



CSR PRACTICES AND REPORTING SCENARIO OF INDIAN BANKS

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Abstract

Corporate Social Responsibility (CSR) means to contribute for the welfare of society and environment by the business or commercial entities while operating their business, within the borderline of ethics. It is a form of self-regulation observed by the corporate, aiming at paying tribute to the stakeholders and society at large. In recent years, CSR has gained considerable importance in all sectors of the country be it a business organization or bank. The banking sector is one of the major parts of finance corporate sector in the country through its wider coverage of branches and profit. As banking is a service sector, it becomes essential for banks to ensure the quality of their services by providing specific initiatives through CSR to gain customer faith and trust, as CSR activities has positive impact on financial performance in long run.

The present study deals with the CSR practices and its reporting being done by banks in India. For the accomplishment of this objective a sample of 10 leading Indian banks which includes 5 from public sector and 5 from private sector bank is taken. The research design in this study is descriptive in nature. Content Analysis is used as a tool of data analysis. Data is collected from the secondary sources mostly from concerned Banks' Annual Reports, web sites, newsletters and other secondary sources.

Keywords: Corporate Social Responsibility (CSR), Business and Commercial Entities, Service Sector, Banking Sector.

Introduction

Corporate Social Responsibility (CSR) is deliberate inclusion of economic and social interest of total environment of a business in which it operates, in corporate decision making and also honouring triple bottom line of people, planet and profit dimension. In an evolutionary progression of present times, when every developing economy struggles for the attainment of higher level of living, banking sector plays a very important role in achieving socio-economic development for a country like India by providing various financial products and services to different sections of the society.

CSR activities of banks in India can contribute a lot in ensuring financial inclusion, socio-economic development, providing banking services to untapped or unbanked areas of the country by focusing on the activities like poverty eradication, rural area development, children welfare, health and medical care, education, community welfare, financial literacy and self-employment training, infrastructure development and environment protection etc. as CSR activities initiated by banks have a wider coverage to different sections and areas of the society and country including far rural areas. Taking in to consideration the significance of CSR in Indian Banking Sector, the present study is taken to examine the different areas of CSR initiatives done by banks in India.

Review of Literature

Sharma (2011) made an attempt to analyse 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. Moharana (2013) has done a study on 'Corporate Social Responsibility: A Study of Selected Public Sector Banks in India' by taking the existing CSR practices of five nationalized banks i.e., Allahabad Bank, Andhra Bank, Bank of Baroda, State Bank of India, and UCO Bank. Their study found that these banks are making efforts for the implementation of CSR, but are restricted within certain fields and there is a need for better CSR activities by the banks, which is possible by adding more and more social development issues link with corporate sector.

Choudhary and Tandon (2013), in their study on CSR of public sector banks in India, made efforts to know the status of CSR and strategies adopted for CSR in the Banking sector and concluded that banks under study have recognized their responsibility towards the society and are making their contribution in the field of employment generation, education, health care, farmer training, women welfare and women empowerment. They suggest that banks should disclose the amount spent on CSR activities in their annual reports.

Sharma and Mani (2013) in their study entitled 'Corporate Social Responsibility: An analysis of Indian Commercial Banks', by analyzing the annual reports of commercial banks found that public sector banks have overall highest contribution in CSR activities in comparison of private and foreign sector banks in the country and also concluded that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. Singh, Srivastava and Rastogi



(2013) in their study on corporate social responsibility practices and reporting in banking sector had studied the status of CSR in Indian Banking Sector and found that though banks are performing CSR activities as per their priority but in case of CSR reporting most of the bank are still not disclosing their amount for such initiatives in their websites. They suggests for some mandatory criteria fixing by Reserve Bank of India regarding CSR for banks.

In research study on CSR practices in Indian Banking Sector Dhingra and Mittal (2014) attempted to study the CSR activities carried out by the banks in India. They found that though banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far from satisfaction. There are only a few banks which report their activities. Tania (2014) did a research on exploring underlying dimensions of business benefits through corporate social responsibility: a study on commercial banks with the aim explore the underlying dimensions of business benefits through CSR activities and found that business organizations undertake CSR initiatives as a strategy to flourish in a highly competitive environment.

Objectives

The present study mainly attempts **to examine present CSR Practices and its Reporting Scenario of selected Banks in India**. In order to accomplish this main objectives following sub objectives are set out, which are-

- To study the concept of CSR.
- To know the importance of CSR practices in the banking sector.
- To learn about different CSR activities of selected banks.

Research Methodology

In the present study an effort has been made to know the status of CSR activities and it's reporting in the Banking sector and for this a sample of 5 public and 5 private sector banks is taken. The research design in this study is descriptive in nature and content analysis is done to investigate CSR on the selected parameters. The study covers the financial year 2013-14 and 2014-15. Data is collected from the secondary sources most particularly from concerned Bank's Annual Report, their web sites, earlier research work, various published and online journals, magazines, other websites, online articles, newsletters and other secondary sources.

Corporate Social Responsibility (CSR)

The term Corporate Social Responsibility (CSR) has arrived from the term social responsibility of business. The phrase social responsibility of business means responsibility of business entities for the welfare of the society and total environment in which it operates. According to World Business Council for Sustainable Development, "Corporate Social Responsibility refers the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large."

In fact the concept of Corporate Social Responsibility (CSR), deals with initiatives taken by the financial institutions for the welfare of the society and environment in which they operate by taking responsibility for the impact of their activities on total environment comprising stakeholders, shareholders, employees, customers, suppliers and civil society in which it operates, along with its profitability and growth. In recent years CSR has also emerged as a strategic vital tool for ensuring sustainable profitability and growth for business organizations in the country, on realization of the fact that any business conducted with the sole motive of profit maximization, while ignoring societal and environmental concerns is bound to fail in the long run.

Importance of CSR in Indian Banking Sector

It is said that Corporate Social Responsibility (CSR) when implemented effectively helps in inclusive and sustainable growth of the country and no doubt, banks can have a larger socio-economic impact on the society through its wider coverage of branches providing various financial products and services. Now days, banking sector is also very competitive like any other commercial sector. In such a time CSR is considered as one of the most powerful strategy to gain the competitive advantage over different competitors as CSR activities results in boost in financial performance by gaining faith and trust of customers. Banks by their CSR initiatives can also reach to the larger sections of the society through their wider coverage of branch networks.

Realizing the importance of CSR in banking sector, attempts have been made in recent years to ensure social responsible behaviour of banks. In December 2007, the Reserve Bank of India (RBI) circulated a notice for all the scheduled commercial banks, with title "Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting –Role of Banks". The RBI has asked banks to pay special attention for including social and environmental concerns in their business operations. RBI has also asked banks to start non-financial reporting which will be used to audit their initiatives for CSR.



This non-financial reporting will cover, activities done by the banks for the social, economic, and environmental betterment of the society.

Also as per the Companies Act 2013, which has come into effect from 1st April 2014, every company having-

- a net worth of rupees five hundred crore or more,
- or a turnover of rupees one thousand crore or more
- or a net profit of rupees five crore or more,

during any financial year, shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years and also constitute a CSR committee of the board consisting of three or more directors of which at least one director should be independent director in pursuance of its Corporate Social Responsibility policy. Therefore, the significance of the study can be well understood in context of growing importance of CSR activities in corporate world and significance of banking sector in India's present and future development.

CSR Activities and its Reporting by Banks in India

Banking system of any country is also considered as a barometer of its economic and social development as banks play a very important role by taking deposits, granting loans and providing complementary services. In an effort to know about CSR activities that how banks in India are taking different types of CSR initiatives in which areas and it's reporting, a sample of 5 public sector and 5 private sector banks is taken for the financial year 2013-14 and 2014-15. Various parameters like total budget allocated in respective years, amount actual spend out of the budget on CSR, CSR or Sustainability report publication, formation of CSR committee and Publication of Business Responsibility Report (BRR) and the area of CSR activities contribution are analysed to understand the aptitude of each selected bank toward CSR.

Public Sector Banks- The five public sector banks selected for the study are State Bank of India (SBI), Bank of Baroda (BOB), Punjab National Bank (PNB), Canara Bank and IDBI Bank. The table given below gives the full details of CSR status of each bank on all selected parameters -

Table 1 State Bank of India

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	141	148.93	As a section in annual report	No	Yes (as a separate report)
2014-15	109	115.80	As a section in annual report	Yes	Yes (as a separate report)

Key CSR spending Areas- The State Bank of India (SBI) is spending its amount for corporate social responsibility on Education, Healthcare, Assistance to poor & underprivileged, Environment protection, Entrepreneur development programme, Help in National calamities

Table 2 Bank of Baroda

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	15.30	No	No	Yes (as a part of annual report)
2014-15	Not Disclosed	17.83	No	No	Yes (as a part of annual report)

Key CSR spending Areas- Community welfare, Poverty Eradication, Women Welfare, Help to Physically Challenged, Rural Development, Vocational Training

Table 3 Punjab National Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	2.93	As a section in annual report	No	Yes(as a part of annual report)
2014-15	Not Disclosed	3.75	As a section in annual report	No	Yes (as a part of annual report)



Key CSR spending Areas- Assistance during National Calamities, Training and Development activities for Farmers, Rural Development, Health Care, Blood donation Camps, Distribution of Artificial Limbs to disables

Table 4 ,Canara Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	76.95	41.97	As a section in annual report	Yes	Yes (as a part of annual report)
2014-15	67.04	30.39	As a section in annual report	Yes	Yes (as a part of annual report)

Key CSR spending Areas- Education, Health Care, Skill Development, Social Welfare and Relief, Energy Conservation, Women Welfare, Chief Minister Relief Fund

Table 5 IDBI Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	12.2	No	Yes	No
2014-15	26.29	23.44	No	Yes	No

Key CSR spending Areas- Education, Health Care, Rural Development, Gender Equality and Socio- Economic Empowerment.

Interpretation- In case of showing CSR budget SBI and Canara Bank are showing it in both years while IDBI has mention it only in one year that is 2014-15. Bank of Baroda and Punjab National Bank has not shown the budget at all. All banks have actively spend the amount on CSR activities as shown in funds utilized for CSR section in tables of respective banks. The highest contributor in CSR among all five banks in the year 2013-14 and 2014-15 is SBI with 148.93 and 115.80 crores respectively. CSR Committee has been maintained by the Canara and IDBI Bank in both financial years, SBI has maintain it only in the year 2014-15 while BOB and PNB are not maintaining it, in any year. When it comes to publishing CSR report SBI, PNB and Canara bank are publishing it in their annual report as separate section while BOB and IDBI are not publishing it as a separate section but are only mentioning the CSR activities under a head in annual report, as to comply with RBI guidelines.

SBI is publishing Business Responsibility Report separate from its annual report. While BOB, PNB, Canara Bank are publishing it as integral section in their annual report whereas IDBI has not published it in any selected year.

Private Sector Banks- - The five private sector banks which are selected for the present study are HDFC Bank, ICICI Bank, Kotak Mahindra, Axis Bank and IndusInd Bank.

Table -6, HDFC Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	141	No	Yes	Yes(as a separate report)
2014-15	Not Disclosed	118.55	No	Yes	Yes(as a separate report)

Key CSR spending Areas- Employee Engagement and Wellness, Environment Responsibility and Community Initiatives, Rural Development, Disaster Relief

Table- 7, ICICI Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	164	No	Yes	Yes(as a separate report)
2014-15	172	156	As a section in annual report	Yes	Yes(as a separate report)

Key CSR spending Areas- Skill Development, Sustainable livelihood, Primary Health Care, Elementary Education and Financial Inclusion.



Table -8 ,Kotak Mahindra Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	3.63	No	Yes	Yes(as a separate report)
2014-15	39.2	11.97	No	Yes	Yes(as a separate report)

Key CSR spending Areas- Education, Sustainable Development, Health Care and Charity

Table- 9, Axis Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	130.38	No	Yes	Yes(as a separate report)
2014-15	133.77	123.22	As a section in annual report	Yes	Yes(as a separate report)

Key CSR spending Areas- Education, Health Care, Vocational Education and Training, Sustainable Development, Capacity Building of Personnel and NGO Partners, Livelihood Enhancement and Rural Development, Reducing inequalities

Table -10, IndusInd Bank

Financial Year	Total CSR Budget (in Cr)	Funds Utilised for CSR (in Cr)	CSR Report Publication	CSR Committee	Business Responsibility Report Publication
2013-14	Not Disclosed	12.69	Yes(as sustainability report)	Yes	Yes (as a part of annual report)
2014-15	Not Disclosed	17.54	Yes(as sustainability report)	Yes	Yes (as a part of annual report)

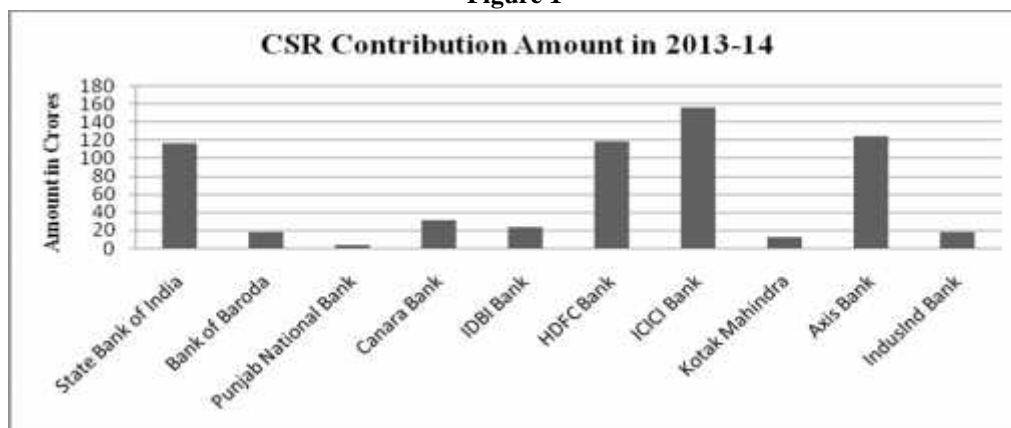
Key CSR spending Areas- Rural Development and Inclusiveness, Preventive Health Care, Financial and Legal Literacy

Interpretation- CSR Budget has shown by ICICI, Kotak Mahindra and Axis Bank only in year 2014-15. HDFC Bank and IndusInd Bank are not showing the CSR budget in any year. All selected private banks are actively spending on CSR as shown in tables above. In case of publication of CSR Report, IndusInd Bank had published it as separate from its annual report, with title as ‘sustainability report’ while ICICI and Axis Banks have published CSR report only in the year 2014-15 as a separate section in their respective annual report while HDFC and Kotak Mahindra Bank are not publishing it as a separate section in their annual report but they are just mentioning the CSR activities their annual reports. All five private sector banks are maintaining the CSR committee with an excellence as compared to public sector banks.

Business Responsibility Report is issued by HDFC, ICICI, Kotak Mahindra and Axis banks as separate from annual report whereas IndusInd Bank is not publishing it as separate but it as an integral section in its annual report.

Comparative View of All Ten Banks with respect to CSR Contribution

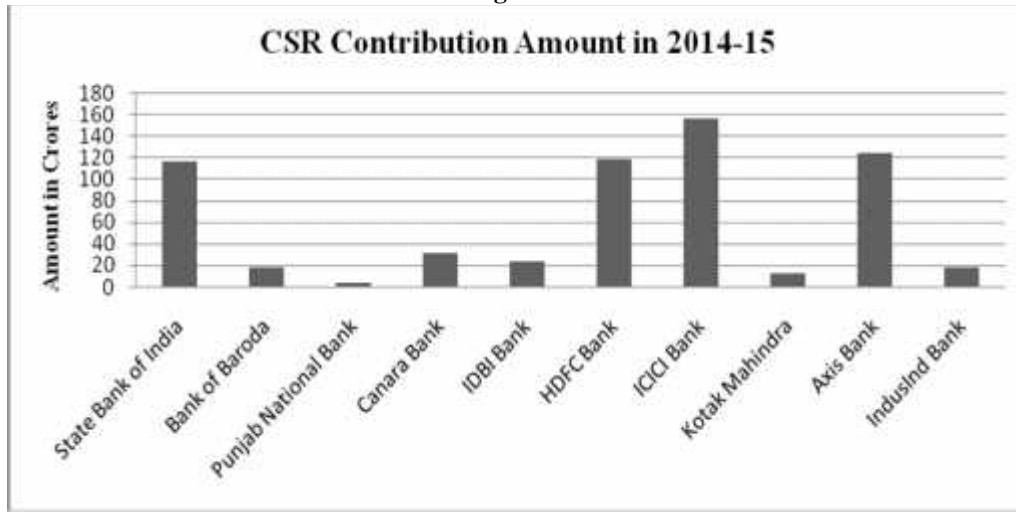
Figure 1





Among, all ten selected bank the highest contribution to CSR is of ICICI Bank followed by State Bank of India, then HDFC bank and the rest banks.

Figure 2



In the financial year 2014-15 also the highest contributor is ICICI bank followed by Axis Bank then HDFC and all the three are from private sector. In public sector SBI remains the highest contributor as in the past year.

Total income and size of banks are very important factor in CSR contribution as banks with high income contributes more towards such activities

Major Findings

- The main areas in which all selected banks are spending their respective CSR amount are education, health care, , rural development, social and community welfare, skill development for sustainable livelihood and on environment sustainability according to their respective priorities.
- In the financial year 2013-14, 20% of the selected banks have shown the budget for CSR and this percentage has risen to 60% in the year 2014-15.
- In both the financial years, selected banks have reported CSR expenditure in their respective annual reports.
- CSR Report in 2013-14, was published by 50% of the selected banks whereas in 2014-15 this percentage has gone to 60%.
- CSR Committee was maintained by 70 % of the banks in 2013-14 and this has increased to 80 % in 2014-15.
- In the year 2013-14, 50% banks had published separate Business Responsibility Report while 40 % of the banks had published it as a part of their annual report. In year 2014-15, 60% of selected banks published it as separate report whereas 30 % banks published it as an integral part of their annual report. While IDBI bank had not published the Business Responsibility Report in both the years.
- It is also found out that private sector banks have shown better planning and organization in their CSR work.
- There is no uniform pattern of reporting CSR practices among all the banks.

Conclusion

All banks understudy are fairly involved in CSR activities as compared to past but if we look at reporting of CSR then we see that there is very haphazard pattern which banks are following. As Banking sector is different from other service sector so government need to focus more on its functioning and role in progress of society through CSR activities by issuing mandatory and uniform guidelines for CSR reporting. Therefore, it can be concluded that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR activities and especially on CSR reporting in a more responsible way. As through CSR activities banks can play a very meaningful role in the society.

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