Comparative study of Corporate Social Responsibility in Selected Public and Private Sector Banks

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ABSTRACT

Corporate Social Responsibility is the process through which the corporate organizations have executed their philanthropic visions for social welfare. It is a persuasive way of making sustainable competitive profit and achieving lasting values for stakeholder as well as shareholder. “Corporate Social Responsibility is very popular in financial sector, which the financial crisis did not damage as perceptible as in other countries of developed economies (Singer, 2009)”. The process of Globalization creates competition among financial organizations to perform according to the internationally compatible trade practices. So this incited them to divert their available resources to do more social activities. Nowadays, many nationalized banks in India have created their individual brand image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives in the era of social welfare and community development. The inventory contributions made by nationalized banks for economic growth in India have created their separate bodies towards financial growth. The main objective of this study is to analyze the CSR activities carried out by selected public and private banks of India. A struggle has been done to analyze the existing CSR practices of selected public and private Banks in India. It has been found that the selected banks are directly engaged in CSR activities mostly in the area of Rural Development, Education, Community Welfare, Women and Children. In 2013, it has been made mandatory for companies to spend 2% of profits on CSR according to Companies Act, 2013. The analysis shows that, these banks are making efforts for the implementation of CSR, but are not spending their 2% share of profits on CSR. 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.

Keywords: Banking Sector, Corporate Social Responsibility, Financial Institution, Public Sector Banks.

Introduction
The beginning of 21st century in India has seen the term CSR coming to the limelight of development of discussion. The Corporate Social Responsibility is emerging as a significant feature of business philosophy, emulating 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 compliance, but also refers to the act of making business successful through balanced, voluntary approaches to environmental and social issues in a way that is helpful to the society. The present day’s economic growth and development in India mostly depends upon a well-mended financial system which comprises a set of sub systems of financial institutions, financial market financial instruments. Both financial markets and financial institutions play an important role in the financial system by rendering various financial services to the Indian community. CSR has been assuming greater importance in the corporate world, including the banking sector.

To highlight the role of banks in corporate social responsibility 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”. Regarding the banking sector Bhatt (2008) stated that banks should not be taken as void. They make a large contribution to the country’s GDP growth, meet the demand of the growing middle class, contribute to the infrastructure spending and reach out to the semi urban and rural areas. The Reserve Bank of India (RBI)2011 suggested the banks to give special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development. RBI also pointed out to start non-financial reporting (NFR) by the banks which will cover the work done by the banks towards the social, economic and environmental betterment of society. CSR Initiatives can be significant and more effective under certain conditions; so, the banks can choose CSR actions as a part of their business strategies, but they need to select their target audiences carefully to take advantage of these activities rightly (Dr.Vahid Reza Mirabi, Ahmad Asgari, Abolghasem Gholamreza Tehrani and Bita Hadizadeh Moghaddam 2014). Banks are usually judged from the point of view of their financial performance but this study has explored a new aspect for evaluating the performance of banks i.e CSR. CSR is considered as a business strategies which banks has realized now and benefits the banks to maintain long term relationship with the customers.
Literature Review

The analysis shows that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. Some banks which are not meeting the regulatory requirement of Priority sector lending and rural branch expansion. Even after the RBI's guidelines for financial literacy programs the bank should not take substantial steps in this direction. The RBI may be more rigorous in administering such regulatory requirements. The banks have focused on the community welfare and farmers' welfare programs but the efforts for women welfare and education are not monumental. Moreover, the public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging behind. It could be understood from the study that certain banks which are top performers in terms of profitability and growth are not at the top in CSR activities and are not spending the mandatory 2% on CSR activities.

The public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging behind in this area (Sharma Eliza and Dr. Mani 2013). Study reveals that amount which is kept to be spent for attainment of social responsibility, is not being spent fully. Therefore, it is being recommended to prepare strict norms for successful implementation of social responsibility programmes. It is also recommended that awareness should be created about CSR amongst the general public to make CSR initiatives more successful. Realistic and operational models of CSR should be mounted upon. New areas of CSR activities should be searched like CSR education, carbon management strategies, resource recycling and ecosystem conservation (Meena Smita 2010). (Tronvoll2011) Emotions play a vital role defining an individual's attitude and intentions. Emotions are the psychological actions expressed through behavioural or facial expressions in response to the particular event. The study identified two important dimensions of emotions that signify the fundamentals of positive and negative emotions. These dimensions were valence (indicates the evolutionary stage of an individual to identify whether the event is judged as positive or negative) and activation (indicates individual's sense of energy that examine and influence the entire judgement for the event) (Larsen and Diener, 1992; Russell and Feldman, 1999; Smith and Ellsworth, 1985). It is a complex state that reflects a change in the process of one's thought and behavioural aspects. Svari (2011) explained the dimension
of negative emotions and explored its influence. Consumer behavioural response has emerged as a key to measure the level of customer satisfaction, retention, recommendation and commitment towards the service provider. Such behavioural response is generally influenced by individual's state of emotions built during the interaction and consumption of the service. It is in the line with the findings of (Bedi, 2010; Maiyaki and Mokhtar, 2011; Uhrich, 2011; Zeelenberg and Pieters, 2004).

They intend to build an aspect of expectation from the service provider and when they fail to achieve this proportion of expectation, results in emergence of feelings like dissatisfaction, sadness, irritation, frustration and similar negative emotions Bougie et al., 2003; Zeithmal et al., (1996). Emotions and its effect on consumer's behavioural response have gained considerable attention which is reflected in several qualitative and quantitative research studies. „emotional appeal' is equally significant in enhancing corporate reputation. Fombrun et al. (2000) and Pratoom (2011) also remarked that emotional appeal is an important factor in building corporate reputation. To enhance emotional appeal characteristics, the banks need to incorporate affection- based offerings such as wishing and sending online cards to the customers on special occasions (such as festivals, birthdays, anniversary, etc.) and special /unique services offering for the needy (like delivery payment at the customer’s door and special gifts for the children of the customers).

Statement of the Problem

From the past studied it has been found that the contribution on Corporate social responsibility by the Indian banks is very less. The new legislation of Banks Act 2013 requires certain class of banks to spend at least 2 % of their three year average annual net profit towards CSR activities. It in this perspective the following study is undertaken to find out CSR spending of the Indian banks.

Objective of the Study

1. To study the Corporate social responsibility spending of Indian banks

2. To compare the Corporate social responsibility spending of Public sector banks & Private sector banks

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3. To compare the CSR thematic approach Transparency Score of Public sector banks & Private sector banks.

Methodology

A. **Data Sources and Type:** The study is collected based on the secondary sources of data collected through journals, articles & annual report

B. **Sampling Units:** For analyzing the Corporate social spending a sample of 19 banks is collected from the population. For comparing the corporate social responsibility spending as a percentage of Profit after tax of Public sector banks & Private sector banks a sample of 12 Public sector banks & 7 Private sector Banks is chosen. For comparing the thematic approach of a sample of Public sector banks & Private sector Banks a sample of 12 Public sector banks & 7 Private Sector Banks is chosen.

C. **Data Collection & Classification:** To meet the objective the data for the study is collected through annual report of India CSR Report of Socio Research & Reform Foundation (NGO) for the year 2014-15.

D. **Limitations of the Study:** The study is based on the secondary data collected from the CSR report of Socio Research & Reform Foundation (NGO box).

**Statement and Testing of Hypothesis**

H₀ : There is no significant difference in the Corporate social responsibility spending as a percentage of Profit After Tax of the Public Sector Banks & Private Sector Banks.

H₁ : There is significant difference in the Corporate social responsibility spending as a percentage of Profit After Tax of the Public Sector Banks & Private Sector Banks.

**CSR spending in Banking Sector**

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. However, the new Act has pushed these banks to take their welfare activities more seriously and getting organized at CSR front. To understand where Indian banks stand how much they need to go further to comply with the mandatory CSR, we have undertaken this study of ‘CSR spending in banking sector in India’.

The 19 banks selected for this analysis (see the table above) have spend INR 533.85 Crores on CSR activities in FY 2013-14. This comes to 0.70% of the average net profit of FY 2011, 2012 and 2013. These banks need to spend INR1628.1 Crores on CSR projects in FY 2014-15. This means that these banks need to almost spend thrice of their CSR spending in the last year.

The most surprising fact that the analysis brings out is that some of the best performing PSUs have spent less that 0.20% of the average net profit of previous three years. The ICICI Bank emerges the best performing bank with spending of close to 1.82% of the average net profit of previous three years while Punjab National Bank comes out as the worst performing bank on CSR with meagre 0.04% of the average net profit of previous three years being spent on CSR.

The study revealed that the CSR spending as a percentage of Profit after tax of the Indian Companies is not equal to 2 %.Further there is no significant difference in the CSR spending of Public Sector Companies & Private Sector Companies. It also shows that there is no significant difference in CSR transparency score of Public Sector Companies & Private Sector Companies.

The Companies Act, 2013 presents a unique opportunity to stand up to the challenge of providing equal access to opportunities. With a system of proper accountability & transparency it can bring about a remarkable change in the society by making the organisation socially sensitive and responsible.

**SCOPE FOR FURTHER RESEARCH**

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Comparative analysis of CSR Interventions in different sectors by Public Sector Companies & Private Sector Companies.

REFERENCES

1. India CSR Report of Socio Research & Reform Foundation (NGO), August 2013.


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