

# Corporate Social Responsibility: A Check on Indian Banks for Responsible Investment



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**Ruchi Gupta  
Gaurav Agrawal**

*ABV - Indian Institute of Information Technology and Management*  
(ruchi.gupta.1086@gmail.com)

*Corporate social responsibility (CSR) is widely used concept these days, especially after companies' bill 2013. But CSR activities and its strategic values in policy formulation for an industry may differ from another industry. Even the importance of integral components of CSR is different for every industry and this is the reason that one industry feel more responsible for environmental issues while other industry feel like to invest in social issues. The purpose of this paper is to study the significance of CSR in Indian banking industry and how it is unlike in comparison to other industries even in same sector. Content analysis was done to achieve this objective. Annual reports of 2013 – 14 were collected from official websites of banks and these banks were selected from published list of 500 listed companies of Dun & Bradstreet. It seems that banks feels more responsible for social issues and financial inclusion is central part to fulfil their social responsibility while environmental issues remain unaddressed by most of them.*

**Keywords:** Corporate social responsibility, content analysis, annual report, banks, India

## 1. Introduction

The concept of corporate social responsibility has evolved over the decades but still there is no proper definition of it. Authors defined it as an integration of social, ethical, economic, environmental and legal expectation of society from business organizations. Now after globalization, liberalization and privatization CSR activities become important part of strategies formulation to fulfil competitive urge. Government, non – profit organization, community welfare societies and business organization are working together for development of economy through such activities. Banking and financial institution are not different from other and being backbone of Indian economy they have to cope up with all changes around them. Responsibility of banking industry is more in comparison to other because of their financing services which create multiplier effect on the on whole economy and long term sustainability. In emerging economy like India banks should act responsible in investment and financing any project with respect to social and environmental issues.

Banking sector plays very important role in Indian economy, it acts like blood in body for proper and smooth functioning. Post independence Reserve bank of India (RBI) was established in 1935 which was nationalized in 1949 and with this banking regulation act empowered RBI to regulate, control and inspect the banks in India. This act also made mandatory to register all banks with RBI that means no bank in India can operate without taking permission from RBI. But as banks got listed in stock exchange with globalization and liberalization they have to follow set norms of Securities exchange board of India (SEBI) for trading purpose, Companies act 1956 under supervision of Ministry of corporate affairs (MCA) and Reserve bank of India (RBI) at same time.

Reserve bank of India (RBI), Ministry of corporate affairs (MCA) and Security exchange board of India (SEBI) issue guideline from time to time for all organization to follow all rules and regulation. There are especial guidelines for corporate social responsibility in companies' bill 2013 which are applicable from 2014 – 2015. RBI set up Khan Committee in 2005 and Nachiket committee in 2013 to covers all commercial bank under financial inclusion plan and make it compulsory to submit a report on CSR activities at the end of every year.

The purpose of this paper is to study the importance of corporate social responsibility in strategy formulation of top 10 banks on Indian on the basis of income. Content analysis was done to study annual reports generated from official website of these banks. Content analysis was used in number of studies to explore structured document.

## 2. Literature Review

In starting Bowen (1953) defines CSR as 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". Friedman (1962, 1970) said "There is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits" and corporate social responsibility minimizes the corporation focus on profit. Hederson (2001) mentioned that Corporation should concentrate on what they can do best, should create job opportunities and increase the wealth of stakeholders. Interests of Private Corporation is quite separate from public corporations, so they cannot do any with CSR. It is only government that should speak for society, not business people.

But Deegan & Gordon (1996), Adams et al. (1998), Patten (1992), Deegan et al. (2000) and Campbell (2004) mentioned in their studies that these activities increased over a period of time as it provide competitive edge over other in terms of connectivity with customer, investor, government etc. Frederick (1960) mentioned 'Social responsibility means that businessmen should oversee the operation of an economic system that fulfils the expectations of the people. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare. According to Samuel O in 20<sup>th</sup> century CSR become important part of strategical decision and companies took it practically to find out cost benefit analysis. That is why Wilson (2000) said that 'corporate responsibility must begin with the practical recognition that the corporation must be profitable enough to provide shareholders a return that will encourage continuation of investment'. Companies started taking their stakeholder seriously and there is platform given to them for discussion. Labour unions, environmental groups and other relevant stakeholders and the implementation of certification solutions by corporations, which helped in the establishment of codes of, conduct (Kapstein, 2001).

Literature witnessed that banking industry require special attention because working pattern and dimensions of banks are different from companies (Jensen and Meckling, 1976) in terms of assets and funds. In companies major problem is agency gap between majority shareholder and minority shareholders but in banks depositors are more important than shareholders as majority of assets are funded by them. Two main features set banks apart from other businesses – level of opaqueness in their functioning and the relatively greater role of government and regulatory agencies in their activities (Sharma et al., 2013). Evolution of banking and financial industry and corporate social responsibility can be divided into five phase. Each and every phase shows the development till date:

**Table 1** Evolution of Banking Sector and Corporate Social Responsibility

Phases	Evolution of Banking Industry	Evolution of CSR
Phase 1	Pre – independence (upto 1947)	There was a concept of trusteeship given by Gandhiji for women empowerment, social upliftment and development through sharing and caring.
Phase 2	Pre – nationalization phase (1947 -1969).	There was a trend of voluntary CSR activities based on cultural, ethics, family background and moral values.
Phase 3	Expansion phase (1969 - 1984).	Compliance of various legal laws (Labour law, compensation act, environmental law, minimum wage act, etc) enforced business organization to fulfil basic responsibility towards society and environment. Shareholders happiness became important part of CSR activities
Phase 4	Consolidation phase (1985 – 2000).	Concept of CSR became wide and external stakeholder also become focal point other than internal ones. Now companies understood that such activities can affect short term financial performance and long term sustainability.
Phase 5	Restructuring phase (2000 onwards).	CSR became part of strategy formulation and execution. Government, non profit organization and business organizations are working together. Amendment in companies' bill and compulsory contribution by companies.

### 3. Research Methodology and Data Collection

It is an exploratory research was conducted, where content analysis was done to investigate important area of 10 top banks in India. The banks were selected on the basis of total income given in the data given by published data of Dun & Bradstreet titled 'India's Top 500 companies 2014'. Official website to generate annual reports and sustainability report were explored to find out the desired data for the study.

**Table 2** Top 10 Public Sector and Private Sector Banks

Type of Bank	Number of Bank	Percentage
Public sector	7	70
Private sector	3	30
Total	10	100

### 4. Findings of Study

Detailed investigation is done to all annual reports collected from official website of banks. Various parameters like ownership, major area of CSR contribution, Publication of business responsibility report (BRR), Formation of CSR committee, Publication of separate CSR report or sustainability and total CSR amount contribution were analysed to understand the aptitude of bank.

**Table 3** State Bank of India

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Government owned organisation	148.93	As a section annual report	No	Yes	1. Education 2. Healthcare

					3. Environment 4. Assistance to poor 5. Assistance during natural calamities
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**Key Theme of CSR:** CSR is always been a part of SBI which cover various social, environmental and welfare activities through its new and innovative products. It took customer delight seriously and started a full range of services to satisfy its customer. Bank has a comprehensive Corporate Social Responsibility (CSR) Policy, approved by the Executive Committee of the Central Board in August 2011.

Table 4 ICICI Bank Limited

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR Areas
Non – Government owned organisation	164	No	Yes	Yes	1. Education 2. Healthcare 3. Skill development & sustainable livelihood. 4. Financial Inclusion

**Key Theme of CSR:** Banks provides sustainable banking products to cater the needs of all type of customers. It also comply all environmental rules and regulation stated by the government. There is a proper use of renewable energy for long term sustainability.

Table 5 Punjab National Bank

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR Areas
Government owned organisation	293.75	As a section annual report	No	Yes	1. Assistance during natural calamities 2. Healthcare 3. Training and development activities for farmers 4. Tree Plantation 5. Blood Donation Camps 6. Distribution of Artificial Limbs

**Key Theme of CSR:** CSR is an integral part of Bank corporate strategy. Giving back to the society is the motive behind these activities for future generation. It involves its staff to undertake such activities for long term sustainability. They believe being responsible for society, environment and all stakeholders.

Table 6 HDFC Bank Limited

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR Areas
Non – Government owned organisation	141.01	No	Yes	Yes	1. Education 2. Environment 3. Community welfare. 4. Training for sustainable livelihood. 5. Financial Inclusion/ literacy

**Key Theme of CSR:** HDFC believes inclusive growth and development of society in which they operate and therefore products and services focused on well being of population, environment, employees, internal and external stakeholders and customer with utmost ethical governance.

Table 7 Bank of Baroda

Ownership	CSR amount (Cr.)	CSR Report Publication	CSR committee	BRR Publication	Major CSR areas
Government owned organisation	14.98	No	No	Yes	1. Education 2. Healthcare 3. Women welfare 4. Social welfare activities.

**Key Theme of CSR:** As a responsible corporate citizen, it has been the endeavour of your Bank to empower the community through socio-economic development of the underprivileged and weaker sections.

**Table 8 Canara Bank**

Ownership	CSR amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR Areas
Government owned organisation	41.97	As a section annual report	No	Yes	1. Education 2. Healthcare 3. Charities/Culture/ Sports. 4. Social welfare and relief. 5. Energy conservation. 6. Women welfare. 7. Skill Development. 8. Chief Minister Relief fund.

**Key Theme of CSR:** Bank is engaged in varied Corporate Social Responsibility (CSR) activities. CSR initiatives of the Bank are multifarious, covering activities like training unemployed rural youth, providing primary health care, drinking water, community development, empowerment of women and other social initiatives.

**Table 9 Bank of India**

Ownership	CSR amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Government owned organisation	7.83	As a section annual report	No	Yes	1. Alternate/Renewable Energy 2. Potable Water 3. Healthcare & Medical Facilities 4. Helping Physically Handicapped 5. Helping Senior Citizens/Destitutes 6. Education 7. Food & Nourishment 8. Women Safety 9. Supporting Families of Ex-Servicemen 10. Training & Skills Development 11. Environment

**Key Theme of CSR:** Bank is in step with the new thought of measuring performance on the basis of economic impact, social impact, and environmental impact in its task of inclusive growth. Team Bank of India believes that it is its foremost duty to contribute towards 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.

**Table 10 Axis Bank Limited**

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Non – Government owned organisation	51.79	No	Yes	Yes	1. Education 2. Healthcare 3. Livelihood

**Key Theme of CSR:** CSR is intrinsically weaved into bank's philosophy of creating enduring value for all stakeholders. The vision and mission of best articulate this philosophy. Bank engage in to fulfil the needs of business sustainability a responsibility building upon principle like ethics, transparency, accountability, product sustainability, employee well being, stakeholder engagement, environment protection and inclusive and equitable growth.

**Table 11 IDBI Bank Limited**

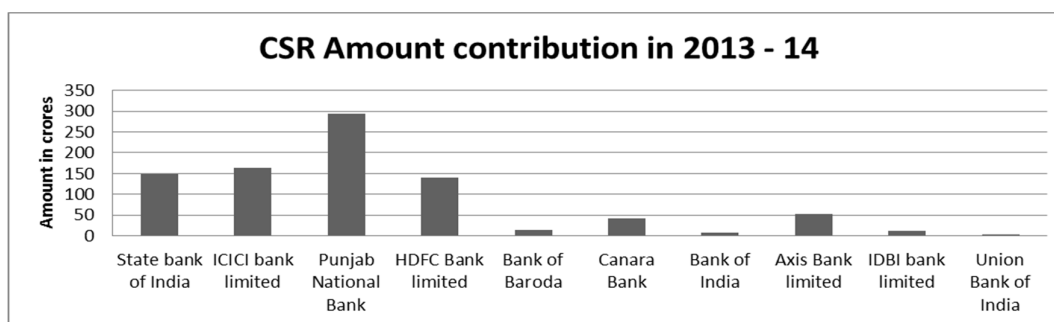
Ownership	CSR amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Government owned organisation	12.2	No	Yes	No	1. Education 2. Healthcare 3. Gender equality and socio economic empowerment. 4. Rural development projects. 5. Promotion of sports activities.

**Key Theme of CSR:** Bank understands the importance of how CSR activities can bring about a meaningful and lasting improvement in the lives of the marginalised sections of society. In that sense, CSR is a way of life at IDBI Bank, ingrained into your Bank's corporate philosophy.

**Table 12** Union Bank of India

Ownership	CSR Amount (Cr.)	CSR Report Publication	CSR Committee	BRR Publication	Major CSR areas
Government owned organisation	3.77	No	Yes	Yes	1. Education 2. Healthcare 3. Community welfare. 4. Shelter for old and orphans.

**Key Theme of CSR:** Union Bank of India believes that Corporate Social Responsibility (CSR) is directly linked to the core business of the bank which is a financial intermediary. It encompasses the initiatives taken by the Bank to add social, environmental and economic value in all its activities to make a positive, sustainable impact on both the society and the business. The Bank believes that businesses, civil society, government, and development agencies should work together to improve infrastructure and services whereby they can each use their core competencies to help overcome any obstacles.



**Figure 1** Comparative View of Top 10 Banks with Respect to CSR Contribution

As banks were selected on the basis of total income generated in 2013 – 14, it is apparent that banks with high income margin contribute good amount in CSR activities. Clearly SBI, ICICI, PNB and HDFC are top four banks in the list.

**Table 13** Major Activities Reported by Banks

Major Areas of CSR Activities	Number of Banks	Percentage
Education	9	90
Healthcare	9	90
Skill development and training and development activities for sustainable livelihood	6	60
Environment	4	40
Community welfare and development	5	50
Women empowerment	5	50
Assistance during natural calamities	2	20
Financial inclusion	2	20
Development of culture and sports	2	20
Support to disabled, Ex-serviceman families and senior citizen	2	20
Energy conservation	2	20
others	3	30
Other activities: Assistance to poor, Donation, contribution to CM fund, etc		

It is clear from the above table that banks concentrate on few major activities to spend their CSR budget. Education, healthcare, skill developments for sustainable livelihood are on top of this list.

## 5. Conclusion

Banks plays a paramount role in the development and growth of Indian economy. It serves as a blood in body. This is the

reason that there are 40 banks in the list of top 500 companies. The result indicates that:

- Banks are far behind the other companies as none of the above banks publish separate CSR report or sustainability report even few of them does not publish business responsibility report also.
- Total income and size of banks are very important factor in CSR contribution. Banks with high income contributes more towards such activities.
- Concentration on social issues is more in comparison to environmental issues, it may be possible because banks does not harm environment directly.

There is a scope for development of separate CSR or sustainability report according to important parameters to measure actual position. Banking sector is different from other service sector so government need to focus more on functioning and role in progress of society through CSR activities

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