

Corporate Social Responsibility of Banking Industry in India

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EDITORIAL BOARD EXCERPT

At the initial time of submitted paper had a 9% plagiarism which is an accepted for publication. The editorial viewpoint is of an observation that article had a successive close watch by the blind reviewer's which at later stages had rectified and amended by author (Dr. Alka Jain) in various phases as and when requisite to do consequently. The reviewers had in a beginning stages mention with minor revision with a following stamen which at a small duration streamlined by author. The comments related to this manuscript are tremendously noticeable. The topic is very appropriate and as per the need of current hour. The data which is collected from various secondary sources are related and justify the objective of the paper. The literature review gives the clear perspective about the topic. The objective of this paper is clear and discussion are well placed and open up avenues for future studies. Comparative analysis of CSR policies between Bandan bank and Yes bank is the main highlight of this paper. All the comments had been shared as a mixtures of dates by the authors in due course of time and same had been incorporated by the author in computation. By and large all the editorial and reviewer's comments had been incorporated in a paper at the end and further the manuscript had been earmarked and decided under "Research Thought" category as its highlights and emphasize the corporate social responsibility of banking industry and give many opportunities to students to work and find the gap in this area for future research.

ABSTRACT

Corporate world of the modern era is focused towards profit. Only a few companies can be seen which actually fit in marketing triangle where the three points – company, customer and the society have equal prominence for them.' This is a common perception that the common public has about the corporate world. The proposed study focuses on this perception and attempts to test the reality of the statement. The research paper attempts to check the CSR practices of banking industry if it is focused towards profit only or is doing something for the society also which takes some of the banks' profits away from them. SBI, Federal Bank, IndusInd Bank, Yes Bank, Bandhan, HDFC, ICICI and Axis Bank have been studied for the purpose of this research paper. Objective of the research is to study the consumers' perception of CSR activities of Indian Banking Industry. A lot of researches have been done on corporate social responsibility and the corporation's financial performance but very few researches have analyzed the banking sector deeply for this purpose. We come across ethical/unethical practices of banking industry of India which draw our attention to seriousness of the issue. The research is exploratory by nature and attempts to explore the inclination towards corporate social responsibility of financial service sector. Survey tool has been used to collect Primary data from educated youth of India, who are consumers of Indian banking industry. The study concludes that some banks conduct the social activities because of legal compulsion from the Companies Act 2013, but some banks have been doing it before the inclusion of CSR in the Companies Act also. At times the CSR pressures are created due to community needs. Most of the banks in the country are following basic CSR policies. A few banks are also involved in social activities beyond the legal requirement of the Act. This is a bright sign for the economy that the consumers have shown their trust in the banking industry and have said that banks are in a position to give back to the economy what they have taken from it. The new hopes for unattended weak areas of the country are emerging with these practices. Further scope of the study can be studied based on primary data from financial sector consumers.

KEYWORDS CSR | Financial Services | Insurance Services | Banking Services | Industry

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Objective

Objective of the research is to study the consumers' perception of CSR activities of Indian Banking Industry.

Methods and Materials

The research is exploratory by nature and attempts to explore the inclination towards corporate social responsibility of financial service sector. Survey tool has been used to collect Primary data from educated youth of India, who are consumers of Indian banking industry. Secondary data has been collected from reports of various banks, newspapers, research papers, books and magazines. Primary data has been interpreted through bar charts, pie charts and tables. Annual reports of Social Service bodies of the financial services provider organizations for last three years have also been studied and analyzed. Data analysis and interpretations have led us to findings. These findings are the basis of suggestions and recommendations made by the authors to the decision makers of the country.

Hypothesis

H₀: Indian Banking Industry is socially responsible.

H₁: Indian Banking Industry is not socially responsible.

Literature Review

- Richard T. De George has analyzed moral responsibility within the corporation. He finds two general obligations of corporations which stem from the nature of the corporations. The first is the obligation to 'Do not harm'. This he considers as minimum moral standard which should be met by all corporations. Second obligation is 'not to undermine the freedom and the values of the system'. He concludes that a moral firm is the one that acts with integrity, lives up to it and fulfills its responsibilities.
- A. C. Fernando talks about the business in society in relation to its responsibility towards it. He discusses social responsibility of businesses and their accountability to society. He defines CSR as an act of giving back to the society what one has earned from it. He also quotes Milton Friedman, "There is one and only one social responsibility of business- to use its resources and engage in activities designed to increase its profits so long as it engages in open and free competition, without deception or fraud."
- Joseph W. Weiss has worked on applied social responsibility of the corporations. He speaks about advertising ethics and responsibility of the companies in it. Then he discusses product liability doctrines highlighting legal and moral limits of product liability. He also thinks that corporations also have a responsibility towards the environment. He lists the causes of environmental pollution. He also advocates rights of future generations to a livable environment. He considers human resource of an organization as internal stakeholders.
- Andrew Crane and Dirk Matten take help of Carroll's four part model of corporate social responsibility that divides the responsibilities into a defined hierarchy- first economic responsibilities, second legal responsibilities, third ethical responsibilities, and the fourth is philanthropic responsibilities. Their analysis of theory of CSR suggests that there are both business and moral reasons for engaging in social initiatives. They have tried to understand the balance between business and moral reasons of involvement in CSR.
- Lois A Mohr et. al. opine that the companies are facing dual pressure of maintaining profitability and good corporate image. They have also tried to categorize the consumers first and then study their behavior. They have studied the factors that determine their views on social responsibilities of the company whether these are unresponsive towards this responsibility or

socially responsible.

- The principal author Dr. Alka Jain in her Ph. D thesis titled ‘Corporate Image Management in Healthcare Industry’ explains the relationship between social responsibility and corporate image of the hospitals of Jaipur. Same approach can be used for Financial Services sector.
- A.M. Williams and Donald Siegel have concluded that there is an “ideal” level of CSR, which managers can determine via cost-benefit analysis, and that there is a neutral relationship between CSR and financial performance.

CSR Activities in Banking Industry

State Bank of India has a separate wing for corporate social responsibility named the State Bank of India Foundation in June 2015, after the New Companies Act, 2013. Though SBI was active and was making continuous efforts for the betterment of the society but establishment of State bank of India Foundation became an official platform for such CSR activities. The social service unit spends some part of the profit earned by the bank’s commercial units on the underprivileged sections of the society. They help this section of the society in the area of education, healthcare, employment and development. The slogan is ‘Service beyond banking’ which delivers the vastness of the services provided by the bank.

Mission statement of the State bank of India Foundation is “To make available resources to the most vulnerable sections of the society directly and through strategic partnerships/collaborations with impact making entities in the social and development sector in the most transparent way to create inclusive sustainable development.”

Percentage wise spend on each focus area

- Education – Access to education, education for girl child, education for the differently abled, education infrastructure, teaching and pedagogy,

career guidance and counseling

- Health care- Access to healthcare, organ transplants, Cancer treatment, Disability, alternative medicine, infant mortality and sanitation.
- Rural development -
- Senior citizen
- Skills and livelihood development: under-utilization of available human resource due to lack of skills leading to underemployment and unemployment, Lack of mentoring support to school dropouts and youth which leaves them unaware of employment opportunities.
- Environment

SBI Foundation had developed a CSR life cycle, comprising the steps: conceptualize and design projects, partner selection, projectivisation, budget allocation and approval, empanelment of NGO, project implementation, monitoring and evaluation and impact assessment.

- **Federal Bank:** List of CSR Activities of Federal Bank is long. They have covered various areas of social service including vehicle donations, rehabilitation and palliative cares. A lot of events like walkathon etc. have been organized by them.
- They have donated school buses to Mar Athanasuis Rehabilitation Centre Perumbavoor and Kripa Special School, donated home care vehicle to the Pain and Palliative Care Society, Kozhikode. Federal Bank also donated vehicle for Alpha Pain Clinic, Kochi. They also support Special school for children having cerebral palsy, Kottayam. financial support to IMA Voluntary Donor Blood Bank, ‘Blind Friendly Girls Hostel’ at Kizhmad, Aluva, Sponsored an Ambulance for ‘Alpha Pain Clinic’, Kochi, An ambulance to St Johns Health Services Pirappancode, Trivandrum



- The employees participated in Majja Run, Bangalore which was organized for slum development fund raising. Also joined hands in a group Run spreading the message of think, eat and save.
- "FEDERAL BANK SPARSH" organized 5 days residential workshop for children with speech and hearing disabilities at IMA Kochi, also organized supported Abilities mela by Differently Abled, Ernakulam. Many other sponsorships were organized by the bank.

Primary and Secondary Data Analysis and interpretation

During the phase of secondary data collection, CSR policies and activities of various public and private sector Indian banks like State bank of India, Federal Bank, Yes Bank, Bandhan Bank etc. have been studied.

- State Bank of India's focus areas in CSR are Education, Health care, rural development, Senior citizen care, Skills and livelihood development and Environment protection.
- Federal Bank has worked in the following area: Vehicles/ambulances and infrastructure to NGOs., Organizing/Participating marathons, Workshops for children with hearing problems and Rehabilitation
- ICICI Bank's CSR activities are largely focused in the areas of Education, Healthcare, Skill development and sustainable livelihood, financial inclusion, and Capacity building for CSR.
- Bandhan Bank is working in the following areas: Bridging the skill gap, Enabling children to become job ready professionals, Vocational educating and training, financial literacy, Education for street children and the rural poor, Special education for the physically challenged and Skills training and Livelihood development.

- Yes Bank is active in these areas: Livelihood security and enhancement, Education, Skills/Employability training, Healthcare and Social welfare, Environment Sustainability and Arts/Sports and culture enhancement.

As discussed in the methodology, survey tool has been used for the research and Primary data has been collected from the consumers to understand their perception of corporate social responsibility of the following Private and Public Sector Banks: Axis Bank, HDFC Bank, IndusInd Bank, State Bank of India, Yes Bank, Punjab National Bank and ICICI Bank.

Demographic Qualities of the Respondents

Respondents of the study are educated- at least graduates, youth of India from the following states: Delhi, Rajasthan, Maharashtra, Uttar Pradesh, Kerala and Andhra Pradesh. The following diagrams display the demographic features of the sample

Diagram 1: Age group of the respondents

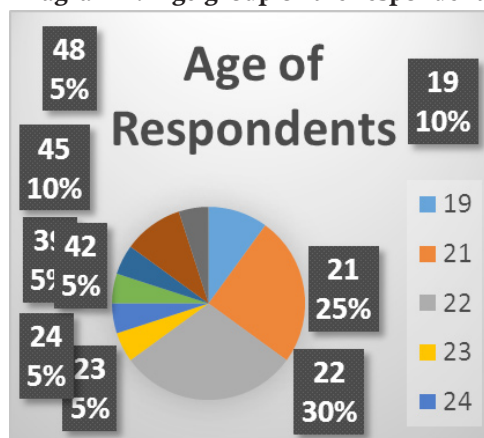
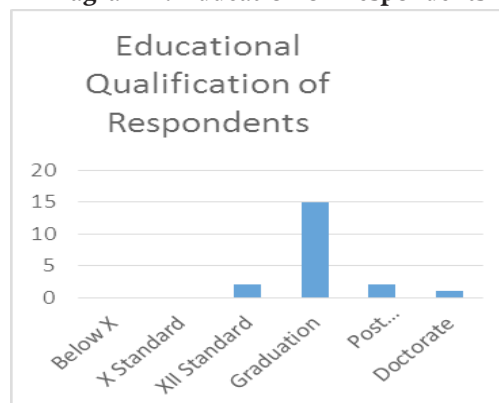


Diagram 2: Education of Respondents



As shown in the Diagram 1, 75% of the sample is between the age group of 19-24 years. Hence we can say that findings are based on the perception of youth. Diagram 2 tells us about educational qualification of the respondents. 90% respondents are graduates while 5% are post graduates/Ph Ds. Hence we can say that the perception of educated youth has been collected. The responses were received from various locations of India including Delhi, Rajasthan, Maharashtra, Uttar Pradesh, Kerala and Andhra Pradesh.

Data Analysis and Interpretation

When the consumers were asked to remember and list the CSR activities of banks, the following activities listed in Table 1 were remembered by them:

Table 1: CSR Activities remembered by Consumers of Banking Industry

Axis Bank	<input type="checkbox"/> Footwear donation to school children <input type="checkbox"/> Environmental sustainability & rural development <input type="checkbox"/> Buddha Fellowship Program
HDFC Bank	<input type="checkbox"/> Water treatment plants in tribal areas <input type="checkbox"/> Promotion of Education, healthcare & hygiene <input type="checkbox"/> WASH Program
IndusInd Bank	<input type="checkbox"/> Scholarships for Young India Fellowship (YIP) Program <input type="checkbox"/> Girl power Program
State Bank of India	<input type="checkbox"/> Build toilets for women in government schools of Kerala <input type="checkbox"/> Contributing positively to United Nation's Sustainable Development Goals
YES Bank	<input type="checkbox"/> YES Responsible Youth Citizenship & YES Accelerator <input type="checkbox"/> YES Foundation
Punjab National Bank	<input type="checkbox"/> Project PRAGATI <input type="checkbox"/> PNB Ladli <input type="checkbox"/> Marathon
ICICI Bank	<input type="checkbox"/> Digital villages <input type="checkbox"/> Marathon

This list helps in assessing the memory of CSR activities retained in consumers' mind even after they are over. This information can be used to find relationship between activities information spread among the public and retention in their mind after completion of the activity.

- In the second phase of research perception of consumers on seven components of corporate social responsibility have been studied :
 - Responsibility for Shareholders and Creditors
 - Responsibility for Collaborators
 - Responsibility for Consumers
 - Responsibility for Employees
 - Responsibility for Government
 - Responsibility for Environment
 - Responsibility for Community

The following Table will give us a clear picture of seven components of corporate social responsibility:

Table 2: Seven Components of Corporate Social Responsibility of Banking Industry

Bank/Responsibility	Axis	HDFC	SBI	PNB	ICICI	YES	IndusInd
Responsibility for Shareholders and Creditors	13	11	6	6	6	8	9
Responsibility for Collaborators	0	1	1	0	0	1	0
Responsibility for Consumers	6	5	4	5	8	7	6
Responsibility for Employees	0	3	1	3	4	2	2
Responsibility for Government	0	0	4	4	1	0	1
Responsibility for Environment	0	0	0	0	1	1	1
Responsibility for Community	1	0	4	2	0	0	1

The data has been interpreted in the following diagram:

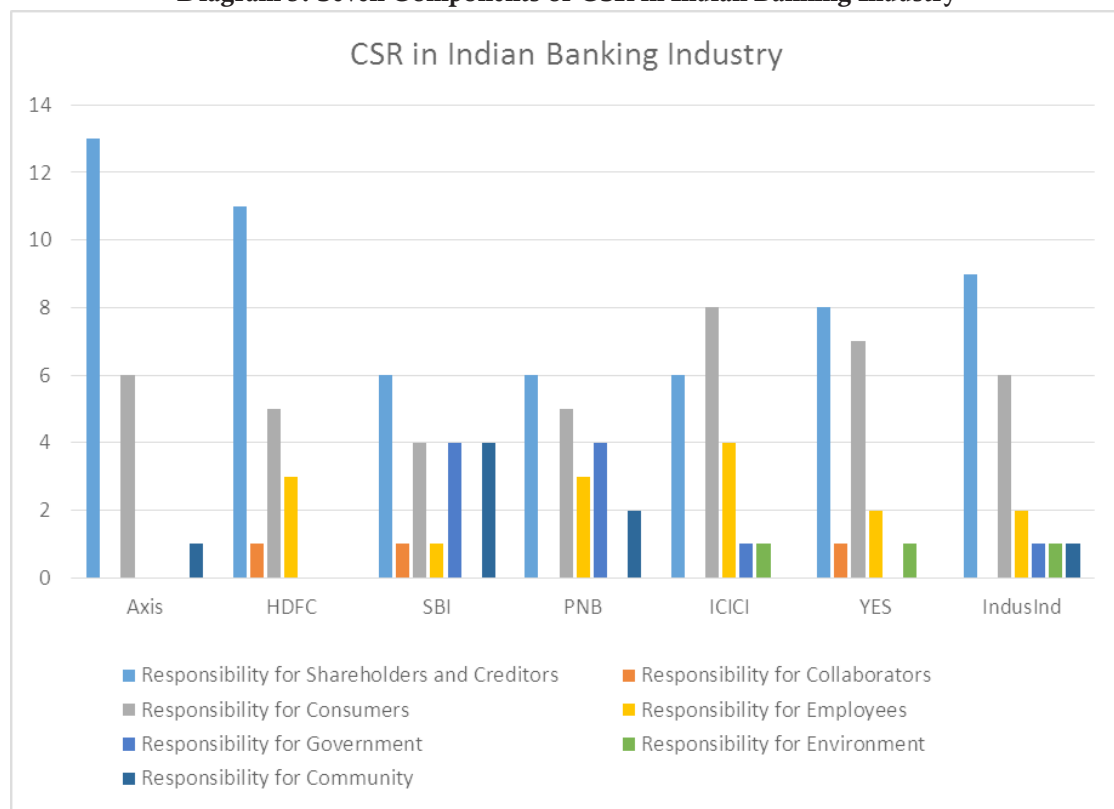
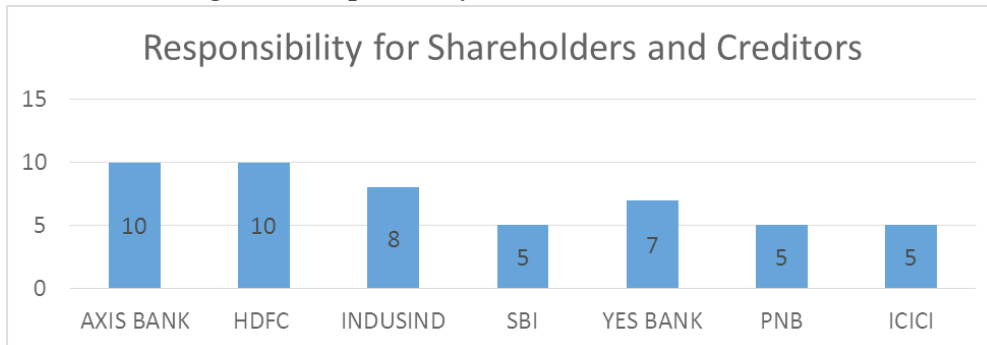
Diagram 3: Seven Components of CSR in Indian Banking Industry

Diagram 3 exhibits summary of Indian Banking Industry's corporate social responsibility as perceived by its consumers. Further discussion will elaborate seven components of corporate social responsibility separately for our sample banks.

Responsibility for shareholders and creditors

We can see from Diagram 4 that HDFC and Axis Bank stand above other banks as far as responsibility for shareholders and creditors is concerned, while SBI, PNB and ICICI Bank stand the lowest.

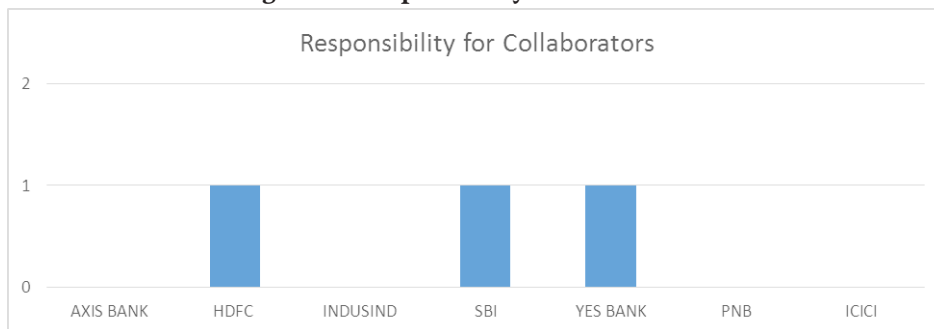
Diagram 4: Responsibility for Shareholders and Creditors



Responsibility for Collaborators

The bar chart shows lack of responsibility in the area of collaborators, just HDFC, SBI and YES Bank have been rated by the consumers as responsible for collaborators.

Diagram 5: Responsibility for Collaborators



Responsibility for Consumers

As we can see that Indian Banks are responsible for consumers. Almost all banks are trying to keep the consumer happy and satisfied. This is a very good sign for the economy. Only SBI needs to make its practices more consumer friendly.

Diagram 6: Responsibility for Consumers

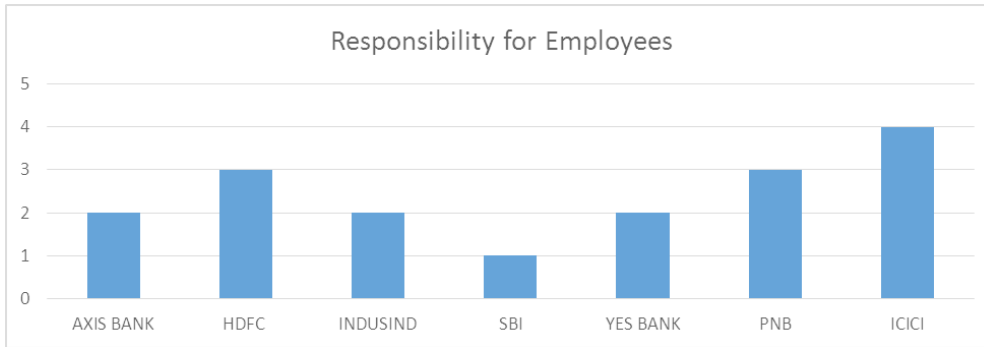




Responsibility for Employees

The following bar chart interprets that SBI has to work more when it comes to fulfilling the responsibility for employees.

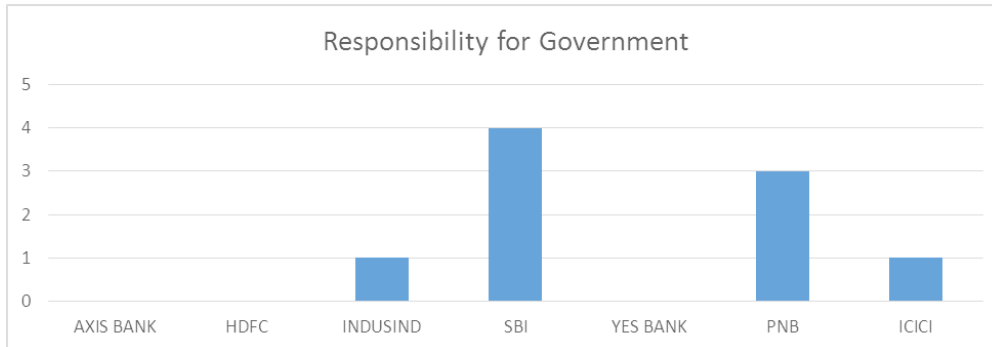
Diagram 7: Responsibility for Employees



Responsibility for Government

The Diagram 8 shows the status of responsibility towards government by these banks. This responsibility stands for protective efforts of the company towards the rules and regulations laid down by the Government.

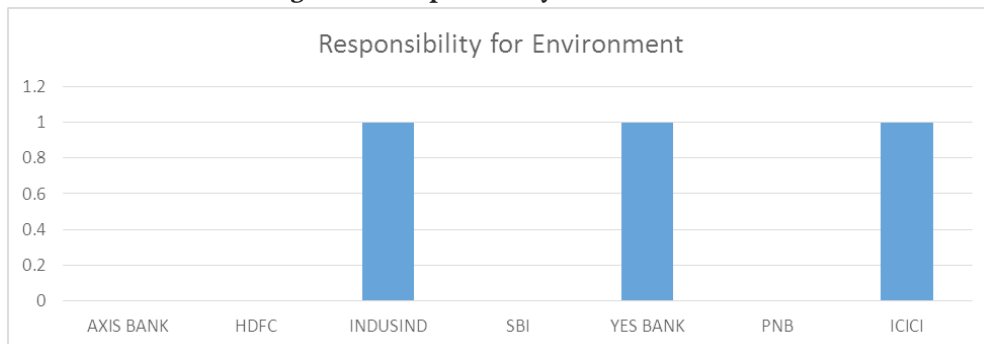
Diagram 8: Responsibility for Government



Responsibility for Environment

IndusInd, Yes bank and ICICI Bank have been rated well in responsibility for environment. Other banks, even if they are working in this direction, need to spread the message to consumers.

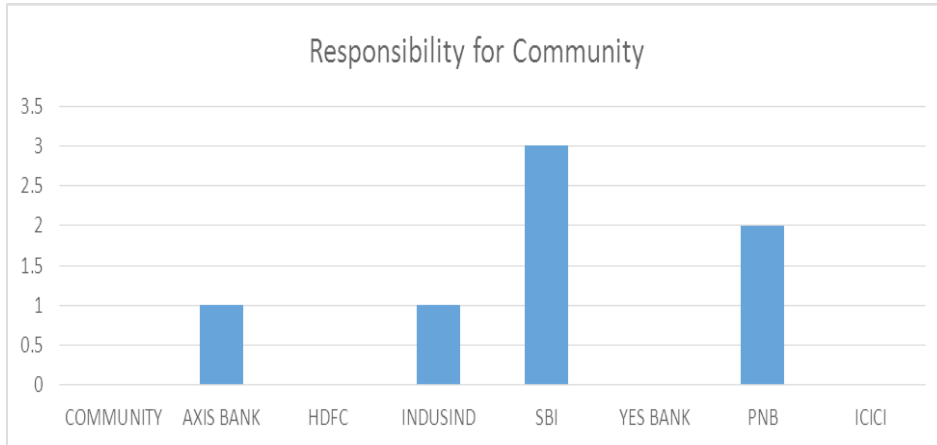
Diagram 9: Responsibility for Environment



Responsibility for Community

State Bank of India is fulfilling its responsibility towards community, Punjab National Bank stands at second rank. Private Banks are not considered to be working for the community. These banks need to answer this question- Are they working for profits only?

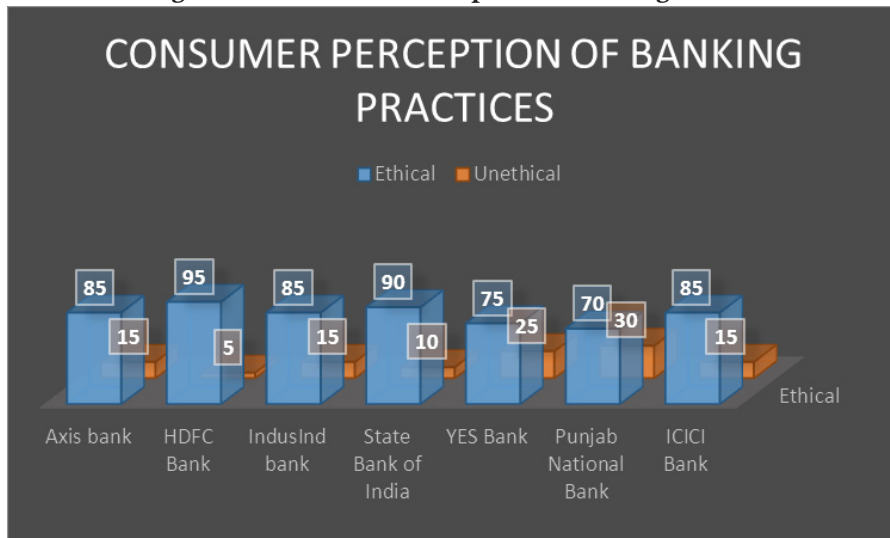
Diagram 10: Responsibility for Community



Consumer perception of Banking Practices

The data collected to understand the perception of consumers towards ethical nature of bank and banking practices has been displayed in the Diagram 11. HDFC has scored the highest points while PNB and YES bank need to put in more efforts to make their image ethical in the eyes of consumers.

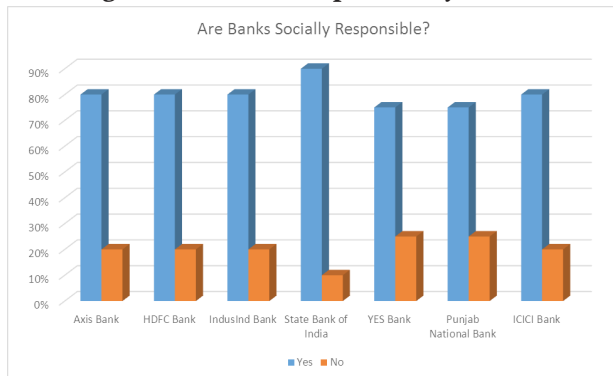
Diagram 11: Consumer Perception of Banking Practices



Are Banks Socially responsible?

To answer this question, we need to look at the data displayed in the Diagram 12

Diagram 12: Social Responsibility of Banks



State Bank of India is considered to be a socially responsible bank, ICICI, HDFC, Axis and IndusInd Banks follow SBI. This is a very good sign for the economy that the banking industry is realizing its responsibility towards the society.

Findings of the study are

- Banks have started realizing their corporate social responsibility after the introduction of Companies Act 2013.
- People do remember the brand of Banks through their CSR activities
- SBI, PNB and ICICI Banks are considered to be least responsible towards shareholders and creditors, while Axis Bank is known for fulfilling these responsibilities.
- Responsibility for collaborators is not focus area of Indian banking industry.
- Responsibility for consumers is understood and fulfilled by banking industry, but State Bank of India is rated the lowest in the survey, while at the same time SBI is responsible towards Government.
- HDFC, Yes and ICICI make efforts for environment protection.

- HDFC, Axis, ICICI and SBI understand the responsibility towards customers.
- Punjab National Bank is rated lowest in ethical nature of practices, while HDFC has scored the highest rating by the respondents.
- State Bank of India has the image of a socially responsible bank but not very friendly towards the customers. Its practices are considered to be ethical.

Suggestions and Recommendations

- Banks should spend more on CSR activities as these activities help them in good image building and branding.
- SBI, PNB and ICICI Banks should concentrate on their shareholders and creditors.
- Indian banking industry needs to understand the responsibility for collaborators.
- Responsibility for consumers is understood and fulfilled by banking industry, but State Bank of India needs to work in the area of customer comfort.
- HDFC, Yes and ICICI Bank should continue same or improved amount of efforts for environment protection.
- Public Banks of India need to focus on customer service more.
- Punjab National Bank needs to improve its ethical practices in terms of quantity and quality.
- State Bank of India has the image of a socially responsible bank and should continue to maintain or improve that image, while other banks should also try to progress in this field.

Conclusion

The study concludes that some banks conduct the social activities because of legal compulsion from the Companies Act 2013, but some banks have been doing it before the inclusion of CSR in the Companies Act, though formal records are not kept/available. For example State Bank of India claims that they were involved in social activities but the reports available in the website are for the last three years only. The author could find the reports for the years 2015-16, 2016-17 and 2017-18. At times these pressures are created due to community needs. Most of the banks in the country are following basic CSR policies. A few banks are also involved in social activities beyond the legal requirement of the Act. This is a bright sign for the economy that the banks are in a position to give back to the economy what they have taken from it. The new hopes for unattended weak areas of the country are emerging with these practices. Further scope of the study can be study based on primary data from financial sector consumers.

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Blind Reviewers Comment

This paper Fulfill the current need of hour. The topic of this paper is highly appropriate for the current era. The literature review gives the clear understanding and clear point of view about the topic. The objective of this paper is clear and discussion are well placed and open up avenues for future studies. Comparative analysis of CSR policies between Bandan bank and Yes bank is the main highlight of this paper.

GJEIS Prevent Plagiarism in Publication

The Editorial Board had used the turnitin plagiarism [http://www.turnitin.com] tool to check the originality and further affixed the similarity index which is 9% in this case (See Annexure-I). Thus the reviewers and editors are of view to find it suitable to publish in this Volume-11, Issue-1, Jan-Mar, 2019



Annexure 1

ORIGINALITY REPORT

9%	6%	2%	5%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	www.federalbank.co.in Internet Source	2%
2	www.indiahousing.com Internet Source	1%
3	Submitted to University of South Alabama Student Paper	1%
4	Submitted to Colorado Technical University Online Student Paper	1%
5	www.icicprulife.com Internet Source	1%
6	www.yesbank.in Internet Source	1%

7	Submitted to University of Bradford Student Paper	1%
8	pure.au.dk Internet Source	<1%
9	Submitted to London School of Commerce Student Paper	<1%
10	Submitted to University of Petroleum and Energy Studies Student Paper	<1%
11	Submitted to Swansea Metropolitan University Student Paper	<1%
12	Siwei Wang, Xiang Xiao. "CSR, strategy and financial performance", 2016 International Conference on Industrial Economics System and Industrial Security Engineering (IEIS), 2016 Publication	<1%
13	www.andidas.com Internet Source	<1%

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