



A STUDY ON THE IMPLEMENTATION OF CSR PRACTICES IN INDIAN NATIONALIZED BANKS VIS-À-VIS- SBI & ICICI BANKS

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ABSTRACT

In a developing country like India, banking sector played a very important role in upgrading the economy of the country not only by lending money or increasing the liquidity in the country but also by imposing a new practice called corporate social responsibility (CSR). The Corporate Social Responsibility is the device through which the banking Industry have executed their philanthropic visions for social welfare. It is a powerful way of making sustainable competitive profit and achieving lasting values for stakeholder as well as shareholder. The process of Globalization created competition among the financial organizations to perform according to the internationally compatible trade practices. So this activated them to divert their available resources to do more social activities, CSR that emerged in 1960 was an attempt to link business with society, on the other hand in the year 2007 RBI played an important role in supporting the concept of CSR by passing a circular which directed banks to undertake CSR initiatives for sustainable development. Corporate social responsibility (CSR) refers to strategies that Corporations or firms or organizations employ to conduct their business in a way that is ethical, society friendly and beneficial to community in terms of development. The main objective of this paper is to analyze the existing CSR practices at select Indian Nationalized Banks under study

i.e., State Bank of India, and ICICI Bank as well as suggest better measures for implementing CSR activities in these financial institutions effectively.

Keywords: Corporate Social Responsibility, Sustainable Development, Non-Financial Reporting, Economic and Environmental Betterment.

Introduction

The commencing of 21st century in India has seen the term CSR coming to the forefront of development of debate. In recent times, the Corporate Social Responsibility is budding as a significant feature of business attitude, reflecting the impact of business on society in the context of sustainable development. The emerging perspective on corporate social responsibility focuses on responsibility towards all stakeholders: shareholders, employees, creditors, suppliers, government, and community rather than only on maximization of profit for shareholders. CSR not only includes corporate regulatory agreement, but also refers to the act of making business successful through unbiased, charitable approaches to environmental and social issues in a way that is obliging to the society. The present day's economic growth and development in India mostly depends upon a proficient financial system which comprises a set of sub systems of financial institutions, financial market, and financial instruments, which mutually play a crucial role in the financial system by rendering various financial services to the Indian community. CSR has been clinging greater significance in the corporate world, as well as in the banking sector. To highlight the role of CSR in Indian Banking sector the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title "Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks", in reference to the banking sector Bhatt (2008) stated that banks do not exist in a vacuum. They make a enormous contribution to the country's GDP growth, meet the requirement of the increasing middle class, contribute to infrastructure spending and conquer out to the semi urban and rural areas. The Reserve Bank of India in 2011 on stressing the need for CSR, suggested the banks to pay exceptional interest towards integration of social and environmental concerns in their business operations to achieve sustainable development. Eventually RBI also stated that to start non-financial reporting by the banks which will cover the work done by the banks towards the social, economic and environmental betterment of society.

The studies by McKinsey, Edelman and BSR support the growth trends and illustrate the need for a CSR definition and framework to support global harmony. However adding to the confusion business organizations are unable to define CSR there is no definition that is universally accepted. Well-respected academics on CSR have provided thorough insight and analysis that has helped organizations understand the complex topic over decades; however, the fact is that there is still not widespread acceptance. This dilemma allows for ambiguity and major challenges for implementing universally accepted CSR programs

However Bowen in his book “The Social Responsibilities of the Businessman “proposed a closer definition of CSR as “the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society (1953).” The below table describes the five positional dimensions of CSR in organizational system:

Table 1. The Five Dimensions of Corporate Social Responsibility as a System

Dimensions	The explanation is coded to the dimension it refers to	Example phrases
The environmental dimension	The natural environment	a cleaner environment, environmental stewardship, environmental concerns in Business operations
The social dimension	The relationship between business and society	contribute to a better society & integrate social concerns into their business operations’
The economic dimension	Socio-economic or financial aspects including describing CSR in terms of a business operation	contribute to economic development & preserving the profitability of business operations’
The stakeholder dimension	Stakeholders or stakeholder groups interactions with their stakeholders’	how organizations interact with their employees, suppliers, customers and communities
The voluntariness dimension	Actions not prescribed by law	based on ethical values beyond legal obligations voluntarily

Source: Corporate Social Responsibility and Environmental Management (Dahlsrud, 2006)

Objective of the Study

The purpose of the study is to highlight the existing CSR activities by selected banks and give suggestions for better CSR activities. The main objectives of this paper include:

- To study the existing CSR practices in selected Nationalized Banks i.e., SBI and ICICI bank.
- To suggest measures for better implementation of CSR practices in these banks.

Review of Literature

- **Davis (1973)** described CSR as firm's consideration and response to different issues which may rest beyond the narrower territories of economic, technical and legal requirements of the firm. In this phase researchers pointed out that CSR encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has at a given point of time.
- **Akinpelu, et al., (2013)** In the study conducted in Nigeria stated that CSR practices in banks are included in activity reports, as important elements in developing a favorable image. The study shows that most banks engage in social activities and less on the environment.
- **Waddock and Smith, (2000)**.Corporate Social Responsibility (CSR) and orientation of banks can be a useful tool for them to tide over such crises in future, if banks maintain their relationships with stakeholders in making their businesses more sustainability .CSR among other things is a key stakeholder relationship building activity
- **Sanjay Kanti Das(2012)**,in his study presented that development of Corporate Social Responsibility (CSR) is very slowly in India though it was started a long time ago. In his view CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The Govt. of India is pursuing the matter relating to CSR and also drafted guidelines for CSR practices time to time
- **Suman Kalyan Chaudhury, Sanjay Kanti Das ,Prasanta Kumar Sahoo(2011)**,said in their study that, At present, the world over, there is an increasing awareness about Corporate Social Responsibility (CSR), Sustainable Development (SD) and Non-

Financial Reporting (NFR). The contribution of financial institutions including banks to sustainable development is paramount, considering the crucial role they play in financing the economic and developmental activities of the world

- **Kvasničková Stanislavská, L., Margarisová, K., Šťastná, K(2012)**, defined concept of Corporate Social Responsibility on a theoretical level , They focuses on its development, its present form and the influence on financial performance of the company. They also worked on three czech banking subjects (Česká spořitelna, Komerční banka a Československá obchodní banka), which regularly take the leading positions of the official corporate donors chart Top Filantrop“. The work explores the evolution of corporate donations and finds the connection between corporate donations and corporate profit and financial and economic crisis.
- **Sharma (2011)** made an attempt to analyze CSR practices and CSR reporting in India with special reference to banking sector and concluded that banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far away from satisfaction.
- **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.
- **Bernstein (2010)** states that a corporation in its normal activities is something good; something fantastic; something worth encouraging. And this directly contradicts the starting points for many advocates of CSR that a corporation is bad and irresponsible, and they have to compensate for their existence by doing something more than making a profit; by giving something back to the community. On the contrary – when a corporation makes a profit, it is an indication that they have already given something back to the community.
- **Persefoni Polychronidou et al., (2013)**Corporate Social Responsibility (CSR) in banks has become a worldwide demand. Now a days, by recognizing CSR, banks from all over the world endorse programs of educational, cultural, and environmental, as well as health initiatives. Besides, they implement sponsorship actions towards vulnerable groups and charitable nonprofit organizations. As a matter of fact, many studies have explored the

status of CSR in banks. Besides, the areas of CSR drivers, impacts, and practice are relatively well researched topics.

Indian Banking sector and CSR practices

The banking sector in India is an integral part of country's financial services industry. Indian banking sector especially commercial banks, have started realizing the need for a strong human resource orientation for their survival in the face of rapid changing environment, global competition and other upcoming challenges. Indian banking sector is slowly witnessing a normal reduction of competent workforce which stands unpredictable and uncontrollable, therefore it is increasingly being understood that employee loyalty has to be created by organization interventions and not by something which can develop on its own. It is in this backdrop this particular banking industry is considered to be outlined with new HR practices and policies around the workforce so as to create a definite Work-life balance in the lives of banking employees effectively. Indian banking sector is making efforts to adopt international best standards in human resource management with the local customs and sensibilities, and work force is being increasingly reorganized as strategic business partner with responsibility of managing key corporate resources.

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, which started in 1786 and Bank of Hindustan, which started in 1790, both of them are now not operational. The oldest bank in existence in India is the State Bank of India, which originated in the bank of Calcutta in June 1806, which almost immediately became Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and Bank of Madras (Chennai), all three of which were established under charters from British East India Company. However for many years these presidency banks acted as quasi-central banks, as did their successors. The three banks later on merged in 1921 to form Imperial Bank of India, which upon India's Independence, became State Bank of India.

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

- I.** Foundation phase (1950s till the nationalization of banks in 1969),
- II.** Expansion phase (mid-60s to 1984),
- III.** Consolidation phase (1985 to 1991) and
- IV.** Reforms phase (since 1992)

Indian merchants in Calcutta established the Union bank in 1839, but it failed in 1848, as a consequence of the economic crisis of 1848-1849. The Allahabad bank established in 1865 and still functioning today is the oldest joint stock bank in India, foreign banks too started to arrive, particularly in Calcutta in 1860's. HSBC established itself in Bengal in 1869. Calcutta was then the most active trading port in India, mainly due to the trade of the British Empire and so became a Banking Centre.

In the early 1990's, Narsimha Rao government embarked on a policy of Liberalisation, licensing a small number of private banks. These banks were thus known as new generation tech-savvy banks and included global trust bank, which is the first such kind of new generation bank then set up, which later amalgamated with oriental bank of commerce, axis bank (UTI Bank), ICICI, HDFC bank. This move along with the rapid growth in the economy of India revitalized the banking sector in India which has seen tremendous growth with strong contribution from all the three sectors of banks namely public sector banks, private sector banks and foreign banks.

In latest years an effort has been initiated to ensure socially responsible behavior of banking sector in a more organized manner. The CSR in Indian Banking Sector is intended towards addressing the financial inclusion, providing monetary services to the unbanked or untouched areas of the country, the socio-economic development of the country by holding a spotlight 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. RBI also insisted upon taking measures for sustainable development of economy through realizing the dire necessity of CSR. Reserve Bank of India (2007) stated that CSR entails the integration of social and environmental concerns by companies in their business operations and also in interactions with their stakeholders. The major thrust areas for CSR practice in Indian banks are common in public sector and private sector banks. These areas include children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women's empowerment, and protection to girl child, Entrepreneurship development, supporting and creating employment opportunities.

Table.2 Chief Corporate Social Responsibility activities in Indian Banks

Effective CSR Practices	
Education	Women and child welfare
Health	Rural development
Poverty	Socio-economic development
Financial services	Stakeholder and shareholder support
Natural calamities	Underprivileged

Growth of Corporate Social Responsibility in Indian Scenario:

The CSR development has been divided into the following phrases from the time of origin in Indian context:

Phase I (Till 1914): CSR motivated by charity and philanthropy, it is the oldest form of CSR which was motivated by charity and philanthropy with direct influence from culture, religion, family tradition, and industrialization process.

Phase II (1914-1960): CSR for India’s social development, this phase was dominated by the country’s struggle for independence and influenced fundamentally by Gandhi’s theory of trusteeship for consolidation and amplification of social development. Gandhi’s reform programs which included activities that sought in particular abolition of untouchability, women’s empowerment and rural development.

Phase III (1960-1980): CSR under the paradigm of the mixed economy, The paradigm of mixed economy with the emergence of legislation on labor and Environmental standards, affected the third phase of Indian CSR This phase Is also characterized by a shift from corporate self regulation to strict legal and public regulation of business activities.

Phase IV (1980 onwards): CSR at the Interface between philanthropic and business approaches, philanthropic and business approaches Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi stakeholder approach.

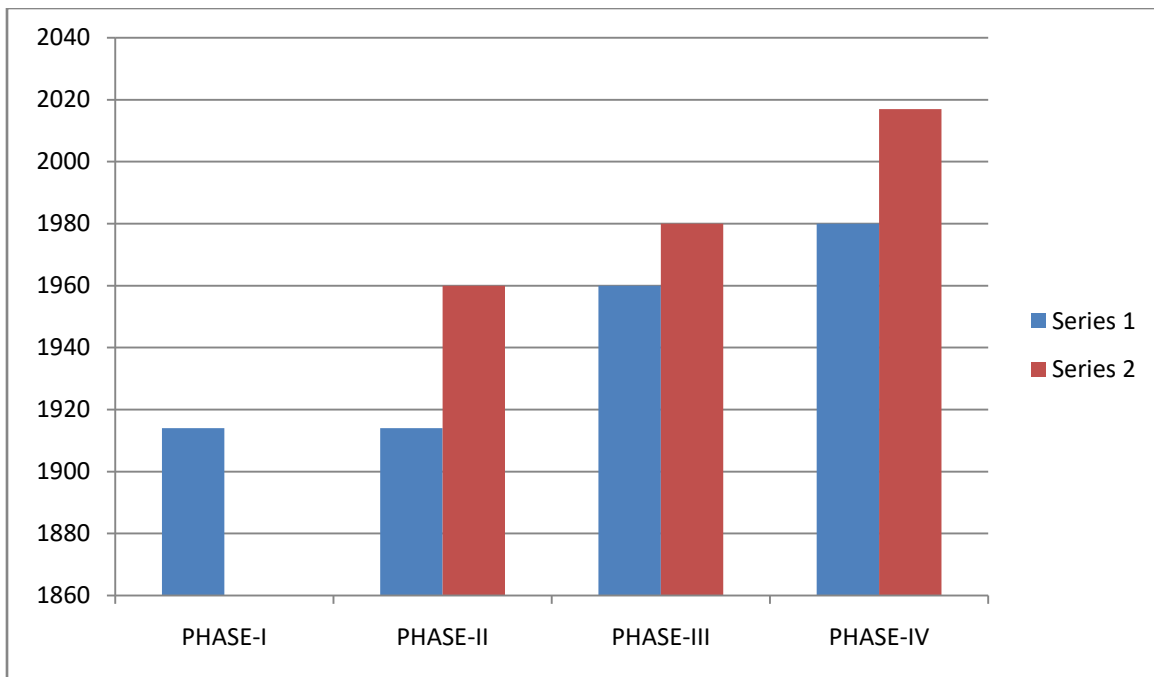


Figure:1 illustrating the Growth of CSR In Indian Organizations

State Bank of India and its CSR approach in Indian Context

State Bank of India was formed by an Act of the Parliament and took over the Imperial Bank in 1955. Today, with a history of over 200 years it is the largest commercial bank in terms of assets, deposits, profits, branches, customers and employees. State Bank of India is proud to announce itself as the Banker to every Indian, majority of Indians from every corner of our country(rural or urban) in one way or the other are associated to SBI and is an integral part of it. All the business scheme's and products of the Bank are examined at the formulation stage from the angle of the societal benefit they deliver. This is ensured through the extensive network of 16,333 branches of the Bank, out of which 10,754 branches are located in rural and semi urban areas. SBI to add a feather to its cap is declared as the market leader in agriculture finance. The SBI group consists of 5 associate banks and a number of subsidiaries formed for niche business viz. merchant banking, life insurance, general insurance, mutual funds etc. SBI has an extensive network with over 20,000 plus branches in India and another 191 foreign offices spread over 36 countries across the world. SBI's non- banking subsidiaries and joint ventures are market leaders in their respective areas and provide wide range of services, which include life insurance, merchant banking, mutual funds, credit cards, factoring services, security trading and primary dealership, making the SBI Group a truly large financial supermarket and India's financial icon.

SBI think that an association will be able to attain sustainable financial growth only when it can deliver comprehensive development for all. Translating this belief into actions, SBI constantly endeavor to intertwine Environmental, Social and Governance aspects with all components of business operations. This is implemented through a comprehensive Corporate Responsibility policy supported by a full-bodied governance structure. The policy and its elements are applicable to all division / Verticals / corporation Groups of State Bank of India.

SBI's corporate responsibility policy considers following corporate responsibility issues:

- a. Enhanced access to banking in the remote areas.
- b. Reduce environmental footprint.
- c. Serving underprivileged communities to be self reliant.

Corporate Social Responsibility is implanted in many of the Bank's business schemes and it envelops a range of societal, ecological and wellbeing activities. The Bank has an inclusive Corporate Social Responsibility (CSR) Policy, approved by the Executive Committee of the Central Board in August 2011. The Bank's CSR activities tap the lives of millions of the deprived and destitute across the length and breadth of the country. The focus areas of the Bank's CSR activities are listed hereunder but not limited to:

- Education & Healthcare.
- Environment protection.
- Entrepreneurial & Skill Development programmes.
- Disaster Relief.
- Swachh Bharat Abhiyan-aims to eradicate open defecation
- Gift Drishti is chosen to eliminate cataract blindness
- Read India Pledge: Partnered with Pratham to teach children to read and write
- Spread awareness on leprosy on World Leprosy day(30th Jan)
- Donated 9 Free ambulances and 6 School buses
- Set up 24 Medical camps during the year 2013
- Sponsoring sports events like T20 to help the blind
- Water supply camps
- Sukanya samridhi yojna scheme for girl child financial study or marriage assistance

The budget for the Bank's Corporate Social Responsibility (CSR) spends for FY2014-15 was 1 % of the previous year's PAT which amounts to INR 109.00 crores. The Bank's actual spend on CSR activities for FY2014-15 was INR 115.80 crores. During the current financial year 2016-2017, the Bank has given monetary assistance for 300 Ambulance Vans to poor and service organizations, 42,000 water purifiers and 1, 40,000 ceiling fans to more than fifty thousand schools to provide clean water and helpful climate to school children for their studies. Under health care activities SBI has extensive backing to a tune of Rs. 14 crores for support to hospitals in the form of Medical equipments and others. (source: **SBI Annual Report 2015-2016**)

ICICI Bank and its CSR approach in Indian Context

The ICICI bank was founded in 1954. The bank hold its headquarters in Mumbai. The Bank is the next subsequent largest bank in India among the private sector banks in India by market capitalization. They are publicly held banking company occupied in providing a wide range of banking and financial services including commercial banking and treasury operations. KV.Kamnath is the chairman and Chanda Kochhar is the MD & CEO of the bank. The Bank and their subsidiary suggest an extensive range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services.

A basic initiative is employed by the apex authorities of the bank which affirm that apart from its financial growth year on year it will concurrently aid, enable and ensure a collaborative growth of its stake holders such as the universal population. A CSR wing of ICICI has been developed that guarantee to cater to the rural and poor populations in need. It has the following objectives

- Improving health and nutrition for women and children
- Advancing elementary education in government schools
- Inclusive growth campaign
- Providing vocational and skill training for rural youth
- <http://www.icicifoundation.org/>- A dedicated website that acts as a PR platform to showcase all the CSR activities of ICICI bank

The Bank has spent ` 1.72 billion or approximately 1.6% of its average net profits of the last three financial years ending March 31, 2013, March 31, 2014 and March 31, 2015 towards CSR activities. (source – ICICI annual report)

Comparative analysis of CSR Activities carried out by SBI and ICICI Banks:

The following table states the CSR activities of two banks and examines there CSR approaches towards the society:

CSR Activities	State bank of India	ICICI Bank
1	National donations for disaster and natural calamities	Elementary Education
2	Distribution of fans and water purifiers to schools	Health care
3	Donated ambulances and medical for physically handicapped children	Skill development and sustainable livelihoods
4	Installed solar lamps in rural areas which did not have electricity support	Financial inclusion
5	Child welfare measures for education	Support employee engagement in CSR activities
6	Contributions towards infrastructure of health care centers, hospitals, etc	natural disasters
7	Donations for downtrodden children like orphans, destitute, challenged and deprived etc.	Give India 'Read to lead' 'Speak for smiles'
8	Entrepreneur development support	Centre for learning Resources
9	Assistance to Poor and under privileged	Paragon charitable Trust
10	Environmental protection	Bhavishya Alliance

Conclusion

The factual concepts of corporate social responsibility are becoming very relevant because financial crisis significantly highlighted the need for amalgamation of right values, ideologies and beliefs in the banking business. The CSR perspective is profitable to the society and nation hugely, eventually it is required to be achieved through the participation of its employees.

Though these two banks (SBI & ICICI) have taken numerous initiatives in CSR but still it has to go a very long way to achieve the suitable level of approach. Nevertheless the knowledge with CSR application and fair principles in the banking sector is inclined to admit the view that the social responsibility of banks and banking ethics are seen by the bank organization as a most appropriate advertising tools for communication with the universal public and are not incorporated into the main policies of commercial banks. Most banks use CSR as a marketing tool to spread the word about their business, in general perspective most banks appear to be either ignorant or uninformed to monitor their CSR activities rightly. The concept of CSR has been unsuccessful to some degree to understand deep cause in India because of lack of coordination between the banks, government, and non-government organizational efforts. The economic establishments should comprehend that operating an resourceful and lucrative business organization means guarantying the adjoining communities and environment raise and flourish along with the institutions. In a nutshell, it can be said that the state of mind of the Indian entrepreneurs towards CSR is changing due to competition at the international level. Therefore, banks want to present themselves in the best possible way.

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