CSR PRACTICES AND CSR REPORTING IN INDIAN FINANCIAL SECTOR

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ABSTRACT

Corporate Social Responsibility (CSR) developed very slowly in India though it was started a long time ago. CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The Govt. of India is pursuing the matter relating to CSR and also drafted guidelines for CSR practices time to time. The present study is based on the case study method and efforts are also made in the present study to know the status of CSR and strategies adopted for CSR in the Indian financial sector. The aim of the research paper is to access the CSR practices and CSR reporting practices in Indian Financial sector. The paper also focuses on the initiatives taken by the Indian Financial sector in their reporting pattern and the key areas of CSR activities. Twelve banking and financial institutions are selected under stratified random sampling method from the vast network of banking and financial institutions of the country. Data are collected from the secondary sources mostly from concerned Banks Annual Report, web sites, newsletters and other secondary sources. The study covers the time period 2007 to 2010. From the case study, it is observed that all the financial and banking institutions of the country are directly engaged in social banking and development banking approach. It is concluded that for the Indian banking company whatever the CSR activities are happening are centered on education, rural development, women empowerment, financial support to weaker sections and helping the physically challenged. In fine, there is a need to promote a drive in banking Companies towards greater accountability on CSR. In order to attain the social objectives, there is a need for framing a CSR Policy in every banking company for prioritization of activities on social spending and allocation of separate funds for this purpose.

KEYWORDS: CSR practices, CSR reporting, Financial Performance, Indian Financial Sector, Social banking.

INTRODUCTION

CSR encompasses a wide spectrum of issues ranging from business ethics, corporate governance and Socially Responsible Investing (SRI) to environmental sustainability and community investment. CSR envisages the ideal whereby enterprises integrate social and environmental concerns in their business operations and their interaction with their stakeholders usually on a voluntary basis. CSR is about the behaviour of businesses over and above what is ordinarily required by regulatory bodies and legal requirements.
At present, the world over, there is an increasing awareness about Corporate Social Responsibility (CSR), Sustainable Development (SD) and Non-Financial Reporting (NFR). Consequently, there is a concerted effort among all types of organisations, to ensure that sustainable development is not lost sight of, in the pursuit of their respective goals - profit making, social service, philanthropy, etc. CSR entails the integration of social and environmental concerns by companies in their business operations as also in interactions with their stakeholders.

CSR developed very slowly in India though it was started a long time ago. The study conducted by Chahoud et al., 2007\(^1\) revealed that corporate social responsibility in India, is still characterized mainly by philanthropic and community development activities and Indian companies and stakeholders have begun to adopt some aspects of the mainstream agenda, such as the integration of CSR into their business processes and engagement in multi-stakeholder dialogues. To describe the current state and future prospects of CSR in India, Sundar (2000\(^2\)) divided the development of CSR into four phases based on the country’s political and economic background. Later on, Chahoud et al. (2007\(^3\)) reinforced him (Sundar, 2000\(^4\)) saying that different CSR practices moved on parallel with India’s historical development. The four phases are as follows:

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**Development of CSR in India**

<table>
<thead>
<tr>
<th>Phases</th>
<th>Key Thurst</th>
<th>Key Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I (1857-1914)</td>
<td>CSR motivated by charity and philanthropy</td>
<td>The oldest form of CSR was motivated by charity and philanthropy with direct influence from culture, religion, family tradition, and industrialization process.</td>
</tr>
<tr>
<td>Phase II (1914-1960)</td>
<td>CSR for India’s social development</td>
<td>Dominated by the country’s struggle for independence and influenced fundamentally by Gandhi’s theory of trusteeship for consolidation and amplification of social development. Gandhi’s reform programs which included activities that sought in particular the abolition of untouchability, women’s empowerment and rural development.</td>
</tr>
<tr>
<td>Phase III (1960-1980)</td>
<td>CSR under the paradigm of the “mixed economy”</td>
<td>The paradigm of ‘mixed economy’ with the emergence of legislation on labor and environmental standards, affected the third phase of Indian CSR. This phase is also characterized by a shift from corporate self-regulation to strict legal and public regulation of business activities.</td>
</tr>
<tr>
<td>Phase IV (1980 onwards)</td>
<td>CSR at the interface between philanthropic and business approaches</td>
<td>Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi stakeholder approach.</td>
</tr>
</tbody>
</table>

*Source: Sundar, 2000*
The contribution of financial institutions including banks to sustainable development is paramount, considering the crucial role they play in financing the economic and developmental activities of the world. In this context, the urgency for banks to act as responsible corporate citizens in the society, especially in a developing country like India need to be hardly overemphasised. Their activities should reflect their concern for human rights and environment.

Global warming and climate change are particularly important in the context of sustainable development, especially for developing countries, which tend to be ill-equipped for such changes. Therefore, all concerned shall come forward to check the situation. Reserve Bank of India feels that there is general lack of adequate awareness on the issue in India. In this context, the need for sustainable developmental efforts by financial institutions in India assumes urgency and banks, in particular, can help contribute to this effort by playing a meaningful role. RBI in its notification, 2007 has advised banks to take note of the issues raised and consider using the same to put in place a suitable and appropriate plan of action towards helping the cause of sustainable development, with the approval of their Boards.

OBJECTIVES OF THE STUDY

The present study aims to evaluate the divergent social responsibility practices and reporting practices in Indian Financial sector (both private as well as public sector). However the specific objectives of this paper includes

1. To access the dimensions, application and initiatives of CSR in Indian Financial sector.
2. To study the CSR Practices in Indian Financial sector.
3. To study the recent Green Banking initiatives by Indian banking institutions.
4. To study the CSR Reporting Practices in Indian Financial sector.

METHODOLOGY

To analyse the extent of socially responsible practices of Indian banking sector, the sections titled Director’s report/ Chairman’s message or letter to the shareholders in annual reports of the 12 financial institutions have been analysed. The present study is based on the case study method. Twelve banking and financial institutions are selected under stratified random sampling method from the vast network of banking and financial institutions of the country. Further, the present study covers eight nationalised commercial banks including SBI, two private sector banks, one co-operative bank and one development bank. Data are collected from secondary sources most particularly from concerned Banks Annual Report, web sites, newsletters and other secondary sources. The study covers the period 2007 to 2010. In general annual reports are considered appropriate documents for studying social disclosures as they are an important means of communication to various stakeholders and these documents also enjoy high credibility. But most importantly, scholars studying the corporate social disclosure practices of organisations have often been used annual reports as a key source of information (Kumar, 1989; Deegan
and Rankin, 19977; Unerman, 20008, Raman, 20069. As the Chairman’s message or the Director’s Report is a part of most of the annual reports, these sections are also duly considered as appropriate document for analysing Corporate Social Disclosures practices.

REVIEW OF LITERATURE

The concept of social responsibility was formally coined in 1953 by Howard Bowen in his publication “Social Responsibilities of Businessmen” (Corporate Watch Report, 200610). Bowen defined CSR as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. The concept received academic attention in 80’s and 90’s and became an issue of debate and discussion among academic circles. The first company to implement CSR was Shell in 1998. Although, the literature on CSR has been developed in all countries, its practical application is more profuse in the developed countries, mainly the US and some European nations.

The concept of social responsibility has been interpreted by different authors from different corporate perspectives. A number of concepts and issues are subsumed under the heading of CSR, including human rights, environmental perspective, diversity management, environmental sustainability and philanthropy (Amaeshi and Adi, 200611). Thus, it can be said that the concept of CSR is complex in nature.

Numerous studies have investigated the link between CSR and financial performance through a theoretical as well as an empirical lens. In particular, research rooted in neoclassical economics argued that CSR unnecessarily raises a firm’s costs, putting the firm in a position of competitive disadvantage vis-à-vis its competitors (Friedman, 197012; Aupperle et al., 198513; McWilliams and Siegel, 199714; Jensen, 200215). Predominantly based on agency theory, some studies have argued that employing valuable firm resources to engage in CSR results in significant managerial benefits rather than financial benefits to the firm’s shareholders (Brammer and Millington, 200816).

The need for transparent and proactive communication of CSR is a key issue of concern. Much of the demand for CSR disclosure may be viewed as the result of public desire for information on which to base an opinion about whether or not a corporation is appropriate or right and proper, i.e. to evaluate corporate legitimacy. Many corporations voluntarily disclose social information. These disclosures may take the form of management discussion in annual reports, or separate disclosure, social, sustainability or environmental report (KPMG, 200517). Largely, the format, content and detail of such disclosures are unregulated. In the area of corporate social disclosure, there have been numerous studies which use as their main source the examination of the annual report (e.g. Singh & Ahuja, 198318; Andrew et al., 198919; Lynn, 199220, Savage, 199421; Gray et al., 1995a22, Gray et al., 1995b23; Kreuze et al., 199624; Nafez & Naser, 200025). Some of these studies use content analysis or disclosure indices to measure the extent of disclosure or to discover if there is a relationship between disclosure and other variables of interest.
In the near past, however, institutions like the Global Reporting Initiative (GRI, 2002\textsuperscript{26}; GRI, 8\textsuperscript{27}) have come out with elaborate guidelines for preparing social or sustainability reports. These guidelines have been taken up by many organisations as a framework to build their social reports. In Asia, Japan has made significant strides in building such corporate social reporting initiatives, but other countries like India and China have a very limited number of companies, and that too in select industries like oil, chemicals and steel, providing social reporting (KPMG, 2005\textsuperscript{28}). However, the contents of such reporting, particularly in countries like India, remain relatively understudied. Many aspects of CSR reporting in these countries still remain unintelligible. In most of the studies, the areas of social responsibility have been identified as environment, equal opportunity, community involvement and development and each one of these areas has been further sub-divided into specific indicators.

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\textsuperscript{29}; Frenz, 2005\textsuperscript{30}; Jeucken, 2001\textsuperscript{31}; Jeucken, 2004\textsuperscript{32}). Recently, several initiatives have been initiated to promote CSR practices around the globe. For instance, United Nations Environment Programme Finance Initiative (UNEPFI) was launched in 1990s to promote sustainable development within the framework of market mechanisms. Likewise, Bank Tract Network was formed by global coalition of NGOs to promote sustainable finance. Collevecchio declaration also calls for environmental protection and social justice by banks. 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\textsuperscript{33}; Bhattacharya et al., 2004\textsuperscript{34}; Decker, 2004\textsuperscript{35}). Likewise, international organisation such as the World Bank also frequently exert pressures on banks to analyse social and environmental risk involved in projects to be financed. In addition to this, CSR practices of an organisation have significant impact on its reputation and resultant profitability. Many researchers like Pava and Krausz (1996\textsuperscript{36}); Preston and O’Bannon (1997\textsuperscript{37}) have found positive correlation between CSR and financial performance of the organisation. Some researchers have also proved a negative impact of socially irresponsible operation on share prices and brand reputation of a bank (Hopkin and Cowe, 2003\textsuperscript{38}; Ian, 2005\textsuperscript{39}). Around the globe, banking industry is showing a good commitment to CSR principles. Decker (2004\textsuperscript{40}) pointed out that banks have exhibited conscious efforts to comply with the relevant provisions to reduce the regulatory action through depicting a good environmental citizen’s image.

A lot of studies on CSR practices and perceptions have been undertaken in the context of Indian economy and its different sectors (Balasubramanian et al., 2005\textsuperscript{41}; UNDP 2002\textsuperscript{42}). Bihari and Pradhan (2011\textsuperscript{43}) 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. Sharma (2010\textsuperscript{44}) has studied the CSR in Indian banking and said that in the developed countries have incorporated CSR in their annual budget but in the developing countries it is under root and it must be grown for the benefit of communities and for environment. Sahoo and Nayak (2008\textsuperscript{45}) have studied that in a globalised economy, the industries and firms are vulnerable to stringent environmental policies,
severe law suits or consumer boycotts. Since banking sector is one of the major stakeholders in the Industrial sector, it can find itself faced with credit risk and liability risks. Further, environmental impact might affect the quality of assets and also rate of return of banks in the long-run. Thus, the banks should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems. Oana Branzei (2010) stated in his case study analysis that the Tata Group, explores value-creation, leadership, ethics and sustainable development on the backdrop of rapid internationalisations and shifting stakeholders’ expectations for corporate social responsibility. Arevalo and Aravind (2011) concluded that the CSR approach that is most favoured by Indian firms is the stakeholder approach and that the caring or the moral motive, followed by the strategic or profit motive, are important drivers for Indian firms to pursue CSR.

**CSR MODEL IN INDIAN BANKING**

In Indian context very little systematic documentation of CSR initiatives is available so far. The study done by Business Community Foundations of TERI (The Energy and Resources Institute) is the only work done under CSR. RBI has also directed Indian banks through his notification in December, 2007 to undertake CSR initiatives for sustainable development. RBI also asked banks to begin non-financial reporting which means a system whereby organisation’s report their activities especially those pertaining to environmental, social and economic accounting. Banks can easily implement CSR as they are life-line of whole economy. After RBI directions, most of the Indian banks have adopted CSR and integrated it as a part of corporate management strategy. CSR is mainly shaped at Head office and implemented throughout respective banking operations. They have implemented it as image building tool and marketing tool to retain existing customers and attract potential customers. Reserve Bank of India (2007) stated that CSR entails the integration of social and environmental concern by companies in their business operations and also integration with their stakeholders.

The CSR model shown in Figure 1, has integrated all stakeholders and environment. This model is implemented by big banks and they have adopted best CSR practices according to model.
Figure 1. CSR Model in Indian Financial Sector

Source: Survey of Literature

From the case study (Table 2), it is observed that of all the banking and financial institutions under study are directly engaged in social banking and developing banking approach. As per the instruction of the RBI, majority of its member commercial banks started new programmes on social and economic welfare of the masses, keeping parity with the guidelines. All Banking and financial institutions under study undertakes both fund based and non-fund based activities which have been presented in the below Figure-2.

Figure 2. CSR activities in Indian Financial Sector

Source: Das, 2012

1. Blood donation Camp, Health check up camp etc.
2. Educational support.
3. Vocational training.
5. Promotion of sports.
6. Estb. of RSETIs.
7. Tourism Promotion.
8. Heritage Promotion.
10. Rural Development.
11. Community Development.
REPORTING OF CSR PRACTICES BY INDIAN FINANCIAL INSTITUTIONS

During last few decades, as a result of increased consciousness towards sustainability issues, a move from core financial reporting to the adoption of triple bottom line principle was being observed. The triple bottom line principle entails reporting of not only the economic performance of company but also their environmental and social performance i.e., reporting of CSR activities. CSR reporting calls for reflection of corporate ethical practices, transparency, sensitivity to the environmental issues, social commitment and labour welfare practices of business houses. The concept of CSR reporting has been described by different scholars in different ways. Perks (1993) expressed CSR reporting as the disclosure of those costs and benefits that may or may not be quantifiable in money terms arising from economic activities and substantially borne by the community at large or other stakeholders. A further extension in this field is the emergence of a new theory of Reputation Risk Management. In this regard, Bebbington et al. (2008) viewed CSR reporting as part of the organisational reputation risk management process and proposes an image restoration framework. Rating of a company could be used as a screening indicator. In practice different nations have their distinct different agencies and index providers which disseminate information to track the economic, financial, corporate governance, environmental and social performance of corporate institutions. At present, numerous companies around the world are already documenting their performance and successes through environmental and social reporting. In addition to this, CSR rating could be done through in-house research teams, rating agencies or index provider. These institutes attempt to provide a reliable and objective benchmark of the best CSR practices in the country to investors.

Further, studies for rating CSR activities of Indian Banking sector are very few. Singh and Ahuja (1983) conducted the first study in India on CSR of 40 Indian public sector companies. Raman (2006) conducted a study using content analysis technique to identify the extent and nature of social reporting. However, it is important to mention that in spite of mass acceptance to the concept of CSR reporting by banking sector around the globe, Indian banks are not responding in the expected manner. According to some critics, Indian financial institutions are concerned to the exclusion of all other considerations about the ecology of their balance-sheets and, therefore, focused on ever-greening their assets. Rating of CSR activities of Indian banking sector has been done by Karmayog in recent years and reported that two third of surveyed 34 banks couldn’t even secure level 3 at 0-5 scale, no bank could touch level 5 and just one bank could attain level 4. The summaries of Karmayog’s CSR ratings of selected Indian banks in 2009 are shown as below Table 1:
Table 1. CSR rating of Indian Financial Institutions

<table>
<thead>
<tr>
<th>Level</th>
<th>No. of Banks/FIs</th>
<th>Name of Banks/FIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>3</td>
<td>City Union Bank, Vysya Bank and Vijay Bank.</td>
</tr>
<tr>
<td>1</td>
<td>6</td>
<td>Central Bank of India, Indusind Bank, Karnataka Bank, Kotak Mahindra Bank, South Indian Bank and UCO Bank.</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>Yes Bank.</td>
</tr>
<tr>
<td>5</td>
<td>Nil</td>
<td>Nil.</td>
</tr>
</tbody>
</table>

Source: Karmayog’s CSR ratings, 2009.

It is observed from Karmayog’s CSR ratings (2009) that most of the Indian banks do not mention CSR or sustainability explicitly on their annual report or on websites. There is hardly anything mentioned regarding their CSR practices. However, at no account, it means lack of bank’s participation in CSR activities. In fact problem lies with inadequate norms regarding CSR reporting system. As a result, this leads to a wide spectrum of rating criteria (Schafer et. al., 2006) and lack of common standards for comparative study. Tencati et al. (2004) found that the lack of public support and publicity on CSR are the main reported obstacles projects to be financed. Indian banking sector must also depict their socially responsible behaviour through integrating triple bottom line principle. Banks must also provide appropriate training to its employees on environmental and social risks in lending to ensure that climate change is taken into account in corporate banking decisions. Further, regulatory authorities must envisage the regulations for initiating reforms in reporting practices.

CSR INITIATIVE BY INDIAN FINANCIAL INSTITUTIONS

Major Areas of CSR in Indian Financial Institutions

CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices. The United Nations Environment Programme (1972) advocates that the financial sector has a role to play in protecting environment while maintaining profitability of their business. The concept of ‘triple bottom line’ encompasses social, environmental and financial accounting. Keeping these perspectives in view, the Reserve Bank of India has rightly issued ‘moral suasion’ policy for banks on CSR. Recently, Ministry of Rural Development (MoRD) and
Ministry of Corporate Affairs (MoCA) has also issued voluntary CSR guidelines for Indian Banking and Corporate sector respectively. 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 in India. Major issues discussed in the notice were regarding Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting. Briefing about the corporate social responsibility programme to other member commercial banks, RBI followed many international initiatives to highlight the importance of this notice like United Nations Environment Programme Finance Initiative (UNEPFI), Global Reporting Initiative (GRI), Equator Principles, and Declaration on Financial Institutions. Apart from these international initiatives, RBI report also talked about other important and urgent issues regarding global warming & extent of problem, the economics of climate change, Happy Planet Index, Kyoto Protocol etc. and requested to implement the same earnestly and sincerely. In the context of Indian Financial sector very little systematic documentation of CSR initiatives is available so far. However, an effort is made in this paper to present detailed CSR initiatives of Indian banking sector.

It is observed that Indian Financial institutions are found to be adopting an integrated approach of combining CSR with the ultimate customer satisfaction voluntarily. In recent years a few attempts has been initiated to ensure socially responsible behaviour of banking sector in more systematic manner. RBI has also insisted upon taking measures for sustainable development of economy through realising the dire necessity of CSR.

Reserve Bank of India (2007) stated that CSR entails the integration of social and environmental concerns by companies in their business operations and also in interactions with their stakeholders. The major thrust areas for CSR practice in Indian banks are common in public sector and private sector banks. These areas include children welfare, community welfare, education, environment, healthcare, poverty eradication, rural development, vocational training, women’s empowerment, protection to girl child and employment. Below Table 2 depicts the key thrust areas of CSR in the Indian financial institutions.
Table 2. Major Areas of CSR in Indian Financial Institutions.

<table>
<thead>
<tr>
<th>Name of Bank</th>
<th>Major CSR Areas</th>
<th>Name of Bank</th>
<th>Major CSR Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>J&amp;K Bank</td>
<td>• Education • Socio-economic development • Heritage preservation • Environmental issues • Financial support to vulnerable sections • Promotion of tourism • Community and Rural development</td>
<td>2. Canara Bank</td>
<td>• Educational support, • Poverty eradication, • Rural development • Vocational training to unemployed</td>
</tr>
<tr>
<td></td>
<td>3. Ing Vysya Bank</td>
<td>• Educational support • Environmental issues • Financial support to vulnerable sections of society • Community / Rural development</td>
<td>4. Allahabad Bank</td>
</tr>
<tr>
<td></td>
<td>5. Saraswat Co-operative Bank Ltd.</td>
<td>• Protecting cultural lineage • Assistance national and natural calamities • Educational support • Environmental issues • Community development • Rural development</td>
<td>6. Union Bank of India</td>
</tr>
<tr>
<td></td>
<td>7. HDFC Bank Ltd.</td>
<td>• Educational support • Livelihood training and support • Vocational and technical education • Micro financing</td>
<td>8. State Bank of India</td>
</tr>
</tbody>
</table>
Some Recent Initiatives by Indian Financial Institutions: Green Banking

Green banking involves environmental and social responsibility. This word is new in Indian banking and it appeared in 2009 when there were concern on environment conservation and it was realised that banks can play a big role in this movement. Green Banking encompasses a wide variety of banking services. The banks are providing finance to primary metallurgical industries, paper and pulp, pesticides / insecticides, fertilisers, chemical / pharmaceuticals, textiles etc. and bank may play a big role by scrutiny of investment projects from the environmental angle. Banks are now started to obtain NOC from respective state pollution control board. Many banks are promoting online banking services as a form of green banking. Benefits of online banking include less paperwork and less driving to branch offices by bank customers. Green banking also reduces the expenditure of bank and branch by minimising the use of paper work and mailing fees. Thus, green banking not only important for environmental point of view but also mitigate the credit risk, legal risk and reputation risk. In order to address ecological and environmental concerns, Reserve Bank of India has decided to go for energy efficient buildings. Bureau of Energy Efficiency has awarded the star rating labels to different Bank’s building. In consideration of Ozone Depleting Substances, bank has reviewed the air- conditioning plant and planned to replace some of the plants. SIDBI has also incorporated environmental and social aspects in its core business activities so as to ensure sustainable development. It is providing concessional and liberal credit to medium and small scale industries which are initiating energy saving projects and are adopting pollution control measures. State Bank of India has also adopted green banking initiatives in its lending operations. Recognising the warning of global warming bank has decided to initiate urgent measures to combat the climate change through envisaging two pronged...
approach viz. i) to reduce the Bank’s own carbon footprint and, ii) to sensitise the Bank’s clients to adopt low carbon emission practices. SBI has launched green banking policy and set up windmills in Tamil Nadu, Maharashtra and Gujarat to generate 15 MW power. This is the first bank in India which is in green banking and promoting green power projects. SBI has launched Green Housing or Green Home project to support projects those will be environment friendly. IndusInd Bank has recently launched solar-powered ATMs. Many banks have participated in the Carbon Disclosure Project. Some banks are undertaking ‘green house gas’ (GHG) inventory exercise for calculating their carbon foot-printing and undertaking energy audits. ICICI bank has shown its commitment to corporate environmental stewardship and extended a great support to clean technology projects. It has also liberalised credit to zero emission vehicles. ICICI bank has made tie up with Bombay Natural History Society to sensitize projects related with wildlife biodiversity, projects suit ing environment. IDBI has set up carbon desk. Union bank of India has decided to undertake an electrical energy audit annually. Bank has also installed solar water heaters at various facilities. Bank has started ‘Planet Earth’ project to create awareness in local communities surrounding their bank branches. The themes of this project are pollution prevention, recycling and minimising waste, conserving energy, conserving water and improving sanitation and cleanliness.

**GENERAL OBSERVATION ON CSR PRACTICES IN INDIAN FINANCIAL SECTOR**

1) Only one financial institution out of 12 selected financial institutions under study i.e. SIDBI under study has published its own CSR report keeping the benchmark of internationally accepted norms of Global Reporting Initiative (G3). However, banks like PNB, SBI, BOB and BOI publishes a separate segment on CSR in their Annual Report. PNB also publishes report on CSR strategy but it was not drafted and designed according to internationally accepted benchmark.

2) It is also observed that only two banks namely J&K Bank and Union Bank of India follow a system of prefixed budget for pursuing CSR activities i.e. 1% of profit after tax. While SIDBI spends 19% of net profit in 2008-09 on CSR activities which is a landmark in the history of CSR funding in the banking sector of the country. It is also observed from the information supplied in the Annual Report that both the bank PNB and SBI spends a huge amount for pursuing CSR activities yearly but they did not have any targeted fixed amount for spending on CSR.

3) All most all the banks under study except J&K Bank, Ing Vysya Bank, HDFC Bank, BOI and SIDBI do not follow the Govt. of India (MoRD) guidelines on setting up of Rural Self Employment Institutes (RSETIs). BOB is the leader in the formation of RSETIs (25) followed by Allahabad Bank (21).

4) It is further observed that all the banks and financial institutions under study are engaged in spending for socio-economic development, rural development and community development projects. Further, priority sector lending, micro financing, MSME financing and project on environment excellence etc are common to all selected financial and banking institutions under study.
5) It is further observed that ‘Adoption of Girl Child’ by SBI, ‘Adoption of Villages’ by PNB, ‘Adoption of orphans’ by Ing Vysya Bank, ‘Heritage Preservation and Tourism Promotion’ by J & K Bank, ‘Cultural Promotion’ by Saraswat Co-operative Bank, Retail Mobile Marketing Van for products of SHGs of Canara Bank, ‘Rishkaw Projects’ of PNB etc are the unique features of CSR activities of selected financial institutions in India.

6) Another significant contribution of CSR activity performed by SBI and PNB are the funding for Research and Development Grants to universities and academic institutions. The Saraswat Co-operative Bank has also promoted such activity in a different style but limited upto the state of Maharastha.

7) Bank of India declared the fact that they forwarded over 45% of net adjusted credit towards priority sector. Their CSR Strategy is not as unique as they still follow the earlier social banking concepts.

8) Another feature of CSR activities which are observed from the information supplied in the annual report by the Indian financial institutions under study is the setting up of Rural Consultancy Centre. Bank of Boroda is the leader in setting up of such consultancy centre.

GENERAL OBSERVATION ON CSR REPORTING IN INDIAN FINANCIAL SECTOR

From Table 3 it is observed that majority of the selected Indian financial institutions (100%) made some sort of disclosure of their social responsibility activities in their annual reports.

Table 3. Social Responsibility Disclosure/Reporting in the Annual Reports

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Options</th>
<th>No of Sample Banks</th>
<th>% of the Sample Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reported</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Not reported</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author

As per the Figure 3, it can be inferred that a sizable number of the selected Indian financial institutions have disclosed information on social responsibility activities either of their companies in the Annexure to Director’s Report (25%) or in Corporate Social responsibility report (25%), or in a specific section in Annual report (25%) followed by Director’s report (8.33%) and again 8.33% of the companies have disclosed in the form of social reports and 8.33% of the selected companies have disclosed in the form of notes or schedule to financial statement.
Figure 3. Techniques of Social Responsibility Reporting

Source: Author.

From the Figure 4, it can be inferred that all the selected financial institutions involved in social responsibilities are reporting on rural development, financing to weaker sections etc. because it is legal obligation of the Banking Regulation Act, 1949 under Priority sector lending and followed with environment which is also considered as essential by the RBI notification, 2007. From the case study of selected Indian financial institutions, it is observed that the Social Accounting and Social responsibility reporting is still in its infant stage of growth in India as many companies including Banking institutions are not aware of this and not knowing how to start with this type of accounting. Indian public sector banks most actively participate for alleviation of regional imbalances through initiating various activities for promotion of rural development. Besides it, they primarily focus on the issues of gender equality through women’s empowerment. The major areas investigated for reporting CSR activities in both public & private sector banks including cooperative banks could be depicted by the following Figure 4.
The major areas for reporting CSR activities in Indian Financial institutions are rural development, to enhance the level of education and employment. The other prominent areas for their concern include community welfare, programmes for child welfare and protection of environment. It is observed from the study that the majority of the selected Indian Financial institutions are engaged in ‘rural development’ (66.67%), followed by ‘women empowerment’ and alike (50%), ‘vocational training’ (50%), followed by ‘removal of poverty’, ‘financial support to weaker sections’ and ‘community welfare’ (41.67%), and the least thrust areas includes Education, Protection of environment, and others (33.33%).

As shown from the above Figure 4, the CSR practice of the selected banks represents a wide spectrum of different activities including rural development, community development and social welfare, family initiatives, women’s empowerment and environment protection. A significant part of the bank’s annual earnings is used to support structures, events and individuals across diverse areas of child healthcare and education, entertainment, environmental beautification, human capital development and arts. The core areas as reported by the selected financial institutions reveal that primary concern for both type of bank is social welfare. However, both have different approach to promote the same. The general trend of selected public sector banks mainly practices for rural development and removal of gender inequality. On the other hand, the core operational areas for CSR activities in private sector banks are focused on education and employment for all and mitigating the risk of environment degradation through their green banking strategies.

CONCLUSIONS

Financial institutions in India are showing interest in integrating sustainability into their business
models but its CSR reporting practices are far from satisfaction. There are only few banks which report their activities on triple bottom line principles. As a matter of fact, the standards for rating CSR practices are less uniform in comparison to that for financial rating. Absence of mandatory provisions regarding reporting of CSR practices further cause negligence on the issue of reporting. The adaptation of reporting CSR practices though quite slow in India, still it would definitely get a great pace in near future. In fact, there is a great need for enacting some stringent regulatory provisions to ensure the adherence to social responsibility principles.

The concept of Corporate Social Accountability and its adjunct concept of Social Audit are in the process of evolution and hence there is no generally accepted accounting principles of social responsibility reporting of business enterprise are available and hence, there is a need to develop some accounting principles. There are no standard norms available for measuring, reporting and evaluating the social performance of a corporate enterprise. Reporting of the social activities of the firm should always be in the form of social report, separately enclosed with the annual report. Today the status of social reporting is voluntary; due to this not many financial institutions are reporting, to solve these problems, the state should take some steps and make this as compulsory.

Indian financial institutions whatever the CSR activities are happening are centered on education, rural upliftment, Adoption of Children, Vocational training, Rural Development, Environment protection, Socio-economic development of the vulnerable sections of society and helping the physically challenged. There is a need to promote a drive in banking Companies towards greater accountability on CSR. In order to attain the social objectives, there is a need for framing a CSR Policy in every banking and financial institutions for prioritisation of activities for social spending and allocation of separate funds for this purpose. Moreover, to have an impact of the CSR spending and utilisation of allocated budget, there should be a system of periodical monitoring and reporting to the Board of Directors.

The recent initiatives of Reserve Bank of India in this regard are expected to bring a drastic change in near future. Further, voluntary actions are required to be taken by the financial bodies to ensure the socio-environmental feasibility of projects to be financed. Indian banking sector must also depict their socially responsible behaviour through integrating triple bottom line principle. Banks must also provide appropriate training to its employees on environmental and social risks in lending to ensure that climate change is taken into account in corporate banking decisions. Further, regulatory authorities must envisage the regulations for initiating reforms in reporting practices.

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