



Management

CORPORATE SOCIAL RESPONSIBILITY IN INDIAN BANKING INDUSTRY: STUDY ON ATTEMPTS OF HDFC BANK

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ABSTRACT

This paper is the study about the Corporate Social Responsibilities of the banking industry in India. Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word “responsibility” emphasizes that the business has some moral obligations towards the society. Corporate Social Responsibility also called Corporate Conscience or Responsible Business is a form of corporate self-regulation integrated into a business model. The paper is based on secondary data. Now-a-days CSR has been assuming greater importance in the corporate world including financial institutions and banking sector. Banks and other financial institutions start promoting environment friendly and socially responsible lending and investment practices. The paper consists of key areas of 6 banks and a case study on HDFC Bank.

Keywords:

CSR, Banks, Financial Institutions.

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1. INTRODUCTION

Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word “responsibility” emphasizes that the business has some moral obligations towards the society. CSR, also known as Sustainable Responsible Business (SRB), or Corporate Social Performance, is a form of corporate self-regulation integrated into a business model. Industrialization and commercialization of service sector have explored vivid avenues of progress to a nation but at the flip side it has rooted the use of non-renewable energy sources, global warming, greenhouse gas mission and rising levels of waste which have harmful effects to the generation coming next. The growing concerns for sustainable development, environmental performance, encompassing pollution control and management of natural resources has given mass recognition to the concept of Corporate Social Responsibility (CSR). The integration of CSR principles in operating activities of business is

very much essential to ensure sustainable development of an economy. In the financial sector several international initiatives like United Nations Environment Programme Finance Initiative, Global Reporting Initiative, Equator Principles and Collavecchio Declaration on Financial Institutions are underway to ensure the adoption of CSR practices in normal business operations. These initiatives have favorably tuned up developed countries to behave in a socially responsible way. But in developing nations, there is a lack of focused and effective actions to the current need. In addition to this a very limited research work has been done to investigate the CSR practices in developing and emerging nations. In fact the academic publication on this fiery issue is primarily western centric. Belal (2001) noted that most of the CSR studies conducted so far were in the context of developed countries such as Western Europe, the USA and Australia and we still know too little about practices in smaller and emerging countries. In this context, the present paper attempts to examine the steps initiated by Indian commercial banks to represent their efforts in this arena. The second section unfolds some prominent dimensions of CSR practices world-wide. Next section entails the discussion of CSR practices in banking industry with special reference to Indian banks. The Last section summarizes the limitations of CSR practices in Indian banking sector and gives suggestions to improve the current scenario.

COROPRATE SOCIAL RESPONSIBILITY

Meaning

Corporate Social Responsibility also called Corporate Conscience or Responsible Business is a form of corporate self-regulation integrated into a business model. CSR is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of law, ethical standards and national or international norms.

The concept of Corporate Social Responsibility is not a new one but its focal point changes with the changing requirements of business and varying social needs. 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, When the German Beta pharma generic pharmaceutical company decided to implement CSR. CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. It is represented by the contributions undertaken by companies to society through its business activities and its social investment. CSR has been making an increasingly prominent impact in the Indian social system by supplementing development projects. But it is not a novel concept in India as its historical roots goes till the Vedic age.

Today Banking Sector growing larger and powerful than before. Various Non-government organizations put pressure on Banks to act responsibly towards their stakeholders. Thus pressure has given rise to the concept named Corporate Social Responsibility. CSR defined as “the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time.” (Carrol and Buchholtz, 2000:35). Exactly what responsibility companies have towards society has been discussed for some decades now.

Economic responsibilities: The first responsibility of the company towards society refers to running the business as an economically healthy unit. It includes aspects such as return on investment for shareholders, fair employee salaries, and quality products supplied to customers at fair prices; all required by the society. (Crane & Matten, 2004)

Ethical responsibilities: It refers to corporation's responsibilities which are not covered by legal or economical requirements, but instead by what could be considered as „right“ or „fair“ in the eyes of society. Society therefore expects corporations to act ethically towards their stakeholders. (Crane & Matten, 2004)



(Carroll's four-part model of corporate social responsibility (Carroll, 1991))

Legal responsibilities: Demands that companies act in accordance with existing legislation and regulatory requirements. The legal framework consequentially fosters society's ethical view and all companies attempting to be socially responsible are therefore required by society to follow the law. (Crane & Matten, 2004)

Philanthropic responsibilities: This involves corporation's willingness to enhance the quality of living for their stakeholders (i.e. employees, local community, and society at large) through charitable donations and organizational support. These corporate decisions are entirely voluntary, of less importance than the former three, and (with regards to social responsibility) only seen as desired by society. (Crane & Matten, 2004).

2. RESEARCH METHODOLOGY

The present study is based on only secondary data. This secondary data has been collected from the websites of different banks and from reputed journals. First I have explained the different areas focused by different commercial banks which have been picked up randomly and it includes public as well as private banks. Later there is a detailed case study of HDFC Bank which is a private bank in India.

CSR practices in Indian Banking Sector:

Now-a-days CSR has been assuming greater importance in the corporate world including financial institutions and banking sector. Banks and other financial institutions start promoting

environment friendly and socially responsible lending and investment practices. RBI (2007) has also directed Indian banks to undertake CSR initiatives for sustainable development and also asked banks to begin non-financial reporting which is related to activities in the era of environmental, social and economic accounting.

It has been observed from karmayog’s CSR ratings that most of the Indian public sector banks do not mention recent CSR activities on their annual reports or on the websites. The financial institutions do not take adequate steps for updating the recent activities in CSR .CSR has been assuming greater importance in the corporate world, including the banking sector. To highlight the role of banks in CSR, the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks in India.

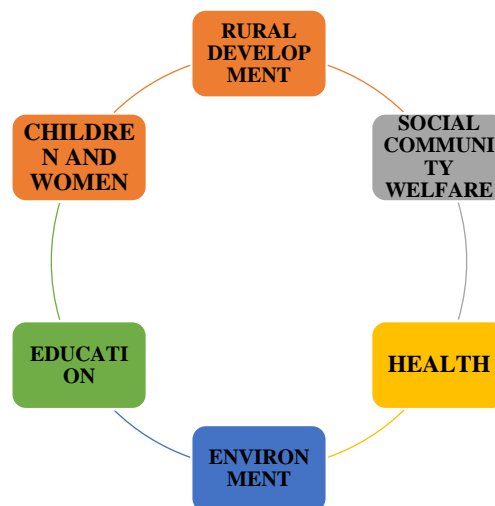
Recently financial institutions adopt an integrated approach between customer satisfaction and CSR in a broader way. RBI also instructs the banks to integrate their business operation along with social and environmental aspects.

3. DIFFERENT KEY AREAS

The major key areas of CSR like, children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women empowerment, protection to girl child, and employment.

Education: Almost all the banks in India have given due importance to education. Some of the banks have donated money whereas some have helped the schools in other different facilities such as Allahabad Bank is providing fans in each classroom and staffroom in Primary Schools and helping schools in providing the drinking water to children. The bank have incurred Rs. 26.68 lacs in financial year 2014-15 (*Source: Annual Report Allahabad Bank 2014-15*)

Rural Development: Similarly like education most of the banks of India have invested in Rural Development. Some of them are educating rural people by Financial Literary Centers whereas some of them have given financial help to villages. Union Bank of India’s Adarsh Gram is the example of Rural development.



Children And Women: For the encouragement of women empowerment or girl child many government and non-government organisations are working in India. GOI has introduced “beti padhao, beti bachao” similarly banks are giving scholarships for girls’ education. Allahabad bank has distributed 1861 scholarships belonging to BPL families in financial year 2014-15, the disbursement amounted to Rs.55.83 lac. (*Source: Annual Report Allahabad Bank 2014-15*)

Social Community Welfare: This category includes the welfare activities for society welfare as whole. In this category all the welfare activities can be included like Axis Bank work for Armed Forces veterans and union bank of india’s Union Social Foundation. In this category they talk about the different social issues to be taken care of in India.

Health: Health is the last category where different banks offer various health facilities to the deprived people. Axis bank have started health and trauma care centres in different areas. Bank of india also have different schemes like Ambulances to Hospitals catering to economically challenged sections of the society, rural areas, etc. ultra-modern medical equipment’s to Family Planning Centres and other hospitals. Wheel chairs to physically challenged sportspersons and others. Gensets for running equipments in hospitals for the Cancer patients.

4. MAJOR CONTRIBUTIONS OF DIFFERENT BANKS TOWARDS SOCIETY

Axis bank: At Axis Bank, Corporate Social Responsibility & sustainability are not mere obligations but are vital pillars of our continual success for present and future. The bank’s philosophy on CSR & sustainability stems from their strong belief in doing good for the organization by doing good for the society. The result is a positive cycle of company growth & community development which leads to prosperity that endures.

Focus areas:

Education

Vocational Education & Training

Livelihood Enhancement & Rural Development

Medical Relief & Trauma Care

Environment Sustainability

Sanitation

Humanitarian Relief

Armed Forces Veterans

Capacity Building of Personnel & NGO Partners

Union bank of India: Union Bank of India has developed CSR initiatives in place. The focus is on the rural sector is through village knowledge centers and farmers’ clubs etc. we also have schemes for the girl child, where we take care of education expenses. Initiatives are in place in other areas such as providing drinking water for schools, providing bus shelters etc.

Focus Areas

Farmers’ Clubs

Union Mitr

Village Knowledge Centre

Union Adarsh Gram

Union Bank Social Foundation

IndusInd Bank: At IndusInd Bank they say “we are committed to run our business in a way that generates value for our customers, clients, shareholders and employees. We have strived to assume our social responsibilities and the importance of our impact on the environment in relation conservation and climate change”

Major initiatives

India’s First network of Solar ATMs

Financial support for charitable institutions like ‘Support’

Green Champions Program

Financial Literacy

Promoting Art, Culture & Sports

Protecting bio diversity

Allahabad Bank: Bank has worked in different areas of CSR. They call their CSR Activities as Social Banking. The bank has opened 18 Financial Literacy Centers and many more social works.

Major focus areas

Financial Literacy Centers

Provision of different facilities in schools

Social welfare of common people

Women empowerment

Welfare of girl child

Green marketing

HDFC Bank: At HDFC Bank, CSR is all about developing a business model that not only creates economic value but also contributes to a healthy ecosystem and strong communities. Our endeavor is to evolve and develop appropriate business processes and strategies to achieve a common goal which contributes to greater good.

Major Initiatives

Sustainable Livelihood

Sanitation

Education

Skilling

Community initiatives

Go Green

Bank of India: Bank of India believes that it is its foremost duty to contribute towards impacting the lives of various stakeholders like customers, employees, shareholders, communities and environment in a positive manner through all aspects of its operations, thereby serving the interest of the society at large. Bank of India has a policy to give back a part of what it has

received from the environment and society and is contributing / participating on a sustainable basis in activities and projects for facilitating the same.

Major initiatives

Solar street lights and Hand pump sets in Rural areas.

Rain water harvesting mechanism / equipments agriculture / drinking water / development of the area.

Ambulances to Hospitals catering to economically challenged sections of the society

Ultra-modern medical equipments to Family Planning Centres and other hospitals.

Wheel chairs to physically challenged sportspersons and others.

Gensets for running equipments in hospitals for the Cancer patients.

Construction of classrooms for the economically challenged students of the society.

Support to orphaned / blind students requirements.

Vehicles for institutions providing food / mid-day meal to government /local bodies schools catering to poorer sections of the society.

5. A CASE STUDY ON HDFC BANK

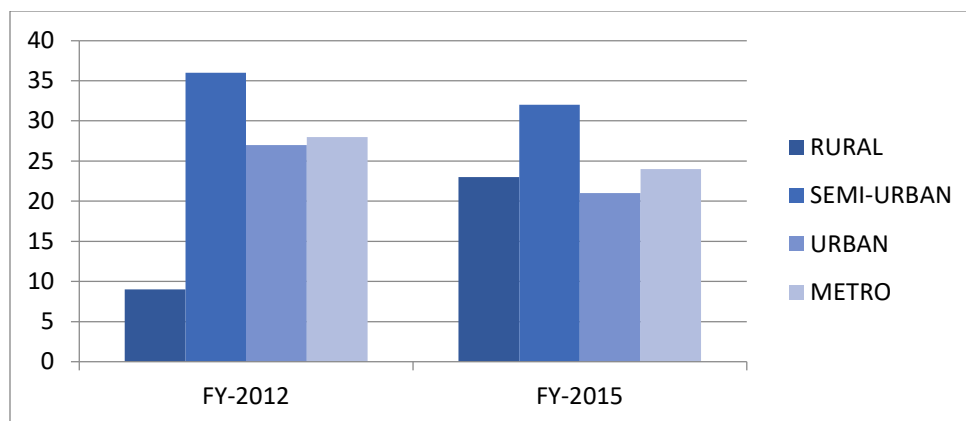
HDFC bank is a private sector bank and they are working in many social work areas like health, education, rural development, etc. The following is the detail from their website regarding their work for society:

We have always taken an inclusive, empowering and responsible approach towards the marginalised sections of the society. We understand that financial inclusion of all sections of the society plays a major role in the economic growth of our country and have gone beyond the regulatory mandate to expand operations in the rural and semi-urban areas. Through our empowerment programmes like the Sustainable Livelihood Initiative (SLI), we aim to support the weaker sections of the society, by not just helping them become financially inclusive but also helping them to get a source of sustained livelihood through our training and capacity building programmes.

INCLUSION: We have taken various measures to bring the economically weaker and geographically remote communities under the umbrella of banking. In FY 2014-15 we further strengthened our focus on Financial Inclusion under PMJDY, with the help of technology to expand our reach. Some of them are as under:

RURAL PRESENCE: We have a strong network of 4,014 branches across 2,464 cities and towns of which 55% branches are located in semi-urban and rural locations.

Out of the total customer base of 3.27 crore, around 42% customers come under priority sector lending and 12% are from the agricultural sector. 20 lakh customers were added in FY 2014-15. Our Rural Initiatives Group (RIG) has been working hard to increasing our presence in the rural and semi-urban markets to meet the objective of financial inclusion and also to provide mainstream banking solutions to the last mile customers. RIG has been operating through the appointment of Business Correspondents and leveraging the supply chains of companies involved in agriculture and allied activities



(Source: compiled by author with the data from HDFC website)

MULTIFUNCTION ATMs: We have developed a customised technology solution for dairy farmers through which milk collection process has been integrated with the cash dispensing machines/ATMs called the Multi Functional Terminals (MFTs). We have deployed MFTs in dairy societies, where these MFTs link the milk procurement system to the farmer accounts directly, so as to facilitate same day payment. The MFT has a cash dispenser that functions as a standard ATM, thus the farmer can withdraw the amount from his account immediately if needed. The entire process is managed by the society without any intervention by the Bank at the front-end. The transparency in the milk collection process benefits both the farmers and society as they get payments quickly, without the hassle of cash distribution. Currently, the Bank has deployed 147 such MFTs, benefitting more than 45,000 farmers.

MILK TO MONEY ATMs: Khambhisar was an unbanked village of Arravali District, about 15 km from our Modasa branch, having 400 households. Our team reached out to the village folk to understand the general ecosystem including the major occupation, household income etc. We understood that dairy farming was one of the key occupations of the villagers and the entire village was still running on cash economy, with a lot of inefficiencies. To help the villagers we conducted financial literacy sessions and made them understand the importance of banking and how it can help them improve their socio-economic conditions. We succeeded in bringing the village into the organised banking fold in 2011 by opening bank accounts. With these banking facilities the society's milk turnover has grown by 100% in the last 4 years from 3100 litre of milk in 2011-12 to 6200 litre of milk in 2014-15. Earlier this society was collecting 25 litre of milk in a day and now with our help, the society has started collecting more than 60 litre of milk per day and is targeting to cross 100 litre per day. This is one of the many examples showcasing the catalytic effect of technology in financial inclusion.

SUPPLY CHAIN MODEL: Under the supply chain model we engage with the farmer community that is linked to agricultural value chains such as sugar, dairy, fruits, vegetables etc. Under this model we partner with corporate who procure agricultural commodities from these farmers, and help them in opening savings bank accounts for all farmers and aggregators involved in the entire value chain. To ensure a smooth on-boarding of the farmers, the entire account opening activity happens at the doorstep of the farmer and is facilitated by e-KYC on Micro ATM. All farmers linked to such an arrangement are also issued debit cards.

SUPPLY CHAIN MICRO ATM: Ramgarh was an unbanked village of Moga District, about 10 km from our Badni Kalan branch having about 600 households. We reached out to the villagers in order to understand their socio-economic conditions, post which we also conducted Financial Literacy Campaign (FLC) to create awareness on management of money, importance of savings, advantages of saving with banks, facilities provided and benefits of borrowing from banks. During the FLCs, we also shared the Missed Call Banking toll free numbers, through which they could do transactions like balance enquiry, ordering cheque books etc. Few members are also active on net banking and have registered some members with Bill Pay and mobile banking facilities. We soon realised that these villagers sold their produce to agents, who in turn sold the produce to large multi-national corporations. This entire chain was untouched by technology and had inefficiencies. To improve the ecosystem, we reached out to Nestle, who procured from the farmers of the village and opened accounts for both the Nestle agents and the farmers. Today, in Ramgarh a total of 150 farmers are associated with the BCs and more than 75% of them get direct payments in their accounts. We have also installed micro ATM at the BC locations through which the farmers can withdraw their payments.

PRADHANMANTRI JAN DHAN YOJNA: To implement PMJDY, we mobilised resources from branches, Business Correspondents (BC) and other alternate channels. The implementation was strongly reinforced by technology where all BCs were equipped with Micro ATMs with an option of Aadhaar enabled and Rupay PIN based transactions. The integration of all these aspects enabled us to achieve the targets set by Department of Financial Services (DFS) well within the deadline. 1,449 urban wards and 453 SSA (around 1,400 villages) were allocated to us under PMJDY across 27 States, inclusive of 2 Union Territories. We completed the household survey within the timelines stipulated by the DFS. Account opening for all unbanked households was completed by 26th January 2015 with 100% unbanked households covered with bank accounts.

SUSTAINABLE LIVELIHOOD INITIATIVE: SLI is our flagship programme that reaches out to people at the bottom of the pyramid by providing them with livelihood finance and skills training. It forms one of the primary pivots that drives our Board-mandated target to empower 1 crore families (5 crore Indians). Our model has empowered lakhs, particularly women in the rural parts of the country. Through SLI we provide we provide both financial and non-financial offerings to our customers:

FINANCIAL OFFERINGS	NON-FINANCIAL OFFERINGS
a. Enterprise lending programme	a. Credit counseling
b. Basic savings bank deposit accounts	b. Financial literacy
c. Micro recurring and Fixed deposits	c. Capacity building
d. Micro insurance	d. Market linkages

Our strategy for SLI is to offer viable and timely credit on a sustainable basis through **enterprise lending programmes**, thereby displacing borrowing at usurious rates from money-lenders, ultimately resulting in the economic upliftment of our target customers.

With the **Basic Savings Bank Deposit Accounts (BSBDA)** we encourage the habit of savings. We also provide “ZERO BALANCE Accounts” to SHG/JLG groups and their members.

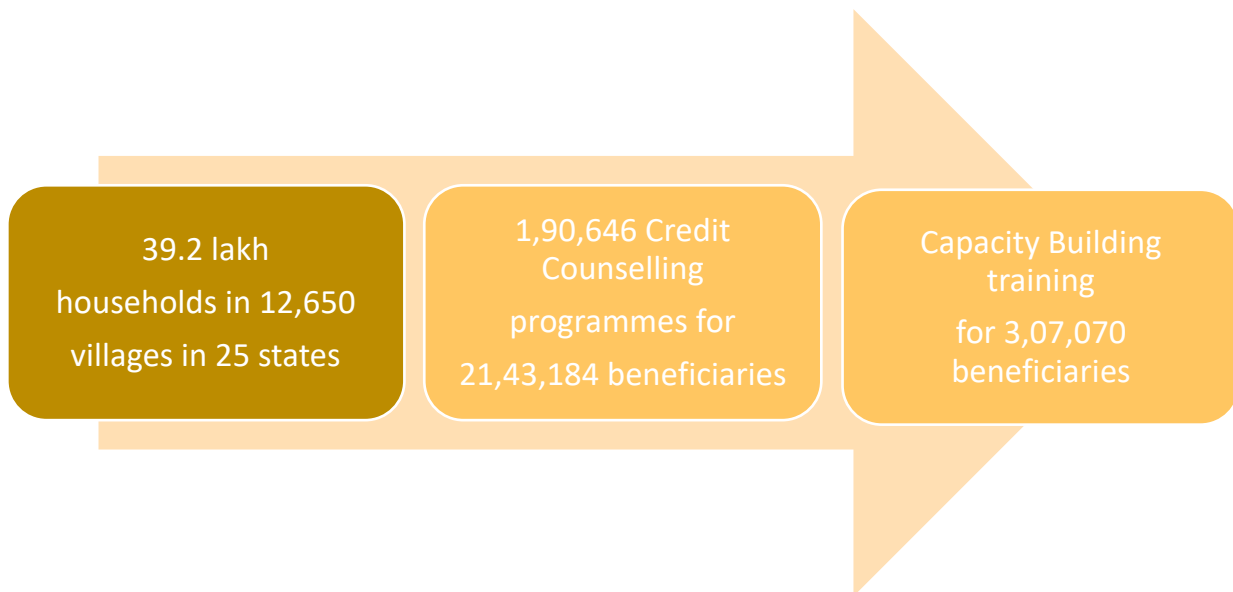
The **Micro Recurring and Fixed Deposit Savings** provide our customers the opportunity to grow their excess money in a safe manner for unforeseen circumstances. This also helps them establish a norm within the household that the funds are to be used only for emergencies/specific purposes.

The **Micro Insurance** coverage provides social security to our SLI customers and also helps in mitigating the associated credit risk. Till date the programme has covered 37 lakh members for an assured sum of Rs. 5,730 crore. The **micro recurring deposit** helps SLI customers to plan and arrange to meet their future financial commitments and ensures better family development by providing for children's education, marriage and family's health without affecting the income generating enterprise.

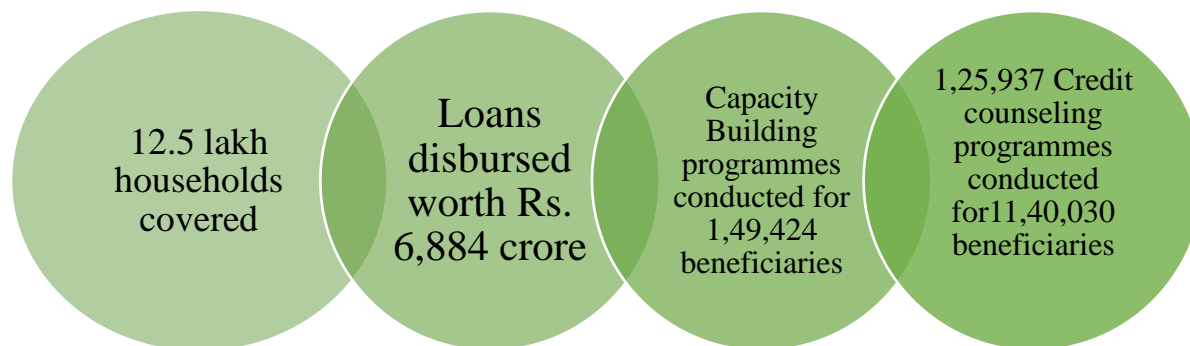
Through the **financial literacy and counseling camps**, we educate people on banking and financial aspects. To accomplish this, we conduct financial counselling and training programmes right from the stage of customer acquisition up till credit linkage.

Through **Capacity Building**, skill based trainings are provided for upgradation/development of existing/ new livelihood activities for both on-farm and non-farm sectors. The impact assessment of our programmes is carried out periodically. With the support of our training programmes, our customers have availed credit and utilised the full amount of the disbursed loan productively for occupations such as tailoring, designing jewellery, setting up grocery shops etc.

SLI IMPACT OVER THE YEARS



The reach of SLI in FY 2014-15 is showcased below:



EMPOWERING WOMEN THROUGH CAPACITY BUILDING PROGRAMMES: Under our SLI programme we help customers not just through financial literacy, but also by helping them enable them achieve a sustainable livelihood. The SLI teams work towards facilitating a linkage between the customers and brands, which results in creating a win-win situation. One such programme was undertaken in the Muzaffarpur branch in Bihar, where our customers were provided job training in collaboration with the Shri Mahila Griha Udyog Lijjat papad, popularly known as Lijjat. During the course, beneficiaries underwent 15 days of training in the process of papad making as per the quality specifications and now provide Lijjat with the products as required specifications. With this linkage, SLI has not only created a good job opportunity for our customers but has also helped in uplifting their social and economic well-being.

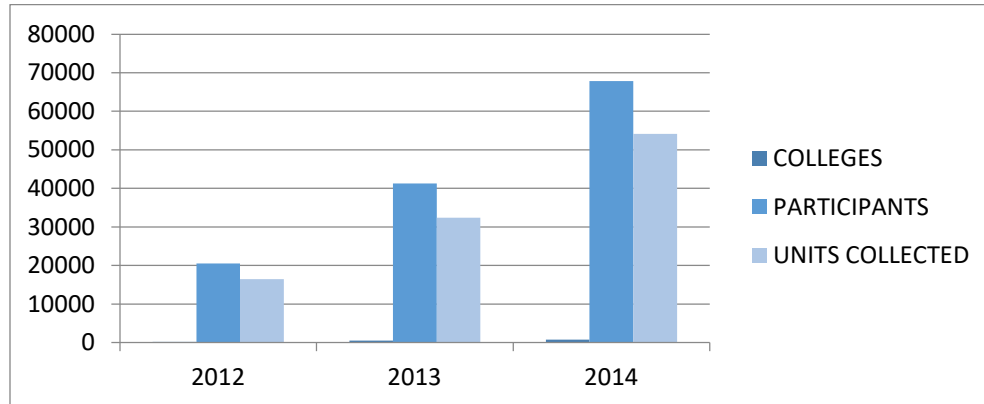
CATTLE FUNDING: The Secured **Cattle Funding** scheme involves funding dairy farmers for the purchase of Milch Cattle without mortgage of agricultural land. In FY 2014-15, 2594 farmers have utilised our credit worth Rs. 38 crore.

KISAN GOLD CARD: Kisan Gold Card helps farmers by providing them with loans for purchase of agricultural equipment, bullocks and carts, land development and repair expenses, without cash flow troubles. The card also enables the farmers meet expenses towards education, weddings and other life events. The Kisan Gold Card allows farmers to bank without hassles of traditional time bound banking at parent branches and comes with a defined credit limit that can be renewed every year. The Kisan Gold Card also provides farmers free-of-cost Personal Accident Insurance cover of Rs. 2 lakh against unforeseen circumstances. 4384 accounts have been created under the Kisan Gold Card scheme, in FY 2014-15.

EDUCATION: Our education interventions are aimed to have 'every child in school'. With the objective of strengthening the quality of education received by the children, we have reached out to 27,000 students through a multitude of projects.

BLOOD DONATION CAMPS: In 2007, we launched a one-day nationwide blood donation drive and encouraged people to support a single social cause across our vast network. Today the annual blood donation drive has become one of our largest on-going activities recognised by the 'Guinness World Record' as the largest blood donation drive (multiple locations) in FY 2012-13.

In the reporting period we broke our own record with more than 1.5 lakh participants and 1.28 lakh units of blood collected. Our focus has always been on sustained outcomes, hence to ensure that the blood collection drives deliver its desired impact, we have also ensured the availability/development of supporting infrastructure like blood banks. Key metrics showcasing the success of our blood donation camp and the participation of youth from various colleges is given below:



BLOOD DONATION CAMP 2014-15

- 913 Locations
- 1987 Camps
- 155599 Voluntary Participants
- 128418 units of Blood Collected

SANITATION: In support of the national agenda, we have taken steps to provide sanitation and water facilities in schools and communities. We have undertaken construction and renovation of school and community toilets to provide better access to safe and hygienic sanitation to members of rural communities, particularly women and girls. We have worked with local panchayats to spread this message. 75 villages have been covered under this initiative in FY 2014-15.

DISASTER MANAGEMENT: In response to natural calamities where healthcare emerges as one of the critical areas of intervention we have responded to the needs of the affected communities and helped them to create sustainable solutions. For example, we continue to support primary healthcare and diagnostic center in Kedarghatti, Uttarakhand that reaches out to about 50 surrounding villages.

6. CONCLUSION

The study shows that all the banks in India are focused towards the Social Responsibility now-a-days. As it includes a detailed study on a leading private bank i.e. HDFC Bank and it shows the different efforts by the different banks as well. Thus we can conclude that these days the banking industry in India is giving due importance to the Social Responsibility and they try to cater all the important areas to be focused like health, education, sanitation, etc. In a nutshell, it can be said that the state of mind of the Indian entrepreneurs towards CSR is changing due to tough competition in an international level. Conclusively, there are three suggestive measures which

are advisable for a better CSR in these banks. First is to enhance and accelerate government's involvement in CSR activities, Second can be noted as development of a broad sector of the consulting in the era of CSR, and lastly media should increase its interest and play a vital role in the era of CSR.

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