was conducted on 25,000 individuals aged 18 to 79 who have been chosen in proportion to Japan's demographic structure.
- The previous (2011) survey was conducted by extracting samples aged 18 and over from 500 locations nationwide and obtaining responses through face-to-

face interviews, postal mail, or the Internet. The sample size was 3,531.

Characteristics of questions

- The questions were a combination of true/false questions on "financial knowledge and financial decision-making skills" and questions on "characteristics of behavior and attitude" relating to the eight categories of *the Financial Literacy Map*. About half of the questions were made similar to those in surveys conducted by the U.S. Financial Industry Regulatory Authority (FINRA) Investor Education Foundation and the Organisation for Economic Co-operation and Development (OECD) so that the results could be compared.

On the international comparison, we are somewhat disappointed by the fact that, despite the efforts made so far, the level of financial literacy in Japan is not high enough compared with the US and other INFE member countries (Figure 6).

However, the results also tell us that the level of the literacy is higher in those who received financial education in the past, than those who did not, which corroborates the benefit of financial education (Figure 7).

On the other hand, Figure 8 shows the strong loss aversion bias of Japanese households. For an investment with an expected return of 5%, 80% of the respondents answered they would not invest. Also, 60% of the respondents did not invest in any of three financial products that were considered risky.

On the other hand, Figure 9 shows that there is a strong correlation between the share of those who invested in such assets and the number of correct answers to the survey questions, which would suggest smaller risk aversion bias for those who have higher literacy.

Online Survey

Survey period: from 29th February to 17th March 2016

Sample size: 25,000 individuals aged 18 to 79

International comparability: as many questions from INFE toolkit and FINRA Survey possible

Behavioral economics: questions from behavioral economics were introduced and brought interesting results

Publication of the data for each prefecture: gathered interest of media and the general public

To be conducted again in 2019

Figure 5. Financial Literacy Survey

Source: The Central Council for Financial Services Information 2016a

	Japan		U.S.		
Average of correct answers for five true/false questions	46	53			
(1) Compound interest (after 5 years) (Q19)	43	75			
(2) Inflation (Q20)	56	59			
(3) Mortgage (Q21-2)	68	75			
(4) Diversification effect (Q21-4)	46	46			
(5) Bond prices (Q22)	24	28			
(6) Rule of 72 (Q31)	41	33			
Male	53	58			
Female	39	48			

		Japan	Germany	U.K.
Knowledge (average for five questions)		58	67	65
(1) Interest rate	Q18	66	64	61
(2) Compound interest	Q19	43	47	37
(3) Definition of inflation	Q21-1	61	87	94
(4) Risk and return	Q21-3	75	79	77
(5) Diversified investment	Q21-4	46	60	55

Comparison with Europe

Figure 6. International Comparison; Comparison with the US.

Source: ibid

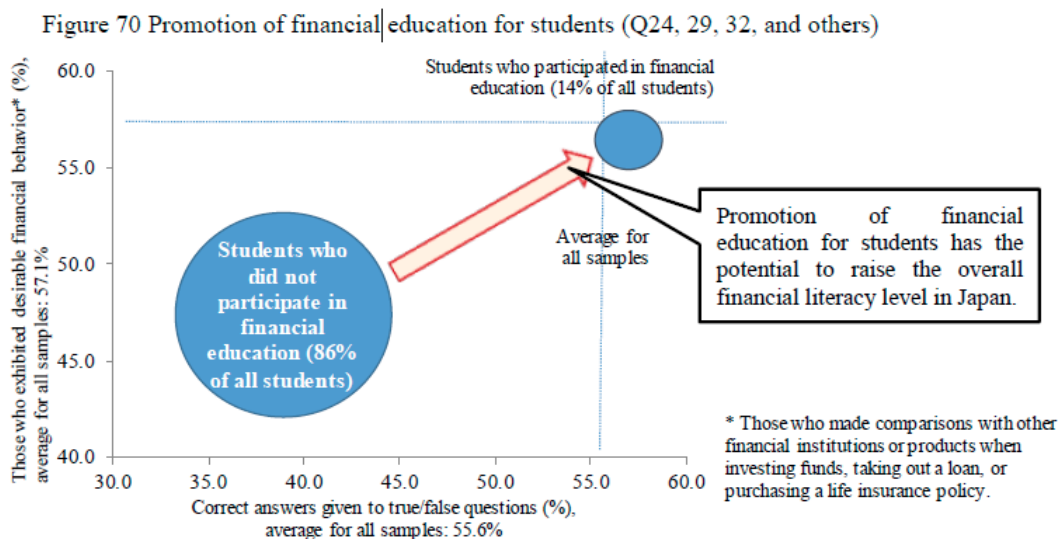


Figure 7. Benefit of Financial Education

Source: ibid

C. Daily Activities in Financial Services Information

Daily activities in financial services information are aimed at promoting financial education at schools, universities, as well as among senior citizens, thereby enhancing the financial literacy of the general public. These activities can be classified roughly into: (i) nationwide activities, conducted mainly by the Central Council; and (ii) local activities, initiated mainly by local councils.

1. Nationwide Activities

(a) Newspapers, videotapes

The Central Council actively supplies to the press and magazines a variety of information related to financial services. It also produces videotapes designed to relate social education and better living.

(b) Publications

The Central Council compiles various publications and

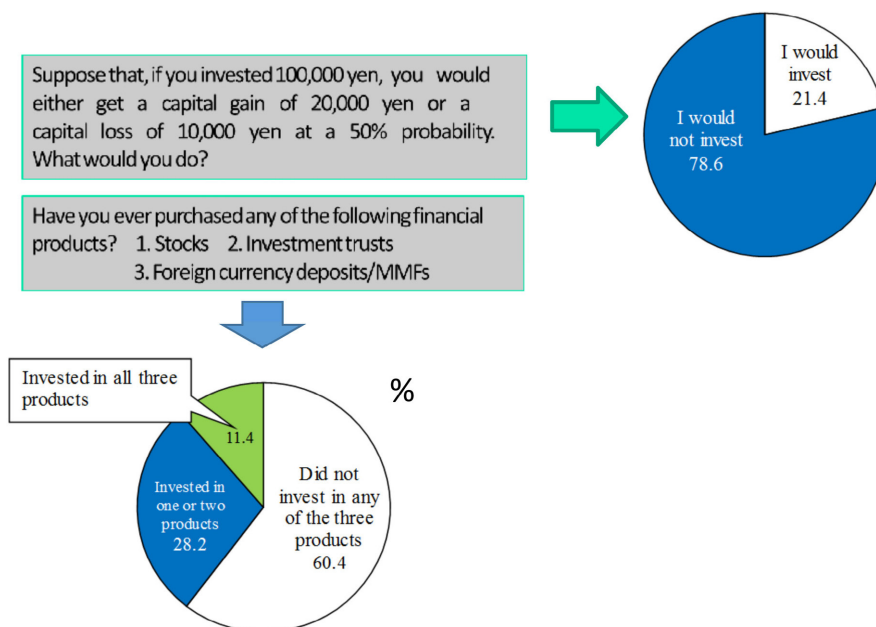


Figure 8. Loss aversion bias of Japanese households

Source: ibid

	All samples	Those who invested in all three products*(Q34)	Those who did not invest in any of the three products*(Q34)
Correct answers (25 questions)	55.6	68.5	47.2
Related to wealth building	54.3	73.5	42.9
Risk and return (Q21-3)	74.8	86.4	65.8
Diversification effect (Q21-4)	45.8	69.8	32.1
Deposit insurance (Q33)	42.3	64.2	30.8
Those with strong loss aversion (Q6)	78.6	50.9	89.1
Those who participated in financial education at school, etc. (Q39)	6.6	15.3	4.2

Figure 9. Risk aversion is smaller for those who have higher literacy

Source: ibid

reference materials that give an easy access to financial and economic information.

(c) Website

The Central Council provides the following financial services information through its website, launched in October 1997, renewed in 2017;

- basic financial knowledge related to daily life
- information on drafting life plans
- data concerning "Public Opinion Survey on Financial

Assets of the Households".

(d) Life Planning Computer Consultation Service

To assist the public in drafting individual life plans or to judge how appropriate a plan is, a free computer consultation service is available.

(f) Survey

In order to ascertain the actual situation, "Public Opinion Survey on the Financial Assets of the Households"

is regularly conducted.

2. Local Activities

- (a) To foster and strengthen life planning and financial services information activities in local area. Local councils designate "Study Group on Financial and Economic Matters" as grassroots organizations comprising 50-100 persons in total and provide guidance through discussion meetings and the distribution of financial services information materials.
- (b) To foster "Study Adviser on Financial and Economic Matters" and to cooperate with related groups. Local councils appoint "Study Adviser on Financial and Economic Matters" to be at the forefront of financial services information activities, requesting them to: (i) foster Study Groups and give guidance, and (ii) guide the public in their life planning and pecuniary education. Additionally, in close cooperation with government offices and leaders of various organizations responsible for social education, local councils seek to expand the financial services information activities.
- (c) Activities for youth and children
Local councils hold discussion meetings for the young to promote life planning and a healthy view of money and goods. For children, model schools for pecuniary education are designated to promote a healthy view of money and goods.

V. International Implication of Japan's Experience

As already mentioned, financial education became a global agenda and governments worldwide have established national strategies for financial education. As already mentioned, in Japan national strategy for financial education was established earlier than the other advanced countries. As a matter of fact, according to OECD (2015), among 64 countries that were reviewed, Japan belongs to one of the eleven most advanced countries as far as the national strategies are concerned (i.e., national strategies are being revised or second national strategies are implemented). OECD (2013, 2015) provide a good sum-

mary of financial education system in major countries. Although governance structures vary according to national circumstances, they generally allow the leading authority/committee to involve relevant stakeholders from the public, private and not-for-profit sectors.

On the other hand, in many countries, increasing sophistication of financial markets, and aging populations necessitate a new approach in the area of financial education. For example, Tennyson (2016), discusses the use of "libertarian-paternalistic" policies or "nudges". In Japan, as already mentioned, the Government has introduced new financial schemes such as iDeCo and Tshumitate NISA. Actually, these nudge based, automatic investment schemes were common in Japan's high growth period when a lot of companies offered employees' savings account with premium interest rates.

VI. Challenges facing Financial Education

As mentioned so far, in Japan, the level of financial literacy does not seem to be commensurate with the comprehensive system aimed at promoting financial education, which is the legacy of Japan's economic history. On the other hand, results of the Financial Literacy Survey clearly display the benefit and necessity of financial education. The last section, therefore, addresses the challenges posed to imparting financial education.

The Central Council has already succeeded in promoting financial education at schools through various initiatives. In addition to the daily financial services information activities mentioned so far, the Council has been actively involved in the review of the education system at the government level. For example, one of the secretariat members of the Central Council serves as a member of a working group for reviewing the national study guideline.

As a matter of fact, the latest national study guideline, which was published in 2017 for primary and junior high schools, and this year in 2018 for high schools, reflects quite a lot of the contents of *the Financial Education Program*.

However, given the time constraints in school curriculum and other obstacles, we should promote financial education taking account of practical needs at schools

to further extent.

In fact, there are quite a few obstacles at schools, such as time constraints in teaching and preparation, lack of expertise in practical application, need for more insightful study methods such as active learning, lack of resources flexibly adaptable to various environments. In sum, good financial education requires good teaching materials that can be flexibly applied to various needs as well as innovative methods.

Meanwhile, at universities, there is a strong need for financial education to provide self-help skills for being able to make appropriate judgment by oneself after graduation. The Council is providing lectures and brochures designed specifically for university students based on *the Financial Literacy Map*.

For ordinary citizens and senior citizens, to compensate for the lack of information delivery channels, and to cope with the negative sentiment against financial education, the council published an instructive brochure with the title of "Financial Literacy for Adults", and sponsors lectures at public institutions. Furthermore, given the need to prepare for retirement, we collaborate with the Ministry of Health, Labor and Welfare and the Financial Services Agency, on education programs on iDeCo and Tsumitate NISA.

In this connection, the issue of how to enhance financial literacy under new environments emerges. First, in Japan not only students but also young teachers do not have the experience of "positive interest rates." Second, how could the financial literacy of teachers be enhanced under the rapid pace of financial innovation represented by FinTech and InsureTech? As a good example, when the author of this paper was a visiting professor at Waseda University, one of the students asked about the algorithm of Bitcoin. The author could provide him only a simple answer and later found that he was a miner of Bitcoin. Thus, FinTech has the effect of causing reverse literacy gap between teachers and students.

In fact, Governor Kuroda of the BOJ mentioned that, financial literacy and education are needed to promote the sound development of the FinTech⁶. Also, given its far-reaching implication, the BOJ established the FinTech Center in 2016.

On the other hand, FinTech is also one of the essential

challenges in the area of consumer protection. According to the White Paper on Consumer Affairs, FinTech is not well known, but users give it a high ranking, which would imply that consumer education should play a role in dealing with the fourth industrial revolution.

Sir Walter Bagehot, one of the most insightful economists of the 19th century, said "Money will not manage itself and Lombard Street has a great deal of money to manage"⁷. Today I would say money will not manage itself and we should learn how to manage money and how to avoid abusing money. As I mentioned at the outset, in the Meiji era, prominent figures such as Eiichi Shibusawa and Empress Shoken stressed the importance of money in life. We should revive the original spirit of Japanese capitalism as such in order to enhance financial literacy in the 21st century by realizing financial education renaissance.

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Editorial Principles

1. Mission

The International Review of Financial Consumers (IRFC) aims to offer a communication platform for scholars, regulators, and practitioners to share their latest academic research on financial consumers and related public policy issues in both advanced economies and emerging market countries. All theoretical, empirical, and policy papers of relevancy are welcome, with the following as the topics to cover:

- ① protection for financial consumers
- ② business ethics of financial institutions
- ③ market discipline of financial industries
- ④ corporate social responsibility of financial institutions
- ⑤ renovation or innovation of law and regulations related to financial consumption
- ⑥ public policies for financial consumption
- ⑦ fair trading of financial products
- ⑧ dispute resolution for financial consumption
- ⑨ case studies of best practices for financial consumption
- ⑩ international comparison on any of the above topics

2. Publication schedule and contents

IRFC, the affiliated journal of the International Academy of Financial Consumers (IAFICO), will be published twice a year – April and October each year - and will pursue to be the first international academic journal focusing on the research related to financial consumers. As the contribution of financial consumption becomes increasingly important to the national economy for most countries, how to maintain an efficient and equitable financial market is an imminent issue for research. The trend of globalization and liberalization policies has reinforced the challenges in financial markets. Not only the financial instruments become more complicated and hard to understand by the public, but also the frequent changes in regulations and business practices cause confusions to the financial consumers. Consumption disputes regarding the financial products have drawn attention by the media in recent years. IRFC attempts to serve as a forum to publish and share original and innovative research, both academic and policy-oriented, on all the above issues.

3. On ethics for research

The range of research misconducts

① Misconducts related to academic research (“misconducts” hereafter) means that fabrication, falsification, plagiarism, unfair showing of papers' author, during research proposal, research performing, research report and research presentation,

etc. It is as follows.

- 1) "Fabrication" is the intentional misrepresentation of research results by making up data or research result.
- 2) "Falsification" is the distortion of research contents or results by manipulating research materials, equipment and processes, or changing or omitting data or results.
- 3) "Plagiarism" is the appropriation of another person's ideas, processes or results, without giving appropriate approval or quotation.
- 4) "Self-plagiarism" is the reusing a large portion of their own previously written research.
- 5) "Unfair showing of papers' author" is not qualifying people, who have been contributing to research contents or results scientifically, industrially and politically, as an author without just reason, or qualifying people, who have not been contributing the same, as an author with an expression of thanks or respectful treatment.
- 6) Obstructing investigation about misconducts of their own or others, or harming an informant.
- 7) Action which is out range of usually acceptable in the course of the research.
- 8) Action which is suggestion, pressure or threat to others to do the above things.

4. On plagiarism

Types of plagiarism

Following two forms are defined the representative action of research misconducts (Plagiarism).

- ① Using the original author's idea, logic, unique terms, data, system of analysis without indicate the source.
- ② Indicating the source but copying the original paper's words, idea, data and so on without quotation marks.

Bylaws of the International Academy of Financial Consumers (IAFICO)

March 31, 2015

April 19, 2016

Section 1 General Provisions

Article 1 (Official Name)

The official name of this academic society shall be the “International Academy of Financial Consumers (IAFICO hereafter)”.

Article 2 (Registered office and Branch offices)

The registered office is to be in Seoul, South Korea. Branch offices may be established in provincial cities in South Korea or overseas should the need arise.

Section 2 Objectives and Undertakings

Article 3 (Objectives)

** Pending*

The IAFICO is a non-profit association aiming at promoting and developing at an international level collaboration among its members for the study of various issues relating to financial consumers, including its education, legislation, creation of best practices, supervision and policy advancement to contribute to the development of the global economy and financial market, through investigation or research into financial consumers, and other academic activities.

Article 4 (Undertakings)

The following activities shall be carried out in order to achieve the objectives of the IAFICO.

1. Publication of journal and other literature
2. Hosting of academic conferences
3. Additional undertakings corresponding to the objectives of the academic society which are deemed necessary at the board of directors meeting or the general meeting

Section 3 Membership

Article 5 (Requirements and Categories)

The IAFICO shall have following categories of membership :

① Individual member

Individual members are categorized further into a regular member or and associate member.

1. Regular member shall be a specialist in the area such as finance, consumer studies, economics, management, law, or a specialist in the area such as finance, consumer studies, economics, management, law, or education etc, and must be a full-time instructor at a domestic or overseas university, an researcher at a research institute with equivalent experience, or should hold equal credentials to those mentioned previously, and shall become its member by the approval of the board of directors. Regular members attend general meetings and may participate in discussions, hold the right to vote, and are eligible to be elected a director or other status of the IAFICO.
2. Associate members shall be divided into either a student member, who is a current domestic or overseas graduate school student, or an ordinary member, who works for a financial institution or a related organization. Associate members do not hold the right to vote and not eligible to be elected to a director or other status of IAFICO.
3. Both regular member and associate member must pay the membership fee to the IAFICO every year.
4. In the case that a decision is made by the Board of Directors to expel a member due to a violation of the objective of the society, or demeaning the society, or in the case that a member fails to pay the membership fees for two years continuously without prior notice, their membership shall be revoked.

② Institutional member

1. Institutional member

Shall be organizations related to financial consumers who do not damage the impartiality of the IAFICO subject to approval of the Board of Directors Institutional members do not hold the right to vote and are not eligible for election.

2. Institutional member must pay its membership fee to the IAFICO every year.

Section 4 Organization

Article 6 (Designation of Board of Director)

The following Directors are designated to constitute the Board Directors to run the IAFICO.

1. Chairperson
2. Vice-Chairperson
3. President
4. Vice-President
5. Ordinary Directors
6. Auditor

Article 7 (Election of Board Members and Director)

- ① The Chairperson, Directors, and Auditors shall be elected or dismissed at the general meeting.
- ② Appointment of the Directors may be entrusted to the Chairperson pursuant to the resolution of the general meeting.
- ③ The Vice-Chairperson, President, and Vice-President shall be appointed and dismissed by the Board of Directors.

Article 8 (General Meetings)

- ① General meeting shall decide following matters relating to the activities of the IAFICO.
 1. Amendments to the Bylaws
 2. Approval of the budget and settlement of accounts
 3. Election or Dismissal of the Chairman
 4. Election or dismissal of Auditors
 5. Regulations concerning the duty and right of members
 6. Resolutions regarding items submitted by the President or Board of Directors
 7. Other important matters
- ② The Chairperson must call a regular general meeting at least once a year and report on the undertakings of the IAFICO. Provisional general meetings may also be held by the call of the Chairperson, or at the request of at least a quarter of current regular members, or according to the resolution of the Board of Directors.
- ③ At a general meeting, a quorum is formed by one third of regular members. However, regular members who are not able to participate in the general meeting in person may be represented by proxy, by entrusting a specific regular member attending the general meeting with their attendance or voting right. In this case the letter of proxy is included in the number of attendees.
- ④ Resolutions at the general meeting will be made according to the majority vote of the attending members who hold the right to vote.
- ⑤ In principle, the general meetings shall be held with face-to-face meeting, however, it may be held web-based meeting when needed.

Article 9 (Auditors)

- ① The auditors shall audit financial affairs, accounts and other transactions of IAFICO, shall participate in, and may speak at board meeting, and must present and auditor's report at the regular general meeting.
- ② There shall be two appointed auditors.
- ③ Auditors are elected at the general meeting.
- ④ And auditor shall serve a term of two years and may be reappointed.

Article 10 (Board of Directors)

- ① The Board of directors shall be made up of chairperson and fewer than 80 directors.
- ② The Board of Directors shall decide a plan of operation and establish the budget, in addition to matters on the running of IAFICO.
- ③ Board meeting requires a quorum of at least one third of current board members. Resolutions at the Board meeting will be made according to the majority vote of the attending members. However, board members who are not able to participate in the board meeting in person may be represented by proxy, by entrusting another specific

board member attending the board meeting with their attendance or voting right.

- ④ A board member shall serve a term of two years, with a possibility of serving consecutive terms.
- ⑤ A number of sub-committees or branches in each country or region may be set up under the Board of Directors to support the running of the IAFICO.

Article 11 (Steering Committee)

- ① The Board of Directors may entrust some decisions relating to the conducting of business to the Steering Committee.
- ② The Steering Committee shall be comprised of the Chairperson, Vice-Chairperson, President, and the heads of each subcommittee.
- ③ Temporary task forces may be established by the Steering Committee when necessary to run the business of the Steering Committee.

Article 12 (Chairperson)

- ① The Chairperson shall represent the IAFICO and chair its general meeting and board meeting.
- ② There shall be one appointed Chairperson who serves a term of five years.
- ③ In the case of an accident involving the Chairperson, the Vice-Chairperson shall complete the remaining term of office of less than one year. If it lasts longer than one year, a new Chairperson shall be elected at the general meeting.
- ④ A new Chairperson should be elected at the general meeting one year prior to the end of the current Chairperson's term of office.
- ⑤ Should it be judged that it is difficult for the Chairperson to carry out their duty any longer, he or she may be dismissed from their post by the decision of the Board of Directors and general meeting.

Article 13 (Vice-Chairperson)

- ① The Vice-Chairperson shall assist the Chairperson, and serve as a member of the Board of Directors.
- ② The Vice-Chairperson shall serve a term of two years, or the remaining term of office of the Chairperson, whichever is shortest.
- ③ The Vice-Chairperson shall be elected from one of the regular members at a meeting of the Board of Directors, according to the recommendation of the Chairperson.
- ④ The Vice-Chairperson shall may be reappointed.

Article 14 (President)

- ① During its term of office, the President shall become the head of the organizing committee supervising international conferences, and serves for a term of one year. The President shall attend the board meeting as a member of the Board of Directors.
- ② The succeeding President shall be elected by the Board of Directors after considering their ability to organize and host the following year's conferences. The succeeding President shall also attend board meeting as a member of the Board of Directors.
- ③ The Board of Directors may elect the next succeeding President should the need arise. The next succeeding President

shall also attend board meeting as a member of the Board of Directors.

- ④ The President, succeeding President, and the following President may appoint a vice-President respectively by obtaining approval of the Board of Directors.
- ⑤ The appointment and dismissal of the President is decided at the board meeting.

Article 15 (Vice-President)

- ① A Vice-President is a member of the Board Directors and shall assist the President, supervise applicable international conferences.
- ② A Vice-President is recommended by the President and shall be approved by the Board of Directors.
- ③ Multiple Vice-Presidents may be appointed.
- ④ A Vice-President shall serve a term of one year, the same as the term of President.
- ⑤ In the event of an accident involving the President, a Vice-President shall fulfill the President's duties during the remaining term of office.

Article 16 (Editorial Board)

- ① The Editorial Board shall be responsible for editing of journals and other materials to be published by the IAFICO.
- ② The head of the Editorial Board shall be appointed by the Board of Directors, and shall serve a term of office decided by the Board of Directors.
- ③ The head of the Editorial Board shall be a member of the Board of Directors.
- ④ Additional matters concerning the running of the editorial board shall be decided separately by the Board of Directors.

Article 17 (Advisory Board and Consultants)

- ① The Chairperson may select individuals who could make a large contribution to the development of IAFICO, and appoint them as advisors subject to the approval of the Board of Directors.
- ② The Chairperson may appoint consultants subject to the approval of the Board of Directors in order to receive advice relating to all business matters of the IAFICO, such as development strategies, conferences, research plans, and research projects etc.
- ③ Advisors and consultants shall serve terms of one year and may be reappointed.

Section 5 Financial Affairs

Article 18 (Accounting and Revenue)

- ① The fiscal year of the IAFICO shall run from the 1st of January to the 31st of December each year.
- ② The finance required to operate the IAFICO shall be sourced from membership fees, member contributions, society participation fees, and other incomes. Related matters shall be decided by the Board of Directors or the Steering Committee.

- ③ Should the need arise, the IAFICO may accept sponsored research, donations or financial support from external parties in order to support the business performance of the IAFICO. The Chairperson shall report the details of these at the board meeting.
- ④ Chairperson should report all the donation from outside and their usage of the year at the IAFICO homepage by the end of March of the next accounting year.

Section 6 Supplementary Rules

Article 19 (Revision of the Bylaws)

- ① Any other matters not stipulated by this Bylaws shall be resolved by the Board of Directors.
- ② Revision of the Bylaws shall be carried out, by the proposition of the Board of Directors, or at least one-tenth of regular members, at a general meeting where at least one-third of the total regular members are in attendance, or at a provisional general meeting, with the agreement of at least two-thirds of current members.

Article 20 (Dissolution)

Should the IAFICO intend to be dissolved, it must be decided upon at a general meeting with the agreement of at least two-thirds of current members, and permission must also be received from the Fair Trade Commission. Except for bankruptcy, the dissolution must be registered and reported to the Ministry of Strategy and Finance within three weeks, accompanied by a certified copy of register.

Article 21 (Residual Property upon Dissolution)

Should the IAFICO be dissolved, according to article 77 of the Korean civil law, all remaining assets of IAFICO shall belong to the state, local government, or other non-profit corporations carrying similar objectives.

Additional Clause

These Bylaws shall become effective from the 1st April 2016.

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