CORPORATE SOCIAL RESPONSIBILITY PRACTICES OF COMMERCIAL BANKS IN INDIA

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ABSTRACT

Corporate Social Responsibility (CSR) of a business refers to what a business does over and above the statutory requirement for the benefit of the society. The word “responsibility” emphasizes that the business has some moral obligations towards the society. Nowadays CSR has been assuming greater importance in the corporate world including financial institutions especially the banking sector. Commercial Banks in India have been actively engaging in lots of operations which they showcase as their contribution in terms of Corporate Social Responsibility (CSR). The CSR activities of banks have gained further importance in the wake of new listing guidelines issued by Securities and Exchange Board of India (SEBI) and on the introduction of Companies Act’ 2013. The main objective of this article is to make a study on the awareness level of employees regarding CSR activities and their perception on CSR initiatives.

KEYWORDS: Commercial Banks, Corporate Social Responsibility, Social Responsibility, Business Responsibility Reporting, CSR.
1. INTRODUCTION

Although the primary objective of business is to earn maximum profits for shareholders or owners in ethical way, it is also expected to operate in a way that fulfils social obligation. Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. Corporate Social Responsibility (CSR) also called corporate conscience or corporate citizenship or sustainable responsible business/ Responsible Business is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms.

The term "Corporate Social Responsibility" (CSR) came into normal usage in the late 1960s and early 1970s after numerous Trans National Corporations (TNCs) coined the term stakeholders, which means those on whom an organisation's activities have an impact. In spite of the fact that the idea of Corporate Social Responsibility (CSR) is in existence for more than a decade; a generally accepted definition of CSR is still unavailable to capture the elements and dimensions of CSR. According to the United Nations Industrial Development Organization (UNIDO), “Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interaction with their stakeholders”

While Corporate Social Responsibility (CSR) was widely discussed in the last forty or so years of the twentieth century, the idea that business has societal commitments was palpable at least as early as the nineteenth century.

As more and more multi-national organisations spread out their operations globally, their responsibilities extend beyond not only the economic motive of profitability but also other social and ecological variables. Previously CSR has never got more prominence on the corporate agenda, but the situation is entirely different today, its historical origins and the uncertainty about the societal commitments of business notwithstanding. CSR is turning into an undeniably critical action for organisations locally and globally. As globalisation accelerates and large corporations serve as worldwide providers, these corporations have continuously perceived the advantages of offering CSR programmes in their various locations. CSR activities are presently undertaken all through the globe.

CSR has assumed greater importance in the corporate world, including the banking sector. There is a noticeable trend in the financial sector by promoting environmental friendly and socially responsible lending and investment practices. Taking deposits, giving advances and providing complementary services is the core business of banks. Regardless of what kinds of countries, what kinds of culture, and what kinds of banking products and investors, banks need to be responsible
for their customers in a social dependable way. As a socially responsible bank, it not only exercises legitimate banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions. Almost all corporate websites/policies/brochures and reports talks about their CSR endeavours which has become a way of ensuring that the company is fulfilling its obligations towards society at large.

Corporate Social Responsibility is gaining significance day by day. Sustainable Responsible Business is a relevant subject and it appears repeatedly in vast majority of academic and professional journals. It is considered as a new and improved management tool. The extent of social orientation among companies varies widely.

There is a lot of confusion about this new concept, especially in a developing country like India where such concepts need legal status. In the context of Indian banking sector very little systematic documentation of CSR initiatives is available so far, however, a number of Indian Banks have taken initiatives to implement the concept of Corporate Social Responsibility. Commercial banks in India have taken up CSR activities seriously as the Reserve Bank of India has advised all the commercial banks operating in India to set aside at least one per cent of their profits for CSR activities.

Since CSR is not clearly defined and as it is a new concept the fact to be borne in mind is that most of the CSR activities depends more on the vision, mission and philosophies of the top management rather than the legal obligations. In India many banking companies came forward to implement CSR. A lot of studies were made to know the status of CSR implementation among corporate world across the globe and Indian corporate sector. But only a few studies were made in respect of CSR implementation in the Indian Banking sector.

2. CSR IN INDIA – LEGALITY

Companies Act’ (2013)² - The Ministry of Corporate Affairs (MCA) had introduced the Corporate Social Responsibility Voluntary Guidelines in 2009. These guidelines have now been incorporated within the 2013 Act and have obtained legal sanctity. Section 135 of the 2013 Act, seeks to provide that every company having a net worth of 500 crore INR, or more or a turnover of 1000 crore INR or more, or a net profit of five crore INR or more, during any financial year shall constitute the corporate social responsibility committee of the board. This committee needs to comprise of three or more directors, out of which, at least one director should be an independent director. The composition of the committee shall be included in the board’s report. The committee shall formulate the policy, including activities specified in Schedule VII, which are as follows:
Eradicating extreme hunger and poverty
Promotion of education
Promoting gender equality and empowering women
Reducing child mortality and improving maternal health
Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
Ensuring environmental sustainability
Employment enhancing vocational skills
Social business projects
Contribution to the Prime Minister’s National Relief Fund or any other fund set-up by the central government or the state governments for socio-economic development and relief, and funds for the welfare of the scheduled castes and Tribes, other backward classes, minorities and women
Such other matters as may be prescribed

The committee will also need to recommend the amount of expenditure to be incurred and monitor the policy from a time-to-time. The board shall disclose the contents of the policy in its report, and place it on the website, if any, of the company. The 2013 Act mandates that these companies would be required to spend at least 2 per cent of the average net-profits of the immediately preceding three years on CSR activities, and if not spent, explanation for the reasons thereof would need to be given in the director’s report (section 135 of the 2013 Act). These rules will be applicable from F.Y.2014-15 onwards. The Company can implement its CSR activities through the following methods.

• Directly on its own.
• Through its own non-profit foundation set up so as to facilitate this initiative.
  (Eg. ICICI Foundation, ING Vysya Foundation, Axis Bank Foundation etc.)
• Through independently registered non-profit organisations that have a track record of 3 years in similar activities.
• Pooling resources with other companies.

SEBI Requirements – The other reporting requirement is the one mandated by Securities and Exchange Board of India (SEBI) vide a circular on August 13th 2012. It requires that all listed companies and those companies which wish to get it shares listed shall report its CSR activities in the form of Business Responsibility Report (BRR) forming part of its annual report. SEBI has provided a template for filing BRR.
3. REVIEW OF LITERATURE

Literature review creates the gap of the research. The researchers have comprehensively gone through the available literature relating to CSR. Generally it is used for improving theoretical framework for the study as well as justification of the study.

Ankita Patel (2016) in the research article entitled "Corporate Social Responsibility: A Comparative Study of SBI and ICICI in India" attempted to study the CSR activities of leading commercial banks in India and compare CSR spending from the year 2009-10 to 2015-16. The finding reveals that the percentage of Profit after tax spends for CSR by SBI is more compared to ICICI, but both the banks contributed highest in the financial year 2015-16. The estimated Spending for CSR for 2016-17 is also more in SBI as compared to ICICI. A lot many efforts are required towards CSR practices and banks must accept their responsibility in more justifiable manner.

Sharma and Agarwal (2016) in their study "Comparative study of Corporate Social Responsibility in Selected Public and Private Sector Banks" analysed the CSR practices of selected public and private sector banks in India. The study concluded that selected banks are making efforts for the implementation of CSR, but are not spending their 2% share of profits on Corporate Social Responsibility.

Carolin Juliya Pushpam V., Karthi R., Asha Daisy B. (2015) in their study "Corporate Social Responsibility of Banks in India" analysed the corporate social responsibility (CSR) activities carried out by Indian commercial banks. The study found that the Indian banks are doing lot of CSR activities. Banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far from satisfaction. There are only a few banks which report their activities on triple bottom line principles. As a matter of fact, the standards for rating CSR practices are less uniform in comparison to that for financial rating. This leads to problem in comparison of corporate houses and determining the CSR rating.

Eliza Sharma & Mukta Mani (2013) in their research study entitled "Corporate Social Responsibility: An Analysis of Indian Commercial Banks" studied the corporate social responsibility (CSR) activities carried out by Indian commercial banks. The analysis conclude that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirements. The public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area.

Paul and Onyema (2012) in their study on "Impact of Corporate Social Responsibility on Banking Performance in Nigeria" investigated the effect of CSR on Banking Performance in
Nigeria. The study aimed to determine the relationship between dimensions of corporate social responsibility and organisational performance. Based on the survey research in Nigeria with a particular reference to United Bank for Africa, Lagos, the study revealed that the dimensions of CSR have an effect on organisational performance. The study also disclosed that there was a significant difference between economic corporate social responsibility and organizational performance but there was no main and interaction effect of ethical corporate social responsibility and legal corporate social responsibility on organizational performance.

Yeung (2011) explores the perception of respondents on Corporate Social Responsibility and banking practice of major banks in Hong Kong. The study has identified key CSR elements from quantitative analysis on collected questionnaires which understand complex financial services, conducting risk assessment, strengthening business ethics, implementing strategy for financial crisis, protecting rights of customers and setting up channels for customers to address complaints. The researcher concluded that management of a banking organization shall have appropriate policy in place for establishing positive organizational culture and social responsible mindset of staff members. If commitment for becoming a social responsible banking organization between management and staff, and accountability and creditability can be demonstrated through effective and efficient internal audit, customers and the community will be benefited with risks reduced and quality enhanced.

Kostyuk et.al. (2011) in their study “Corporate Social Responsibility in Banks: An International Overview” covers an international overview of Corporate Social Responsibility in Banks. The main aim of the paper is to analyse the CSR concept in banking sector in different countries. The paper is based on the assumption that the basic models of CSR do not exist in pure form and depend on the historical peculiarities of different countries, as well as the financial condition of individual banks and banking systems as a whole. The study identified the distinctive features of the social responsibility of banking business in different countries, and also formulated the conclusion that the American model of CSR is the most widespread in the world because of simplicity of its implementation in the short term. The study further identified the fact that CSR does not figure yet as a key source of competitive advantage on Asian markets. In the future, though, Asian consumers are bound to give more importance to the CSR issues in their purchasing behavior.

Khan, Md. H.U.Z., Habib (2010) in his study “The Effect of Corporate Governance Elements on Corporate Social Responsibility (CSR) Reporting- Empirical Evidence from Private Commercial Banks of Bangladesh” investigates the Corporate Social Responsibility reporting information of Bangladeshi listed commercial banks and explores the potential effects of corporate governance
elements on CSR disclosures. This paper contributes to CSR literature as it presents empirical evidence of the influences of corporate governance structure on the practices of CSR activities in developing countries’ banking sector setting. The results of the study demonstrate that though voluntary, overall CSR reporting by Bangladeshi private commercial banks are rather moderate, however varieties of CSR items are really impressive.

4. STATEMENT OF PROBLEM

Banking industry have now no choice but to implement CSR since the passing of the new Companies Act’ 2013 and to abide with the guidelines issued by the Reserve Bank of India (RBI) in this regard and also the requirement of filing Business Responsibility Report to SEBI also needs to be adhered. Banks should try to maintain a good relationship with the society in which it operates and in which it is a citizen. CSR activities are performed by private and nationalized Indian commercial banks, but there is a difference between the activities of these two types of banks’ CSR activities. The present study focuses on the awareness and perception of employees of the banks’ CSR initiatives. This will help the bankers to know the areas where they should concentrate. The result of the study seems to be useful to the bankers, government, policy makers, academicians and researchers and to the society at large.

5. OBJECTIVES

The general objective of the study is to investigate the corporate social responsibility performed by banking sector in India. Over and above the researchers reviewed the following.

a) To gather the knowledge about Corporate Social Responsibility in general and CSR activities of commercial banks in particular.

b) To determine the awareness of employees regarding Corporate Social Responsibility.

c) To identify the perception levels of employees regarding CSR activities in general from their own point of view.

6. RESEARCH METHODOLOGY

The study is based on primary and secondary data. The available information suggests that most of the banks were responding to CSR performance. In order to achieve the objectives of the study both primary and secondary data have been used.

Secondary data have been collected from different secondary sources i.e. annual report, review of CSR, journals, Banks’ websites, Bank’s Publications, newspapers and online databases. Secondary sources are utilized as a base for conceptual and theoretical explanation of Corporate Social Responsibility.

For the purpose of collection of primary data Indian commercial banks are classified into four group’s viz., State Bank of India, Nationalised Banks, Old Private Sector Banks and New Private
Sector Banks. One bank from each group has been selected randomly by the researchers for the study. The banks selected from each group are:-

a) State Bank of India,
b) Union Bank of India from nationalized banks,
c) Federal Bank Ltd. from old private sector banks and
d) HDFC Bank from new private sector banks.

Questionnaire was used for collecting information from employees. Employees include clerks, probationary officers and assistant managers and branch managers. The study was conducted at three major cities of South India namely Cochin, Bangalore and Coimbatore respectively from the state of Kerala, Karnataka and Tamilnadu. The sample consisted of 90 respondents from each of the four sample banks selected from four categories of banks viz. State Bank of India, Nationalised Banks, Old Private Sector Banks and New Private Sector Banks and 120 respondents from each region with a total of 360 respondents.

7. ANALYSIS AND INTERPRETATION OF AWARENESS AND PERCEPTION OF EMPLOYEES RELATING TO CSR

Questionnaire consists of two parts – first part contains questions related to the demographic profile of the respondents and the second part related to the awareness of the employees and their perception level relating to CSR. Data collected through the questionnaire were analysed using statistical tool Chi-square test.

A. SOCIO-ECONOMIC PROFILE OF RESPONDENTS

The composition of the socio-demographic variables of the respondents is given in Table 1. It shows that 57.5 per cent are males and 42.5 per cent are females. 50 per cent of the employees are under the age group of 26 to 35 and 42.5 per cent of the respondents are under the age group of 18 to 25. Majority (62.5 per cent) of the respondents are post graduates. 90.8 per cent of respondents fall between the income levels of 3 lakh and 6 lakh.

The composition of the socio-demographic variables of the respondents is given in Table 1.
Table 1: Socio-Economic Profile of Sample Respondents

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>207</td>
<td>57.5</td>
</tr>
<tr>
<td>Female</td>
<td>153</td>
<td>42.5</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-25</td>
<td>153</td>
<td>42.5</td>
</tr>
<tr>
<td>26-35</td>
<td>180</td>
<td>50.0</td>
</tr>
<tr>
<td>36-45</td>
<td>27</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Educational Qualification</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>78</td>
<td>21.7</td>
</tr>
<tr>
<td>Master Degree</td>
<td>225</td>
<td>62.5</td>
</tr>
<tr>
<td>Others</td>
<td>57</td>
<td>15.8</td>
</tr>
<tr>
<td><strong>Income Level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rs.1-3</td>
<td>30</td>
<td>8.4</td>
</tr>
<tr>
<td>Rs.3-6</td>
<td>327</td>
<td>90.8</td>
</tr>
<tr>
<td>Rs.6-9</td>
<td>3</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: Primary data

B. CSR IS A PART OF BASIC BUSINESS FRAMEWORK OF BANKS

The respondents are asked to rate on a five point Likert scale where ‘1’ being ‘strongly agree’ to ‘5’ being ‘strongly Disagree’. Table 2 reveals the employees’ opinion whether in the Indian context CSR is a part of the basic business framework of banks.

It is clear from the Table 2 that bank group wise and location wise, employees are of the opinion that the CSR is a part of the basic business framework of banks. To verify whether there exists any significant difference in opinion with respect to bank wise and location wise, Chi-square test is conducted and the results are exhibited in the Table 2. The table revealed that in bank group wise classification, there is no significant difference in employees’ opinion as the p value is not significant since it is more than 0.05. Therefore the null hypothesis “Bank wise there is no significant difference among employees’ opinion that CSR forms a part of basic business framework” is accepted.
Table 2: CSR as a part of Basic Business Framework

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Total</th>
<th>$\chi^2$</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Wise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBG</td>
<td>78</td>
<td>12</td>
<td>90</td>
<td>0.686</td>
<td>3</td>
<td>.877</td>
</tr>
<tr>
<td>NBs</td>
<td>78</td>
<td>12</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPSBs</td>
<td>78</td>
<td>12</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPSBs</td>
<td>81</td>
<td>9</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>315</td>
<td>45</td>
<td>360</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Location Wise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ernakulam</td>
<td>96</td>
<td>24</td>
<td>120</td>
<td>9.600</td>
<td>2</td>
<td>.008</td>
</tr>
<tr>
<td>Coimbatore</td>
<td>111</td>
<td>9</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangalore</td>
<td>108</td>
<td>12</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>315</td>
<td>45</td>
<td>360</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data

In the case of location, there is significant difference in employees’ opinion as the p value is significant. Therefore the null hypothesis “Location wise there is no significant difference among employees’ opinion that CSR forms a part of basic business framework” is rejected.

C. AWARENESS ABOUT THE POLICY WHICH THE BANK HAS ON CSR

The respondents were asked whether they are aware of the policy that is in place in their bank on Corporate Social Responsibility. The study revealed that 100 per cent of the respondents are aware of the policies on Corporate Social Responsibility in their respective banks.

D. GREATER SAY TO EMPLOYEES

Table 3 reveals the employees’ opinion on whether the bank considers their suggestions pertaining to the matters of CSR. It is clear from the table below that when 92.5 per cent respondents say ‘No’ only 7.5 per cent respondents say ‘Yes’. To verify whether there exists any significant difference in opinion with respect to bank wise and location wise, Chi-square test is conducted and the results are exhibited in the Table 3.
The table revealed that in bank group wise and location wise classification, there is significant difference in employees’ opinion as the p value is significant since it is less than 0.05. Therefore the null hypothesis “Bank wise and location wise there is no significant difference among employees’ opinion that banks provide a greater say to employees” is rejected.

8. CONCLUSION

The scenario in respect of CSR is changing in India rapidly. With the introduction of new Companies Act’ 2013 and stipulation of new guidelines by SEBI has given CSR activities and its reporting a new face lift by making it mandatory rather than a voluntary action.

The study revealed that in the case of 100 per cent of the employees are aware of the terminology as well as the policy that bank has in place on Corporate Social Responsibility and this can be attributed to the gaining popularity and need of socially responsible businesses. The study further shows that the 87.5 per cent of the sample respondents are of the strong opinion that CSR is a part of the basic business framework of banks. Thus we can conclude from this that the banks were able to emphasize the importance of CSR initiatives and are fairly successful in implementing them as well. However when asked about whether the employees have a say in CSR initiatives 92.5 per cent of the employees said ‘No’. To successfully implement the CSR projects the employees should be allowed to give suggestions and should be allowed to actively participate in the projects. Employee participation will make the CSR activities much more successful; since the projects are implemented regionally the employees will be able to understand the locality and people around the area and will find it easy to connect with them.
Recognizing the growing importance of CSR; the current cap for annual donation of 1 per cent (0.75 per cent for Normal donations and 0.25 per cent for National Donations) of previous year’s published profit set by RBI on banks should be reconsidered to be in line with Section 135 of Companies Act, 2013. RBI should be more stringent in issuing guidelines pertaining to setting apart of funds for CSR initiatives by banks. The banks have focused on the community welfare and farmers’ welfare programmes but the efforts for women welfare and education are not sizeable. This study might be useful for understanding the position of Indian commercial banks in CSR activities are concerned.

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