



## RESEARCH ARTICLE

### A STUDY ON CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIAN BANKING SECTOR

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#### ABSTRACT

Corporate Social Responsibility (CSR), can be described as, the continuous dedication by companies towards the socio-economic development of communities in which they operate. It is a powerful way of making sustainable competitive profit and achieving lasting values for stakeholder. Corporate Social Responsibility is considered as an important instrument that provide competitive advantage and improves reputation of the business concern. Many Indian banks have created their individual brand image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives for social welfare and community development. It has been found that the banks are engaged in CSR activities mostly in the area of Rural Development, Education, Community Welfare, Women and Children. There is a need for better CSR activities by the banks, which is possible by adding more and more social development issues link with corporate sector. So this paper seeks analyse the various CSR activities carried over by the Indian banks.

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## INTRODUCTION

The word "company" derives by the two Latin words "cum" and "pains", that mean "to share the food together". CSR represents the idea of an ethical organization that has some social obligations towards society. The concept of corporate social responsibility focuses on responsibility towards all stakeholders: shareholders, employees, creditors, suppliers, government, and community rather than only on maximization of profit for shareholders. It is a continuous commitment that companies should have towards the economic, social and environmental development of the community in which they operate. Companies are increasingly understanding of their role towards the society. Corporations now are setting up separate departments and teams that develop CSR strategies. The concept of CSR was first mentioned in 1953 in the publication of "Social responsibilities of businessman" by William J.Bowen. However the term CSR became only popular in the 1990s. When the German Beta pharma generic pharmaceutical company decided to implement CSR. As the term "CSR" is used continually, many overlapping concepts, such as corporate citizenship, business ethics, stakeholder management and sustainability, have emerged.

## CSR defined

**According to Forbes (2010)**, corporate social responsibility works in two ways. The company gives back to the society, in turn, people get to know about the company who helped them most and cater to their products and services.

**Peter Drucker** argued that companies have a social dimension as well as an economic purpose in his second book, *The Future of Industrial Man*, in 1942.

**Carrol and Buchholtz defines** CSR as "the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time."

**According to Bowen**, "CSR refers to the 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.

## Applicability of CSR

Section 135(1) of Company Act 2013 mandates the CSR expenditure for the following companies– Every company having a) net worth of Rs.500 crore, b) turnover of Rs.1000 crore c) or net profit of Rs.5.00 crore (where net profit excludes income from overseas branch & dividend distributed by company on which this section apply). The Act encourages

companies to spend at least 2% of their average net profit in the previous three years on CSR activities. The Act lists out a set of activities eligible under CSR. Companies may implement these activities after considering local conditions and after seeking board approval.

### CSR Practices in Indian Banks

RBI demanded for taking measures for sustainable development of economy through realizing the urgent need of CSR. Reserve Bank of India (2007) stated that CSR requires the integration of social and environmental concerns by companies in their business operations and also in interactions with their stakeholders. The main areas for CSR practice in Indian banks are common in public sector and private sector banks. These areas include children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women's empowerment, protection to girl child and employment.

### Some Recent CSR Initiatives by Indian Banks

The central bank of India decided to go for energy efficient buildings in order to address ecological and environmental concerns as its CSR practice. Following are the other banks that fulfil their social responsibility:

**Small Industries development bank of India** has included 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.

**Yes bank** is the fourth largest private sector Bank of India. Yes bank in association with CARE India and Humanitarian relief and development NGO has launched India's first Social Deposit Account (SDA). SDA is a regular Fixed Deposit account where customers have the option of donating their interest income to a social cause through CARE India. Yes Bank received the Best Corporate Social Responsibility Practice award at the 6th Social and Corporate Governance Awards 2010 held in Mumbai. It also won Best CSR Practice Award in March 2011.

**State Bank of India (SBI)**, The nation's largest lender State Bank of India (SBI) has created a separate company, SBI Foundation, to carry out its massive CSR initiatives and hopes to get it "running" from July. It has also has adopted green banking in its lending operations.

**Industrial Credit and Investment Corporation of India (ICICI)** 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.

**Union Bank of India** has well developed Corporate Social Responsibility initiatives in place. The focus on the rural sector is through Village Knowledge Centres and Farmers' Clubs etc. It launches schemes for the girl child, where bank take care of education expenses. Initiatives are in place in other areas such as providing drinking water for schools, setting up bus shelters etc. All CSR initiatives have shown good results and they are an ongoing part of bank's contribution to the building of the nation.

**Industrial Development bank of India (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.

**Table 1. CSR ranking of banks out of 100 Indian companies**

Bank name	Ranking
YES Bank Ltd.	25
HDFC Bank Ltd.	44
Axis Bank Ltd.	57
IndusInd Bank Ltd.	58
Union Bank of India	69
State Bank of India	93

Source: www.futurescape.in (CSR ranking 2016)

**Axis Bank** has set up a Trust the Axis Bank Foundation (ABF) to channel its philanthropic initiatives. The Foundation has committed itself to participate in various socially relevant endeavours with a special focus on poverty alleviation, providing sustainable livelihoods, education of the underprivileged, healthcare, sanitation etc. 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.

**Housing Development Finance Corporation (HDFC)** 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.

**Indusind Bank** has committed to minimizing the environmental impact of bank operations on the planet. Through its Solar ATMs, solarised premises, green operations and supply chains bank is doing a bit in integrating environmental stewardship across its operations and investment portfolio.

**Punjab National Bank (PNB)**'s approach to Corporate Responsibility in the community is firmly rooted in its commitment to support people below poverty line and downtrodden section of the society.

There are 27 public sector and 23 private sectors banks in India. But CSR practices adopted by banks are not at a big level. From the above table it can be concluded that private sector banks doing great job in the field of CSR. In the field of implementation of CSR practices in the banking companies, Yes bank is at the top with 25<sup>th</sup> rank, HDFC bank is at 44<sup>th</sup> rank and Axix bank is at 57<sup>th</sup> rank. public sector banks CSR ranking is not so good out of 100 companies in the comparison of private sector banks. But overall the public sector banks have highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area.

### Conclusion

CSR fetch a very important place in the development scenario of India today and can create as an alternative tool for sustainable development. The study 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 mandatory requirement

of law of Priority sector lending and rural branch expansion. The public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area. 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.

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