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Banks beyond banking: A study of CSR activity during pandemic

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Abstract

Purpose: The purpose of this paper is to study the various aspects of Corporate Social Responsibility, emphasising on how corporate social responsibility have evolved over the years. The paper also tries to find how the banks have come forward and have gone beyond banking with various corporate social responsibility activities which has played a crucial role in the time of pandemic.

Design/Methodology/Approach: This paper is conceptual in nature, which involves a cross sectional study involving the qualitative analysis of the CSR activities taken up by banks in India during pandemic.

Findings: This paper presents that CSR is evolving as a “self-regulating business model” considering performance along with the stakeholders’ pressure, which has implied that the procedures of interaction of an organization with its stakeholders and public at large, creates a perception of being socially responsible. During the time of pandemic, the CSR activities have changed focus which has entirely shifted to activities to help fight against the coronavirus disease which would reap indirect benefits from the organization.

Practical implications: The perception on CSR developed in this paper would help organizations to design CSR programs based on its focus, direction, proactiveness, activity nature, characteristics, and benefits. It would also help to understand what had been the opportunities and lacking in the times of pandemic with respect to CSR.

Originality/value: In the past some scholars had attempted to define and explain the various aspects of CSR. The research paper attempts to provide a more holistic and yet comprehensive theoretical perspective on CSR initiatives with respect to banks going beyond their core business and extending themselves into CSR during Covid-19. It can help CSR managers of organizations to design their CSR initiatives and manage the CSR initiatives in a more effective and efficient manner.

Keywords: Corporate social responsibility, corporate strategy, pandemic

Introduction

Corporate Social Responsibility (CSR) is basically evolved as a self-regulating business model that helps any company to be accountable socially — to itself, its stakeholders and the public. Corporate social responsibility, also called as corporate citizenship, makes company conscious of the kind of impact that they have on all aspects of society, whether economic, social, ethical and environmental. CSR basically implies engagement of organization in activities that enhances the society and environment. CSR is a broad concept and has taken many forms since its inception and also depending upon organization. In today’s times of intense competition, survival depends on growth of business. Every business units have the objective of profit and wealth maximization by doing business. However, the perspective of growth keeps on changing with time and situation. Through their philanthropic activities in the name of CSR, businesses have not only tried to benefit the society but also boost their image.

Most companies have been practicing some or the other form of corporate social and environmental responsibility with the goal of contributing to the well-being of the community and society and on which they depend with the purpose of basically giving back to the society.

But there is increasing pressure to build CSR as a business discipline and demand that every initiative delivers business result. The CSR activities not only mitigates risk, but also enhance reputation of the organization and contribute to business results, then that is all for the good.

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However, the companies should mostly refocus the CSR activities on fundamental goals and provide a systematic process for bringing coherence and discipline to CSR strategies.

CSR is not only useful for the community but equally important for the organization, and hence companies have been practicing CSR as a philanthropic activity even before it was made mandatory by Companies Act, 2013.

In fact, India was the first country in the world to impose a statutory obligation of CSR for corporations meeting certain criteria. As per Section 135 of the Companies Act, companies with a net worth of INR 5 Bn (\$ 70 Mn) or more, or an annual turnover of INR 10 Bn (\$ 140 Mn) or more, or net profit of INR 50 Mn (\$ 699,125) or more, to spend two per cent of their average net profits of three years on CSR. This provision has made India the only country in the world where both the spending and reporting of CSR obligations are mandatory. Furthermore, the Companies Act and subsequent amendments have expanded and clarified activities for which the two per cent funding can be used. The Government of India has made it very clear that CSR spending should not be considered as mere charity like giving donations without any strategic benefits. In fact, efforts have been made to define broad areas (Schedule VII of the Companies Act 2013) under which the funding should be channelled, thereby visibly and positively impacting society. Moreover, there has been a conscious attempt to keep the CSR legislation aligned with India's commitment to the United Nations Sustainable Development Goals (UNSDGs). Schedule VII of the Companies Act 2013 has defined broad areas of intervention like education, environment, health, gender equality, etc which are basically intended to be interpreted liberally with the focus on ensuring sustainable development of the country.

CSR historical trends in India till date

India has a long history of close business involvement in social causes for national development. Initially, there had been no evidences of any such social initiatives taken up as there had been little or no documentation.

There had been a growing realisation towards contribution to social activities globally with a desire to improve the immediate environment. Gradually it was accepted that business had to share a part of social overhead costs.

Due to organization's will to enhance their image and increased pressure from government and expectations of the public from the organizations, in the last decade of 20th century, organizations have been involved in mainstream development and concern for disadvantaged sections of the society, rather than simply doing charity or any other philanthropic activity.

CSR has both ethical and philosophical dimensions, particularly in countries like India where there is a huge gap of income and standards between sections of people.

Later, India became the first country in the world to make CSR mandatory, with its amendment to the Companies Act, 2012 in April 2014. Since this provision in 2014, CSR spending by corporate India increased significantly. This regulation required companies to step outside their comfort zone onto a steep learning curve.

Listed companies in India spent Rs 10,000 crore in various programmes — ranging from educational programmes, skill development, social welfare, healthcare and environment conservation after CSR was made mandatory.

CSR is to pursue 'shared value' to create economic value that also creates value for the society or in other words giving back to the society in which the company is operating its own business. According to a research, most organizations practice a multi-faceted version of CSR that runs the extent from pure philanthropy to environmental sustainability.

Also, well-established companies are usually less interested in integration of CSR with their business strategies and goals, rather than in devising a clear CSR programme aligned with the company's purpose and values.

A company's CSR projects generally are divided among three areas of practice -

1. Philanthropy
2. Improvement of operational effectiveness
3. Transformation of the business model

All companies cannot engage in same types of CSR activities, as it is neither practical nor logical. Activities that each company take up are driven by varied factors, like the industry and the societal environment in which the businesses operate and the motivations of the people who run and govern each company.

CSR during pandemic

The COVID-19, the infectious disease triggered by coronavirus has been considered as global pandemic by the World Health Organisation (WHO). This contagious disease tremendously disrupted the socio-economic conditions of the world as a whole.

The pandemic had been disastrous globally, India not being an exception to it. The Government of India announced complete lockdown in the country in March 2020 in order to promote social distancing, which basically directed the public to maintain distance both socially and physically which was necessary to prevent the spread of the deadly virus. The extended lockdowns lead to worsening of the economic troubles. It is difficult to find anything positive development during the pandemic, but still there is one. Organizations became more conscious with respect to their responsibility towards the society. They have tried to contribute in whatever way possible to the society directly, or indirectly.

Here, comes the importance of Corporate Social Responsibility (CSR), which plays a crucial role in the age of this pandemic covid-19, where people are trying their level best to get through this tremendous challenging time.

The deadly virus, the COVID-19 has seriously damaged both human as well as industries. In times like COVID-19 pandemic as is being faced today corporate social responsibility becomes an important method for the businesses as they have responsibility towards society and people from whom they derive their success.

Policy changes in CSR during pandemic

There had been some policy changes with respect to CSR during pandemic which considerably changed the spending pattern of the organizations.

The first change was that the organizations were allowed to spend CSR funds on Covid-related activities. Not only contribution to the PM CARES Fund and to the State Disaster Management Authority, expenditure incurred on preventive healthcare and sanitation, ex-gratia to temporary/casual workers over and above daily wages,

providing quarantine facilities to those affected, amongst others, could be considered as CSR spend.

The second change in policy and very crucial was to allow all donations for Covid-related activities to be eligible for 100 per cent tax deduction.

And the third change was to allow companies who contributed over and above the minimum prescribed amount of CSR to later offset the excess against the CSR obligation that would be arising in subsequent years, if desired by the organization.

Subsequently, organizations started showing their concern for the society and country as a whole showing that they cared as well. There had been donations ranging in crores to various government funds. There have been contributions in entirely new areas like few in-kind donation announcements, which included counselling helplines or e-learning resources, and food supply; making available free or discounted testing kits or services or sanitiser and so on.

For this purpose, corporates are also looking out for NGO partners who are working in the areas where they have factories, plants or any other set-ups, especially when it comes to rural or remote areas.

Banks and CSR

The financial sector is the primary driver of a nation's economy. The companies in the financial services industry are involved in managing money. However, when compared to other sectors especially the manufacturing sector, the contribution of this sector is under-rated and is not considered significant.

Banking sector have been contributing greatly in CSR activities which is beyond their core area of banking but it has never gained any visibility. This paper tries to focus and highlight the contributions of banks in times of COVID-19 and how they have reached out to the public beyond their banking activities to boost the morale of the banking industry.

Review of Literature

Narwal (2007) ^[2] highlighted the corporate social responsibility (CSR) initiatives taken by the Indian Banking Industry which helps them to enhance their overall performance. They conducted the study on 33 banks which are undertaking CSR activities under the supervision of their respective head office so it generalizes the usefulness. The findings showed that banks have concentrated their CSR activities mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction. The Indian banking industry has been adopting an integrated approach and has combining CSR with customer satisfaction.

Singh & Gautam (2010) ^[3] in their paper explored the various descriptions of Corporate Social Responsibility (CSR), how it has developed over the years in India and the then current practices of CSR in India. The paper examined the view of India's top 500 companies with respect to conduction of their key CSR practices and mapped them against Global Reporting Initiative standards.

Chen (2011) ^[4] in his paper presented a procedure for identifying a corporate CSR model with best goodness-of-

fit. This research constructed a model of which CSR was mainly influenced by four core components: accountability, transparency, competitiveness, and responsibility. Structural equation modeling was applied in this research to assess the proposed CSR model containing four latent factors and 13 observation indicators. The results of confirmatory factor analysis indicated that the correlation among four latent variables was significant, and the second-order factor structure fit the observed data well.

Sundar, P (2020) explored the various policy changes that have taken place during the pandemic which have had an effect on the nature and amount of CSR spending, as organizations have become more conscious towards the society.

Koli & Mehta (2020) ^[8] in their paper examined how certain CSR activities undertaken by various companies don't fit the bill from the lens of ethics, legality and business responsibility. Such activities may not necessarily have violated the letter of law, but the spirit of such activities is what is required to be looked at.

Analysis

In the present times of COVID-19, the Government of India has been inspiring companies to provide social support as it would be very difficult to control the situation by government alone. So, it has asked all companies to come forward with whatever contribution each can make. According to a March 23, 2020 it was provisioned by Ministry of Corporate Affairs circular that all expenditures incurred on activities related to COVID-19 would be added as permissible avenues for CSR expenditure.

Funds may be spent for various activities related to COVID-19, under the following items of Schedule VII:

- Eradicating hunger
- Poverty
- Malnutrition
- promoting healthcare, including preventive healthcare
- Sanitation, including contribution to the Swachh Bharat Kosh set up by the Centre for promoting sanitation and making available safe drinking water
- Disaster management, including relief, rehabilitation and reconstruction activities

In a further circular (No. 21/2014, dated June 18, 2014) it was mentioned that the above items in Schedule VII are broadly described and companies may interpret them liberally for the purpose of donations being made with respect to COVID 19. This announcement was warmly welcomed by the companies as it created a win – win situation for companies who were under obligation to spend under CSR and meet statutory requirements of The Companies Act at the same time.

After these announcements, the response from the companies have been tremendous to support the efforts of the government in the situation of pandemic. Crores were donated to PM Cares Fund, State funds and other government funds.

The table below shows the contributions made by top 10 commercial banks of the country during pandemic under CSR obligation:

S. No	Company	Action
1	State Bank of India	<ul style="list-style-type: none"> Bank contributed a total of Rs. 27.47 crore for various initiatives under its CSR including donation of an amount of Rs. 9 Crore towards Chief Minister Relief Fund of various states and Rs. 12.38 crore to SBI Foundation (SBIF) SBI staff members collectively donated Rs. 108 crores to the PM Cares Fund, the Bank also pledged Rs. 30 crores for COVID related CSR activities besides donating around 21000 PPE Kits to government hospitals.
2	ICICI Bank	<ul style="list-style-type: none"> Pledged Rs 80 crore to PM CARES Committed Rs 20 crore to state governments, hospitals, CISF and police forces for protective equipment Provided 2.13 lakh surgical masks, 40,000 N95 masks, 20,000 litres of sanitisers, 16,000 gloves, 5,300 PPE suits, 2,600 protective eye gear and equipment (50 thermal scanners, 3 non-invasive category ventilators) to states and hospitals
3	HDFC Bank	<ul style="list-style-type: none"> Committed Rs 150 crore to PM CARES
4	Axis Bank	<ul style="list-style-type: none"> Committed spending Rs. 100 crores towards curbing the spread of COVID-19 pandemic.
5	Kotak Mahindra Bank	<ul style="list-style-type: none"> Pledged Rs 60 crore (Rs 25 crore to PM CARES; Rs 10 crore to Maharashtra CM Relief Fund)
6	IndusInd Bank	<ul style="list-style-type: none"> Committed Rs. 30 crores towards Covid-19 and lockdown relief work and monitoring the requirements closely.
7	Bank of Baroda	<ul style="list-style-type: none"> It will provide an ex-gratia payment of Rs 10 lakh to the next of kin of business correspondents (BCs) in case of loss of life due to COVID-19. It will also provide health insurance cover of Rs 60,000 to the BCs. It will ensure maintenance of hygiene and safety, it is also providing additional support in tranches to keep the BC points sanitised and clean through sanitisers, disinfectants, use of masks and other measures.
8	Punjab National Bank	<ul style="list-style-type: none"> Campaign to distribute face masks and sanitizers to prevent the spread of COVID-19 in New Delhi.
9	Yes Bank	<ul style="list-style-type: none"> Committed Rs 10 crore to support the fight against the COVID-19 pandemic including Rs 2 crore each to the PM-Cares Fund, and a clutch of other government bodies and the remaining Rs 1 crore towards providing personal protective equipment to health workers and food to stuck migrants in Maharashtra.
10	IDBI Bank	<ul style="list-style-type: none"> Donated Rs 3.9 crore towards the fund.

The above table shows the varied contributions in the name of CSR during the time of pandemic. Banking sector, had contributed not only in terms of money by contribution to the PM Cares Fund or other government funds but also had been involved in distribution of masks, sanitizers, PPE kits and other activities for the purpose of helping the government in pandemic. The banking sector is solely involved in managing finances, but this pandemic led this sector too go beyond its banking purview and think about the society in a different light altogether. Hence, there had been increased contributions from this sector during the pandemic. So much so that the bank employees of SBI bank contributed to the PM Cares Fund by allowing it to be taken from their salary.

Such activities not only to build the brand image of the banks, it increases the trust of the customers on the banks as the customers have become socially aware these days. Especially in such difficult times as those of pandemic, people have been keenly interested in watching what had been the contribution of each organization in every sector for the purpose of helping the society.

Conclusion

In today's times, customers have become aware and concerned that whether the brands or the organizations that they are dealing with is socially responsible or not. Being socially responsible help then create a positive image in front of the customers while executing their moral obligations at the same time. CSR activity if carried out effectively helps the organization to make a place for itself where the market has now become saturated with a lot a competition and it also helps the organizations to effectively connect with the customers to ensure long-term relationship. CSR programs have a positive effect and this was proven by the kind of contributions that the corporates have extended

during the pandemic such that the work of the organizations looked authentic and it makes the organization socially responsible to the customers. Also, any organization going for CSR activity should be sincere and truthful in whatever it says. As the customers are well-informed, empowered and aware nowadays, the organizations cannot fool the customer and have to strike the right chord while dealing with them.

Yet there is something common in any kind of CSR activity taken up by the companies, they are aligned with the company's business purpose of creating value to all the stakeholders and taking care of the society as a whole. There are realising that they have a role to play for the society and hence they are engaging in social and environmental activities.

The banking sector in India has been integrating sustainability into their business models. Over the years, their CSR practices have been less uniform in comparison to that for financial rating. The CSR activities of banking sector have gone beyond their banking arena making them more socially responsible which can also be used as a marketing tool where efforts are being made towards CSR in tangential ways such as donation to charitable trusts, NGOs, sponsorship of events etc. Few have a clearly defined CSR philosophy.

This paper has tried to give an idea of the basic practices followed by the banks along with the activities that are beyond their core banking activity. The data above shows that companies in this sector have been playing a significant role to bring out the relationship between the organisation and the society. Companies in banking sector too have been striving hard to benefit the society in every manner especially during the pandemic.

It is also concluded that there has been more media coverage of events during the covid-19 time. Even banking sector companies which was yet another sector other than health

and education which has not seen any lockdown in the pandemic time, have always concentrated their efforts on their core activity, came out in the open with their CSR activities showing them as more socially responsible and concerned for the society as a whole to build their image. These activities help the organizations build customer loyalty, reputation, employee motivation, brand value and employee-retention by CSR activities.

Hence, it will be wise if the companies focus on areas the society need by understanding them for the advancement of the country.

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