



A STUDY ON CSR PRACTICES IN INDIAN BANKING SECTOR (WITH SPECIAL REFERENCE TO STATE BANK OF INDIA)

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Abstract

In today's global economy, corporate social responsibility (CSR) is a core component of corporate strategy. Companies follow international trends of social responsibility and start to declare their social responsibility to create positive consumer attitude. The purpose of the article is to study CSR with special reference to banking industry in India. Corporate Social Responsibility (CSR) designed to respond to huge unmet needs of the society in the achievement of long term and persistent business value. This paper reviews literatures on management, quality management, banking industries, and CSR activities. Especially commercial banks play an important role in implementing various social and philanthropic programs to help disadvantaged people of the country... The analysis in the study was targeted to understand the significance of corporate social responsibility and the outcomes in the Indian banking sector with special reference to SBI. The paper investigates the financial inclusion of State bank of India through various reports published.

Key Words: CSR, Corporate Social Responsibility, SBI, State Bank of India.

1.1: Introduction

Management without caring needs and expectations of stakeholders in a community will not be competitive to other organizations. More companies than ever before are trying to leverage the associations that stakeholders have of them in order to gain strategic advantages (Sen, 2006). One of the possible ways to influence corporate associations is corporate social responsibility (CSR).

The European Union defines corporate social responsibility as “the responsibility of enterprises for their impacts on society”, meaning that CSR is a comprehensive concept and should not be focused mainly on environmental actions. Murphy, Öberseder, & Lacznia (2013) also view corporate social responsibility in a more “holistic” way. Thus considering environment to be only one of the several corporate responsibility domains, which are: customers, employees, suppliers, local community, stakeholders and society.

State Bank of India

State Bank of India is an India's largest bank and a fortune 500 company and it is one of the premier banks in India with its headquarters in Mumbai, Maharashtra. In 1959, the State Bank of India (Subsidiary Banks) Act was passed in parliament enabling SBI to take over eight former State-associated banks as its subsidiaries. Today, SBI has an extensive administrative structure to oversee the large network of branches in India and abroad.

Apart from providing basic banking services SBI has ventured into many new businesses viz. pension funds, general insurance, custodial services, private equity, mobile banking, point of sale merchant acquisition, advisory services, structured products and many more. SBI offers a wide range of products and services in the personal banking segment which include deposit schemes like term deposits, recurring deposits etc. The bank also conducts Government business like collecting Government dues and pension payments, e-payment of railway freight, online collection of State Government receipts etc.

As on Mar 31, 2009 the bank had a network of 11,448 branches and 8,581 ATMs. As of 2014-15, it has assets of INR 20,48,080 crores and more than 14000 branches, including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets.

, innovation, productivity, development of people, quality, financial results all are crucial to a company's performance **1.2:**

Review of Literature

Bebington et al., 2008 Firstly, CSR can generate reputation and then create business value to the social responsible company. Drukcer, (2006) “Market standing and indeed to its survival.”

Frankental P. (2001) suggested that CSR is an invention of public relations and CSR can only have real substance if it considers all stakeholders and it is reinforced by changes in company law or rewarded in financial markets.



Ghillyer, (2014) CSR is generally defined as the actions of a company aim at achieving social benefits over and above maximizing profits for its shareholders and meeting legal obligations. Different companies may have different level and form of CSR. There are three distinct types of CSR – ethical, altruistic, and strategic.

Holmes and Watts (1999) defined CSR as 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.

Lance, (2001) Proponents of CSR argue that company can benefit from having CSR, such as enhancing reputation, generating greater employee and customer loyalty and retention.

Lee & Shin (2010) found that CSR activities in the form of corporate environmental contribution had little effect on consumers purchase intentions as they were less recognized with the possible reasoning that corporate environmental activities were not adequately delivered to customers. Thus, authors emphasized the importance of efficient and effective communication tools.

Luo & Bhattacharya (2006) found that customer satisfaction can also be increased through CSR. Furthermore, consumers who perceive companies as more socially responsible are more likely to trust the company's products. While another study stated that CSR increases a firm's long-term financial performance through customer satisfaction.

McEwen, (2008) Businesses not only must deal with hard- number economic realities, but they also have to address the perceptions and beliefs of their customers. Thus, organizations must adjust to the changing outlook of the consumers who buy what they try to sell. It's not certain; however, what form this adjustment should take."

McIlroy (2008) brought up the need of risk management in banking industries after the sub-prime crisis with a proposal of the following three reforms; requiring banks to retain a proportion of any loan that they originate, insisting transparency of risks in financial products; and holding of capital for less pro-cyclical situation. "Banks are regulated because of the possibility of systematic risks. Systematic risk is not and never will be a purely theoretical possibility."

In the study of Simpson and Kohers (2002), the result indicated there is a strong positive relationship between corporate social performance and financial performance in banking industry. The costs of being socially responsible are outweighed by improvement in productivity or other associated financial performance indicators, and the resources used to be socially responsible are not so high to make the bank unprofitable

In the study of Yeung (2011), the result suggested that in order to become a social responsible bank, the banks has to establish a mindset of risk management, business ethics and corporate social responsibility through internal management of people and process; understand complex financial products through internal management of people and process and external management of economic situation for the benefit of stakeholders; protect the rights of customers with setting up channels for customers to address complaints.

1.3 Objectives of the study

- To study the overview of corporate social responsibility.
- To study the CSR practices in Indian Banking industry.
- To study the CSR practices and policies of banking sector in India with special reference to SBI
- To study the financial inclusion of State bank of India for the past five financial years.
- To give valuable suggestions regarding the implementation of CSR in financial institutions.

1.4 Overview of CSR

In 1960, CSR surfaced as an attempt to link business with society. The underlying belief in this era was to apply the resources in a socially responsible manner i.e., the promotion of social welfare along with the economic development. The main argument was to employ economy's means of production in such a way that production and distribution could enhance total socio-economic welfare.

In 1970s CSR was identified as the conformance to industry principles In 80s and 90s a need was felt to give recognition to some new concepts like stakeholder theory, Corporate Governance, and Corporate Social Performance, Corporate Citizenship.

In the 21st century a general attempt was made to establish the linkage among economic, legal, social and ethical standards so as to bring sustainable development. World Business Council for Sustainable Development (2001) explained CSR as the commitment of business to contribute towards sustainable economic development, working with employees, their families and the local communities.

1.5 CSR Practices in Indian Banking Industry

Reserve Bank of India (2007) stated that CSR entails the integration of social and environmental concerns by companies in their business operations and also in interactions with their stakeholders. The major thrust areas for CSR practice in Indian banks are common in public sector and private sector banks. These areas include children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women's empowerment, protection to girl child and employment.

All the activities specified in Schedule VII of the Companies Act, 2013.

- Eradicating hunger, poverty and malnutrition
 - Promoting preventive healthcare and sanitation
 - Making available safe drinking water
- Promoting education, including special education and employment enhancing, vocation skills especially among children, women, elderly and the differently abled
 - Livelihood enhancement projects
- Promoting gender equality
 - Empowering women
 - Setting up homes, day care centers and such other facilities for senior citizens
 - Measures for reducing inequalities faced by socially and economically backward groups.
- Ensuring environmental sustainability
 - Ecological balance
 - Protection of flora and fauna
 - Animal Welfare
 - Agro forestry
 - Conservation of natural resources
 - Maintaining quality of soil, air and water
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art.
 - Setting up of public libraries
 - Promotion and development of traditional arts and handicrafts
- Measures for the benefit of armed forces Veterans, War widows and their dependants.
- Training to promote:
 - Rural Sports
 - Nationally recognized sports
 - Paralympic Sports
 - Olympic sports
- Contribution to:
 - The Prime Minister's National Relief Fund or
 - Any other fund setup by the Central Government for socio-economic development, relief and welfare of SC/ST/OBC, minorities and women.
- Contribution of funds provided to technology incubators located within academic institutions which are approved by Central Government
- Rural development Projects.
- Any other activities that will be specified from time to time by the Government/Ministry of Corporate Affairs.

1.6 State Bank of India

In terms of Reserve Bank of India instructions, the Bank can sanction donations up to 1% of the previous year's profits.

Bank's donations are classified under 2 broad categories:

- a) National Donations
- b) Normal Donations

National Donations

Donations granted to funds sponsored / recognized by Central or State Governments, like Prime Minister's National Relief



Fund, National Defense Fund, Chief Minister's Relief Fund etc. for relief / rehabilitation during natural calamities.

NORMAL DONATIONS

It may cover the following areas:

- i) Health
- ii) Education
- iii) Sports and Games.
- iv) Adoption of the Girl Child
- v) Women's empowerment
- vi) Child development
- vii) Welfare and rehabilitation of poor and handicapped
- viii) Assistance to poor and under privileged
- ix) Entrepreneur development programmes
- x) Vocational guidance
- xi) Thrust for assistance to IT education in Rural /Tribal / unreached areas
- xii) Environment protection,
- xiii) Adoption, maintenance , restoration of historic / heritage monuments / buildings including activities such as audio visual and other shows
- xiv) Assistance during natural calamities like floods/droughts etc

1.7 Financial Inclusion

Financial Year 2010-2011

- The Bank is the market leader (market share around 29.88% as on 31.03.2010) in SHG-Bank Credit Linkage programme having credit linked so far 18.90 lac SHGs (1.78 lac SHGs credit linked during FY'10-11) and disbursed loans to the extent of Rs. 14,500 crores (cumulative) up to 31.03.2011.
- Bank has rolled out several unique products like SHG Credit Card, SHG Sahayog Niwas and SHG Gold Card.
- Under the scheme for financing NGOs / MFIs for on-lending to SHGs, the Bank has covered 188 units with outstanding of Rs. 946 crores as on 31st March 2011.
- Coverage of Micro Insurance product – Grameen Shakti has been extended. 1.14 million lives have been covered so far.
- Covered 6,599 allocated unbanked villages with population more than 2,000 as at 31st March 2011 as against the target of 5,261 villages for the year.
- The Bank is a major player in Electronic Benefit Transfer (EBT) project of Government benefit payments, with participation in six States. About 24 lac beneficiaries are serviced by BC channel.

Financial Year 2011-2012

- Bank has achieved 100% coverage of allotted 12,931 villages under Financial Inclusion Plan (FIP) 2011-12 and has opened 40 lacs accounts in FIP villages during the FY 12.
- 1.36 crores 'No Frills' accounts have been opened in 400 districts of 32 States/UTs.
- Bank has set up around 30,000 BC Customer Service Points through alliances both at national and regional level. Also, 113 Financial Inclusion Centres to support the Business Correspondent (BCs) have been set up across the country.
- All products offered through Business Correspondent (BC) channel are technology enabled. Savings Bank, RD, remittance & SB-OD facilities are the products offered through BC channel.
- SBI is one of the Registrars of UIDAI. After State Governments, SBI is the top enroller with more than 252 lac enrollments. Aadhaar enabled Account opening started from data received from UIDAI.

Financial Year 2012-2013

- Bank has set up 38,480 BC Customer Service Points, through alliances both at national and regional level. SBI is offering various technological-enabled products, through Business Correspondents (BC) channel, such as, Savings Bank, RD, STDR, remittances & OD facilities.
- Opened 2.03 crores small accounts with simplified KYC.
- Bank has covered 12,931 FI villages (population >2000) and 7,600 FIP villages (population <2000).
- Transactions volume through BC Channel has grown 2.4 times during FY12-13 at Rs.13,033 crores over FY 11-12.
- Direct Benefit Transfer (DBT) Scheme successfully rolled out. SBI has Lead responsibility in 28 out of 121 DBT pilot districts. SBI has successfully completed 1.31 lac transactions amounting to Rs. 8.77 crores as Sponsoring Bank, in addition to handling 0.41 lac transactions amounting to Rs. 7.08 crores as Receiving Bank.



- Around 99% households covered & 9.85 lac accounts linked with Aadhaar in 43 pilot districts.
- Under Urban Financial Inclusion, 5,629 BC outlets have been set up in Urban/Metro centres to cater to the requirements of migrant labourers, vendors, etc. 157 lac remittance transactions for Rs. 6,962 crores were registered during FY 13.
- 5.45 lac SHGs were credit linked with credit deployment of Rs. 5,600 crores. Our market share in SHGs is 23%.

Financial Year 2013-2014

- The Bank has set up 45,487 Business Correspondent (BC) Customer Service Points through alliances both at the national and regional level.
- The Bank is offering Various technologically enabled products through BC channel, such as Savings Bank, flexi RD, STDR, remittance and SB-OD facilities.
- The Bank has achieved 100% coverage across 31,729 villages during FY 2013-14. The cumulative coverage totalled 52,260 villages.
- Over 11,423 BC outlets have been set up across urban/ metro centres, which cater to the requirements of migrant labourers and vendors, among others. During FY 2013-14, 226 lakhs remittance transactions for Rs.9,983 crores were registered through BC channel.
- During FY 2013-14, the Bank has opened 1.50 crores small accounts with simplified KYC, taking the overall tally to 3.53 crores accounts.
- The transactions volume through the BC Channel has grown to Rs.22,525 crores during FY 2013-14 as against Rs.13,033 crores during FY 2012-13.
- To facilitate transactions through alternate channels, the Bank has issued 24 lakhs FI Rupay ATM Debit Cards to FI customers. linking of villages to branches through CSPs in a hub- and-spoke model has been launched and 69,749 villages have been linked so far. A facility of depositing loan repayments at 31,919 BC outlets has also been enabled.
- Direct Benefit Transfer (DBT) Scheme has been successfully rolled-out. The Bank has successfully completed 27.41 lakhs transactions amounting to Rs.505 crores as Sponsoring Bank in addition to handling 7.1 lakhs transactions amounting to Rs.98.61 crores as Receiving Bank. Overall 1.36 crores accounts were linked with Aadhaar across the country.
- SBI is the sole Sponsoring Bank for DBT for LPG transactions, which are processed centrally for all the three Oil Marketing Companies; over 8.98 crores transactions amounting Rs.5,393 crores were successfully processed.
- Over 4.46 lakhs SHGs are credit linked with credit deployment of Rs.5,134 crores. Our market share in SHGs is 22%.

Financial Year 2014-2015

- The BC model with over 57,575 Customer Service Points (CSPs) across the country provides various products and services viz savings, term deposits, micro loans, remittances, loan repayments, micro-pension, etc. The Bank has successfully leveraged technology for Financial Inclusion by introducing Internet based Kiosk Banking, Card based and Cell phone messaging channels.
- The success in Pradhan Mantri Jan Dhan Yojna (PMJDY) was another feather in our cap, as we opened 3.3 crores accounts upto 31st March, 2015 and issued 2.97 crores RuPay debit cards to eligible customers, a substantial number from the difficult areas of the country.
- The number of BSBID/Small accounts has also grown from 3.53 crores in March 14 to 7.29 crores in March 2015. The value of transactions handled through Business Correspondents has increased by 73% from `22,525 crores in March, 2014 to `38,973 crores in March, 2015
- Bank has actively participated in SHG-Bank Credit linkage programme since its inception in 1992. As of 31st March, 2015, the Bank is the market leader in SHG financing with a credit deployment of `4,586 crores to 0.39 million SHGs, 91% of which are women SHGs
- The Bank is also the sole Sponsor Bank for the Direct Benefit Transfer for LPG subsidy (DBTL) and has handled over 29 crores DBTL transactions in a short period of time between 15th November, 2014 to 31st March, 2015.

1.8 suggestions

Financial Institutions can do a lot to assist efforts for social responsibility and achieve sustainability. Banks must also provide appropriate training to its employees on environmental and social risks in lending to ensure that climate change is taken into account in corporate banking decisions.

- Banks should not show cast CSR as a marketing strategy to attract customers. They should have a clearly defined CSR philosophy and have to state the spending expenses for CSR activities clearly to the public.

- As a socially responsible bank, it not only executes lawful banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions,
- RBI should take necessary actions to provide appropriate training to its bank employees, monitor the social responsibility of public and private sector banks, in order to oversee the compliance of CSR policies and prosecute the banks that are socially irresponsible.
- The financial institutions should implement CSR not only considering profitability but also for the development of society and environment.

1.9 Conclusion

This article gives a conclusion that referring SBI, at present the Banking Sector performing their banking services more effectively in comparison with the past and also started working towards social banking. CSR was a concept whereby financial institutions not only consider their productivity and growth, but also the wellbeing of society and the environment by taking responsibility for the impact of their activities on shareholders, employees, customers and civil society represented by NGOs.

In order to maintain competitiveness in the market and responsible to customers, bankers need to understand the economic situation identify the concerns of customers; implement fair operation procedures to protect customers and the community as a whole. The above aspects can be successfully carried by introducing various CSR policies and implementing in an innovative way.

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