

Corporate Social Activities by Banks and Insurance Companies - A selective Study

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Abstract

Corporate Social Activities is one of the mechanisms through which commercial Institutions and other organizations can execute development work for social welfare. There has been a paradigm shift recently in the emphasis of Corporate Social Activities (CSR) in India, from oriental ethos of philanthropic activities for social work to legislative driven western compulsion to integrate the interest of the business with that of the communities in which it operates. This compulsion perhaps has originated from the enormous damage inflicted to the environment by the industry and the society. Corporate social responsibility (CSR) is about the core behavior of companies and the responsibility for their total impact on the societies in which they operate. Though Banks and Insurance companies are fundamentally different business models, the activities of Banks and insurance are merging as banks have entered into insurance arena and insures sell more annuities. Banks provide leverage to the economy and are part of the payment and settlement system. Their core activity is the collection of deposits and issuing of loans, together with the provision of a variety of fee-based services. The insurance institutions on the other hand deals in risk pooling and risk transformation. This article reviews the corporate social activities of certain banks who have not yet entered the insurance business as well as those who have both the banking and insurance activities in their business and the social activities of insurance companies who do not have banking activities with them.

KEYWORDS: Corporate Social Activities; Banking and Insurance; Sustainable development; Private Banks; Community welfare.

INTRODUCTION:

Social responsibility of corporate or firms refers to activities these businesses engage themselves to bring about a positive impact on the community and environment in which they operate from. Effects of implementing Corporate Social Responsibility (CSR) have been out lined (Dutta 2010). Social responsibilities of management goes beyond making profit to include protecting and improving social welfare of its stakeholders and environment in which the firm carries out its operation. The social responsibility standards and moral activities by a firm can create a positive rapport between the firm and all its stakeholders (Sharma and Mani, 2013).

The concept of social responsibility is not new to India (Muniapan and Das 2008). Since time immemorial Indian culture professes about social welfare activities. The Sanskrit sloka summarizes the idea of Social responsibility of individuals. '*Santah Swayam Parhite Nehitabhiyoga*' i.e. 'Great souls take initiative to do goods to others'. In fact much before corporate social responsibility (CSR) found a place in corporate lexicon, many Indian companies like Tata, Birla, Mafatlal, Bajaj, Amalgamation group, to name a few, have initiated sustainable projects by investing part of profits beyond business for the larger good of society since early and middle 20th century. However, there has been a paradigm shift recently in the emphasis of CSR, from oriental ethos of philanthropic activities for social work to legislative driven western compulsion to integrate the interest of the business with that of the communities in which it operates (Paul 2007, Moharana 2013). The compulsion perhaps originated from the damage to environment and the society as whole the industry has done.

The concept of CSR in the present form 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 a generic pharmaceutical company decided to implement CSR. During late 1960's and early 1970's the term 'Corporate Social Responsibility' or CSR came into common use. Corporate Social Responsibility (CSR) and orientation of banks can be a useful tool for them to tide over many crises in future, if banks maintain their relationships with stakeholders in making their businesses more sustainable. CSR among other things is a key stakeholder relationship building activity (Kotler and Lee, 2005). Corporate social responsibility (CSR) is about the core behavior of companies and the responsibility for their total impact on the societies in which they operate. CSR is not an optional add-on nor is it an act of philanthropy. A socially responsible corporation is one that runs a profitable business that takes into account of all the positive and negative environmental, social and economic effects which has its impact on society (McDonald and Randle 2008). The choice of engaging in CSR activities by a firm depends upon the economic perspectives of the firm. There are firms which believe in maximize shareholders value, while there are firms which believe in maximizing profits. However due changes in the business environment scenario, a third dimension also has crept into i.e. business ethics (Gopal 2010).

Venu Srinivasan (2007) highlighted that Corporate Social Responsibility is more than philanthropy and must not mean giving and receiving. An effective CSR initiative must engage the less privileged on a partnership basis. CSR means sustainable development of the community by being partners in their progress. The government has been evolving a large number of welfare schemes for the people but experience shows that in most cases the benefits do not reach the most deserving. Industries have expertise in man management, financial management and business planning. They can easily provide the missing ingredients of leadership and organization and establish the "last mile connectivity" to reach the benefits to the deserving people. Therefore the focus of CSR could be "unlocking" the last mile connectivity. Industry must be a catalyst for social development. It is concluded that the CSR approach that is most favored 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.

A corporate enterprise has been recognized as a 'person' by law and is subjected to regulations. Taking note of business activities and resulting environment degradation, Ministry of Corporate affairs, Government of India, formulated a guidelines in 2009 for CSR. The guidelines were subsequently refined in 2013. The most demanding feature of sustainability guidelines is mandatory spending of 2 % profits on CSR under section 135 of the 2013 Act for companies either having a minimum net profit of Rs. 5 Crores in a year, or an annual turnover of more than 1000 Crores or a minimum net worth of Rs. 500 Crores. The Reserve Bank of India (RBI) stressed the need for paying attention by banks towards integration of social and environmental concern in their business operations to achieve sustainable development by responding to CSR activities. RBI also advised to start Non- Financial-Reporting (NFR) by banks in their annual reports to highlight social activities. By exhibiting socially, environmentally and ethically responsive behavior in governance of its operation the firm can bring value to their business as well as long term sustainability in the social work.

BANKS AND INSURANCE COMPANIES

Banks and Insurance companies though are fundamentally different business models, both are considered as financial intermediary. Banks provide leverage to the economy and are part of the payment and settlement system. Their core activity is the collection of deposits and issuing of loans, together with the provision of a variety of fee-based services. The insurance institutions on the other hand deals in risk pooling and risk transformation. Through the mechanism of risk analysis and loss compensation, the insurance industry provides a sense of security to all economic and social players. Bank focuses primarily on current costs against known revenues. The term or tenure of their product is much shorter than insurance companies. However both focus on cash flow. Since both focuses on value the end objective is the same. The roads they take to get to that end-game are different. The activities of Banks and insurance are merging as banks have entered into insurance arena and insures sell more annuities. However this diffusion of activities in India, as of now is predominantly unidirectional where banks have insurance activities embedded in their operational strategy. However, insurance companies are yet to evolve the strategy of entering to banking sector *albeit* a few have shown interest. Banking and Insurance companies are closer to masses as they interact with individuals and therefore can be effective change agent for societal missions like CSR.

Sharma and Nishi (2011) listed core thrust areas for CSR activities that can be taken up by Banks in particular. They are children welfare, community development, education, environment, health care, poverty eradication, rural development, vocational training, employment, women empowerment and protection of girl child. Since these activities encompass a whole gamut of development area, that requires huge funding and enormous effort, banks and insurance companies can prioritize the work area to be effective and visible.

The objective of this paper is neither to measure the quantum of CSR work, nor to compare the magnitude of activities taken by corporate, but to highlight the focus of their current social activities towards the society and environment. There seems to be a

common agenda among the banking corporate to work for the upliftment of rural based population preferentially.

ACTIVITIES BY CORPORATE BANKS UNDER CORPORATE SOCIAL RESPONSIBILITY

Banking sector is considered as hub and barometer of the financial sector (Chudhary and Tandon 2013). Also the foot-fall in banks is very large across the country. Therefore an effective system of faster dispensing of all activities including redressal with courteous disposition will go a long way towards building an image for the banks (a covert component of CSR). Many CSR activities of bank are carried out in a way that has both the components namely business interest and the social welfare embedded in their business activities.

Following overt activities under CSR are compiled from the annual reports of a few banks that are yet to venture into insurance business.

Andhra Bank

With a disclosed budget of CSR activities, Andhra bank has embarked on imparting training to rural and semi-rural people to make them employable. The bank has taken initiative to conduct vocational training and undertaken human resource development activities. Till 2008, 71666 participants have been trained. The Bank is setting up a school in AP University campus at Vishakhapatnam. The bank has also donated 2.14 crores to charitable trusts engaged in the upliftment of the society. Bank has taken many initiatives with the objective of providing philanthropic assistance for development, education etc. The Bank has taken initiatives for including more people from the marginalized and down trodden sections into the banking system [Moharana 2013]. Under the aegis Andhra bank rural development trust bank is imparting training to youth in rural and semi urban areas so that poor people can take up self employment ventures. The bank has already implemented financial inclusions in districts of Orissa and Andhra Pradesh. During the year 07-08 the bank has adopted Gundugolanu village in Andhra Pradesh for improving health, sanitation, education facilities with a comprehensive budget of 5.50cr. Andhra Bank has taken initiatives for including more people from the marginalized and down trodden sections into the banking system. Under the aegis Andhra bank rural development trust bank is imparting training to youth in rural and semi urban areas so that poor people can take up self employment ventures. They also conduct vocational and human resource development training. So far they have provided training to 71,666 participants. The bank has taken initiatives for including more people from the marginalized and down trodden sections into the banking system.

Bank of Baroda

As a responsible corporate citizen, it has been the vision of the Bank to empower the community through socio-economic development of underprivileged and weaker sections. In its continued efforts to make a difference to the society at large, The Bank introduced various initiatives during 2010 to harness the emerging opportunities for rural and agriculture lending. To augment the Agriculture advances, the Bank has conducted

special campaigns viz. Kharif and Rabi campaign for crop loans under which the disbursements of Rs 1,888 Crore and Rs 818 Crore were made respectively. Another Campaign for Investment Credit was also launched under which disbursements of Rs 742 crore were made. The Bank organized 2,857 Village Level Credit Camps and disbursed Rs 2,484 crore to 1,90,534 borrowers during FY10. The Bank has identified 450 Thrust Branches across India to enhance Agriculture lending which constituted 34.0% of total Agriculture lending as at end-March 2010. The Bank formulated various area-specific schemes tailor made to the needs of local requirements, particularly where there is a concentration of industries like Rice Mills, Cold storages, Cotton ginning units, Poultry units, etc. Suitable concessions in rate of interest, charges, etc. were allowed under these schemes to garner maximum possible business. As many as 18 area specific schemes were formulated to increase agricultural lending. Towards effective use of technology in rural agricultural lending, the Bank has introduced IT-enabled smart card based technology for financial inclusion. At present, the smart card based financial inclusion is being implemented in the states of Uttar Pradesh, Rajasthan and Gujarat. The Bank has adopted Dungarpur district (Rajasthan) which is primarily a tribal district and one of the most backward districts in the country for Total Integrated Rural Development and 100.00% Financial Inclusion towards its Corporate Social Responsibility. The project was launched on 1st October 2007. 100.% Financial Inclusion in Dungarpur district has already been achieved. So far, credit of Rs 35.91 crore has been disbursed to 15,440 borrowers for Dairy Development, Cultivation of High Value Crops, Vegetable cultivation, etc. Various other developmental activities like training, scholarships to girl students etc. are also being done under the project. Scholarships amounting to Rs 8.76 lakh to 30 tribal girl students have been provided under the project. The Bank has adopted 101 villages as “Baroda Centenary Year Villages” for Total Integrated Development spread over three years and also for 100% Financial Inclusion. Furthermore, the Bank has provided social infrastructure like solar lamps, bus stand shelters, hand pumps, community halls etc. in 73 villages by giving grant of Rs 92.42 lakh. Baroda Grameen Paramarsh Kendra (BGPK) – is another initiative undertaken by the Bank to help the rural community by providing Credit Counseling, financial literacy and other services like information on the prices of agricultural produces, scientific farming, etc. The Bank has established 52 BGPKs as on 31st March, 2010. Nine more Baroda Swarozgar Vikas Sansthan (BSVS), Baroda R-SETI Centres were opened during FY10. With this, the total number of BSVS has gone up to 25. Raebareli and Ajmer BSVS have been created exclusively for women entrepreneurs.

The BSVS are primarily the institutes for training the youth and imparting knowledge and skills required for taking up self-employment ventures. During FY10, 16,191 youth beneficiaries were trained out of which 10,135 have established self-employment ventures. Out of the total 37,230 beneficiaries trained by these centres so far, 21,704 have established their self employment ventures. The Bank further intensified its efforts in this direction in FY10. The Bank has established Baroda Swarozgar Vikas Sansthan (Baroda R-SETI) for imparting training to unemployed youth, free of cost for gainful self employment and entrepreneurship skill development which help them improve their family economic status and also gives a boost to the local economy in those locations. So far 25 such Sansthans have been established by the Bank in which more than 37,000 youth have been trained and around 22,000 have been gainfully self employed. Most of the

Bank's social activities are linked to rural masses. The Bank has established 52 Baroda Gramin Paramarsh Kendra for knowledge sharing, problem solving and credit counseling for rural masses across the country. In order to spread awareness among the rural mass on various financial and banking services and to speed up the process of financial inclusion, the Bank has also established four Financial literacy and Credit counseling Centres (FLCC) at Ajmer, Amethi, Baroda and Raebareli. The Bank has adopted 101 villages across India for their all round development and providing financial assistance for development of infrastructure facilities like setting up village libraries, community hall and solar lighting systems in villages. The Bank has also adopted Dungarpur District in Rajasthan for total integrated rural development and 100 % financial inclusion. Under the project, the Bank has also provided scholarships to fifty (50) tribal girls to promote education among tribal community.

ACTIVITIES UNDER CORPORATE SOCIAL RESPONSIBILITY BY INSURANCE COMPANIES

Most banks and Insurance companies have been able to seamlessly integrate the ethical, social, and environmental issues of the society in their business function. The spread of activities under CSR differs from institutions to institutions depending upon the size, product, location, leadership and their vision.

Life Insurance Corporation

LIC with about fifty percent of personal insurance market share in India has taken up activities under Corporate Social Responsibility in the right earnest. The thrust area CSR activities of Life Insurance Corporation (LIC) include operational transparency, information sharing and accountability to help support investors particularly rural based, as covertly improvement resulting into efficient functioning with fewer complaints. LIC Golden Jubilee Foundation was established on 20-10- 2006 with an initial corpus of Rs. 50 Crores and with the provision of increasing to 100 Crores within five years for tangible social work. LIC has gone into the activity in a big way. LIC golden Jubilee scholarship scheme provides scholarship at the rate of Rs. 10,000/ year to children of economically weaker sections.

The operating areas of CSR activities include advancement of education including infrastructure support, medical health care and general public utility activities.

Under infrastructure support LIC has gone in a fairly involved way for the construction of building at Howrah for mentally and physically challenged persons; constructed a library cum study centre and residential hostel for ladies at Shri Ramakrishna Ashram. LIC has constructed class room cum activity centers at Jorhat; hostel at Jalpaiguri; golden jubilee hall, school and college building at Shimoga; Vocational center at Jodhpur; computer center at Bhopal; toilet and class room blocks at Haldwani, Vellore district and similar activities extending help for infrastructure support. LIC has provided school buses at Patna division, at Secundrabad and Raipur divisions.

Under Medical and Health care, the LIC has provided Camera for diabetic retinopathy; Tata Winger ambulance van equipped with hearing aids at Jorhat; Ambulance with ECG machine at Bangalore and Belgaum; Construction of obstetrics and Gynecology unit at

Udapi for masses; provided sonography machine for providing advanced healthcare for rural area at Nadiad; Mobile van for blood collection purpose at Thane and Bhavnagar.

Under Public Utility activities, the LIC has constructed homes for aged persons at Bhagalpur; Observation centre for HIV infected children at Satara; Kitchen, dining room for destitute and mentally challenged women; Medical unite-home for aged at Banglore.LIC has installed roof top solar photovoltaic system at Ludhiana.

The LIC has involved local NGOs in a big way for most of their corporate social activities successfully.

United India Insurance

It is wholly owned by Government of India and is having global foot print and recognition. Under CSR activities, the company has adopted eight villages at T.N, Maharastra, Andhra, Punjab and UP as a part of its financial inclusion initiatives and for holistic development of health, hygiene and education infrastructure. The universal Health Insurance aims to provide health insurance benefits to economically weaker BPL families. The company covered 2,05,722 BPL families. UII adopted a village 'Bairmangalum' for health, hygiene and education among rural under privileged.

Corporate Social Responsibility by Banks having both Insurance and Banking Business:

HDFC Life

HDFC has embarked on Children education project at Saibaba Path Public School, Parel, Mumbai and have partnered with Mumbai-based non-profit organization, Educo to impart good-quality, structured education to the 243 children and help them build bright careers. They believe that it will help them break the cycle of poverty and improve the community's quality of life at large. HDFC Life partnered with Teach for India, a non-profit organization engaged in supporting education for underprivileged children. The Company sponsored two employees for the Teach for India Fellowship 2012-14 – a two-year paid assignment, which places Fellows as full-time teachers in low income English medium schools. The bank encourages its employees to contribute a small part of their salary to establish their own charity account through the Payroll Giving programme. This initiative has been implemented in partnership with GiveIndia, an organization dedicated to help individuals donate to credible NGOs. This programme helps employees create a strong impact in the lives of the underprivileged through small, yet effective contributions. An employee is also able to follow up how her or his contribution is organized. HDFC Life has been successfully running the programme with an exponential increase in the number of enrolments since 2008.

HDFC Life championed the cause of children's education by partnering with the NGO, SAMPARC for Mumbai marathon 2013. A team of 15 HDFC Life employees participated in the Half Marathon and Dream Run to support education for lesser privileged children.

HDFC Life's 120 Swabhimaan calendar activities were driven by 45 Swabhimaan Champions and their core teams in their respective regions. The objective was to organize and encourage community initiatives among employees and other stakeholders. CSR

activities on local levels, like old age home visit, blood donation camps, clothes collection drives, woolen clothes donation initiatives, Aadhar (UID) melas, Fundraisers for charity and others were organized across India. The India Giving Challenge, one of the events initiated by GiveIndia and supported by HDFC Life during the Joy of Giving Week in 2012, was a pan-India initiative to engage every Indian in giving back to the society in a way she or he chooses.

Under its environmental CSR initiatives, HDFC Life has undertaken the charity begins at home approach across its pan-India offices. Some of the initiatives undertaken since 2010 comprise, initiating internal campaign to save water, power and paper wastages on a war footing. Setting usage hours of air conditioners and prohibiting the use of paper cups completely. Printing papers on both sides as a default setting on printers was made. Ensuring desktops hibernate after 15 minutes to save electricity. Encouraging employees to organize environment friendly celebrations and festivities. To offset the use of paper for printing the policy Documents for FY 2013, HDFC Life partnered with a non-profit organization – Plant a Tree Today Foundation – to plant 1,500 saplings in Mumbai in August 2012. Financial literacy project with municipal school children HDFC Life has initiated a financial literacy project to educate and equip children (from grades 5 to 8) with financial knowledge to help them effectively manage their finances. A financial literacy module has been created by HDFC Life. HDFC Life has been implementing the Financial Literacy Project since 2011. The second phase of the programme was launched in August, 2012, in municipal schools across Gujarat, Madhya Pradesh, Rajasthan, Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu and Uttar Pradesh. During FY 2013, the project helped the Company educate about 7,000 children in 16 municipal schools across ten locations

ICICI

The bank with second largest share of insurance market has focused on many societal issues. The ICICI Group has established the ICICI Foundation for Inclusive Growth (ICICI Foundation) in early 2008, to lend its efforts to promote inclusive growth amongst low-income Indian households. The ICICI bank also established the Social Initiatives Group (SIG), a non-profit resource group within ICICI Bank, in 2000 and collaborated with responsive organizations, each equipped with valuable expertise in one of the five areas like primary health, elementary education, comprehensive access to financial services a strong civil society and environmental sustainability. The ICICI Bank has opened a skill training academy in Jaipur as part of its Corporate Social Responsibility (CSR) efforts, to provide vocational training to youth from economically weaker section of the society with a view to make available livelihood opportunities and will train 5,000 youth at nine training centres across the country in the first year of operation. The academy aims to train 15,000 youth across the country by 2016. The courses offered include selling skills, office administration and web design for graduates; and electrical and home appliance repair, refrigeration and air-conditioning repair, and diesel generator & pump repair for Class X pass outs. ICICI is very close to the 2% target fixed by GOI for CSR activities. The skill development centres would also be set up in Coimbatore, Chennai, Hyderabad, etc through the ICICI Foundation. The bank is setting up residential centres in Jaipur, Sangli and Coimbatore and non-residential

centres in Bangalore, Chennai, Hyderabad, Jaipur and Pune. The bank is also exploring the possibility of a centre in eastern India to significantly expand vocational education focused on specific job skills.

ICICI Lomard in association with ICICI foundation has initiated Mother and Child care initiative -Healthy Lokshakti, to provide healthcare facility for the mother and the child up to one year of age. The programme is being conducted with National Rural Health Mission (NHRM). ICICI Lomard has been instrumental in providing free health check up to truck drivers, while enhancing their road-safety knowledge at the transport nagar Pune. The company started 'Apna Clink' for truck drivers in 2011 and so far has reached 10,000 drivers and members of the families. With the help of certain NGOs ICICI Lomard has initiated providing nutritional support to under privileged children.

Conclusion

In order to bring tangible changes in the society, long drawn and continuous efforts are needed that requires efficient money, man and material handling as well as determination to achieve the targets. The thrust areas of CSR are children welfare, community development, education, environment, health care, poverty eradication, rural development, vocational training, employment, women empowerment and protection of girl child. Since these activities encompass a whole gamut of development, that requires huge funding and enormous effort, banks and insurance companies can prioritize the work area to be effective and visible, since both the banking and insurance companies are doing their mite to bring changes in the society. These companies can also provide the ingredients of leadership and organization and establish a result oriented work culture among the working group. Further, it is realized that the obstacles to effective CSR implementation could be related to lack of resources, followed by those related to the complexity and difficulty of implementing CSR certain projects, the companies can co-sponsored certain projects and their work force pooled to bring out visible changes faster. The institutions can initiate inter-institution-comparison for measuring the effectiveness of projects time to time. If more people become aware of these activities they may opt for joining this novel initiative. Since Banking and Insurance companies are closer to masses they can be effective change agent for societal missions. .

ACKNOWLEDGEMENT

Authors acknowledge with thanks the permission of school management to publish this work. Our thanks are due to the experts, who have contributed towards development of the template.

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