A COMPARATIVE ANALYSIS OF CSR PRACTICES: BANK OF BARODA AND STATE BANK OF INDIA

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ABSTRACT

CSR basically is a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The CSR generally applies to company efforts towards various social welfare initiatives to benefit employees, customers, and the community at large. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. The main objective of this study is to analyze the CSR activities carried out by State bank of India and bank of Baroda. An attempt has been made to analyze and compare the existing CSR practices of both the banks i.e., Bank of Baroda and State Bank of India. Data are collected from the secondary sources mostly from concerned Banks Annual Report, web sites, newsletters and other secondary sources. It has been found that the selected banks are directly engaged in CSR activities mostly in the area of Rural Development, Education, health, Women and Children. The analysis shows that these banks are making efforts for the implementation of CSR, but are restricted within certain fields. There is a need for better CSR activities by the banks, which is possible by adding more and more social development issues within then CSR policy of banks.

KEYWORDS: Banking Sector, Corporate Social Responsibility, Financial Institution, Public Sector Banks,

INTRODUCTION

The idea of CSR first came up in 1953 when it became an academic topic in HR Bowen’s Social Responsibilities of the Business”. Since then, there has been continuous debate on the concept and its implementation. Although the idea has been around for more than half a century, there is still no clear consensus over its definition. One of the most contemporary definitions is from the World Bank Group, stating, “Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development.”

Social responsibility refers to the obligation of a firm, beyond the required by law of economics, to pursue long-term goals that are good for society. The idea that firms, corporations, and other organizations have social responsibilities leads to the development of the concept
labelled as “Corporate Social Responsibility (CSR)” and has evoked widespread interests and concerns both in business and among academicians. However, CSR is a broad concept and there is little consensus on specific meaning or criteria that define what CSR is (Dahlsrud 2008). 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. Nowadays, many nationalized banks in India have created their own corporate image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives in the era of social welfare and community development. The catalytic contributions made by nationalized banks for economic growth in India have created their separate entities towards financial growth.

To highlight the role of banks in corporate social responsibility the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title “Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks”. 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.

PURPOSE OF THE STUDY

The purpose of the study is to highlight the existing CSR activities of selected banks and to do comparative analysis of the same. The main objectives of this paper include:

- To study the existing CSR practices of SBI and BOB.
- To do a comparative analysis of the selected banks

RESEARCH METHODOLOGY

The present study covers two nationalized banks of India Bank of Baroda and State Bank of India. Data are mainly collected from secondary sources. The secondary data has been collected from different sources like scholarly articles, annual reports of the selected banks, newsletters, and various websites. The study covers the period of financial year 2012-13.

CORPORATE SOCIAL RESPONSIBILITY

The concept of Corporate Social Responsibility is not a new one but the definitions and focus changes with the changing requirements of business and changing social needs. The
The concept of CSR was first mentioned in 1953 in the publication of “Social responsibilities of businessman” by William J. Bowen. However, the term CSR became only popular in the 1990s.

While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility. This is evident in some of the definitions presented below:

The WBCSD defines CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”

According to the UNIDO, “Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line Approach), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

CSR has been making an increasingly distinguished impact in the Indian social system by encouraging developments and social enhancement.

**ROLE OF INDIAN BANKING SECTOR**

The present day banking has its origin in U.K. Their early role was to safeguard the money deposited by the local citizens and charge them a small fee for the same. Slowly the bankers started realizing that they could use this money by lending. That was the beginning of deposit and loan. Thus the banking institution was born.

Banking in India in the modern sense originated in the last decades of the 18th century. The first banks were Bank of Hindustan (1770-1829) and The General Bank of India, established 1786 and since defunct. In the year 1969 there was a revolution in Indian Banking Sector the Indian government nationalized all the major banks that it did not already own and these have remained under government ownership and took an important step of nationalizing 14 large banks with a deposit base of Rs. 50 crore or more. In April 1980 six more banks were nationalized increasing the number of nationalized banks to 20. 1980 six more banks were nationalized increasing the number of nationalized banks to 20.
Out of these 20 banks in 1993-94, New Bank of India was merged with Punjab National bank with the changing scenario the banks also have started emphasizing on CSR practices whereas earlier the motive was only the profit maximization. CSR has been assuming greater importance in the corporate world, including the banking sector. Today Banking Sector growing larger and powerful than before and due to govt. and non govt. pressure taking active initiatives and practicing more and more csr activities. Now under the clause 135 of companies act 2013 govt has made the mandatory investment of 2 percent of profit in the CSR activities.

Over the past few years, the concept of CSR has been changing. There has been an apparent transition from giving as an obligation or charity to giving as a strategy or responsibility. Banks give more emphasis on CSR rather making profit.

**REVIEW OF LITERATURE**

This section provides a review of the theoretical literature on CSR activities in Indian banking sectors. Banks play a vital role in the economic resource allocation of countries by mobilizing resources for productive activities. Now-a-days across the globe, banking sector is under massive pressure from its shareholders, investors, media, NGOs as well as its customers to carry out business in a responsible and ethical manner (Bhattacharya et al., 2004; Frenz, 2005; Jeucken, 2001; Jeucken, 2004).

Recently, several initiatives have been initiated to promote CSR practices around the globe. Bank Tract Network was formed by global coalition of NGOs to promote sustainable finance. Collevecchio declaration also calls Financial institutions (FIs) such as banks and asset managers can and must play a positive role in advancing environmental and social sustainability. This declaration calls on FIs to embrace six main principles which reflect civil society's expectations of the role and responsibilities of the financial services sector in fostering sustainability for environmental protection and social justice by banks. The six principles, commitment to sustainability, responsibility, accountability, do no harm, transparency and sustainable market and governance. Some countries levied heavy penalties to banks for violating socio-economic principles. State regulatory bodies, media, NGOs, customers have significantly addressed social responsibility issues in banking sector (Jeucken, 2001; Bhattacharya et al., 2004; Decker, 2004). Likewise, international organization such as the World Bank also frequently exert pressures on banks to analyze social and environmental risk involved in projects to be financed. In addition to this, CSR practices of an organization have significant impact on its reputation and resultant profitability. Bihari and Pradhan (2011) have attempted to map the corporate social responsibility practices of major players in the Indian banking and found that CSR has positive impact on the performance and image of the bank. Narwal (2007) made a study of 33 public and private sector banks in northern Haryana to highlight the CSR initiatives taken by the Indian Banking Industry, which can help them to enhance their overall performance. The findings suggest that banks have an objective view-point about CSR activities. 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 development, vocational training, women’s empowerment, and protection to girl child, employment practices are far away from satisfaction. He has given a list of core thrust areas for reporting CSR activities by the Indian banks as: children welfare, community welfare, education, environment, healthcare, poverty eradication, rural.

CSR PRACTICES OF STATE BANK OF INDIA AND BANK OF BARODA

The state Bank of India is actively involved since 1973 in non-profit activity called Community Services Banking. All branches and administrative offices throughout the country sponsor and participate in large number of welfare activities and social causes. Apart from the normal banking operations, the Bank, as a responsible and responsive corporate citizen, seeks to reinvest part of its profit in various community welfare projects to improve the quality of life of the poor, neglected, weaker and downtrodden sections of society.

Whereas Bank of Baroda has always upheld inclusive growth high on its agenda. Bank has established 36 Baroda Swarojgar Vikas Sansthan (Baroda R-SETI) for imparting training to unemployed youth, free of cost for gainful self employment & entrepreneurship skill development and 52 Baroda Gramin Paramarsh Kendra and for knowledge sharing, problem solving and credit counselling for rural masses across the country, as on 31.03.2011. Bank has also established 18 Financial Literacy and Credit Counselling Centres (FLCC) in order to spread awareness among the rural masses on various financial and banking services and to speed up the process of Financial Inclusion, as on 31.03.2011.

TOTAL SPENDING ON CORPORATE SOCIAL RESPONSIBILITY

Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) of Bank of Baroda for FY 12-13 was 0.16% which amounts to INR 699.74 lakh

Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) of State Bank of India for FY 12-13 was 1% which amounts to INR 117.07 crores. The Bank’s actual spend on CSR activities for FY 12-13 was INR 123.27 crores.

![Fig.1 Total Spending on Corporate Social Responsibility (CSR)](image-url)
THE FOCUS AREAS OF THE BANK’S CSR ACTIVITIES

The focus areas of the Bank’s CSR activities are listed here under:

State Bank of India  
Bank of Baroda  
Supporting education.  
Education  
Supporting healthcare.  
Women welfare  
Assistance to poor & underprivileged.  
Health  
Environment protection.  
Social welfare activities  
Entrepreneur development programme  
Help in National calamities

EDUCATION

Bank of Baroda: The Bank has also provided scholarships to 50 tribal girls to promote education among tribal community. Bank has also donated 24 lakh to the following institution to support learning and education.

Rajasthan Rajya Gandhi Smarak Nidhi, Jaipur, Akshara Foundation, Ramanujan Society of Mathematics, Maharashtra Girls Education Society. Bank of Baroda has been giving donations for the following purposes for the spread of education –including for the girl child and womenfolk in remote villages, to reputed colleges/public schools and other similar institutions.

State Bank of India: Looking to the deep inconvenience and discomfort students faced in hot summer in classrooms without the fans, the Bank donated 1,40,000 fans to 14,000 schools. The methodology was that every branch of the Bank adopted a school in its neighbourhood attended by students from modest background and installed 10 fans and one water purifier. This strategy gave wide reach to the activity and every single region of the country having SBI branch had schools in the vicinity benefitting from donation of fans and a water purifier. SBI as a leading public sector bank plays a very key role in the field of education. It helps the needy people by providing education loan in the field of education. SBI Education Loans has grown by 9.43% during FY 2012-13. It has a total exposure of Rs. 13,751 cores as on Mar 2013.SBI Loan Scheme for Vocational Education and Training was launched in July 2012 and loans up to Rs. 1 lakh are given under this scheme. Maximum Loan Amount for Studies Abroad has also been increased to Rs.30 lakh from the previous limit of Rs. 20 lakh.

HEALTH

Maintaining mobile dispensary (Ambulance), Promotion of health and medical care through multi-specialty hospital, ophthalmology and trauma hospital. Some of the notable beneficiaries of Bank's support have been the following institutions Amrita School, 117/K/100, Sarvoday Nagar, Shri N.A. Easwarappa Pratisthan, Huliyar, Tumkur Dist., Karnataka Narayana Hrudalaya Charitable Trust.

State Bank of India: To help in delivering quality healthcare and transportation of patients and doctors which is a challenge especially in non metro areas, Bank has donated 313 ambulances and medical vans. To help children especially the physically handicapped children, Bank has distributed 51 school buses/vans. Some of the notable beneficiaries of Bank's support have been the following institutions like Aravind Eye Hospital, Chennai, Tata Medical Centre, Kolkata, N. Swain Memorial Trust, Hyderabad, Sankara Nethralaya, Chennai, St. Xavier's College, Mumbai etc.

OTHER AREAS

Bank of Baroda: The Bank has adopted 101 villages across India for their all around development and providing financial assistance for development of infrastructure facilities like setting up village libraries, community hall and solar lighting systems in villages. The Bank has also adopted Dungarpur District in Rajasthan for total integrated rural development and 100.00% financial inclusion.

The Bank coordinates its CSR activities with its Micro-finance and Self-Help Group (SHG) financing. The Bank has developed relationships with 91,536 SHG and has extended credit facilities through SHGs, whereby million of households have been beneficiaries of financial inclusion.

Bank of Baroda has been giving donations for the following purposes: For the spread of education –including for the girl child and womenfolk in remote villages. To reputed colleges/public schools and other similar institutions. To reputed hospitals engaged in charity or in service of weaker sections. Assisting families of soldiers died in wars and handicapped soldiers, Old age homes, Preservation of places of historical interest like gardens, forts, temples etc. Promotion of efforts for protection, conservation and cleaning of environment including plantation/re-plantation, rivers, lakes, forests, sanctuaries etc, Adoption of gardens in cities where the Bank’s name can be publicized. Family planning activities, for promoting the promotion and use of non exhaustible sources of energy like solar power, gobar gas plants in rural areas, Vaccination projects for controlling spread of diseases/epidemics, Providing support to organizations extending support to handicapped persons like blind, lame, deaf and dumb, etc.

State Bank of India: State Bank of India is always in forefront to help states affected by natural calamities. During the current fiscal SBI has lent its helping hand to the States of Assam, Sikkim, Uttarkhand, Maharashtra etc. with donation to Chief Minister’s Relief fund to respective States provide to the people affected by flood. State Bank of India has constituted SBI’s Children’s Welfare scheme as a trust in 1983. The corpus of the fund is made up of contribution by staff members with
equal contribution by the Bank. The Bank extends grants from this fund to institutions engaged in the welfare of under privileged / downtrodden children like orphans; destitute, challenged and deprived etc. CSR is not an isolated practice or initiative for SBI but runs through its entire business paradigm.

In SBI there is a department name Community Service Banking which deals with CSR activities. Mainly SBI deals with Donations, Adoption of girl child, blood donation camps, Medical camps, Family Planning Camps, Veterinary Camps, Adult literacy classes, Ladies club activities, Tree planting Activities special programme for children and other cultural activities.

CONCLUSION

The concept of corporate social responsibility generally means the social and local development of the community and taking initiative to preserve the environment and culture. Though both of the banks are doing well in terms of corporate social responsibility practice but still a lot can be done for the social development. In order to attain the social objectives the banks have framed a CSR policy with respect to specification and prioritization of activities for social spending and allocation of separate funds for this specific purpose. The banks also created maximum value from its activities and developed strategies to effectively implement the CSR activities for the social development of the society. State bank of India follows a system of periodical monitoring and reporting to the Board of Directors regarding spending and utilization of allocated budget for CSR whereas bank of Baroda is still on its way to creating a system of regular monitoring and reporting. The main csr areas covered by both of the banks are education, women welfare, health and social welfare. But the CSR area of activities and total spending of state bank of India is wider than bank of Baroda.

The bank of Baroda as compared to state bank of India needs to diversify their CSR practices and both of the banks should consider the other important areas of the society, such as women empowerment, environment, rural development activities related to the poverty alleviation. This can ensure the overall development of the country.

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