

Study Of Corporate Social Responsibility (CSR) In Selected Indian Public Sector Banks

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Abstract: Man is a social creature. We live in the public arena where we look for support, help and guidance from each other. At the point when a business person begins his business he earns profits only after selling his items to various sections in the general public. To make the venture fruitful it's not business visionaries' business insight just but rather right assistance from perfect individuals at ideal time. The support of suppliers, employees, customers, government, etc (all the stakeholders) are definitely the indirect contributors for the success of a venture. Corporate social responsibility is not a new concept at all. According to Carroll, "CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point in time." (Carroll, 1999) The key reason of the study is to investigate the different definitions and descriptions of Corporate Social Responsibility (CSR); study the theoretical concepts and deployment of current CSR practices in India with respect to Indian banking sector. It is a cross sectional study which is exploratory in nature, researcher has selected three public sector banks namely- State Bank of India, Allahabad Bank and Bank of Baroda and is based on the secondary data collected from the annual reports of the banks. The study is based on the secondary data taken from the annual reports of the banks for the year 2009-10 to 2014-15. This study also aimed to guide selected banks to be tactical in their CSR so that they benefit from the process. The principle discoveries of the study are that CSR is currently exhibited as a far reaching business procedure, emerging essentially from performance contemplations and stakeholder pressure. Banks consider their cooperation with partners and effect of its business on society as critical issues. Each bank characterizes CSR in their own particular manners according to their requirements.

I. INTRODUCTION

Over the past decade Corporate Social Responsibility (CSR) has the potential to make positive contributions to the development of society and businesses. Organizations are beginning to see the benefits from setting up strategic CSR agendas. The increasing attention to CSR is based on its capability to influence firms' performance. In this highly competitive world companies are working hard to brand themselves by creating positive image of their company to attract global share of business, investment, events etc.

The idea of social responsibility among businessmen, especially in India, is not new and can be effortlessly found as brilliant sanctuaries, high mosques, huge dharmshalas and extraordinary educational establishments. Indian writing is filled with episodes when businessmen have made a special

effort to help separate rulers and social orders out of disaster. Numerous Indian organizations are known for lasting on one stage ahead of the government; to the extent the welfare of workers and social orders is concerned. Many organizations are embracing CSR: some endorse social welfare issues, for example, HIV, giving training for teachers, training and labor improvement, education and manpower development, yet progressively a few organizations are swinging to natural maintainability issues perhaps as a method for upgrading their picture.

The commencement of 21st century in India has seen the word CSR coming to the forefront of development of discussion. In recent times, the Corporate Social Responsibility is promising as an important characteristic of business philosophy, showing the impact of business on society in the perspective of sustainable development. The

emerging outlook on corporate social responsibility focuses on responsibility towards all stakeholders: shareholders, employees, creditors, suppliers, government, and community rather than only on maximization of profit for shareholders.

II. CORPORATE SOCIAL RESPONSIBILITY

World Business Council for Sustainable Development defined CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large. According to the Indian Corporate Sustainable development implies optimizing financial position while not depending social and environment aspects and CSR implies supporting issues related to children, women and environment.

The thought of CSR first came up in 1953 when it became an academic topic in HR Bowen's "Social Responsibilities of the Business". Since then, there has been continuous debate on the concept of CSR and its implementation. Although the idea has been around for more than half a century, there is still no clear consensus over its definition. One of the most contemporary definitions is from the World Bank Group, stating, "Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development." However, CSR is a broad concept and there is little consensus on specific meaning or criteria that define what CSR is (Dahlsrud 2008). Holmes and Watts (1999) stated CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Nowadays, many nationalized banks in India have created their own corporate image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives in the era of social welfare and community development. The catalytic contributions made by nationalized banks for economic growth in India have created their separate entities towards financial growth.

A survey was conducted by Business Community Foundation for TERI (Tata Energy and Research Institute) Europe during the year 2001-02 and reported that a large portion of giant companies were engaged in CSR activities. Some of the major findings of the study includes (i) Serious and committed approach to CSR is increasing its reach, but there is vast ground yet to be covered, (ii) Collaboration work between companies & NGOs is increasing, (iii) Corporate are realizing that "Good for business is good business, and (iv) Most interventions so far philanthropic in nature, rather than strategic. (Chaudhary et al., 2011) Hopkins (2003) stated that CSR is concerned with treating the internal and external stakeholders of the firm ethically or in a socially responsible manner and the wider aim of corporate social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders. According to Logsdon et al. (2006) important thing about CSR is the interpretation of CSR often changes in

the area of strategic management due to the fact of varying national and cultural factors. Later on Moon and Vogel (2008) reinforced it saying that CSR is highly contextual and strongly depends on the country and the state of governance of that time. However, Hopkins (2003) found in his study that businesses that engage in CSR typically focus on some or all of the followings:

- ✓ Environment: While focusing on this, organizations look at the environmental impacts of their products and services, as well as what they do outside the business to improve the environment.
- ✓ Employees: The organizations who think in this outlook, they take care of all the employees effectively focusing on workplace conditions, benefits, living wages, and training.
- ✓ Communities: The organizations that care about communities they voluntarily take advance steps to improve the quality of life for employees and their families as well as for the local community and society.
- ✓ Regulations: While focusing at this point, organizations respect the laws fully and often exceed them to be more socially responsible.
- ✓ Emergency supports: Sometimes organizations keep plans ready to manage business crises and ensure safety for employees and surrounding communities. Besides they also take initiatives to provide support in times of emergencies such as disaster or epidemics.

III. PURPOSE OF THE STUDY

The main objectives of this study are:

- ✓ To investigate the different definitions and descriptions of Corporate Social Responsibility (CSR)
- ✓ To study the existing CSR practices in selected public sector banks.

IV. RESEARCH METHODOLOGY

The present study covers three public sector banks of India (Allahabad Bank, Bank of Baroda and State Bank of India). Data is collected from secondary sources, like scholarly articles, annual reports of the selected banks, newsletters, and various web sites.

V. CODES / STANDARDS / PRINCIPLES ON CSR

A. UNIVERSAL DECLARATION OF HUMAN RIGHTS

Adopted by United Nations, this declaration paved way for many international human rights standards for all sectors entities.

B. UN GLOBAL COMPACT

An international multi-constituent, voluntary initiative based on internationally accepted ten principles in pursuit of a more sustainable inclusive global economy. The ten principles covers human rights forced labor, child labor, environmental

challenges and responsibility, non discrimination, freedom of associations, collective bargaining, corruption, etc.

C. GLOBAL REPORTING INITIATIVE (GRI)

Since its founding in 1997, the GRI has been addressing the need for standardized approaches to corporate sustainability reporting. In 2006, GRI published Version 3.0 (G3) of its Sustainability Reporting Guidelines emphasizing performance indicators, which contain a separate section titled "Human Rights" with nine performance indicators.

D. ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

OECD guidelines contains recommendations on core labor, environmental standards, human rights, competition, taxation, science and technology combating corruption and safe guarding, consumer rights.

E. SOCIAL ACCOUNTABILITY 8000

'SA 8000' standard for social accountability, created in 2000 by the Council on Economic Priorities Accreditation Agency (CEPAA). The SA8000 code of practice is broken down into nine key areas child labor, management systems, working hours, compensation, disciplinary practices, forced labor, health & safety, freedom of association & collective bargaining and discrimination.

F. PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

A set of global best practice principles for responsible investment. It provides a framework for achieving better long term investment returns and more sustainable markets.

G. EQUATOR PRINCIPLE

Equator principle is a set of environmental and social benchmarks for managing environmental and social issues in development project finance globally. They were developed by private sector banks- led by Citigroup, ABN AMRO, Barclays and West LB and were launched in June 2003.

H. ROLE OF INTERNATIONAL LABOR ORGANIZATION (ILO)

ILO seeks the promotion of social justice and internationally recognized human and labor rights. It formulates international labor standards in the form of conventions and recommendations setting minimum standards of basic labor rights.

I. INTERNATIONAL ORGANIZATION FOR STANDARDIZATION (ISO) 26000

ISO an International Standard setting body is developing a new standard on Social Responsibility namely ISO 26000 to be published in Nov., 2009. ISO 26000 is intended for use by

all types of organizations and in all countries and to assist organization to operate in a socially responsible manner.

J. OCCUPATIONAL HEALTH & SAFETY ADVISORY SERVICES (OHSAS) STANDARD

OHSAS 18001 is applicable to any organization which aims to establish a health and safety management system at work.

VI. REVIEW OF LITERATURE

This section provides a review of the theoretical literature on CSR activities in Indian banking sectors. In early 1950's & 60's the literature was not heavily represented in CSR discourse. Howard Bowen in 1953 contended that since social organizations formed economic outcome it was normal that business firms as a monetary result of societal interests ought to consider the social effect of business movement. According to Bowen, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." CSR refers some sort of commitment, through corporate policies and action. According to Fredrick 'Social responsibility implies that businessmen ought to regulate the operation of an economic system that satisfies the desires of the general population. Also, this implies thus that the economy's methods for manufacturing ought to be utilized such that production and distribution should enhance total socio-economic welfare' (Fredrick, 1960). Thus, the definitions of CSR in 1960's were an effort to link society and businesses, defining society in broadest terms. Social reporting and social audits are cases of how firms can evaluate their social performance. In 1960's Keith Davies contended that CSR alludes to 'the firm's thought of, and reaction to, issues past the narrow economic, technical and lawful prerequisites of the firm' (Davies, 1973). In 1970's there was one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud. The idea and inclusion of stakeholder began to appear. Harold Johnston 1971 stated that 'a socially responsible firm is one whose managerial staffs balance a multiplicity of interests instead of striving only for larger profits for its stockholders. A responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation. Carroll 1979 offered the following definition of CSR. The social responsibility of business encompasses the economic, legal, ethical, and discretionary (or philanthropic) expectations that society has of organizations at a given point in time

In 80s & 90s there were fewer definitions but more efforts to measure and conduct research for the purpose of operational izing CSR. New concepts which were closely related to CSR were introduce; stakeholder theory, business ethics, corporate governance, responsiveness, corporate social performance, and corporate citizenship. These concepts are closely related but not identical. Gray, Owen, & Maunders in 1987 defined

CSR as “the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large”. Similarly, Perks 1993 defined corporate social reporting as “the disclosure of those costs and benefits that may or may not be quantifiable in money terms arising from economic activities and substantially borne by the community at large or other stakeholders”. The CSR movement was an early response to an article published in 1970 by Friedman stating that ‘social responsibility of business is to increase its profits’. CSR has emerged as the business issue of the 21st century and has been studied for over 50 years. To this day academics do not have a consensus on its definition (Wood, 1991; Carroll, 1991).

A term ‘corporate social innovation’ was first introduced by Rosabeth Moss Canter in 1999 who argues that firms should use social issues as a learning laboratory for identifying unmet needs and for developing solutions that create new markets. Large corporations began to go public about corporate social responsibilities and publish some of their efforts, but they also made public that ‘any approach to corporate responsibility must begin with the practical recognition that the corporation must be profitable enough to provide shareholders a return that will encourage continuation of investment’ (Wilson, 2000). Companies are augmenting their discussions with labor unions, environmental groups and other relevant stakeholders and the implementation of certification solutions by corporations, which is the establishment of codes of conduct (Kapstein, 2001), monitoring and reporting. Kingston and Wagner 2004 suggest that leadership on sustainability and CSR are important to set priorities and to ensure that commitments are achieved. Venu Srinivasan (2007) highlighted that Corporate Social Responsibility is more than philanthropy and must not mean “giving and receiving”. An effective CSR initiative must engage the less privileged on a partnership basis. Bebbington et al.(2008) use the term CSR reporting, which highlights the link between the reporting function and the organizational functions and operations that are concerned with, and impacted by, activities associated with CSR. CSR and CSR (or sustainability) reporting are inextricably intertwined across an organization, and at various levels, impact on strategic planning, governance, stakeholder engagement, risk management, decision making, data collection and management systems, performance measurement, performance management, public relations and communications. Jorge A. Arevalo and Deepa Aravind (2011) concluded in their article “Corporate Social Responsibility Practices in India: Approach, Drivers, and Barriers” that the CSR approach that is most favored by Indian firms is the stakeholder approach and that the caring or the moral motive, followed by the strategic or profit motive, are important drivers for Indian firms to pursue CSR. Further, the results indicate that the most significant obstacles to CSR implementation are those related to lack of resources, followed by those related to the complexity and difficulty of implementing CSR.

VII. CSR PRACTICES IN INDIAN BANKING SECTOR

Indian Banking sector is made up of 2 types of Banks. One is commercial banks another is cooperatives banks. Commercial banks include PSUs Banks, Private sector Banks, Foreign Banks, and Regional Rural Banks. Cooperatives Banks include urban cooperatives and State cooperatives Banks. The main aim of banks is to profit maximization but in the current scenario the situation has been changed. The aim changed from profit maximization to do more and more CSR activities. RBI (2007) has also directed Indian banks to undertake CSR initiatives for sustainable development and also asked banks to begin non-financial reporting which is related to activities in the era of environmental, social and economic accounting. RBI also pointed out to start non-financial reporting (NFR) by the banks which will cover the work done by the banks towards the social, economic and environmental betterment of society.

The present day’s economic growth and development in India mostly depends upon a well-knit financial system which includes a set of sub systems of financial institutions, financial market, and financial instruments. Both financial markets and financial institutions play a crucial role in the financial system by rendering various financial services to the Indian community. CSR has been assuming greater importance in the corporate world, including the banking sector. As a pillar of the economy, this banking sector plays a major role in the economic development of the country. Thus the banking industry has been playing an important role as growth catalyst. In recent years corporate social responsibility and corporate governance have become an important issue at a global level. The CSR in Indian Banking Sector is aimed towards addressing the financial inclusion, providing financial services to the unbanked or untapped areas of the country, the socio-economic development of the country by focusing on the activities like, poverty eradication, health and medical care, rural area development, self employment training and financial literacy trainings, infrastructure development, education, and environmental protection etc.

VIII. MAJOR FINDINGS OF THE STUDY

The principle discoveries of the study are that CSR is currently exhibited as a far reaching business procedure, emerging essentially from performance contemplation and stakeholder pressure. Organizations consider their cooperation with partners and effect of its business on society as critical issues. CSR arrangements differ with turnover and profit. The study recommends that business and CSR technique have all the earmarks of being on a united way, towards business and CSR combination over the organization. Numerous organizations are making token motions towards CSR and just a couple organizations have a organized and arranged approach. A few organizations spread their CSR subsidizes exceptionally meagrely crosswise over numerous exercises CSR is on an upward expectation to absorb information and is fundamentally determined by magnanimity. From the 3 Case Studies of the banking institutions under study, it is scrutinized that the said financial institutions of the country

are directly engaged in social banking and developing banking approach. All of the three selected banks started new programmes on social and economic welfare of the masses, keeping similarity with the guidelines. All the three Banking institutions under study undertakes both fund based and non fund based activities which have been presented in the below chart.



Figure 1: CSR Activities Done by the Selected Banks

- ✓ It is observed under study that SBI has started to publish its own CSR Report in the year 2015 keeping the benchmark of internationally accepted norms of Global Reporting Initiative (G3). However, the study period of the research is 2008 to 2014 in which all the three selected banks SBI, BOB and Allahabad bank publishes a separate segment on CSR in their Annual Report but it was not drafted according to internationally accepted benchmark.
- ✓ It is also observed from the information available in the Annual Reports that all the three selected banks spend a huge amount for pursuing CSR activities yearly and they have earmarked 1% of their previous year profit for CSR activities. Sometimes this amount is extended by the banks accordingly.
- ✓ It is also observed from the information available in the Annual Reports that all the three selected banks follow the Govt. of India (MoRD) guidelines on setting up of RSETIs i.e. establishing of Rural Self Employment Institutes. SBI is the leader in the formation of RSETIs (117) followed by BOB (49) and Allahabad Bank (21).
- ✓ Another significant contribution of CSR activity performed by SBI is the funding for Research and Development Grants to universities and academic institutions. Bank has donated huge fund for such R&D activities.
- ✓ It is further observed that Adoption of Girl Child by SBI, Adoption of Villages by BOB, All Bank Girl Child Scholarship Scheme by Allahabad bank etc are the unique feature of CSR activities of commercial banks in India.
- ✓ Another important feature of CSR activities which is observed from the information supplied in the annual report by the selected banks under study is the setting up of Financial literacy and Credit counseling Centres. Bank of Boroda is the leader in setting up of such consultancy centre having 45 such centres followed by Allahabad bank having 18 FLCs.

IX. CONCLUSION

Banking sector in India is demonstrating enthusiasm for coordinating sustainability into their plans of action but its CSR reporting practices are far from satisfaction. There are only just a couple banks which report their activities on triple bottom line principles. In Indian banking industry the idea of CSR idea has been received as component for achievement and survival of banks alongside satisfying social goals and advancement of economy. However, the challenge for the banking institutions is to determine a strong and innovative Corporate Social Responsibility strategy, which should deliver elevated performance in ethical, environmental and social areas. The banking institutions under this CSR concepts have recognized their responsibility towards the society and are making their contribution in the field of employment generation, education, health care, women welfare and women empowerment. There is a need to promote a drive in banking Companies towards greater accountability on Corporate Social Responsibility (CSR). In order to attain the social objectives, there is a need for framing a CSR Policy in every banking company for prioritization of activities for social spending and allocation of separate funds for this purpose. The selected banks have more satisfaction and are using more CSR practices. Hence, the study concludes that the selected Indian banking institutions have been developed after the implementation of strong CSR concepts and it have been providing more satisfaction to bank customers.

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