Corporate Social Responsibility in india the study of selected commercial public sector Banks

*Prof. SOMESH KUMAR SHUKLA

(Head department of commerce) University of Lucknow .

**Krishna Kant Varma(JRF Deptt.Of Commerce)University Of Luckknow

ABSTRACT

The purpose of this study is to explore the various definitions and Descriptions of Corporate Social Responsibility (CSR); elaborate upon development Of CSR in India. The Variables used in the study are environment protection, community welfare, women welfare, new initiative related to CSR.financia lliteracy, The analysis shows 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. The study has a scope of further research where the CSR performance of banks can be related to financial performance of the banks.

KEYWORDS

-CORPORATE SOCIAL RESPONSIBILITY, *FINANCIAL LITREACY, ENVIRONMENT AND SOCIAL EMPOWERMENT*

INTRODUCTION

Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, Communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory rules to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families in particular and society at large,

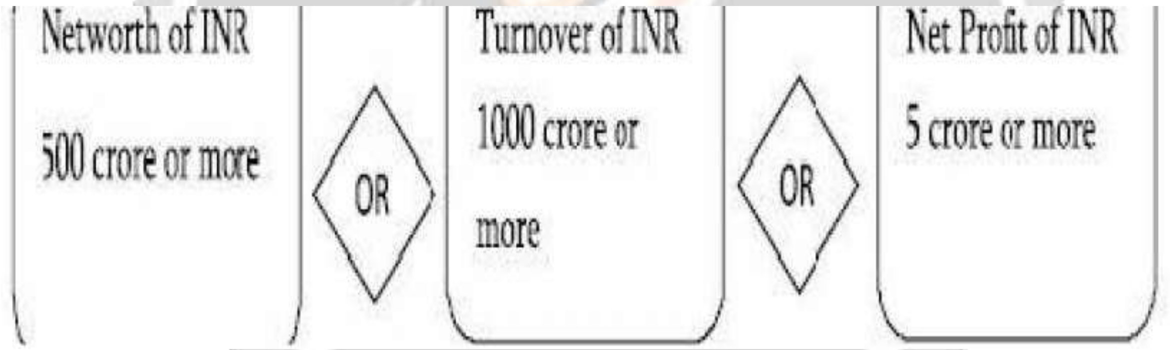
At the advent of globalization and the increasing use of communication technology and the Internet, the outside stakeholders are taking an increasing interest in the activity of the company. They look at the outer circle about the company's contribution either good or bad, in terms of its products and services and the impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused and on quality of management as an indicator of likely future performance the Ministry of Corporate Affairs, Government of India has recently notified the Section 135 of the Companies Act, 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 "hereinafter CSR Rules" and other notifications related thereto which makes it mandatory (with effect from 1st April, 2014) for certain companies who fulfil the criteria as mentioned under Sub Section 1 of Section 135 to comply with the provisions relevant to Corporate Social Responsibility. As mentioned by United Nations Industrial Development Organization (UNIDO), CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

THE CONCEPT

Many people have given many definitions about CSR. According to The World Business Council for Sustainable Development, Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. The same report gave some evidence of the different perceptions of what this should mean from a number of different societies across the world. Traditionally in the United States, CSR has been defined more as a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes and then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving. The European model is much more focused on operating the core business in a socially responsible way.complemented by investment in communities for solid business case reason.This model is more sustainable because social responsibility becomes an integral part of the wealth creation process and it must enhance the competitiveness of business and maximise the value of wealth creation to society.

MEASURING CSR-

The companies on whom the provisions of the CSR shall be applicable are contained in Sub Section 1 of Section 135 of the Companies Act, 2013. As per the said section, the companies having Net worth of INR 500 crore or more; or Turnover of INR 1000 crore or more; or Net Profit of INR 5 crore or more during any financial year shall be required to constitute a Corporate Social Responsibility Committee of the Board "hereinafter CSR Committee" with effect from 1st April, 2014. The pictorial representation below gives the representation of Section 135 .



The above provision requires every company having such prescribed Net worth or Turnover or Net Profit shall be covered within the ambit of CSR provisions.

The section has used the word "companies" which connotes a wider meaning and shall include the foreign companies having branch or project offices in India.

Rule 8 of the CSR Rules provides that the companies, upon which the CSR Rules are applicable on or after 1st April, 2014 shall be required to incorporate in its Board's report an annual report on CSR containing the following particulars:-

A brief outline of the company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs . The composition of the CSR Committee.
Average net profit of the company for last three financial years. Prescribed CSR Expenditure (2% of the amount of the net profit for the last 3
financial years) . Details of CSR Spent during the financial year.

In case the company has failed to spend the 2% of the average net profit of the last three financial year.

REVIEW OF LITERATURE

The concept of corporate Social Responsibility (CSR) is not a new one. But its focal point changes with the changing requirements of business and varying social needs Corporate Social Responsibility recognizes that business firms have not one but many different kinds of responsibility, including economic and legal responsibility. In 1960, CSR surfaced as an attempt to link business with society. The underlying belief in this era was to apply the resources in a socially responsible manner i.e., the promotion of social welfare along with the economic development.

The main argument was to employ economy's means of production in such a way that production and distribution could enhance total socio-economic welfare. In 1970s CSR was identified as the conformance to industry principles. The basic idea was to widen the margin of CSR implications from pure economical boundaries. In this regards, corporate houses ensured the potential use of business resources with no compromise to business ethics. The concept lead to profit maximization without deception or fraud to any party that is lying within the rule of the game.

In 80s and 90s a need was felt to give recognition to some new concepts like stakeholder theory, Corporate Governance, and Corporate Social Performance, Corporate Citizenship, Corporate Social Innovation and Communication of CSR practices through CSR reporting. Lee (1997) explained CSR as the company's commitment to operate in an economically and environmentally sustainable manner, while acknowledging the interests of a variety of stakeholders and maximizing economic, social and environmental value.

Holmes and Watts (1999) defined CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

Some researchers argued that corporations make more long term profits by operating with a CSR perspective, while others argue that CSR distracts from the economic role of businesses. However, Matten & Crane (2005) emphasized that the firms will experience divergent degrees of internal, external and lateral pressures to engage in CSR, as firms are embedded in different national business systems. In the 21st century a general attempt was made to establish the linkage among economic, legal, social and ethical standards so as to bring sustainable development. World Business Council for Sustainable Development (2001) explained CSR as the commitment of business to contribute towards sustainable economic development, working with employees, their families and the local communities

. Uhlaner et al (2004) discussed the economic, legal, ethical, philanthropic aspects in regards to CSR. Juholin (2004) made a distinction between CSR as simple legal compliance and CSR as conducting business with a high regard for morality.

RESEARCH METHODOLOGY

The study is based on secondary data collected from the annual reports and various books. On the basis of their expenditure on CSR . Companies report on corporate social aspects either in separate sustainability reports, in a section of the annual report or both ways. While companies can communicate their CSR information using advertising, annual reports, public relations and their websites as well as the social campaigning with volunteers support .

The study is based on a sample of govt. companies included in 2013 and we calculated descriptive statistics in order to establish the independent variables distribution. we completed our database with the values of independent variables, such as: assets, revenues, percentage change on revenues related to previous reporting year, profit, and stockholders' equity for the year 2012. We collected this information for each company, The extent of CSR information reported by sample companies is measured in number of pages of corporate social responsibility reports.

Research Hypotheses

We organised our research in order to test the strength and the significance of the correlation between some corporate characteristics showing the size and the profitability (as independent variables) and the extent of social and environmental disclosure (as dependent variable) for the top govt.companies included in 2013, out of which we established our final sample of govt.companies that reported profit for the year and on these companies we tested the research hypotheses. For measuring company size we used two absolute independent variables: total assets value and total revenue value, and a relative independent variable: changes in revenues for the last reporting year. The measures used were the value of total assets and total revenues expressed in Indian rupees , The explanation for using those figures is that we could ensure the comparability of the results.

The following specific hypotheses have been tested regarding company's size:
H1. Companies with greater total assets disclose social and environmental information largely than companies with fewer total assets.
H2. Companies with greater revenues disclose social and environmental information to a greater extent companies with lower revenues.
H3. Companies with higher change in revenues for the last reporting year disclose social and environmental information largely than companies with lower change in revenues.
Besides company's size, differences in the extent of social and environmental disclosure were also explained in accounting literature by profitability.

However, the relationship between corporate financial performance and corporate social and environmental disclosure is arguably one of the most controversial issues .The advocates of this theory argue that there are additional costs associated with the social and environmental disclosure and, the profitability of the reporting company is depressed.

In the present study, profitability was measured in accounting terms computing both, the Return on Assets (ROA) and the Return on Equity (ROE) ratios. The measure of earnings used was the value of net profit, total assets and total owner's equity expressed in Indian rupees , An indicator of how profitable a company is relative to its total assets, ROA gives an idea about how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. ROE, on the other hand, is a measure of a corporation's profitability that reveals how much profit a company generates with the money invested by shareholder.

The following specific hypotheses have been tested regarding profitability:
H4- Companies with higher rates of return on assets (ROA) disclose social and environmental information largely than companies with lower ROA.
H5. Companies with higher rates of return on equity (ROE) disclose social and environmental information largely than companies with lower ROE.

Correlation analysis- Along with overall analysis of social and environmental disclosure through CSR reports, our research investigates a number of hypotheses to determine whether the differences in reporting extent among companies can be related to company's size or profitability. We used Pearson correlation as a measure of the strength of a relationship between two variables and tested their significance. It is widely used in the sciences as a measure of the strength of linear dependence between two variables. Pearson correlation coefficient is a measure of the linear correlation between two variables. In order to evaluate the correlation between two variables it is important to be known its strength but also its significance. The significance of the relationship is expressed in probability levels: p, that tells how unlikely a given correlation coefficient, r, will occur given no relationship in the population. A critical value is used in significance testing. It is the value that a statistic test must exceed in order for the null hypothesis to be rejected.

To find out if the two variables studied in each of the five hypotheses are related or not, we made the following statistical hypotheses:
H0: The two variables studied are not related.
H1: The two variables studied are related.

For practical determination of the correlations between variables analyzed in our study, we followed the steps-

(1) calculate the correlation coefficient r associating data of independent variables and dependent variables.
(2) calculate the number of freedom degrees: the number of pairs of data minus2.
The coefficient of correlation can vary from positive one (indicating a perfect positive relationship), through zero (indicating the absence of a relationship) to negative one (indicating a perfect negative relationship).
As a rule of thumb, correlation coefficients between 0 and 0.30 are considered weak, those between 0.30 and 0.70 are moderate and coefficients between 0.70 and 1 are considered high. Cohen (1988) has observed, however, that all such criteria are in some ways arbitrary and should not be observed too strictly. The interpretation of a correlation coefficient depends on the context and purposes. A correlation of 0.9 may be very low if one is verifying a physical law using high-quality instruments, but may be regarded as very high in the social sciences where there may be a greater contribution from complicating factors.

The results interpretation is according to the following theoretical statements:
• If r is greater than the one of the critical values of the Pearson Correlation Coefficient, then the two variables are correlated with the respectively level of significance.
In this case we reject the null hypothesis H0 and we accept the H1 hypothesis with that level of significance.
• If r obtained is less than all the critical values of the Pearson Correlation Coefficient, then the two variables are considered uncorrelated. In this case we support the null hypothesis, H0.

OBJECTIVE OF STUDY –

CSR has gone through many phases in India. The ability to make a significant difference in the society and improve the overall quality of life has clearly been proven by the corporates. Not one but all corporates should try and bring about a change in the current social situation in India in order to have an effective and lasting solution to the social woes . Partnerships between companies, NGOs and the government should be facilitated so that a combination of their skills such as expertise, strategic thinking, manpower and money to initiate extensive social change will put the socio-economic development of India on a fast track.

CONCLUSION

The perspective of Corporate Social Responsibility by initiating social and community initiatives is to benefit the society and nation at large which sought to be achieved through the participation of its employees. Though these govt companies have taken effect in the era of CSR but it is not satisfactory. In order to attain the social objectives there is a need to frame a CSR policy in every govt companies and prioritization of activities for social spending and allocation of separate funds should be given for this specific purpose.
Today CSR talks about responsibility across all stakeholders in terms the 'Triple Bottom-Line ; PEOPLE ,PLANET and PROFIT CSR' has come a long way in India. From responsive activities to sustainable.

'TODAY WE ARE CREATING DIFFERENCE FOR TOMORROW'

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