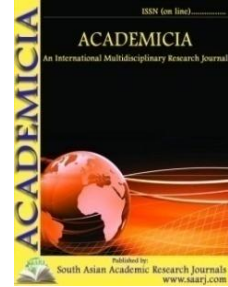




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CORPORATE SOCIAL RESPONSIBILITY ISSUES RELATING TO INDIAN BANKING SECTOR

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ABSTRACT

Today, Corporate Social Responsibility (CSR) has viewed a remarkable surge in awareness and control in the global arena. CSR is a continuous commitment by business to attain commercial success that honour ethical values, address legal issues and add to economic development. Corporate social responsibility refers to strategies that Corporations employ to conduct their business in ethical and society friendly way which is beneficial to community in terms of development. CSR is a concept where organizations apart from their profitability and growth and express interest in societal and environmental welfare by taking the responsibility of their activities on all stakeholders. It considers the social and environmental implications of corporate financial decisions. Sustainability, CSR and banks are habitually not thought of in identical context. With the increasing requirement for economic development globally, there is demand for Financial Institutions to make efforts in eliminating poverty, achieving equitable and accountable systems of governance and ensuring environmental security. In this context, present paper attempts to investigate the CSR practices in Indian Banking sector. The result reveals that in developing nations like India, the situation of CSR activities by financial institutions is not so flourishing.

KEYWORDS: CSR, Sustainable, finance, Initiatives, Banking.

SECTION 1:INTRODUCTION

Social Responsibility of business basically refers to what a business does over and above the legislative requirement for the benefit of the society. The word “responsibility” accentuates that business has certain moral commitments towards the society. CSR is also recognised as Sustainable Responsible Business or Corporate Social Performance, is a form of corporate self-regulation incorporated into a business model. Industrialization has explored vibrant avenues of growth to a nation but at the flip side it has entrenched the use of non-renewable energy sources, global warming and rising levels of waste which has detrimental effects to the coming generations. The concerns for sustainable development and management of natural resources has given mass recognition to the concept of CSR The assimilation of CSR principles in activities of business is indispensable to guarantee sustainable development. In the financial sector, numerous international initiatives like United Nations Environment Programme Finance Initiative (UNEPFI), Global Reporting Initiative, and Equator Principles etc. are underway to certify the adoption of CSR practices. All these initiatives have positively tuned up developed countries to act in a socially responsible manner. But in developing nations, there is an absence of effective actions to the contemporary need. Belal (2001) renowned that most of the CSR studies steered so far were in the context of developed countries and too pintsized CSR practices in smaller and emerging countries. In this background, the existing paper endeavours to scrutinize the steps initiated by Indian commercial banks to epitomise their efforts in this field. The present paper is divided into following sections: Section 1 gives the Introduction explaining the meaning and various initiatives of CSR practices and Section 2 gives an exhaustive Review of Existing Literature. Section 3 highlights the International Initiatives. Section 4 explores various CSR initiatives taken by Indian banks, followed by the Conclusion in Section 5 and Section 6 encompasses the References used in the study.

SECTION 2: REVIEW OF LITERATURE

Corporate Social Responsibility Theory is not new-fangled. It distinguishes that business firms does not have only one but various others responsibilities also like including economic and legal responsibilities. CSR was recognised as the conformance to industry principles in 1970s. The simple idea was to amplify the CSR implications from pure economical boundaries. In this context, corporate houses confirmed the probable use of business resources without any compromise with business ethics. The concept focused on profit maximization without deception to any stakeholder. Today, a socially responsible firm was identified as one which focuses mainly on multiplicity of interests instead of striving just for profit making. Davis (1973) pronounced CSR as firm’s response to diverse issues beyond the narrower issues of economic, technical and legal requests of the firm. Lee (1997) explicated CSR as the company’s promise to function in a frugally and environmentally sustainable manner, though acknowledging the interests of stakeholders and maximizing economic, social and environmental value. Holmes and Watts (1999) demarcated CSR as commitment by business to behave morally and add to economic development. Some researchers debated that corporations make extra profits by functioning with a CSR perspective, however others contend that CSR befuddles from the economic role of businesses. Matten & Crane (2005) highlighted that the firms will experience contradictory degrees of internal and external pressures to engage in CSR. World Business Council for Sustainable Development (2001) illuminated CSR as the pledge of business to add

towards sustainable economic development, working with workforces, their families and the native communities. Uhlaner et al (2004) deliberated the economic, legal, ethical, humanitarian aspects with CSR context. Juholin (2004) made a comparison between CSR as simple legal compliance and as conducting business with high morality. Friedman (2006) says that there is only one social responsibility of business i.e. to use its resources and engage in activities designed to increase its profits without deception or fraud". Robbins and Coulter (2007) elucidated that the management's responsibility goes beyond profit making to embrace guarding and taming social's welfare of stakeholders and the environment in which the firm operates. (Carroll, 2008). Zain (2008) said that ethical standards play a significant role in a firm's triumph in the long-run. Sharma (2011) analysed CSR practices and CSR reporting in Indian context with special reference to banking sector and determined that banking sector is showing interest in assimilating sustainability into their business models but CSR practices are far from satisfaction.

SECTION 3: INTERNATIONAL INITIATIVES

Globally, numerous initiatives are underway, of which the predominant initiatives are the United Nations Environment Programme Finance Initiative (UNEP FI), Global Reporting Initiative (GRI), Equator Principles, London Principles, etc., which have aided in amassing the awareness levels as regards CSR among all concerned.

3.1. UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE (UNEP FI)

UNEP FI is a chief international initiative concerning the financial sector in sustainable development. There is not a single Indian entity among the signatories, of the more than 200 financial institutions, worldwide.

3.2 GLOBAL REPORTING INITIATIVE (GRI)

GRI is a long-term, multi-stakeholder and an international process whose objective is to advance and propagate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use for reporting on the economic, environmental, and social dimensions of their activities. The purpose of the Guidelines is to succour reporting organizations and their stakeholders in enunciating and understanding contributions of the reporting organisations to sustainable development.

3.3 INTERNATIONAL FINANCE CORPORATION (IFC)

International Finance Corporation (IFC), has developed an environmental and social review procedure which determines the competence of the various projects which it finances. The IFC is the main multilateral source of loan financing for private sector projects in the developing world. Its social review procedure outlines the process by which IFC determines the capability of the project sponsor's environmental assessment for a proposed project. The purpose of the environmental and social review is to confirm that the project complies with applicable IFC environmental and social policies. IFC observes the environmental and social performance of projects in its investment portfolio.

3.4 THE "EQUATOR PRINCIPLES"

The Equator Principles developed under the guidance of IFC, offer a mutual framework for the project finance industry based on an external benchmark i.e. the World Bank and IFC safeguard policies. The Equator Principles are a set of intended environmental and social guidelines for moral project finance and these principles obligate banks to not finance projects that fail to meet these guidelines. These principles were conceived in 2002 and launched in 2003. Since then, many major banks globally have adopted the Principles. These Principles have become the de facto standard for all banks to deal with prospective social and environmental effects of projects to be financed.

SECTION 4: CSR PRACTICES BY INDIAN BANKS

Reserve Bank of India specified that CSR involves the integration of social and environmental concerns by companies in their operations and in interfaces with their stakeholders. It has entreated the banks to pay idiosyncratic attention towards incorporation of social and environmental concerns in their business operations. RBI has emphasized that such initiatives by the banks are vital for sustainable development. In recent years an endeavour has been initiated to confirm socially responsible behaviour of banking sector. The CSR in Indian Banking Sector is intended towards addressing the problems of financial inclusion, providing financial services to the unbanked areas, the socio-economic development through poverty eradication, rural development, financial literacy, infrastructure development, education, and environmental Protection etc. RBI also contended upon taking actions for sustainable development through realizing the necessity of CSR. These areas embrace children welfare, education, environment, healthcare, poverty eradication, rural development, women's empowerment and employment etc.

In order to address ecological and environmental concerns, some Indian Banks has decided to go for energy efficient buildings. Bureau of Energy Efficiency has presented the first star rating labels to the Bank's buildings. The four buildings located at Bhubaneswar, Chennai, Kochi, Kolkata are recognized under the rating system. Small Industries development bank of India (SIDBI) has also integrated environmental and social aspects in its core business activities to certify sustainable development. It is providing concessional credit to medium and small scale industries which are instigating energy saving projects and are espousing pollution control measures.

Some of the Sustainable Initiatives by Indian Banks are mentioned below:

A. STATE BANK OF INDIA(SBI)

SBI, the oldest bank has also embraced green banking initiatives in its loaning operations. The bank has instigated urgent measures to combat the climate change through envisioning two approaches:

- i. To condense the Bank's own carbon footprint and,
- ii. To warn clients to espouse low carbon emission practices.

B. ICICI BANK

ICICI bank has exposed its pledge to corporate environmental stewardship and protracted a support to clean technology projects and has also slackened credit to zero emission vehicles.

C. IDBI BANK

IDBI has set up carbon desk and has come forward to join hands with Smile Foundation in social development initiatives. It has also contributed 14 personal computers to Smile Foundation which have been applied in different projects.

D. YES BANK

YES BANK in association with CARE India has launched India's first Social Deposit Account. It is a regular Fixed Deposit account where customers have the choice of donating their interest income to a social cause through CARE India. In 2011, it has won Best CSR Practice Award.

E. AXIS BANK

Axis bank Foundation desires to donate in the areas of education and healthcare. To achieve these objectives the bank has set up programmes which offer educational support.

F. HDFC BANK

HDFC Bank has been working with NGOs for offering non formal vocational and technical education programs to enable sustainable employment and income generation for economically weaker sections of the economy.

SECTION 5: CONCLUSION

Indian banking Sector is displaying an intense interest in incorporating sustainability into their business models but only few banks report their activities on triple bottom line principles. The study also found that few banks are making false motions for socio- environmental concerns. Most of Indian banks contrivance CSR in an ad-hoc manner, unrelated with their business process. Volunteer actions are essential to be taken by the financial bodies to confirm the socio- environmental feasibility of projects to be financed. Indian banking sector need to portray their socially responsible behaviour by incorporating triple bottom line principle. Financial Institutions can put lot of efforts to achieve sustainability. Banks must also offer appropriate training to its staff on environmental and social risks to guarantee that environmental factors are taken into account in corporate banking decisions. In order to accomplish the social objectives, it prerequisite to frame a CSR Policy in every banking company for prioritizing activities for social spending and apportionment of separate funds for this drive.

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