

A STUDY ON CSR ACTIVITIES IN BANKING SECTOR AS A FACTOR OF ECONOMIC GROWTH

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ABSTRACT

Corporate Social Responsibility (CSR) is the compliance of social and environmental aspects throughout the operation of the organization. Business rivalries started taking heavy toll on the quality, transparency, environment and the society in general endangering the peaceful coexistence of business and society. The businesses houses started realizing that they would have to rise over and above the profitability and take care of all those associated with their survival in the society directly or indirectly. This realization resulted into the concept of Corporate Social Responsibility (CSR). This research paper moves around developing an understanding about the corporate social responsibility (CSR), its concept and finding out its scope taking the case study of the SBI.

Keywords: Corporate Social Responsibility, Employee, Productivity, Profitability, Society, Stakeholders.

INTRODUCTION:

The concept of CSR originated in the 1950's in the USA but it became prevalent in early 1970s. At that time US had lots of social problems like poverty, unemployment, pollution. Consequently, a huge fall in the prices of Dollar was witnessed. During the 1980's to 2000, corporations recognized and started accepting a responsibility towards society. Corporate social responsibility (CSR) focuses on the wealth creation for the optimal benefit of all stakeholders – including shareholders, employees, customers, environment and society. The term stakeholder means all those on whom an organization's performance and activities have some impact either directly or indirectly.

LITERATURE REVIEW:

- ❖ **Frederick (1960)** stated social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people.
- ❖ **Davis (1960)** asserted that some socially responsible business decisions can be justified by a long, complicated process of reasoning as having a good chance of bringing long run economic gain to the firm, thus paying it back for its socially responsible outlook. Society and environment are the agents of stakeholders of an organization and the management should direct the corporation for the benefit of its stakeholders for ensuring the survival of the firm and to safeguard the long term stakes of each group.
- ❖ **Donaldson and Preston (1995), Gray et al. (1995), Fontaine et al. (2006), Friedman and Miles (2006)** concluded that a firm should not ignore the claims of stakeholders.
- ❖ **Gray et al. (1987) and Fukukawa and Moon (2005)** discussed the issue of sustainability aims to protect the future generations through sustainable practices by business organizations. An ideal CSR has both ethical and philosophical dimensions, particularly in India where there exists a wide gap between sections of people in terms of income and standards as well as socio-economic status.
- ❖ **Bajpai (2001) and Goyder (2003)** argue: "Industry in the 20th century can no longer be regarded as a private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the locality, government and trade union officials all play a part. If the system which we know by the name private enterprise is to continue, some way must be found to embrace many interests whom we go to make up industry in a common purpose."
- ❖ According to **Wood (1991)**, CSR implies some sort of commitment through corporate policies and action. This operational view of CSR is reflected in a firm's social performance. It can be assessed by how a firm manages its societal relationships, its social impact and the outcomes of its CSR policies and actions.

Purpose of the study:

- ❖ To get an insight in CSR practices in the light of the case study of the SBI.
- ❖ To understand the concept of CSR.
- ❖ To find out the scope of CSR.
- ❖ To know how the SBI has fulfilled its responsibility towards all stakeholders and what specific activities, programs and strategies it has set, devised and implemented for the same.

Research Methodology:

- ❖ Exhaustive literature survey regarding the topic and related concepts has been done. Secondary data inclusive of quantitative and qualitative data as well collected from various sources including books, research papers, newspapers, magazines, and websites is used for the purpose of study.

Concentric Circle and CSR:

- ❖ In 1971, the Committee for Economic Development issued a report throwing light on different dimensions of responsibilities to be fulfilled by the corporate. The responsibilities of corporations are described consisting of three concentric circles.
 - (a) **Inner Circle:** Clear cut, basic responsibilities for the efficient execution of the economic function, products, jobs and economic growth.
 - (b) **Intermediate Circle:** Encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities, for example: With respect to environmental conservation, hiring and relations with employees, expectation of customers for information, safety factors, etc.
 - (c) **The Outer Circle:** Newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment.

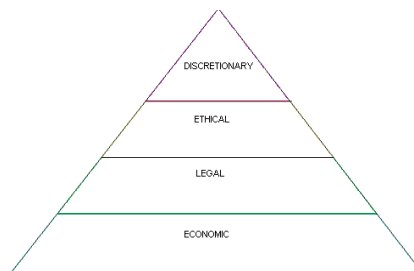
Classification of Social Responsibility:

- ❖ **Responsibility towards itself:** It is the responsibility of each corporate entity run business and to work towards growth, expansion and stability and thus earn profits.
- ❖ **Responsibility towards Employees:** Employees are the most important part of an organization. Following are some of the responsibilities which a business entity has towards its employees:
 - Timely payment.
 - Hygienic and ethical environment.
 - Good and impartial behavior.
 - Health care through yoga and meditation.
 - Recreational activities.
 - Encouraging them to take part in managerial decisions.
- ❖ **Responsibility towards shareholders:** It is the responsibility of corporate entity to safeguard the shareholders' investment and make efforts to provide a reasonable return on their investment.
- ❖ **Responsibility towards state:** Out of the profit available, the state is entitled to a certain share as per the income tax laws. Utmost transparency has to be exerted regarding the profit and loss account and the balance sheet.
- ❖ **Responsibility towards consumers:** The Company should maintain high quality standards at reasonable prices. It should not resort to malpractices such as hoarding and black marketing.
- ❖ **Responsibility towards environment:**
 - ❖ It is the responsibility of the organization to contribute to the protection of environment. It should produce eco -friendly products. Moreover, industrial waste management must be taken care of.

Social Responsibility Models:

There are some models which describe the evolution and scope of social orientation of companies. Notable ones include Carroll's model, Halal's model and Ackerman's model.

(a) **Carroll's Model:** Archie B. Carroll has defined CSR as the complete range of duties business has towards the society. He has proposed a *3-d conceptual model of corporate performance*. According to Carroll, a firm has the following four categories of obligations of corporate performance as under:



HIERARCHY OF RESPONSIBILITIES OF BUSINESS

- ❖ **Economic:** The firm being an economic entity, its primary responsibility is to satisfy economic needs of the society and generation of surplus for rewarding the investors and further expansion and diversification.
- ❖ **Legal:** The laws of the land and international laws of trade and commerce has to be followed and complied with.
- ❖ **Ethical:** Ethical responsibilities are norms which the society expects the business to observe like not resorting to hoarding and other malpractices.
- ❖ **Discretionary:** Discretionary responsibilities refer to the voluntary contribution of the business to the social cause like involvement in community development or other social projects pertaining to health and awareness of the masses.

(b) Halal's model:

Halal's return on resource model of corporate performance recognizes the fact that the corporate social responsiveness is a quite difficult task as no corporate posture is value free. The coordination between economic and ethical decisions is necessary so that the future of the firm and shareholders may be safeguarded.

(c) Ackerman's model:

This model defines CSR in three different phases as under:

First phase: Top management recognizes social problem.

Second phase: The company appoints staff specialists to look into the issue and find measures to tackle it.

Third phase: Implementation of the strategy derived by the specialists.

SBI and CSR: (Introduction)

The State Bank of India (SBI) was established in 1955. SBI is actively involved since 1973 in non-profit activity called community services banking. In 2007, SBI entered a merger agreement with its seven associate banks such as the **State Bank of Bikaner and Jaipur**, the **State Bank of Indore**, the **State Bank of Patiala**, the **State Bank of Saurashtra**, the **State Bank of Travancore**, the **State Bank of Mysore** and the **State Bank of Hyderabad**. SBI has over 16000 branches and over 8500 ATM across India. The bank continues to enjoy very good market valuations and is currently ranked **8th amongst top 10 market cap companies** and **first amongst Public Sector Banks**. The bank on a consolidated basis continues to be amongst the top tax payers of the country with tax payout during FY 2012-13 at **7,559 crores**. Bank has disbursed direct agriculture loans of **22,303 crores** during the FY 2012-13, representing a growth of **25.85%** covering **11.89 lakh** new farmers. SBI was awarded **Pegasus Corporate Social Responsibility Award 2007** for rural community development and **Best Public Sector Bank for Rural Reach by Dun and Bradstreet**.

CSR Activities of SBI and Societies:

Through the following domestic banking subsidiaries and associates, SBI keeps on heading towards the fulfillment of corporate social responsibility.

❖ State Bank of Hyderabad

SBI Spent 4 crore rupees for social responsibility activities in the last financial year and recently over 2 crores have been spent in the Hyderabad circle. Each bank separately donated fans and water purifiers to schools. In every financial year, the bank has donated 25 ambulances and medical vans to hospitals.

(a) Adoption of Girl Child' Scheme: SBI is spending 1% of annual profit towards Corporate Social Responsibility (CSR) activities under the **Adoption of Girl Child** scheme in backward districts of Andhra Pradesh.

(b) Supports Social Welfare Organizations: State Bank of Hyderabad supports various social welfare organizations. They include:

- **Lakshya Sadhana Society** for the mentally challenged in Hyderabad circle.

➤ **Ashray-Akruti Institution and Andhra Mahila Sabha.**

➤ The bank distributed **30 hearing aids** in 2012, worth Rs 1.44 lakh to the students of **Dr. Durgabai Deshmukh Vocational Training and Rehabilitation Centre** for the physically challenged people. It was a much-needed help. The bank donated equipment, buses etc for students belonging to underprivileged sections, through voluntary organizations, apart from organizing blood donation camps, medical camps etc.

❖ **State Bank of Mysore:**

SBI said it earmarks 1% its profits for CSR and spends Rs. 141 crores on such activities during out of its net profit which has touched Rs. 14,105 crores. Moreover, State Bank of Mysore supports various social welfare organizations such as **Divya Jyothi Charitable Trust** and **Sneha Kiran of Mysore Spastic Society**. The State Bank of India donated an ambulance to Sneha Kiran of Mysore Spastic Society and funds for the purchase of a **Braille Printer** to Divya Jyothi Charitable Trust.

❖ **State Bank of Bangalore:**

The bank has donated nine ambulances and five school buses and has conducted 24 medical and health awareness camps. Also, it has sponsored 12 cultural programmes. SBI will also sponsor six sporting events including the **T20 World Cup for the blind**.

❖ **State Bank of Patiala:**

It has donated **36 water purifiers to the schools**.

❖ **State Bank of Travancore:**

As part of CSR activities, Rs 10 lakh were offered to Tamil Nadu based **Shanthi Bhavan Education Trust** for the education of disabled children and to set up solar panels. The bank also offered an ambulance to **Asha Bhavan in Thiruvananthapuram**. Moreover, **SBI Life Insurance** is a joint venture between **State Bank of India** and **BNP Paribas Cardif**. SBI owns **74%** of the total capital and the remaining **26%** is owned by BNP Paribas Cardif. SBI Life Insurance has an authorized capital of **Rs. 2,000 crores** and a paid up capital of **Rs 1,000 crores**.

❖ **SBI Life's CSR Initiative on World Leprosy Day:**

Few years back, on World Leprosy Day, i.e. 30th January, SBI Life supported a **Leprosy Eradication Trust-Loknayak**, by donating ambulance.

❖ **SBI Life's CSR Initiative-Enabling Mentally Challenged Children:**

SBI Life participated in Mumbai Marathon 2013 to support mentally challenged children through its CSR partner "**Swayamsiddh**".

❖ **SBI Cards and Payment Services Pvt. Ltd. (SBI Cards):**

SBI Cards is a joint venture between State Bank of India and **GE Capital Corporation** to offer Indian consumers extensive access to a wide range of world-class, value-added payment products and services. The partners have set up two joint venture companies to develop a credit card business in India- SBI Cards & Payment Services Pvt. Ltd., which focuses on the marketing and distribution of SBI Cards and GE Capital Business Processes Management Services Pvt. Ltd., which handles the technology and processing needs of SBI Cards.

❖ **SBI Cards and Payment Services Pvt. Ltd support the impressive education work of Literacy India:**

Leading credit card issuer has donated 244 computers with associated peripherals to **NASSCOM Foundation's BigBridge Program** recently. GE Volunteers, who have been a long-term partner to NASSCOM foundation, have generously facilitated this donation through their commitments to **Corporate Citizenship**. NASSCOM Foundation's BigBridge program enables education, employability and entrepreneurship through digital literacy and livelihood projects using refurbished computers.

❖ **GE Volunteers:**

GE Volunteers support "**not-for-profit**" education, health, environment and disaster relief programs and initiatives in India. They work with various schools and NGOs to support education initiatives by teaching, helping infrastructure needs and also supporting bright students with scholarships. GE Volunteers spend over **20,000 hours** every year in India, working at local schools, with communities focused on sustainable development, on animal welfare projects and during tsunami, floods and other natural calamities.

❖ **CSR Activities pre merger in 2016-17 and post merger in 2017-18:**

Before the proposal of idea of merger of five associated banks with SBI was made in 2017, the CSR budget was **115.80 crores** in financial year 2016-17. This amount was spent as under:

- **89.82 crores** for local head offices (circles)
- **7.52 crores** for health equipments and surgeries
- **1.50 crores** for old age homes and mobility solutions
- **1.35 crores** for holistic support for

- **1.15 crores** for computers and peripherals
- **3.99 crores** for school buses and other transport vehicles
- **1.57 crores** support to persons with disabilities (**Divyang Jan Yojna**)
- **3.57 crores** for environment and sustainability
- **5.33 crores** for SBI Youth for India Fellowship program

❖ **An Overview of some recent CSR activities by SBI:**

Education Sector:

- ✓ Provided a vehicle for smooth transportation of children to an NGO in Navi Mumbai, Maharashtra.
- ✓ Set up a smart classroom in a school for the underprivileged children in Allapuzha, Kerala.

Health Care Sector:

- ✓ Cost of treatment of 100 patients suffering from Chronic Myeloid Leukemia to a hospital in Jaipur, Rajasthan.
- ✓ Support towards free medical camps in 50 villages across Gujarat for a period of 6 months.

Environment and Rural Development Sector:

- ✓ Active participation in “Van Mahotsava” every year.
- ✓ Plantation of 50,000 trees in the north eastern state of Sikkim.

CSR Partnership with others:

- ✓ Distribution of stationary kits to 10,000 children from across Shahapur, Maharashtra, by employees from SBI.
- ✓ Participation of SBI Life employees in Tata Mumbai Marathon 2018, where 250+ employees ran to support the education of 700 underprivileged children from Smile Foundation across Jammu, Bangalore, Mumbai and Delhi.

Disaster Relief Camps:

- ✓ Provided relief materials to the victims of floods that in Bihar, Assam, Uttar Pradesh and West Bengal.
- ✓ 22,600 flood-affected people spread across these states were the direct beneficiaries of this initiative.

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