Corporate Social Responsibility Practices of Banks: A Study on Public Sector Banks in India

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Abstract

Banks and other financial institutions attain their sustainable development goal, mainly focusing on the integration of environmental, social and economic concerns into decision-making, through undertaking corporate social responsibility activities. The importance of corporate social performance is exigently growing in parallel with corporate financial performance. Having this background, the present study aims to study the corporate social responsibility practices of public sector banks in India. For the purpose of performance evaluation of the banks, total six areas of CSR activities have been considered, viz., Education, Rural Development, Healthcare, Environment Protection, Women Empowerment and Girl Child and Sports Development. The study has revealed that the banks render various welfare services to the society, mainly, rural development followed by contribution to the health sector, environment protection and educational support. Besides, the performance of State Bank of India in respect of discharging the corporate social responsibilities leads to other public sector banks in India.

Keywords: *Sustainable Development, Corporate Social Responsibility, Public Sector Banks in India*

JEL Classification: *G21, M14*

Introduction

In the present scenario, banks and other financial institutions are considered as drivers of economic and sustainable development. Usually, they attain their sustainable development goal, mainly focusing on the integration of environmental, social and economic concerns into decision-making, through undertaking corporate social responsibility activities. The importance of corporate social performance is exigently growing in parallel with corporate financial performance. It is argued on the ground that banks are parts of society. Therefore, they are supposed to be social banks that take care of needs and expectations of stakeholders in a community (Yeung, 2011 & Tran, 2014). Consequently, being financial intermediaries, the symbiotic relationship between banks and their stakeholders will become more strengthened through such altruistic activities. In this context, Bihari & Pradhan (2011) opined that organizations involved in corporate social responsibility activities continue to exist for much longer durations in comparison to those

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not involved in such activities. Therefore, it has become an increasingly important part of the corporate business strategy.

There is no uniform perspective on CSR in the literature. However, different views on CSR can be designated into three schools of thoughts, viz. 'Sceptic', 'Idealistic' and 'Pragmatist' (Rajput, Batra & Pathak (2012). The proponents of sceptic view are contrary to CSR. The sole objective of the business is to earn only profit and generate shareholders' wealth but not to give away money for benevolent purpose. In contrast, the idealistic view considers not only stockholders' well being in terms of emphasizing only on profit motive but also well being of other stakeholders in terms of producing good quality product and complying with all the legal regulations, etc. Usually, the pragmatist view prevails into the practice. This perspective on CSR is wider than the Idealistic view. The proponents of this view believe in conducting business operations ethically. The objective of the business organizations, being good corporate citizen, should be to produce an overall positively significant impact on society by means of following good business practices responding as well as all the priorities and expectations of varieties of stakeholders.

The origin and development of the concept grouping into six phases is given as follows (Bhaduri & Selarka (2016):

- 1950–1960s—Period of Introduction of CSR in the academic arena and corporate philanthropy as CSR
- 1970s—Period of rapid growth in the concept of CSR
- 1980s—Period of Stakeholder Theory and Business Ethics
- 1990s—Period of CSR Practicing by Corporate
- 2000 onwards—Period of empirical works to investigate the determinants and consequences of CSR on corporate strategy

To sum up, social responsibility is the assumed obligation of business to society. Being socially responsible means to maximize the positive effects and minimize the negative effects on society (Nicolae & Sabina, 2010). The concept of CSR is nothing new at a conceptual level, business has always had social, environmental and economic impacts, been concerned with stakeholders. However, it is different at an operational level. The context of business operation is changing at an increasingly rapid pace, mainly, due to globalization and major economic reforms. Accordingly, the changing expectations of the stakeholders force business organizations to optimally balance social, environmental and economic impacts in decision making. Thus, CSR management tools are needed in order to develop and implement a successful business strategy (Dahlsrud, 2006).

Literature Review

Mocan, Rus, Draghici, Ivascu & Turi (2015) mentioned some benefits of CSR activities such as economic efficiency, improved company reputation, employee loyalty, communication between the banking industry and society, attracting new opportunities and increase organizational commitment. Sarre, Doig & Fiedler (2001) opined that accountability mechanisms that incorporate the principles of corporate social responsibility provide a valuable tool not only for the mitigation of risk but also as a means of improving business performance. In addition, Tran (2014) pointed out some barriers of CSR such as lack of awareness, lack of regulatory framework, lack of motivational incentives and lack of combined initiatives from governments.

Oikonomou, Brooks & Pavelin (2014) investigated the impact of various dimensions of corporate social performance on the pricing of corporate debt and the assessment of the credit quality of specific bond issues. The study found that the higher level of corporate social performance positively influences credit quality and credit risk. Furthermore, it is suggested that the financial benefits produced from corporate social performance accrue mainly in the long run. Moreover, Wang (2011) also investigated the impact of corporate social responsibility on corporate stock performance. The result of study supported the evidence that when a firm endeavors to fulfill its CSR, it has a positive impact on stock performance. In contrast, Zaccheaus, Oluwagbemiga & Olugbenga (2014) claimed through their empirical testing that firms' CSR performance has no effect on stock prices. Rajput, Batra & Pathak (2012) examined the relationship between CSR expenditure and financial performance of Indian companies. The study found that CSR expenditure results in improved financial performance and the companies having more sales and profits spend more on CSR activities. Thus, the study claims the positive relationship between CSR and Financial performance.

Bihari & Pradhan (2011) reviewed corporate social responsibility practices of eight Indian banks, namely ICICI Bank, HDFC Bank, IDBI Bank, Punjab National Bank, Bank of Baroda, Canara Bank, Union Bank of India, Oriental Bank of Commerce. The study asserted that banks have ample scope to implement CSR and argued that the initiative of financing sustainable development through CSR activities by the banks would lead to social as well as economic benefits. Dhingra & Mittal (2014) concluded that public sector banks mostly concentrate on rural development and women's empowerment. On the other hand, private sector banks involve themselves in CSR activities of education, community welfare and environment protection.

Objective of the Study

The present study aims to study the Corporate Social Responsibility practices of public sector banks in India.

Research Methodology

The present study is conducted exclusively on public sector banks in India operating during the study period, i.e., 2016-17. The study considers twenty-one public sector banks presently operating in India. The objective designed for the present study requires secondary data. The requisite secondary data have been collected from the annual reports and website of the respective banks. Furthermore, six performance parameters have been selected based on review of the existing literatures and reports of the respective banks. These parameters include Education (EDUCN), Rural Development (RRLDV), Healthcare (HEALTH), Environment Protection (ENVPRT), Women Empowerment and Girl Child (WEMPG) and Sports Development (SPRTDV). Under the study, Rank has been assigned in order to make comparative analysis across the selected banks in respect of their performance on CSR activities.

CSR and Public Sector Banks in India

The adoption of CSR activities in the Indian banking sector was exerted after the circular of Reserve Bank of India issued in December 2007. Under the circular, financial institutions and particularity, banks were advised to extend their efforts for the cause of sustainable development. The central bank elucidates sustainable development as the process of maintenance of the quality of environmental and social systems in the pursuit of economic development. As mentioned earlier, banks, usually, exert their efforts for the sustainable development through performing CSR activities. Further, CSR is a concept entailing the integration of social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis, according to the central bank. Considering this, the present study attempts to evaluate the CSR practices of public sector banks. Public sector banks are considered for the study because of their paramount role played in respect of financing government's development activities and economic development as well.

Table 1: Bank wise CSR Expenditure during 2016-17

Code	Name of Bank	Amount spent on CSR (Rs. in Crore)	Profit/Loss (Rs. in Crore)	Percentage of profit	Rank
B1	ALB	8.27	(314.00)	(2.63)	4
B2	ANB	3.19	174.34	1.83	9
B3	BOB	1.40	1383.14	0.10	15
B4	BOI	6.42	(1558.00)	(0.41)	6
B5	BOM	0.29	(1372.51)	(0.02)	18
B6	CNB	32.68	1122.00	2.91	2
B7	CBI	-	(2439.00)	-	-
B8	COB	2.06	561.21	0.37	13
B9	DNB	2.43	(863.63)	(0.28)	12
B10	IDBI	4.35	(5158.14)	(0.08)	8
B11	INB	2.65	1405.68	0.19	11
B12	IOB	-	(3416.74)	-	-
B13	OBC	1.23	(1094.07)	(0.11)	16
B14	P&SB	0.24	201.08	0.01	19
B15	PNB	2.72	1325.00	0.02	10
B16	SBI	109.82	104841.00	0.10	1
B17	SYNB	1.45	358.95	0.40	14
B18	UCO	20.85	(1850.67)	(1.13)	3
B19	UBOI	7.27	(555.22)	(1.31)	5
B20	UNBI	0.57	(219.51)	(0.26)	17
B21	VIB	4.97	(750.48)	(0.66)	7
All PSBs		212.86	91780.43	0.22	-

Source: Compiled from annual reports of respective banks for the year 2016-17

Table 1 depicts bank wise CSR expenditure of Public sector banks in India for the year 2016-17. During the period, all the banks have incurred total amount of Rs.212.86 crore on CSR activities constituting 0.22 per cent of the profits earned. Further, bank wise analysis depicts that State Bank of India has secured first position in respect of incurring highest amount of CSR expenditure of Rs. 109.82 crore followed by Canara Bank, UCO Bank, Allahabad Bank, Union Bank of India and Bank of India. On the other hand, Punjab & Sind Bank has obtained last rank because of spending lowest on CSR amounting Rs.0.24 crore followed by Bank of Maharashtra, United Bank of India, Oriental Bank of Commerce, Bank of Baroda and Syndicate Bank. It is pertinent to note that, during the year, CSR budget or expenditure of Central Bank of India and Indian Overseas Bank was nil. The reason might be due to the loss incurred by them during the financial year. However, other banks, viz. Allahabad Bank, Bank of India, Bank of Maharashtra, Dena Bank, IDBI Bank, Oriental Bank of Commerce, UCO Bank, Union Bank of India, United Bank of India and Vijaya Bank have discharged corporate social responsibilities in spite of financial losses.

Table 2 portrays the CSR practices of Public sector banks in India. It is evident from the table that all the public sector banks considered under the study contribute towards rural development under the aegis of CSR followed by other areas of CSR activities, viz., health sector, environment protection and education. On the other hand, only 28.57 per cent of total sample banks have integrated women empowerment and girl child development and sports development in their agenda of CSR.

For the further elaboration of CSR activities performed by the Indian public sector banks, it is to be stated that the banks, namely, Andhra bank, Bank of Maharashtra, Canara Bank, IDBI Bank, Indian Bank, Oriental Bank of Commerce, State Bank of India, Syndicate Bank and Union Bank of India contribute to the education sector in several ways. These are distribution of books, school bags, uniforms to the poor students, sponsoring infrastructure development of school, namely, school benches, desks, other furniture items, water purifier, computers to school, etc., providing rural digital library, repairs, renovation and construction of college building, scholarship scheme to meritorious students, sponsoring cost of education of tribal children, establishing vocational training centre for mentally and physically challenged children, financial assistance to government schools under the scheme of mid-day meal and also extending support to Universal Higher Education Trust.

Rural development, being integral part of India's socio-economic-politico development, comprises of development of rural areas and enhancement of wellbeing and socio-economic empowerment of rural masses (Patel, 2010 & Singh, 2010). Thus, rural development entails all sorts of services such as education, medical facilities, proper sanitation facilities, agricultural development, employment opportunities, etc. In this direction, all the public sector banks have integrated the agenda of rural development in their CSR strategy. The banks usually develop rural areas by means of village adoption scheme and empowering rural youth.

Under the village adoption scheme, financial assistance is provided to the adopted villages for the development of school infrastructure and sanitation facilities. The banks also organise agriculture related training programmes to farmers with the objective of boosting cultivation of crops. With regard to empowering rural youth, economic growth can be achieved by either increasing efficiency in the existing systems that support growth or creating a new framework that supports an ecosystem for self-employed youths, entrepreneurs by providing them productive skill sets (Joshi, Bahadauria & Dixit, 2015). The banks empower rural youth through developing their entrepreneurial skill. Particularly, the banks carry out activities to mitigate the unemployment or underemployment problem among the rural youth by means of creating and managing Rural Self Employment Training Institutes (RSETIs). These institutes are established as per directives of Ministry of Rural Development of Government of India. These are based on the concept of Rural Development & Self Employment Training Institute (RUDSETIs) and aim to boost up entrepreneurship development in the rural areas by way of providing need based capacity building and skill development training programme to unemployed rural youth. After completion of the progamme, the trained participants are provided with credit linkage assistance by the banks to start up their entrepreneurial ventures.

Table 2: CSR Practices of Public Sector banks in India

Code	Name of Bank	EDUCN	RRLDV	HEALTH	ENVPRT	WEMPG	SPRTDV
B1	ALB		√	√		√	√
B2	ANB	√	√				√
B3	BOB		√	√			
B4	BOI		√	√	√		
B5	BOM	√	√	√			
B6	CNB	√	√	√	√	√	
B7	CBI		√				
B8	COB		√		√		
B9	DNB		√				
B10	IDBI	√	√	√	√		√
B11	INB	√	√	√	√	√	
B12	IOB		√				
B13	OBC	√	√	√	√		
B14	P&SB		√				
B15	PNB		√	√	√		√
B16	SBI	√	√	√	√	√	√
B17	SYNB	√	√	√			√
B18	UCO		√		√		
B19	UBOI	√	√	√	√		
B20	UNBI		√	√	√	√	
B21	VIB	√	√	√	√	√	
Total		**10 (*47.62*)**	**21 (*100*)**	**14 (*66.67*)**	**12 (*57.14*)**	**6 (*28.57*)**	**6 (*28.57*)**

Note: Figures in parentheses indicate percentage of banks
Source: Compiled from annual reports of the respective banks for the year 2016-17

Exceptionally, the performance of State Bank of India is worth to be mentioned hereunder. It is evident from Table 3 that the Bank has set up 151 Rural Self Employment Training Institutes followed by Punjab National Bank (57), Bank of Baroda (49), Central Bank of India (46), Bank of India (42), Canara Bank (30), UCO Bank (27), Allahabad Bank (21), Syndicate Bank (16) and United Bank of India (16). It is found from Table 4 that State Bank of India has highest number of training institutes in the state of Odisha (17) followed by Madhya Pradesh (13) and Chhattisgarh (11). On the other hand, it has only one RSETIs in the states of Andaman & Nicobar, Haryana, Himachal Pradesh, Manipur, Mizoram, Nagaland, Sikkim and Tripura. It is depicted in Table 5 that since 2011, total 21728 training programmes have been conducted by the bank with the enrollment of total number of 579279 trainees. Out of these trainees, 64.83 per cent have been found to be settled after training programme. Furthermore, out of these settled candidates, 88.78 per cent have self-employed themselves. Thus, the performance State Bank of India is paramount as compared to other banks in respect of skill development.

On the count of contribution to health sector, public sector banks, particularly, Allahabad Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, IDBI Bank, Indian Bank, Oriental Bank of Commerce, Punjab National Bank, State Bank of India, Syndicate Bank, Union Bank of India, United Bank of India and Vijaya Bank render services, like, conducting medical check-up camps, blood donation camp, free admission of underprivileged or economically weak patients, setting up health centre in remote areas and rendering free medical facility to the poor patients, arrangement of safe drinking water in the hospital and distribution of artificial limbs. Besides, the banks also donate ambulance, all sorts of necessary medical equipments, extend support to cancer patient and other physically challenged poor patients.

In respect of contribution towards environment protection, Bank of India, Canara Bank, Corporation Bank, IDBI Bank, Indian Bank, Oriental Bank of Commerce, Punjab National Bank, State Bank of India, UCO Bank, Union Bank of India, United Bank of India and Vijaya Bank have taken several initiatives. These are installing solar lighting system in the rural areas and educational institute campus, tree plantation, donation of e-rickshaws, garbage pickup tricycles and supporting the government's initiative of Swachha Bharat and Swachh Vidyalaya Mission. For the Swachh Mission, the banks provide donations for the construction of toilets in schools and public places. Some banks also install automated vending machine for sanitary napkins and incinerator machine in girl's hostel and support the cleanliness drive.

Apart from the above cited CSR activities, Allahabad bank, Canara Bank, Indian Bank, State Bank of India, United Bank of India, Vijaya Bank render various services for the women empowerment and girl child development such as providing stipend to girl child, adoption of girl child and offering financial support to rural women. Indian public sector banks are also interested in extending their helping hands towards development of sports of the country. To this end, Allahabad Bank, Andhra Bank, IDBI Bank, Punjab National Bank, State Bank of India and Syndicate Bank contribute to National Sports Development Fund, set up sport academy, sponsor sport events, etc.

Conclusion

To conclude, all the banks considered under the study have incorporated CSR into their business model as indispensable. It might be due to the compliance of the law levied by the banking regulators, creation of goodwill, conducive business environment, right thing to do for the society and environment and banks see it as good public relations and ethical (Zaccheaus, Oluwagbemiga & Olugbenga, 2014). However, it is observed that there is a discrepancy in corporate social performance and its disclosure. Some of the banks do not disclose the details of CSR activities. Considering this, the banks have ample scope of improvement in the sphere of process of conducting CSR activities and their reporting as well. Therefore, banking regulators need to take up stringent steps towards the improvements of CSR disclosure in particular and corporate social performance in general.

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Appendix I: List of Bank

Code	Abbreviation of Bank Name	Bank Name
B1	ALB	Allahabad Bank
B2	ANB	Andhra Bank
B3	BOB	Bank of Baroda
B4	BOI	Bank of India
B5	BOM	Bank of Maharashtra
B6	CNB	Canara Bank
B7	CBI	Central Bank of India
B8	COB	Corporation Bank
B9	DNB	Dena Bank
B10	IDBI	IDBI Bank
B11	INB	Indian Bank
B12	IOB	Indian Overseas Bank
B13	OBC	Oriental Bank of Commerce
B14	P&SB	Punjab & Sind Bank
B15	PNB	Punjab National Bank
B16	SBI	State Bank of India
B17	SYNB	Syndicate Bank
B18	UCO	UCO Bank
B19	UBOI	Union Bank of India
B20	UNBI	United Bank of India
B21	VIB	Vijaya Bank

Table 3: Bank wise Number of RSETIs

Code	Name of Bank	Number of RSETIs	Rank
B1	ALB	21	8
B2	ANB	14	11
B3	BOB	49	3
B4	BOI	42	5
B5	BOM	7	16
B6	CNB	30	6
B7	CBI	46	4
B8	COB	2	19
B9	DNB	12	14
B10	IDBI	1	21
B11	INB	12	14
B12	IOB	13	13
B13	OBC	5	17
B14	P&SB	3	18
B15	PNB	57	2
B16	SBI	151	1
B17	SYNB	16	9
B18	UCO	27	7
B19	UBOI	14	11
B20	UNBI	16	9
B21	VIB	2	19

Source: Annual reports and website of the respective banks for the year 2016-17

Table 4: State/Union Territory wise number of RSETIs of State Bank of India

Sl No.	State /Union Territory	Total Number of RSETIs
1	Andaman & Nicobar	1
2	Andhra Pradesh	2
3	Assam	5
4	Bihar	7
5	Chhattisgarh	11
6	Gujarat	7
7	Haryana	1
8	Himachal Pradesh	1
9	Jammu & Kashmir	9
10	Jharkhand	8
11	Karnataka	7
12	Kerala	4
11	Madhya Pradesh	13
15	Maharashtra	8
16	Manipur	1
17	Meghalaya	2
18	Mizoram	1
19	Nagaland	1
21	Odisha	17
22	Punjab	7
23	Rajasthan	8
24	Sikkim	1
25	Tamil Nadu	2
26	Telangana	9
27	Tripura	1
28	Uttar Pradesh	6
29	Uttarakhand	9
30	West Bengal	2
Total		**151**

Source: www.sbi.co.in

Table 5: Performance of SBI – RSETIs

Sl No.	Particulars	Cumulative since 2011
1	Number of Programmes Conducted	21,728
2	Number of candidates Trained	5,79,279
3	Number of candidates Settled	3,75,586
4	Percentage of candidates Settlement	64.84%
5	Number of candidates Self Employed	3,33,439

Source: www.sbi.co.in

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