

# CORPORATE SOCIAL RESPONSIBILITY: AN ANALYSIS OF INDIAN BANKS

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## ABSTRACT

Corporate social responsibility (CSR) is a widely used concept these days, especially after companies' bill 2013. But CSR activities and its strategic values in policy formulation for an industry may differ from other industries. Even the importance of integral components of CSR is different for every industry and this is the reason that one industry feels more responsible for the environmental issues while another industry feel like to invest in social issues. The purpose of this paper is to study the significance of CSR in Indian banking industry and how it is unlike in comparison to other industries even in the same sector. Content analysis was done to achieve this objective. Annual reports of 2013 – 14 were collected from official websites of banks and these banks were selected from published list of 500 listed companies of Dun & Bradstreet. It seems that banks feels more responsible for social issues and financial inclusion is the central part to fulfill their social responsibility while environmental issues remain unaddressed by most of them.

**Keywords:** Corporate social responsibility, content analysis, annual report, banks in India

## 1. Introduction

The concept of corporate social responsibility has evolved over the decades but still there is no proper definition of it. Authors defined it as an integration of social, ethical, economic, environmental and legal expectation of society from business organizations. Now after globalization, liberalization and privatization, CSR activities have become an important part of strategies formulation to fulfill competitive urge. Government, non – profit organization, community welfare societies and business organization are working together for development of economy through such activities. Banking and financial institution are not different from other and being backbone of Indian economy they have to cope up with all changes around them. Responsibility of banking industry is more in comparison to other because of their financing services which create multiplier effect on the on whole economy and long term sustainability. In emerging economy like India banks should act responsible in investment and financing any project with respect to social and environmental issues.

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Banking sector plays very important role in Indian economy, it acts like blood in body for proper and smooth functioning. Post independence Reserve bank of India (RBI) was established in 1935 which was nationalized in 1949 and with this banking regulation act empowered RBI to regulate, control and inspect the banks in India. This act also made mandatory to register all banks with RBI that means no bank in India can operate without taking permission from RBI. But as banks got listed in stock exchange with globalization and liberalization they have to follow set norms of Securities exchange board of India (SEBI) for trading purpose, Companies act 1956 under supervision of Ministry of corporate affairs (MCA) and Reserve bank of India (RBI) at same time.

Reserve bank of India (RBI), Ministry of corporate affairs (MCA) and Security exchange board of India (SEBI) issue guideline from time to time for all organization to follow all rules and regulation. There are special guidelines for corporate social responsibility in companies' bill 2013 which are applicable from 2014 – 2015. RBI set up Khan Committee in 2005 and Nachiket committee in 2013 to cover all commercial banks under financial inclusion plan and make it compulsory to submit a report on CSR activities at the end of every year.

The purpose of this paper is to study the importance of corporate social responsibility in strategy formulation of top 10 banks on Indian on the basis of income. Content analysis was done to study annual reports generated from official website of these banks. Content analysis was used in number of studies to explore structured document.

### **CSR in India - CSR History**

India has a long rich history of close business involvement in social causes for national development. In India, CSR is known from ancient time as social duty or charity, which through different ages is changing its nature in broader aspect, now generally known as CSR. From the origin of business, which leads towards excess wealth, social and environmental issues have deep roots in the history of business. India has had a long tradition of corporate philanthropy and industrial welfare has been put to practice since late 1800s. Historically, the philanthropy of business people in India has resembled western philanthropy in being rooted in religious belief.

Business practices in the 1900s that could be termed socially responsible took different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Corporations may give funds to charitable or educational institutions and may argue for them as great humanitarian deeds, when in fact they are simply trying to buy community good will. The ideology of CSR in the 1950s was primarily based on an assumption of the obligation of business to society.

In initial years there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment (Shinde, 2005). It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR.

After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resourced to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs of. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research among other objects. The important change at that time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron and Steel Company started the concepts of "Social Responsibility." (Gupta, 2007)

### **Objectives of the Study:**

One of the New Act's most startling changes—which came into effect on April 1, 2014—has been to impose compulsory corporate social responsibility obligations ("CSR") upon Indian companies and foreign companies operating in India. These obligations mainly come in the form of mandatory amounts, i.e. companies must contribute to remediating social problems. This is a wholly new requirement; although companies were permitted, within certain limits, to make charitable contributions in the past, the New Act is essentially a self-administered tax. The Indian Ministry of Corporate Affairs recently has published, or "notified," detailed rules implementing the CSR requirements. In order to find the frequently asked questions about the CSR, broadly, the following objectives were set for the study.

1. To study the evolution of CSR in India.
2. To analyze the role played by Commercial banks in the Economic empowerment of India through CSR.

3. To evaluate CSR activities and its strategic values in policy formulation.
4. To understand the investment pattern of selected banks in CSR.

### Scope of the Study

Even the importance of integral components of CSR is different for every industry and this is the reason that one industry feel more responsible for environmental issues while other industry feel like to invest in social issues. The purpose of this paper is to study the significance of CSR in Indian banking industry and how it is unlike in comparison to other industries even in same sector. Annual reports of 2013 – 14 were collected from official websites of banks and these banks were selected from published list of 500 listed companies of Dun & Bradstreet. It seems that banks feels more responsible for social issues and financial inclusion is central part to fulfill their social responsibility.

## 2. Literature Review

Bowen (1953) defines CSR as 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". Friedman (1962, 1970) said "There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits" and corporate social responsibility minimizes the corporation focus on profit. Hederson (2001) mentioned that Corporation should concentrate on what they can do best, should create job opportunities and increase the wealth of stakeholders. Interests of Private Corporation is quite separate from public corporations, so they cannot do any with CSR. It is only government that should speak for society, not business people.

But Deegan & Gordon (1996), Adams et al. (1998), Patten (1992), Deegan et al. (2000) and Campbell (2004) mentioned in their studies that these activities increased over a period of time as it provide competitive edge over other in terms of connectivity with customer, investor, government etc. Frederick (1960) mentioned 'Social responsibility means that businessmen should oversee the operation of an economic system that fulfils the expectations of the people. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare. According to Samuel O in 20th century CSR become important part of strategical decision and companies took it practically to find out cost benefit analysis. That is why Wilson (2000) said that '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'. Companies started taking their stakeholder seriously and there is platform given to them for discussion. Labour unions, environmental groups and other relevant stakeholders and the implementation of certification solutions by corporations, which helped in the establishment of codes of, conduct (Kapstein, 2001). 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". In contrast to Friedman's statement, 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. This statement is based on the belief that corporation are not independent entities responsible only to stockholders. They also have the responsibility to the society that allow their formation through various laws and regulations and support them through purchasing their products and services (Carroll, 2008). Zain (2008) extending the Carroll's statement said that ethical standards play an important role in a firm's success in the long-run. The social responsibility standards and moral activities by a firm can create a positive rapport between the firm and all its stakeholders.

Literature witnessed that banking industry require special attention because working pattern and dimensions of banks are different from companies (Jensen and Meckling, 1976) in terms of assets and funds. In companies major problem is agency gap between majority shareholder and minority shareholders but in banks depositors are more important than shareholders as majority of assets are funded by them. Two main features set banks apart from other businesses – level of opaqueness in their functioning and the relatively greater role of government and regulatory agencies in their activities (Sharma et al., 2013).

Evolution of banking and financial industry and corporate social responsibility can be divided into five phase. Each and every phase shows the development till date:

**Table 1** *Evolution of Banking Sector and Corporate Social Responsibility*

Phases	Evolution of Banking Industry	Evolution of CSR
Phase 1	Pre – independence (upto 1947)	There was a concept of trusteeship given by Gandhiji for women empowerment, social upliftment and development through sharing and caring.
Phase 2	Pre – nationalization phase (1947 -1969).	There was a trend of voluntary CSR activities based on cultural, ethics, family background and moral values.
Phase 3	Expansion phase (1969 - 1984).	Compliance of various legal laws (Labour law, compensation act, environmental law, minimum wage act, etc) enforced business organization to fulfil basic responsibility towards society and environment. Shareholders happiness became important part of CSR activities
Phase 4	Consolidation phase (1985 – 2000).	Concept of CSR became wide and external stakeholder also become focal point other than internal ones. Now companies understood that such activities can affect short term financial performance and long term sustainability.
Phase 5	Restructuring phase (2000 onwards).	CSR became part of strategy formulation and execution. Government, non profit organization and business organizations are working together. Amendment in companies' bill and compulsory contribution by companies.

### 3. Research Methodology and Data Collection

#### Sources of Data

The present study is largely based on the available secondary data. The statistical data regarding the CSR of commercial banks was available from various websites, journals, magazines books and other periodicals and report of Government of India. It is an exploratory research was conducted, where content analysis was done to investigate important area of 5 top banks in India. The banks were selected on the basis of total income given in the data given by published data of Dun & Bradstreet titled 'India's Top 500 companies 2014'. Official website to generate annual reports and sustainability report were explored to find out the desired data for the study.

*Top 5 Public Sector and Private Sector Banks:*

Type of Bank	Number of Bank	Percentage
Public sector	3	60
Private sector	2	40
Total	5	100

Banks are: SBI, ICICI, Canara Bank, Bank of India, and Axis Bank Limited.

### 4. Findings of Study

Detailed investigation is done to all annual reports collected from official website of banks. Various parameters like ownership, major area of CSR contribution, Publication of business responsibility report (BRR), Formation of CSR committee, Publication of separate CSR report or sustainability and total CSR amount contribution were analysed to understand the aptitude of bank.

**Table: 2 State Bank of India**

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Government owned organisation	148.93	As a section annual report	No	Yes	1. Education 2. Healthcare 3. Environment 4. Assistance to poor 5. Assistance during natural calamities



**Key Theme of CSR:** CSR is always been a part of SBI which cover various social, environmental and welfare activities through its new and innovative products. It took customer delight seriously and started a full range of services to satisfy its customer. Bank has a comprehensive Corporate Social Responsibility (CSR) Policy, approved by the Executive Committee of the Central Board in August 2011.

**Table: 3 ICICI Bank Limited**

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Non – Government owned organisation	164	No	Yes	Yes	1. Education 2. Healthcare 3. Skill development & Sustainable livelihood. 4. Financial Inclusion

Key Theme of CSR: Banks provides sustainable banking products to cater the needs of all type of customers. It also comply all environmental rules and regulation stated by the government. There is a proper use of renewable energy for long term sustainability.

**Table: 4 Canara Bank**

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Government owned organisation	41.97	As a section annual report	No	Yes	1. Education 2. Healthcare 3. Charities/Culture/ Sports. 4. Social welfare and relief. 5. Energy conservation. 6. Women welfare. 7. Skill Development. 8. Chief Minister Relief fund.

**Key Theme of CSR:** Bank is engaged in varied Corporate Social Responsibility (CSR) activities. CSR initiatives of the Bank are multifarious, covering activities like training unemployed rural youth, providing primary health care, drinking water, community development, empowerment of women and other social initiative

**Table: 5 Bank of India**

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Government owned organisation	7.83	As a section annual report	No	Yes	1. Alternate/Renewable Energy 2. Potable Water 3. Healthcare & Medical Facilities 4. Helping Physically Handicapped 5. Helping Senior Citizens/Destitute 6. Education 7. Food & Nourishment

					8. Women Safety 9. Supporting Families of Ex-Service men 10. Training & Skills Development 11. Environment
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**Key Theme of CSR:** Bank is in step with the new thought of measuring performance on the basis of economic impact, social impact, and environmental impact in its task of inclusive growth. Team Bank of India believes that it is its foremost duty to contribute towards the lives of various stakeholders like Customers, employees, shareholders, communities and environment in a positive manner through all aspects of its operations, thereby serving the interest of the society at large.

**Table: 6 Axis Bank Limited**

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Non – Government owned organisation	51.79	No	Yes	Yes	1. Education 2. Healthcare 3. Livelihood

**Key Theme of CSR:** CSR is intrinsically weaved into bank's philosophy of creating enduring value for all stakeholders. The vision and mission of best articulate this philosophy. Bank engage in to fulfil the needs of business sustainability a responsibility building upon principle like ethics, transparency, accountability, product sustainability, employee well being, stakeholder engagement, environment protection and inclusive and equitable growth.

As banks were selected on the basis of total income generated in 2013 – 14, it is apparent that banks with high income margin contribute good amount in CSR activities. Clearly SBI, and ICICI, are top two banks in the list.

**Table 7 Major Activities Reported by Banks**

Major Areas of CSR Activities	Number of Banks	Percentage
Education	4	80
Healthcare	5	100
Skill development and training and development for sustainable livelihood	3	60
Environment	2	40
Women empowerment	2	40
Assistance during natural calamities	1	20
Financial inclusion	1	20
Development of culture and sports	1	20
Support to disabled, Ex-serviceman families and senior citizen	3	60
Energy conservation	1	20
Other activities: Assistance to poor, Donation, etc	1	20

It is clear from the above table that banks concentrate on few major activities to spend their CSR budget. Education, healthcare, skill developments for sustainable livelihood are on top of this list.

## 5. Conclusion

Banks plays a paramount role in the development and growth of Indian economy. It serves the role of blood in the body. This is the reason that there are 40 banks in the list of top 500 companies. The result indicates that:

- Banks are far behind the other companies as none of the above banks publish separate CSR report or sustainability report even few of them does not publish business responsibility report also.
- Total income and size of banks are very important factor in CSR contribution. Banks with high income contributes more towards such activities.
- Concentration on social issues is more in comparison to environmental issues, it may be possible because banks does not harm environment directly.

There is a scope for development of separate CSR or sustainability report according to important parameters to measure actual position. Banking sector is different from other service sector so government needs to focus more on functioning and role in progress of society through CSR activities.

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