

CSR Practices & CSR Reporting in Indian Banking Sector

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Abstract- In the recent years the concept of Corporate Social Responsibility is spreading very rapidly in India in all the sectors .Corporate Social Responsibility is 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 a 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 .The Banking sector is in a leading position in discharging CSR in the country.

“CSR 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”.

This paper tries to enlist various initiatives taken by the banking sector in the current era with respective to CSR and its reporting along with its future scope.

Key Words: CSR Practices, Non Financial Reporting, Banking Sector, CSR Reporting

1. INTRODUCTION

This is the time of industrialization and commercialization of the entire service sector. All the Companies are moving forward for the profit maximization and the profit which they are gaining it is from the society so the companies must take it as obligation towards the society which is to be repaid in terms of social banking towards the benefit of society. This social Banking means to contribute for the society while conducting the work within the boundary of ethics and that is called Corporate Social Responsibility. The CSR practices have been started a long time ago but in India its speed of implementation were very slow. At present there is an increasing awareness about CSR, Sustainable Development and Non-Financial Reporting, the credit goes to RBI in focusing the CSR practices in Indian Banking Sector, by passing a circular in the year 2007, December, directed banks to undertake CSR initiatives for sustainable development. [1]

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 preserving the profitability of the corporation, for its stakeholders. [2]

The CSR phases as its development can be divided in to four phases are as follows:

Phases of CSR Practices in India

Phase	Key Thrust	Key strategies
Phase I (Till 1914)	CSR motivated by charity and philanthropy	The oldest form of CSR was motivated by charity and philanthropy with direct influence from culture, religion, family tradition, and industrialization process.
Phase II	CSR for India's social	Dominated by the country's struggle for independence and

(19141960)	development	influenced fundamentally by Gandhi’s theory of trusteeship for consolidation and amplification of social development. Gandhi’s reform programs which included activities that sought in particular abolition of untouchability, women’s empowerment and rural development.
Phase III (19601980)	CSR under the paradigm of the mixed economy	The paradigm of mixed economy with the emergence of legislation on labor and Environmental standards, affected the third phase of Indian CSR This phase Is also characterized by a shift from corporate self regulation to strict legal and public regulation of business activities.
Phase IV (1980 onwards)	CSR at the Interface between philanthropic and business approaches	Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi stakeholder approach.

Source: Based on Survey of Literature on CSR and Sundar (2000) [3]

2. OBJECTIVE OF THE STUDY

The Present study aims to evaluate the different dimensions of Corporate Social Responsibility by studying the following Objectives:

- To Study the concept of CSR;
- To Study the Major areas of CSR initiatives in Indian Banking Sector.
- To Study the CSR Reporting Practices in Indian Financial Sector.
- To Focus on the Present Status of CSR in Banking.

3. METHODOLOGY

Research methodology is the blue print of the research which is going to be conducted. The Research design in this study is Descriptive research design, Random Sampling technique is used for selecting the Banks for this Study in which the major players two from Public Sector and two from Private Sector have been selected for the study i.e. SBI,PNB,HDFC and ICICI. The Data is collected from secondary sources particularly from concerned Banks Annual Report, Web sites, newsletters and data from various journals.

4. LITERATURE REVIEW

[Carroll, 1979; 2008, 500]: "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time." [4]

The Commission defines corporate social responsibility as “the responsibility of enterprises for their impacts on society”. To fully meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders” [5] According to Bert Scholtens, “finance relates to the sustainability of economic development and to CSR. The three financing modes open the potential to direct the economic activities in a way that takes account of social, ethical, and environmental issues”. [6]

According to Jacob M. Rose, in his study findings indicate that directors employ prospective rationality cognition, and they sometimes make decisions that emphasize legal defensibility at the expense of personal ethics and social responsibility. The results suggest that additional ethics education will have little influence on the decisions of many business leaders because their decisions are driven by corporate law, rather than personal ethics. [7]

Paul C. Godfrey and Nile W. Hatch they studied on the two aspects one; Examination of the marginal utility of various CSRs by firms. Second, researchers must focus their tools on individual firm-stakeholder.[8]

Md. Habib-Uz-Zaman Khan suggests that “the effects of corporate governance (CG) elements on CSR disclosures in reporting information of Bangladeshi listed commercial banks are high. Non-executive directors and existence of foreign nationalities have been found the significant impact on the CSR reporting.” [9] 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. [10]

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.[11]

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Kvasničková Stanislavská, L., Margarisová, K., Šťastná, K(2012), defined concept of Corporate Social Responsibility on a theoretical level , They focuses on its development, its present form and the influence on financial performance of the company. They also worked on three czech banking subjects (Česká spořitelna, Komerční banka a Československá obchodní banka), which regularly take the leading positions of the official corporate donors chart Top Filantrop“. The work explores the evolution of corporate donations and finds the connection between corporate donations and corporate profit and financial and economic crisis. [13]

Austin (2000) gave the concept of Collaboration Continuum. He explained the development of collaboration between nonprofits and corporations. According to him, such collaboration begins from a philanthropic stage, where, the nature of the relationship is similar to that of a charitable donor and (grateful) recipient; and ultimately results in organizational integration, where the equivalency of mutual benefits is fully apprehended by firms (Austin, 2000). The Collaboration Continuum hence, provides firms with more reasons to be socially active. Companies can follow this concept by supporting societal causes, and inspiring other companies in turn. [14]

5. CSR INITIATIVES BY BANKING SECTOR

5.1 Major Areas of CSR along with their expenditure on CSR activities

(a) State Bank of India:

Corporate Social Responsibility has always been a part of the State Bank of India covering various social, environmental and welfare activities. Their pledge towards CSR is reflected in their CSR vision statement “(Serving the Community Everywhere)

The comparative chart of CSR spends for the last three years is as under (in crores)

CSR Activities	2009-10	2010-11	2011-12
National Donations (To provide succor to victims of natural calamities)	5.15	2.00	5.50
Normal Donations & other direct activities	14.57	22.44	65.68
Total CSR spend For the first time in the last decade, the budget For CSR spend (normal donations and other direct activities) has been surpassed even though the allocation was much higher than the previous years.	19.72	24.44	71.18

Table no. -1 (source – SBI annual report)

By analyzing the table no.1 we can see that in the year 2009 the expenditure of bank in different CSR activities were 19.72 crores which is increased in the year 2012 up to 71.18 crores ,which is the good symbol for the Indian Economy.

Sector wise Deployment:

The breakup of sectoral deployment of SBI's CSR spends during the year has been as under:

CSR Activities	Amount (` in crores)
National Donations	5.50
Supporting Education	38.33
Supporting Healthcare	15.03
Assistance to underprivileged	5.37
Research & Development	3.75
Supporting Culture	1.15
Environment Protection	0.67
Other projects	1.38
Total	71.18

Table no. -2 (source – SBI annual report)

In table no.2 the different CSR activities are given based on different sector, the highest donations is done by SBI in education sector with 38.33 crores, second priority for donation is sector of Health care by 15.03 crores. Two sectors that is National donations and Assistance to underprivileged are having nearby equal spending with 5.50 &5.37 crores. The expenditure on environmental protection is just0.67 which is very low in comparison with other sectors. The total expenditure in the form of Donations is 71.18 crores.

b) Punjab National Bank:

PNB is also a big player of Banking Sector under Public Sector which has contributed in a lot in CSR strategies like Sustainability, Corporate volunteering, social investment, health, collaboration, and green initiatives. At the march 2011, credit to Micro Small & Medium Enterprises sector stood at RS 45, 296 crores. Bank has financed 6400 rickshaw amount disbursed was RS 629 lakh in the year 2010. This Bank has been awarded “Golden Peacock Award” for CSR for the year 2011 by Institute of Director (IOD).

Priority Sector Credit (As on last reporting of March 2011)

	March 2010	March 2011
Priority Sector Credit (%age of ANBC)	63769 (40.55)	75652 (40.67)
Of which		
(a)Agriculture Sector (%age to ANBC)	30207(19.53)	35462(19.30)
- Direct	23604	27396
-Indirect	6603	8064
(b) Small enterprises	24222	29540
(c) Others	9340	10650
Credit to weaker sections	15779	18681
Credit to Women	7848	9218

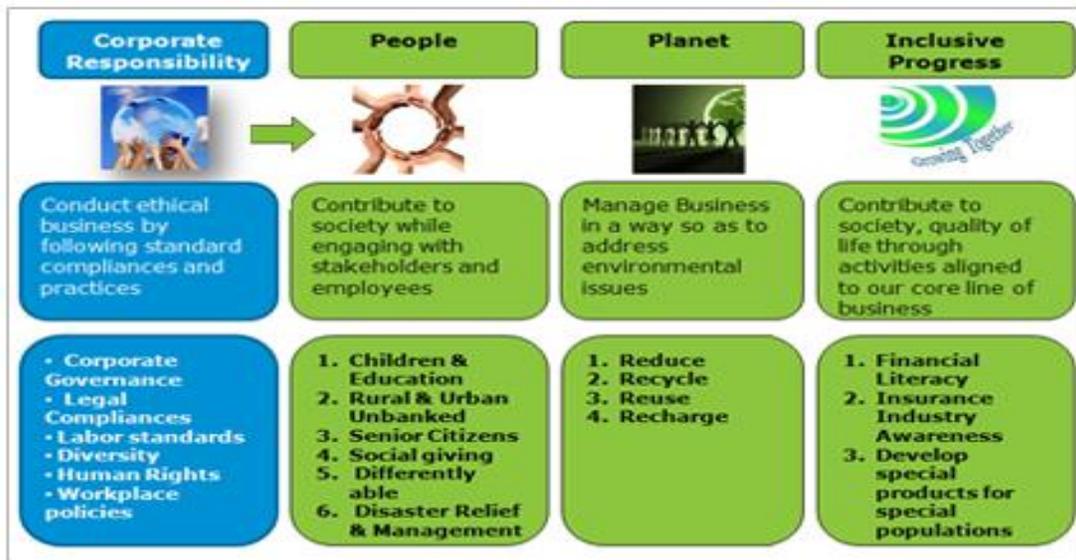
Table no. 3 (source –PNB) annual report

c) HDFC Bank

HDFC Bank is a big player of Private Sector Bank which is well established in it's working. Swabhimaan, HDFC Life's Corporate Social Responsibility (CSR) initiative- aims to play a positive role by contributing towards the advancement of society and conservation of environment while engaging with their stakeholders. The objective of Swabhimaan is to contribute to improve and enhance the quality of life of communities in which the company operates thereby helping to create an equitable society.

HDFC Life is committed to being a socially responsible corporate and its CSR framework is governed by a formal policy. Besides, the Company's employees also actively embrace and participate in the Company's community initiatives to accelerate inclusive growth and strengthen environment protection.

HDFC life CSR framework:



Source: HDFC website

d) ICICI Bank

ICICI Bank is India's largest private sector bank with total assets of Rs. 5,367.95 billion (US\$ 99 billion) at March 31, 2013 and profit after tax Rs. 83.25 billion (US\$ 1,533 million) for the year ended March 31, 2013. The Bank has a network of 3,529 branches and 11,063 ATMs in India, and has a presence in 19 countries, including India.

(April 1, 2010 to March 31, 2011)

ICICI Foundation Programmes	Amount (Millions)
CSO Partners	10
Digantar Shiksha Evam Khelkud Samiti	12.28
Tata Institute of Social Sciences	9.56
The America India Foundation Trust	3.00
Eklavya Foundation	6.52
Jana Sanskriti Centre for Theatre of the Oppressed	2.08
Vikramshila Education Resource Society	2.00
Centre for Learning Resources	1.81
Janagraaha Centre for Citizenship and Democracy	1.94
Education Support Organisation	1.63
Save the Children	0.90

Other Grants / Project Expenses	1.10
ICICI Group CSR	
Give India - ICICI Bank Read to Lead Project	26.59
Dignity Foundation	25.00
Bhavishya Alliance	1.61
Give India – Speak for Smiles	7.00
TOTAL	112.93

Table no. - 4 (source – ICICI annual report)

Disbursements

(April 1, 2011 to March 31, 2012)

ICICI Group CSR	Amount(millions)
Sevadharm Trust Healthy Lokshakti Project	2.8
Bhavishya Alliance	1.0
Paragon Charitable Trust	1.3
Healthy Lokshakti Project	3.0
TOTAL	75.9

Table no. -4 (source – ICICI annual report)

6. REPORTING OF CSR PRACTICES BY INDIAN FINANCIAL INSTITUTIONS

The concept of CSR reporting has been described by different scholars in different ways.CSR reporting calls for reflection of corporate ethical practices, transparency, sensitivity to the environment issues, social commitment and labour welfare practices of business houses. It is observed from Kamayog’s CSR rating(2009) that most of the Indian banks do not mention CSR on their annual reports or on websites.[15]

CSR rating of Indian financial Institutions

level(0-5)	No. of banks/fis	Name of banks/fis
Level 0	3	City Union Bank, Vysya Bank and Vijay Bank.
Level 1	6	Central Bank of India,Indusind Bank, Karnataka Bank,Kotak Mahindra Bank,South Indian Bank & UCO Bank
Level 2	15	Allahabad Bank,Andhra Bank, BOB,Bank of India, Bank of Maharashtra Bank,IDBI bank,Bank of Rajasthan,Corporation Bank,Federal Bank, HDFC ,Indian overseas,State Bank of Bikaner,State Bank of Mysore, State Bank of Travancore and Syndicate Bank.
Level 3	11	Axis Bank,Canara Bank,Dena Bank,ICICI bank ,Indian Bank,ING Vysya Bank, Jammu and Kashmir Bank, Oriental Bank, Punjab National Bank,SBI and Union Bank of India.
Level 4	1	Yes Bank
Level 5	Nil	Nil

Source: Karmayog’s CSR rating, 2009. [16]

7. PRESENT STATUS OF CSR IN BANKING

- **New companies bill is a step forward: Clause 135- corporate social responsibility.**

The new Companies Bill seeks to make it mandatory for companies of a certain financial strength to spend at least 2% of their average net profit over three years on corporate social responsibility. The Bill, which would replace the nearly six-decade old Companies Act, 1956, was cleared by the Rajya Sabha on 8 August while it had received the Lok Sabha nod in December last year. As per the new norms, the two per cent spending on CSR is not mandatory but reporting about it is mandatory. In case, a company is unable to spend the required amount, then it has to give an explanation for the same. The CSR norms, that would come into effect once the President gives his assent, would be applicable to companies having either net worth of Rs 500 crores or more; turnover of Rs 1,000 crores or more; or net profit of Rs 5 crores or more.[17]

- **RBI revises bank KYC guidelines, advises new set of norms on July 1 2013**

In a bid to strengthen its safeguards against money laundering, the Reserve Bank of India (RBI) issued the master circular revising certain guidelines related to bank Know Your Customer (KYC) policy. It suggested creating Unique Customers Identification Code (UCIC) while bringing changes in new account opening process .[18] On July 16, 2013, RBI fines 22 banks Rs 50cr for violation of know your customer which includes SBI, PNB and 20 more lending banks .[19]

8. CONCLUSION

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 but if we look towards the CSR reporting then we can see that most of the banks are still not disclosing their amount for such initiatives in their websites. 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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