



CSR- A WAY OF SOCIAL DEVELOPMENT BY BANKS

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Introduction

There is an impressive history associated with the evolution of the concept and definition of corporate social responsibility (CSR). The evolution of the CSR started in the 1950s, which marks the modern era of CSR. Definitions expanded during the 1960s and proliferated during the 1970s. In the 1980s, there were fewer new definitions, more empirical research, and alternative themes began to mature. These alternative themes included corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990s, CSR continues to serve as a core construct but yields to or is transformed into alternative thematic frameworks.

In recent years, scholars and managers have devoted greater attention to the strategic implications of corporate social responsibility (CSR). CSR is seen as a situation where the firm 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'. However, this is just one interpretation of CSR. Numerous definitions of CSR have been proposed and often no clear definition is given, making theoretical development and measurement difficult. CSR activities

have been posited to include incorporating social characteristics or features into products and manufacturing processes.

For example, products using environmentally friendly technologies, adopting progressive human resource management practices like promoting employee empowerment, achieving higher levels of environmental performance through recycling and pollution abatement. There is growing interest among managers in the antecedents and consequences of CSR, especially for executives at multi-national, multi-divisional companies. These corporate leaders are mindful of the fact that business norms and standards, regulatory frameworks, and stakeholder demand for CSR can vary substantially across nations, regions, and lines of business. They are also aware that their divisional managers are under constant pressure from employees, suppliers, community groups, NGOs, and government increase their involvement in CSR.

The concept of CSR

The concept of social responsibility is defined as the obligation of the business community for the well-being of the people, the state and the environment in which they operate. The business community is required to safeguard the health and well-being of the society. The business organizations are required to produce to the maximum extent possible. The business people should have concerns to the public. They should give priority to the goals set by the government for the betterment of the people. They are required to solve many social and ecological problems such as urban congestion, environmental pollution, industrial discharges to river waters, depletion of natural resources, etc. It is also the responsibility of the business people to cooperate with the government in the eradication of poverty, unemployment, regional backwardness, etc. They have certain responsibilities with regard to consumers, investors, employees and the government. The producers by producing products of high quality and fixing reasonable prices can discharge their moral obligations to the consumers. The products produced must have utilization value and their consideration is not solely on profit but on profit with services. The practice of CSR is subject to much debate and criticism. Proponents argue that there is a strong business case for CSR, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate, short-term profits. Critics argue that CSR distracts from the fundamental economic role of businesses; others argue that it is nothing

more than superficial window-dressing; still others argue that it is an attempt to preempt the role of governments as a watchdog over powerful multinational corporations.

The wind of transformation of the global economy has manifested new changes in the corporate initiative. Earlier firms viewed corporate social activity as just writing checks based on management discretion, to projecting themselves as well. But there has been a shift towards identifying the domain area and initiatives that can be integrated with the business philosophy for making long-term commitments with the objects of not only doing well, but also doing well. The obligation towards the investor involves in providing reasonable dividends to shareholders and to see that the industry grows with stability. They are required to safeguard the assets and properties of the business. They are also expected to look after the employees very well. It means the payment for the services should be equal to the marginal productivity of the workers. The management should motivate to workers to discharge their duties sincerely and honestly.

They should seek the cooperation of the employees in running the industries. Their responsibility to government is immense. They are required to follow rules and regulations of the government. They have to pay due taxes on time. They have to cooperate with the government in various developmental activities. These are various ways in which business community can discharge their responsibilities towards society.

Few important definitions on CSR:

There are several definitions for Corporate Social Responsibility (CSR) that can be found in the literature, each characterized by its own meaning and attribute.

The world business council for sustainable development:

CSR as a business commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life. Under this point of view, the CSR rests on the fundamental pillars of both the economic growth and the quality of life as an engine for sustainable development.

Ministry of Corporate Affairs, India: CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In

particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment.

The Canadian Centre for Philanthropy: CSR is a set of management practices that ensure the company minimizes the negative impacts of its operations on society while maximizing its positive impacts. This definition therefore provides the link between the decisions tied to the social responsibility and the business derived from the respect of the lawyer instruments, the population, the communities, and the environment.

Relevance of CSR

Running a business has become less private, more open, less managerial more political, less a right more a privilege dependent on the will of stakeholders. It has also become more external: People outside the management who are affected by management's decisions increasingly have a voice in, if not a veto over, these decisions and have access to the technology that enables them to have that voice heard globally. Historically, companies have tried to deal with their external environment by adding specific staff functions to respond to particular 'threats' as they emerged. A more proactive approach is needed to adapt to the new reality of business in a global world.

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organization, or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or program.

CSR and the nature of business

Corporations exist to provide products and/or services that produce profits for their shareholders.⁹ Milton Friedman and others take this a step further, arguing that a corporation's purpose is to maximize returns to its shareholders, and that since (in their view), only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as incongruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is incongruent with capitalism and are in favor of neoliberals argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.

Critics of this argument perceive neoliberals as opposed to the wellbeing of society and a hindrance to human freedom. They claim that the type of capitalism practiced in many developing countries is a form of economic and cultural imperialism, noting that these countries usually have fewer labor protections, and thus their citizens are at a higher risk of exploitation by multinational corporations.

A wide variety of individuals and organizations operate in between these poles. For example, the REAL eldership Alliance asserts that the business of leadership (be it corporate or otherwise) is to change the world for the better. Many religious and cultural traditions hold that the economy exists to serve human beings, so all economic entities relationships between corporate citizenship and organizational commitment was stronger among employees who believe highly in the importance of the social responsibility of businesses. The results also indicated that the ethical measure of corporate citizenship was a stronger predictor of organization commitment than the economic, legal, and discretionary measures. The results revealed that the discretionary measure was more strongly associated with organizational commitment among female employees. Corporate social responsibility is also a much-misunderstood concept.

It contradicts the corporate objectives of profit motive. But it is difficult to overlook the prime objective of the business for the purpose of 'do good activity' Today consumer not only ready to accept the role of a corporate house only to satisfy their demand to produce the goods according

to their requirement. According to Kotler and Lee-it is "a commitment to improve community well-being through discretionary business practices and contributions of corporate resources." New theoretical ways of thinking about companies are coming to the fore and, these new ways of thinking are finding their way into some aspects of company law and regulation. The emergence of new ideas as 'journey from academic journal to economic policy to law' is employed in support of the main argument. In particular, the idea of the firm as a 'nexus of contracts' is being replaced by the idea of the firm as a 'behavioral entity'. While management and economics theorists have gone 'inside the black box' in order to ask different questions and produce better theories, the law has arrived there via a much more pragmatic route. However, recent developments in two areas of company law and regulation, corporate criminal responsibility in the UK and Australia and corporate governance in the UK, can be seen in terms of a move away from a focus on the individual decision maker and towards the concept of corporate culture.

A study of financial correlates of corporate philanthropy in Fortune 1000 companies using structural equation modeling suggest that cash flow has a significant impact on a firm's cash donations to charitable causes, but monetary donations do not affect firm financial performance. These findings support the accepted view of corporate philanthropy as a discretionary social responsibility and the traditional thinking about firm giving in the business and society literature—that doing well enables doing well. Contrary to some contemporary thinking, the findings imply no significant effect on profits from corporate generosity.

At the same time, they having failed in its attempt to compel companies to behave responsibly, corporate social responsibility have been superseded by a more consensual approach that seeks to encourage companies to behave as good corporate citizens. To view these two concepts as alternatives, however, fails to recognize the value to be gained in using them in combination. The role envisaged for corporate citizenship is an account of the United Nations Global Compact and concerns the establishment, through consensual means, of the norms necessary for an effective regime of corporate social responsibility. To this extent therefore, corporate citizenship should be viewed, not as a replacement for corporate social responsibility, but as a complement to it.

The world business council on Sustainable Development has defined corporate social responsibility as the "commitment of business to contribute to sustainable economic

development, working with employees, their families, the local community and society at large to improve their quality of life." It is the backbone of today's business sustainability.

REVIEW OF LITERATURE

Corporate Social Responsibility (CSR) has been an important area of every industry whether it is producing items as small as pins or as big as aero planes. In view of this, many researchers have been proposed many concepts about CSR and developed many theories depending on the type of industry, the geographical conditions and also based on the type of Governments and culture. This chapter reviews the research and literature on Corporate Social Responsibilities of business

Serdar Pirtini & Şakir Erdem: Aim is to analyze the content of the official web sites of several national and global firms, by first stating the names of their projects and looking at their aims, and then defining the results they have achieved. Drawing empirical evidence from indigenous firms, this study explores the meaning and practice of CSR in Nigeria. It was found that indigenous firms perceive and practice CSR as corporate philanthropy aimed at addressing socio-economic development challenges in Nigeria. This finding confirms that CSR is a localised and socially embedded construct, as the 'waves', 'issues' and 'modes' of CSR practices identified amongst indigenous firms in Nigeria reflect the firms' responses to their socio-economic context.

In the instrumental perspective on corporate social responsibility is critically evaluated by relying on sociological analyses of a well known organization: the Sicilian Mafia. Legal businesses might share features of the Mafia, such as the propensity to exploit a governance vacuum in society, a strong culture that demarcates the inside from the outside, and an extreme form of the profit motive. Instrumental CSR has the power to accelerate a firm's transition to Mafia status through its own pathologies. Lessons for future CSR research are derived, with specific emphasis on understanding a firm's social embeddedness, acknowledging limitations in regulating corporate behavior in the global economy, and most critically, the risk of viewing CSR simply as a means rather than as an end. Rapidly evolving and having a variety of definitions, the concept of Corporate Social Responsibility is under the sign of a paradox: it seems to be one of the most comprehensive and, at the same time, one of the vaguest concepts. In the literature has often been argued that the ambiguity of the concept is inevitable, given that it

means “something, but not always the same things for everybody”. Dalia Petcu, VasileGherhes&SorinSuciu propose an overview of the main definitions of CSR and its conceptual dimensions. The debates on the differences between social enterprises and commercial enterprises are related to task performance and the way that social mission is accomplished by involved Kenneth M Amaeshi, Bongo C Adi, Chris Ogbechie and Olufemi O Amao (2006), “Corporate Social Responsibility (CSR) in Nigeria: Western Mimicry or Indigenous Practices?”, Research Paper Series, International Centre For Corporate Social Responsibility, Ed. Jeremy Moon, International Centre for Corporate Social Responsibility, Nottingham University Business School, Nottingham University, Nottingham, UK Jean-Pascal Gond, Guido Palazzo &KunalBasu (2007), “Investigating Instrumental Corporate Social Responsibility Through The Mafia Metaphor”, Research Paper Series, International Centre For Corporate Social Responsibility, Ed. Jeremy Moon, International Centre For Corporate Social Responsibility Nottingham University Business School, Nottingham University, Nottingham, UK 61 Dalia Petcu, VasileGherhes&SorinSuciu (2010), “Corporate Social Responsibility – A Conceptual Approach”, Tibiscus University of Timisoara, Romania parties. However, commercial entrepreneurs must pursue both economic and social issues, but primary mission will be to acquire financial independence by investing and creating value for stakeholders. Corporate Social Responsibility has an undeniable effect on both society and businesses, but this practice depends on the company’s availability to get involved which is at the discretion of the managers and shareholders. A study is done in based on a quantitative research, aimed to evaluate specific aspects of CSR policies developed by firms from N-W part of Romania. Corporate social responsibility and social entrepreneurship have distinct conceptual approach, but both have an indubitable effect by valorizing social opportunities.

OBJECTIVE OF THE STUDY

1. To study the existing corporate social responsibility practices in selected Nationalized Banks.
2. To analyses the difference between public and private banks in corporate social responsibility activities

Role of Banks in CSR

The banks general responsibility is to grant loans, take deposits and provide complementary services to the customers. Whatever the country, culture investors or products a bank has it should be socially be responsible to its customers.

Earlier, a few banks granted loans to some private organizations and customers and were sold in the inter-banks market to each other. As per Mellroy (2008), such loans are termed as ABSs (Asset backed securities) and are sold as CDOs (collaterised debt obligations). These loans were not included in the balance sheets of banks, so that they can make further advances. The problems here were risk transparency to the investors, regulations regarding further advances and loans' security. With the introduction of CSR in the banks gained the confidence of its customers as well.

1. The marketers must hold a purpose to recognize and analyze ethical behaviors
2. They should ascertain appropriate implementation channels for marketing the programs. The products of services should be evaluated on an ethical basis.
3. The outcomes of marketing programs must be properly recognized and through employee commitment, unethical activates must be managed properly. For instance provisions regarding instructions and warning labels on the products could be introduced in the market as environmental protection and safety of the products are the major problems in today's time.
4. The marketing employees of financial institutions should be taught about their ethical standards to develop and introduce new products in the market.

CSR in Indian Banks

Banking was introduced in India in the year 1786, with the foundation of General Banks of India and in 1870, Bank of Hindustan was found but both the banks are obsolete now. SBI is the oldest bank of India and RBI (Reserve Bank of India) is the regulatory authority for the Indian Banks. The banks in India are divided into unscheduled banks and scheduled commercial banks, which went through four phases: foundation phase (1950-1969), expansion phase (1960-1984), consolidation phase (1985-1991) and the reforms phase (1992 to present)

The banking sector of India follows the approach of integrating CSR in business to achieve customer satisfaction. RBI has taken various measures for a consistent development of capital, as it has recognized the importance of CSR, According to RBI; CSR is the organizations concern for the society and the environment, in terms of their stakeholder communication and business practices.

The key CSR areas, where the private and public banks operate on a general basis are-

- Social welfare
- environment
- eradication of poverty
- vocational training
- girl child protection
- children welfare
- education
- healthcare
- rural development
- employment,
- women empowerment

A COMPARATIVE STUDY OF CORPORATE SOCIAL RESPONSIBILITY IN PUBLIC AND PRIVATE SECTOR BANKS

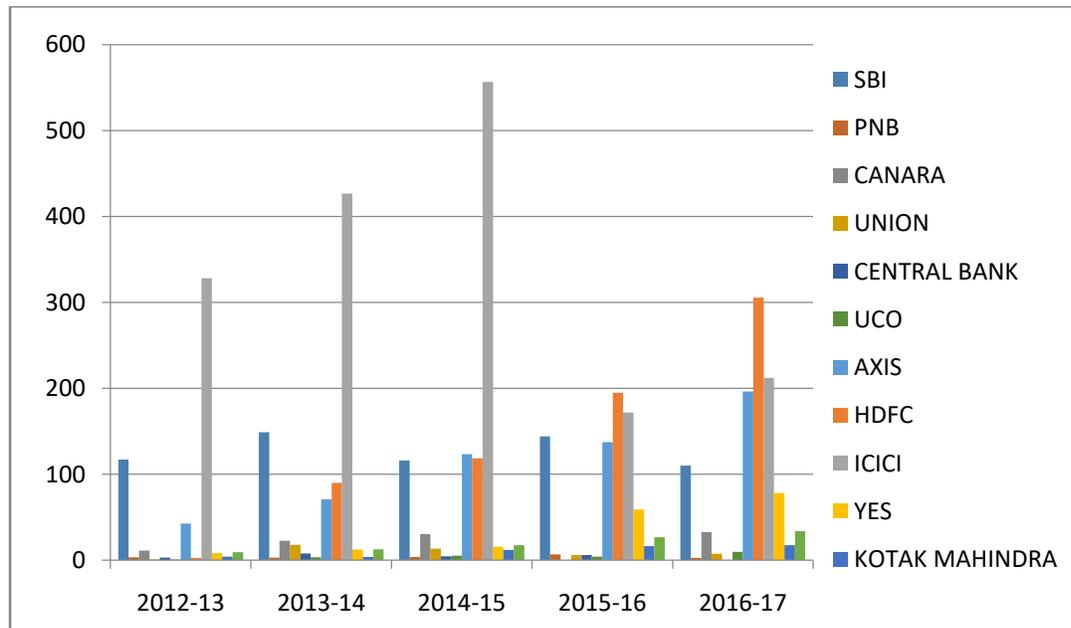
When we compare public sector banks with private sector banks we concluded that in 2012-17 Performance of Private sector bank is much better than public sector bank. Although SBI bank plays a very significant role in CSR quotient. ICICI spent maximum amount on CSR activities. 2012-13, to 2014-2015:- ICICI Bank spent maximum amount on CSR quotient. There after

progress of ICICI is quite good as Compare to other Private sector banks and the performance of SBI is growing up constantly.

Amount contributed by Selected Banks for CSR for the year 2012 to 2017

Name of Bank	YEAR				
	2012-13	2013-14	2014-15	2015-16	2016-17
AXIS	42.42	70.72	123.22	137.41	196.46
HDFC	2.54	90.17	118.55	194.81	305.42
ICICI	328.16	426.64	556.50	172.0	212.1
YES	8.09	12.3	15.71	58.76	78.14
KOTAK	4.09	3.69	11.97	16.41	17.33
INDUSLND	9.13	12.69	17.54	26.80	33.81
SBI	117.07	148.93	115.80	143.92	109.82
PNB	3.24	2.93	3.75	6.76	2.72
CANARA	11.2	22.6	30.27	0	32.68
UNION	0.75	17.81	13.25	5.76	7.27
CENTRAL BANK	3.06	7.86	4.37	6.06	0
UCO	0.61	3.32	5.06	4.23	9.53

Representation of CSR expenditure of Public & Private Sector bank from 2012 to 2017.



CONCLUSION, FINDINGS AND SUGGESTIONS

Based on the above research case and conclusion, the selected banks must follow the below mentioned suggestions to strengthen their CSR department.

1. The Reserve Bank of India (regulatory body of banks) must review their CSR policies and make them stronger for effective outcomes.
2. The government and RBI must take effective steps to spread awareness about CSR and its significance.
3. In the women section, both the SBI Group and ICICI Bank need to increase their CSR engagement.
4. The ICICI Bank need to expand its rural branches, as it lags behind in this area comparatively
5. ICICI Bank must also increase its 'Priority Sector Lending Ratio' (PSL). It is way behind SBI in this area

6. RBI must enforce and encourage the banks to take up CSR programs in the education sector. To better understand the terms used in the above suggestions, 'Rural Branch Expansion' (RBE) and 'Priority Sector Lending Ratio' (PSL), read on:

Rural Branch Expansion (RBE): It is used for the measurement of the limit to which, banks follow the RBI's Reserve Bank of India) policy of financial inclusion to promote a balanced economy growth.

Priority Sector Lending Ratio (PSL): According to RBI, it is a ratio of lending the net bank credit (NBC) to the priority sector, for example: renewable and new energy sources, artisans, weaker section, housing, agro and food based processing, ancillary and small scale industries, agriculture and cottage industries. The private and public sector domestic banks need to lend 40% of NBC to the priority sector and foreign banks need to lend 32% of NBC.

Banks generally meet their targets of the priority sector but they often miss their sub-targets, especially domestic banks in the agriculture area. This is because the recovery of investments done in this sector is a bit complex. Therefore, banks should be pressurized more, as they are not making enough efforts in the CSR areas. A few banks don't even meet their major responsibilities of rural branch expansion and priority sector lending.

RBI needs to be more rigid with the enforcement of CSR regulations as the banks are not making any considerations even after it provided guidelines on the programs related to financial literacy. The welfare of the communities and farmers are the priority areas but still the banks often ignore the education and women welfare areas while executing their CSR programs. Where the private sector banks are lagging in the CSR area, the public sector banks are the largest CSR contributors. Hence, it can be concluded that the SBI bank and the ICICI bank are among the topmost banks of India, which are growing in the profit making area but are not excelling in their corporate social responsibilities.

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