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A STUDY ON CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN INDIAN FINANCIAL INSTITUTIONS

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Abstract
Corporate social responsibility is a term used to describe the actions of companies responsible for their employees, customers, and communities. In countries like India, it is not uncommon to see companies that have been socially responsible in their operations. These companies are known as ' green businesses' or sustainable enterprises aiming for environmental protection and economic growth. Recently, Indian institutions are also been focusing on socio-economic development activities like education, health care and infrastructure. CSR activities could play a significant role in the overall development of a country like India, where the one size fits all approach is nullifies. CSR is also a significant tool for the effective management of resources. It helps maintain the balance between social and business objectives and ensures that profits are used to improve the quality of life. CSR is not only limited to business but also includes non-profit organisations' activities. The concept of CSR was introduced in India in 2003 by the Ministry of Corporate Affairs (MCA) and the Department of Industrial Policy & Promotion (DIPP). It was launched to promote corporate social responsibility among Indian corporates. This study aims to take a lustrum review of corporate social responsibility practice in Indian financial institutions and highlight the best responses and the extent of their positive impact.
Keywords *– Green business, CSR, MCA, DIPP, Lustrum*

1. Introduction

In recent years, corporate social responsibility (CSR) has become a key focus for banks and other financial institutions (Chu & Bohlen, 2004). This is not surprising, given the growing pressure from governments to demonstrate their social responsibility. In India, the Reserve Bank of India (RBI) has issued guidelines on CSR in the banking sector. The RBI's objective is to encourage banks to develop and implement CSR initiatives that will help them achieve their social objectives while at the same time maintaining a competitive edge over other financial institutions (Sharma & Choubey, 2022). The RBI suggests that banks should focus on three areas: community development, education and health care. They should also consider how they can contribute towards building infrastructure such as roads, hospitals and schools in rural areas; provide credit facilities for small businesses; promote skill-development programmes for women; support microfinance institutions; and undertake environmentally friendly projects or conserve natural resources.

Banks have been implementing CSR programmes long before the RBI issued these guidelines. However, it is important to note that the emphasis placed on CSR by Indian regulators has made it more difficult for banks to conduct business as usual (Taneja et al., 2022) – especially when compared with their counterparts in developed countries where there are no restrictions imposed by governments or regulatory bodies on what kind of activities a bank can carry out within its own corporate structure (whether through subsidiaries or wholly owned subsidiaries). For example, many Indian banks have set up charitable trusts that receive donations from customers who wish to make contributions but do not want their names mentioned publicly for religious reasons (Mary, 2020). Similarly, some foreign banks operating in India have established foundations which receive donations from clients who wish anonymity because they fear retribution if their identities become known (for instance, if they fall into disfavour with local authorities) (JS Fathima, 2020). These arrangements may be acceptable under certain circumstances, but this does not mean they are not subject to scrutiny by regulators.

Indian banks have also been criticised for the opaque nature of their CSR activities (Ghosh & N Das, 2022). In recent years, there has been a proliferation of private sector initiatives which are funded through donations from customers but which do not disclose the identity of donors or beneficiaries (for example, NGOs working on behalf of specific communities). It is unclear whether these organisations are receiving funding from Indian banks and, if so, how much they receive. The RBI guidelines state that an independent third party should monitor all such projects and that any bank wishing to carry out such activities must obtain prior approval from its regulator. However, it remains unclear how effective this will be in practice given the lack of transparency in many private sector initiatives in India – especially those involving foreign companies operating within India.

The Indian government has also been criticised for its lack of transparency in the way it monitors CSR activities (Jumde, 2021). The RBI guidelines state that banks should disclose information on their CSR activities, including details of donations and expenditures, but this is not always done. This leaves customers with no idea how much money they are donating to a specific cause or what projects are being funded by these donations. In addition, banks are not required to publish reports detailing the results of their CSR activities (although some do). As a result, it remains unclear whether India's banks are making a significant contribution towards improving social conditions in the country or simply transferring funds from one private sector organisation to another without any real impact on society as a whole – especially given that most such organisations have close links with political parties and governments at the national level.

In March 2015, the Reserve Bank of India published draft guidelines for public disclosure norms under Section 18A(1)(a) of the Banking Regulation Act 1949, which would require all commercial banks operating in India to disclose annually details about their CSR spending and make them available online through an interactive website by June 2017. However, following widespread criticism from industry stakeholders regarding potential compliance costs associated with publishing data online and concerns over privacy issues raised by users who may be interested only in receiving information pertaining directly to themselves rather than others around them, the RBI later withdrew its proposal citing "lack of consensus" among stakeholders. In its attempt to bring standardisation in responsible banking practises, The Reserve Bank of India (RBI) has issued a circular on the implementation of the Basel Committee's International Convergence Framework (ICF). The ICF is a set of guidelines that aim to promote international standardisation in banking and financial services. In a nutshell, RBI acts as a mentor and regulator to niche financial institutions to adopt best CSR practices.

2. Review of literature

2.1 Historical perspective of CSR in India

The first organised evidence of corporate social responsibility comes from the Bombay Plan in 1944, which aimed to develop India's economy through investment in industry and infrastructure (Kudaisya, 2018). It called for an increase in public spending on education, health care, housing and agriculture; it also proposed a number of measures to improve labour conditions and social welfare (Hashim, 2022). It also advocated greater government control over foreign trade policy so as to ensure fair prices for manufactured goods from Britain's colonies (Ankit, 2020).

The Companies Act, 2013, introduced the new concept of Corporate Social Responsibility. Tamvada (2020) argued for the regulatory environment for mapping CSR activities by fixing the accountability of regulators and adopting best practices in the domain; according to findings, it is a concept which is to be followed by all the companies in India and it has been introduced as per the international standards (Tamvada, 2020). The Companies Act 2013 defines CSR as “the practice of an organization or a company to achieve its objectives through activities that enhance social welfare and well-being of people”. The definition also includes any activity undertaken by an organization or a company to contribute towards sustainable development goals (SDGs). It further says that CSR should be implemented at the local level with the involvement of stakeholders, employees and customers. According to Salman P and Gupta P (2021), CSR activities can involve any activity that contributes towards social welfare or well-being, including health, education, environmental protection etc. (Salman & Gupta, 2021). They are not limited only to charitable activities, but they can also include projects undertaken by companies like setting up schools and hospitals or providing employment opportunities etc., as long as these projects do not cause damage or harm to other person’s rights or interests (Khan et al., 2021). Invariably goal of corporate social responsibility is to ensure the welfare of the masses (Mantovani & J Wiwoho, 2019; N Kumar, 2019) because, without their patronage, sustainable development of these institutions cannot be ensured.

2.1 Moving ahead from corporate social responsibility *to* Conscious corporate duty

Corporate social responsibility in financial institutions in India has been influenced by the recent economic downturn (Popkova et al., 2021), and the government has been trying to reshape the corporate governance of various organizations. This is a major step towards reforming the corporate governance structure of an organization. In India, CSR activities of financial institutions and other stakeholders are being taken up as a means to improve the corporate governance of these organizations in the country (Aggarwal & Jha, 2019; Gupta & K Gupta, 2019; Roopaa & Gopinath, 2022). Companies need to be aware of their responsibilities and obligations under CSR and ensure that they follow them. CSR is a key component of corporate governance (Bolourian et al., 2021).

In India, financial institutions play a major role in social welfare by investing in education (Pant et al., 2021), healthcare (Agarwala et al., 2022), and skill development in agriculture specifically (Bhattacharyya & A Mukherjee, 2019). Nowadays, banks are also taking an active role in promoting digital payments by offering various financial services to their customers. This is why banks are taking up this initiative, as it will help them increase their customer satisfaction. CSR in the banking sector: -CSR is a way of giving back to society through philanthropy. It is a way of making society aware of the need and importance of social welfare. It helps in increasing customer satisfaction by offering various financial services to its customers. RBI has launched a new banking app named 'Bharat QR', which allows users to make payments using their smartphones at any merchant outlet with just one scan of their QR code (Hassan & QF Meraj, 2019). This service will help banks reach out to more people who are not yet connected with the banking system or do not have internet or mobile phone connectivity.

2.2 CSR practices: *Some prerequisites*

According to Luo et al. 2019 CSR activities must be undertaken for the public good and not for private benefit (Luo & Kaul 2019). This means that any activity undertaken by an organization or a company should be beneficial to all people in general, irrespective of their religion, caste, creed, etc. It also means that such activities cannot be aimed at creating profit only, but they must also contribute towards social welfare and the well-being of people.

Any project undertaken by a financial institution or an organization would need to ensure that there is no exploitation involved in setting up such projects so that they do not cause harm or damage to other persons' rights or interests including those who may lose jobs due to loss of employment opportunities caused due to such projects being set up in areas where there are already existing industries/factories etc., According to Fuentes et al. 2019 there should be co-creation of value outcomes along with the development (Fuentes et al., 2019). All activities directed toward CSR should have a positive impact on the environment. This is because the environment is important in ensuring that all people have access to basic needs such as food, shelter, and water. As suggested by Boadi et al. 2019 justified the effect of attributes of stakeholder engagement in the cause of environmental protection through a conscious approach (Boadi et al., 2019).

3. CSR practices by financial institutions – *Area of interest and problems faced*

Spending on CSR activities is a great opportunity for banks to take advantage of leverage to drive growth. The banks have been working with various stakeholders, including government agencies, private sector players, private equity firms, and other financial institutions, to develop a comprehensive strategy for implementing CSR activities. In addition, the banks have also been collaborating with several non-governmental organizations to promote CSR activities. The bank's corporate social responsibility initiatives and philanthropic efforts have helped to increase awareness about CSR and to improve the quality of life for people living in low-visible areas of social structure. Sustainable CSR practices accrue a range of benefits, as shown in *Figure 1*

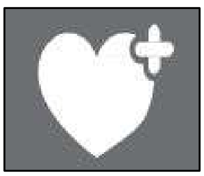
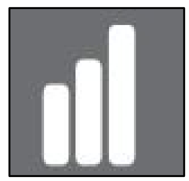
Enhance Brand Equity	*Builds Trust and Confidence*	*Improves Financial Performance*	*Increases Business Growth*
			

Figure 1 - Benefits of sustainable CSR practices

Financial institutions sometimes carry out CSR activities as ad – hoc in nature; they prefer not to disclose total spending on those activities. So it becomes very difficult to calculate these activities' extent and exact social impact. Some of the wide fields of interest upon which financial institutions often choose to work as a part of their CSR spending are as follows –

3.1 Areas of interest

A Energy conservation

Banks significantly contribute to energy conservation by optimizing their business operations by promoting cashless and paperless transactions. Indian Banks have reduced their energy consumption by over 60% since 2005. This has been accomplished through improved lighting, air-conditioning, and water management systems. In order to achieve a more sustainable future, banks must use renewable energy sources such as solar power, wind power, and biofuel in addition to traditional fossil fuels like coal and gas. The Green Banks Initiative aims to reduce greenhouse gas emissions by 25% by 2020 compared with 2005 levels. The Green Banks Initiative is a collaboration between the International Finance Corporation and the World Bank Group.

B Environment protection

As part of showing their responsibility to serve mother earth, Indian financial institutions announced various initiatives like – Biodegradable cards by Axis bank (Lekshmi Priya S, 2017), Recently ICICI bank announced solar-powered ATMs pan India (ICICI Bank, 2020), IndusInd Bank also has invested in Solar power and

Wind power projects in Telangana and Rajasthan with the investment prospectus of INR 4361 INR (IndusInd Bank, 2020).

C Emerging markets

Financial institutions (FIs) establish linkages with emerging markets and economies across the world to provide a range of financial services. SBI and BOI opened their branches in African countries to promote financial services to ensure digital banking and financial inclusion.

D Healthcare and education

FIs also partner with NGOs to promote education and healthcare services to meet local demands, such as giving vocational training, arranging healthcare camps for providing free medical services, money management skills, and financial literacy promotion.

3.2 Problems faced while implementing CSR practices

A Lack of framework in implementing activities by FIs often fails to fetch real value for invested efforts. Such improper evaluation and monitoring mechanisms for undergoing CSR activity.

B Excessive competition amongst FIs to project their stature as best CSR implementers are often overwhelmed by quantitative manner and lack qualitative perspective.

C People's involvement plays an important role while implementing CSR activities because the success of those initiatives largely depends on how intimately people know about those things.

D Demanding customers are always searching for the best product and services for them from FIs; therefore, FIs must devise new strategies and frameworks for introducing new products and services to satisfy customers' needs.

4. Conclusion

Currently, the banking sector is performing its banking services better than before and has also started to move towards social banking – CSR. Most financial institutions seem to be engaged in CSR activities which are often found, not to mention their actual expenditure on websites. With the engagement of RBI in the CSR framework, it has gained a prominent position, but still, broad-based policy and action are needed to ensure that whatever will be there, it shall be for the greater good and public welfare. A vision of corporate social responsibility that initiates social and public initiatives for the benefit of society and the country as a whole is achieved through employee involvement. These five banking sectors have made an impact on the CSR era, but they are not satisfactory. In order to achieve social objectives, it is necessary to establish CSR policies for each bank. For this, it is necessary to prioritize social expenses and individual resource allocation activities. The bank also developed strategies to maximize operational value, communicate progress, and communicate concerns with various stakeholders. There should be a system to periodically monitor and report to the Executive Committee to influence the spending and use of the CSR budget. Institutions must understand that running an efficient and profitable business organization means that communities and the environment grow and prosper along with the institution. For financial institutions, CSR is pivotal to running a sustainable business. And it should be integrated into all aspects of business, including "product design, innovation, operations, supply chain, and marketing". FIs must incorporate CSR as a core strategy, "product design, mission, and corporate policies". An effective CSR strategy should be well formulated, clear, and aligned with the business. Also, it must be supported by relevant stakeholders as long-term agenda.

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