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CSR IN INDIAN BANKING SECTOR: PRESENT SCENARIO

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Abstract:

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders.

Indian banking sector is well organized and regulated. In the recent trend, many banks in India have created their individual brand in Corporate Social responsibility (CSR) by contributing towards the society and involving in welfare activities, the public and private sector banks concentrate on various activities like health, eradicating hunger and poverty, education, empowering woman, environmental sustainability, training, national heritage, disaster and relief management etc. to spend the CSR amount. The company’s act of 2013 under the clause of 135 has been made for Corporate Social Responsibility. This paper attempts to analyze the present CSR practices in Indian banking sector.

Key Words: CSR, Bank, CSR Practice, Society

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 Performance, is a form of corporate self regulation integrated into a business model. Corporate Social Responsibility also called Corporate Conscience or Responsible Business is a form of corporate self-regulation integrated into a business model. CSR is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner.

Today Banking Sector growing larger and powerful than before. Various Nongovernment organizations put pressure on Banks to act responsibly towards their 4 stakeholders. Thus pressure has given rise to the concept named Corporate Social Responsibility. CSR defined as –the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time (Carrol and Buchholtz, 2000:35). Exactly what responsibility



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companies have towards society has been discussed for some decades now.

Corporate Social Responsibility:

Corporate Social Responsibility also called Corporate Conscience or Responsible Business is a form of corporate self-regulation integrated into a business model. CSR is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of law, ethical standards and national or international norms.

The concept of Corporate Social Responsibility is not a new one but its focal point changes with the changing requirements of business and varying social needs. 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. CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is represented by the contributions undertaken by companies to society through its business activities and its social investment. CSR has been making an increasingly prominent impact in the Indian social system by supplementing development projects. But it is not a novel concept in India as its historical roots goes till the Vedic age.

CSR practices in Indian Banking Sector:

Now-a-days CSR has been assuming greater importance in the corporate world including financial institutions and banking sector. Banks and other financial institutions start promoting environment friendly and socially responsible lending and investment practices. RBI (2007) has also directed Indian banks to undertake CSR initiatives for sustainable development and also asked banks to begin non-financial reporting which is related to activities in the era of environmental, social and economic accounting.

CSR has been assuming greater importance in the corporate world, including the banking sector. To highlight the role of banks in CSR, the RBI circulated a notice on 20th December, 2007 for all the scheduled commercial banks in India. RBI also instructs the banks to integrate their business operation along with social and environmental aspects. The major key areas of CSR like, children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women empowerment, protection to girl child etc.

In recent years an attempt has been initiated to ensure socially responsible behaviour of banking sector in a more organized manner. The CSR in Indian Banking Sector is aimed



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towards addressing the financial inclusion, 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.

CSR Concept in the clause 135, the Companies act, 2013:

According to Companies Act 2013, by clause 135 is applicable to the companies to spend the partial net profit on the companies whose:

- a) An annual turnover of Rs.1,000 crores INR or more (or)
- b) A net worth of Rs. 500crores INR or more (or)
- c) A net profit of Rs. 5crores INR or more

And companies should set-up the committee consisting of their board members, including atleast one independent director. This act is applicable to all the companies incorporated in India. Such companies should **spend at least 2% of their average net profit in the previous three years on the CSR activities.**

Here Net Profit is defined as the profit before tax excluding profits arising from the branches outside India (www.pwc.in, 2013).

Although banks have not been directly indicated by Clause 135 of the Companies Act, 2013, still quite a handful of banks have practiced CSR activities.

Review of Literature:

According to Friedman (2006) "There is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud".

In contrast to Friedman's statement, Robbins and Coulter (2007) explained that the management's social responsibility goes beyond making profit to include protecting and improving social's welfare of its stakeholders and the environment in which the firm carries out its operations. They also have the responsibility to the society that allow their formation through various laws and regulations and support them through purchasing their products and services. (Carroll,2008).

Narwal (2007) made a study to highlight the CSR initiatives taken by the Indian Banking Industry. The findings suggest that banks have an objective view-point about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their core CSR activities. CSR has emerged as the business issue of the 21st century and has been studied for over 50 years.



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Deepika Dhingra and Rama Mittal (2014), said in their study that, very few banks have a clearly defined CSR philosophy. Most of the banks implement CSR in an ad-hoc manner, unconnected with their business process and don't state how much they spend on CSR activities. Financial institutions can do a lot to assist efforts for social responsibility and achieve sustainability.

CSR Practices in Indian Banks:

Since independence, banking in India has evolved through four distinct phases:

- 1) Foundation phase (1950s till the nationalization of banks in 1969),
- 2) Expansion phase (mid-60s to 1984),
- 3) Consolidation phase (1985 to 1991) and
- 4) Reforms phase (since 1992).

Objectives of the study:

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

- i) To Study the concept of CSR.
- ii) To Study the Major areas of CSR initiatives in Indian Banking Sector.
- iii) To Focus on the Present Status of CSR in Banking.



Research 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 from Public Sector and from Private Sector have been selected for the study i.e. **SBI,BOI,UBI,HDFC and AXIS**. The Data is collected from **secondary sources** particularly from concerned Banks Annual Report, Web sites, newsletters and data from various journals.

Different Key areas of CSR:

The major key areas of CSR like, children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women empowerment, protection to girl child, and employment.

Education: Almost all the banks in India have given due importance to education. Some of the banks have donated money whereas some have helped the schools in other different facilities such as Allahabad Bank is providing fans in



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each classroom and staffroom in Primary Schools and helping schools in providing the drinking water to children.

Rural Development: Similarly like education most of the banks of India have invested in Rural Development. Some of them are educating rural people by Financial Literary Centers whereas some of them have given financial help to villages. Union Bank of India's Adarsh Gram is the example of Rural development.

Children and Women: For the encouragement of women empowerment or girl child many government and non-government organizations are working in India. GOI has introduced "beti padhao, beti bachao" similarly banks are giving scholarships for girls' education.

Social Community Welfare: This category includes the welfare activities for society welfare as whole. In this category all the welfare activities can be included like Axis Bank work for Armed Forces veterans and Union bank of India's Union Social Foundation. In this category they talk about the different social issues to be taken care of in India.

Health: Health is the last category where different banks offer various health facilities to the deprived people. Axis bank have started health and trauma care centres in different areas. Bank of India also have different schemes like Ambulances to Hospitals catering to economically challenged sections of the society, rural areas, etc. ultra-modern medical equipment's to Family Planning Centers and other hospitals. Wheel chairs to physically challenged sportspersons and others. Genets for running equipments in hospitals for the Cancer patients. Major Contributions Of Different Banks Towards Society:

➤ **State Bank Of India (SBI)**

SBI is committed to environment protection and contributes positively to reduce the carbon footprint. Major initiatives in this area are

(i) Waste to gold: A project that aims to motivate and develop the skills of youth to address waste management in the city; and develop small sustainable businesses for their livelihood as well, and

(ii) SBI Corbett: Under this project, SBI Foundation is providing villages with a sustainable waste management system and conducting trainings of SHG Workers to provide awareness in nearby schools and hotels. Responsible interaction with environment to avoid depletion and degeneration of natural resources and maintaining long term quality of the environment is a priority for your Bank. Your Bank has contributed 2.05crore towards the following: (a) Acquiring solar power plant, solar water heater and solar street lamps, (b) Tree plantations and maintenance of parks and gardens, and (c) Donating battery operated vehicles. SBI has shown its commitment in the renewable energy space not only by taking up renewable financing but also by building its own captive renewable capacity through wind energy and solar roof tops. SBI has so far installed 151 solar roof top sites with a capacity of 6.23 MW.

➤ **HDFC BANK**

At HDFC Bank, CSR is all about developing a business model that not only creates economic value but also contributes to a healthy ecosystem and strong communities. Our endeavor is to evolve and develop appropriate business processes and strategies to achieve a common goal which contributes to greater good. Major initiatives are sustainable livelihood, sanitation, education and skilling.

➤ **AXIS BANK**

At Axis Bank, Corporate Social Responsibility & sustainability are not mere obligations but are vital pillars of continual success for present and future. The bank's philosophy on CSR & sustainability stems from their strong belief in doing



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good for the organization by doing good for the society. The result is a positive cycle of company growth & community development which leads to prosperity that endures. Focus areas are Education, Vocational Education & Training, Livelihood Enhancement & Rural Development, Medical Relief & Trauma Care, Environment Sustainability, Sanitation, Humanitarian Relief, Armed Forces Veterans, Capacity Building of Personnel & NGO Partners.

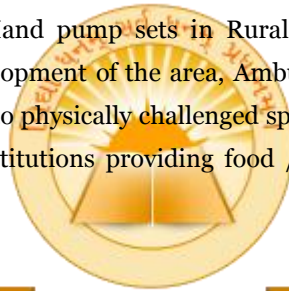
➤ UNION BANK OF INDIA(UBI)

Union Bank of India has developed CSR initiatives in place. The focus is on the rural sector is through village knowledge centers and farmers' clubs etc. we also have schemes for the girl child, where we take care of education expenses. Initiatives are in place in other areas such as providing drinking water for schools, providing bus shelters etc. Focus areas are Farmers' Clubs, Union Mitra, Village Knowledge Centre, Union Adarsh Gram, Union Bank Social foundation.

➤ BANK OF INDIA(BOI)

Bank of India believes that it is its foremost duty to contribute towards impacting the lives of various stakeholders like customers, employees, shareholders, communities and environment in a positive manner through all aspects of its operations, thereby serving the interest of the society at large. Bank of India has a policy to give back a part of what it has received from the environment and society and is contributing / participating on a sustainable basis in activities and projects for facilitating the same.

Major initiatives are Solar street lights and Hand pump sets in Rural areas, Rain water harvesting mechanism / equipments agriculture / drinking water / development of the area, Ambulances to Hospitals catering to economically challenged sections of the society, Wheel chairs to physically challenged sportspersons and others, Support to orphaned / blind students requirements, Vehicles for institutions providing food / mid-day meal to government /local bodies schools catering to poorer sections of the society.



AMOUNT OF NET PROFIT SPENT BY MAJOR BANKS FOR THE YEAR 2017-18

Banks	Rs in Crores
Bank of India	2.18
Union Bank of India	4.67
HDFC	374.00
Axis Bank	133.77
State Bank of India	112.96

Source: Annual Report 2018-19



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CONCLUSION:

The study shows that all the banks in India are focused towards the Social Responsibility now-a-days. Thus we can conclude that these days the banking industry in India is giving due importance to the Social Responsibility and they try to cater all the important areas to be focused like health, education, sanitation, etc. In a nutshell, it can be said that the state of mind of the Indian banking towards CSR is changing due to tough competition at the national level. Conclusively, there are two suggestive measures which are advisable for a better CSR in these banks. First is to enhance and accelerate government's involvement in CSR activities and secondly media should increase its interest and play a vital role in the era of CSR.

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