

ROLE OF COMMERCIAL BANKS IN PROMOTING CSR

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ABSTRACT

In the recent years the concept of Corporate Social Responsibility is spreading very rapidly all over the world. Corporate Social Responsibility means to contribute towards the society while working with in ethics. In developing country like India, banking sector plays a very important role in upgrading the economy of the country not only by lending money or increasing the liquidity in the country but also by imposing a new practice called corporate social responsibility (CSR). RBI played an important role in supporting the concept of CSR by passing a circular in the year 2007, December, directed banks to undertake CSR initiatives for sustainable development. This paper tries to enlist various areas under which CSR initiatives has taken by the banking sector in the current era. The study also analysis the CSR activities carried out by selecting banks, i.e. HDFC bank, ICICI bank, SBI bank, PNB and Bank of Baroda. It has been found that selected banks are directly engaged in CSR practices like educational welfare, health, women and children's welfare activities, Rural development, environment protection etc. Data are collected from the secondary sources mostly from Bank's web sites, and other secondary sources. The analysis shows that, banks are making efforts for the implementation of CSR as business model. The study concludes with that after the involvement of RBI, corporate social responsibility becomes the important part of Indian banking sector, but still more regulations and new policies are required to implement the concept of CSR in Indian banking sector, only then, concept of CSR be fulfilled.

KEYWORDS: - *Corporate Social Responsibility, Initiatives, Development, Welfare activities.*

1. INTRODUCTION

Social Responsibility of an institution refers to what it does over and above what is required by law for the betterment of the society and its community as a whole. Every business has a moral obligation towards the people it has an impact on i.e. its employees, customers etc. This, it becomes imperative for corporations to adopt CSR initiatives to prevent degradation of our environment and to ensure sustainable development of our economy. In the developed countries, various initiatives in the financial sector like Global Reporting Initiative, United Nation Environment Programme Finance Initiative are being adopted as a part of CSR practices. The developing nations are the ones that are lagging behind where there is a lack of focused effort in adopting CSR initiatives. Moreover, limited research has been done in the field of CSR practices in these nations. The Banking Sector in India has been working towards contributing to the society and environment with the adoption of a few CSR initiatives.

1.1 CONCEPTUAL FRAMEWORK

The CSR concept was first explained in 1953 in the publication of "Social responsibilities of businessman" by William J. Bowen. The concept of CSR however became popular in the 1990s. With the start of 21st century in India the term CSR has been seen coming to the forefront for discussion. In present times, the Corporate Social Responsibility has emerged as a significant feature of business philosophy, displaying the impact of business on society in the context of sustainable development.

1.2 History of CSR Practices of Banks in India

CSR has been expecting more prominent significance in the corporate world, including the banking sector. There is a transparent trend in the financial sector of promoting environment reporting. Keeping the prospective of environment responsibility the Reserved Bank of India has rightly issued the 'moral suasion' policy for banks on CSR.

The CSR in Indian Banking Sector is aimed towards providing financial services to the unbanked or untapped areas of the country, the socio-economic development of the country by focusing on the activities like, poverty eradication, health and medical care, rural area development, self employment training and financial literacy trainings, infrastructure development, education, and environmental Protection etc . December 20, 2007 the RBI (reserve bank of India) circulated a notice to highlight the role of banks about corporate social responsibility under the “corporate social responsibility, sustainable development and Non – financial reporting roles of banks”. In the year 2011, The reserve bank of India, highlighted the need of CSR, suggested the banks to pay attention towards social & environment concerns in their business operations for the sustainable development. The RBI also pointed out to the start the Non – Financial Reporting (NFR) that will cover all the activities of banks done towards the social economic, environmental betterment.

2. OBJECTIVES OF STUDY

- To study about major areas under which CSR practices has taken by Indian Commercial Banks.
- To make study about CSR practices undertaken by selected banks namely, SBI, PNB, BOB, HDFC, ICICI.

2.1 REVIEW OF LITERATURE

Narwal (2007) made a study of 33 public and private sector banks in northern Haryana to highlight the CSR initiatives taken by the Indian Banking Industry, which can help them to enhance their overall performance. Sharma (2010) has studied the CSR in Indian banking and said that the developed countries have incorporated CSR in their annual budget but in the developing countries it is under root and it must be grown for the benefit of communities and for environment.

Bihari and Pradhan (2011) have attempted to map the corporate social responsibility practices of major players in the Indian banking and found that CSR has positive impact on the performance and image of the bank. Suman Kalyan Chaudhury, Sanjay Kanti Das, Prasanta Kumar Sahoo(2011),said in their study that, At present, the world over, there is an increasing awareness about Corporate Social Responsibility (CSR), Sustainable Development (SD) and Non- Financial Reporting (NFR). The contribution of financial institutions including banks to sustainable development is paramount, considering the crucial role they play in financing the economic and developmental activities of the world.

Sanjay Kanti Das(2012),in his study presented that development of Corporate Social Responsibility (CSR) is very slowly in India though it was started a long time ago. In his view CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The Govt. of India is pursuing the matter relating to CSR and also drafted guidelines for CSR practices time to time. Dangi and Kumar (2013) discussed about significance of inclusive financial system and role of RBI towards strong banking infrastructure. In this paper they focused on current and future prospects of financial inclusion in India on the basis of GOI and RBI initiative, policy measures and various other facts and data provided by financial institutions. Finally they concluded that financial inclusion shows positive and valuable changes because of change in strength and technological change.

2.2 RESEARCH METHODOLOGY

Secondary data is taken for this research paper, which is collected from different sources such as research papers, Newspapers articles, websites of different banks.

3. Major Areas of CSR Practices in Indian Commercial Banks

❖ *Expansion of Bank Branches in Rural Areas and Universal Access to Banking Services through Financial Inclusion:*

Reserve Bank of India the apex regulatory Banking Institution of India, has formulated the Financial Inclusion Policy under which everyone has equitable access to financial services along with credit at an affordable cost. The Pradhan Mantri Jan DhanYojana launched in 2014 by Prime Minister NarendraModi is a step towards Financial Inclusion. Various Public Sector Banks like SBI , Bank of Maharashtra are following this scheme whereby people can open an account with zero balance along with getting a free debit card and accidental insurance. Micro financing is also a step in this direction in which institutions are set up to provide credit facilities to small entrepreneurs who otherwise don't have access to them due to them not having hefty mortgages banks usually require.

- ❖ **Priority Sector Lending:** Priority Sector Lending implies lending by banks to priority sectors that include agriculture, cottage industries, small-scale and ancillary industries, artisans, rural and affordable housing, education and agro-based industries. It has been mandated by the RBI that private and public sector banks will have to lend 40% of their Net Bank Credit to the priority sectors. Even though priority sector lending is an important CSR activity for the growth of the neglected sections of society, most banks have difficulty in recovering their loans resulting in Non Performing Assets for these banks, thus affecting their profitability. Private sector banks fare better than public sector banks in terms of priority sector lending as they have more stringent recovery procedures.
- ❖ **Education:** One of the major CSR initiatives of banks is in the field of education. Education is essential to raise the standard of living of people as education is linked with employability with higher wages.
- ❖ **Environmental Protection:** In the current times, protection of the environment is essential to maintain its sustainability.
- ❖ **Generation of Employment and Vocational Training:** Banks have played an important role in imparting vocational training to people in rural areas which enables them to earn their livelihood. HDFC bank has been working with NGO's for imparting non-formal vocational training as well as skill upgradation of the economically weaker sections to make the employable and thus improve their standard of living.

3.1 CSR Initiatives taken by various Indian Commercial Banks are:

State Bank of India: As a part of its CSR activities, State bank of India has taken significant initiatives in area of socially relevant schemes which included distribution of safe and clean drinking water facility through installation of 43,161 water purifiers to 42,000 schools and 1,40,000 fans to 14,000 schools.

Current CSR Initiatives

- Supporting education.
- Environment protection.
- Installation of solar ATMS's and introduction of Green Channel Banking.
- In order to reduce consumption of paper, it has encouraged its shareholders to receive the bank's Annual Report in electronic form.
- Assistance in providing educational loans through tie-ups with various educational institutes. SBI Bank through SBI Foundation provides education loans to people in need. This bank has also spent Rs. 7.21 crores in order to make children computer literate by providing computers across the country.
- Supporting healthcare.
- Entrepreneur development programme.

HDFC Bank: HDFC bank is engaged in various CSR initiatives in the area of financial inclusion through differentiated products and services and taking banking to unbanked parts of the country. In addition, bank also supports local communities by providing them with livelihood opportunities and by conducting social awareness campaigns.

Current CSR Initiatives

- Sustainable Livelihood Initiative (SLI)
- Kisan Gold Card
- Grameen Loans
- Educational Crisis Scholarship Support (ECSS) Program

ICICI Bank: Social responsibility is an integral part of ICICI's work culture and core values. This bank has established ICICI foundation trust to promote inclusive growth in the sectors of health care, education, sustainable livelihood, and financial inclusion.

Current CSR Initiatives

- Advancing primary health -- Outpatient Health Care Programme
- Enabling financial inclusion -- Inclusive And Rural Banking & Creating Financial Inclusion Through Literacy

Punjab National Bank: PNB is doing CSR activities through an association of the wives of the senior officials of the Bank as well as senior lady officials of the Bank called PNB Prerna. This year, PNB Prerna completed its two years of existence and the event was marked with distribution of food to the needy and destitute

Current CSR Initiatives

- PNB Prerna
- Setting up of women rehabilitation centers
- PNB VIKAS- Village Adoption Scheme
- PNB Centenary Rural Development Trust
- Save girl child campaign
- Financial Literacy Centres (FLCs)
- Green Initiatives
- Rural Self Employment Training Institutes

Bank of Baroda: Bank of Baroda's CSR activities are embedded in its core value. Bank has always upheld inclusive growth high on its agenda. Bank has established 36 Baroda Swarojgar Vikas Sansthan (Baroda R-SETI) for imparting training to unemployed youth, free of cost for gainful self employment & entrepreneurship skill development and 52 Baroda Gramin Paramarsh Kendra and for knowledge sharing, problem solving and credit counseling for rural masses across the country. Bank has also established 18 Financial Literacy and Credit Counseling Centres (FLCC) in order to spread awareness among the rural masses on various financial and banking service

Current CSR Initiatives

- Baroda Swarojgar Vikas Sansthan (Baroda R-SETI) • Baroda Gramin Paramarsh Kendra
- Financial Literacy and Credit Counseling Centres (FLCC) • Donation to National/State Relief Funds to any individual, trust, society, charitable/social institutes

Made various efforts for the protection, cleaning and conservation of the environment through plantation/replantation of trees, promotion of renewable sources of energy like solar power, gobar gas plants in rural areas.

4. CONCLUSIONS

At present the Banking Sector performing their banking services more effectively in comparison with the past and also started working towards social banking that is Corporate Social Responsibility. Maximum number of banks whether related to private sector or public sector highly performing CSR activities as per their priority. After the involvement of RBI the CSR becomes the important part of Banking Sector but still more regulations and new policies are required to implement the concept of CSR in Indian Banking Sector. RBI should made some criteria to distinguish between the banks conducting CSR practices and those not conducting, on the bases of their involvement in social banking and some percentage must be set for spending on CSR activities by all the established Banks and a proper monitoring is required by a committee on the working of Banks so that the Banks work for their profit along with contributing towards the society because Corporate social responsibility is just not the charity but a practical implementation of ethical ideas towards the society

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