



CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES IN THE COMMERCIAL BANKS IN INDIA

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Abstract:

Corporate Social Responsibility (CSR) means doing a business in a manner which meets or exceeds the ethical, permissible, commercial expectations that a society has from the business. CSR pillars are sustainable banking, environment protection, social commitment, human resource development and stakeholder's engagement. The term is often used interchangeably for other terms like corporate citizenship and is also linked to the concept of Triple Bottom Line Reporting (TBL). Stressing the need for Corporate Social Responsibility (CSR), RBI pointed out that these initiatives by the banks are vital for sustainable development. It has directed that every bank should set apart one per cent of its net profits for CSR activity. This paper is an effort to understand the strategies and structuring of CSR. It also presents the challenges associated with it and the benefits of the CSR along with sustainable development measures being undertaken by the banking sector. Result of the study depicts that both public and private sector banks have a contribution towards CSR which is less than 2% of Profit after Tax. Only one bank ICICI out of selected banks is investing an amount more than 1% of PAT on CSR activities.

Keywords: Corporate Social Responsibility, Triple Bottom Line, Banking sector in India, Sustainable Development.

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Introduction

The history of social and environmental concern about business is as old as trade business itself and therefore Corporate Social Responsibility is not a new concept but can be traced back to almost 5000 years. What gave birth to this concept is the industrial impact on society and the environment and it assumed an entirely new dimension. Early roots of CSR can be found in the actual business practices of successful companies since the eighteenth century. CSR identifies the needs and values of the stakeholders and helps in decision making process. In particular, this could include how organisations interact with their employees, suppliers, customers and the communities in which they operate as well as the extent to which they attempt to protect the environment. CSR does not mean earning money by hook or by crook and diverting portion of it as tax saving measure or otherwise in the name of welfare activities¹

CSR means that a company's business model should be socially responsible and environmentally sustainable. By socially responsible is meant that the company's activities should benefit society, and by environmentally sustainable is meant that the activities of the company should not harm the environment. The objective of the companies are not limited to profit maximisation, economic gains or enhancing competencies but should ensure environmental protection and promotion of social responsibility including consumer interest.² With the increasing need for economic development across the globe, the demand for corporations to take central role in the efforts to eliminate poverty, achieve equitable and accountable systems of governance and ensure environmental security is gaining momentum. The RBI has directed banks to pay special attention to integration of social and environmental concerns in their business operations and to start non-financial reporting, which will be used to audit their initiatives towards the Corporate Social Responsibility. Such a reporting will cover the work done by the banks towards the social, economic and environmental betterment of society. Social responsibility of business as the organisation of businessmen is to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and value of our society.³



According to Michael Hopkins (2003), CSR is concerned with treating the internal and external stakeholders of the firm ethically or in a socially responsible manner and the wider aim of Corporate Social Responsibility is to create higher and higher standards of living, while presenting the profitability of the corporation, for its stakeholders.

CSR is closely linked with the principles of sustainable development, according to which companies should be obliged to make decisions based not only on financial/economic factors but also on the social, environmental and other consequences of their activities. Triple Bottom Line takes in its fold the following three parameters to gauge business performance, viz.,

- a) Economic
- b) Environmental, and
- c) Social Factors.

The term 'Triple Bottom Line' was coined by Sustainability Limited (www.sustainability.com). According to Sustainability Ltd, Triple Bottom Line focuses corporations not just on the economic value they add, but also on the environmental and social value they add or destroy. At its narrowest, the term Triple Bottom Line is used as a framework for measuring and reporting corporate performance against economic, social environmental parameters.

Triple Bottom line is also defined as an evaluation of business enterprises by comprehensively assessing its financial, environmental and social performance. TBL provides a framework within which corporate performance and social responsibilities are measured and evaluated.

Guidelines For Csr In Public Enterprises

The Department of Public Enterprises had issued Guidelines on CSR for Central Public Sector Enterprises (CPSEs) in April 2010, which have been issued formally to the Ministries/Departments for compliance in the CPSEs under their administrative control. Following are the salient features of guidelines on CSR & Sustainability:



(i) Corporate Social Responsibility and Sustainability is a company's commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical.

(ii) In the revised guidelines, CSR and Sustainability agenda is perceived to be equally applicable to external and internal stakeholders, including the employees of a company, and a company's corporate social responsibility is expected to cover even its routine business operations and activities. CPSEs are expected to formulate their policies with a balanced emphasis on all aspects of CSR and Sustainability, equally with regard to their internal operations, activities and processes, as well as in their response to externalities.

(iii) In the revised guidelines CSR and Sustainable Development have been clubbed together in one set of guidelines for CSR and Sustainability, because of the close linkage between the two concepts.

(iv) Public Sector enterprises are required to have a CSR and Sustainability policy approved by their respective Boards of Directors. The CSR and Sustainability activities undertaken by them under such a policy should also have the approval/ratification of their Boards. Within the ambit of these guidelines, it is the discretion of the Board of Directors of CPSEs to decide on the CSR and Sustainability activities to be undertaken.

(v) The financial component/budgetary spend on CSR and Sustainability will be based on the profitability of the company and shall be determined by the Profit after Tax (PAT) on the company in the previous year.

Table 1

Profit After Tax of CPSEs in the Previous Year	Range of Budgetary Allocation for CSR and sustainability activities (as % of PAT in the previous year)
i) Less than Rs. 100 Crores	3-5 %
ii) Rs. 100 Crore and Above	2-3 %
iii) Rs. 100 Crore and Above	1-2 %

Source: companies Bill 2013



Csr in Banking Sector

The Indian banking scenario is highly competitive. In order to make a difference, the banks need to give some added values to its customers. Generally, the goal of CSR is to reconcile ethics and business. Doing business has become more and more difficult over the years. Only when the market freely organises and corrects itself there is improvement in the quality of the products and services. This would be beneficial for society as a whole. There are studies that deal with various aspects in favour of organisations adopting CSR strategies. This can be attributed to the need for an improved reputation in the banking sector owing to fierce competition because of deregulation. Banks are statutorily required to disclose their environmental, social and ethical standards in investment decisions. However, in India, CSR reporting is simply a response to media coverage, rather than a means of communication. Therefore, CSR issues in Indian banks need to be analysed.

Statement of the Problem

The CSR practices have been started a long time ago, but in India its speed of implementation is were very slow. At present there is an increasing awareness about CSR, Sustainable Development and Non-Financial Reporting. Now the Banking Sector is performing its banking services more effectively in comparison with the past, and has also started working towards social banking that is Corporate Social Responsibility. The study is undertaken to find out the involvement of the banking sector in CSR activities.

Objectives of the Study

- To study the concept of CSR.
- To study the major areas of CSR activities in Indian Banking Sector.
- To analyse the present status of CSR in the banking sector.

Methodology

The research design in this study is Descriptive research design; top 5 Indian Banks like, State Bank of India, ICICI, HDFC, Bank of Baroda and Punjab National Bank were selected on the basis of average 3 yr. stand alone profits of banks (as of FY 2013-14 in Rs. Cr.). The Data is collected from secondary sources, particularly from



concerned Banks' Annual Reports, Websites, newsletters and data from various journals. Statistical tools like Percentage analysis, Variance analysis etc. are used for data analysis. The following 10 variables or major areas have been identified to assess and compare the corporate social responsibility intervention of the banks.

Table No. 2
Variables and their Codes

SI No.	Variable	Variable Code
1.	Child welfare / Women Empowerment	C&WE
2.	Community welfare	CW
3.	Disaster management	DM
4.	Education/training	E&T
5.	Environment Protection	EP
6.	Health care/blood donation	H&B
7.	Livelihood and financial inclusion	LFI
8.	Skill enhancement	SE
9.	Sports	SP
10.	Others	OTH

Data Analysis and Interpretation

Comparison of Selected Private and Public Sector Banks in India

As per their Participation in Various CSR Activities:

The banking sector of India has a long history of involvement in benevolent activities like donations to different charitable organizations, poor people and religious institutions, city beautification and patronizing art & culture, etc. Company Bill 2013 directs the banks to engage in Corporate Social Responsibilities Activities in a more structured way.

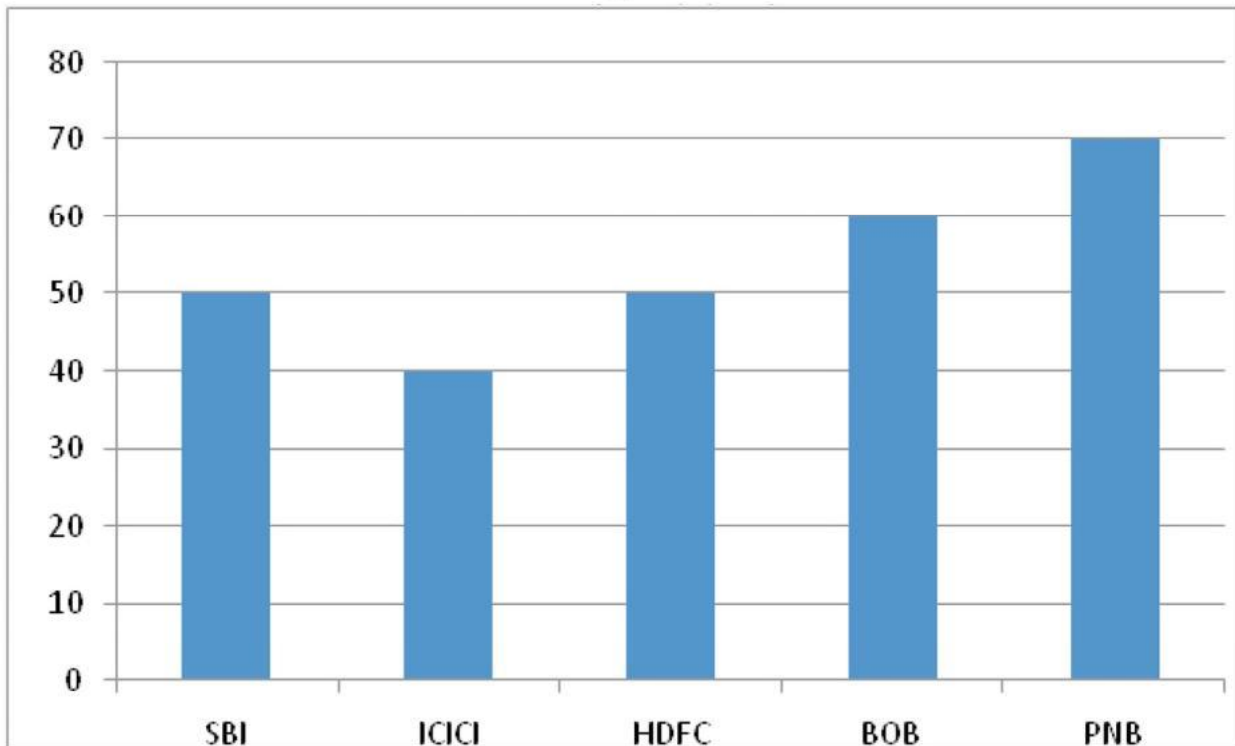
Table No.3
Area of Allocation of CSR Fund

SI No.	Name of Bank	C&WE	CW	DM	E&T	EP	H&B	LFI	SE	SP	OTH	100%
1	SBI	0	1	0	1	1	1	0	0	0	1	50
2	ICICI	0	0	0	1	0	1	1	0	0	1	40
3	HDFC	0	0	0	1	0	1	1	1	0	1	50
4	BOB	0	0	0	1	1	1	1	1	0	1	60
5	PNB	0	1	0	1	1	1	1	1	0	1	70

Source : India CSR report published by SRRF NGO august 2013

From the above table, it is clear that the five banks State Bank of India, ICICI, HDFC, Bank of Baroda and Punjab National Bank, have contribution which is less than 70%. The table gives a clear picture that the banks are not concerned with areas of CSR like Child Welfare/ Women Empowerment, Disaster Management and Sports. They are concerned only about three or four areas. Although the banks are giving more priority to education and training, healthcare/blood donation and enhancement, there are many important areas which should also be considered.

Figure 1



- SCORE of area of participation (100%)

Table: 4

Analysis of the Profit-after-tax (pat) And Csr Spend Amounts Financial Year 2011

Sl.	Bank	Financial year 2011 - 2012			Financial year 2012-2013			%Change in PAT (2011-2012)	Variation (CSR (%) - CSR spend)	Rank (lower to high)
		PAT	CSR Spend	2% of PAT	PAT	CSR Spend	2% of PAT			
1	SBI	13056	71	261.1	14105	123.3	282.10	+8.03	-56.3	2
2	ICICI	6366	24	127.3	8325	116.5	166.50	+30.77	-30.0	1
3	HDFC	4108	N.A	82.16	15491	89.8	309.82	+277.1	-71.0	3
4	BOB	4262	N.A	85.24	4481	6.99	89.62	+5.14	-92.20	4
5	PNB	4460	N.A	89.2	4748	3.24	94.96	+6.46	-96.5	5

Source: India CSR report published by SRRF NGO august 2013



Interpretation:

1. According to the data provided by SRRF NGO August 2013, in India most of the banks are not disclosing the investment on CSR and are investing less than 2% of Profit after Tax.
2. Table 4 shows that PAT has increased highly in the last two financial years, but only less than 2 % of PAT is spent on CSR for the last financial year. There is a negative variation on CSR involvement for the selected banks.
3. HDFC, Bank of Baroda and Punjab National Bank have not disclosed CSR spent amounts during 2011-12; it is a clear indication of involvement of banks in non-fund based activities in the area of CSR.
4. In the study, ICICI bank is positioning 1st rank in the low variation on CSR spent. High variation on CSR spent is shown by Punjab National Bank.

Table : 5

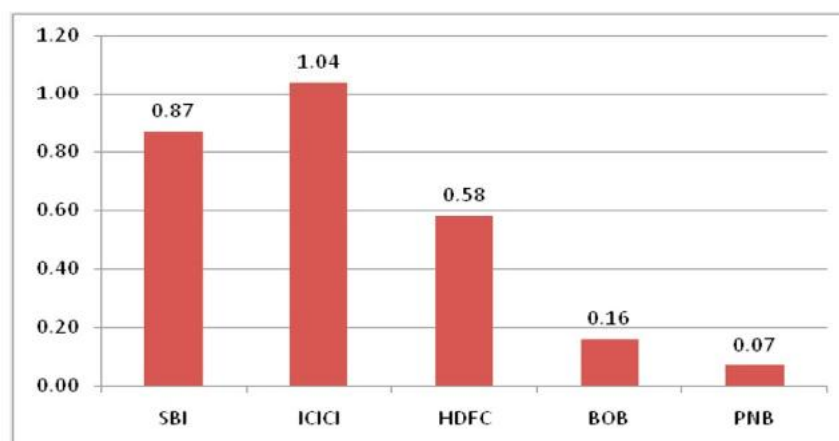
Investment on CSR (% of Profit after Tax)

Investment on CSR	% of PAT
State Bank of India	0.87
ICICI	1.04
HDFC	0.58
Bank OF Baroda	0.16
Punjab National Bank	0.07

Source: India CSR report published by SRRF NGO August 2013

Figure 2

Investment on CSR (% of PAT)



Source: Compiled from Table 5(above)



Interpretation :

1. From the above table, it is clear that only three banks are allocating more than 0.5 % on CSR. Out of these three, two banks are private sector commercial banks. This indicates poor involvement of public sector banks in CSR in terms of monetary fund.
2. ICICI bank is at the top on investing CSR activities in monetary terms as compared to other banks.
3. SBI is the only public sector bank investing more than 0.5 % on CSR activities, which shows the low participation of SBI in the area of allocation of fund.

Findings:

- According to India CSR report published by SRRF NGO August 2013, banks like SBI, ICICI, and HDFC are top performers on the basis of financial performance **and** CSR activities.
- The study reveals that both public and private sector banks have a contribution towards CSR which is less than 70%.
- Public sector banks are engaged in more number of CSR activities.
- Private Sector banks like ICICI and HDFC are showing better participation in monetary terms, but not **meeting 2% criteria of new CSR bill regulations**.
- The banks have not taken environmental protection as part of CSR activities.

Suggestions

- To meet the new CSR Bill requirement, Banks have to make new plans and policies for sustainable development.
- It is prescribed to develop reporting standards for banks.
- The expenditure on environmental protection should improve.
- After the involvement of RBI, CSR has become an important part of Banking Sector, but still more regulations and new policies are required to implement the concept of CSR in the Indian Banking Sector.
- RBI should formulate some criteria to distinguish between the banks conducting CSR practices and those not conducting, on the bases of their involvement in social banking.



Conclusion

Banking sector in India is showing interest in integrating property into their business models, but its CSR reporting practices measure far away from satisfaction. The CSR expenses of the 5 banks, viz. State Bank of India, ICICI, HDFC, Bank of Baroda and Punjab National Bank for the financial year 2012-13 (crores) are 123.3, 116.5, 89.8, 6.99 and 3.24 respectively. There is a gradual increase in the amount spend. As a matter of reality, the standards for rating CSR practices are less uniform in comparison to that for financial ratings. Absence of necessary provisions regarding reporting of CSR practices further causes negligence on the issue of reporting. Further, the study found that amongst the reporting banks also, some banks are just making false gestures in respect of their efforts for environmental-social concern. In fact there is an urgent need for enacting some stringent policies regarding provision to ensure the adherence to CSR principles.

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INFORMATION MEMORANDUM

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