CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN BANKING SECTOR

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ABSTRACT

The financial sector has acquired strength, efficiency and stability by the combined effect of competition, regulatory measures, and policy environment recognized as the key drivers of the banking sector. There has been improvement in banks' capital position and asset quality as reflected in the overall increase in their capital adequacy ratio and declining Non Performing Loans respectively. The Indian banking sector has witnessed wide ranging changes under the influence of the financial sector reforms initiated during the early 1990s. The approach to such reforms in India has been one of gradual and non-disruptive progress through a consultative process. The emphasis has been on deregulation and opening up the banking sector to market forces. The Reserve Bank has been consistently working towards the establishment of a Regulatory framework with prompt and effective supervision as well as the development of technological and institutional infrastructure. The objective of present study is to find out the current CSR activities adopted by Indian banking sector and further to develop a framework that can ensure effective utilization of CSR funds for financial inclusion initiatives in India. The outcomes of study suggest that banking organizations like HDFC and ICICI have already started to use CSR funds for dealing financial Inclusion problem. These organizations have strategic and focused vision for their CSR initiatives and their CSR initiatives are integrated with their business expertise, core competencies and core business objectives. While other banking organizations like State bank of India, Punjab national bank and Bank of Baroda are still not clear with their CSR vision.

Keywords: ***Corporate Social Responsibility (CSR), Financial Inclusion, Banking Organizations Commercial banks, Public sector banks.***

INTRODUCTION-:

Some recent initiatives by Indian Banks In order to address ecological and environmental concerns, Reserve Bank of India has decided to go for energy efficient buildings. Bureau of Energy Efficiency has awarded the first star rating labels to the Bank's building at Bhubaneswar and New Delhi. The four buildings located at Bhubaneswar, Chennai, Kochi, Kolkata are recognized as 5star building under the rating system. Small Industries development bank of India (the prime financer to small and medium scale industries) has also incorporated environmental and social aspects in its core business activities so as to ensure sustainable development. It is providing concessional and liberal credit to medium and small scale industries which are initiating energy saving projects and are adopting pollution control measures. State Bank of India (SBI), the oldest bank has also adopted green banking initiatives in its lending operations. Recognizing the warning of global warming bank has decided to initiate urgent measures to combat the climate change through envisaging two pronged approach viz. i) to reduce the Bank's own carbon footprint and ii) to sensitize the Bank's clients to adopt low carbon emission practices. ICICI bank has shown its commitment to corporate environmental stewardship and extended a great support to clean technology projects. It has also liberalized credit to zero emission vehicles. IDBI has set up carbon desk. IDBI has come forward to join hands with Smile Foundation in social development initiatives. The bank has contributed 14 personal computers to Smile Foundation which have been utilized in four different projects being implemented through as many partners in Delhi and NCR. YES BANK, India's fourth largest private sector Bank, in association with CARE India, a humanitarian relief and development NGO working in India for more than 60 years, has launched India's first Social Deposit Account (SDA). "The Social Deposit Account (SDA) is an evolution of the regular Fixed Deposit account where customers have the option of donating their interest income to a social cause through CARE India. It also won CSR Practice Award in March 2011. Axis Bank Foundation (ABF) aspires to contribute in the areas of education and healthcare. It has set up various programmes which provide educational support, in order to meet these goals. Balwadis- the Foundation has identified the need to focus on early childhood programs for 2 - 6 year olds. As part of our initiatives to support education, we help develop learning places for young children living in large urban slum clusters so that it creates a strong foundation and inculcates social and cultural awareness in them. HDFC Bank has been working with NGOs for providing non formal vocational and technical education programs as well as skill up gradation courses to enable sustainable employment and income generation for economically weaker sections.

OBJECTIVE OF THE STUDY-:

The Present study aims to evaluate the different dimensions of Corporate Social Responsibility by studying the following Objectives:

- To Study the concept of CSR;
- To Study the Major areas of CSR initiatives in Indian Banking Sector.
- To Study the CSR Reporting Practices in Indian Financial Sector.
- To Focus on the Present Status of CSR in Banking

RECENT DEVELOPMENTS IN BANKING INDUSTRY-:

The 21st century will bring about an all-embracing convergence of computing, communications, information and knowledge. The growth of high speed networks, coupled with the falling cost of computing power, is making possible applications undreamed of in the past. Voice, data, images, and video may now be transferred around the world in microseconds. This explosion of technology is changing the banking industry from paper and branch banks to' digitized and networked banking services.

1. Statutory Pre-emptions-:

The Indian banking system operated with a high level of statutory pre-emptions,in the form of both the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR),reflecting the high level of the country’s fiscal deficit and its high degree of demonetization. Efforts in the recent period have been focused on lowering both the CRR and SLR.

2. Interest Rate Structure -:

Deregulation of interest rates has been one of the key features of financial sector reforms. In recent years, it has improved the competitiveness of the financial environment and strengthened the transmission mechanism of monetary policy. Sequencing of interest rate deregulation has also enabled better price discovery and imparted greater efficiency to the resource allocation process. The process has been gradual and predicated upon the institution of prudential regulation of the banking system, market behaviour, financial opening and, above all, the underlying macroeconomic conditions. Interest rates have now been largely deregulated except in the case of: (i) savings deposit accounts; (ii) non-resident Indian (NRI) deposits; (iii) small loans up to Rs.2 lakh; and (iv) export credit. After the interest rate deregulation, banks became free to determine their own lending interest rates. As advised by the Indian Banks' Association (a self-regulatory organization for banks), commercial banks determine their respective Benchmark prime lending rates taking into consideration (i) actual cost of funds; (ii) operating expenses; and (iii) a minimum margin to cover regulatory requirements of provisioning and capital charge and profit margin.

3. Exposure Norms-:

The Reserve Bank has prescribed regulatory limits on banks' exposure to individual and group borrowers to avoid concentration of credit, and has advised banks to fix limits on their exposure to specific industries or sectors (real estate) to ensure better risk management. In addition, banks are also required to observe certain statutory and regulatory limits in respect of their exposures to capital markets.

4. Asset-Liability Management-:

In view of the growing need for banks to be able to identify, measure, monitor and control risks, appropriate risk management guidelines have been issued from time to time by the Reserve Bank, including guidelines on Asset-Liability Management (ALM). These guidelines are intended to serve as a benchmark for banks to establish an integrated risk management system. However, banks can also develop their own systems compatible with type and size of operations as well as risk perception and put in place a proper system for covering the existing deficiencies and the requisite upgrading. Detailed guidelines on the management of credit risk, market risk, operational risk, etc. have also been issued to banks by the Reserve Bank. The progress made by the banks is monitored on a quarterly basis. With regard to risk management techniques, banks are at different stages of drawing up a comprehensive credit rating system, undertaking a credit risk assessment on a half yearly basis, pricing loans on the basis of risk rating, adopting the Risk-Adjusted Return on Capital (RAROC) framework of pricing.

5. <u>Non Performing Loan Management-:</u>

Banks have been provided with a menu of options for disposal/recovery of non-performing loans. Banks resolve/recover their non performing loans through compromise/one time settlement, filing of suits, Debt Recovery Tribunals, the Lok Adalat (people's court) forum, Corporate Debt Restructuring (CDR), sale to securitisation/reconstruction companies and other banks or to non-banking finance companies (NBFCs). The promulgation of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and its subsequent amendment have strengthened the position of creditors. Another significant measure has been the setting-up of the Credit Information Bureau for information sharing on defaulters and other borrowers. The role of Credit Information Bureau of India Ltd. (CIBIL) in improving the quality of credit analysis by financial institutions and banks need hardly be overemphasized. With the enactment of the Credit Information Companies.

6. <u>Technology-:</u>

The changes that new technologies have brought to banking are enormous in their impact on officers, employees, and customers of banks. Advances in technology are allowing for delivery of banking products and services more conveniently and effectively than ever before - thus creating new bases of competition. Rapid access to critical information and the ability to act quickly and effectively will distinguish the successful banks of the future. The bank gains a vital competitive advantage by having a direct marketing and accountable customer service environment and new, streamlined business processes. Consistent management and decision support systems provide the bank that competitive edge to forge ahead in the banking marketplace.

• Anytime banking- Anywhere banking: Installation of ATMs which offer nonstop cash withdrawal, remittances and inquiry facilities. Networking of computerized branches inter-city and intra-city, will permit customers of these branches, when interconnected, to transact from any of these branches.

• **Tele-banking-**: A 24-hour service through which inquiries regarding balances and transactions in the account can be made over the phone.

• **Electronic Banking-**: This enables the bank to provide corporate or high value customers with A Graphical User Interface (GUI) software on a PC, to inquire about their financial transactions and accounts, cash transfers, cheque book issue and inquiry on rates without visiting the bank. Moreover, LC text and details on bills can be sent by the customer, and the bank can download the same. The technology used to provide this service is called electronic data interchange (EDI). It is used to transmit business transactions in computer readable form between organizations and individuals in a standard form.

FUTURE CHALLENGES A BANKING INDUSTRY MAY FACE ARE-:

Managing Resource Mobilization The substitution of unproductive physical savings in favor of financial savings can generate large resources for investment. There is an enormous untapped saving potential in rural and semi-urban areas. For this purpose banks are in a better position to develop innovative and cost effective products due to their outreach as also special features of deposits in terms of safety and liquidity.

Financial Inclusion: While there has been a significant improvement in financial inclusion in recent years, moving ahead several challenges remain to be addressed. There is need to reduce the transaction cost for which technology can be very helpful. RRBs and co-operative banks, are expected to play a greater role in financial inclusion in future. There would be need to design appropriate products tailor made to suit the requirements of the people with low income supported by financial literacy and credit counseling. There is also a need to improve the absorptive capacity of financial services by providing the basic infrastructure.

What is Financial Inclusion? Barriers to Financial Inclusion Supply Side Barriers Demand Side Barriers Inappropriate Products Financial Illiteracy Complicated Processes Socio-Cultural Factor Unfriendly Interface Insufficient Reach and Accessinclude inappropriate products and processes – such as Data from 59th Round of National Sample Survey (2003complicated paperwork and identification documents, 04) suggests that financial exclusion is most acute in preference for banking with individuals over groups, Central, Eastern and North-Eastern regions. In terms of requirement for collateral, stable and regular income, social and occupational groups, landless labourers, marginal restricted access and reach farmers, unorganised sector work-force, urban slum residents and people from scheduled castes and tribes are On the demand side, factors like financial illiteracy, more likely to be financially excluded. seasonal cash flows, cultural preference for non-formal mechanisms, a sense of unfriendliness and unwelcome in In addition to describing the profile of financially excluded the formal financial sector, apprehension of bureaucracy etc. groups in India, these numbers also help to understand dampen the appetite for formal financial institutions. etc. some of the underlying causes that are peculiar to the India situations – systemic discrimination on the basis of gender, caste etc, geographical remoteness, lack of infrastructure etc

Financial Literacy and Inclusion-:

Financial Literacy and Inclusion is an important element of the Bank's CSR mandate. The objective is to empower people across various sections of the society, bring them into the organized banking fold and create a positive impact. We have undertaken various rural financial literacy initiatives across the country wherein camps were conducted to impart a conceptual understanding of financial products and services using educational materials provided by the Reserve Bank of India (RBI). Further, we also use Financial Literacy guides and posters, as the standard curriculum to educate the target audience. This material is available in Hindi and English, allowing participants to learn the material in the language they are more comfortable with.

We have also launched the Financial Literacy Initiative for Small, Medium and Micro Enterprises in Jammu under the aegis of RBI. Under this initiative, we have conducted financial literacy camps across various districts in the state. These camps complement the Bank's efforts to support inclusive growth and take formal banking services, across segments; from the general public to entrepreneurs in the Small, Medium and Micro Enterprises and Agri business.

To impart basic education and understanding of subjects like mathematics, history and science, we partnered with 'Meljol', an NGO. Through this programme, we reached more than 30,000 students across India.

In 2015-16, we also launched 'Dhanchayat: Financial Literacy on Wheels', a film to educate people in rural India on the perils of borrowing from unorganized sources. This film was launched under the aegis of Swacch Banking campaign by the Bank. Dhanchayat branded video vans covered 4,900 villages and it was watched by close to 10 lakh viewers. The aim was to encourage the local populace to become part of the organized banking sector, in line with the government's vision of financial inclusion.

BANKING SECTOR AND CSR-:

As per the instruction of the RBI, majority of the banks started their Corporate Social Responsibility. Government reduce the tax only for the bank those adopted CSR.

FEDREAL BANK -: The bank plan and implement several educational programs

Building School infrastructure, Training for fresh Teachers, 50 Scholarship to financial backward students (Kerela & Tamil Nadu) , Vehicles sponsored to Education Institutions , Career Guidance program , Computer distribution to Rural Schools - They do many activities relevant to the Health Blood Donation Campaign , Cancer Awareness Campaign , Medical Camps/ Eye Camps , Vehicle to differently able children Schools , Support to HIV/AIDS Awareness programmes in Schools and Villages.

1.ALLAHABAD BANK -: Educational support, Poverty eradication, Rural development, Vocational training to unemployed.

2.**CANARA BANK** -: Rural Clinic Service , Rural Service Volunteer Scheme, Jalayoga Scheme , Rural Resource Development Centre.

3. **UNION BANK OF INDIA**-: Highway Garden, Exhibition- Physically Challenged people, Farmer's Club, Village Knowledge Centers, Rural Development.

4.**PUNJAB NATIONAL BANK**-: Call Centre- Physically Challenged, Ambulance Sponsored to St. John's Health Service , Free Day Care centre , PNB Farmer Welfare Trust , Farmers Training Centers , Model Villages, PNB century Rural Development Trust , Financial support to vulnerable sections of society through micro financing.

AWARDS FOR CSR-:

The Government of India and RBI give more awards for CSR.

1. Global CSR Awards

2. Golden Peacock Award for CSR

3. Asia's Best CSR Practices Awards

CONCLUSION-:

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. The study found out that among the reporting banks also, some banks are making false gestures in respect of their efforts for socio-environmental concerns. Most of the Banks use CSR practices as a marketing tool and many are only making token efforts towards CSR in tangential ways such as donations to charitable trusts, NGOs, sponsorship of events, etc. Very few banks have a clearly defined CSR philosophy. Mostly banks implement CSR in an ad-hoc manner, unconnected with their business process and don't state how much they spend on CSR activities. Further voluntary actions are required to be taken by the financial bodies to ensure the socio-environmental feasibility of projects to be financed. Indian banking sector must also portray their socially responsible behaviour through integrating triple bottom line principle.

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