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Corporate social responsibility (CSR): An analysis of Indian Banking sector

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Abstract

The main purpose of the study is to know the status of corporate social responsibility (CSR) activities in Indian banking sector. The study is based on the primary data, collected through a structured questionnaire. Variables used in the study are: problems, benefits, motivating factors for adopting CSR, CSR activities focused on rural development, women empowerment, employee welfare, customer welfare, health care, education, environment protection, the charity & donation. Data analysis the Indian banks are making many efforts in many different CSR areas but still there is a requirement of more emphasis on CSR. The study has a scope of further research where the CSR performance of banks can be related to focusing many different areas of the banks and impact of their CSR activities on Banks.

Keywords: Corporate social responsibility, rural development, women empowerment, employee welfare, customer welfare, health care, education, environment protection, the charity & donation.

Introduction

The Reserve Bank of India RBI (2011) on stressing the need for CSR, suggested the banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development. 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 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.

Corporate Social Responsibility & Companies Act, 2013: The act enacted on 29 August 2013 on accord of Hon'ble President's assent, has the potential to be a historic milestone, as it aims to improve corporate governance, simplify regulations, enhances the interests of minority investors and for the first time legislates the role of whistle-blowers. The new law replaced the nearly 60-year-old Companies Act, 1956. The 2013 Act has introduced several provisions for changing the way to do business of Indian corporates and it also introduced a new provision regarding spending on Corporate Social Responsibility (CSR) activities. On the basis of CSR provisions it became mandatory for Indian companies and Companies have to spend a particular amount on CSR activities as well. They have to mention their report regarding CSR activities in a prescribed format in their website. The Reporting of CSR will be implemented on an annual basis commencing from fiscal year 2014-15. CSR activities shall be counted only as per as Schedule VII:

- 1) To eradicate extreme hunger and poverty
- 2) To promote of education, gender equality and empowering women
- 3) To reduce child mortality and improving maternal health
- 4) To combat human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
- 5) To ensure environmental sustainability
- 6) Employment enhancing vocational skills

- 7) Social business projects
- 8) To contribute in the fund of Prime Minister's National Relief or any other fund set up by the Central Government or the State Governments for socioeconomic development, relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women
- 9) Such other matters as may be prescribed.

Relationship between Business and Society: CSR is related to the social contract between the business and the society in

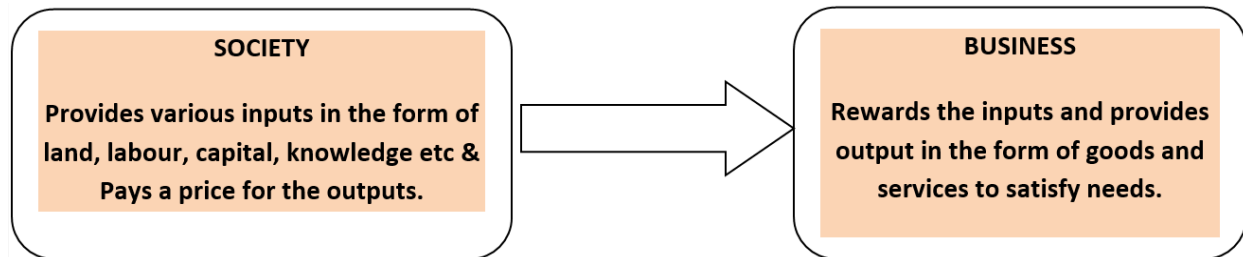


Fig 1: Reciprocal relationship between society and business

This study is totally based on the CSR status of banking sector regarding areas focusing for corporate social responsibility, and problems, benefits by adopting the corporate social responsibility.

Objectives of The Study: The main objectives of the study are:

- To find out the major areas focused by the banks for CSR implementation.
- To know the main problems faced by the banks for CSR implementation.
- To know the main benefits through adopting CSR activities.
- To know which motivating factor force banks for CSR implementation.

Literature Review

The concept of CSR originated in the 1950's in the USA but it became prevalent in early 1970s. At that time US had lots of social problems like poverty, unemployment and pollution. Consequently a huge fall in the prices of Dollar was witnessed. Corporate Social Responsibility became a matter of utmost importance for diverse groups demanding change in the business. During the 1980's to 2000, corporations recognized and started accepting a responsibility towards society. Corporate social responsibility (CSR) focuses on the wealth creation for the optimal benefit of all stakeholders – including shareholders, employees, customers, environment and society.

According to Friedman (2006) "There is 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, engages in open and free competition without deception or fraud".

Robbins and Coulter (2007) explained that the management's social responsibility goes beyond making profit to include protecting and improving social's welfare of its stakeholders and the environment in which the firm carries out its operations.

Carroll, (1991) [4] defined that CSR is the social obligations towards wider stakeholders, environment while making

which it operates. At any one time in any one society, there is a set of generally accepted relationship, obligations and duties between the major institutions and the people. Philosophers and political theorist have called this set of common understandings 'the social contract' (Steiner and George 1972). Business and society are dependent to each other because society provides various inputs to the Business and Business rewards the inputs and provides outputs to the society. This reciprocal relationship between business and society is shown in Fig 1:

profit the shareholders. Carroll developed a theoretical framework of CSR, where he proposed four dimensions of CSR. These are economic, legal, ethical and philanthropy of CSR. Carroll defined economic CSR is measured in terms of shareholders wealth maximization generates profit, being competitive (high quality & low cost), operational efficiency, and continuous profitability. Carroll defined legal responsibilities of CSR dimension is measured in terms of the extent that organization's activities are consistent with laws and regulations, law-abiding corporate citizen, fulfilling legal obligation, and goods and services must meet the minimal legal requirement. Carroll defined Ethical responsibility of CSR dimension is measured in terms of societal mores and ethical norms, extent that organization adjust themselves to emerging moral norms, degree of compromising ethical standards or norms, corporate citizenship behavior accepted by society and the extent that organization go beyond the legal and regulation requirements to maintain integrity of the organization. Carroll defined Philanthropic is the highest level of CSR, where it will be measured in terms of philanthropic and charitable expectation of society, assistance provided to fine and performing arts, extent that managers and employees of the organization involvement voluntary charitable activities organized by community, and assistance provided by organization to the projects that enhances "quality life".

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.

Another Survey was conducted jointly by Confederation of Indian Industry (CII), UNDP, British Council and Price Water & House Coopers (PWC) in 2002, which reported that all most all the companies under the study recognize the

importance of CSR and believed that the passive philanthropy was no longer sufficient. It was also reported that a significant proportion of respondents recognized CSR as the means to enhance long term stake holders value. Another most important aspect of CSR, according to the report, is that it provides an opportunity to improve relationships with local communities.

Namrata singh, Rajlaxmi srivastava *et al.* (2013) proposed a study on CSR practiced & CSR reporting in Indian banking sector, concluded that at present the Banking Sector performing their banking services more effectively in comparison with the past and also started working towards social banking that is Corporate Social Responsibility. Maximum number of banks whether related to private sector or public sector highly performing CSR activities as per their priority but if we look towards the CSR reporting then we can see that most of the banks are still not disclosing their amount for such initiatives in their websites. After the involvement of RBI the CSR becomes the important part of Banking Sector but still more regulations and new policies are required to implement the concept of CSR in Indian Banking Sector.

Suman kalyan chaudhary, Sanjay kanti das *et al.* (2011) explored a study on Practices of Corporate Social Responsibility (CSR) in Banking sector in India: An assessment resulted that in India 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. Moreover, to have an impact of the CSR spending and utilization of allocated budget, there should be a system of periodical monitoring and reporting to the Board of Directors.

Research Methodology

A survey was conducted to find out the CSR status in Indian banking sector. The survey was conducted to banking

employees, Lucknow. The convenient sample size of 100 banking employees was taken for the study out of which 95 employees have given their feedback.

The study is descriptive and exploratory in nature. The data has been collected from the primary and secondary resources both. Primary data has been collected through questionnaire with the Respondents. A well, structured questionnaire was designed for the study. Non probability sampling has been used to fill the questionnaire. Secondary data has been obtained from existing literature, published books, articles published in different journals, Banks website, newspapers and magazines. The opinion was later analyzed and computed by mean, percentage.

The researcher proposed seven types of dimensions of CSR activities focusing by banks to fulfill the social responsibility towards all stakeholders. The dimensions of study are shown in Figure number 2.



Fig 2: Dimensions of CSR

Data Analysis and Conclusion

There are many charts has been given to define the Bank's Social Responsibility in 7 deffrent areas. please see the figures shown under following:



Fig 3:

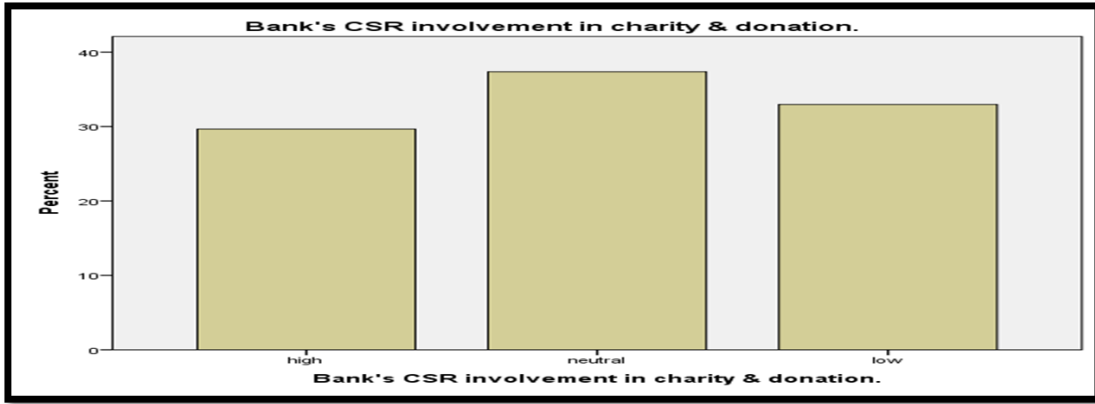


Fig 4:

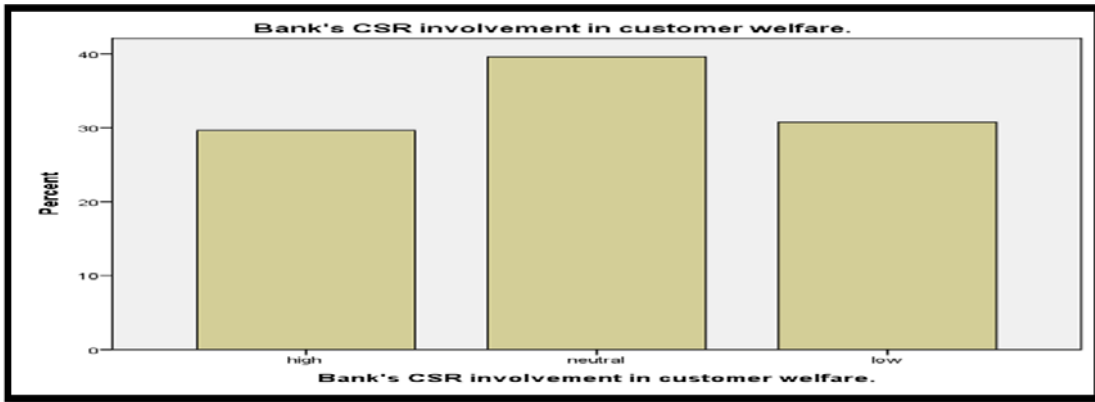


Fig 5:

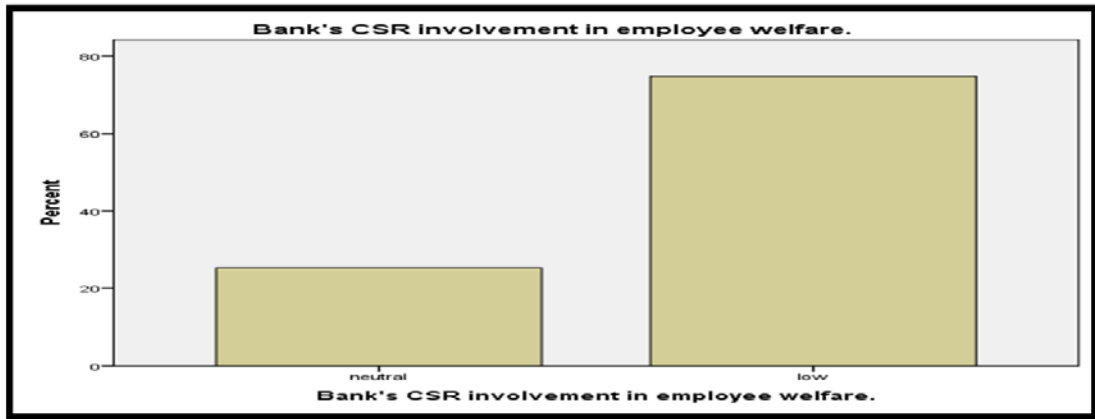


Fig 6:

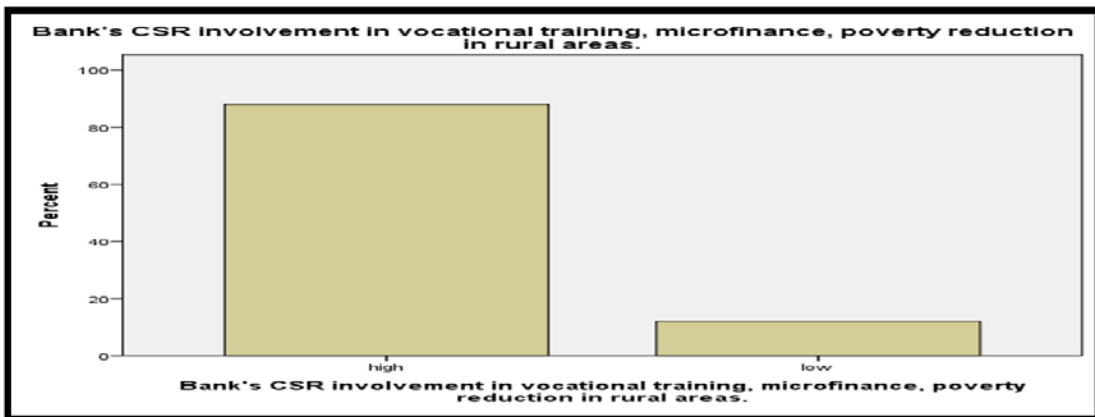


Fig 7:

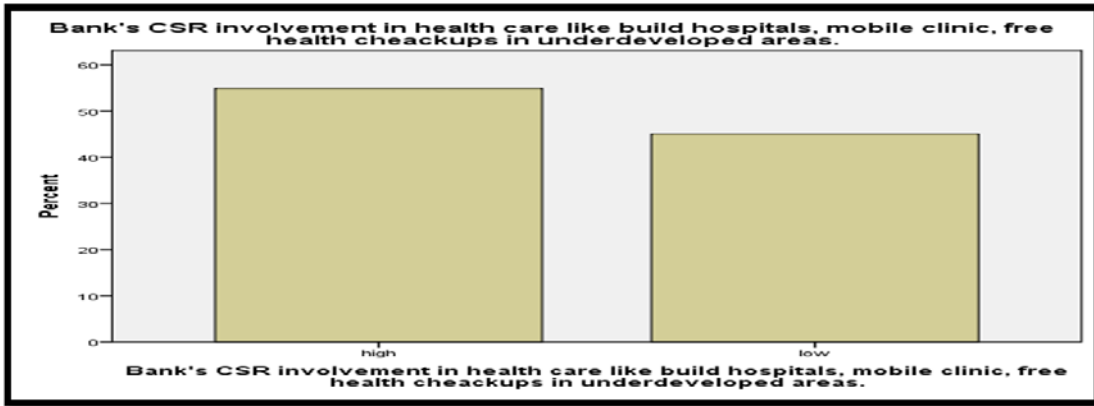


Fig 8:

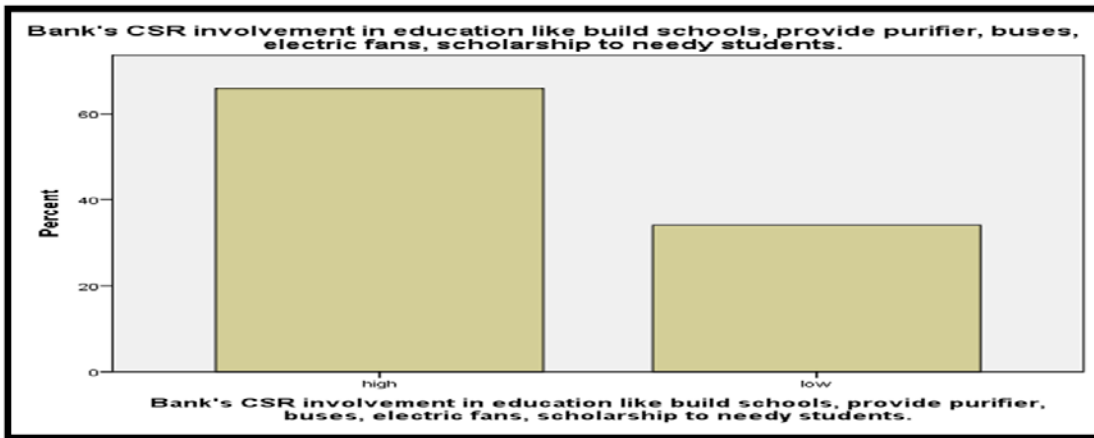


Fig 9:

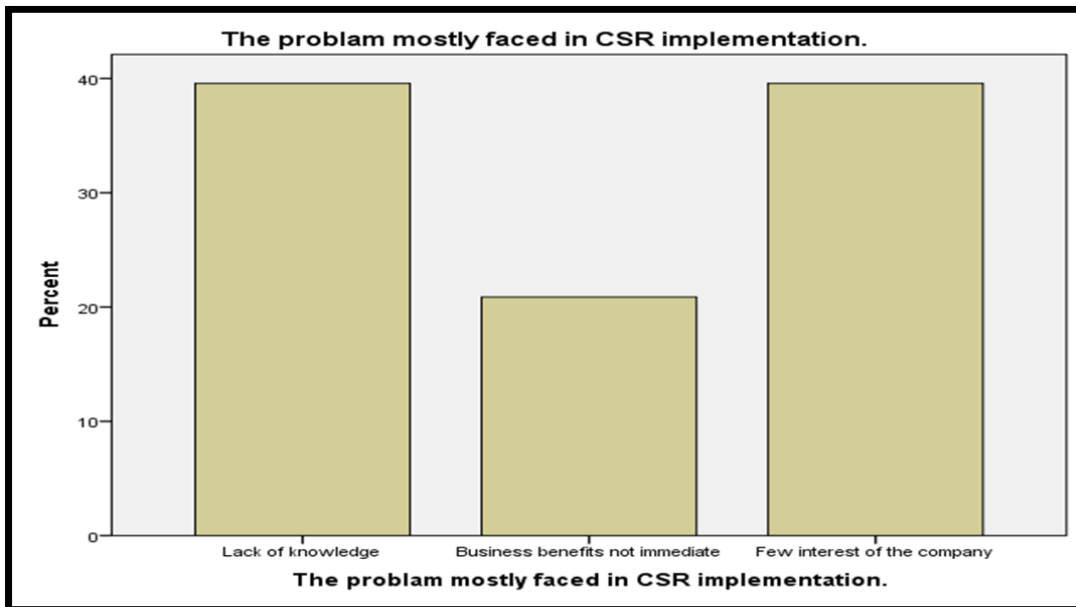


Fig 10:

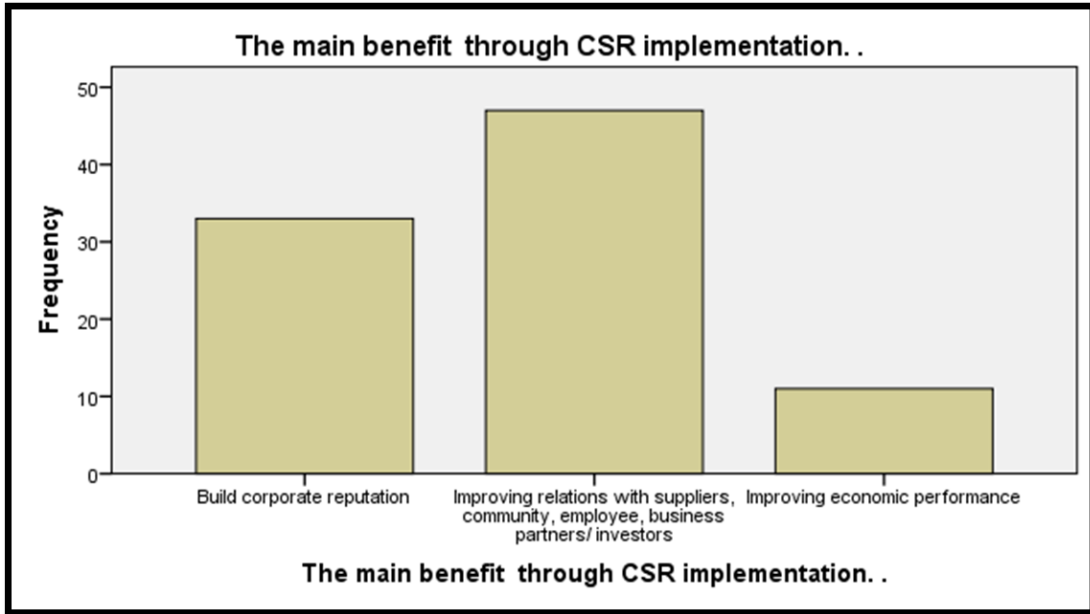


Fig 11:

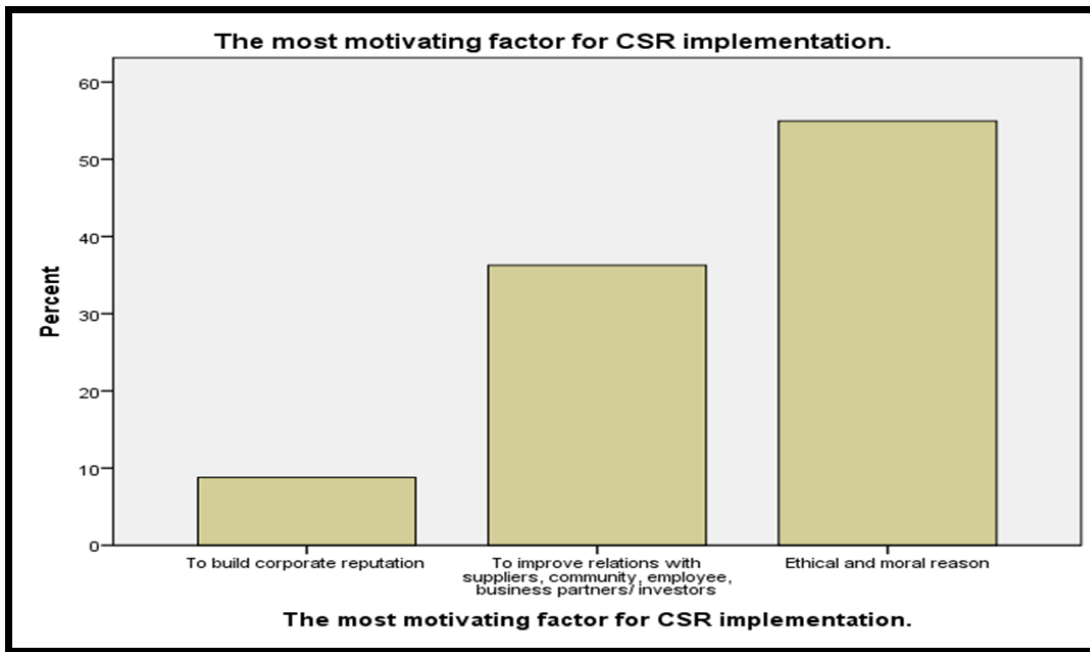


Fig 12:

The above given figures have shown the status of CSR in Indian banking sector. Figure 3 defines that 60% employees agreed that banks do more CSR for women empowerment. Figure: 4 define s that 30% employees agreed that banks give charity & donation. Figure 5 defines that around 70% employees agreed banks do less in customer welfare. Figure 6 defines that around 70% employees agreed banks do less in employee welfare. Figure 7 defines that 90% employees agreed on banks involvement in rural development. Figure 8 define that 55% employees agreed banks' social responsibility towards health care activities. Figure 9 defines that 65% employees agreed bank's social responsibility towards education welfare activities. According to the data it is proven that banks mostly focus in rural development through vocational training, providing microfinance, credit counseling, and Poverty reduction activities. After that banks

also more focus on education welfare through providing vans, purifier, and fans to schools & scholarship to the needy students. The banks focus more on the women empowerment and their education. The banks are not focusing much in the areas on customer and employee welfare. Most of the employee said that employee welfare and customer welfare does not come under that CSR activities, it just a part of business activity. Figure 10 define that the major problems of CSR implementation are few inters of company & lack of awareness, knowledge towards CSR among the employees. Only 22% employees agreed that Business benefits not immediate are the main problem. Figure 11 defines that the main benefit through CSR adoption is improving relationship with all stake holders and then build corporate reputation. Figure 12 defines that banks do CSR due to their ethical and moral reason.

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