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A comparative study of corporate social responsibility (CSR) of private and public sector banks

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Abstract

Basically, CSR is the contribution of organizations towards the betterment of the Society. CSR is an important part for all the organizations to practice with their work. CSR is the initiative of corporates so as to assess and take the responsibilities for the company's effect on environment and also the impact on the welfare of society. The purpose of this paper is to compare the work done by Private Sector Banks as well as Public Sector Banks in the field of Corporate Social Responsibility (CSR). This study is based on the primary data taken through Questionnaires from 12 Private Sector Banks like IndusInd Bank, ICICI Bank, HDFC Bank, etc and from 13 Public Sector Banks like State Bank Of India, Punjab National Bank, Bank Of Baroda, etc. in field of CSR section. Corporate Social Responsibility can be as the work that a company does so as to support socially, environment or community apart from their profit. Now it is becoming the necessity of companies to work in the field of CSR so as to add to their market value. The understanding and definition of Corporate Social Responsibility (CSR) has been changed from time to time and with people to people. Definition of Corporate Social Responsibility (CSR) was defined by different people in the different ways. In the present time, most of the companies whether the corporate sector or banking sectors are working in this field to increase their Market Value and to help in development of India.

Keywords: Corporate Social Responsibility, Public Sector Bank, Private Sector Bank

Introduction

CSR is the short form of Corporate Social Responsibility. It means the responsibility of companies towards the societal betterment and development. In today's changing world, Corporate Social Responsibility (CSR) is a growing area of interest for academics, practitioners and entrepreneurs, in terms of both theory and practice. Corporate Social Responsibility (CSR) is a concept whereby companies integrate social, environmental and health concerns in their business strategy (policy) and operations and in their interactions with stakeholders on a voluntary basis. The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979).

In recent years, a growing number of companies are adopting various corporate social responsibility (CSR) initiatives - the voluntary incorporation of social and environmental issues into a company's business model and operations (European Commission 2001) - in an attempt to meet the needs and expectations of a range of stakeholders, including but not confined to the company's shareholders. Meanwhile, numerous information intermediaries have been established to gather and make publicly available information about these CSR initiatives - what is termed as "CSR ratings" or "CSR scores" - thus rating and ranking corporations across several dimensions of environmental, social, and corporate governance performance. Not only information intermediaries, but also a number of voluntary reporting standards have emerged to enable these information intermediaries to standardize the way they disclose their CSR ratings.

The banking sector performs three primary functions in an economy; first, the operation of the payment system, second, the mobilization of savings and finally, the allocation of savings to investment projects. An efficient banking structure can promote greater amount of investment which can further help to achieve a faster growth rate of economy. Worldwide experience confirms that countries with well-developed and market oriented free banking system grow faster and more consistently. Banking sector is highly intellectually intensive, where the main asset of the banks is its human capital, as the expenses incurred on

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employees are the major operating expense in the banking sector. The human capital is a key intellectual and strategic asset which increases the efficiency of banks. Performance of the banks depends upon the efficiency of its human resources. High level of Human Capital Efficiency (HCE) leads to the high performance of the banks. Efficient employees are not a sufficient criterion to measure the performance of the banks. It should also be ensured that employees are efficient and satisfied both, because the dissatisfaction of employees may turn their efficiency into inefficiency at any time. Employee satisfaction is crucial in achieving quality and profitability in the service industry. Employee satisfaction leads to higher service quality and it influences customer satisfaction directly.

Objective of the Study

The objectives of the study are -

1. To study CSR in Indian Banking Context
2. To study impact assessment of Corporate Social Responsibility on Community
3. To explore new scopes and opportunities for CSR initiatives

Literature Review

Sharma (2011) made an attempt to analyze CSR practices and CSR reporting in India with special reference to banking sector and concluded that banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far away from satisfaction. Ventura and Vieira (2007) made a study to understand the dynamics of institutionalizing corporate social responsibility in the field of Banking Organizations in Brazil and found that from being an isolated marginal action, CSR in the past ten years is now a structured action in banking organizations. Narwal (2007) made a study to highlight the CSR initiatives taken by the Indian Banking Industry. The findings suggest that banks have an objective view-point about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their core CSR activities. CSR has emerged as the business issue of the 21st century and has been studied for over 50 years. According to Friedman (2006) "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 stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud". In contrast to Friedman's statement, Robbins and Coulter (2007) explained that the management's social responsibility goes beyond making profit to include protecting and improving social's welfare of its stakeholders and the environment in which the firm carries out its operations. They also have the responsibility to the society that allow their formation through various laws and regulations and support them through purchasing their products and services.

The importance of CSR was realized by financial sector, when investors have started to consider extra-financial factors, like environment, society and governance (Bengtsson, 2008, Sjöström, 2009, Déjean et al., 2004). In today scenario, many baking organization have started to align their CSR practices with core value, products and services and publishing sustainability reports. Dangi and

Kumar (2013) discussed about significance of inclusive financial system and role of RBI towards strong banking infrastructure. Regarding the banking sector Bhatt (2008) stated that banks do not exist in a vacuum. They make a large contribution to the country's GDP growth, meet the demand of the growing middle class, contribute to infrastructure spending and reach out to the semi urban and rural areas. The Reserve Bank of India (RBI) 2011 on stressing the need for CSR, suggested the banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development. RBI also pointed out to start non-financial reporting (NFR) by the banks which will cover the work done by the banks towards the social, economic and environmental betterment of society.

Research Methodology

Data Collection

The research has been done on primary data as well as on secondary data. It was collected through websites and from various journals, magazines, articles, annual reports, and questionnaires.

Sampling Units

For analyzing of Banks work in the field of Corporate Social Responsibility, a sample of 25 banks have been collected as a primary data and as a secondary data the annual reports of banks are compared.

Analysis and Findings

Equal number of bank employees of both private and public banks agrees with that the bank encourages their employees to participate in these social activities. But on the other hand there are some employees who do not agree with this. It is also necessary for banks to involve in the social work for the betterment of community. There is no public bank employee who disagrees with the bank giving regular financial support to Corporate Social Responsibility. On the other hand, the private bank also gives regular financial support to CSR activities. Most of the employees of both the banks i.e., public and private bank agree with bank is an instrument for wealth creation with Corporate Social Responsibility. CSR conceived as a strategic tool to promote economic object. There are some employee who are neutral with the question that is the CSR is an unconditionally acceptance obligation of business. But most of them do agree with the Corporate Social Responsibility is unconditionally acceptance obligation of business. Most of the employees of both of the banks i.e., of private sector bank from which 99% of 12 employees agrees with the Corporate Social Responsibility should be the responsibility of every bank and so as public, 12 of 13 employees do agree with this. CSR budgets are allocated by both private bank and public bank. Employees of both the banks i.e., private and public sector. Employees of both the banks do agree with allocation of CSR budgets by the banks. During the analysis, it is interpreted that both the public and private banks are involved in the field of education, environmental Care, and for health but the private banks involved in Environmental Care, Education, Health Care, Housing, also Village Adoption, Welfare and also in Community Involvement. Most of the employees select news bulletin as a tool through which CSR can be popularized. Then websites are the second tool and then

newspapers. Almost 80% of employees of the both banks i.e., private and public banks agree with that they are willing to dedicate specific working hours for Corporate Social Responsibility work. Both banks employees agree as bank is an instrument for wealth creation with CSR conceived as a strategic tool to promote economic object. CSR should be the responsibility of every bank. CSR should be the responsibility of every bank to implement CSR in their banks. Also bank employees agree with the CSR budgets be allocated by the banks. Public banks mainly involve with the field of Environmental care, Education and health and some are also involve with village adoption whereas private banks involve with many areas like education, housing, health care, environment, welfare and Community involvement.

Suggestion

The analysis shows that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirement of Priority sector lending and rural branch expansion. Even after the RBI's guidelines for financial literacy programs the banks have not taken substantial steps in this direction. The RBI may be more stringent in enforcing such regulatory requirements. The banks have focused on the community welfare and farmers' welfare programs but the efforts for women welfare and education are not sizeable. Moreover, the public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area. Banks are usually judged from the point of view of their financial performance but this study has explored a new dimension for analysing the performance of banks. It could be inferred from the study that certain banks like ICICI bank, HDFC bank and State Bank of India which are top performers in terms of profitability and growth are not at the top in CSR activities. In order to achieve 100% financial inclusion in India, Banking organization can play a vital role through investing their CSR funds. Banks like HDFC and ICICI are working to deal with this problem by accelerating their CSR funds in to financial inclusion activities. But it has also noticed that they are investing into wide range of other CSR activities like supporting education, health and gender empowerment which allows the CSR contributions pie to be cut into more pieces and the goodwill spread among many beneficiaries. So they must have clear CSR vision and should be focus on only financial inclusion activities. On the other hand banks like State bank of India, Bank of Baroda and Punjab national bank are still looking for strategic CSR as their CSR activities are limited to only donation and charity. Therefore, there is lot to achieve in term of contribution towards financial inclusion by banking organization through their CSR funds. Indian Banking must address these issues as a part of their corporate social responsibility and should make purposeful efforts to reach financial inclusion. It not only will help Indian society to attain social inclusion but also helps monetization of Indian Economy and transforming unbanked region to bank.

Conclusions

This research was done to see the status of the Company towards Corporate Social Responsibility and the work

which has been done by the company. After all the surveys and study, want to conclude by saying that company is working efficiently in the areas but there are many things which need extra care or we can say attention to make it the satisfactory work. In CSR, the company's is not only to construct schools or health cares but also to maintain the things which are needed in the schools. In whole survey, I found there are some villages where company is not working very strongly. There are some areas where company has to take some strong decisions to make Corporate Social Responsibility a big success. Organizations are increasingly realizing that CSR is no longer a collection of discrete practices or occasional gestures motivated by marketing or public relations. It is rather a comprehensive set of practices and policies that should be integrated into the organizations operations and activities.

Limitations

Geographical scope of the study is limited to urban areas only. There can be many interpretations and explanations to the data collected. This is an empirical study and the research provides the explanation as understood by the researcher only. Since as the thinking, ideas and interpretations changes from person to person and also from area to area so this research can interpret in many other ways than can different from mine interpretation. Unwillingness of the respondents while filling the Questionnaire.

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