

“A Study on Corporate Social responsibility in Indian Banking Sector”

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ABSTRACT

Profit-making companies are expected to be aware of the requirements of the communities and society in which they operate in today's corporate environment. The fact that their goods and services don't harm people or the environment is equally crucial. Banks are big players and have a big say in the finance industry. Indian banks possess significant financial power and vast branch networks that could have a significant socio-economic influence on the country's population. In light of this, the Reserve Bank of India has directed banks to implement CSR strategies and make contributions to non-financial reporting and sustainable development. The banking industry's role extends beyond financial transactions; it has a broader responsibility to contribute positively to society. By embracing CSR, banks can leverage their resources and influence to address social and environmental concerns. This includes promoting financial inclusion, supporting education, healthcare, and sustainable development, and fostering community development. The impact of CSR initiatives by banks goes beyond profit generation. To evaluate the effectiveness of CSR efforts, this chapter analyzes the activities undertaken by both public and private sector banks over a three-year period. By examining the scope and impact of these initiatives, we can gain insights into the commitment of banks towards CSR and their contributions to society. This analysis will shed light on the diversity of CSR initiatives, their alignment with sustainable development goals and the overall socio-economic impact created by the banking sector. While guidelines and policies exist, the true value of CSR lies in its implementation. It is crucial for banks to translate their CSR commitments into tangible actions and measurable outcomes. By adhering to the RBI guidelines and implementing robust CSR policies, banks can make a significant socio-economic impact through their financial products and services.

Keywords: Corporate social responsibility, Indian banking sector, Strategies for CSR

INTRODUCTION

Throughout the history of commerce, Corporate Social Responsibility (CSR) has emerged as a significant concept in the business world. It has gained widespread recognition and different organizations have provided various definitions based on their perspectives and the local and global contexts. In recent years, there has been a remarkable surge in awareness and oversight of CSR on a global scale. Initially introduced in 1960, CSR aimed to establish a connection between businesses and society. Essentially, CSR encompasses the strategies employed by corporations or firms to conduct their business in an ethical manner that is friendly to society and beneficial to the community's development. Corporate Social Responsibility (CSR) goes beyond just profitability and growth for business organizations. It involves a genuine interest in the well-being of society and the environment, taking responsibility for the impact of their activities on various stakeholders such as employees, shareholders, customers, suppliers, and civil society. CSR also considers the social and environmental consequences of corporate financial decisions.

As the global need for economic development continues to grow, there is an increasing demand for financial institutions to play a central role in efforts to eliminate poverty, establish equitable and accountable governance systems and ensure environmental security. While corporate houses and regulatory authorities in developed nations have made commendable progress in this regard, the situation of CSR activities by financial institutions in developing nations is not as promising. It is crucial for businesses to recognize their role in promoting societal and environmental welfare alongside their financial goals. By embracing CSR, companies can contribute to building a more sustainable and inclusive future for all.

The Concept

Corporate social responsibility has become an increasingly relevant and widely discussed topic in both academic and professional circles. Many journals have dedicated special issues to explore this subject and the number of articles published on corporate social responsibility continues to grow. Some view it as a trendy new concept while others see it as a valuable management tool.

The concept of corporate social responsibility raises various dilemmas, particularly in developing countries like India where legal enforcement is needed to ensure its implementation. Nevertheless, several Indian banks have taken proactive steps to embrace corporate social responsibility. This research aims to examine the initiatives undertaken by the Indian banking industry and their impact on its overall performance.

Given this context, it is valuable to delve into the concept of corporate social responsibility in the Indian banking sector. Through this chapter, we can gain insights into the efforts made by banks in India to fulfill their social responsibilities and understand the broader implications for their operations.

Need Of The Study

Recognizing the need to integrate business into society and maximize its positive impact on human well-being and the environment, there has been a growing emphasis on minimizing the harmful effects of irresponsible business practices. Corporate social responsibility (CSR) is widely understood as a moral obligation for organizations to contribute to society in exchange for the profits generated from customers who are part of that same society.

In addition to meeting this moral obligation, companies must also demonstrate their commitment to CSR to showcase the value of their brand to both current and potential customers. Nowadays, customers expect well-known companies to engage in activities that go beyond profit-making and serve a social purpose. As a result, CSR is gradually being introduced into the banking sector, with directives from regulatory authorities such as the Reserve Bank of India (RBI). This encourages banks to adopt CSR practices and align their operations with the broader social and environmental goals.

Scope of Csr Activities

The research titled "Exploring Corporate Social Responsibility in the Indian Banking Sector" delves into the specific context of Banking sector. It examines both private and public sector banks operating within the study area and their commitment to providing exceptional services to their customers.

Objectives

The present study endeavours to achieve the following objectives:

1. To thoroughly assess the concept of corporate social responsibility (CSR) and its significance in shaping the overall operations of the banking sector.
2. To investigate the various CSR initiatives and activities undertaken by selected banks.
3. To examine the impact of CSR initiatives on different stakeholders, society and the environment at large.
4. To gather and understand the opinions of stakeholders regarding CSR activities.
5. To evaluate the perception of bankers towards the importance of CSR activities.
6. To determine the level of necessity for CSR activities within the study area.
7. To identify obstacles that hinder the integration of CSR activities.
8. To analyze the satisfaction level of CSR activities within the study area.

CSR Spending In Education And Healthcare Sectors By Banks

Corporate social responsibility in education has always taken the lion's share of the funding. Although there is a bigger focus on health projects due to the COVID-19 pandemic, funding CSR in education is still top priority for Indian companies if we look at the latest sustainability reports and annual declarations. Access to quality education is fundamental to the growth of India, and India Inc. has not forgotten that.

Details of the funds allocated to CSR, bank wise					
(amount in lakh Rs.)					
S. N.	Bank Name	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 (up to 30.9.2021)
1	Bank of Baroda	1,401	433	690	829
2	Bank of India	600	600	900	900
3	Bank of Maharashtra	5	5	389	550
4	Canara Bank	3,855	4,900	5,994	6,085
5	Central Bank of India	0	0	0	0
6	Indian Bank	1,917	400	618	1,000
7	Indian Overseas Bank	0	0	0	0
8	Punjab National Bank	581	500	2,100	2,500
9	Punjab & Sind Bank	0	0	0	0
10	State Bank of India	624	2,747	14,488	13,718
11	UCO Bank	1,099	990	966	960
12	Union Bank of India	0	0	0	29

(Source: Public Sector Banks)

CSR Spending By Banks In Rural Sector

Several Indian financial institutions place a high priority on CSR spending by banks in the rural areas. Banks frequently set aside a portion of their CSR cash to assist with community-uplifting rural development projects.

Some common CSR activities in the rural sector include:

1. Financial inclusion initiatives aimed at giving underprivileged rural residents access to financial services.
2. Initiatives to improve livelihoods and build skills to empower rural populations. undertakings involving the development of infrastructure, such as roads, schools, and hospitals.
3. Initiatives for agricultural support to raise rural incomes and enhance farming techniques. Initiatives focusing on sanitation and clean energy can enhance rural communities' quality of life.
4. Banks help close the gap between urban and rural areas and support the general socioeconomic development of rural communities by funding CSR projects in the rural sector.

SUGGESTIONS AND RECOMMENDATIONS

Suggestions for banking sector

1. Stakeholder engagement: In the banking industry, there are many different parties involved, including shareholders, staff, customers, and corporate governance. Banks may identify the stakeholders and create a policy for communication with them in order to implement an effective CSR strategy. Because they do not fully understand the complexities of corporate social responsibility, the majority of banks do not appreciate that stakeholder participation is necessary.

2.

3. Performance management and governance: Banks participate in a number of CSR activities each year. However, banks have not adequately assessed their CSR programs; still, assessment methods are a crucial component of CSR strategy. When developing their CSR plans, banks can explicitly identify the performance indicators. Performance will also be monitored along the strategy's path to ensure that the CSR objectives are met. Without performance management measures, it would be impossible to determine what works and what doesn't.

4. Public disclosure: Only three banks have produced separate CSR reports; all banks will highlight their CSR initiatives as part of their annual report. Banks will reveal their CSR reports to the public more often if they have good CSR policies. Because they doubt the business case for CSR or believe their CSR engagement is insignificant, banks are currently unsure whether to disclose their CSR program. If banks are required to disclose their CSR activities, this will create avenues for cross-business coordination of CSR projects, as well as greater research and stakeholder communication that will lead to an overall improvement in CSR.

4. CSR awareness: Each bank will adopt a distinct strategy to raise awareness of corporate social responsibility both inside and outside of its own walls. Banks have little options for learning about CSR if the nonbusiness sector does not sufficiently promote it, except from using their own initiative.

5. Emphasis on rural and remote areas: In Bangladesh, banks have implemented a variety of CSR programs in various sectors. CSR programs in rural and distant areas are insufficient, and they particularly ignore isolated areas. Few banks have implemented various CSR programs in rural areas.

RECOMMENDATIONS

General Recommendations to All

1. Awareness raising and advocacy: CSR procedures are not well known to the majority of stakeholders. Raising stakeholder knowledge and advocating for CSR practices is crucial. The banking industry and other commercial groups can be significant contributors to the CSR awareness-building process. All stakeholders, including companies, staff members, clients, the general public, and stakeholders in the non-business sector, may be the focus of awareness campaigns.

2. Capacity building: Building capacity among non-business stakeholders as well as within enterprises is necessary for the implementation of CSR. Businesses can target their board of directors, employees, and management through capacity building initiatives. Building capability may help firms' higher authorities to adopt and strengthen their CSR strategies. To strategically integrate CSR and give management and employees the tools they need to implement CSR into daily operations.

3. Institutional amplification: Establishing standards for CSR implementation, developing a strategic action plan for CSR promotion, guaranteeing broader participation and ownership of CSR, and creating a national framework for CSR policies are all examples of institutional amplification. The district bank and the Uttar Pradesh government have the authority to create various CSR policies, acts, and recommendations.

4. Research and information allocating on CSR: Although the corporate and business communities in the Tirunelveli district engage in CSR activities, they do not exchange information about these initiatives. They are not conducting additional studies on CSR activities. The goals of CSR research are to increase the theoretical understanding of CSR, look for business cases for CSR, and develop customs to reinforce CSR practices. This will help both large and small organizations operating in many industrial sectors recognize best practices in CSR.

Recommendations for Government Institutions

1. Setting national CSR plan and important point: Government of India/Uttar Pradesh may make a selected focal point within the government to ascertain, arrange and endorse a national CSR program. However, CSR may be made voluntary to mandatory on businesses. Mandating CSR goes to the common principles of CSR and the corporate sector is also of this opinion.

2. Awareness and capacity building: Government organizations can play a crucial role in supporting CSR through conception of awareness and technical support for capacity building. General awareness on CSR also requirements to be formed within their own organizations and people surround.

3. Facilitating stakeholder dialogue: Government may assist conversation between all stakeholders and permit sharing experiences within the country.

4. Strengthening regulatory framework: Government will set minimum standards on certain aspects of CSR, it will positive effect on CSR practices. Government CSR polices and guidelines will not overly restrictive.

5. Creating predictable and favorable business environment: Government needs to generate an optimistic, transparent and secure business environment. Due to lack of awareness on government guidelines and polices, businesses are apprehensive of the Government and suspicious about the potential of CSR practices.

6. Providing recognition and incentives: For effective CSR practices Government can also offer incentives and recognition for companies implementing CSR initiatives. Government can declare varies incentives such as duty exemptions and subsidies and introduction of special CSR awards. Recognition may be given to not only the very top performers but also identify and award developments and meeting of set performance standards.

7. Emphasizing CSR in Government procurement guidelines: Government procurement guidelines may be ended extra insightful to CSR concerns. Government being the biggest customer can have remarkable influence on businesses CSR practices by aligning its procurement guidelines to encourage CSR.

Recommendations for Civil Society Organizations/ NGOs

1. CSR promotion: NGOs are in an ideal location to support CSR not only among businesses, but also among the general people because they have connection with root level people. NGOs are very serious about human rights/ ethical issues. For this, they can arrange awareness campaigns targeting common people on ethical consumption and sustainable models of living. These campaigns will not only help lessen individuals' impact on the society and the environment, but also in the long run, create pressure on the businesses to take social responsibility.

2. Relationship with business sector: NGOs may strive to build closer relation and earn the trust of the business area in order to align the CSR precedence of NGOs and the businesses. Business organization cannot work in root level for this they need good relation with NGOs. NGOs can help to business organizations collect accurate information for CSR practices in different places in Bangladesh.

3. NGOs capacity building: For CSR implementation, accountability and transparency in reporting Government will take initiatives for increasing NGOs' capacity.

CONCLUSION

CSR initiatives are becoming more and more common in the banking industry. As one of the most important sectors of the economy, corporate social responsibility (CSR) has received a lot of attention in the financial community. Financial institutions are contributing to and receiving unrealistic levels of attention from CSR. "Other manufacturing and production-related businesses, where banks invest, create remarkable environmental hazards in many economies; financial institutions do not directly cause internal and external environmental problems." Financial institutions, particularly commercial banks, are willingly engaging in ethical and responsible business practices, though. According to the report, the majority of banks are attempting to position themselves as globally recognized leaders in CSR initiatives. The banking industry in India is progressively departing from the robust economic and legal domain.

Indian banks' commitment to Corporate Social Responsibility (CSR) is critical to the well-being and long-term growth of the nation. Indian banks show that they are committed to doing good deeds outside of their main business operations by contributing money to a range of social, environmental, and economic projects.

Indian banks fund a variety of initiatives including healthcare, education, rural development, environmental preservation, and community empowerment through their CSR spending. These programs improve stakeholder trust and brand image in addition to helping the communities and stakeholders they serve.

In general, Indian banks' commitment to corporate citizenship and moral business conduct is reflected in their CSR investment.

SCOPE FOR FUTURE RESEARCH

Future research in this area could be carried on in a number of ways. There is a further scope of study in the following areas:

1. Corporate Social Responsibility and Sustainable development in Lucknow city.
2. Sustainable Millennium Development Goals and Corporate Social Responsibility in banking sector in Lucknow city.
3. Corporate Social Responsibility and Entrepreneurial development in Lucknow city.
4. Non-banking financial institutions and Corporate Social Responsibility in Lucknow city.

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