



A STUDY OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES OF SELECTED BANKS IN KARNATAKA

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ABSTRACT

The concept of Corporate Social Responsibility (CSR) has gained tremendous momentum in recent times. The enactment of the New Companies Act-2013, which came into force from 01-04-2014 in India has made corporate social responsibility a mandatory exercise for companies operating in India having i) a net profit of Rs 5 crores or above or ii) a net worth of Rs 500 crores or above or iii) a total turnover of Rs 1000 crores or above during any financial year. Such companies which come under the ambit of corporate social responsibility would be required to spend mandatorily at least 2% of their average net profits of the immediately preceding 3 years on corporate social responsibility activities. Schedule VII and Section 135 of the New Companies Act-2013 has enlisted different focus areas of corporate social responsibility. Companies including banks are implementing various corporate social responsibility initiatives across different focus areas to fulfill their social and environmental obligations. In this paper an attempt has been made to throw light on the prominent corporate social responsibility initiatives of selected banks in Karnataka, to determine the orientation of corporate social responsibility initiatives of the selected banks in Karnataka with respect to various focus areas and also to examine whether there is significant difference in the orientation of corporate social responsibility initiatives among the selected banks in Karnataka. The study reveals that the selected banks in Karnataka are actively

involved in various corporate social responsibility activities and there is significant difference in the orientation of corporate social responsibility initiatives.

Key words: Corporate Social Responsibility, Banking Companies, Karnataka.

Introduction:

J.R.D Tata once quoted “*No success or achievement in material terms is worthwhile, unless and until it serves the needs and interests of the people and the country and is achieved through fair and honest means*”. The above statement emphasizes the importance of social responsibility and ethics in business. Business dictionary defines corporate social responsibility as “*a company’s sense of responsibility towards the society, community and environment (both ecological and social) in which it operates*”. Corporate social responsibility is also referred to as Corporate Conscience, Corporate Citizenship and Sustainable Responsible Business (Wood, 1991).

The debate about corporate social responsibility was ignited by Levitt (1958) in his Harvard Business Review article “*The Dangers of Social Responsibility*”. Levitt cautioned “*Governments job is not business and business’s job is not government*”. The same sentiment was expressed by Milton Friedman (1970). Friedman opined that “*There is one and only social responsibility of business, to use its resources and engage in activities designed to increase its profits so as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud*” and according to him one of the main objectives of business was “*to increase the value of shareholders*”.

It was Edward Freeman (1984) who changed the perceptions of organizational management through his “*Stakeholder Theory*” detailed in his book “*Strategic Management: A Stakeholder Approach*”. Stakeholder Theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. According to Edward Freeman the main objectives of business is “*to increase the value of all stakeholders*”. Stakeholders (Freeman, 1984) are the elements which effects and get affected by the working of an organization. Stakeholders of an organization involve employees, management, shareholders, financiers, suppliers, distributors, customers, consumers, trade unions, employers association, political groups, society, communities, environment, government and all other elements which impact and get impacted by the working of the organization (Miles, 2011).

In the present day scenario the focus of corporates has been shifted from “*increasing the value of shareholders*” (Friedman, 1970) to “*increasing the value of all stakeholders*” (Freeman, 1984). The main essence of corporate social responsibility is “*Stakeholders Welfare*” and hence has gained enormous momentum in recent times.

Objectives of the study:

The major objectives formulated for the present study are as follows,

- To identify the prominent corporate social responsibility initiatives launched by the selected banks in Karnataka.
- To determine the orientation of corporate social responsibility initiatives of the selected banks in Karnataka with respect to various focus areas (*as per Schedule VII and Section 135 of Companies Act-2013*).
- To examine whether there is significant difference in the orientation of corporate social responsibility initiatives among the selected banks in Karnataka with respect to various focus areas.

Research hypothesis:

The null hypothesis and alternative hypothesis formulated in order to achieve the objectives of the present study are as follows,

- H₀: There is no significant difference in the orientation of corporate social responsibility initiatives among the selected banks in Karnataka.
- H₁: There is significant difference in the orientation of corporate social responsibility initiatives among the selected banks in Karnataka.

Research methodology:

The present study is descriptive in nature. Six of the India’s leading banks are headquartered in Karnataka viz. Canara Bank, Corporation Bank, Karnataka Bank, State Bank of Mysore, Syndicate Bank and Vijaya Bank. The above six banks were selected for the present study. ING Vysya Bank which was previously headquartered in Bengaluru, Karnataka was merged with Kotak Mahindra Bank with effect from April 1, 2015 and hence it was not selected for the present study. The prominent corporate social responsibility initiatives launched by the

selected banks in Karnataka were identified by using both primary and secondary sources of data. Primary data were collected by interacting with the concerned officials at corporate social initiatives cell at the respective banks. Secondary data were collected using various sources such as bank annual reports, bank websites, internet resources, journals, newspapers, magazines etc.

The orientation of corporate social responsibility initiatives of selected banks in Karnataka with respect to various focus areas (*as per Schedule VII and Section 135 of Companies Act-2013*) was then determined and tabulated. If a bank implemented corporate social responsibility initiatives in a certain focus area it was coded as '1' and if not it was coded as '0'. The coded data was then analyzed using Statistical Package for Social Sciences (SPSS) software. Cochran's Q test was used to examine whether there is a significant difference in the orientation of corporate social responsibility initiatives among the selected banks in Karnataka with respect to different focus areas. Cochran's Q test is a non-parametric statistical test used to examine the differences between three or more observations having a dichotomous value '0' and '1' (Sheskin, 2004).

Profile of the selected banks in Karnataka:

Karnataka is a state in the south western region of India. Six of the India's leading banks are headquartered in Karnataka viz. Canara Bank, Corporation Bank, Karnataka Bank, State Bank of Mysore, Syndicate Bank and Vijaya Bank. Some basic information with regard to the selected banks are tabulated and are shown below,

| Serial No | Name of the Bank | Founded | Type of Bank | Headquarters |
|-----------|----------------------|---------|---------------------------------|--------------|
| 1 | Canara Bank | 1906 | Public Sector Nationalized Bank | Bengaluru |
| 2 | Corporation Bank | 1906 | Public Sector Nationalized Bank | Mangaluru |
| 3 | Karnataka Bank | 1924 | Private Sector Bank | Mangaluru |
| 4 | State Bank of Mysore | 1913 | Public Sector Nationalized Bank | Bengaluru |
| 5 | Syndicate Bank | 1925 | Public Sector Nationalized Bank | Manipal |
| 6 | Vijaya Bank | 1931 | Public Sector Nationalized Bank | Bengaluru |

Table 1: Information with regard to the leading banks headquartered in Karnataka

Corporate Social Responsibility initiatives of banking companies in Karnataka:

The corporate social responsibility information of the selected banks in Karnataka viz. Canara Bank, Corporation Bank, Karnataka Bank, State Bank of Mysore, Syndicate Bank and Vijaya Bank which are relevant to the present study are tabulated and it is shown below,

| Serial No | Bank | Whether the Bank has its own CSR Policy? Yes / No | Whether CSR policy is disclosed in the Bank's website? Yes / No | Whether CSR initiatives are disclosed in the Bank's website? Yes / No | Whether detailed CSR information is disclosed in the Bank's Annual Report? Yes / No |
|-----------|----------------------|--|--|--|--|
| 1 | Canara Bank | Yes | No | No | Yes |
| 2 | Corporation Bank | Yes | No | Yes | Yes |
| 3 | Karnataka Bank | Yes | Yes | No | Yes |
| 4 | State Bank of Mysore | Yes | No | No | No |
| 5 | Syndicate Bank | No | No | No | Yes |
| 6 | Vijaya Bank | Yes | Yes | No | No |

Table 2: CSR information of selected banks in Karnataka

The New Companies Act-2013 which has mandated corporate social responsibility has enlisted different focus areas in which corporates can implement their corporate social responsibility initiatives to fulfill their social and environmental obligations. Banks are implementing corporate social responsibility initiatives across different focus areas according to their corporate social responsibility policy. The major focus areas of the selected banks in Karnataka are tabulated and are shown below,

| Serial No | Name of the Bank | Major CSR Focus Areas |
|-----------|----------------------|---|
| 1 | Canara Bank | <ul style="list-style-type: none"> • Eradicating poverty • Eradicating malnutrition • Promoting healthcare including preventive healthcare. • Making available safe drinking water. • Promoting education. • Promoting employment enhancing vocation skills. • Women empowerment. • Conservation of natural resources. • Protection of art. • Protection of culture. • Rural development projects. |
| 2 | Corporation Bank | <ul style="list-style-type: none"> • Eradicating hunger. • Promoting healthcare including preventive healthcare. • Making available safe drinking water. • Promoting education. • Setting up of homes and hostels for women, orphans and senior citizens. • Ensuring environmental sustainability. • Conservation of natural resources. • Contributions to Prime Minister's Relief Fund. |
| 3 | Karnataka Bank | <ul style="list-style-type: none"> • Eradicating hunger. • Eradicating malnutrition. • Promoting healthcare including preventive healthcare. • Sanitation. • Making available safe drinking water. • Promoting education. • Women empowerment. • Ensuring environmental sustainability. • Conservation of natural resources. • Contributions to Prime Minister's Relief Fund. |
| 4 | State Bank of Mysore | <ul style="list-style-type: none"> • Promoting healthcare including preventive healthcare. • Promoting education. • Promoting employment enhancing vocation skills. • Promoting livelihood enhancement projects. • Measures for reducing inequalities faced by socially backward groups and economically backward groups. • Ensuring environmental sustainability. • Ensuring ecological balance. |

| | | |
|---|----------------|---|
| | | <ul style="list-style-type: none"> • Animal welfare. • Conservation of natural resources. • Maintaining quality of soil, air and water. |
| 5 | Syndicate Bank | <ul style="list-style-type: none"> • Eradicating hunger. • Promoting healthcare including preventive health care. • Sanitation. • Promoting education. • Promoting employment enhancing vocation skills. • Promoting livelihood enhancement projects. • Empowering women. • Setting up homes and hostels for women, orphans and senior citizens. • Measures for reducing inequalities faced by socially and economically backward groups. • Ensuring environmental sustainability. • Conservation of natural resources. • Contribution to Clean Ganga Fund. • Contribution to Prime Minister's Relief Fund. • Rural Development Projects. |
| 6 | Vijaya Bank | <ul style="list-style-type: none"> • Eradicating hunger. • Promoting healthcare including preventive healthcare. • Sanitation. • Making available safe drinking water. • Promoting education. • Promoting employment enhancing vocation skills. • Empowering women. • Setting up homes and hostels for women, orphans and senior citizens. • Measures for reducing inequalities faced by socially and environmentally backward groups. • Ensuring environmental sustainability. • Ensuring ecological balance. • Promoting agro-forestry. • Conservation of natural resources. • Maintaining quality of soil. • Maintaining quality of water. • Protection of natural heritage, art and culture. • Restoration of buildings and sites of historical importance. • Setting up public libraries. • Promotion and development of traditional arts and handicrafts. • Training to promote rural sports and nationally |

| | | |
|--|--|---|
| | | <p>recognized sports.</p> <ul style="list-style-type: none"> • Contributions to Prime Minister's Relief Fund. • Rural development projects. |
|--|--|---|

Table 3: CSR major focus areas of selected banks in Karnataka

| Serial No | Name of the Bank | Amount spent on CSR activities during financial year 2014-2015 (rupees in Crores) |
|-----------|----------------------|---|
| 1 | Canara Bank | 30.39 |
| 2 | Corporation Bank | 6.15 |
| 3 | Karnataka Bank Ltd | 2.04 |
| 4 | State Bank of Mysore | Not Available |
| 5 | Syndicate Bank | 2.14 |
| 6 | Vijaya Bank | Not Available |

Table 4: CSR spending of selected Banks during FY 2014-2015 (Source: Annual Reports)

Analysis and interpretation:

Schedule VII and Section 135 of The New Companies Act-2013 has enlisted various focus areas of corporate social responsibility which are broad-based and are intended to cover a wide range of activities.

| Code No | CSR FOCUS AREAS (As per Schedule VII and Section 135 of Companies Act-2013) | |
|---------|--|---|
| A | A1 | Eradicating hunger |
| | A2 | Eradicating poverty |
| | A3 | Eradicating malnutrition |
| | A4 | Promoting health care including preventive health care |
| | A5 | Sanitation |
| | A6 | Contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation |
| | A7 | Making available safe drinking water |
| B | B1 | Promoting education, including special education |
| | B2 | Promoting employment enhancing vocation skills especially among children |
| | B3 | Promoting employment enhancing vocation skills especially among women |
| | B4 | Promoting employment enhancing vocation skills especially among elderly |
| | B5 | Promoting employment enhancing vocation skills especially among differently abled |
| | B6 | Promoting livelihood enhancement projects |
| C | C1 | Promoting gender equality |
| | C2 | Empowering women |
| | C3 | Setting up homes and hostels for women |
| | C4 | Setting up homes and hostels for orphans |
| | C5 | Setting up old age homes, day care centers, and such other facilities for senior citizens |
| | C6 | Measures for reducing inequalities faced by socially backward groups |
| | C7 | Measures for reducing inequalities faced by economically backward groups |

| | | |
|---|-----|---|
| D | D1 | Ensuring environmental sustainability |
| | D2 | Ensuring ecological balance |
| | D3 | Protection of flora |
| | D4 | Protection of fauna |
| | D5 | Animal welfare |
| | D6 | Promoting agro-forestry |
| | D7 | Conservation of natural resources |
| | D8 | Maintaining quality of soil |
| | D9 | Maintaining quality of air |
| | D10 | Maintaining quality of water |
| | D11 | Contribution to the Clean Ganga Fund set up by the Central Government for the rejuvenation of the river Ganga |
| E | E1 | Protection of natural heritage |
| | E2 | Protection of art |
| | E3 | Protection of culture |
| | E4 | Restoration of buildings and sites of historical importance |
| | E5 | Restoration of works of Art |
| | E6 | Setting up public libraries |
| | E7 | Promotion and development of traditional arts |
| | E8 | Promotion and development of traditional handicrafts |
| F | F1 | Measures for the benefits of armed forces veterans |
| | F2 | Measures for the benefits of armed forces war widows |
| | F3 | Measures for the benefits of armed forces dependents |
| G | G1 | Training to promote rural sports |
| | G2 | Training to promote nationally recognized sports |
| | G3 | Training to promote Paralympics sports |
| | G4 | Training to promote Olympic sports |
| H | H1 | Contributions to Prime Minister's Relief Fund |
| | H2 | Contributions to any other fund set up by the Central Government for socio-economic development, relief and welfare of the Scheduled Castes |
| | H3 | Contributions to any other fund set up by the Central Government for socio-economic development, relief and welfare of Scheduled Tribes |
| | H4 | Contributions to any other fund set up by the Central Government for socio-economic development, relief and welfare of Other Backward Classes |
| | H5 | Contributions to any other fund set up by the Central Government for socio-economic development, relief and welfare of minorities |
| | H6 | Contributions to any other fund set up by the Central Government for socio-economic development, relief and welfare of women |
| I | I1 | Contribution or funds provided to Technology incubators located within academic institutions which are approved by the Central Government |
| J | J1 | Rural Development Projects |
| K | K1 | Slum Area Development |

Table 5: Coding of CSR focus areas (as per Schedule VII and Section 135 of Companies Act – 2013)

The orientation of corporate social responsibility initiatives of selected banks in Karnataka are examined by using Cochran's Q Test. If a bank has implemented CSR initiatives in a certain focus area, it is coded as '1' and if not it is coded as '0'. The table below shows the coded CSR information of selected banks in Karnataka.

| FOCUS AREAS | Canara B | Corporation B | Karnataka BL | SBM | Syndicate B | Vijaya B |
|-------------|----------|---------------|--------------|-----|-------------|----------|
| A1 | 0 | 1 | 1 | 0 | 1 | 1 |
| A2 | 1 | 0 | 0 | 0 | 0 | 0 |
| A3 | 1 | 0 | 1 | 0 | 0 | 0 |
| A4 | 1 | 1 | 1 | 1 | 1 | 1 |
| A5 | 1 | 0 | 1 | 0 | 1 | 1 |
| A6 | 0 | 0 | 0 | 0 | 0 | 0 |
| A7 | 1 | 1 | 1 | 1 | 0 | 1 |
| B1 | 1 | 1 | 1 | 1 | 1 | 1 |
| B2 | 1 | 0 | 0 | 1 | 1 | 1 |
| B3 | 1 | 0 | 0 | 1 | 1 | 1 |
| B4 | 1 | 0 | 0 | 1 | 1 | 1 |
| B5 | 1 | 0 | 0 | 1 | 1 | 1 |
| B6 | 1 | 0 | 0 | 1 | 1 | 0 |
| C1 | 0 | 0 | 0 | 0 | 1 | 0 |
| C2 | 1 | 0 | 1 | 0 | 1 | 1 |
| C3 | 0 | 1 | 0 | 0 | 1 | 1 |
| C4 | 0 | 1 | 0 | 0 | 1 | 1 |
| C5 | 0 | 1 | 0 | 0 | 1 | 1 |
| C6 | 0 | 0 | 0 | 1 | 1 | 1 |
| C7 | 0 | 0 | 0 | 1 | 1 | 1 |
| D1 | 1 | 1 | 1 | 1 | 1 | 1 |
| D2 | 0 | 0 | 0 | 1 | 0 | 1 |
| D3 | 0 | 0 | 0 | 0 | 0 | 0 |
| D4 | 0 | 0 | 0 | 0 | 0 | 0 |
| D5 | 0 | 0 | 0 | 1 | 0 | 0 |
| D6 | 0 | 0 | 0 | 0 | 0 | 1 |
| D7 | 1 | 1 | 1 | 1 | 1 | 1 |
| D8 | 0 | 0 | 0 | 1 | 0 | 1 |
| D9 | 0 | 0 | 0 | 1 | 0 | 0 |
| D10 | 0 | 0 | 0 | 1 | 0 | 1 |
| D11 | 0 | 0 | 0 | 0 | 1 | 0 |
| E1 | 0 | 0 | 0 | 0 | 0 | 1 |
| E2 | 1 | 0 | 1 | 0 | 0 | 1 |
| E3 | 1 | 0 | 1 | 0 | 0 | 1 |
| E4 | 0 | 0 | 0 | 0 | 0 | 1 |
| E5 | 0 | 0 | 0 | 0 | 0 | 1 |

| FOCUS AREAS | Canara B | Corporation B | Karnataka BL | SBM | Syndicate B | Vijaya B |
|-------------|----------|---------------|--------------|-----|-------------|----------|
| E6 | 0 | 0 | 0 | 0 | 0 | 1 |
| E7 | 0 | 0 | 0 | 0 | 0 | 1 |
| E8 | 0 | 0 | 0 | 0 | 0 | 1 |
| F1 | 0 | 0 | 0 | 0 | 0 | 0 |
| F2 | 0 | 0 | 0 | 0 | 0 | 0 |
| F3 | 0 | 0 | 0 | 0 | 0 | 0 |
| G1 | 0 | 0 | 1 | 0 | 0 | 1 |
| G2 | 0 | 0 | 1 | 0 | 0 | 1 |
| G3 | 0 | 0 | 0 | 0 | 0 | 0 |
| G4 | 0 | 0 | 0 | 0 | 0 | 1 |
| H1 | 0 | 1 | 1 | 0 | 1 | 1 |
| H2 | 0 | 0 | 0 | 0 | 0 | 0 |
| H3 | 0 | 0 | 0 | 0 | 0 | 0 |
| H4 | 0 | 0 | 0 | 0 | 0 | 0 |
| H5 | 0 | 0 | 0 | 0 | 0 | 0 |
| H6 | 0 | 0 | 0 | 0 | 0 | 0 |
| I1 | 0 | 0 | 0 | 0 | 0 | 0 |
| J1 | 1 | 0 | 0 | 0 | 1 | 1 |
| K1 | 0 | 0 | 0 | 0 | 0 | 0 |

Table 6: Orientation of CSR initiatives of the selected banks in Karnataka

Frequencies

| | Value | |
|----------------------|-------|----|
| | 0 | 1 |
| Canara_Bank | 38 | 17 |
| Corporation_Bank | 45 | 10 |
| Karnataka_Bank | 41 | 14 |
| State_Bank_of_Mysore | 38 | 17 |
| Syndicate_Bank | 34 | 21 |
| Vijaya_Bank | 21 | 34 |

Table 7: Cochran's Q Test frequencies

| | |
|-------------|---------------------|
| N | 55 |
| Cochran's Q | 39.106 ^a |
| df | 5 |
| Asymp. Sig. | .000 |

Table 8: Test Statistics

The above analysis shows that **p-value** is highly significant at **0.000** hence **the null hypothesis is rejected and alternative hypothesis is accepted**. Therefore the analysis

reveals that there is significant difference in the orientation of corporate social responsibility initiatives of the selected banks in Karnataka.

Major research findings:

The major research findings of the present study are as follows,

- Out of the selected banks in Karnataka, Canara Bank, Corporation Bank, Karnataka Bank, State Bank of Mysore and Vijaya Bank have their own well-knitted corporate social responsibility policy, where as Syndicate Bank does not have its CSR policy.
- Only Karnataka Bank and Vijaya Bank among the selected banks in Karnataka disclose their corporate social responsibility policy in their websites.
- Only Corporation Bank among the selected banks in Karnataka publishes its corporate social responsibility initiatives and activities in its website.
- Out of the selected Banks in Karnataka only Canara Bank, Corporation Bank, Karnataka Bank and Syndicate Bank undertake detailed corporate social responsibility reporting in their annual reports.
- All the selected banks in Karnataka are actively involved in various corporate social responsibility activities across different focus areas.
- There is significant difference in the orientation of corporate social responsibility initiatives among the selected banks in Karnataka.

Conclusion:

William Clay Ford Jr, Executive Chairman, Ford Motor Company once said “*Creating a strong business and building a better world are not conflicting goals- but they are both essential ingredients for long-term success*”. The aforesaid statement signifies the importance of social responsibility in business. The selected bank in Karnataka recognizes its obligations towards the society and environment within which it exists and hence considers corporate social responsibility as a part of its business objectives. The study reveals that the leading banks in Karnataka are actively involved in various corporate social responsibility activities across diverse focus areas ranging from education, healthcare, community development,

environmental protection, rural development etc. The study also reveals that there is significant difference in the orientation of corporate social responsibility initiatives among the selected banks in Karnataka. By emphasizing on social responsibility, the banks are aiming to foster inclusive and sustainable development of the society.

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