

Corporate Social Responsibility of Banks in India

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ABSTRACT: Corporate social responsibility is a topical and strategic practice in business. Many companies are adopting CSR: some underwrite social welfare problems such as HIV, giving training for teachers, education and manpower development, but increasingly some companies are turning to environmental sustainability issues possibly as a way of enhancing their image. The main purpose of the study is to analyze the corporate social responsibility (CSR) activities carried out by Indian banks. The study is based on the secondary data taken from the annual reports of the banks. The ultimate aim is to guide companies to be strategic in their CSR so that they benefit from the process.

Keywords: Corporate social responsibility, Commercial banks, Community welfare, financial literacy.

INTRODUCTION

Introduction Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word "responsibility" emphasizes that the business has some moral obligations towards the society. CSR, also known as Sustainable Responsible Business (SRB), or Corporate Social, is a form of corporate self-regulation integrated into a business model. Industrialization and commercialization of service sector have explored vivid avenues of progress to a nation but at the flip side it has rooted the use of non-renewable energy sources, global warming, green house gas mission and rising levels of waste which have harmful effects to the generation coming next. The growing concerns for sustainable development, environmental performance, encompassing pollution control and management of natural resources given mass recognition to the concept of Corporate Social Responsibility (CSR).

Corporate social responsibility

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law. CSR aims to embrace responsibility

for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.

The term "corporate social responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed.

Proponents argue that corporations increase long term profits by operating with a CSR perspective, while critics argue that CSR distracts from business' economic role. A study compared existing econometric studies of the relationship between social and financial performance, concluding that the contradictory results of previous studies reporting positive, negative, and neutral financial impact, were due to flawed empirical analysis and claimed when the study is properly specified, CSR has a neutral impact on financial outcomes.

POTENTIAL BUSINESS BENEFITS

A large body of literature exhorts business to adopt measures non-financial measures of success (e.g., Deming's Fourteen Points, balanced scorecards). While CSR benefits are hard to quantify, Orlitzky, Schmidt and Rynes found a correlation between social/environmental performance and financial performance.

The business case for CSR within a company employs one or more of these arguments:

Triple bottom line

"People, planet and profit", also known as the triple bottom line form one way to evaluate CSR. "People" refers to fair labor practices, the community and region where the business operates. "Planet" refers to sustainable environmental practices. Profit is the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital (unlike accounting definitions of profit) This measure was claimed to help some companies be more conscious of their social and moral responsibilities. However, critics claim that it is selective and substitutes a company's perspective for that of the community. Another criticism is about the absence of a standard auditing procedure.

Human resources

A CSR program can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often consider a firm's CSR policy. CSR can

also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering. CSR has been credited with encouraging customer orientation among customer-facing employees.

Risk management

Managing risk is an important executive responsibility. Reputations that take decades to build up can be ruined in hours through corruption scandals or environmental accidents. These draw unwanted attention from regulators, courts, governments and media. CSR can limit these risks.

Brand differentiation

CSR can help build customer loyalty based on distinctive ethical values. Some companies use their commitment to CSR as their primary positioning tool, e.g., The Co-operative Group, The Body Shop and American Apparel

Some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions as another form of advertising.

Reduced scrutiny

Corporations are keen to avoid interference in their business through taxation and/or regulations. A CSR program can persuade governments and the public that a company takes health and safety, diversity and the environment seriously, reducing the likelihood that company practices will be closely monitored.

Supplier relations

Appropriate CSR programs can increase the attractiveness of supplier firms to potential customer corporations. E.g., a fashion merchandiser may find value in an overseas manufacturer that uses CSR to establish a positive image—and to reduce the risks of bad publicity from uncovered misbehavior.

CSR Practices in Indian Banks

Rural Branch Expansion: Banks are expand their branches in rural areas. However, illiteracy and the low income savings and lack of bank branches in rural areas continue to be a road block to financial inclusion in many states. Apart from this there is inadequate legal and financial structure.

Jammu and Kashmir Bank is the top performer in rural branch expansion variable and YES banks is the least performer in rural branch expansion variable among private sector banks. CITI and Standard Chartered banks don't have any branch in rural areas. Thus overall it can be interpret from the table 3 that public banks are leading in rural branch expansion then private sector banks and at last foreign banks.

Priority Sector Lending: As described by the Reserve Bank of India, Priority Sector lending means lending to the agriculture, small scale and ancillary industries, new and renewable sources of energy, cottage industries, artisans, food and agro based processing, education, housing and weaker section.

Environment Protection: This variable includes all the activities carried out by the banks for the purpose of environment protection or to reduce the environmental harm by adopting different initiatives, replacing traditional activities by eco friendly processes or activities in day to day business. The World Bank has also pressurized the banks not to finance the projects, which are causing harm to the environment either directly or indirectly.

1. Assistance for rain water harvesting tanks
2. Wild animal protection projects
3. Tree plantation drives
4. Projects related to reduction of carbon emissions

Financial Literacy: As per the Reserve Bank of India, Financial literacy is providing familiarity with and understanding of financial market products, especially rewards and risks, in order to make informed choices. It is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of oneself, one's family, and one's business. Financial literacy has assumed greater importance in the recent years, as financial markets have become increasingly complex and as there is information asymmetry between markets and the common person, leading to the latter finding it increasingly difficult to make informed choices. In India, the need for financial literacy is even greater considering the low levels of literacy and the large section of the population, which still remains out of the formal financial set-up. Credit Counseling can be defined as counseling that explores the possibility of repaying debts outside bankruptcy and educates the debtor about credit, budgeting, and financial management. In view of the above two points the RBI has initiated a scheme for setting up of Financial Literacy and Credit Counseling (FLCC) Centres by the banks. Certain banks have not just opened the FLCC centers but have also taken other measures to promote finance education among people.

Farmer's Welfare: Indian economy has always been an agriculture based economy. Although the contribution of agriculture to the GDP of the country has decreased in past years, a large portion of population still depends upon agriculture for its survival. However, the agriculture sector is still in a meagre state. Due to the poor economic health of agriculture sector, India observes a large number of cases of suicide among the farmers. It has been felt that there is an urgent requirement to promote investments in this sector and welfare of the farmers. Some of the major activities done by the banks under the farmer's welfare are as follows:

- Agriculture Debt Waiver & Debt Relief Scheme
- Loan for Solar Water Heating Systems at concessional rate,
- Rural Extension Education Programmers enabling farmers & entrepreneurs to improve their productivity/production,
- Establishment of Farmers clubs,
- Farmers' Training Centers (FTCs),
- Special credit cards for farmers,
- Agriculture knowledge sharing Programs,
- National insurance programs for agriculture
- Financing rural go downs and cold storages/warehouses,

- Debt Swap Schemes
- Setting up agriculture clusters for better farming
- Commodity finance against pledge of warehouse receipts of agro commodities

BANKING SECTOR AND CSR

As per the instruction of the RBI, majority of the banks started their Corporate Social Responsibility.

Government reduce the tax only for the bank those adopted CSR.

FEDERAL BANK

The bank plan and implement several educational programs

1. Building School infrastructure
2. Training for fresh Teachers
3. 50 Scholarship to financial backward students (Kerla & Tamil Nadu)
4. Vehicles sponsored to Education Institutions
5. Career Guidance program
6. Computer distribution to Rural Schools

They do many activities relevant to the Health

1. Blood Donation Campaign
2. Cancer Awareness Campaign
3. Medical Camps/ Eye Camps
4. Vehicle to differently able children Schools
5. Support to HIV/AIDS Awareness programmes in Schools and Villages.

ALLAHABAD BANK

1. Educational support.
2. Poverty eradication.
3. Rural development.
4. Vocational training to unemployed.

CANARA BANK

1. Rural Clinic Service
2. Rural Service Volunteer Scheme
3. Jalayoga Scheme
4. Rural Resource Development Centre.

UNION BANK OF INDIA

1. Highway Garden
2. Exhibition- Physically Challenged people
3. Farmer's Club.
4. Village Knowledge Centers.
5. Rural Development.

6. Educational support.

PUNJAB NATIONAL BANK

1. Call Centre- Physically Challenged
2. Ambulance Sponsored to St. John's Health Service
3. Free Day Care centre
4. PNB Farmer Welfare Trust
5. Farmers Training Centers
6. Model Villages
7. PNB century Rural Development Trust
8. Financial support to vulnerable sections of society through micro financing.

AWARDS FOR CSR

The Government of India and RBI give more awards for CSR. That are

1. Global CSR Awards
2. Golden Peacock Award for CSR
3. Asia's Best CSR Practices Awards

CONCLUSION

Banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far from satisfaction. There are only a few banks which report their activities on triple bottom line principles. As a matter of fact, the standards for rating CSR practices are less uniform in comparison to that for financial rating. This leads to problem in comparison of corporate houses and determining the CSR rating. Indian banks are doing lot of CSR activities.

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