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CSR PRACTICES AND CSR REPORTING IN INDIAN BANKING SECTOR

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Abstract:

The concept of Corporate Social Responsibility is spreading very rapidly in India in all the sectors .Corporate Social Responsibility is to contribute towards the society while working with in ethics. In developing country like India, banking sector plays 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).RBI played a important role in supporting the concept of CSR by passing a circular in the year 2007,December, directed banks to undertake CSR initiatives for sustainable development .The Banking sector is in a leading position in discharging CSR in the country. "CSR is 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 of the local community and society at large".

Key Words: Corporate Social Responsibility, Banking Sector & Practices, Initiatives

Introduction:

Corporate Social Responsibility (CSR), also referred to as corporate citizenship or socially responsible business, is a form of corporate self-regulation integrated into a business model. The interest in CSR has grown with the spread of socially responsible investing, the attention of nongovernmental organizations (NGOs), and ethics training within organizations. Recent incidents of ethics-based corporate scandals have also increased awareness of CSR. Organizations that embrace CSR hold themselves accountable to others for their actions and seek to make a positive impact on the environment, their communities, and the larger society.

Corporate social responsibility may include philanthropic efforts such as charitable donations or programs that encourage employee volunteerism by providing paid time off for such activities. Many organizations seek to have an even greater impact through CSR initiatives that integrate social values into operational and business strategies. For example, to protect scarce natural resources, a firm may make a commitment to use only recycled materials in its packaging of consumer goods.

CSR in Banking Sector:

According to the report "the Banking sector is considered as one of the most regulated and compliance-friendly sectors in today's business world. The performance of banks directly reflects the mood and performance of an economy. With the advancement in information technology and increasing penetration of mobile in rural and remote areas, Indian banks have reached to the unreached in last few years. Indian banks have been giving back to the society through various welfare initiatives, donations and in-kind support to charities for decades. Social responsibility is not a new word for these banks."

Highlights:

- ✓ Out of 21 Banks included in this analysis 11 are public sector banks.
- ✓ None of the bank has spent 2% of the average net profit of the previous three years. In fact only one bank (IDBI) has spent over 1% of the average net profit of the previous three years.
- ✓ Overall banking sector has spent 0.89% of the average net profit of the previous three years in CSR.
- ✓ Public sector banks have spent only 0.51% of the average net profit of the previous three years
- ✓ Most of the public sector banks have made CSR spent as donations or contribution to the Central Government's Funds.
- ✓ All public sector banks have claimed immunity from prescribed CSR requirements as per the Companies Act 2013.

The report make a special mention in the beginning pages of the document that as per Indian Banks' Association (IBA) communication vide letter ref no LEGAL/CIR dated March 03rd2015, Ministry of Company Affairs (MCA) has advised that in so far as Banks not registered as companies and nationalized banks are concerned, provisions relating to CSR do not apply as they are not registered under the Companies Act.

Similarly, the Ministry of Finance had also sent request to the Ministry of Corporate Affairs in July 2014to exempt bank from the mandatory CSR spending requirements. All private-sector banks, both old- and new-generation ones, are incorporated under the Companies Act, and so are foreign banks' branches.

Nationalised banks (Public Sector Banks-PSBs) are incorporated under the Nationalised Bank Act. Though it is not clear if public-sector banks also need to spend on CSR activities - Reserve Bank of India laws allow them to make donations of up to 1% of the profit. Most of the PSBs have reported 1% of the profit of the previous year as their prescribed CSR budget.

The report makes this a reason for the analysis that they have taken 2% of the average net profit of the previous three years as the prescribed CSR requirement for all banks.

- ✓ Prescribed CSR Spending forty 2014-15 INR 1513 Cr.
- ✓ Actual CSR Spending in FY 2014-15 INR 671Cr.
- ✓ Actual CSR spending as Percentage (%)of average net profit of the previous three years0.89%

Based on the analysis made by the research team at NGOBOX, among the private sector banks Axis Bank take a lead followed by the ICICI Bank. While, IDBI Bank takes an exceptional lead in the public sector Banks in terms of % of Average Net profit spent on CSR.

Review of Literature:

Satinder singh and Ashwarya Sharma (2015) states that corporate social responsibility has gained unprecedented importance and become imperative to any companies strategic decision making government alone will not able to get success in its endeavour to uplift society. This paper explains the corporate responsibility practices framework for companies and analyses the public companies CSR practices.

Bihari and pradhan (2011) have attempted to map the corporate social responsibility practices of major players in the Indian banking and found that CSR has positive impact on the performance and image of the bank.

Sharma (2010) has studied the CSR in Indian banking and said that in the developed countries have incorporated CSR in their annual budget but in the developing countries it is under root and it must be grown for the benefit of communities and for environment.

Objective of the Study:

- ✓ To know about the regulatory environment for CSR in Indian Banking Sector.
- ✓ To Study the concept of CSR.
- ✓ To identify the major areas of CSR initiatives in Indian Banking Sector.

Research Methodology:

This paper is descriptive in nature. The data used in the study was secondary in nature and has been collected by using various websites, magazines and journals.

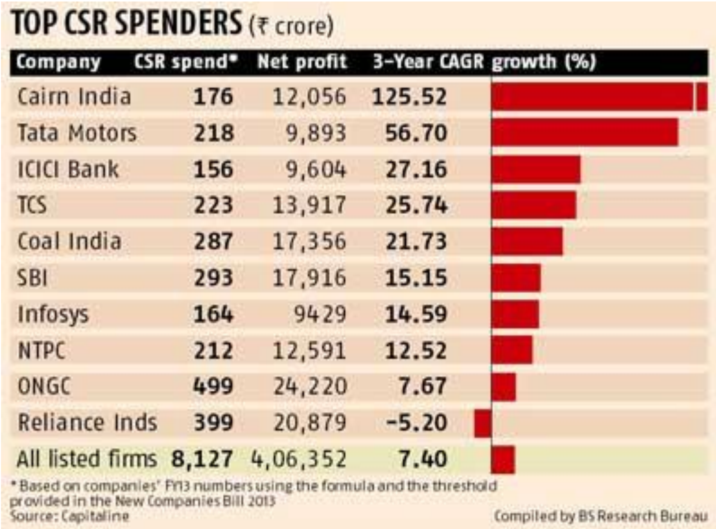
List of Activities Under CSR:

Today, Corporate Social Responsibility (CSR) has become an integral part of companies. CSR activities are various initiatives taken up by the companies to give back to the society that helped them reach the stage they are in. There are myriad CSR activities conducted by corporate, here are the top ten:

- ✓ Adopt a school in a village: Due to the inherent lack of quality primary education in the rural areas, the company could adopt a school in a village and employ qualified teachers with high backgrounds in their subjects. They can also provide for good sanitation, uniforms for the students, sufficient stationary and opportunities for extra-curricular activities.
- ✓ Provide computers and free training for students in rural areas: The company can donate computers to schools in rural areas and also provide free of cost computer training to the students, so that they can learn and enhance their IT skills.
- ✓ Get affiliated with an NGO: Join hands with an NGO and help them out by providing monetary fund's and the likes. The employees of the company can also join the NGO on various activities it conducts for the area it is targeting.
- ✓ Free medical camps for the backward regions: The company can tie-up with a prolific hospital and provide free health check-ups in rural areas. Sometimes it could be for specific medical purposes, like polio vaccination in children, cervical cancer vaccinations in women, testing for malaria/dengue/swine flu, etc.
- ✓ Blood Donation Camps: Blood donation camps are one of the best ways to give back to the society, and the company can organize one and invite the general public to donate blood alongside the employees.
  Donation of Sports Equipment in Schools: With the increasing awareness of fitness and athletics, and the ever growing adoration for sports in India, donating quality fitness and sports equipment would not only persuade the students to adopt a more healthy lifestyle, but also advocate the company as a health and fitness promoting institution.
- ✓ Adult Literacy Programmes: This is an activity used by Tata Consultancy Services. India has so many able adults who are unemployed because they are illiterate and haven't received proper education, so this is an initiative that can increase the employment rate of the country and bring down the poverty levels.

- ✓ International Scholarships for students from backward regions: For students of brilliant academic caliber but no means to fulfil their potential abroad, the company can provide to fund for the student's tuition fee, accommodation fee and day to day living expenses, thereby providing deserving people with an opportunity they would have otherwise been devoid of.
- ✓ Food Camp: The Company can invite the general public to donate as much as food as they want to, in a food camp, which will later be given to, says an orphanage or distributed in a village.
- ✓ Donation to Orphanage: The employees can donate handsome amount of money, new clothes, toys etc to an orphanage. They can also be required to visit the orphanages and spend quality time with the children there periodically, like say once a month.

Top 10 CSR Spenders:



TOP CSR SPENDERS (₹ crore)

Company	CSR spend*	Net profit	3-Year CAGR growth (%)
Cairn India	176	12,056	125.52
Tata Motors	218	9,893	56.70
ICICI Bank	156	9,604	27.16
TCS	223	13,917	25.74
Coal India	287	17,356	21.73
SBI	293	17,916	15.15
Infosys	164	9429	14.59
NTPC	212	12,591	12.52
ONGC	499	24,220	7.67
Reliance Inds	399	20,879	-5.20
All listed firms	8,127	4,06,352	7.40

*Based on companies' FY13 numbers using the formula and the threshold provided in the New Companies Bill 2013
Source: Capitaline
Compiled by BS Research Bureau

Initiatives Taken by Indian Banking Sector:

In order to address ecological and environmental concerns, Reserve Bank of India has decided to go for energy efficient buildings. Bureau of Energy Efficiency has awarded the first star rating labels to the Bank's building at Bhubaneswar and New Delhi. The four buildings located at Bhubaneswar, Chennai, Kochi, Kolkata are recognized as 5- star building under the rating system. Small Industries development bank of India (the prime financer to small and medium scale industries) has also incorporated environmental and social aspects in its core business activities so as to ensure sustainable development. It is providing concessional and liberal credit to medium and small scale industries which are initiating energy saving projects and are adopting pollution control measures.

State Bank of India (SBI), the oldest bank has also adopted green banking initiatives in its lending operations. Recognizing the warning of global warming bank has decided to initiate urgent measures to combat the climate change through envisaging two pronged approach viz. i) to reduce the Bank's own carbon footprint and ii) to sensitize the Bank's clients to adopt low carbon emission practices.

ICICI bank has shown its commitment to corporate environmental stewardship and extended a great support to clean technology projects. It has also liberalized credit to zero emission vehicles.

IDBI has set up carbon desk. IDBI has come forward to join hands with Smile Foundation in social development initiatives. The bank has contributed 14 personal computers to Smile Foundation which have been utilized in four different projects being implemented through as many partners in Delhi and NCR.

YES BANK, India's fourth largest private sector Bank, in association with CARE India, a humanitarian relief and development NGO working in India for more than 60 years, has launched India's first Social Deposit Account (SDA). "The Social Deposit Account (SDA) is an evolution of the regular Fixed Deposit account where customers have the option of donating their interest income to a social cause through CARE India. It also won Best CSR Practice Award in March 2011.

Axis Bank Foundation (ABF) aspires to contribute in the areas of education and healthcare. It has set up various programmes which provide educational support, in order to meet these goals. Balwadis- the Foundation has identified the need to focus on early childhood programs for 2 - 6 year olds. As part of our initiatives to support education, we help develop learning places for young children living in large urban slum clusters so that it creates a strong foundation and inculcates social and cultural awareness in them.

HDFC Bank has been working with NGOs for providing non formal vocational and technical education 860 Deepika Dhingra & Rama Mittal programs as well as skill up gradation courses to enable sustainable employment and income generation for economically weaker sections.

Conclusion:

At present the banking sector performing their banking services more effectively in comparison with the past and also started working towards social banking that is corporate social responsibility. Maximum number of banks whether related to private sector or public sector highly performing CSR activities as per their priority but if we look towards the CSR reporting then we can see that most of the banks are still not disclosing their amount for such initiatives in their websites. After the involvement of RBI the CSR becomes the important part of banking sector but still more regulations and new policies are required to implement the concept of CSR in Indian banking sector. Corporate social responsibility is just not the charity but a practical implementation of ethical ideas towards the society.

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