

Corporate Social Responsibility Practices in The Indian Financial Institutions - A Select Study

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Abstract- Most of the Banks use Corporate Social Responsibility (CSR) practices as a marketing tool and many are only making token efforts towards CSR in tangential ways such as donations to charitable trusts, NGOs, sponsorship of events, etc. Very few banks have a clearly defined CSR philosophy. Banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far from satisfaction. There are only a few banks which report their activities on triple bottom line principles. This study aims at examining the level of customer satisfaction on CSR practices by the select banking organizations. Both public and private sector commercial banks were involved in the study. The sample size fixed for the study was 200. Statistical tools like correlation analysis was used. The study concluded that the selected respondents were highly satisfied with the CSR practices in the banking organizations and their exists a significant relationship between the CSR practices and level of customer satisfaction in the select banking organizations.

Keywords- Banking Sector, Corporate Social Responsibility, Relationship Management

I. INTRODUCTION

Corporate Social Responsibility is an appropriate subject to study as it is a rather urgent issue nowadays with all the major companies in the world spending considerable resources in this field primarily to establish and uphold a proper rapport with their stakeholders both inside and outside the companies. Corporates have moved on from the traditional assumption that the business of business is to make profits.

Corporate Social Responsibility (CSR) is generally considered to be a concept or practice whereby organisations consider the interest of society by taking responsibility for the impact of their activities on preferably all the stakeholders, viz., customers, employees, shareholders, communities and the environment in all or most aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for the local community and society at large. The concept of Corporate Social Responsibility (CSR) has long been established in academic literature as both a business philosophy and practice.

II. STATEMENT OF THE PROBLEM

The Corporate Social Responsibility (CSR) concept helps attain the goal of each and every business industry and a quality service to the society. The Banking industry is providing more facilities to customer as per the CSR concepts in banking institutions namely taking deposits from customers, granting loans and providing corresponding services in banking Institutions. The banking sector does not emit hazardous gasses nor does it increase global warming, strictly in the sense of business activities as compared to the manufacturing sector. Hence, as a matter of priority the banking sector should allow all of its earmarked funds for CSR towards promotion of financial inclusion, strictly for all economic reasons. During the mean time either by way of Government legislation or by way of ethical practices the industries other than the banking industry would take care of the need of CSR in India.

India is the largest democracy in the world with a population of 1.20 billion people. However, this democracy is not visible when it comes to financial inclusion. The extent of social orientation amongst companies varies widely. On one hand there are some organizations which are committed and very active while on the other we find organizations that do not have any kind of social orientation. (Cherunilam,2003). The entire range of obligations that an organization has towards the society is called corporate social responsibility. However, the first and primary responsibility of any organization would be its economic responsibility towards its employees, shareholders and other direct stakeholders in terms of operating efficiency and profitability. When such economic responsibilities are met with ease then the organization should take care of its legal responsibilities. However, economic benefits should not be reaped through illegal ways and means. Therefore, both economic and legal obligations of an organization are primary in nature. Now, if the economic obligations are met by way of all legal means then the organization should start thinking of the ethical considerations of earning such economic benefits. This is the position where the top management of the organization starts redefining their business models so as to meet the larger ethical requirements viz. product quality development, employee satisfaction, fair pricing, fair distribution, fair real time employment

generation, bringing transparency in business decisions, development of business models bringing down costs for the customers and taking up projects with larger ethical considerations. For example, in a highly developed economy, an average company does not find much scope for CSR activities because of the fact that the quality of appealing phenomenon like illiteracy, poverty, sanitation etc. is already taken care of by the state. In such situations we generally find high use of information technology. Hence, for example a company producing video games for children would now start thinking about creating video games which would enhance the ethical mind set and decrease intolerance amongst children. Similarly, a company producing medicines would obviously try to produce medicines with minimal side effects with a price tag which would be easily affordable by the masses. Hence, CSR may assume many forms in the society depending on the other economic and social variables. Towards, the end of this stage the organizations also take up their discretionary obligations which many a time do not have any direct bearing with the day to day business activities viz. saving of endangered species of animals, literacy campaigns, promoting health and hygiene, global warming, conservation of forests and water etc. The Indian banking sector stands at cross roads where it is supposed to spend on CSR activities at a time when a huge population remains financially excluded. Out of sheer desperation and pressure of legal compliance the Indian banks have taken up CSR activities as a peripheral objective. However, such actions can lead to improving stake holder's relationship and trust but will do little to bring about long term business and sustainable relationship with the existing and prospective customers. (Thome,2009). The present approach of the banking industry could be well compared with a situation where someone is feeding the society when his own children are starving. The alarming figures of financially excluded people tell the entire story. How can the banking system think about other activities connected to CSR when around 40% of the population in India remains financially excluded? Modern organizations in India are supposed to be governed through the principles of "management by objective". A vital question needs to be answered i.e., what is the ultimate objective of a bank? The one and only answer cannot be anything other than financial inclusion because only then would a bank be considered as a bank by one and all. For an unbanked person a bank would not be different from any other kind of organization. Hence, guided by the principles of management by objective the ultimate job of a bank is to promote total financial inclusion in its own interest. A firm of any nature should not be compelled to pursue any other goal or mission at the cost of its own long term objectives and goals. (Anand et al,2005). A good CSR reputation will help the company only when the company achieves its basic objectives and remains profitable at the same time. (Luo et al,

2012). In the present study the researcher made an attempt to show the effectiveness of CSR activity in select Indian Commercial Banks.

III. SIGNIFICANCE OF THE STUDY

Commercial banking in India is witnessing more and more competition every day. The competition is mainly based on three factors namely (a) number of account holders (b) services offered (c) interest rates. Hence, to be more effective and enjoy the trust of the masses the banking sector should focus mainly on promoting financial inclusion in India.(Luo & Du,2012). Moreover, where the ethical obligations are a compulsion for the organization the discretionary obligations are not a compulsion but a matter of choice. For the banking companies in India there are two challenges namely, financial inclusion and CSR activity. Commercial banks in India have taken up CSR activities seriously as the RBI has advised all the commercial banks operating in India to keep aside at least one percent of their profits for CSR activities. The concentration of CSR activities in public sector banks is different from that of the private sector banks. The public sector banks have concentrated mainly on rural development, women empowerment and poverty eradication whereas the private sector banks have concentrated on education and employment, child welfare and environment.(Sharma,2011). It can be observed that the banking companies in India stand divided on prioritization of CSR activities.

IV. REVIEW OF LITERATURE

Windsor (2001), article examined the future of Corporate Social Responsibility or the relationship between business and society in long run. The researcher tried to find out that whether the organization and society will come closer to each other in future or not and what will be the changing phase of CSR. With the help of history or past trend of CSR, Carolls model analysis and in global context, the researcher found three emerging alternatives of CSR i.e. conception of responsibility, global corporate citizenship, stakeholder management practices.

Nigel Sarbutts (2003), the paper explored the way of doing CSR by small and medium sized companies. The research depicted that a structured approach to managing corporate reputation and profit maximization of SME's through CSR. The societal activities of small and medium sized companies is based on their cost is Benefit Analysis. Small Corporation always struggle for more reputation and minimization of risk. In such a situation, CSR comes as hope for these companies. Large companies have so many resources for implementing CSR activities but SME's have less resources. It can be a barrier for them to stay in the market.

So, in that situation by imparting much information, proper utilization of resources, doing well for businesses, SME"s can minimize their risk and manage CSR.

Shah, Bhaskar (2010), has taken a case study of public sector undertaking i.e. Bharat Petroleum Corporation Ltd. in their research work. The research has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization used the resources/inputs of the society like material and human etc. In reverse, the organization provides services to the society. From the case study of the BPCL, it was found that company has taken a lot of initiatives in order to serve the society.

Jayashree and Neeta (2011) have discussed about the CSR practices and ratings in Indian banking industry. 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. This paper attempts to study the CSR practices carried out by the selected banks and their ratings in the Indian banking sector.

IV. OBJECTIVES

1. To study the concept of Corporate Social Responsibility in the context of Indian Banking sector.
2. To estimate the level of customer satisfaction on the CSR practices by the Indian banking sector.
3. To analyze the correlation between demographic factor and customer satisfaction on CSR concepts

V. HYPOTHESIS

Ha1 : There exist a correlation between the demographic profile of the respondents and the level of customer satisfaction on CSR practices

VI. METHODOLOGY

The present research study adopts descriptive research design and the study involves bank customers from six commercial banks involving both public and private sector banks. The public sector banks include State Bank of India, Punjab National Bank, Andhra Bank and the private sector banks include ICICI, HDFC and Karoor Vysya Banks. Both primary and secondary data were used for the research study. The primary data was collected through schedule method by designing a well structured questionnaire. The secondary data involves various published documents. For

collecting the data, convenience sampling technique was used. The sample size fixed for the study was 200 . The statistical tools used were percentage method and correlation analysis.

VII. DATA ANALYSIS AND FINDINGS

Table 1 - Demographic Profile of the Respondents

Factor	Dimension	No. of Respondents	Percentage (%)
Age	Below 25 years	48	24
	26-35 years	60	30
	36-45 years	76	38
	Above 45 years	16	8
	Total	200	100
Gender	Male	128	64
	Female	72	36
	Total	200	100
Education	Illiterate	8	4
	Upto SSC	88	44
	Intermediate, Degree, PG and others	104	52
	Total	200	100
Marital Status	Married	130	65
	Unmarried	70	35
	Total	200	100
Occupation	Employed	108	54
	Unemployed	16	8
	Home Maker	56	28
	Student	20	10
	Total	200	100

Source: Field data

Table 1 shows the demographic profile of the sample respondents. It shows that majority of the respondents (38%) are in the age group of 36-45 years followed by 30% of the respondents in the age group of 26-35 years and with regard to the aspect of gender, 64% of the sample respondents are males and 36% are females. The table further shows that 52% of the sample respondents had their education qualifications with in the range of Intermediate, Degree , Post Graduation and Others and with regard to the aspect of marital status, 65% of the sample respondents are married. The table depicts the aspect of occupation and majority of the respondents (54%) are employed followed by 28% of the sample respondents settled as home makers.

Table 2 shows the CSR Practices in Indian Commercial Banks and Level of Customer Satisfaction. It shows that 90% of the respondents had agreed that CSR promotes banks reputation and image and 91% of the respondents had agreed that CSR activities provides more customer satisfaction and 71% of the respondents had agreed that CSR is a strategy to gain competitive advantage and 87% of the respondents had agreed that CSR activities promotes customers banking facilities and 81% of the respondents had agreed that CSR practices will have a positive influence on customers behavior and 95% of the respondents had agreed that CSR practices are ethical and they are instrumental for economic development and 79% of the respondents had dis-agreed that CSR practices varies from

organization to organization and 72% of the respondents had agreed that CSR activities promotes women welfare and their by leads to women empowerment and 98% of the respondents had agreed that CSR practices are useful to the

society and they are prevailing in the select banking organizations. The analysis of this table shows that customers are more satisfied towards the CSR activities those are being practiced by the select banks of the study.

Table 2 - CSR Practices in Indian Commercial Banks and Level of Customer Satisfaction

Sl.No	Statement	No.of Respondents	Percentage (%)
1	CSR promotes banks reputation and image		
	Agree	180	90
	Disagree	20	10
	Total	200	100
2	CSR activities provides more customer satisfaction		
	Agree	182	91
	Disagree	18	9
	Total	200	100
3	CSR is a strategy to gain competitive advantage		
	Agree	142	71
	Disagree	58	29
	Total	200	100
4	CSR activities promotes customers banking facilities		
	Agree	174	87
	Disagree	26	13
	Total	200	100
5	CSR practices will have a positive influence on customers behavior		
	Agree	162	81
	Disagree	38	19
	Total	200	100
6	CSR practices are ethical and they are instrumental for economic development		
	Agree	190	95
	Disagree	10	5
	Total	200	100
7	CSR practices varies from organization to organization		
	Agree	42	21
	Disagree	158	79
	Total	200	100
8	CSR activities promotes women welfare and their by leads to women empowerment		
	Agree	144	72
	Disagree	56	28
	Total	200	100
9	CSR practices are useful to the society and they are prevailing in the select banking organizations.		
	Agree	196	98
	Disagree	4	2
	Total	200	100

Source: Field data

Table 3: Correlation Analysis between demographic profile and Level of customer satisfaction on CSR practices

Factor	Age	Gender	Education	Marital Status	Occupation	Satisfaction
Age	1					
Gender	0.462	1				
Education	0.991	0.784	1			
Marital Status	0.556	0.682	0.568	1		
Occupation	0.898	0.436	0.776	0.246	1	
Satisfaction	0.998	0.762	0.968	0.356	0.952	1

Note: Significance at 5% level

Source: Computed

Table 3 shows the relationship between demographic profile of the sample respondents and the level of customer satisfaction on CSR practices in the select Indian commercial banks. The correlation analysis shows that there is a significance relationship between demographic profile and customer level of satisfaction at 5% level of significance. The customers age have a positive significance at 0.998 and the concept of education has 0.991 value. The customer level of satisfaction of the select respondents have more positive relationship with education and occupation. Thus the alternate hypothesis is accepted.

VIII. CONCLUSION

In recent years an attempt has been initiated to ensure socially responsible behavior of banking sector in a more organized manner. The CSR in Indian Banking Sector is aimed towards addressing the financial inclusion, providing financial services to the unbanked or untapped areas of the country, the socio-economic development of the country by focusing on the activities like, poverty eradication, health and medical care, rural area development, self employment training and financial literacy trainings, infrastructure development, education, and environmental Protection etc. RBI also insisted upon taking measures for sustainable development of economy through realizing the dire necessity of CSR. 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. Thus the Indian Banking Sector plays a

prominent role in the economic development of the nation by implementing its CSR policies and practices. It can be concluded that the sample respondents in the select banks are more satisfied with the CSR activities being practiced by the select banking organizations.

IX. SUGGESTIONS

1. Banking organizations should train their employees with regard to CSR policies aiming at environmental and economical issues that have a significant impact on the society.
2. Banking organizations should follow effective reporting practices to the stake holders with regard to the execution of CSR activities and their status-quo.
3. Banks should finance socio-environmental feasible projects so that more employment will be generated which will help in curbing unemployment problem in the society.
4. Banks should promote CSR activities those aims at women welfare and women empowerment.

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