

**CORPORATE SOCIAL RESPONSIBILITY IN MIZORAM: A  
COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR  
BANKS**

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## CERTIFICATE

This is to certify that “Corporate Social Responsibility in Mizoram: A Comparative Analysis of Public and Private sector Banks” by Premendra Kumar Singh has been written under my supervision.

He has fulfilled all the required norms laid down under the M.Phil. Regulations of Mizoram University. The dissertation is the result of his own investigation. Neither the dissertation as a whole nor any part of it was ever submitted to any University for any research degree.

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**DECLARATION**

I **Premendra Kumar Singh**, hereby declare that the subject matter of this dissertation is the record of work done by me, and the content of this dissertation did not form basis of the award of any previous degree to me or to do the best of my knowledge to anybody else, and that the dissertation has not been submitted by me for any research degree in any other University / Institute.

This is being submitted to the Mizoram University for the degree of Master of Philosophy in Management.

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## **ABBREVIATIONS**

CSR	:	Corporate Social Responsibility
SR	:	Social Responsibility
RBI	:	Reserve Bank of India
TISCO	:	Tata Iron and Steel Company
PMSBY	:	Pradhan Mantri Suraksha Bima Yojana
PMJJBY	:	Pradhan Mantri Jivan Jyoti Bima Yojana
APY	:	Atal Pension Yojana
PMMY	:	Pradhan Mantri Mudra Yojana
PMJDY	:	Pradhan Mantri Jan Dhan Yojana
PMEGP	:	Prime Minister's Employment Generation Programme
SBI	:	State Bank of India
PNB	:	Punjab National Bank
UBI	:	United Bank of India
ICICI	:	Industrial Credit and Investment Corporation of India Limited
HDFC	:	Housing Development Finance Corporation Limited
KCC	:	Kisan Credit Card
CD	:	Credit Deposit
CASA	:	Current Account Saving Account
UN-PRI	:	United Nation – Principle for Responsible Investment
ESG	:	Environmental, social and governance
UNEP FI	:	United Nations Environmental Programme Finance Initiative
RSETI	:	Rural Self Employment Training Institutes

## 1.1. Introduction

The concept Corporate Social Responsibility (CSR) has a long and wide-ranging history (Carroll, 2008). The story of CSR had not been smooth, it was discredited, written off or simply overlooked in search of new ways of conceptualizing the business and society interface (Crane *et al.* 2008). It has gained a lot of fame and popularity as of now but it is mostly a product of the twentieth century, mostly from 1950s till date. Until 1950s, publications on the topic instead of being steady rise it were more of a peaks and troughs (De Bakker *et al.* 2005).

Corporate Social Responsibility, also known as Corporate Responsibility, Corporate Citizenship, Responsible Business, Sustainable Responsible Business (SRB), or Corporate Social Performance (Kaur, 2012). It refers to the obligations of corporate houses 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 (Batra, 2007). Any business derives its existence from the society and environment as it gets everything that is required to run business from these only and hence it has responsibilities towards the society, environment, and stakeholders. Business would proactively promote public interest by encouraging community growth and development and voluntarily removing practices that harm the public sphere. Therefore any business has responsibility towards the society where it operates and at the same time towards the organization in order to carry out profitable business.

Several philanthropic activities were observed in the late 1800s, but it was difficult to determine whether activities of individuals such as Cornelius Vanderbilt or John D. Rockefeller were individual or business philanthropy (Carroll, 2008). Philanthropy is undoubtedly a part of CSR activities, but CSR on a broader scale constitutes of larger sets of activities which is integrated with the core business strategy in order to address not just the wellbeing of company's share holders but all the stakeholders and social and environmental impacts of business.

From the beginning of 21<sup>st</sup> century onwards the term CSR has gained lot of momentum and has been one of the topics of discussion in India. Corporate Social Responsibility has emerged as an important feature of business philosophy, reflecting impact of business on society in terms of sustainable development. The emerging perspective on corporate social responsibility focuses on responsibility towards all

stakeholders: shareholders, employees, debtors, creditors, government, and community at large rather than only on maximization of profit for shareholders (Moharana, 2013). CSR measure the impact of a company's actions on society. It requires a manager to consider act in terms of a whole social system, and hold responsible for the effects of acts anywhere in that system. CSR does not only include corporate regulatory compliance, but is also an act of making business successful through various approaches to environmental and social issues that are helpful to society.

CSR is a burning topic in every part of the world, not only for private sector companies but at the same time even for the government run organizations. People are more educated, more informed as compared to their predecessors, and have started expecting more from the companies and corporate operating in the region for the developmental activities. The responsibilities that these corporate offices carry out can be of two types, "negative" which means that the organizations refrain themselves from taking any step that would be harmful for others or it can be "positive" that would mean the organizations proactively carry out such activities which would be in favour of society (Wood, 2012).

With the recent rise of CSR initiatives by companies big or small, indicates that corporations are bound and are under pressure from their stakeholders for legitimate practices. CSR practices and initiatives by corporations help them survive in tough economic time, give positive image to the company. CSR improves employees' perception about the company. Employees associated with companies that practice CSR activities are proud and more committed to the organization. CSR initiatives development and implementation by the top management in an organization can help boost the employees' morale and create a positive brand-centric corporate culture in the organization.

The field of CSR is entering a phase of maturity globally today. The concept has moved beyond its US birthplace and has spread all over the world, with an impressive upsurge during the last 10 years (Vogel, 2005). Although CSR is an internationally accepted concept, its conception and implementation have been through a series of national translation which have resulted in the burgeoning of a variety of practices (Chapple & Moon, 2005). At the same time there are many who

argue that the understanding of CSR and the possibilities for CSR action depends heavily upon prevailing national business system including social, cultural, political and economic factors within a country (Campbell, 2007). Today CSR is an important item on the corporate boardroom agenda for many companies worldwide (Grayson and Hodges 2004). Many companies around the world, including many of the largest multinationals, have voluntarily decided to start examining their social behaviours, articulating the type of commitment they want to make, issuing CSR reports putting this commitment in black and white for the world to see (Hollender, 2003).

It is often assumed that consumers exert a tremendous amount of pressure on companies but in fact CSR managers do not experience that much pressure from consumers in a direct way. Whilst they want to be reassured that companies are not abusing workers, using child labour and the like, consumers rarely come direct to companies for that information. CSR applies to the actual practice of a company's day to day business operations, rather than a separate endeavour attributable solely to charitable donations. The idea that a company is in fact a member of the surrounding community whose obligations extend beyond their own four walls is not new in itself, but the rising expectations of the public, the media and the NGO community in recent year have created a new impetus among the business community to raise their standards of citizenship. While the expectations of governments do not appear to have risen in tandem with other stakeholders in the form of legislative obligations, a "soft" network of standards and accountability is beginning to take shape in the form of corporate and industry codes, stakeholder initiatives, and private standard setting bodies such as the Global Reporting Initiative, the Equator Principles, or ISO 26000 (Vogel, 2005). It is believed that no matter what government alone cannot provide every need of the citizens. In order to develop an economy government, corporate entities and citizens should be together to work towards a common goal.

Ekpu (2007), identifies two models on which CSR activities are based, the first one is US model or the philanthropic and the other is the European Model. Companies following the US model follow the ideology where the companies make only profits and then pay taxes to appropriate authorities, as well as donate certain portions of their profits to charity. On the contrary, the European model is more focused on operating the core business in a socially responsible manner. The advantage of the European model is that social responsibility will be an integral part

of the wealth creation process that can enhance the competitiveness of business and enhance the value of wealth creation to society at large. In such situation, the incentive to practice CSR will remain unhampered whatever happens.

Being socially responsible simply requires a corporate entity to behave well in all its dealings and put in place appropriate measures which would help to reduce the adverse impact of its actions on both the environment and its stakeholders. An entity that fails to demonstrate responsibility in its actions, may not survive beyond the short term, it is therefore in the best interest of those corporations which aspire to survive and prosper to behave responsibly. Effective CSR is now at the forefront of what modern corporate entities crave, they aspire to implement CSR initiatives which portray them as being socially responsible in all the action that they take, visible results of these initiatives go a very long way to placate and satisfy all stakeholders.

Organizations and individuals propagating the field of corporate social responsibility have undergone dramatic developments during the last decade. Governments, trade associations, business networks, certification and standardization agencies, non-governmental organizations (NGOs), investment banks, universities and business schools, consultancies, and law firms among others, have aided the advancement of CSR.

To highlight the role of banks in Corporate Social Responsibility the Reserve Bank of India circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title “Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks”. Socially Responsible Banking is becoming a well-established notion in the financial services industry. Financial institutions are coming round to the idea that there is more to invest than just to check the figures. Kaptan *et al.* (2011) stated that banks do not exist in a vacuum. They make a large contribution to the country’s GDP growth, meet the demand of the growing middle class, contribute to infrastructure spending and reach out to the semi urban and rural areas. The Indian economy’s liberalisation in the early 1990s has resulted in the conception of various private sector banks. This has sparked a boom in the country’s banking sector in the past two decades. The revenue of Indian banks grew fourfold, whereas the profit after tax raised nearly nine-fold 2001-10. The Reserve Bank of India (RBI) 2011 on stressing the need for CSR, suggested the banks

to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development. RBI also pointed out to start non-financial reporting (NFR) by the banks which will cover the work done by the banks towards the social, economic and environmental betterment of society.

The study was undertaken in order to understand and find out the CSR activities of banking sector in Mizoram state and its implementation of the socially responsible business and philanthropic activities.

## **1.2. History of Corporate Social Responsibility**

Though the roots of the concept that we know today as corporate social responsibility have a long and wide ranging history, it is mostly a product of the twentieth century, especially from the early 1950s up to the present time. In spite of its recent growth and popularity, one can trace for centuries evidence of the business community's concern for society. Formal writings on Social Responsibility (SR) are largely product of the twentieth century, especially the past 70 years or so.

Though formal writings on the topic were available only from 1950s, there are literature and evidences present which reflect that CSR was carried out since 1600 AD onwards. When Dutch East India Company (1602) formed and the entrepreneurs had an obligation to give investors value for their fund and were regulated by commercial law. The idea that corporations had social responsibilities awaited the rise of corporation themselves. Meanwhile, the most expression of duty to society was the good deed of charity by business owners. Alien Tort Claims Act, in 1789 was passed in US that permit foreign citizens to litigate alleged violations of international law in federal courts. In the year 1831, Steven Girard donated \$6 million to government of US in order to educate orphaned boys from the first grade to high school which was the turning point in the educational history of US which led the way to free public schooling as in US high school education was only for children of the wealthy. Jhon D. Rockefeller owner of Standard Oil was so influenced by Swami Vivekananda's guidance in 1893-1894 that he gave up \$550 million over his lifetime for the wellbeing of others. He gave \$8.2 million for the construction of Perking Union Medical College in China. He gave \$50 million to the University of Chicago. He created charitable trust like the General Education Board which was setup in 1902 that started 1600 new high schools. In the year 1913, Rockefeller Foundation was

established and was endowed with \$200 million and the purpose of the foundation was “to promote the well-being of mankind throughout the world.” Andrew Carnegie was a believer of the fact that “big fortunes should be used for grand purpose such as endowing universities and building halls like Carnegie Hall”. During his lifetime, he gave \$350 million to social cause by building 2811 public libraries, donated 7689 organs to churches. In the year 1903, Carnegie Dunfermline Trust was setup. In 1875 R. H. Macy Company of New York contributed to orphan asylum. Henry Ford in the year 1914 announced “Five-Dollar Day” for Ford Motors Co. workers, in the year 1926 he announced five-day, 40 hour week for workers. In 1960s, U.S. companies in order to demonstrate their social responsibilities had established their own in-house foundations and gave up to 5% of pre-tax income for social causes.

One of the many versions regarding the appearance of the term “social responsibility” draws on a manifesto written by 120 Industrial Englishmen at the end of the eighteenth century. The document defines the responsibility of a company’s head as that of searching for and maintaining an equilibrium between the interests of the public, consumers, employees, stockholders, and thus reaching the largest possible contributions to the wellbeing of the nation as a whole. With this stated, the first concrete manifestation of this idea developed at the beginning of the twentieth century with the Americans: Charles Elliot (1906), John Clark (1916) and in 1923 with the Englishman Oliver Sheldon as cited in Carroll 1999. CSR was not generally accepted until 1953, when Howard Bowen in the USA released his book “Responsibilities of the businessman” and that was the initial point in the study and debate of social responsibility.

Crowther (2002), pointed out that during the eighteenth century when the only single objectives of a business enterprise was to make profit, Richard Arkwright build houses near his factories for his employees and were either rent free or at a nominal rent. Cook (2003), who describes Titus Salt as ‘the pioneer of modern environmentalism’ in order to make difference in the most polluted town in Britain, shifted his woollen mill outside Bradford town and also created a model community for his staff in which every home had running water. Social responsibility behaviour of Joseph Rowntree as recited by Cook (2003), is worth mentioning, as all the acts were revolutionary. He in 1904 built ‘Rowntree Village’ for his employees with houses centred on a community hall. In 1906, he setup pension fund for his staff, in

1916 he established a profit sharing scheme for his employees, and in 1918 he introduced staff holidays.

Carroll (1979) specified that organizations' obligation must encompass the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. In the early stage of development of the concept of CSR it was mostly individual activities. The book of Bowen, "Responsibilities of Businessman" gave the concept of individual philanthropy. It was in 1979, when Carroll for the first time came up with the concept that business entity should not only focus on profit maximization but instead should focus also on other aspect such as Legal, Ethical, Economical and Philanthropic. And this concept was the turning point which was adopted by several companies. Later in the year 2004, Global Compact was proposed which had 10 principles to be followed by companies. And even in India, certain norms and regulations were implemented to be followed by companies operating in India. In 2013, Companies Act was passed in India which made it mandate for companies operating in India to spend certain portion of their profit on CSR activities.

### **1.3. Defining Corporate Social Responsibility**

Corporate Social Responsibility has emerged as an important approach in order to address the social and environmental impact of company activities. For long expectations from the corporate entities were only to provide goods and services, employment, pay corporate taxes and at the end maximize the wealth of the shareholders. But then with passage of time, the concept has changed and the corporate businesses are expected to be socially responsible. Being socially responsible, the corporate entity is expected to help reduce the adverse impact of its action on both the environment and its stakeholders. With the increase in expectations of people day by day, even the companies are going beyond all the limits and are contributing towards addressing of issues like poverty, climate changes etc. CSR is an area in which institutional investors are showing more interest and their interest is driven by the expectations of their clients.

Corporate Social Responsibility (CSR) is the compliance of social and ecological responsibility by a company voluntarily. It is basically a concept where companies decide to contribute towards the development of a better and cleaner



environment. It is a concept that not only refers to the compliance of human right standards, labour and social arrangements but also to the fight against climate change, sustainable management of national resources and consumer protection.

- CSR gives a choice – A choice to do good for others, a choice for changing business practices and procedures by supporting those initiatives where one can voluntarily serve the locals, nationals and even the global communities, this will not only change way an organization works but will also make every place a great place.
- CSR is not a onetime process – It is a continuous and long term endeavour of corporate where corporate values, traditions and vision must undergo change in order to have a better society for everyone.
- CSR is the continuous commitment by business firms to be ethical and contribute towards economic development of the society, improving the quality of life of the workforce, their families, the local community and society.
- CSR empowers the society – Business and corporate don't operate in vacuum. They are part of the society and depend on their stakeholders and the society for their existence and operations and hence it is important for the business to give back to the society. CSR empowers the society and also extends a helping hand to the communities.

### **1.3.1. Definitions of Corporate Social Responsibility**

There are number of scholars and several organizations that have their own definitions about CSR, as there are no universally accepted definitions of CSR. Definition of CSR can be categorised under two groups: Early definition of CSR which would be considered before the year 2000, and definitions after that would be considered as recent definitions.

#### **Early Definitions of CSR**

Bowen (1953) refers “the social responsibility of businessmen 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.”

Davis (1960) says CSR refers to “the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm.”

According to Friedman (1970) “The social responsibility of the firm is to increase its profits.”

Manne & Wallich (1972) define CSR as “A condition in which the corporation is at least in some measure a free agent. To the extent that any of the foregoing social objectives are imposed on the corporation by law, the corporation exercises no responsibility when it implements them.”

H. Gordon Fitch, (1976) “Corporate social responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation”

Archie B. Carroll, (1979) - The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.

According to Thomas M. Jones (1980) “Corporate Social Responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract.”

Epstein (1987) defined CSR as “Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility.”

Wood (1991) has defined CSR as “The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes.”

World Business Council for Sustainable Development (1999) “CSR is the ethical behaviour of a company towards society; management acting responsibly in its relationship with other stakeholders who have a legitimate interest in business, and it is the commitment by business to behave ethically and contribute to economic

development while improving the quality of life of the workforce and their families as well as the local community and society at large.”

### **Recent Definition of Corporate Social Responsibility**

Holme and Watts (2000), “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

Confederation of British Industry in 2001 defined CSR as “CSR requires companies to acknowledge that they should be publicly accountable not only for their financial performance but also for their social and environmental record. CSR encompasses the extent to which companies should promote human rights, democracy, community improvement and sustainable development objectives throughout the world”.

Bloom and Gundlach (2001), define CSR as “the obligations of the firm to its stakeholders – people and groups who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the company’s duties to its shareholders. The fulfilment of these obligations is intended to minimize any harm and maximize the long-run beneficial impact of the firm on society.”

McWilliams and Siegel (2001), “CSR are the actions that appear to further some social good, beyond the interest of the firm and that which is required by law.”

World Bank (2003), defines CSR as “CSR is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for (international) development”.

Jackson (2003), “CSR is the overall relationship of the corporation with all its stakeholders. Elements of corporate social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental responsibility, human rights, and financial performance.”

The European Union (2004), “CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”

Starbucks in its CSR Report, (2004) defined CSR as “A responsible company is one that listens to its stakeholders and responds with honesty to their concerns”.

According to Kotler and Lee (2005), “CSR is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.”

Lea (2002) defines - CSR is about businesses and other organizations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include how organizations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent they attempt to protect the environment.

According to Hancock (2005), CSR can be categorised into three general parts according to three related views.

1. The sceptic view: The sceptic view takes a cautious position and remains highly critical of CSR. According to this view, the most important purpose and social responsibility of companies are to provide as much wealth as possible to their shareholders, so the notion of CSR distracts them from their purpose of wealth creation and the benefits this has brought to millions of people.
2. The utopian view: The utopian view of CSR reflects the idea that companies have a prior duty to anyone touched by their activity, their stakeholders rather than their shareholders, and especially the vulnerable, which may be exploited by the company’s operation.
3. The realistic view: The realistic view enjoys the greatest acceptance by the scientists and practitioners as well. According to this view, CSR is the management of an organization’s total impact upon both its immediate stakeholders upon the society within which it operates. According to this view, CSR is not simply about weather funds and expertise companies choose to invest in communities to help resolve problems, but it is about the integrity

with which a company governs itself, fulfils its mission, follows its values, engages with its stakeholders, measures its impact, and reports on its activities.

According to Chinese Ministry of Commerce (2005), CSR refers to - A concrete action taken by Chinese companies to implement the political aspiration of the new Communist Party collective leadership - putting people first to create a harmonious society.

According to Lord Holme and Philip Watts (2010), “CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

International Organization for Standardization’s Guidance Standard on Social Responsibility, ISO 26000, published in 2010 says:

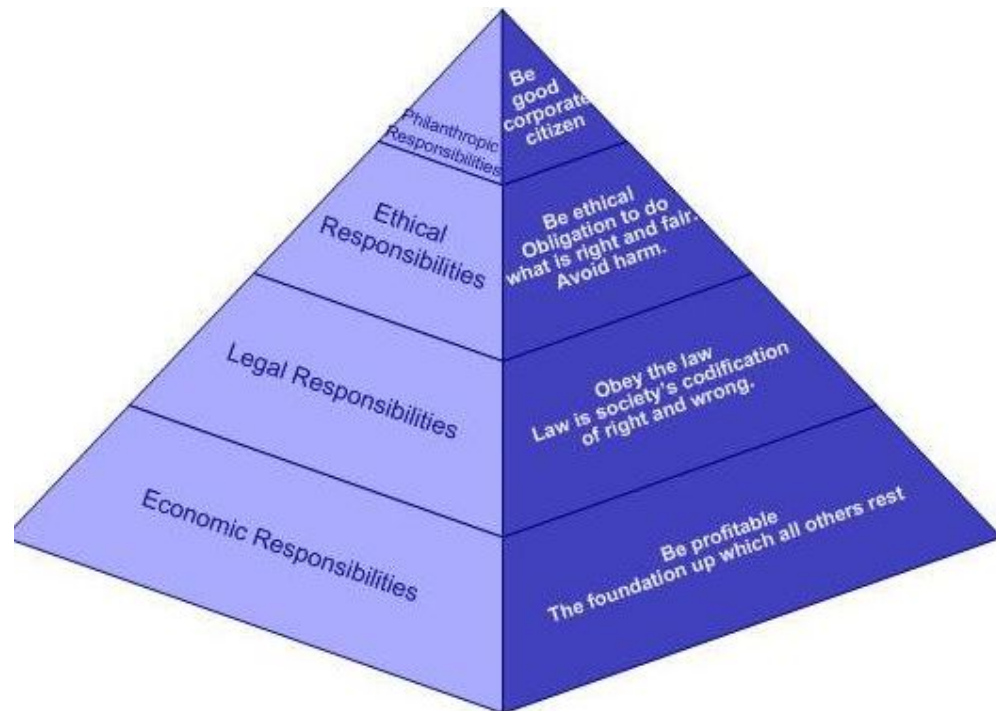
“Social responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- Contributes to sustainable development, including the health and the welfare of society
- Takes into account the expectations of stakeholders
- Is in compliance with applicable law and consistent with international norms of behaviour, and
- Is integrated throughout the organization and practised in its relationships.”

#### **1.4. Pyramid of Corporate Social Responsibility**

For CSR to be accepted by a conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced. It was suggested that four kinds of social responsibilities constitutes total CSR: economic, legal, ethical and philanthropic (Carroll, 1991).

**Fig. 1.1 The Pyramid of CSR.**



*Source: Carroll (1991), The Pyramid of Corporate Social Responsibility: Towards the Moral management of Organizational Stakeholders.*

### **Economic Responsibilities**

Historically business organizations were created as economic entities designed to provide goods and services to social members. The profit motive was established as the primary incentive for entrepreneurship. Before it was anything else, business organization was the basic economic unit in our society. As such, its principal role was to produce goods and services that consumers needed and wanted and to make an acceptable profit in the process. At some point the idea of profit got transformed into a notion of maximum profits, and this has been an enduring value ever since. All other business responsibilities are predicated upon the economic responsibility of the firm.

### **Legal Responsibilities**

Society has not only sanctioned business to operate according to the profit motive; at the same time business is expected to comply with the laws and regulations promulgated by federal, local and state governments as the ground rules under which business must operate. As a partial fulfilment of the “social contract” between

business and society, firms are expected to pursue their economic missions within the framework of the law. Legal responsibilities reflect a view of “codified ethics” in the sense that they embody basic notions of fair operations as established by our lawmakers.

### **Ethical Responsibilities**

Ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are they are not codified in to law. It embodies those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights. In one sense, changing ethics or values precede the establishment of law because they become the driving force behind the very creation of laws and regulations. In another sense, ethical responsibility may be seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect higher standards of performance than that currently required by law.

### **Philanthropic Responsibilities**

Philanthropy encompasses those corporate actions that are in response to society’s expectations that businesses be good corporate citizens. This includes actively engaging in acts or programs to promote human welfare or goodwill. The distinguishing feature between philanthropic and ethical responsibilities is that the former are not expected in an ethical or moral sense. Communities desire firms to contribute their money, facilities, and employee time to humanitarian programs or purpose, but they do not regard the firm unethical if they do not provide the desired level. Therefore philanthropy is more discretionary or voluntary on the part of business even though there is always the societal expectation that business provide it.

### **1.5. Corporate Social Responsibility in India**

Corporate Social Responsibility might not be a new term to India, this concept has been followed in our country since long. It dates back to Mauryan history where philosopher like Kautilya emphasised on ethical practices and principles while conducting business. Scriptures are available which shows that all religions be it Islam, Sikh and Hindu, in their own way they helped the deprived section of the

society. Islam had a law called Zakaat, which rules that a portion of one's earning should be shared with the poor. The religion of Hindu was based on sacrifice (meaning leaving the material world and live in spiritual world or practice spirituality) and donation (daan in hindi). Hindu's built Dharmshalas, night shelters and gave offerings for the poorer class. Sikhs followed Dasaundh. All these practices were in the form of individual responsibility.

In the context of Indian corporate, among the pioneer was TISCO who in the year 1912 introduced eight hour working shift which was the first in this world, prior to which there was no time cap on the working hours. TISCO also introduced free medical aid for its employees and local people in the year 1915. Concept of free schooling was first introduced in India by TISCO in the year 1917. The JN Tata Endowment was setup in 1892 by the founder of the Tata group, Jamsetji Tata as an encouragement to young people to take up higher studies at best universities in the world. One of the first trusts that were established in India was Sir Ratan Tata Trust in the year 1919. Father of the nation Mahatma Gandhi gave the idea of trusteeship during the 1920s and urged wealthy industrialists to share their wealth for the benefit of the society. In 1926, Ardeshir Godrej donated Rs.26lakh to Tilak Fund for the upliftment of Harijans. Later in 1972 they established Pirojsha Godrej Foundation and one third shares of 'Godrej & Boyce Manufacturing Company Ltd.' was donated to this foundation and the income from dividend is utilised for providing free medical care to the poor and critically ill, for education of poor students and relief in case of natural disaster.

From the available literature on the history of Corporate Social Responsibility in India, History of corporate social responsibility in India can be broadly divided into four phases (Sundar, 2000):

### **Phase 1 (1850-1914)**

The first phase of CSR was known for its charity and philanthropic nature where the family values, tradition, culture, religion influenced such activities. The wealth of businessmen was spent on the welfare of society by building temples, religious institutions, schools, colleges and hospitals. During this phase names like Tata, Birla, Godrej, Bajaj promoted concept of CSR by setting up charitable foundation, educational and healthcare institutions.



This phase saw a shift, shift from the traditional charity towards religious activities to a western form of philanthropy. During this period schools, colleges, hospitals, orphanage, widow's home, museum etc were setup by the then rich families. Among the pioneer was Jamsetji Tata, who started offering scholarships in 1892 under the J.N. Tata Endowment to deserving Indian students for their education in universities overseas. Jamsetji Tata also started the concept of pension funds, payment of compensation for workers' accidents. In later years Ratan Tata advocated the research on the reasons of poverty in India and across the world. Annually he made contribution towards University of London for instituting a chair at the London School of Economics. In the year 1912, Sir Ratan Tata extended financial help for setting up the Department of Social Sciences.

### **Phase 2 (1914-1960)**

According to Sundar, this period was the "golden age" of Indian capitalism and business philanthropy. In this phase Mahatma Gandhi gave idea of trusteeship and during the independence movement, he urged rich industrialists to share their wealth with the poor. Industrialists like G.D. Birla, Jamnalal Bajaj, LalaShri Ram and Ambala Sarabhai were among the names that first came up and contributed to reformation programs such as rural development, women empowerment and improving the condition of the untouchables. This concept of trusteeship helped in socio-economic growth. He influenced industrialists to set up trusts for colleges, and research and training institutions, and these were also involved in social reforms like women education and empowerment.

Post independence several business houses supported the establishment of research institutions for scientific and technical researches. Several academics institutions were also setup in order to support higher education and at the same time to study history and culture of India. Few of the institutions were Tata Institutes for Fundamental Research, the Birla Institutes of Technology and Science.

### **Phase 3 (1960-1990)**

According to Sundar, this phase coincided with the period of economic and political trouble in the country. Private run businesses in order to survive and make profit, started doing malpractices and there was decline in the corporate philanthropy, which

in turn led to the preference of government jobs over the private sector. In the private sector, jobs were mostly offered to those of the same cast and community as that of the business family.

#### **Phase 4 (1990 onwards)**

In this phase CSR became a sustainable business strategy. Country's economic growth and industrial growth was a result of Liberalisation, Privatization, and Globalisation (LPG), which made it possible for companies to contribute more towards Corporate Social Responsibility. As the corporations made more profit, their willingness to contribute towards social welfare also increased. The government collaborated with the NGOs in order to facilitate development in the country.

During this phase, several new business groups became successful in a short period of time which included family-owned and -managed businesses such as Reliance Industries, Escorts, Gujarat Ambuja and Ranbaxy joined the old established family-owned and controlled businesses like Tata, Birla, Bajaj and Mahindra, with established dynastic and corporate traditions, and the old non-family owned and professionally managed groups like Hindustan Lever Limited (HLL), ITC Limited, and Larsen and Toubro Limited. Medium-sized groups like Excel and TVS Suzuki were on the rise, as were companies like Sona Steering, Microland and Malladi, and multinationals like Pepsi and Motorola.

Prior to 2007, the CSR activities were mainly individual initiated as there were no mandate norms from the government of India. It was in the year 2007, that RBI circulated a notice to banks to pay attention and incorporate CSR activities for sustainable development. In the year 2013, the government of India made it compulsory for spending 2% of the profit of a company on CSR, provided the company has net worth of ₹500crore or turnover of ₹1000crore or net profit of ₹5crore.

With globalization, several MNC started their business in the country and that was the point of time when the government of India considered making it mandate to spend some part of the company earnings towards the development and growth of the society and environment where they are operating or where they exist. Companies Act, 2013, connotes "Every company having net worth of 5 Billion or more, or

turnover of 10 billion or more or a net profit of 50 million or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. And the board of every company shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

### **1.6. Significance of Study**

Banking sector is one of the biggest and most organised sectors of Mizoram and banks are directly or indirectly expected to help the society and the people residing in, to develop economically and socially. Banking sector in Mizoram is growing and with the latest available data (Annual report of State Level Bankers' Committee Meeting, 2015-2016) there are total of 25 banks operating in Mizoram with a total of 185 branches, which are further classified on basis of Urban, Semi- Urban and Rural areas.

There are total 71 branches in rural areas, 45 in the Semi-Urban area and 69 in the urban area. And at the same time there are 154 ATMs available across the state in various parts in order to facilitate basic facilities of banks at any hour of the day. There are 64 Customer Service Points across the state which is appointed by various banks in those villages where full fledged branches are not available.

Banks operating in Mizoram, no doubts, are earning profit from the state. It is therefore of importance for the public to know the banks performance on socially responsible business and philanthropic activities in the state. The findings of the study would bring to knowledge the work and socially responsible business and the philanthropic activities of banks in Mizoram. The study also intended to help in assessing which banks are involved in conducting socially responsible business and implementing Philanthropic activities and which banks is only profit oriented and ignoring the legal norms of CSR of the country.

**Table 1.1:****List of Banks in Mizoram**

<b>Sl. No.</b>	<b>Name of bank</b>	<b>Turnover (2015-2016) In Lakhs</b>	<b>No. of Branches</b>
1	Bank of Baroda	2722	1
2	Bank of India	3734	3
3	Bank of Maharashtra	789.77	1
4	Canara Bank	4778.22	5
5	Central Bank of India	4989.25	1
6	HDFC Bank Ltd.	29510.91	7
7	Federal Bank	1747.09	1
8	ICICI Bank Ltd.	3809.06	2
9	Industrial Development Bank of India	6419.89	5
10	Indusind Bank	8927	1
11	Indian Overseas Bank	790.62	1
12	Punjab National Bank	5825	1
13	Punjab & Sind Bank	348	1
14	State Bank of India	407903	42
15	Syndicate Bank	4624.76	2
16	United Bank of India	12519.65	6
17	UCO Bank	14164.47	3
18	Union Bank of India	1016.88	1
19	AXIS Bank Ltd.	33671.78	3
20	Vijaya Bank	28887	2
21	YES Bank	2648	1
22	South Indian Bank Ltd	1582.86	1
23	Mizoram Co-operative Apex Bank	99241.44	15
24	Mizoram Rual Bank	238250.16	78
25	Mizoram Urban Cooperative Development Bank Ltd	7281.51	1

<b>Total</b>	926182.32	185
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*Source: Compiled from Annual Reports of State Level Bankers Committee Meeting 2015-2016*

### **1.7. Scope of study**

The study is confined to CSR practices of top three public sector banks and top three private sector banks according to their financial performance in the year 2014-2015, collectively six banks namely, State Bank of India, United Bank of India, Punjab National Bank, AXIS Bank, ICICI Bank and HDFC Bank operating in Mizoram. To be more specific, the study is confined to the socially responsible business and philanthropic activities of these banks in different sectors like agriculture, Financial Inclusion, Education and Philanthropy during the period of last 5 financial years i.e. 2011-2012 to 2015-2016.

### **1.8. Literature Review**

To prepare proposal of research on “Corporate Social Responsibility in Mizoram: A comparative Analysis of Public and Private sector Banks”, the researcher consulted books, journals and business magazines etc. and from those sources, few mention worthy literature are noted below.

The term Corporate Social Responsibility is new which got momentum only in late 20th century, prior to that similar type of concept existed but then it was mostly individual philanthropy where rich industrialists and businessman would give up their shares to the needy and those who lacked the resources. One of the first literatures on the topic was available in 1899 by Andrew Carnegie, founder of the conglomerate US WEALTH, which set forth the classic statement of corporate social responsibility. His views were based on two principles: the charity principle and the steward principle. Work of Chester Barnard The functions of the Executives (1938), J.M. Clark’s Social Control of Business (1939) and Theodore Krep’s Measurement of the Social Performance of Business (1940) were a few worth noting out during the period of 1930s and 1940s.

Abrams (1951), a top executive with Standard Oil, published a remarkable piece of reflection on “Management’s Responsibilities in Complex World” in the Harvard Business Review. Abrams urged his fellow managers, i.e., businessmen, to

think of themselves as professionals with an explicit sense of duty not just to shareholders, employees and customers, but also to the public in general: “management must understand that the general public – men and women everywhere have a deep interest in, and are affected by, what is going on”.

Following Abrams publication, another publication followed with book entitled “The Social Responsibilities of the Businessman” (1953) by Bowen which was concerned with detailing the specific social responsibilities of businessmen. He argues that businessmen must assume “a large measure of responsibilities if the economic system of free enterprise is to continue and prosper”. And this was the start of the CSR, and studies further started based on the book. This book gave a different meaning to CSR, as prior to this there were no such literature were available on the subject.

Davis (1960), one of the first and most prominent writers in this period argued that social responsibility was a nebulous idea but should be seen in managerial context. He asserted that some socially responsible business decision can be justified by a long, complicated process of reasoning as having a good chance of long run economic gain to the firm, thus paying it back for its socially responsible viewpoint.

Friedman’s work on CSR (1970) which was captured in New York Times Magazine had the most sustainable impact. He claimed “that the social responsibility of business is to increase its profits (and nothing else)”. He argues that business and corporations have in fact no responsibilities, in contrast to a corporate executive. As a business person and “an agent serving the interest of his principal” the executive has direct responsibility to the principal, namely “to conduct business in accordance with their desires, which generally will be to make as money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical customs.

Davis (1973) presents arguments on basis of ethics, social legitimacy, and pragmatic vision of business through considering the consequence of an irresponsible use of power. He began his approach by emphasizing that responsibility goes with power, and business has power which has social impact.

Frederick (1998) divided the first fifty or so years of CSR into four phases: CSR-1 (1960s – 1970s) as “doing the right things”; CSR -2 (1980s), according to Frederick, is marked by more responsive corporate behaviour toward social responsibilities, i.e., “corporate social responsiveness”; CSR -3 (1990s) is marked by compliance and Frederick imagines that CSR- 4 (Since then) will bring more on cosmological and spiritual aspects. It remains to be seen whether or not CSR will indeed become more holistic in nature.

Hopkins (2003), states that CSR is concerned with treating the internal and external stakeholders of the firm ethically or in a socially responsible manner and the wider aim of corporate social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders.

Frederick, one of the early pioneers of CSR, asserted that there were three core ideas in the 1950s: the idea of corporate managers as public trustees, the idea of balancing competing claims to corporate resources, and the acceptance of philanthropy as a manifestation of business support of good causes (Frederick, 2006).

Robbins and Coulter (2007) explained that the management’s social responsibility goes beyond making profit to include protecting and improving social’s welfare of its stakeholders and the environment in which the firm carries out its operations.

Scott (2007) examined five themes arising from definitions of corporate social responsibility (CSR): responsibility to the community and society; promoting democracy and citizenship; reducing poverty and the inequality between rich and poor; employee rights and working conditions; ethical behaviour.

Narwal (2007) suggests that banks have an objective view-point about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their core CSR activities.

Kaptan and Patel (2008) stated that banks do not exist in a vacuum. They make a large contribution to the country's GDP growth, meet the demand of the growing middle class, contribute to infrastructure spending, and reach out to the semi-

urban and rural areas. The banking sector responded relatively to the challenge of CSR activities.

Jayashree and Neeta (2011) argued about the CSR practices and ratings in Indian banking industries, they argued that CSR is a concept whereby financial institutions not only consider their productivity and growth but also consider wellbeing of society and the environment by taking responsibility for the impact of their activities on shareholders, employees, customers and civil society represented by NGOs. There is a relation between CSR and the Corporate Reputation of banks, which is very important in satisfying all stakeholders' expectations.

Yeung (2011), in her study on CSR states that business ethics, establishing mindset of risk management, protection of customers rights and having social responsible mindset of staff members is very important in order to become a social responsible banking organization.

Choudhury *et al.* (2011), connotes that CSR in India is not so popular due to lack of co ordination between govt, corporate and non govt. Organization. In Indian banking sector mostly banks are working on education, rural development, and helping the physically challenged.

Gauga (2012), in her study mentioned that despite that fact that Indian Banks grow at a high rate, there is still a very large unexplored market and India has highest number of households excluded from banking facilities because of reasons such as slow industrial growth, increased stress on some sector etc.

Kaur (2012), connotes that CSR activities cannot be effective if the employees implementing the activities understand it. CSR has no boundaries and are not in any manner constrained by factors like colour, religion, race etc. She also argues that CSR is a tool which can be used to retain customers and increase in market shares.

Saxena (2012), connotes that ultimate motivation for corporations to practice in social responsibility should not only be financial, but a moral and ethical one. CSR has an important role to play especially in building up trust in the minds of consumers.



Sanjay (2012), proposed that there is a need to develop a standard for rating CSR practices in banking sectors and it can pave way to accountability on CSR. Mukherjee (2012), mentioned that the RBI along with the commercial has to understand that their viability and profitability will be sustainable for a longer period of time only when there is total financial inclusion.

Sharma and Mani (2013), pointed out that though the Indian banks are making sustained efforts in the CSR areas, there is much to be accomplished. The public sector banks have overall made the highest contribution to CSR activities, private sector banks and foreign banks are still lagging behind.

Singh *et al.* (2013), in a study on CSR practices find that Indian banking sector are performing efficiently both in their banking performance and in social banking. But most of the banks do not disclose amount spent on CSR activities despite the RBI guidelines hence more regulations and policies are required for proper implementation of CSR in Indian Banking sector.

Dhungel *et al.* (2013), in a study found that CSR is not mandatory in Nepal but still banks in Nepal disclose information regarding education, welfare, art, heritage etc. which is completely voluntary. At the same time there is recommendation that there should be uniform standards for reporting of CSR activities.

Moharana (2013), in her study found that CSR activities of banks are not satisfactory. There has to be proper CSR policy in every bank and proper monitoring needs to be done in order to make sure that funds allocated to specific cause were utilized properly and in order to have a better CSR, government involvement and media role is important.

Sharma *et al.*(2013), in an attempt to study the CSR practices of banks in India finds that Indian banks are making efforts but are lacking behind and are not even meeting the RBI guidelines and also points that private sector banks are not performing well as compared to public sector banks.

Katara (2014), in his study depicts that attitude of people, business houses and society is the reason behind the changing trends of CSR. And with the changing

attitude, CSR is not any more only about Philanthropy but way more than that and banks are following the triple bottom line principles in their CSR policy.

Dhingra *et al.* (2014), connotes that Indian banking sectors are integrating sustainability into their business model, but only few banks report their CSR activities. Most of the banks use CSR practices as marketing tool and there are only few banks which have CSR philosophy.

Rani *et al.*(2015), in their study finds that banks are actively working on CSR activities out of their ethical and moral values but at the same time there are some areas where banks need to focus more than what they are currently doing. Apart from focusing on rural development, women empowerment and poverty reduction activities, attention needs to be given to areas like customer and employee welfare.

Kaur *et al.* (2015), in their study find that public sector banks don't carry out CSR activities with regards to ethics and employee development. At the same time their study depicts that main concern for public and private sector banks is social welfare but their approach is different. They also point that a proper CSR model should be formulated for proper implementation of CSR activities.

Singh and Das (2016), in the study it was found that SBI is implementing CSR activities in the state of Mizoram in areas of educational development, social welfare and healthcare. Doing such CSR activities provide a better hand to the bank and in turn the banks have a better reputation in people perception.

Singh and Das (2016), in the study found that CSR is of great importance and must be considered while designing the CSR activities and proper implementation is important. They also found that the primary concern for SBI and ICICI banks are same but the approach is different for both the banks.

## **1.9. Research Gap**

After reviewing available literature on the topic of CSR with special reference to CSR in banking sector, it was found that across the country few researches has been undertaken, but no evidence was found on the study of CSR activities of banks in northeast India and Mizoram, which provided an opportunity to conduct this study.

### **1.10. Statement of Problem**

Banking sector is one of the biggest and most progressive business sectors in the state of Mizoram. It helps for economic development of the people of state by business and non business activities. Banks play vital role by providing basic banking services to public and also help in social developments too. Banks are providing socially responsible business concepts such as No frills accounts, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jivan Jyoti Bima Yojana, Atal Pension Yojana, Pradhan Mantri Mudra Yojana, Prime Minister's Employment Generation Programme etc. Apart from this, government of India and other regulatory bodies in the country have suggested banks operating in the country to proactively indulge in CSR activities depending on their turnover, capital or net profit. According to the Companies Act, 2013, *“Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years.”* It was found from the annual reports of the banks under study that 2% of their net profit is being spent on CSR activities in the country. Though these banks are operating in Mizoram and generate profit from the state, it is important to find out their contribution of CSR in the state, both by socially responsible business model and philanthropy. Therefore the present study aims to study the CSR activities that are performed by the selected banks in Mizoram.

### **1.11. Objective of the study**

There are many corporate businesses operating in the state, banking sector is one of the biggest corporate businesses that functions here with their existence everywhere in the state, it was very important to know and understand to what extent banks were helping in the development and advancement of the state and its people. To find out the socially responsible business and philanthropic activities of banks under study, following objectives were formulated:

1. To study CSR activities of public and private sector banks in Mizoram.
2. To compare CSR performance of public and private sector banks operating in Mizoram.

### **1.12. Research Questions**

Taking into consideration the objectives of the study, the following research questions were formulated. These are to find out:

1. Are public sector banks more involved in implementing socially responsible business and philanthropic activities in the state or private sector banks?
2. Are the socially responsible business and philanthropic activities of private sector banks targeted to profit or promotion?

### **1.13. Methodology**

The study on “Corporate Social Responsibility in Mizoram: A comparative Analysis of Public and Private sector Banks”, was carried out within the state of Mizoram with following tools and techniques.

- a. Universe: All the public and private sector banks operating in Mizoram formed the universe. There are total of 25 banks and 185 branches currently operating in the state.
- b. Sampling Design: Out of the 25 banks operating in Mizoram, six banks were selected for the study, three each from the public sector and private sector banks. Banks were selected on basis of their performance in financial year 2014-2015. The top three banks in public sector viz. State Bank of India, Punjab National Bank and United Bank of India were selected and in the private sector banks AXIS Bank, ICICI Bank and HDFC Bank were selected.
- c. Data Collection: In order to carry out the research, primary as well as secondary data was collected. The primary data was collected by personal interview of the managers of the selected banks. The secondary data was collected from various published reports in media such as annual reports, CSR reports, and magazines and also from published sources at branches or Regional Offices for internal circulation.
- d. Tool for analysis: This is a descriptive study based on qualitative and quantitative data. Analysis was made from available data by using basic statistical tools such as summation, percentage, ratio etc.

#### **1.14. Chapterization of the Study**

Chapter I: Introduction.

Chapter II: Banking sector in Mizoram.

Chapter III: CSR practices of banks.

Chapter IV: CSR Activities in Mizoram: An Analysis.

Chapter V: Conclusion & Suggestion.

## **2.1. Introduction**

This chapter is broadly divided into three sections, the first one briefly discuss about the state of Mizoram, like history, culture and geography. The second section discusses about the banking history in the state, areas like when formal banking started in the state, banks that are currently operating in the state of Mizoram. The last section of this chapter focuses on the profile of the banks that are selected for the study, their current position and working in the country and at the same time in the state of Mizoram.

## **2.2. About Mizoram**

Mizoram became the 23<sup>rd</sup> state of India in February 1987, before which it was just a district of Assam till 1972 and later became Union Territory. But getting the statehood was not easy task. Mizo National Front (MNF), the then political organization of the state was formed on 22<sup>nd</sup> October 1961 with a goal of achieving autonomy and being state. The way chosen by the MNF was of violence and hence it was outlawed in 1967, but then their demands were still the same and as a result of the disturbance, the government of India, agreed upon making Mizoram an Union territory in 1971 July and officially on 21<sup>st</sup> January 1972, the Union Territory of Mizoram came into being. Post that, in February 1987, Mizoram was given statehood as the 23<sup>rd</sup> state of India.

The origin of Mizos like many of the tribes in the country is still mystery but according to belief of historians, Mizos, the people of Mizoram are part of great wave of Mongolian race. Among the migrants, the first to come to India were known as Kukis, and Lushais were among the last to migrate to India in their present habitat.

The 23<sup>rd</sup> state of India, Mizoram has 8 districts namely Aizaw, Kolasib, Mamit, Champhai, Serchhip, Lunglei, Lawngtlai and Saiha. The state has three autonomous district councils, namely Lai, Chakma, and Mara. The state occupies geographical area of 21081Sq. Km and the total cropped area is 1339.56km and the total gross irrigated area is 131km. Mizoram has a density of 52 per sq. Km and as per Census 2011, the population of the state is 10.91lakh out of which 51.51% of the total population resides in the urban area and 48.49%of the population resides in semi urban and rural areas. With literacy rate of 91.58%, the state has highest literacy rate in North East India. The state is the third most literate state among the states and Union Territory in India after Kerela and Lakhsadweep. The state also has high sex

ratio of 975, i.e. there are 975 females per 1000 males in the state. There are total of 705 villages in the state out of which 600 villages have population less than 2000.

Perching on the high hills of North Eastern corner of the country, Mizoram shares its boundaries with Bangladesh on the west and Myanmar on the East and South. The state shares long international boundary of 722Kms and it plays an important role. The state is blessed with natural beauty, variety of landscapes, hilly terrains, and has rich wealth of flora and fauna. The weather is pleasant throughout the year neither too hot, nor too cold, and the temperature in the state usually is between 11degrees during winter to 30 degrees during summer.

About 94.46% of the state population belongs to Scheduled Tribe (ST). The majority of the population residing in the state are Christian and there are people from other religions residing in the state too. The highest point of the state is Phawngpui also know as Blue Mountain. The state is divided into 26 blocks, and there are 23 sub divisions.

Though the state shares borders with three other states of the country, namely Tripura, Manipur and Assam, most of the trade that takes place in the state is through the border of Assam. The state also shares international border with Myanmar and Bangladesh with length of 404Kms and 318Kms.

The state also celebrates three festivals which revolve around the Jhum cultivation and all these three festivals are connected with agricultural operations.

- a. **MimKut** which takes place in August-September in the wake of harvesting of the maize crop, is celebrated with great gaiety and merriment expressed through singing, dancing, feasting and drinking of home made rice beer zu. Dedicated to the memory of their dead relatives, the festival is underlined by a spirit of thanksgiving and remembrance of the year's first harvest is placed as an offering on a raised platform built to the memory of the dead.
- b. **Pawl Kut** is Harvest Festival – celebrated during December to January. Again, a mood of thanksgiving is evident, because the difficult task of titling and harvesting is over. Community feasts are organised and dances are performed. Mothers with their children sit on memorial platform and feed one another. This custom, which is also performed during ChapcharKut, is known

as 'Chawnghnawt'. Drinking of zu is also part of the festival. The two-day is followed by a day of complete rest when no one goes out to work.

- c. **ChapcharKut:** Of all the Kuts of the Mizo, ChapcharKut has emerged as the most popular and enjoyable, owing perhaps to the humorous stories of its origin and the favourable time when the festival is observed-Spring. ChapcharKut literally means - a festival held during the period when the bamboos and trees that have been cut down are being awaited to dry to be burnt for jhumming. During this brief layoff period of jhumming, the Mizo ancestors could have all the time for themselves. They spend their leisure hunting games, fishing.

### **2.3. Banking in Mizoram**

The first ever bank that started its operation in Mizoram was State Bank of India, which started functioning in 1972. Prior to this, there were only 90 bank branches in North Eastern Region of the country. Out of these 90 branches, 74 branches were in Assam having the maximum number of branches. Ever since the starting of State Bank of India operation in the state, the bank took lead in expanding banking business in the state and is having total of 42 branches in the state as of the latest data available. The second bank that started its operation was Mizoram Cooperative Apex Bank (MCAB) which started operating in 1982. The Mizoram Cooperative Apex Bank was started with a paid up capital of ₹16.55lakh under the registrar of Co operative Societies, Government of Mizoram. And it was later followed by the establishment of Mizoram Rural Bank (MRB) in the year 1983.

Like every part of the nation, the people of Mizoram were accustomed to taking loan from friends and family or from money lenders, rather than making use of banking services. They were unaware of the benefits of the banks. The people choose to keep cash at home rather than leaving it in banks. Only affluent people were making use of the banking services. And with the development of banks, the state government jointly with the Industrial Development Bank of India (IDBI) in 1983 setup the Zoram Industrial Development Corporation (ZIDCO) in order to boost the growth of industries in the state.

There were 15 bank branches in Mizoram by 1984 which was very less as compared to 1046 in NE region. And each branch would cater to around 33,000



persons in Mizoram, which was very huge when compared to national level where 15,000 customers were being served by a single branch.

At present scenario, Mizoram has three tier banking system: the commercial banking, the rural banking and the co-operative banking. At present 25 banks are operating in the state which comprises of Axis Bank, Bank of Baroda, Bank of India, Canara Bank, Central Bank of India, HDFC Bank Ltd., ICICI Bank Ltd., IDBI Bank, Punjab National Bank, State Bank of India, Syndicate Bank, The Federal Bank Ltd., UCO Bank, United Bank of India, Vijaya Bank, Yes Bank Ltd., Indusind Bank, Bank of Maharashtra, South Indian Bank Ltd., Indian Overseas Bank, Punjab and Sind Bank, Union Bank of India, Mizoram co-operative Apex Bank Ltd., Mizoram Rural Bank and Mizoram Urban Cooperative Development Bank Ltd., and there are total of 185branches.

## **2.4. Profile of Selected Banks**

Here in this part we would be bringing out the banks which we have selected for our study and their description about their profile which include how the bank came into existence, its current position in the Indian market, and more of such information would be provided.

### **2.4.1. State Bank of India**

History of State Bank of India can be traced back to over 200 years, with the establishment of the first presidency banks, Bank of Calcutta (now Kolkata) which was later renamed as Bank of Bengal was founded in 1806. The second presidency banks was Bank of Madras, which was established in 1843 and the last among the three Presidency Banks was Bank of Bombay which was established in 1868. These three banks started their operation during the British Raj formed the Golden Triangle and in later years merged to form one single bank which was known as Imperial Bank of India.

Having such an old history, State Bank of India started its operation under the name of SBI in the year 1955 after the Act of Parliament and the Imperial Bank of India was renamed and the operation was in the hands of government of India. It is the oldest commercial Bank in the Indian subcontinent, strengthening the nation's trillion-dollar economy and serving the aspirations of its vast population. The Bank is

India's largest commercial Bank in terms of assets, deposits, profits, branches, number of customers and employees, enjoying the continuing faith of millions of customers across the social spectrum.

State Bank of India is India's largest bank with network of over 16,748 branches and its subsidiaries banks located even in the inner most and remotest corner of the country. Not confined only within the country, state bank of India has spread in 37 countries having about 198 foreign offices in order to address the foreign customers banking needs. The bank also has the largest network of ATMs in the country with over 59,000 ATMs and is still looking forward for expansion of ATM network. The State Bank Group constitutes of the State Bank of India and subsidiaries banks which comprises of State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra, State Bank of Travancore.

As per the latest data available i.e. FY 2015-2016, the State bank of India is the largest bank in India in terms of deposits, advances, branches and employees and with active customer base of over 30.12crore, there are 23.30Crore State Bank Group Debit Card holders, over 4.21crore RuPay Debit Card holders and 1.77crore Green Remit Cards holder and the number of users of internet banking is 2.55crores. The bank covers 1,03,565 villages across the country and there are 64,628 business correspondents and customer service points in those villages or location which is difficult to be covered by opening branches. The overall business size of the bank is 31.90lakh crore and on an average over 7.22crore core banking transactions take place on daily basis. On an average, daily over 1.16crore ATM transaction takes place at the State Bank Group ATMs. The bank has also installed over 3lakh POS machines for payment at shops, malls and other places.

The deposit of the State Bank of India rose to ₹17,30,722crore which saw a 9.76% increase from the previous year i.e. FY 2014-15. This growth was mostly result of growth in personal segment deposits, more specifically by growth in low cost CASA deposits. The deposits in Saving Bank grew to ₹5,81,564crore and Current Account reached at ₹1,35,768crore. The advances of the bank grew to over ₹15,09,500crore which saw growth of 13.04% as compared to the previous year. Retail advances growth was the most impressive with growth of 20.06% as compared

to previous year. State Bank of India posted Net Profit of ₹9950.65crore which was 24.05% lower than that in the previous financial year.

The bank has come up with “sbiINTOUCH” branches that are well equipped with state-of-the-art kiosks to cater and support customers. In these branches, customers can transact by themselves and so far 122 such branches are operational in 70 districts of the country.

The State Bank of India at present is offering products to suit every one, people of every sector. The products offered are:

- Personal Banking
- NRI services
- Agriculture
- International
- Corporate
- Small and Medium Enterprise
- Domestic Treasury

Apart from these above mentioned products, SBI also offers various products under the retail banking namely:

- Term Deposits
- Recurring Deposits
- Housing Loan
- Educational Loan
- Personal Loan
- For Pensioners
- Against Mortgage of Property
- Against Shares & Debentures
- Plus Scheme
- Medi-Plus Scheme

State Bank of India also disburses various types of loans via its wide network in India and abroad, these are

- Home loans.
- SBI Saral Personal loans.
- Easy travel loans.
- Gram Nivas scheme.
- Car loan.
- Education loans.
- Property loans.
- Loan to pensioners.
- Loan against shares and debentures.
- Loan for earnest money deposits.
- Festival loans.
- Medi-plus scheme.
- Teachers-plus scheme.
- Tribal -plus scheme.
- Credit khazana.
- Rent plus.
- SBI career loans.

Apart from the mentioned products, the State Bank of India also offers products related to mutual funds, life insurance, and also offer products designed especially for NRI too.

The bank started its operation in Mizoram in the year 1972, since then the bank has proactively worked towards the development of the state. The bank has 42 branches across the state which comprises of 16 in the urban area, 9 in semi urban and 17 in rural areas of the state. The bank has 12 business correspondent points across the state where the population is less and it is not feasible to open branch. The total turnover of the bank in the state during the FY 2015-2016 was ₹4079.03crore. The bank has total of 88 ATMs in the state out of which 53 are in the urban area, 20 in semi urban and 15 in rural areas. In the FY 2015- 2016, the bank issued 1611 Kisan Credit Card (KCC) across the state and disbursed ₹1316.27lakh. According to the Annual Report of State Level Banker's Committee Meeting, 2015-2016, the total deposit of the bank was ₹3009.04crore, and the advances amount was ₹1069.99crore. The bank opened 18357 accounts under the PMSBY, 12184 accounts under PMJJBY,

129 accounts under APY, 25564 accounts under PMJDY, 1023 accounts under PMMY and disbursed 10.71crore under the PMMY scheme.

#### **2.4.2. United Bank of India**

The roots of UBI can be traced back to the establishment of the first banks out of the four banks which amalgamated to form the United Bank of India Ltd in the year 1950. Comilla Banking Corporation Ltd. was the first of the four banks to begin its operation in 1914 which was followed by Bengal Central Bank Ltd. in 1918, Comilla Union Bank Ltd. in 1922 and Hooghly Bank Ltd. in 1932. Other banks such as Cuttack Bank Limited, Tezpur Industrial Bank Limited, Hindusthan Mercantile Limited and Narang Bank of India Limited were merged with the Bank. United Bank of India Ltd. was one of the 14 banks that were nationalized on July 19, 1969. The bank started its operation after nationalization of the bank with network of 174 branches, and with business of ₹259crore.

The total business of the bank reached ₹1,87,813crore. The deposit of the United Bank of India rose to ₹1,16,401crore which saw a 6.97% increase from the previous year i.e. FY 2014-2015. This was mostly result of growth retail term deposits which grew by 8.28%, and growth in low cost CASA deposits. The advances of the bank grew to over ₹71,412crore, which saw growth of 3.39% as compared to the FY 2014-2015. Credit deposit ratio stood at 61.35% as on March 2016. At the same time bank's non-food credit increased to ₹70046crore, while the food credit went down to ₹1366crore. Retail advances growth was the most impressive with growth of 4.99% as compared to previous year. United Bank of India posted Net Profit of ₹281.95crore which was 24.05% lower than that in the previous financial year.

United Bank of India was nationalized on July 19, 1969 and is currently having a three tier organizational set-up which comprises of Head office that is in Kolkata, 35 Regional Offices and wide network of 2011 branches that are spread in almost every part of the country, even in the inner most and remotest corner of the country. The bank has business of over ₹1.87lac crore. Not confined only within the country, United bank of India has branches in Dhaka, Bangladesh, Yangoan, Myanmar in order to address the foreign customers banking needs. The bank has sponsored four (4) Regional Rural Banks namely Bangiya Gramin Vikash Bank

(BGVB)in West Bengal, Assam Gramin Vikash Bank (AGVB) in Assam, Tripura Gramin Bank (TGB) in Tripura and Manipur Rural Bank (MRB) in Manipur.

The United Bank of India at present is offering products to suit every one, people of every sector. The products offered are:

- Deposit Schemes
- Utility Schemes
- Retail Credit
- Priority Sector
- Corporate Banking
- SME Segment
- United Demat
- Third Party Products

### **Deposit Schemes**

Following are offered under deposit schemes:

- United Tax Savings Growth Plan
- United Tax Savings Income Plan
- United Bonanza Savings Schemes
- Fixed Deposits
- Re-Investment Plans
- United Bonanza Current Deposit Schemes
- Recurring Deposit
- United Flexi Deposit Schemes
- United Anand Deposit Schemes
- Capital Gains Accounts Schemes
- Savings Bank Account
- United Children Savings Account
- United Basic SB Account
- United Current Deposit Account
- United Gold and Platinum Current Deposit Schemes

### **Utility Schemes**

- NRI (Non-Resident Indian)
- United Mobile Services
- Forex
- United Suraksha Yojana
- RTGS (Real Time Gross Settlement)
- OLTA (Online Tax Accounting System)
- Collection of Tax
- E-Payment

### **Retail Credit**

- United Housing Loan Scheme
- United Smart Loan Scheme
- United Housing Loan for Pensioners
- United Personal Loan Scheme for Salaried Persons
- United Demand Loan Scheme
- United Personal Loan Scheme for Pensioners
- United Festival Loan Scheme
- United Tour & Travel Credit Scheme
- United Car Loan Scheme
- United Consumer Loan Scheme
- United Education Loan Scheme
- United Shikshak Samman Yojana
- United Nari Samman Yojana
- United Trade Credit
- United Mortgage Loan Scheme
- United Cash Rental

### **Priority Sector**

- Agricultural Loans
- Small Scale Industries
- Road Transport Operators

- Retail Trade
- Professional and Self Employed Persons

### **Third Party Products**

United Bank of India also offers third party products to its customers. Following are the third party products provided by UBI:

- Mutual Funds
- Life Insurance Products of Tata AIG Life Insurance Company
- Non-Life Products of Bajaj Allianz Insurance Company Ltd
- Credit Card issued by SBI Cards
- Inward Money Remittance by UAE Exchange & Financial Services Ltd.

Apart from the above mentioned products, the bank also provides loans to individuals, corporate, and small scale industries. Loan for agricultural purpose is also available and are granted to farmers. The different types of loans disbursed by the banks are:

- Small Scale Industries
- Retail Trade
- Agricultural Loans
- Professional and Self Employed Persons
- Road Transport Operators
- Agricultural Debt Waiver and Debt Relief Scheme

The bank has been working towards the development of the nation as a whole along with its own development, and in recent time some special initiatives undertaken by the banks include tie-up with reputed educational institutions to boost up growth in educational institutions. Special emphasis on tie-up with reputed builders in real estate sector was given in order to boost development in the housing loan, by financing the major upcoming housing projects. The bank has also launched a special loan scheme, United Affordable Housing Loan scheme under the Prime Minister Awas Yojna with subsidy for economically weaker section of the society and another scheme named Roof Top Solar Lighting scheme was also launched.



The bank in its recent development has come up with shares trading product “U-Connect Trio” which is developed in partnership with Kotak Securities Ltd. This would enable customers to open 3-in-1 account i.e. Bank account, shares trading account and Demat account. UBI has also issued total of 3.60lakh Rupay Debit Cards to 93% of eligible KCC holders. In addition, the bank has setup 14 RSETIs for imparting training to potential entrepreneurs. In order to service and cater to the need of the customers E-Kiosk is installed in almost every branch of the bank that provides service 24hours a day and 7days a week.

The bank started its operation in Mizoram in the year 2006, since then the bank has proactively worked in the state. The bank has 6 branches across the state which comprises of 2 in the urban area, 2 in semi urban and 2 in rural areas of the state. The bank has 1 business correspondent point in the state. The total turnover of the bank in the state during the year was ₹125.19crore. The bank has total of 8 ATMs in the state out of which 6 are in the urban area and 2 in rural areas. In the FY 2016, the bank issued 44 Kisan Credit Card (KCC) across the state and disbursed ₹32lakh. According to the Annual Report of State Level Banker’s Committee Meeting, 2015-2016, the total deposit of the bank was ₹91.25crore, and the advances amount was ₹33.94crore. The bank opened 350 accounts under the PMSBY, 218 accounts under PMJJBY, 9 accounts under APY, 1146 accounts under PMJDY, 156 accounts under PMMY and disbursed 155Lakh under the PMMY scheme.

### **2.4.3. Punjab National Bank**

The foundation stone of Punjab National Bank was laid way back in the year 1894 at Lahore (now in Pakistan) by Sardar Dayal Singh Majithia, Lala HarKishen Lal, Lala Lalchand, Shri Kali Prosanna Roy, Shri E.C. Jessawala, Shri Prabhu Dayal, Bakshi Jaishi Ram, Lala Dholan Das. It started its operation on 12<sup>th</sup> April, 1895 at Ganpatrai Road, Lahore. This was the first bank in India, which was owned by Indians, managed and operated completely by Indians. The bank withstood the financial crisis of 1913, and even the most critical period, during the partition. With passage of time several smaller banks like, The Bhagwan Das Bank Limited, Universal Bank of India, The Bharat Bank Limited, The Indo-Commercial Bank Limited, The Hindustan Commercial Bank Limited and The Nedungadi Bank were merged with the bank to form what we know today as Punjab National Bank. The bank was one of the 14

banks that were nationalized on 19<sup>th</sup> July, 1969. The bank started its first branch in London in 1978 and in Almaty, Kazakhstan in 1998.

Domestically second largest Bank among the Nationalized Banks, Punjab national Bank has the highest Domestic Business, Domestic Deposit, Domestic Advances, CASA Deposits, Saving Deposits and Operating Profits. Punjab National Bank has large network of 6759 branches located even in the inner most and remotest corner of the country.

Not confined only within the country, Punjab National Bank has spread in 9 countries having 2 branches in Hong Kong, one in Dubai, one Offshore Banking Unit- Mumbai, and 2 subsidiaries branches in London and Bhutan, one Associate at Kazakhstan, one joint venture in Nepal. The bank also has four Representative Offices in Sydney, Australia, Shanghai, China, Dhaka, Bangladesh, Dubai, UAE in order to address the foreign customers banking needs. At the same time bank is also exploring possibilities of overseas expansion in SriLanka, Canada, Brazil, Australia and China.

The deposit of the Punjab National Bank rose to ₹5,53,051crore which saw a 10.3% increase from the FY 2014-2015. This growth was mostly result of growth in low cost Current and Saving Account Ratio deposits. The deposits in Saving Account and Current Account reached at ₹2lakh crore. The contribution of CASA deposit in the Total Domestic Deposit increased to 41.63% as compared to 40.57% of previous year. The advances of the bank grew to ₹4,12,326crore which saw growth of 8.4% as compared to the previous year i.e. FY 2014-2015. Retail advances growth was the most impressive with growth of 19.4% as compared to previous year and touched ₹57801crore milestone in the FY 2015-2016. Punjab National Bank is the only Nationalizes bank to have an Operating Profit over ₹10,000crore for five consecutive year but still posted net loss of ₹3974crore due to the increased provisioning requirements for NPAs.

The bank in order to empower and facilitate, takes initiatives for the betterment of the customers to help themselves, few of them that embarked the growth of the digital transformation were “PNB ATM Assist” which enables the customers to lodge a complaint problems related to ATMs and also help them track and locate PNB ATMs. The bank also launched “PNB MobiEase” which is a single touch banking solution for customers. “PNB Sleep Easy” which allows customers to

disable and re-enable Internet Banking and Mobile Banking password. The bank also came up with the “Green PIN” that would enable customers obtain duplicate PIN for Debit Card instantly through SMS instead of waiting it to reach via post. Apart from these innovative technologies, the bank has also enabled the customers to open PPF and RD accounts online, without even visiting a branch. And at the same time, Locker facility can be availed by booking online, from anywhere.

The bank also has large network of ATMs in the country with 9,463 ATMs and is still looking forward for expansion of ATM network. At present there are five Regional Rural Banks that are sponsored by Punjab National Bank operating in five states namely, Bihar, Himachal Pradesh, Haryana, Punjab and Uttar Pradesh. These RRBs cover 74 districts of these mentioned states having vast network of 2301 branches.

Punjab National Bank in India offers numerous financial services in various segments, some of them are put down as below:

#### **Agricultural Banking**

- Farmers Welfare Central Sector Schemes
- Credit Schemes
- Trust
- P. N. B. Krishi

#### **Corporate Banking**

- Cash Management
- Exim Finance
- Exporters’ Gold Card Scheme
- Loan backed by Future Lease Rentals

#### **Financial Services**

- Life Insurance
- Merchant Banking
- Mutual Fund
- Non-life Insurance

- Online Trading
- Real Estate Investments
- Retirement Planning Scheme
- Tax Planning Scheme

### **International or NRI Banking**

- Gold Loan Scheme
- F. C. N. R. (B) Account
- Foreign Inward Transfers
- Letter of Guarantee
- Non-resident Deposit Schemes (Ordinary, external and foreign currency)

### **Micro, Small and Medium Enterprises (MSME) Banking**

- Artisan Credit Card Scheme
- Garrage Yogana
- Gramin Chikitsak Scheme
- Kushal Udyami
- Laghu Udyami Credit Card
- Pragati Udyami Scheme
- Sahayog Scheme
- Sarthak Udyami Scheme
- Vikas Udyami Scheme

### **Personal Banking**

For the general public, the bank has numerous products such as Balika Shiksha, Bal Vikas, Current Account (Smart banking), Combo Deposit Scheme, Credit Card (Global), Debit Card, Dugna Deposit Scheme, Fixed Deposits, Loan , Mitra S. F. Account, Recurring Deposit, Salary Account, Term Deposits and many more.

### **Social Banking**

- Special Schemes (For women and weaker section)

The bank started its operation in the state in the year 2008, since then the bank has proactively worked in the state. The bank has 1 branch in the state which is in the urban area. The total turnover of the bank in the state during the year was ₹58.25crore. The bank has total of 2 ATMs in the state which is in the urban area. In the FY 2016, the bank issued 161 Kisan Credit Card (KCC) across the state and disbursed ₹80.5lakh. According to the Annual Report of State Level Banker's Committee Meeting, 2015-2016, the total deposit of the bank was ₹34.90crore, and the advances amount was ₹23.34crore. The bank opened 64 accounts under the PMSBY, 49 accounts under PMJJBY, 1 accounts under APY, 622 accounts under PMJDY, 45 accounts under PMMY and disbursed 41.65Lakh under the PMMY scheme.

#### **2.4.4. ICICI Bank**

The Industrial Credit and Investment Corporation of India Limited (ICICI) was incorporated with the objective to develop a financial institution which would provide medium-term and long-term project financing to Indian business in 1955. The ICICI bank was promoted in the year 1994 by the ICICI Limited and the bank acquired the Bank of Madurai Limited in 2001. In the 1990s, ICICI transformed its business to diversified financial service group which offers varieties of products and services. In the year 1999, ICICI became the first Indian company or bank from non-Japan Asia that was listed on NYSE.

ICICI Bank is the country's largest private sector bank, which offers a comprehensive range of products and services. The bank has consolidated total assets worth ₹9,18,800crore, consolidated profit after tax of ₹10,180crore. And standalone profit after tax of ₹9726crore. The bank also has CASA ratio of 45.8% and over 4.1crore cards which include debit and credit cards are in use. The bank is also the first private sector bank to cross mortgage portfolio of ₹1lakh crore.

The deposit of the ICICI Bank rose to ₹4,21,400crore. This growth was mostly result of growth in personal segment deposits, more specifically by growth in low cost CASA deposits. The deposits in Saving Bank grew to ₹1,34,200crore and Current account reached at ₹58,870core. The advances of the bank grew to over ₹4,35,200crore which saw growth of 13.04% as compared to the previous year. Retail

advances growth was the most impressive with growth of 23.3% as compared to previous year.

ICICI bank is India's largest private sector bank with network of 4,450 branches and these branches are even located even in the inner most and remotest corner of the country. The bank also has the largest network of ATMs in the country among the private sector banks with over 14,278 ATMs and is still looking forward for expansion of ATM network.

ICICI bank has its presence in number of countries such as United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai. It also has its subsidiaries in United Kingdom, Russia and Canada. The bank has also established international financial Centres in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia.

In early 2008, as a CSR initiative, ICICI group founded ICICI Foundation in order to carry forward and build upon its legacy of promoting inclusive growth. ICICI Foundation works in partnership with government and NGOs for implementation of its initiatives. ICICI foundation has been working towards their vision and mission since its inception towards betterment and development of society. The CSR activities implemented by ICICI foundation can be broadly classified under four major areas.

- Primary Healthcare
- Elementary Education
- Skill development & sustainable livelihoods
- Access to finance

ICICI Bank offers number of products and services to its customers, which are mentioned below:

### **Deposits**

The various types of deposits that is offered by the bank are Savings Account, Advantage Deposit, Special Savings Account, Life Plus Senior Citizens Savings Account, Fixed Deposits, Security Deposits, Recurring Deposits, Tax-Saver Fixed Deposit, Young Stars Savings Account, Child Education Plan, Salary Account, Advantage Woman Savings Account, Exchange Earners' Foreign Currency (EEFC)

Account, Resident Foreign Currency (Domestic) Account, Privilege Banking, No Frills Account, Rural Savings Account, People's Savings Account, Self Help Group Accounts, Outward Remittance, Freedom Savings Account, Family Banking.

## **Loans**

The various loan facilities that are offered by the ICICI bank for its clients are mentioned below:

- Home Loans
- Loan Against Property
- Personal Loans
- Car Loans
- Two Wheeler Loans
- Commercial Vehicle Loans
- Loans Against Securities
- Loan Against Gold Ornaments
- Pre-approved Loans

## **ICICI Home Loans**

ICICI Bank Home Loans provide a variety of options to its customers from which they can choose the one that suits them the best. The various policies or terms of ICICI Home Loans are:

- Fixed Rate Home Loan
- Adjustable Rate Home Loan or Floating Rate Home Loan
- Partly Fixed and Partly Floating Rate Home Loan
- Smartfix Home Loan
- Money saver Home Loan

## **ICICI Bank Investments Plans**

Various investment plans of the ICICI banks for its customers are:

- ICICI Bank Tax Saving Bonds

- Mutual Funds
- Government of India Bonds
- Initial Public Offers (IPO) by Corporate
- Foreign Exchange Services
- ICICI Bank Pure Gold
- Senior Citizens Savings Scheme, 2004

### **Insurance Plans**

- Home Insurance
- Health Insurance
- Health Advantage Plus
- Family Floater
- Personal Accident
- Travel Insurance
- Individual Overseas Travel Insurance
- Student Medical Insurance
- Motor Insurance
- Car Insurance
- Two Wheeler Insurance
- Life Insurance
- ICICI PruLife Time Gold
- ICICI PruLife State RP

### **Some of the phone banking services offered by ICICI bank is**

- Account Balance
- Mini Statement
- Cheque Book Request
- Cheque Status Enquiry
- Stop Cheque Payment
- Utility Bill Payment
- Internet User id
- Mobile banking Registration



Apart from these above mentioned products and services, the bank also allows many more services which includes ICICI bank credit card facility that provides not only convenience of cash withdrawal in any part of the world but also comprise of insurance benefits, utility payments, travel discounts etc. The bank also offers services to non residential Indians which include having bank account, doing investment, insurance, home loans, and money transfer. Apart from these facilities, the bank also provides three-in-one account for shares trading and demat services.

The bank started its operation in Mizoram in the year 2008. The bank has 2 branches in the state which is in the urban area. The total turnover of the bank in the state during the year 2015-2016 was ₹38.09crore. The bank has total of 2 ATMs in the state which is in the urban area. As per the latest data, the total deposit of the bank was ₹36.79crore, and the advances amount was ₹1.30crore. The bank opened 145 accounts under PMJDY.

#### **2.4.5. HDFC Bank**

The Housing Development Finance Corporation Limited (HDFC) in the year 1994 was amongst the first to receive an “in principle” approval from the Reserve Bank of India to setup a bank in Private sector. And therefore HDFC Bank Limited was setup in August 1994 and it started operation as scheduled commercial bank in January 1995.

HDFC bank, the first bank operating in private sector has network of over 4520 branches and it operates even in the inner most and remotest corner of the country through its branches. Not confined just within the country, HDFC bank has three overseas branches, one wholesale Banking branch in Bahrain, a branch in Hong Kong, and one at Dubai International Finance Centre. Apart from these branches abroad, the bank also has representative office in Abu Dhabi and Nairobi in order to address the foreign and NRI customers banking needs. The bank also has large network of ATMs in the country with over 12,000 ATMs currently under use and the bank is still looking forward for expansion of ATM network. The bank has two subsidiary companies namely HDB Financial Services Limited (HDBFS) and HDFC Securities Limited (HSL).

The bank covers 2,587 Cities/Towns across the country and there are several business correspondents and customer service points in those villages or location

which is difficult to be covered by opening branches to implement several government run schemes. The overall business size of the bank is ₹7,08,846crore which was an increase of 20.0% from the previous year i.e. FY 2014-2015. The bank in total has installed 2.8lakh point-of-sale terminals across the country.

The deposit of the HDFC Bank rose to ₹5,46,424crore which saw a 21.2% increase from the previous year. The deposits in Saving Bank grew to ₹1,47,886crore and Current Account reached at ₹88,425crore which was an increase by 18.4% and 20.2% respectively. The CASA contribution towards the total deposit was at 43%. The advances of the bank grew to over ₹4,64,594crore which saw growth of 27.1% as compared to the previous year i.e. FY 2014-2015. Retail advances growth was impressive with growth of 20.9% as compared to previous year FY 2014-2015 to ₹4,36,383crore. HDFC Bank posted Net Profit of ₹12,296crore which was 20.4% more than that in the previous financial year.

### **Products and Services of HDFC Bank**

There are number of products and services which are offered by the bank. The bank has come up with a mobile app PayZapp which allows customers to recharge their mobile, pay utility bills, transfer money to friend, shop for groceries, purchase movie tickets and many more such things can be done with just a click.

### **NRI Banking**

The bank has products and services which are meant for not only people residing in India but also extend its services to Indians residing in other countries. This banking service includes opening of accounts, deposits, insurance, investments, money transfer, loans as well as premium banking.

### **Personal Banking**

The personal banking service can again be sub-divided into the heads:

1. Accounts and Deposits: The bank offers different kinds of accounts to be opened with them like current accounts, Demat or dematerialized accounts,

fixed deposits, recurring deposits, safety lockers, salary accounts and savings accounts.

2. Cards: They have got credit, debit as well as prepaid cards of varied advantages, which are widely used by people.
3. Insurance and Investment: This service offered by the bank includes mutual funds, life insurances, tax saving options, general insurances, health insurances, bonds etc.
4. Loans: HDFC Bank provides loans for multi categories such as car (New and used), commercial vehicle, education, gold, home, personal, retail-agriculture, tractor, two wheeler and many more.

### **Wholesale Banking**

These banking are mostly meant for banking transaction carried by various government sectors, medium and small sized enterprise and financial institutions. Investment banking is a part of wholesale banking.

### **HDFC Bank Mortgage services**

The main purpose of HDFC Bank Mortgage service is to provide easy access to refinancing, renovating or owning commercial real estate through the disbursement of loans against mortgages. The HDFC Bank Mortgage service also provides mortgage based loans as working capital. The HDFC Bank Mortgage service is provided against presentable security such as residential house or apartment, industrial property, urban commercial complex, possessed in the name of the receiver of the loan. The security such as rented house can be accepted if the same property is on a lease and the person should also have the authority to collect the rent under the power of attorney.

### **HDFC Personal Loans**

The personal loan service of the bank can be availed by salaried individuals, self employed individuals, individuals working in private companies and partnership firms in manufacturing, trading or services.

## **Benefits of HDFC Personal Loans**

- Loans up to Rupees one million for any purpose.
- Flexible Repayment Options ranging from 12 to 48 months.
- Repayment through Easy Monthly Instalments (EMIs).
- Low Rate of Interest
- Hassle free loans - No guarantor/security/collateral required
- Speedy loan approval
- Service at the customer's doorstep

## **HDFC Home Loans**

HDFC Home Loans are easy to arrange and can be customized according to the individual's needs and repayment capabilities. This category can be further subdivided into:

- Home Loans
- Home Improvement Loans
- Home Extension Loans
- Short Term Bridging Loans
- Land Purchase Loans
- Professional Loan or Loan for Non-residential Premises
- Home Equity Loan

Apart from these above mentioned products and services available for customers, the bank also issues credit card that enables its user to buy an expensive commodity now and pay later in parts. The HDFC India Credit Card can be categorised as following:

- Classic Card
- Special Benefit Card
  - Value Plus Credit Card
  - Health Plus Credit Card
- Premium Card
  - Gold Credit Card

- Titanium Credit Card
- Woman's Gold Card
- Platinum Plus Credit Card
- Commercial Card
  - Corporate Credit Card
  - Business Credit Card

HDFC also offers number of unique plans for four wheelers and two wheelers loan. There are schemes that offers loan up to 60% in cars and 70% in two wheelers of the invoice value without providing any proof of income. There are schemes where with minimal documents up to 80% of the invoice amount of two wheelers can be issued on spot by the bank.

The bank started its operation in the state in the year 2009. The bank has 7 branches across the state which comprises of 3 in the urban area, 4 in semi urban areas of the state. The bank has 3 business correspondent points across the state where the population is less and it is not feasible to open branch. The total turnover of the bank in the state during the year was ₹295.10crore. The bank has total of 16 ATMs in the state out of which 9 are in the urban area and 7 in semi urban areas. In the FY 2015-2016, the bank issued 2 Kisan Credit Card (KCC) in the state and disbursed ₹52.85lakh. According to the Annual Report of State Level Banker's Committee Meeting, 2015-2016, the total deposit of the bank was ₹236.89crore, and the advances amount was ₹58.21crore. The bank opened 201 accounts under the PMSBY, 180 accounts under PMJJBY and 2491 accounts under PMJDY scheme.

#### **2.4.6. AXIS Bank**

Axis bank was established in 1993 and was the first private bank to begin its operation in 1994. The bank was promoted by the largest and the best Financial Institution of the country, Unit Trust of India. There were other promoters of the bank i.e. Life Insurance Corporation of India, General Insurance Corporation of India (GIC), National Insurance Company Ltd. The New India Assurance Company Ltd., The Oriental Insurance Company Ltd. and United India Insurance Company Ltd. The bank started its operation under the name of UTI bank, and the first branch was inaugurated in Ahmedabad. In July 2007, UTI bank was renamed as Axis Bank.

AXIS bank is India's third largest private sector bank with network of over 2904 branches and employs over 50,000 people and operate even in the inner most and remotest corner of the country. Not confined only within the country, AXIS bank has 9 international branches in 7 countries which cater the foreign customers banking needs. The bank also has the large network of ATMs in the country with over 12,743 ATMs, the bank is still looking forward for expansion of ATM network to cater more customers. The bank has branches in Singapore, Hong Kong, Dubai International Financial Centre, Colombo, and Shanghai. The bank also has three representative offices at Dubai, Abu Dhabi and Dhaka, and the bank also has subsidiary in United Kingdom.

As per the latest data available i.e. FY 2015-2016, the AXIS bank is the third largest private sector bank in India in terms of deposits, advances, branches and employees and with active customer base of over 96lakhs. The bank has rural 587 branches and over 31,300 business correspondent agents which are spread across 3,272 villages in order to provide those customers basic banking facilities. The overall business size of the bank is ₹5,25,468crore. The bank has large base of its Debit Card users i.e. 155lakh and user base of 24lakh of credit card. AXIS Banks is the first private sector bank to introduce recycler and it is the first bank in India to cross the 1000 plus recycler mark.

The deposit of the AXIS bank rose to ₹3,57,968crore which saw a 11.026% increase from the previous year i.e. FY 2014-2015. This growth was mostly result of growth in personal segment deposits, more specifically by growth in low cost CASA deposits. The deposits in Saving Bank grew to ₹1,05,793crore and Current Account reached at ₹63,652crore. The advances of the bank grew to over ₹3,38,774crore which saw growth of 20.52% as compared to the previous year. Retail advances growth was the most impressive with growth of 20.06% to ₹1,38,521crore as compared to previous year FY 2014-2015. AXIS bank posted Net Profit of ₹8,224crore which was 12% more than that in the previous financial year.

The bank launched India's first multi-social application, Ping Pay to enable peer-to-peer money transfer, recharges. It also launched LIME, India's first mobile app that integrates shopping, payment and banking in a single app.

## **Axis Bank Products and Services**

Axis Bank offers a range of financial products and services to its clients throughout the country. It also has special strength in retail and corporate banking. Axis Bank offers following services:

- Personal Banking
- Corporate Banking
- NRI
- Priority Banking

### **Personal Banking**

The Personal Banking of Axis Bank includes following services:

#### **Accounts**

The bank provides number of products and services for individuals that include Zero Balance Savings Account, Krishi Savings Account, Easy Access Savings Account, Prime Savings Account, Corporate Salary Account, Women's Savings Account, Demat Account, Senior Citizen's Account, Defence salary Account, Trust/NGO Savings Account, RFC(D) Account, Azzadi - No Frills, Pension Savings Account

#### **Deposits**

- Fixed Deposits
- Recurring Deposits
- Encash 24
- Tax Saver Fixed Deposit

#### **Loans**

- Home Loan
- Car Loan
- Personal Loan
- Loan Against Shares
- Loan Against Property
- Loan Against Security
- Study Loan

- Consumer Loan

### **Cards**

- Credit Cards
- Debit Cards
- Prepaid Cards

### **Investments**

- Mohur Gold
- Online Trading
- Mutual Funds
- Demat Account
- A Smile Solution
- KalBhi, AajBhi

### **Insurance**

- Life Insurance
- Health Insurance
- Motor Insurance
- Jewellery Insurance
- Personal Accident
- Home
- Travel Companion
- Critical Illness
- Business advantage

### **Payments**

- Bill Pay
- Electronic Clearing Service
- Tax Payments

The bank started its operation in the state in the year 2006. The bank has 3 branches across the state which comprises of 2 in the urban area, 1 in semi urban



areas of the state. The bank has 1 business correspondent point in the state where the population is less and it is not feasible to open branch. The total turnover of the bank in the state during the FY 2015-2016 was ₹336.71crore. The bank has total of 6 ATMs in the state out of which 4 are in the urban area and 1 each in semi urban and in rural areas. According to the Annual Report of State Level Banker's Committee Meeting, 2015-2016, the total deposit of the bank was ₹288.27crore, and the advances amount was ₹48.43crore. The bank opened 168 accounts under the PMSBY, 61 accounts under PMJJBY, 3 accounts under APY, 42 accounts under PMJDY scheme.

### **3.1. Introduction**

This chapter can be broadly categorised in three sections. The first section would be concentrating on the origin and history of banking services in general and then history of banking sector in India. This describes how banking in India started, when the formal banking system started in the country. The second section deals with various guiding principles across the globe which is meant for Corporate Social Responsibility. This section also covers the guidelines for banks operating in India and Indian banks operating abroad in reference to CSR. The last part of this chapter takes care of how banks are operating in India and contributing towards the development of nation in various sectors.

### **3.2. History of Banking**

Without a proper and effective banking system, no country can lead healthy economy. Banking industry is the backbone of any economy and is the key factor to see and analyze the level of development of a nation. In today's scenario, banking is integrated in our daily life, be it at the school for payment of fees, at office, for direct credit of salary to bank account, in business for purchase of new machines or raw materials, trading or even during travel. Where ever we go, the banking facilities are so handy today that nothing seems difficult, everything is at our finger tip. But reaching this far had not been so easy, as it took several years to upgrade, develop the banking facilities and the technology.

In ancient time, there were temples that loaned money out. Records of such activities are found in Greece, Rome, Egypt and ancient Babylon. During those days, there was no such concept of banks. Temples were financial centres of cities, and they kept the money, the coins safe and in later stage started lending the coins for interest to be earned on the lending. Perhaps this was the earliest form of banking that existed. But this form of banking was not formal and covered only few areas.

In the later years in 1397, the concept of banking evolved in Medieval Florence (Florence) where powerful merchant family, Medici setup network of shops in various cities which would serve the basic purpose of banks i.e. deposit and withdrawal of money from ones account. As during those days, usually money was to be carried along while travelling, this concept was very much appreciated because with this, people did not need to carry money with them, and instead they would just deposit

money in one shop and can withdraw in other city where Medici representatives were present.

### **3.3. History of Indian Banking Sector**

In India, according to Central Banking Enquiry Committee (1931), the banking system can be traced back to the Vedic Period i.e. 2000 to 1400 BC. During the 500BC, professional Banking system existed in India. “Kautilya Arthashastra” which dates back to the 400BC, also contained references to lenders and creditors. Since long, informal banking system existed in India, even during the Mauryan Dynasty and the Buddhist Period, evidences are present that shows the existence of informal banking systems. And like the European countries, even in India, the temples in those days also operated as place for storing gold coins thereby lending it and earning interest on the same.

The formal and organised banking system in India can be categorised into three stages:

- Early phase of Indian Banks, 1720-1969
- Nationalization of Banks – 1969-1991.
- Financial sector reforms 1991 onwards.

The English Agency Houses of Calcutta and Bombay for the first time in India brought the concept of Joint Stock Banking, which prevailed during the 18<sup>th</sup> century elsewhere in the world and this was the beginning of commercial banking system. The first commercial bank that opened in India was under the concept of Joint Stock and it was Bank of Bombay, in the year 1720 in Bombay which was followed by the establishment of Bank of Hindustan in Calcutta in 1770. But later, along with the agency house that opened this bank, the bank was closed down in 1832. Soon after the establishment of Bank of Hindustan, the General Bank of Bengal and Bihar were established in 1773, but had to be closed down.

On June 2<sup>nd</sup> 1806, the first “Presidency Bank”, Bank of Bengal was established with a capital of ₹50 lakh in Calcutta and the government subscribed to 20% of its share capital. In the year 1823, the Bank of Bengal was given the rights to issue notes. The second of the presidency bank was setup in Bombay as Bank of Bombay in 1840 with a capital of ₹52lakhs. And the third and the last of the three

presidency banks, was set up in Madras in 1843 with a capital of ₹30lakhs. These three presidency banks were governed by Royal Charters and had the rights to issue currency notes, but after the enactment of the Paper Currency Act, 1861, the rights were abolished and the government took responsibility of the same.

The first Indian owned bank was the Allahabad Bank, established in 1865 in Allahabad, and was followed by establishment of Punjab National Bank in 1895 in Lahore. The third Indian owned bank was Bank of India which started its operations in 1906 in Mumbai, and all these banks were private ventures. There was a huge increase in the number of commercial banks in the country during the period of 1906-1913, after the *Swadeshi* Movement and by the end of 1913, there were total of 56 commercial banks in the country which comprised of the three presidency banks too. The *Swadeshi* Movement also gave birth to the concept of co-operative credit movement and the first co-operative bank, Conjeevaram Urban Co-operative Bank was established in 1889. The second of its kind was the Peoples' Co-operative Society, in Bangalore in 1905.

Later in 1921, the three presidency banks were merged into one bank i.e. the Imperial Bank of India. Apart from the three presidency banks, several other banks belonging to the princely states of Jaipur, Mysore, Patiyala and Jodhpur were also merged to form the Imperial Bank of India, which worked as the central bank and performed set of functions such as commercial banking, central banking and banker to the government. By the end of 1930, there was sharp increase in the number of commercial banks and even in the co-operative banks. There were total of 107 commercial banks and 158 co-operative banks by the end of 1930.

The regulatory body of banks in India, the Reserve Bank of India was setup on 1<sup>st</sup> April, 1935 and the main reason behind the establishment of the RBI was to cater to issues of bank failures and the requirement of agriculture. The RBI's main functions could be classified into the following broad categories

- a. To act as a banker to the government.
- b. To issue currency notes.
- c. To act as banker to other banks.
- d. To maintain exchange ratio.

In the later year, near about 45 banks were closed down due to improper management, opening up of more branches and accounts than they could sustain on their resources and several other reasons. Therefore, in 1955, the government nationalised the Imperial Bank of India with an objective of “extension of banking facilities on a large scale, more particularly in the rural and semi-urban areas, and to diverse other public purposes”, and the Imperial Bank of India was converted to State Bank of India (SBI). In 1969, the government nationalised 14 banks with deposit of over ₹50crores with an objective to serve better the needs of development of the economy in conformity with national policy objectives. These banks were Central Bank of India, Bank of Maharashtra, Dena Bank, Punjab National Bank, Syndicate Bank, Canara Bank, Indian Overseas Bank, Indian Bank, Bank of Baroda, Union Bank, Allahabad Bank, United Bank of India, UCO Bank and Bank of India. Further in April 1980, six more banks were nationalised and the total number of public sector banks rose to 28. The banks nationalised in 1980 were Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of Commerce, Punjab and Sind Bank and the last Vijaya Bank.

The final stage in the Banking sector of India is the reform of the Financial Sector which occurred since 1991. And in January 1993, RBI announced norms for entry of private sector banks in India. Installation of Automated Teller Machines (ATM) would be permitted, provided the banks have taken prior permission of the RBI. Taking advantage of the liberalization, 10 new private banks entered the nation and started their operation by 1998. At the same time, 22 foreign banks were setup and soon the number of branches went from 140 to 186 in 1998. Setting up of private and foreign banks created a spirit of competition among the banks operating in India.

The Commercial Indian banking system can be broadly categorised into two.

- Scheduled Commercial Banks
- Non Scheduled Commercial Banks

Scheduled commercial banks are those which were listed in the 2<sup>nd</sup> schedule of the Reserve Bank of India Act, 1934. The basic criteria of being scheduled bank was to have paid up capital and collected funds of no less than ₹5lakhs and scheduled banks would be eligible for loan from the RBI at bank rate. Whereas those banks fall under the category of non scheduled commercial banks that do not have reserve

capital of ₹5lakhs and therefore they are not eligible to take loan from the RBI except in emergency of abnormal circumstances.

According to the RBI, Scheduled Commercial Banks are further grouped into following categories of banks.

- State Bank of India (SBI) and its Associates
- Nationalised Banks
- Foreign Banks
- Regional Rural Bank
- Other Scheduled Banks

The SBI and its associates and the nationalised banks fall under the category of the public sector banks where the majority of the shares are held by the Government of India. At present there are 26 public sector banks, which comprise of the nationalised banks, SBI and its associates. Foreign banks are those which are registered and have their head offices outside India. These foreign banks operate in India through branches or wholly owned subsidiaries. At present there are 43 foreign banks that operate in India across different states and in various cities. Regional Rural Bank (RRB), commonly known as Rural Bank was first setup on 26<sup>th</sup> September in 1975 as the Regional Rural Bank Ordinances which was later replaced by the Regional Rural Act on 9<sup>th</sup> February 1976. The purpose of setting up of RRB was to develop the rural economy by providing credit for development of agriculture, trade, commerce, small industries, and its main focus was on small farmers, agricultural labourers in those days, the commercial banks were mostly operational only in the urban areas. At present there are 56 RRB in India which is catering to needs and requirements of farmers, small entrepreneurs, their requirements of loans, credits and to some extent taking care of their savings too. When the banking system in India was going through reform during the period of 1969-1980, not all private banks were nationalised, and these banks were known as the old private sector banks. Private sector banks are those whose majority of shares are held by private individual or corporate. At present there are total of 25 private sector banks operating in India, in various part of the country out of which 7 are new private sector banks and the rest the old private sector banks (RBI).

### **3.4. Recent Developments in Banking Sector**

Development is an ongoing process that takes place on a daily basis in any part, in every sector. If there is no development, in current scenario of today's competitive world there always lie possibilities of lacking behind. While talking in reference to development in banking sector, the banks are in state of flux, as the traditional banking methods are not sufficient enough and in many ways are no more possible due to increasing customers expectations, regulatory norms, technologies and many more such reasons. But then at the same time the banking industry needs to overcome such issues so as to provide secure, fast and reliable mode of operation for monetary transactions.

In recent years there had been a lot of work and development in this area in order to make banking industry more safe, secure and reliable and highly efficient at the same time. Today, by without visiting the banks physically everything can be done by just making use of internet through the online banking facilities of banks or by just making use of mobile apps developed by the banks. But the development of these facilities are not as easy as it looks while using it and at the same time it is vulnerable to cyber threats, data breach which is the reason why that banks are investing huge on minimizing the cyber attacks thereby strengthening their security and authentication systems.

Be any sector, Information Technology (IT) has its own role to play, and same is the case in the banking sector too. IT plays an important role in banking industry, from ensuring smooth passage of transaction to even facilitation of complex financial products over the electric medium by making use of the latest technologies. IT has basically two approaches in banking i.e. communication and connectivity and business process reengineering. Information Technology does not only supports in providing only the latest technologies which would make things easier for customers as well as the banks but also comes up by providing new products, services which can cater to wide range of customers need, even to the extent of those products that might not be imaginable today.

Few to mentions among the various remarkable innovations and developments in the recent year in the banking industries are as below (Khan & Fozia, 2013).

### **3.4.1. Core Banking Solution (CBS)**

In very simple and understandable way CBS is networking of branches, it is a technology that is provided by only few companies which enable customers to avail banking services operate their accounts from any branch of the bank on CBS network. Therefore customers of CBS branches can avail various banking facilities from any CBS branch located across the globe.

### **3.4.2. Customer Relationship Management (CRM)**

CRM is the way that a company deals and interacts with its customers be it sales, service or after sales follow up. It refers to the strategies and technologies that banks are using in order to manage and understand customer's profile. It helps in understanding the customer's life cycle and also helps in improving the business relationship with the customer. CRM helps in better understanding of the customer, retaining customers through better customer experience, attracting new customers, profit increase hence decreasing customers management cost. CRM gives the bank a 360-degree view of the customer information as all the data are stored in one single place (Khan & Fozia, 2013).

### **3.4.3. Electronic Cheques (E-Cheques)**

These are nothing but a mode of payment exactly similar to the paper cheques which was developed couple of year ago by IT researchers and have proved to be a safe and quick way of funds transfer in current scenario. The E-Cheques are already operational in US and Australia and even in India these can be used since December 31, 2006. The advantage of these e-cheques is that these never expire, never bounces because of reasons like faulty signatures or insufficient balance, the presenter doesn't need to be present physically and at most important, even outstation payments are credited within 2-3 days (Khan & Fozia, 2013).

### **3.4.4. Real Time Gross Settlement (RTGS)**

RTGS is a continuous, real-time individual funds transfer on an order by order basis which is maintained and operated by the Reserve Bank of India and was introduced in March 2004. Real Time means execution of the instructions at the very same moment they are received rather than keeping it for later time. And Gross Settlement depicts



the settlement of funds transfer instructions individually one after the other. This is mostly utilized for larger value transactions, and the minimum amount remitted should be ₹2lakh and there is no upper limits to the same.

#### **3.4.5. Electronic Fund Transfer (EFT)**

EFT is a system that is provided by the Reserve Bank of India which is a nationwide payment system that supports one to one funds transfer. It is a system which empowers customers to easily and conveniently transfer money from one bank account directly to another bank account, and this is a safe, secure and hassle free system. There is one advantage of this system, there is no lower and upper limits, but at the same time there is a take that, the branches need to be EFT- enabled without which customers may not be able to use the EFT system. Customers who have or make use of net banking facilities may even initiate this sort of transfer online without even visiting the banks (Khan & Fozia, 2013).

#### **3.4.6. Electronic Clearing Service (ECS)**

ECS is a payment system that is usually used for those transactions that are repetitive and periodical in nature and occur on specific interval of time. ECS system facilitates bulk transfer of money from one account to many bank accounts and vice versa. ECS is mostly used by government in order to give salary to employees in bulk. ECS is also used by various institutions for making bulk payments towards distribution of dividend, interest, and pension or at the same time bulk collection towards telephone bills, electricity bill, tax collection etc. this system is not available for general public, mostly users of this system are institutions that are called ECS Credit Users.

#### **3.4.7. Automated Teller Machine (ATM)**

ATM is a computerized machine that is most popular device in India among all the systems that were introduced by the RBI for making banking operations easy. ATMs are easy to use, easy to understand operations, and the best part is that it can be used 24 hours and 7 days a week. The ATM facilitates the customers to carryout financial and non financial transactions along with dispensing cash from their account without being physically present at the bank. Apart from withdrawing money from a customer's account, the ATM also may be used for bill payments, funds transfers and balance enquiry (Khan & Fozia, 2013).

#### **3.4.8. Point of Sale Terminal (POS)**

POS terminal is nothing but is a computerized register which replaces the traditional cash register in shops. It typically includes a computer, a cash register and is linked online to the computerised customer information files in a bank. The basic work of the POS terminal includes gathering information off customer's debit/credit card, doing the payment and hence transferring funds from the customer's account and then crediting it to the seller's bank account and then providing a receipt of the same to customer. The advantage of using this system is that, customer need not carry cash with them, be it for shopping, be it for paying for food etc.

#### **3.4.9. Tele Banking**

Telephone banking is an automated service that gives liberty to customers to access their bank account and carry out entire non cash related banking operations. Several activities are carried out over phone but then cash related activities are not permitted via the tele banking system. Another updated and advanced way of this form of banking is what we know today as the mobile banking. Mobile banking is easy, safe, secure and quick. There are lot of things that can be done via mobile banking, starting from account information to even funds transfer to other accounts. Now a day, some banks even give option of having these mobile apps as their passbook instead of providing a separate physical passbook. Using these apps, customers can even make a DD request and the amount would be deducted from their account and would be ready for pickup once the customer reaches bank. There are some banks that even allow withdrawal of funds from own account without filling up physical forms, just giving the request over mobile app does the trick (Khan & Fozia, 2013).

#### **3.4.10. Electronic Data Interchange (EDI)**

EDI is like the most advanced and updated way of transfer of data, documents, information between two companies by standardized message formatting without intervention of human. This system is far advanced than traditional paper-based exchange of business documents, payments and funds transfer. EDI is faster, safer, and most importantly the cost is reduced in processing the same. EDI is used mostly between two businesses for purchase related transactions at the same time business documents that are shared using this is system are the purchase orders and invoices.

And in order to carry out these exchanges, proper and standard format must be followed as these would be read and processed by computers.

But while technology is advancing and every day there is development in the banking sector, there is always room for growth and further development and at the same time it is always open to threats and cybercrime. But the banks at the same time invest on large scale to counter act such cyber crimes to keep their customer safe and secure.

### **3.5. International Guidelines on CSR to Financial Sector**

Across the globe, several governing bodies in their respective countries have come up with certain rules, norms, and guidelines to be followed by companies operating in those countries. Apart from these, several international organizations have come forward too, with different kind of guidelines that works towards the benefit of the society and at the same time the companies are benefited too. In following these guidelines companies become transparent and therefore gain trust and faith of people which benefit the companies. Few international declaration and guidelines in reference to Corporate Social Responsibility are: United Nation Principle for Responsible Investment (UN-PRI), United Nations Environmental Program Finance Initiative (UNEP FI), The Equator Principles (EPs), The Collevechchio Declaration.

#### **3.5.1. United Nation – Principle for Responsible Investment (UN-PRI)**

General Kofi Annan, the United Nations Secretary invited few of world's largest institutional investors in early 2005 in order to develop the Principle for Responsible Investment and ever since then the United Nations (UN) has been supporting the PRI. The PRI is associated with UN but is not a part of UN. There has been a huge rise in the number of signatories, which rose from 100 signatories during its inception to over 1,500 signatories at present. The UN-PRI is independent and does not operate for its own profit. It operates to understand the investment implications of environmental, social and governance (ESG) factors to support its signatories in their investment and ownership decision. There are total of six principles under UN-PRI for responsible investment which was passed in April 2006 and are mentioned below.

1. We will incorporate Environmental Social and Governance (ESG) issues into investment analysis and decision making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues but the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the principles.
6. We will each report on our activities and progress towards implementing the principles.

The Environmental, Social and Governance factors considered under UN-PRI are numerous and ever-shifting. Under the Environmental factors, issues such as climate change, greenhouse gas (GHG) emission, resource depletion, including water, waste and pollution, deforestation are considered. Under the Social factors, working conditions, including slavery and child labour, local communities, including indigenous communities, conflict, health and safety, employee relations and diversity are considered. Under the governance factor, issues such as executive pay, bribery and corruption, political lobbying and donations, board diversity and structure and tax strategy are included.

### **3.5.2. United Nations Environmental Programme Finance Initiative (UNEP FI)**

Founded in 1992 in Rio, which is headquartered in Geneva, Switzerland. UNEP FI, a global partnership between UNEP and the financial sector started its operation and a new operational structure was agreed upon by its members in 2009. Over 200 institutions, including banks, insurers and fund managers, work with UNEP to bring about systemic change in finance to support a sustainable world.

The guidelines were issued in October 2011 and these guidelines concentrated on three areas. Section one focuses on commitment to sustainable development, the second section focuses on sustainable management, and the last focuses on public awareness and communication.

1. Commitment to Sustainable Development.
  - a. We regard sustainable development - defined as development that meets the needs of the present without compromising the ability of

future generations to meet their own needs - as a fundamental aspect of sound business management.

- b. We believe that sustainable development is best achieved by allowing markets to work within an appropriate framework of cost efficient regulations and economic instruments. Governments have a leadership role in establishing and enforcing long-term priorities and values.
- c. We regard financial institutions to be important contributors to sustainable development, through their interaction with other economic sectors and consumers and through their own financing, investment and trading activities.
- d. We recognize that sustainable development is an institutional commitment and an integral part of our pursuit of both good corporate citizenship and the fundamentals of sound business practices.
- e. We recognize that the sustainable development agenda is becoming increasingly inter-linked with humanitarian and social issues as the global environment agenda broadens and as climate change brings greater developmental and security challenges.

## 2. Sustainable Management

- a. We support a precautionary approach to environmental and social issues, which strives to anticipate and prevent potential negative impacts on the environment and society.
- b. We will comply with all applicable local, national and international regulations on environmental and social issues. Beyond compliance, we will work towards integrating environmental and social considerations into our operations and business decisions in all markets.
- c. We recognize that identifying and quantifying environmental and social risks should be part of the normal process of risk assessment and management, both in domestic and international operations.
- d. We will endeavour to pursue the best practice in environmental management, including energy and water efficiency, recycling and waste reduction. We will seek to form business relations with customers, partners, suppliers and sub contractors who follow similarly high environmental standards.

- e. We intend to update our practices periodically to incorporate relevant developments in sustainability management. We encourage the industry to undertake research accordingly.
- f. We recognize the need to conduct regular internal reviews and to measure our progress against our sustainability goals.
- g. We recognize the need for the financial services sector to adapt and develop products and services which will promote the principles of sustainable development.

### 3. Public Awareness and Communication

- a. We recommend that financial institutions develop and publish a statement of their sustainability policy and periodically report on the steps they have taken to promote the integration of environmental and social considerations into their operations.
- b. We are committed to share relevant information with customers, as appropriate, so that they may strengthen their own capacity to reduce environmental and social risk and promote sustainable development.
- c. We will foster openness and dialogue relating to sustainability matters with relevant stakeholders, including shareholders, employees, customers, regulators, policy-makers and the public.
- d. We will work with the United Nations Environment Programme (UNEP) to further the principles and goals of this Statement, and seek UNEP's active support in providing relevant information relating to sustainable development.
- e. We will encourage other financial institutions to support this Statement. We are committed to share with them our experiences and knowledge in order to extend best practices.
- f. We recognize the importance of other initiatives by the financial services sector in forwarding the aims and objectives of sustainable finance and will seek to assist such initiatives in an appropriate manner.
- g. We will work with UNEP periodically to review the success in implementing this Statement and expect all Signatories to make real progress.

The members of the Financial Service Sectors are committed to work towards the economic development at the same time taking into consideration human welfare and maintaining healthy environment.

### **3.5.3. The Equator Principles (EPs)**

The equator principles are a risk management framework which is adopted by 35 countries which accounts for 84 Equator Principles Financial Institutions (EPFIs) globally. EPs help the financial institutions in determining, assessing and managing environmental and social risks. The EPs apply globally to all industry sectors, and to financial products namely Project Finance Advisory Services, Project Finance, Project Related Corporate Loans and Bridge loan. Financial Institutions adopt and implement these principles voluntarily and independently.

The guiding principles are:

Principle 1: Review and Categorization.

Principle 2: Environmental and Social Assessment.

Principle 3: Applicable Environmental and Social Standard

Principle 4: Environmental and Social Management System and Equator Principles Action Plan.

Principle 5: Stakeholder Engagement.

Principle 6: Grievance Mechanism.

Principle 7: Independent Review.

Principle 8: Covenant.

Principle 9: Independent Monitoring and Reporting.

Principle 10: Reporting and Transparency.

These principles are not retroactively intended to be applied by EPs, instead EPFIs apply them for expansion or upgrade of existing projects. EPFIs are committed to implement the EP in their environmental, social policies, procedures and standards.

Not just the implementation, but the EPFIs are also to provide a report at least annually.

#### **3.5.4. The Collevocchio Declaration**

The declaration was endorsed by over 200 civil society organizations that believe and expect that financial institutions such as banks must play an important role in advancing environmental and social sustainability. As per the declaration, there are six commitments that the FIs are to be abided by and hence take immediate steps to implement them. These commitments are nothing but the expectations society has from the financial institutions for the environmental and social sustainability. In order to achieve or to reach up to the expectations of the society, adoption of the following six commitments and acting immediately is important.

1. Commitment to Sustainability.
  - a. Measurement of social and environmental impacts.
  - b. Continuous improvement based on environmental & social impacts of portfolios.
  - c. Fostering Sustainability.
  - d. Implementation and capacity building
2. Commitment to “Do No Harm”
  - a. Sustainability procedures.
  - b. Sustainability standards.
3. Commitment to Responsibility
  - a. Bear full responsibility for the impacts of transactions.
  - b. Recognise their role in developing country debt crisis.
4. Commitment to Accountability
  - a. Public consultation.
  - b. Stakeholder rights.
5. Commitment to transparency
  - a. Corporate Sustainability Reporting.
  - b. Information Disclosure.
6. Commitment to Sustainable Markets and Governance
  - a. Public Policy and Regulation.
  - b. Financial Practices.



### **3.6. National Guidelines on CSR to Financial Sector**

India is no exception, therefore understanding the need and requirements, the few guidelines were passed to be followed by companies in general as well as norms which mandatorily need to be followed by banks in India, these are mentioned below.

#### **3.6.1. National voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business**

Reviewing various international practices, guidelines for sustainable development and economic development and learning from various national good practices and norms in the year 2009, the government of India understanding the importance of the triple bottom line concept, took a step and released voluntary guidelines on CSR. But in the later stage in following years, taking valuable suggestions from the stakeholders, the guidelines were revised and the new guidelines encompasses social, environmental and economical responsibilities of business. The new guidelines which was passed in 2011 after taking into consideration important and valuable suggestions from the stakeholders urged the businesses to be responsible and carryout such actions that would lead to economic development and sustainable growth of the society.

The guidelines are therefore to be used by all business entities, small or big, be it any part of the country. Whether it is an Indian company operating in the country or having business outside the country or an MNC operating in India, all are expected to abide by and follow the guidelines.

The basic guiding principles are:

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

Principle 2: Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

Principle 3: Businesses should promote the wellbeing of all employees.

Principle 4: Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Businesses should respect, protect, and make efforts to restore the environment.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in responsible manner.

Principle 8: Businesses should support inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their customers and consumers in responsible manner.

Mere adoption of these principles would not help any business, until unless these are actually implemented in reality. The chairman/CEO/owner plays an important role in adopting and ensuring the principles are implemented and the guidelines must be embedded in the business policies and strategies. Disclosure is yet another part in the adoption of the guidelines, this would help in better understanding of the impact of the businesses on the society and environment.

### **3.6.2. Reserve Bank of India guidelines to Banks on CSR**

Sustainable development, social, economical and environmental development is a much talked issue globally and India is no exception to that. The RBI, in December 2007 issued a circular to banks focusing on CSR for sustainable development and to follow Non-Financial Reporting that provides details of the banks' tangible assets such as the environmental, social and economic aspects. Taking into consideration various laws, regulations and guidelines for financial institutions globally, the regulatory authority of banks in India, understanding the need of the same in the country directed banks to undertake CSR initiatives for sustainable development.

### **3.7. Indian banks and CSR**

The concept of CSR itself is not a new one and it can be traced back to history in every part of the country in various forms. When we talk particularly about India, the work carried out as a part of social responsibilities can be traced and can be easily seen in form of temples, high mosques, dharmshalas and great educational institutions. Banks at the same time have been doing great work and have been carrying out their duties and activities for social benefits. There are several social responsibilities that banks had been doing since long even before it was a mandate by

the Reserve Bank of India. In one way, banks operation itself is a social responsibility that bank is doing. If a customer keeps some amount at home there are possibilities of theft, other possibilities of loss, but at the same time if the customer leaves his money with the bank then there lies a security from the bank that his money will be returned to him, and not just that, it would be returned with some benefit. So in this way the bank is first helping the customers save some money and is doing social responsibility.

There has always been misconception and improper understanding about the concept of SR, CSR. The first thing that comes to a person upon hearing the word of CSR is that it is related only to the philanthropic activities, whereby companies or organization give part of their profits in forms of money to the society for the benefit of the society or masses. But that is not the only meaning of Corporate Social Responsibility, it has a broader aspect than what we know today. In reference to the banking sector, the CSR activities can be classified into various areas viz. activities related to Philanthropy, activities related to agriculture, financial inclusion and for education or flagship programs that are run by the banks for the betterment and development of the society.

### **3.7.1. Indian banks and Agricultural development**

It will still not be wrong to say that India is a country where agriculture alone contributes a large share towards the Indian Gross Domestic Product and over 58% of rural household depends on agriculture for their livelihood. As per the latest data available from Central Statistics Office, 15.35 percent of Gross Value Added (GVA) was contribution of agriculture and allied sectors that include livestock, forestry and fisheries. Still in this growing economy of the country, major part of the population is still involved in farming, and hence there is a great opportunity for the banking industries to support these farmers via various schemes and plans.

Banks in their own way have always come up, understanding the need to support the farmers of the country in their various needs and requirements and accordingly have come up with products that suits the need and life of the farmers. Several modes of loans like tractor loan, cattle loan are provided to the farmers which have a cheaper rate of interest and the payback period is accordingly longer so that these farmers are not troubled. In addition, facilities such as Post-Harvest Cash Credit,

Warehouse Receipt Financing and Bill Discounting are offered to Mandis to ensure farmers are paid in time by wholesalers. Even banks have come up with credit cards meant for farmers, known as Kisan Credit Cards which allows farmers to use money in advance for their requirements of fertilizers, seeds, irrigation facilities etc. And at the same time there is target that is set by the Reserve Bank of India which each banks have to compulsorily disburse for agriculture related purpose only. Several banks came up with the KCC-ATM-RuPay Cards that allows customers to use it even on POS along with ATM and make purchase for their day to day farm requirements. At the same time, banks are providing tractor loan at zero interest rates and release the amount of loan within maximum time of 48 hours which in itself is a promise for farmers. Apart from financing the farmers, few banks have come up with the concept of adopting a village and wholly bear the responsibilities for the agricultural aspect and provide the farmers with all the facilities that they can expect or that they can think of.

These are just a few of the initiatives taken by Indian banks for helping in development of the agriculture of the nation, apart from these, several other works would be there where farmers are benefitted from the work of the banks.

### **3.7.2. Indian banks and Financial Inclusion**

Financial Inclusion has been an area of concern in our country since the beginning of time and especially after independence, but the condition is improving and it can be seen that financial awareness among public is increasing. Initiatives from various financial institutions and several government initiatives have on a large scale helped in improving the financial knowledge of people of the country.

As a part of the financial inclusion policies, financial institutions such as banks have been doing as much as possible and to the level which is mandate by the regulatory body of banks in India i.e. Reserve Banks of India to educate, inform and increase the awareness level among the public. As an integral component of banks, financial inclusion initiatives are considered while making strategies for the banks businesses and product groups. Several initiatives which were undertaken by almost all the banks in India were Pradhan Mantri Jan Dhan Yojna (PMJDY) and huge number of accounts was opened by each banks in various branches across the nation, another scheme known as the Pradhan Mantri Suraksha Bima Yojna (PMSBY) which

covers accidental death insurance, Pradhan Mantri Jeevan Jyoti Bima Yojna (PMJJBY) was another product under the financial inclusion initiatives that covers life insurance at a very nominal insurance premium per month.

Apart from these initiatives from banks and financial institutions, there are many more activities which are executed in order to benefit the public. One such initiative is Basic Banking Saving Deposit Accounts (BBSDA) which was launched with an objective to inculcate saving habit among the customers. It cannot be denied that increase in financial inclusion can enhance the Gross Domestic Product (GDP) growth rate of country. And especially in a country like ours, where even today large portion of total population does not have proper access to formal banking services. Educational videos for better understanding of customers especially in villages, where proper banking facilities are not available are shown so as to educate them, raise awareness about the unorganised finance and their malpractices. At the same time the educational videos also focuses on the benefit of having proper formal banking facilities.

In an attempt to support financial inclusion in the country, RBI has directed banks operating in the country to allow customers to have no-frills account that provides basic facilities of deposit and withdrawal from their accounts. Also RBI has directed banks to adopt the Business Correspondent mechanism in those areas where banks are unable to open branches, this would provide easy accessibility to the unbanked section of the society.

### **3.7.3. Indian banks and Education and Flagship programs**

Education has always been an area of concern ever since independence of our country. The literacy rate was just 12% at the time of independence. Though there has been increase in the literacy rate, but as compared to the overall world's literacy rate of 84%, still today we are lacking behind at just 75%, which means that 25% of total population of India do not have any sort of educational background, never went to school and did not ever completed their elementary education. The reasons might be due to poverty, lack of facilities, and unavoidable circumstances where kids are forced to work for their family in order to earn living.

To counter this act, government has come with several initiatives which are to some extent in one or other way supported by banks operating in India. Several plans of government such as Sarva Siksha Abhiyan, District Primary Education Program, Operation Blackboard, Mid Day Meal, National Bal Bhavan were implemented and were successful to great extent.

Understanding the need to support education system of India, banks operating in India have come up with several initiatives which are worth appreciation. Huge amount of money is spent every year by banks to provide facilities to schools, colleges and other educational institutions and research centres. In order to support higher education for students, banks have facilitated students and their parents with education loan, which can be taken during student life and needs to be paid only after finishing the education. This is a great move as there is not much burden over the parents and the student can himself support. On the other hand, several banks instead of directly getting involved in the implementation of their activities and plans for education, partners with NGOs which on behalf of the bank does everything. In order to improve the elementary education in the nation, banks do tie-up with state government and that helps in training of teachers, which in turn helps in development of the students. In an attempt to provide flawless education, banks not only help in training of teachers, but also help in providing building for schools, furniture, proper drinking water facilities, clean toilets, also provide school buses and vans for commuting. Basic facilities such as desks, chairs, boards along with the advanced technology, including computers, laptops, and tables are provided to schools across the nation by the banks, so as to support the education of those who are unable to get it. This support is extended to differently abled kids too, in form of vehicle for commuting, educational facilities specialized and personalised for them. Apart from providing educational facilities in the country, several banks have even moved to the extent of supporting institution in other countries for the benefit of Indian students studying in other countries.

Apart from these initiatives, banks operating in India have their own self supported and self operated Rural Self Employment Training Institutes (RSETIs) which imparts formal vocational training, skill up gradation, capacity building, and helps in sustainable income generation and also helps in proving credit linkage. The main purpose of these RSETIs is to minimise the unemployment and

underemployment problems among the youth in the country. There are several courses on mobile repairing, beautification, tailoring, masonry, dairy farming, carpentry, two-wheeler servicing and repairing, handicraft manufacturing, plumbing, refrigeration and air conditioning works, home appliances repair and many more such areas are covered in such RSETIs.

#### **3.7.4. Indian banks and Philanthropy**

As simple it sounds, philanthropy is an act of gift done or made for humanitarian purpose or an effective effort to promote human welfare. The concept of philanthropy is not new in India, available data supports the existence of the concept. Individual philanthropy is the concept whereby a single person gives up his own share to others for helping others and this has been carried out from long in India, there were big industrialists like Tata, Birlas, Bajaj and so on who gave some part of their earning for making life of other people better. In India, however individual philanthropy is neither legal requirement nor mandatory, it just emerges from heart, but there is legal aspect when it comes to a company, according to the Companies Act, 2013.

As the Companies Act, 2013 states *“Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall spend, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years.”* And every banks falls under this category, they are therefore abided by laws to spend at least 2% of their profit for the welfare of the public and they also have to report the expenditure in form of an annual report on their website.

Few banks in India though have always been doing the noble deed of helping and joining hands with the government and NGOs for the welfare of public. Donation in the Prime Minister’s Relief fund, the Chief Minister’s Relief fund for various natural calamities such as flood, drought, earthquake and other calamities is done year on year basis by banks so as to bring life back to normal condition. Mostly banks donate to support hospitals, research centres infrastructural support like ambulances, medical vans, medical equipment which may be utilized by the general public in time of emergency. Support to old age homes, orphanages, homes of differently able,

rehabilitation centres in form of direct money or in form of vehicles, buildings or other infrastructures are provided by banks.

When the implementation of CSR was initiated in India, there were no rules and regulations from the government or any regulatory bodies, it was completely voluntary. And there were several banks which had been performing CSR activities in the country from long. More emphasis was given when RBI issued a notice to banks in order to focus on the sustainability and non-financial reporting. Later in the year 2013, Companies Act was passed which made it mandate for any company to spend 2% of their profit on CSR activities provided they have net worth of ₹500crore or turnover of ₹1000crore or net profit of ₹5crore.



#### **4.1. Introduction**

In this chapter a detail analysis of CSR activities and performance of top three public sector and top three private sector banks are presented. This chapter will be divided into five sections. The first part will be focused on the CSR activities of the selected banks for agricultural development and various other agricultural development activities. This section will be focused on various aspects in which banks are supporting agriculture in the state. The second section will be focused on the CSR activities of the bank for financial inclusion, the various plans, schemes run by the banks in the state in order to cover maximum number of people under the umbrella of banking. The third section will focus on various activities, support given or provided for educational advancement or any kind of flagship program which is exclusively run by the selected banks on their own. The fourth section focuses on philanthropic activities carried out by the banks in the state, any kind of monetary support to public organizations, NGOs or may be to orphanage, widow house or old age home etc. The last section of this chapter will describe the major findings of the study.

#### **4.2. CSR for Agricultural Development**

Mizoram is a state of difficult terrain when compared to the mainland of the country. The state is hilly, and there are very less proper agricultural field, most of them are in the Champhai district of the state which is in the east and shares its border with Myanmar. The trend that is followed in the state for cultivation is jhumming, whereby the farmers in order to grow crops move from one place to another i.e. shifting cultivation is followed in the state. And in this type of cultivation that is followed in the state, money requirements is high because when every cycle the place of cultivation needs to be changed, and in the new place, the forest needs to be cut, burned down and then only cultivation is possible, and it is time taking as well as involves lots of money. Across the country, there are numerous schemes, for agricultural development that includes tractor loan for farmers at lower interest rates, tractor loans for women at zero interest rates by some banks, loans at lower interest rates for purchase of fertilizers and other agricultural requirements, Kisan Credit Cards for farmers to borrow money in advance from banks for their agricultural requirements. In this ways the banks are supporting the agricultural developments in the other parts of the country. So is the case in Mizoram also, banks have come forward in support of farmers and agricultural development in all possible ways.

Below we shall discuss how banks in Mizoram are contributing towards the agricultural advancements and development.

### **Performance of Public and Private Sector Banks for Agricultural Development in Mizoram**

#### **State Bank of India**

The state bank of India has been the pioneer among the bank in Mizoram and so is seen in the activities that are carried out by the bank. The bank has sanctioned 7132 loans in the agricultural sector which even includes the crop loan also. The bank has issued 10,356 Kisan Credit Card and has sanctioned loan amount of ₹75.36crore on these KCC issued in the past five years i.e. 2011-2012 to 2015-2016.

#### **Punjab National Bank**

Punjab National Bank has been doing a remarkable work in advancement of the agricultural sector and the bank has issued 3913 Kisan Credit Card in the past five years and has sanctioned ₹22.16crore in these five years on the KCC. The bank has issued 1693 numbers of loans in the agricultural sector.

#### **United Bank of India**

The United Bank of India has issued total of 88 Kisan Credit Card and has sanctioned ₹70.02lakh of credit on the cards issued. The bank has done a remarkable task in the agricultural sector advances also. The bank issued total of 2259 loans under the agriculture sector and has supported the farmers of the state to carry on their farming in a proper way.

#### **HDFC Bank**

Unlike the other private sector banks, HDFC has been issuing Kisan Credit Card to the farmers since 2012-2013. So far the bank has issued 13 KCC, and have sanctioned amount of ₹204.19lakh in the past 4 years. The bank has also been providing agricultural and crop loans to those in need of it. The bank has provided loan to 222 people in the fast five years. The bank has been giving loan in the agricultural sector since 2012-2013 and has been contributing towards the development of the sector as a whole.

### **ICICI bank**

Contribution of the bank towards the development of agriculture for the past five years has been very less. ICICI bank in the state of Mizoram has provided only one agricultural loan in the past five years i.e. in 2013-2014 and has never issued a single Kisan Credit Card which a farmer can use in getting advance money for his agriculture purpose.

### **AXIS Bank**

The bank has always been on the front to provide support for the farmers for their agricultural requirements. The bank has provided agricultural and crop loan to 331 people in the past five years i.e. financial year 2011-2012 to financial year 2015-2016. The maximum number of loan was sanctioned in the year 2014-2015 with 115 agricultural loans issued during the year. Though the bank has not issued any Kisan Credit Card for the farmers in the state,

### **4.3. CSR for Financial Inclusion**

Financial inclusion is considered as prerequisite for poverty alleviation and social cohesion if executed in proper manner especially for the poor and vulnerable groups. Rangarajan Committee (2008) viewed financial inclusion as “The process of ensuring access to financial services, timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”.

We have listed some of the work which was done by the banks in Mizoram, the efforts in order to bring most of the population of the state under the financial inclusion. Details of the activities are given below.

### **Performance of Public and Private Sector Banks for Financial Inclusion in Mizoram**

**State Bank of India**, started its operation in the state in 1972, and the bank has CD ratio of 35.56 and having 42 branches across the state. The public sector bank has proactively worked towards including everyone under the umbrella of banking services via the various financial inclusion schemes.

The bank opened 18357 accounts under the PMSBY scheme, 12,184 accounts under the PMJJBY scheme, 129 accounts under the APY scheme, 1,023 accounts under the PMMY scheme, 25,564 accounts under the PMJDY scheme. Total amount disbursed under the PMMY scheme was ₹1071.81Lakh. SBI has opened maximum number of accounts under the financial inclusions schemes when compared to other banks operating in the state. Under the PMEGPY scheme the bank opened 1001 accounts so far and has provided ₹2302.05lakh loan to beneficiaries.

**Punjab National Bank**, started its operation in the state in 2008 and has only one branch so far. The bank has done great job in the state and have supported the state and has a CD ratio of 66.88 which is highest amongst the selected banks for the study.

The bank opened 64 accounts under the PMSBY scheme, 49 accounts under the PMJJBY scheme, 1 account under the APY scheme, 45 accounts under the PMMY scheme, 622 accounts under the PMJDY scheme. Total amount disbursed under the PMMY scheme was ₹41.65Lakh. Under the PMEGPY scheme the bank opened 48 accounts so far and has provided approximately ₹143.45lakh loan to beneficiaries.

**United Bank of India** having total of 6 branches across the state with presence even in the rural areas also, the bank started its operation in 2006. The bank has CD ratio of 37.2 and is proactively working towards bringing more and more people under the purview of banking facilities.

The bank opened 350 accounts under the PMSBY scheme, 218 accounts under the PMJJBY scheme, 9 accounts under the APY scheme, 156 accounts under the PMMY scheme, 1146 accounts under the PMJDY scheme. Total amount disbursed under the PMMY scheme was ₹155Lakh. Under the PMEGPY scheme the bank opened 59 accounts so far and has provided ₹219.46lakh loan to beneficiaries.

**AXIS bank** started its operation in 2006 and currently has 3 branches in the state which consists of 2 in the urban area and 1 branch in the semi urban area. With the CD ratio of 16.8, the bank has been working in a slow pace towards the accomplishment of the financial inclusions. The bank opened 168 accounts under the PMSBY scheme till March 2016. The bank also opened 61 accounts under the PMJJBY, 42 accounts under the PMJDY and could manage to open 3 accounts under

the APY schemes the bank was nil when we talk about the PMMY scheme. Under the PMEGPY scheme the bank has opened 45 accounts so far and has provided ₹55.98lakh loan to beneficiaries.

**HDFC bank** the bank has a CD ratio of 24.57 as per the latest data available and it is among the best when we compare among the three private sector banks that we have taken for the study. The bank started its operation in 2009 and has total of 7 branches in the state with 3 branches in urban area and 4 in the semi urban areas. This shows that the bank is more focused in providing banking facilities to the unbanked and mostly covers the interior part of the state where other banks are hesitant in reaching.

The bank opened 201 accounts under the PMSBY scheme, 180 accounts under the PMJJBY scheme, and 2491 accounts under the PMJDY scheme, but the bank failed to open any account under APY scheme and PMMY scheme. Under the PMEGPY scheme the bank opened 12 accounts so far and has provided ₹7lakh loan to beneficiaries.

**ICICI bank** started its operations in the state since 2008 and at present has 2 branches, both in Aizawl, the state capital. With the latest data available i.e. FY 2015-2016, the Credit Deposit Ratio of the bank was at 3.54 which is among the lowest among the banks currently operating in the state. Though the bank is easily accessible and provides various banking services but there are drawbacks of the bank, like the minimum amount required to open account is ₹5000 for normal public. As the bank also provides no frills accounts, opening of accounts with zero balance, but these accounts are available mostly for students and women and people with low income or those from the unorganized sectors.

Though each and every bank operating in India are supposed to offer the financial schemes like PMJDY, PMMY, PMJJBY, PMSBY, APY which were recently launched so that everyone should be under the umbrella of banking facilities, ICICI bank in Mizoram does not open account in any of the financial inclusion scheme except for PMJDY under which 145 accounts were opened. Under the PMEGPY scheme the bank has opened 6 accounts so far and has provided ₹9lakh loan to beneficiaries.

#### **4.4. CSR for Education and Flagship program**

In today's global economy, education has been placed among the top most priority by every nation across the globe. Be it any part of the world, be it any country or any state the importance of education cannot be neglected. The overall literacy rate of the India is 74.04% and Mizoram is among the top 3 most literate states in India with 91.33%. In order to promote education and support students financially, the government offers various scholarship programs so that students do not need to give up their higher education only for monetary problems. The banks offer educational loans in the state in order to support students during their studies. Below are the activities that banks in Mizoram carry out for better education in school, colleges and for higher studies.

#### **Performance of Public and Private Sector Banks for Education and Flagship program in Mizoram**

##### **State Bank of India**

In order to support educational development and improvement of condition of education in the state, the bank has been doing a lot of work and has put lot of efforts. The bank donated water purifier, water coolers to 28 schools in Mizoram during the month of February 2012. In the year 2012-2013, the bank donated water purifiers to 29 schools by all 29 SBI branches, 10 ceiling fans each to 29 schools by all 29 SBI branches in celebration of State Bank Day. Water purifiers to 29 schools by all SBI branches in Mizoram were donated by the bank in connection with Teachers' Day. The bank also donated one water purifier each to three government schools of Falkawn, Aizawl. In the year 2013-2014, the bank awarded cash price of ₹10000 to the HSLC topper and ₹5000 each to the 2<sup>nd</sup> and 3<sup>rd</sup> topper of year 2013. The bank sponsored seminar on "Promotion of Tourism" in Thenzawl in 2013-2014. The bank supported 30 schools by providing safe drinking water on account of Teachers' day celebration. The bank also donated 7 water purifiers and 89 water filters to 32 schools on Childrens' day celebration. The bank sponsored inter high school Quiz Competition. The banks sponsored National level seminar on management of national resources for sustainable development in the year 2013-2014. During the year 2014-2015, the bank donated computers to different school across the state on the occasion of Teachers' Day. The bank sponsored national level seminar on "Role of Library in

Higher Education Problems and Prospects”. State Bank of India has also issued total of 1050 educational loans in the past five years i.e. between 2011-2012 and 2015-2016 which amounts to 3689lakhs.

### **Punjab National Bank**

The bank has been working well towards the educational advancement in the state and has been proactively supporting education of those who really are in need but are not able to support education in financial terms. The bank has sanctioned total of ₹195.25lakh to 80 recipients so far in support of education.

### **United Bank of India**

The bank donated computers to various schools through Synod in order to provide quality education through technological advancement in the state. The bank also provides educational loan to students and so far, the bank has issued 13 educational loans and amounting to ₹47.92Lakh.

### **HDFC Bank**

The bank in order to promote and support the education in the state sponsored a speech competition in Don Bosco School and also awarded the winner in Lawngtlai district. The bank, in an attempt to provide safe drinking water to students, donated a water purifier to Jawahar Navodaya Vidyalaya through the Deputy Commissioner of Aizawl.

The bank has also shown their concern for education and they offer educational loan to students. HDFC is the only private sector bank amongst the banks selected for the study which offers educational loans to students and so far have issued 2 numbers of educational loans amounting to ₹4.52Lakh, the bank issued one educational loan in the financial year 2014-2015 and 2015-2016.

### **ICICI Bank**

Ever since the bank started its operation, the bank has not done any kind of activity for the promotion of education and neither has the bank given any educational loan to aspiring students in the past five years.

## **AXIS bank**

The bank has not done any kind of educational activities or not even issued a single educational loan for students in the state.

### **4.5. CSR for Philanthropy**

At times we usually use charity and philanthropy interchanging, but there is a difference in these words. Charity is something that refers to direct relief from sufferings and the social problems whereas philanthropy systematically finds out the root cause and tries to find a permanent solution to the same. There are numerous philanthropic activities that are carried out by various individuals, companies and corporate offices. Below are the philanthropic activities that were undertaken by banks which were selected for this study in the state of Mizoram.

### **Performance of Public and Private Sector Banks for Philanthropy in Mizoram**

#### **State Bank of India**

In the year 2012-2013, the bank sponsored the felicitation of man of the series U19 football tournament at Lawngtlai district, the bank sponsored the celebration of Rongali Bihu in Aizawl. State Bank of India sponsored the District Badminton Tournament in Saiha district in 2012. The bank sponsored All Mizoram Badminton Competition which was organized by Mizoram Badminton Association (MBA). The bank also sponsored the celebration of Chapcharkut in 2013. Donated refrigeration facility to Counter Insurgency Jungle Warfare (CIJW), school, Vairengte and also sponsored Badminton Tournament in the state. The bank donated a truck to an NGO, Thutak Nunpuitu Team (TNT), Zuangtui during the year 2012-2013 amounting to ₹8.6lakh. In the same year, the bank also donated one school bus to Gilead Special School, a school for differently able kids in Falkland, Aizawl and donated an ambulance to Civil Hospital, Saiha. In the year 2013-2014, the bank donated 40 cases of packaged drinking water to central YMA in connection with mishap at Laipuitlang, Aizawl. The bank donated a school bus to Samartian Association for the blinds, costing ₹12,21,765. Refrigeration facility was donated to Synod Hospital during the year 2013-2014 in order to bring it in use for placing medicine. The bank sponsored Inter branch YMA Choir competition in the state. Sponsorship of badminton tournament in Champhai, sponsorship of badminton tournament which was organised



by Ramhlun United Badminton Club was done by the bank. The bank donated team jersey to Kolodyne Volley Ball club, Lawngtlai and the bank sponsored the Cultural Fest of National Institute of Technology, Mizoram. The bank also sponsored the sports meet cum Cultural Meet organised by Mara Student Organization, Saiha. The bank felicitated Mizoram Satosh Football team, in the year 2014 and cash award of ₹5000 to each players and to 5 officials were given. The bank donated a mortuary cum ambulance bus to central YMA amounting to ₹15,00,000 which could be put in to use in any part of the state under emergency. Sponsorship of state boxing championship was done. The bank sponsored Quiz for the Soccer fans which was organised by M/s Priya Communication. In the year 2015-2016, the bank donated a medical bus to Serkawn hospital, Lunglei amounting to ₹13,63,477, one ambulance to Synod Hospital amounting to ₹6,81,304. The bank also donated grocery items to TNT as a part of Independence Day celebration. Donation to Old Age Home, New Serchhip, DC, Lawngtlai, DC, serchhip, Adult Rehabilitation Centre, Serchhip were done during the year in relation to Independence Day celebration in the state by the bank. Sponsorship of branding of one stand named as “SBI Stand” at Rajiv Gandhi stadium, sponsorship of badminton tournament in Lunglei district was done by the banks.

### **Punjab National Bank**

Ever since the inception of the bank in the state, the bank in order to support and facilitate transportation in emergency situation, donated one ambulance to Mizoram University in the year 2012. This is the one and only philanthropic activity that has been carried out by the bank in the past five financial years.

### **United Bank of India**

UBI, one of the best performing banks among the public sector banks in Mizoram, which had business of over 125crore in the FY 2015-2016, has not done any form of philanthropic activity in the state.

### **HDFC Bank**

The bank raised funds for the orphanage which is run by the Sunshine Society for orphan children in Zemabawk, Aizawl. On world health day, the bank employees donated blood to be stored in state blood bank to be used in emergency. The bank

raised funds for the victims of wild fire in the Saiha district. The bank sponsored several sports activities across the state in various districts, one of such was in Lawngtlai district where the bank sponsored the district football championship. In order to motivate and promote sports among the kids in the state, donated football kits. The bank sponsored a badminton tournament which was organized in Lunglei district. The bank also sponsored a state level football tournament in the Aizawl for promotion of sports among the youths. The bank also came forward in the noble cause of plantation of tree in Lawngtlai district. In Saiha district, free medical check up camp was organized by the bank for the people.

### **ICICI Bank**

Ever since the bank started its operation, the bank has not done any kind of philanthropic activities in the state, has never sponsored any sort of cultural or social activities.

### **AXIS Bank**

AXIS bank is one of the top banks among the private sector banks operating in the state but they have not done any philanthropic activities in the state in the past five years.

## **4.6. Comparison between public and private sector banks CSR activities**

In order to address the first objectives of the study, the following comparison has been done between public and private sector banks on various aspects such as Agricultural Development, Financial Inclusion, Education and Flagship programmes and Philanthropy.

**Table 4.1**

### **Corporate Social Responsibility for Agricultural Development in Mizoram**

<b>Public sector banks</b>	<b>Private Sector Banks</b>
The public sector banks under study sanctioned agricultural loans to 11084 customers. This loan is issued to the customers consists of the crop loan provided to the farmers.	The private sector banks under study had sanctioned 554 agricultural loans in the past five years.
The public sector banks under study issued 14357 numbers of Kisan Credit Cards (KCC) for the farmers. This credit	The private sector banks under study issued only 13 KCC for the farmers.

card is utilized by farmers in the state for availing funds in advance for agriculture requirements.	
The public sector banks under study forwarded total loan of ₹98.23crore in past five years for the farmers of the state based on the KCC issued.	The loan amount sanctioned on the KCC issued was ₹2.04crore in the past five years.

*Source: Compiled from Annual Reports of State Level Bankers Committee Meeting (FY 2011-2012 to 2015-2016).*

The table 4.1 depicts that the public sector banks when compared with the private sector banks have done a lot of agricultural development activities in the state and have supported the farmers of the state in various ways such as KCC, crop loan and agricultural loans. The Public sector banks have supported the farmers of the state in order to full fill the basic agricultural needs. As it can be seen from the above table, the public sector banks have issued 11084 numbers if agricultural loan and have also issued 14357 number of KCCs. Whereas the private sector banks have provided comparatively lesser numbers of agricultural loans and KCC for the farmers.

**Table 4.2**

**Corporate Social Responsibility for Financial Inclusion in Mizoram**

<b>Public sector banks</b>	<b>Private Sector Banks</b>
The public sector banks under study have contributed towards offering basic banking facilities to people of the state. 61025 numbers of accounts were opened under the various financial inclusion schemes in the state.	The private sector banks under study lack behind in offering the financial inclusion schemes in the state and only 3354 accounts were opened in the various schemes.
Under the Pradhan Mantri Suraksha Bima Yojana, the public sector banks under study opened 18771 numbers of accounts	Under the Pradhan Mantri Suraksha Bima Yojana, the private sector banks under study opened 369 accounts.
Under the Pradhan Mantri Jeevan Jyoti Bima Yojana, the selected public sector banks opened 12451 numbers of accounts.	Under the Pradhan Mantri Jeevan Jyoti Bima Yojana, the selected private sector banks opened 241 accounts.
Under the Atal Pension Yojana, the public sector banks opened 139 accounts.	Under the Atal Pension Yojana, the private sector banks opened 3 accounts.
Under the Pradhan Mantri Mudra Yojana, the public sector banks opened total of 1224 accounts.	Under the Pradhan Mantri Mudra Yojana, the private sector banks did not open any account.
Under the Pradhan Mantri Mudra Yojana, the total amount of advance that was disbursed was ₹12.68crore.	The private sector banks though offer the scheme in other parts of the country, did not sanctioned any amount under the

	Pradhan Mantri Mudra Yojana scheme
Under the Pradhan Mantri Jan Dhan Yojana, the public sector banks opened total of 27332 accounts.	Under the Pradhan Mantri Jan Dhan Yojana, the private sector banks opened 2678 accounts.
Under the Pradhan Mantri Employment Generation Programme, the public sector banks opened total of 1108 accounts during the past five years.	Under the Pradhan Mantri Employment Generation Programme, the private sector banks opened total of 63 accounts during the past five years.
The amount sanctioned under the Pradhan Mantri Employment Generation Programme by the public sector banks amounted to ₹26.65crore.	The amount sanctioned under the Pradhan Mantri Employment Generation Programme by the private sector banks amounted to ₹71.98lakh.

*Source: Compiled from Annual Reports of State Level Bankers Committee Meeting (2011-2012 to 2015-2016).*

As can be seen from table 4.2, the public sector banks have in all means performed and implemented more in Financial Inclusion schemes. While comparing with the private sector banks the public sector banks have gone extra mile and have put efforts in executing the schemes so that maximum people of the state can be covered under the banking sector. The contribution of the public sector banks in the various Financial Inclusion schemes are much more than those of the private sector banks. This shows that the private sector banks operating in Mizoram need to act accordingly so that they can cater to the needs and requirements of more number of people.

**Table 4.3**

**Corporate Social Responsibility for Education and Flagship Programmes in Mizoram**

<b>Public sector banks</b>	<b>Private Sector Banks</b>
The public sector banks under study have supported and promoted the schools in the state in various ways such as donation of computers.	The private sector banks under study have done lesser activities when compared to the public sector banks.
The selected public sector banks on a large scale have been sponsoring various educational activities in the state such as seminars, quiz competitions.	The selected private sector banks on the contrary sponsored activities like speech competition in schools.
The public sector banks have come forward and do donation of infrastructure support to schools across the states in form of water purifiers, ceiling fans etc.	The private sector banks under study lack behind when it comes to contribution to educational infrastructure, and have donated only one water purifier in past five years.

In order to motivate and financially support students, the public sector banks provide cash rewards to state toppers.	The private sector banks do not carry out such activities in the state and have never done in the past five years.
The public sector banks have sanctioned 1143 educational loans in the past five years.	The private sector banks under study sanctioned only 2 educational loans in the last five years.
The amount sanctioned in the last five years for educational loans by the public sector banks was ₹39.32crore.	The amount sanctioned in the last five years for educational loans by the private sector banks was ₹4.47Lakh.

*Source: Compiled from Annual Reports of State Level Bankers Committee Meeting (2011-2012 to 2015-2016).*

From table 4.3, it was found that the public sector banks in comparison with the private sector banks have helped in promoting and developing education system in the state not only in the form of providing educational loans but also in form of sponsoring various educational activities like seminars, workshops, sponsoring best talent in the state and quiz etc. The private sector banks on the contrary have done very less activities in support of education in the state.

**Table 4.4**

**Corporate Social Responsibility for Philanthropy in Mizoram**

<b>Public sector banks</b>	<b>Private Sector Banks</b>
The public sector banks under study in the state have been sponsoring various sports activities such as football, tennis, badminton etc.	The private sector banks under study have done some sponsorship at the district levels in order to promote sports among the youth and kids.
The public sector banks have donated medical vans, ambulances to hospitals, NGOs, and institutions.	The private sector banks in the state have lacked behind in this area and have not done any such activity.
The selected public sector banks have supported the NGOs by means of providing monetary support, donation of vehicle.	The selected private sector banks under study have helped few NGOs in raising funds and have come forward for blood donation. They have also raised funds for victims of wild fire in the state.
The public sector banks have proactively promoted the cultural activities like Bihu celebration, Choir competition, Chapcharkut etc. organized by various groups in the state by means of sponsorships.	The private sector banks are very negligent about these activities in the state and do not indulge themselves in such areas.

*Source: Compiled from Annual Reports of State Level Bankers Committee Meeting (2011-2012 to 2015-2016).*

Table 4.4 depicts that public sector banks have outperformed private sector banks in the state when compared. The public sector banks have come forward in sponsoring activities like tennis, badminton in order to promote sports in the state, they have also supported several hospitals by providing medical vans, ambulances and they also promote cultural activities in the state which the private sector banks lack. The public sector banks have supported the NGOs in the state by providing monetary benefits for their daily needs and also have provided them with vehicles. The private sector banks on the contrary have done certain activities such as blood donation in the state blood bank, raised funds for orphanages and for helping the victims of wild fire in the state.

#### 4.7. Analysis of Research Questions

The research question that had been formulated for the study is answered as below.

**Table 4.5**

**CSR Activities of Public and Private sector banks in Mizoram.**

CSR Activities	Public Sector Banks			Total	Private Sector Banks			Total
	SBI	UBI	PNB		HDFC	AXIS	ICICI	
No. of Agricultural Loan	7132	2259	1693	11084	222	331	1	554
Number of KCC	10356	88	3913	14357	13	0	0	13
Amount Sanctioned on KCC (₹) in Lakhs	7536.6	70.02	2216	9822.62	204.19	0	0	204.19
Accounts under PMSBY	18357	350	64	18771	201	168	0	369
Accounts under PMJJBY	12184	218	49	12451	180	61	0	241
Accounts under APY	129	9	1	139	0	3	0	3
Accounts under PMMY	1023	156	45	1224	0	0	0	0
Accounts under PMEGP	1001	59	48	1108	12	45	6	63
Amount Sanctioned in PMEGP (₹)	2302.05	219.46	143.45	2664.96	7	55.95	9	71.95
No of Educational Loan	1050	13	80	1143	2	0	0	2

Amount for Educational Loan	3689	47.92	195.25	3932.17	4.25	0	0	4.25
For Philanthropy (₹) in Lakhs	90 (approx)	0	10 (approx)	100 (approx)	3(Approx.)	0	0	3(Approx.)

Source: Compiled from Annual Reports of State Level Bankers Committee Meeting (2011-2012 to 2015-2016).

From Table 4.5, it is found that in all sectors such as agriculture, financial inclusion, Education and Philanthropy, the public sector banks have outperformed the private sector banks and have supported people of the state in socially responsible business as well as in Philanthropic activities. The number of agricultural loan sanctioned by the public sector banks is far more than the private sector banks and the credit provided on the Kisan Credit Card by public sector banks is huge when compared with the private sector banks. The public sector banks opened 61025 accounts under the various financial inclusion schemes while the private sector banks opened only 3354 accounts. The public sector banks provided educational loan of ₹39.32crore while the private sector banks sanctioned only ₹4.47crore. Taking the philanthropic activity of the banks, the public sector banks have done more activities in the state and have spent approximately ₹1crore while private sector banks have spent approximately ₹3lakhs only.

Therefore from the above table it is evident that the public sector banks are more involved in implementing business responsibility as well as philanthropic activity in the state rather than private sector banks.

**Table 4.6**

**CSR Motives of private sector banks in Mizoram**

CSR Activities of Banks	Name of Banks			Total
	HDFC Bank	AXIS Bank	ICICI Bank	
KCC (Number of Accounts)	13	0	0	13
Amount sanctioned on KCC (₹)	₹204.19 lakh	0	0	₹204.19lakh
Number of Agricultural Loan	222	331	1	554
Number of Accounts under PMJDY	2491	42	145	2678
Number of Accounts under PMMY	0	0	0	0
Number of Accounts under	180	61	0	241

PMJJBY				
Number of Accounts under PMSBY	201	168	0	369
Number of Accounts under APY	0	3	0	3
Number of Accounts under PMEGP	12	45	6	63
Amount sanctioned under PMEGP (₹)	7Lakh	55.95Lakh	9Lakh	71.95
Number of Educational Loan	2	0	0	2
Amount of Educational Loan(₹)	4.25Lakh	0	0	4.25
Amount spent on Philanthropy (₹)	3Lakh (Appr.)	0	0	3Lakh(Approx)

*Source: Compiled from Annual Reports of State Level Bankers Committee Meeting (2011-2012 to 2015-2016).*

It was found from the Table 4.6, that private sector banks have done socially responsible business and philanthropic activities only in those areas which are profitable for them or giving them the business edge. In further study it was found that these private sector banks offer products such as No frills accounts only to some special sections of the society which constitutes of students of National Institute of Technology, Mizoram or Mizoram University who receive money for their study from their parents as monthly expenditure. And more over the banks have sanctioned educational loan to those family who are financially sound and are sure to pay back the loan amount to banks. Majority of the private sector banks as can be found from the Table 4.6 do not promote the financial inclusion schemes such as PMMY, APY in the state.

Therefore it is evident from the Table 4.6, that the socially responsible business and philanthropic activities of private sector banks are mainly profit oriented or promotion oriented.

#### **4.8. Major Findings of the Study**

Major findings of the study can be broadly categorised in four sections which is described as below.

##### **CSR for Agricultural Development**

1. It is found that, public sector banks in Mizoram are great supporter of the farmers for fulfilment of their agricultural requirements.



2. It was found that the private sector banks have shown to be very negligent whilst comparing with the public sector banks in regards to support in agriculture and allied sector of the state.
3. In the past five years total of 11638 agricultural loans was sanctioned by the banks in the state and out of which 95.3% was sanctioned by public sector banks and only 4.7% of the loan was sanctioned by the private sector banks.
4. It was found that total of 14370 KCC were sanctioned during the past five years and out of which 99.91% of the cards were issued by the public sector banks.
5. It was found that total amount of ₹100.72crore was disbursed through the KCC and 97.96% of the amount was disbursed by the public sector banks and 2.04% only was disbursed by the private sector banks under study.

#### **CSR for Financial Inclusion**

1. It was found that the public sector banks in Mizoram implement all the schemes which were launched by the government of India.
2. The public sectors banks in Mizoram are more concerned about bring more number of people under the umbrella of banking services than the private sector banks.
3. It was found that the ratio at which the public and private sector banks are executing the PMSBY scheme was 6257:123 which means that while the private sector banks opened 123 accounts under PMSBY scheme, the public sector banks opened 6257 accounts.
4. It was found that 98.10% of the accounts under PMJJBY scheme were opened by the public sector banks in Mizoram.
5. 97.9% of the accounts of APY were opened by the public sector banks, and only 2.1% of total accounts were opened by the private sector banks.
6. It was found that public sector banks are the only banks that offer PMMY scheme in the state and private sector banks do not entertain such financial inclusion schemes.
7. It was found that 91.07% of the total accounts opened under the PMJDY scheme were opened by the public sector banks and 8.93% were the shares of the private sector banks.

8. 94.62% of the accounts under the PMEGP scheme were opened by the public sector banks in the past five years.
9. It was also found that 97.37% of the finance under the PMEGP scheme was provided by the public sector banks.
10. It was also found that private sector banks mostly focus on such products which would prove to be beneficial to them.
11. It was found that private sector banks were not much involved and did not focus on providing basic banking services to customers on the other hand, they provide privileged services to the richer customers.

### **CSR for Education**

1. It was found that public sector banks in Mizoram have done more activities than the private sector banks.
2. It was found that the public sector banks in Mizoram come forward in sponsoring various activities for schools and other institutions for sports, quiz and cultural activities.
3. It was found that public sector banks have supported schools for maintaining the facilities at schools like computers, safe drinking water by providing water purifier, filters etc.
4. It was found in the study that contribution of private sector banks in promoting education in the state was negligible.
5. It was found during the study period that total 1145 educational loans were sanctioned, out of which 99.8% of the loan were issued by the public sector banks and the remaining 0.2% only were sanctioned by the private sector banks.
6. It was found that amount of ₹39.36crore were sanctioned for educational loan during the past five years by the public sector banks under study.
7. 99.89% of the educational loan was issued by the public sector banks in Mizoram and the remaining 0.11% was sanctioned by the private sector banks.

### **CSR for Philanthropy**

1. It was found that public sector banks are more involved and promote philanthropic activities in the state when compared to the private sector banks.

2. Public sector banks in Mizoram have come forward to contributing various developmental activities like branding of football stadium.
3. It was found that public sector banks in Mizoram carry out philanthropic activities such as donation of ambulance, medical vans, mortuary vans in the state whereas the private sector banks were not found performing such activities.
4. It was found that public sector banks are more involved in countering the societal problems by supporting orphans, old age homes, rehabilitation centres across the state.
5. It has been found that public sector banks proactively come forward to support activities in the state in form of sponsoring events such as sports meet, cultural events and so on.
6. It was also found during the research period that private sector banks have not contributed any amount towards the development of the state when compared to the public sector banks.

## **5.1. Introduction**

This being the last chapter of the study consists of three sections namely, summary, conclusion and suggestion. The first section in the chapter will give summarized report of the research that had been carried out, following is the conclusion of the study. And the last part is the suggestions to the banks, the government and policy makers for a better implementation of the CSR activities for the benefit of the state of Mizoram and society at large.

## **5.2. Summary of the study**

The concept Corporate Social Responsibility (CSR) has a long and wide-ranging history (Carroll, 2008). The story of CSR had not been smooth, it was discredited, written off or simply overlooked in search of new ways of conceptualizing the business and society interface (Crane *et al.* 2008). It has gained a lot of fame and popularity as of now but it is mostly a product of the twentieth century, mostly from 1950s till date. Until 1950s, publications on the topic instead of being steady rise it were more of a peaks and troughs (De Bakker *et al.* 2005).

Corporate Social Responsibility, also known as Corporate Responsibility, Corporate Citizenship, responsible business, sustainable responsible business (SRB), or Corporate social performance (Kaur, 2012). It refers to the obligations of corporate houses 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 (Batra, 2007). Any business derives its existence from the society and environment as it gets everything that is required to run business from these only and hence it has responsibilities towards the society, environment, and stakeholders. Business would proactively promote public interest by encouraging community growth and development and voluntarily removing practices that harm the public sphere. Therefore any business has responsibility towards the society where it operates and at the same time towards the organization in order to carry out profitable business.

CSR is a burning topic in every part of the world, not only for private sector companies but at the same time even for the government run organizations. People are more educated, more informed as compared to their predecessors, and have started

expecting more from the companies and corporate operating in the region for the developmental activities.

Though the roots of the concept that we know today as corporate social responsibility have a long and wide ranging history, it is mostly a product of the twentieth century, especially from the early 1950s up to the present time. In spite of its recent growth and popularity, one can trace for centuries evidence of the business community's concern for society. Formal writings on Social Responsibility (SR) are largely product of the twentieth century, especially the past 70 years or so.

Corporate Social Responsibility (CSR) is the compliance of social and ecological responsibility by a company voluntarily. It is basically a concept where companies decide to contribute towards the development of a better and cleaner environment. It is a concept that not only refers to the compliance of human right standards, labour and social arrangements but also to the fight against climate change, sustainable management of national resources and consumer protection.

- CSR gives a choice – A choice to do good for others, a choice for changing business practices and procedures by supporting those initiatives where one can voluntarily serve the locals, nationals and even the global communities, this will not only change way an organization works but will also make every place a great place.
- CSR is not a onetime process – It is a continuous and long term endeavour of corporate where corporate values, traditions and vision must undergo change in order to have a better society for everyone.
- CSR is the continuous commitment by business firms to be ethical and contribute towards economic development of the society, improving the quality of life of the workforce, their families, the local community and society.
- CSR empowers the society – Business and corporate don't operate in vacuum. They are part of the society and depend on their stakeholders and the society for their existence and operations and hence it is important for the business to give back to the society. CSR empowers the society and also extends a helping hand to the communities.

Banking sector is one of the biggest and most progressive business sectors in the state of Mizoram. It helps for economic development of the people of state by business and non business activities. Banks play vital role by providing basic banking services to public and also help in social developments too. Banks are providing socially responsible business concepts such as No frills accounts, Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jivan Jyoti Bima Yojana, Atal Pension Yojana, Pradhan Mantri Mudra Yojana, Prime Minister's Employment Generation Programme etc. Apart from this, government of India and other regulatory bodies in the country have suggested banks operating in the country to proactively indulge in CSR activities depending on their turnover, capital or net profit. According to the Companies Act, 2013, *“Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years.”* It was found from the annual reports of the banks under study that 2% of their net profit is being spent on CSR activities in the country. Though these banks are operating in Mizoram and generate profit from the state, it is important to find out their contribution of CSR in the state, both by socially responsible business model and philanthropy. Therefore the present study aims to study the CSR activities that are performed by the selected banks in Mizoram.

There are many corporate businesses operating in the state, banking sector is one of the biggest corporate businesses that functions here with their existence everywhere in the state, it was very important to know and understand to what extent banks were helping in the development and advancement of the state and its people. To find out the socially responsible business and philanthropic activities of banks under study, following objectives were formulated:

1. To study CSR activities of public and private sector banks in Mizoram.
2. To compare CSR performance of public and private sector banks operating in Mizoram.

Taking into consideration the objectives of the study, the following research questions were formulated. These are to find out:

1. Are public sector banks more involved in implementing socially responsible business and philanthropic activities in the state or private sector banks?
2. Are the socially responsible business and philanthropic activities of private sector banks targeted to profit or promotion?

The study on “Corporate Social Responsibility in Mizoram: A comparative Analysis of Public and Private sector Banks”, was carried out within the state of Mizoram with following tools and techniques.

- a. Universe: All the public and private sector banks operating in Mizoram formed the universe. There are total of 25 banks and 185 branches currently operating in the state.
- b. Sampling Design: Out of the 25 banks operating in Mizoram, six banks were selected for the study, three each from the public sector and private sector banks. Banks were selected on basis of their performance in financial year 2014-2015. The top three banks in public sector viz. State Bank of India, Punjab National Bank and United Bank of India were selected and in the private sector banks AXIS Bank, ICICI Bank and HDFC Bank were selected.
- c. Data Collection: In order to carry out the research, primary as well as secondary data was collected. The primary data was collected by personal interview of the managers of the selected banks. The secondary data was collected from various published reports in media such as annual reports, CSR reports, and magazines and also from published sources at branches or Regional Offices for internal circulation.
- d. Tool for analysis: This is a descriptive study based on qualitative and quantitative data. Analysis was made from available data by using basic statistical tools such as summation, percentage, ratio etc.

Major findings of the study can be described as below.

1. It is found that, public sector banks in Mizoram are great supporter of the farmers for fulfilment of their agricultural requirements.
2. It was found that the private sector banks have shown to be very negligent whilst comparing with the public sector banks in regards to support in agriculture and allied sector of the state.

3. In the past five years total of 11638 agricultural loans was sanctioned by the banks in the state and out of which 95.3% was sanctioned by public sector banks and only 4.7% of the loan was sanctioned by the private sector banks.
4. It was found that total of 14370 KCC were sanctioned during the past five years and out of which 99.91% of the cards were issued by the public sector banks.
5. It was found that total amount of ₹100.72crore was disbursed through the KCC and 97.96% of the amount was disbursed by the public sector banks and 2.04% only was disbursed by the private sector banks under study.
6. It was found that the public sector banks in Mizoram implement all the schemes which were launched by the government of India.
7. The public sectors banks in Mizoram are more concerned about bring more number of people under the umbrella of banking services than the private sector banks.
8. It was found that the ratio at which the public and private sector banks are executing the PMSBY scheme was 6257:123 which means that while the private sector banks opened 123 accounts under PMSBY scheme, the public sector banks opened 6257 accounts.
9. It was found that 98.10% of the accounts under PMJJBY scheme were opened by the public sector banks in Mizoram.
10. 97.9% of the accounts of APY were opened by the public sector banks, and only 2.1% of total accounts were opened by the private sector banks.
11. It was found that public sector banks are the only banks that offer PMMY scheme in the state and private sector banks do not entertain such financial inclusion schemes.
12. It was found that 91.07% of the total accounts opened under the PMJDY scheme were opened by the public sector banks and 8.93% were the shares of the private sector banks.
13. 94.62% of the accounts under the PMEGP scheme were opened by the public sector banks in the past five years.
14. It was also found that 97.37% of the finance under the PMEGP scheme was provided by the public sector banks.
15. It was also found that private sector banks mostly focus on such products which would prove to be beneficial to them.



16. It was found that private sector banks were not much involved and did not focus on providing basic banking services to customers on the other hand, they provide privileged services to the richer customers.
17. It was found that public sector banks in Mizoram have done more activities than the private sector banks.
18. It was found that the public sector banks in Mizoram come forward in sponsoring various activities for schools and other institutions for sports, quiz and cultural activities.
19. It was found that public sector banks have supported schools for maintaining the facilities at schools like computers, safe drinking water by providing water purifier, filters etc.
20. It was found in the study that contribution of private sector banks in promoting education in the state was negligible.
21. It was found during the study period that total 1145 educational loans were sanctioned, out of which 99.8% of the loan were issued by the public sector banks and the remaining 0.2% only were sanctioned by the private sector banks.
22. It was found that amount of ₹39.36crore were sanctioned for educational loan during the past five years by the public sector banks under study.
23. 99.89% of the educational loan was issued by the public sector banks in Mizoram and the remaining 0.11% was sanctioned by the private sector banks.
24. It was found that public sector banks are more involved and promote philanthropic activities in the state when compared to the private sector banks.
25. Public sector banks in Mizoram have come forward to contributing various developmental activities like branding of football stadium.
26. It was found that public sector banks in Mizoram carry out philanthropic activities such as donation of ambulance, medical vans, mortuary vans in the state whereas the private sector banks were not found performing such activities.
27. It was found that public sector banks are more involved in countering the societal problems by supporting orphans, old age homes, rehabilitation centres across the state.

28. It has been found that public sector banks proactively come forward to support activities in the state in form of sponsoring events such as sports meet, cultural events and so on.
29. It was also found during the research period that private sector banks have not contributed any amount towards the development of the state when compared to the public sector banks.

### **5.3. Suggestions**

Based on the research findings, there are certain suggestions that are provided in order to have a proper CSR implementation across the state and for the betterment of the society at large. The suggestions are provided for the banks, government and public authorities for better regulation and implementation. The suggestions are given below:

#### **Suggestion for Banks**

##### **Public Sector Banks**

1. The banks should set up RSETI in the state to impart vocational training in the state, which would give opportunities to the youths of the state to earn living.
2. The public sector banks must prioritize certain areas and spend their CSR funds for the development.
3. Public sector banks should increase their CSR expenditure. In the state the turnover of banks in Mizoram is approximately ₹9261crore, and if their profit is calculated at 4%, it is approximately ₹370crore and, 2% of the profit is around ₹7crore.

##### **Private Sector Banks**

1. Keeping under consideration the overall business of the banks, private sector banks which are not involved in any kind of CSR must initiate CSR activities.
2. The banks that initiated CSR activities but are negligible when compared to public sector banks must undertake more CSR activities in the state.
3. The top level managers of private sector banks should encourage offering of financial inclusion schemes to every section of the society.
4. The private sector banks must proactively work in order to support the farmers of the state in form of loan, KCC and other financial support that is required.

5. There should be norms in the banks that some specific percentage of loans should be sanctioned for the agricultural development based on total loans sanctioned from banks.
6. The private sector banks must indulge more in supporting the education system and facilities in the state in the form of sponsorship of educational events, creating infrastructure facilities in school and colleges etc.
7. The private sector banks must support in every possible ways, institutions such as orphanages, old age homes, rehabilitation centres and such others.
8. The private sector banks must also pay attention towards the educational infrastructure support like school buses, vans in the state and should offer more help to aspiring students who wish to study further and needs financing from the banks in form of educational loans.

#### **Suggestion for Government and Public Authorities**

1. The government must make sure that the banks spend 2% of their profit in the state.
2. Though huge amount of profit is generated by all banks operating in Mizoram. Mizoram government should take proactive steps and make the banks spend some of their CSR allocations in the state itself.
3. The Mizoram government should prioritize certain areas in the state such as building orphanages, rehabilitation centres, educational development etc. and should invite the banks operating in the state to invest in those priority sectors through their CSR activities
4. The government of Mizoram should implement concept of consortium of banks, where every bank would contribute their shares of 2% of their profit for the CSR activity in the state.

#### **5.4. Conclusion**

Banking sector is the one of the most organised businesses and progressive industry in the state. The main purpose of banks is to offer basic banking facilities like deposit and withdrawal of money, advancement of loan or credit, at the same time banks offer other facilities, such as online transfer of funds, locker facilities. Apart from these, being a social organization the banks take a step further and willingly come forward to support the development of the society. Same is in the case of Mizoram state also,

where banks proactively help in the development of the state. The banking business model is a socially responsible model whereby the banks benefit the people associated with the banks by offering interest on amount that is deposited in the account of the account holder likewise in many more such ways customers are benefitted. The CSR activities of the public sector banks had been remarkable in the state. The public sector banks on a large scale contribute in support of the farmers of the state via several means, ranging from Kisan Credit Cards to crop loan and agricultural loan. The public sector banks in an attempt to provide basic banking facilities and cover maximum people of the state offer and promote Financial Inclusion schemes launched by the government of India. The contribution of the public sector banks in the field of education had been worth mentioning, the banks have organised and have sponsored several educational institutes and events in the state. The banks have also provided computers, safe drinking water in schools as part of support to education in the state. The public sector banks in the state have also done a lot of philanthropic activities and have benefitted several hospitals and NGOs. The private sector banks on the contrary have undertaken lesser CSR activities in the state when compared to the public sector banks and in some areas the contribution is nil. Though there had been contribution from the private sector banks towards agricultural advancement in the state, it had not been much. Private sector banks are negligent about the issuing of KCC and offering loan in agriculture loans to the farmers. Same is the case in financial inclusion, private sector banks offer many of their schemes only to some specific sections of people and have covered very few customers across the state. Contributions of private sector banks towards education had been very negligible and very few philanthropic activities had been carried out in the state. Therefore it will not be wrong to say that private sector banks are lacking way behind the public sector banks when compared in performance and implementation of CSR activities. The public sector banks implement CSR activities in a better way which is in all means is beneficial for the state.

Finally it can be concluded that for the benefit of the banking business and for the society, both public sector and private sector banks have to undertake more CSR activities, which will give boost to the public confidence for making banking sector as a top business sector in Mizoram.

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## CSR in Banks: A comparative study of SBI and ICICI

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### Abstract:

*The concept of donations, helping others has existed since the inception of mankind on earth. There had been instances across every part of the world that the richer have come forward to help the underprivileged, to provide basic requirements, to help in developmental activities, building of hospitals, schools and may such activities. There was no such concept as Social Responsibility, during those days the developmental activities were usually carried out only by the government and the richer section of the society. In the banking sector, several international initiatives are there which are present to ensure adoption of CSR practices in normal business operations and to which India is no exception, several norms, rules and guidelines were passed thereafter. The present study is intended to highlight the various guiding principles for banks in India with special reference to CSR and at the same time the areas focused by banks for implementation of CSR activities. The study is confined to one public sector bank, SBI and one private sector bank, ICICI and comparison of CSR activities of these two banks.*

**Key words:** Corporate Social responsibility (CSR), State Bank of India (SBI), ICICI, Reserve Bank of India (RBI), Rural Self Employment Institutions (RSETIs), Financial Inclusion (FI), Financial Inclusion Plan (FIP), Self Help Group (SHG).

## **INTRODUCTION**

The concept of CSR has gained a lot of momentum in recent years, but it is not a new concept (Carroll, 2008), the practices of social responsibilities had been carried out in several part of the world since long. The concept of donations, helping others has existed from the inception of mankind on earth. In every part of the world, there had been instances where people have been willingly donating their wealth towards the development of society, to those in needs and to those who are deprived of the basic facilities in their day to day life. There had been instances throughout the globe, in almost every part that the richer have come forward to help others, to provide basic requirements, to help in upliftment of society, building of hospitals, schools and may such activities.

But this way of helping others, in those past days was nothing but philanthropy of an individual, the owner of big business enterprise etc.. There was no such concept as Social Responsibility, during those days the developmental activities were usually carried out only by the government and usually people did not expect any big help from the rich people. But as time passed, the number of private business increased, the government's role started becoming lesser, people started looking towards the private run organizations, corporate houses for developmental activities and thus gave rise to the concept of "corporate social responsibility" or "Social Responsibility" which is mainly a product of late 1950s (Bowen, 1953), prior to which this act of helping the under privileged by richer was considered as philanthropy.

Apart from this, there were so many instances or let us say many unavoidable circumstances under which the big business houses were bound to do something good in return, to the society for their wrong doing, because of which several families suffered, several lives were lost, some mention worthy incidents range from BCCI to Enron to Union Carbide to the

collapse of Arthur Andersen (Crowther & Rayman Bacchus, 2004).

There were some school of thoughts who gave their valuable time towards the development of the concept of CSR for a much better understanding, Scholar like Bowen who according to Carroll should be given the title of father of CSR, as the concept of CSR arose only after Bowen in 1953 published a book "*Social Responsibilities of the Businessman*" were the pioneer in the development of the concept and provided the basic building blocks for others to think on. Renowned names like Davis, Friedman, Abrams are just a few to mention who led the lighting torch and guided towards the concept of what we know as "Corporate Social Responsibility".

Corporate social responsibility has become a very burning topic in today's date, not only private sector companies and organizations, but even the public sector companies are contributing towards CSR and are bound by laws, rules and regulations of several governing bodies in the country they are operating. Unlike our predecessors, the present generation is much more aware, educated and informed and hence their expectations from corporate houses have also increased (Agarwal, 2008). Conditions are such that when a company starts business in any locations, they are bound to consider several factors apart from their own business profitability. Shareholders are not the only one that need to be satisfied, the other stakeholders too needs to be taken care of, the company needs to make sure that they stay in the business for a longer period of time and in order to do that, they need to take care of the basic needs and the requirements of the locals for the development of society, employment generation and so on.

When we talk about the banking sector, several international initiatives are there which are present to ensure adoption of CSR practices in normal business operations. Some of the international initiatives are like United Nation Environment Programme Finance Initiative, Global Reporting

Initiative, Equator Principles and Collavechhio Declaration, ISO 26000 on Financial Institutions (Vogel, 2005). In India too, there are several initiatives, guidelines and governing bodies which make sure that all the banks follow the guidelines and abide by the law and work accordingly. National Voluntary Guidelines on Social, Environmental & Economical Responsibility of Business, which was passed by Ministry of Corporate Affairs in 2009, is very important guidelines for companies operating in India which would include the banking sectors too. Reserve Bank of India (RBI), the governing body of banking sector in India in its notification dated 20<sup>th</sup> December 2007 suggested and advised banks to undertake CSR initiatives for sustainable development and it also emphasised on non-financial reporting whereby banks would report those activities related to environment, social and economic development.

The study is limited to one public sector bank i.e. State Bank of India and one private sector bank namely ICICI bank and comparison of CSR activities of these two banks. The study here is conducted for bringing out the CSR activities of banks in the country over the past five years in various areas by these two banks.

## **LITERATURE REVIEW**

Yeung (2011), in her study on CSR states that business ethics, establishing mindset of risk management, protection of customers rights and having social responsible mindset of staff members is very important in order to become a social responsible banking organization.

Choudhary *et. al* (2011), connotes that CSR in India is not so popular due to lack of co ordination between govt, corporate and non govt. Organization. In Indian banking sector mostly banks are working on education, rural development, and helping the physically challenged.

Gauba (2012), in her study mentioned that despite that fact that Indian Banks grow at a high rate, there is still a very large unexplored market and India has highest number of households excluded from banking facilities because of reasons such as slow industrial growth, increased stress on some sector etc.

Kaur (2012), connotes that CSR activities cannot be effective if the employees implementing the activities understand it. CSR has no boundaries and are not in any manner constrained by factors like colour, religion, race etc. She also argues that CSR is a tool which can be used to retain customers and increase in market shares.

Singh *et. al* (2013), in a study on CSR practices find that Indian banking sector are performing efficiently both in their banking performance and in social banking. But most of the banks do not disclose amount spent on CSR activities despite the RBI guidelines hence more regulations and policies are required for proper implementation of CSR in Indian Banking sector.

Dhungel *et. al* (2013) in a study found that CSR is not mandatory in Nepal but still banks in Nepal disclose information regarding education, welfare, art, heritage etc. which is completely voluntary. At the same time there is recommendation that there should be uniform standards for reporting of CSR activities.

Moharana (2013), in her study found that CSR activities of banks are not satisfactory. There has to be proper CSR policy in every bank and proper monitoring needs to be done in order to make sure that funds allocated to specific cause were utilized properly and in order to have a better CSR, government involvement and media role is important.

Sharma *et. al* (2013), in an attempt to study the CSR practices of banks in India finds that Indian banks are making efforts but are lacking behind and are not even meeting the RBI guidelines and also points that private sector banks are not performing well as compared to public sector banks.



Katara (2014) in his study depicts that attitude of people, business houses and society are the reason behind the changing trends of CSR. And with the changing attitude, CSR is not any more only about Philanthropy but way more than that and banks are following the triple bottom line principles in their CSR policy.

Dhingra *et. al* (2014) connotes that Indian banking sectors are integrating sustainability into their business model, but only few banks report their CSR activities. Most of the banks use CSR practices as marketing tool and there are only few banks which have CSR philosophy.

Rani *et. al* (2015), in their study finds that banks are actively working on CSR activities out of their ethical and moral values but at the same time there are some areas where banks need to focus more than what they are currently doing. Apart from focusing on rural development, women empowerment and poverty reduction activities, attention needs to be given to areas like customer and employee welfare.

Kaur *et. al* (2015), in their study find that public sector banks don't carry out CSR activities with regards to ethics and employee development. At the same time their study depicts that main concern for public and private sector banks is social welfare but their approach is different. They also point that a proper CSR model should be formulated for proper implementation of CSR activities.

## **OBJECTIVE**

1. To find out the major areas focused by the banks for CSR implementation.
2. To compare among public sector bank (SBI) and Public sector bank (ICICI) with reference to their CSR activities.

## **METHODOLOGY**

The present study covers largest banks in India, one each in public sector and private sector i.e. State Bank of India and ICICI Bank is based on secondary data collected from the company's annual reports, sustainability reports, magazines, websites etc.. Several reputed journals in the field of corporate responsibility were consulted for obtaining valuable information with regards to social initiatives taken by the banks.

The above mentioned study is confined to the topmost public sector bank, State Bank of India and topmost private sector bank, ICICI bank in India. The choice of the banks is based on the number of accounts holders, assets, deposits, profits and the CSR activities performed.

### **Banking sector in India**

Roots of commercial banking in India can be traced back to the eighteenth century with the establishment of Bank of Hindustan in 1770 at Calcutta but was liquidated in 1830-32. In the later years three presidency banks, namely the Bank of Calcutta which later came to be known as Bank of Bengal was established in 1806, Bank of Madras, established in 1843 and Bank of Bombay in 1868 formed the golden triangle were established under the British Raj. Later in 1921, all these three banks merged to form the Imperial Bank of India.

### **State Bank of India**

Bank of Calcutta (now Kolkata) which was founded in 1806, evolved into State Bank of India (SBI) in the year 1955 under the Act of Parliament. SBI represents a sterling legacy of over 200 years. It is the oldest commercial Bank in the Indian subcontinent, strengthening the nation's trillion-dollar economy and serving the aspirations of its vast population. The Bank is India's largest commercial Bank in terms of assets, deposits,

profits, branches, number of customers and employees, enjoying the continuing faith of millions of customers across the social spectrum.

SBI is one of the first banks in India that started performing CSR activities way ahead of any type of guidelines either from the RBI or the government. They have been using some part of their profit in the noble cause of development, advancement of society, employment generation etc. The CSR philosophy of SBI is as follows:

- The Bank is a corporate citizen, with resources at its command and benefits which it derives from operating in society in general. It, therefore, owes a solemn duty to the less fortunate and under-privileged members of the same society.
- Staff members are encouraged to make their contribution by understanding the aspirations of the public around them and by endeavouring to evolve measures to remove indisputable social and developmental lacunae. This will lead to their self-development and improvement of the Bank's image besides development of the Community.

Over the past years, SBI has been focusing on several aspects, areas for implementation of CSR activities which can be broadly classified under five categories namely

- Supporting healthcare
- Supporting education
- Livelihood creation
- Support during Natural calamities
- Financial Inclusion.

### **ICICI Bank**

ICICI is the largest private sector banks in Indian banking system which started its operation in the country in 1994 as ICICI Limited and it is the first private sector bank in India to

cross mortgage portfolio of `1 trillion. In early 2008, ICICI group founded ICICI Foundation in order to carry forward and build upon its legacy of promoting inclusive growth. ICICI Foundation works in partnership with government and NGOs for implementation of its initiatives.

ICICI foundation has been working towards their vision and mission since its inception towards betterment and development of society. The CSR activities implemented by ICICI foundation can be broadly classified under five major areas.

- Supporting Primary Healthcare
- Supporting Elementary Education
- Skill development & sustainable livelihoods
- Support during Natural Calamities
- Access to finance

**Major areas focused by the banks for CSR implementation**

SNo.	SBI	ICICI
1	Supporting Healthcare	Supporting primary Healthcare
2	Supporting Education	Supporting Elementary Education
3	Livelihood Creation	Skill Development & Sustainable livelihood
4	Support during Natural Calamities	Support during Natural Calamities
5	Financial Inclusion	Access to Finance

**Comparison among SBI and ICICI with reference to their CSR activities.**

**1. Education**

year	SBI	ICICI
2010-2011	Contributed `3.97Crore towards a project of The Municipal Corporation of Greater Mumbai in order to transform and upgrade the outcome of education	Supported organizations such as Eklavya, Digantar, Vikramshila so as to support government in various roles.
2011-2012	Donated 1,20,000 electric fans, 13,600 water purifiers in schools across the nation. Large number of School van, buses were donated, along with infrastructural support like	Educational reform in Rajasthan was carried out which benefited over 7 million children, 300,000 in service teachers, and 20,000 new teachers in 81,000 government schools. In Mumbai, it also

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	computers, furniture were provided to schools.	supports Muktangan, an NGO that address issues and challenges in school education system
2012-2013	Donated 1,40,000 electric fans, 43,161 water purifiers in various schools, 51 school buses and vans were also donated.	Educational reform in Rajasthan benefited 25,000 in-service teachers. In Assam with collaboration with Axom Sarba Shiksha Abhijan (SSA) implemented English Relay Program which aimed at introduction of English, training and development of teacher in English Learning and Teaching
2013-2014	14,000 schools were benefitted in form of 1,40,000 electric fans and 30,000 water purifiers. And School van, buses were donated, infrastructural support like computers, furniture were provided.	Educational reform in Rajasthan benefited over 1,31,000 teachers and it impacted 8.3 million students in the age group of 6-14 years.
2014-2015	Large number of computers was disbursed, infrastructural support like computers, furniture were provided.	Partnership with the Govt. of Rajasthan for school and Teacher Education Reforms entered the sixth year and millions of students were benefitted as a result of the initiative along with thousands of teachers.

## 2. Livelihood Creation

Year	SBI	ICICI
2010-2011	Various projects were taken in partnership with NGOs across the nation and training was given to youth via number of projects like biotechnology, dairy husbandry. 93 RSETIs operate at this moment which conducted 2798 training programs that benefitted 72,011 candidates.	Through the ICICI group owned RSETIs, training was given to rural youth in various fields such as mobile repairing, beautification, tailoring etc.
2011-2012	Through a fellowship program SBI youth for India, various projects such as Rural Employment Guarantee Scheme are run. 106 RSETIs operate during this time which provides free training for livelihood creation.	More than 3200 rural youths were trained at the two RSETIs. Training on different areas such as electrician, mobile repairing, masonry, dairy farming etc. Were provided.
2012-2013	There are total of 111 RSETIs, 5 opened within this year. These RSETIs provide free, and unique short term	At the two RSETIs, around 3200 youth were trained and near about 70% of them were placed in jobs or are self

	training programs for empowering rural youth.	employed. Taking a step further, special courses for physically challenged person are also conducted.
2013-2014	Apart from the basic training which is provided at the RSETIs, RSETIs with partnership of NGO in Karnataka, would impart skill development program for physically challenged person which was a big step.	Over 6400 youth and around 120 SHG were trained at RSETIs on various areas that would help them in earning livelihood. At the same time ICICI academy was set up which provided vocational training and during the year over 8500 youth were provided training with.
2014-2015	For the purpose of livelihood creation, huge amount of `24.24Crore was spend during this year which was spent on developing 6 more RSETIs in the country, for providing infrastructural. With total of 117 RSETIs in the country, SBI has the maximum number.	Around 2500 youth were trained at the ICICI academy which had 100% placement, and at the same time, near around 10,000 youth were trained at the RSETIs which included nearly 41% of women among the beneficiaries.

### 3. Healthcare

Year	SBI	ICICI
2010-2011	Several health care projects were taken during the year and huge some of money was spent on the same.	In partnership with Jharkhand government and an NGO, the foundation worked to support public health system by strengthening community process of National Rural Health Mission (NRHM)
2011-2012	`15.03Crore was spent during the year in order to support the healthcare facilities in the country which comprised of several medical vans and ambulances, including medical equipments.	676535 beneficiaries were enrolled in the Outpatient Healthcare which intended to improve health seeking behaviour among the BPL population, improve access to quality healthcare for the BPL population, and reduce out of pocket expenses for quality healthcare.
2012-2013	Donated 313 ambulances and medical vans throughout the nation in order to support healthcare facilities along with several medical instruments to medical institutions and	Over 180000 beneficiaries were enrolled under the Outpatient Healthcare program and Apna Clinic was setup which provided healthcare and counselling on issues of health, hygiene and road safety.

	research centres.	
2013-2014	Near about with expenditure of `28Crore, 210 medical vans, ambulances and several medical equipments were donated for supporting and helping the healthcare situation within the country.	Over 260000 families were covered under the Outpatient Healthcare program and over 32000 truckers were covered under the Apna Clinic program.
2014-2015	Total amount of `28.56 Crore was spent during the year for donating medical equipments, medical vans and ambulances. Major amount was spent on cancer detection and prevention.	Under the Outpatient Healthcare program around 37 million poor families were benefitted and under the Apna Clinic initiative, over 37,000 truckers were reached.

#### 4. Support during Natural Calamities

Each year, SBI had been giving huge contribution towards providing relief and rehabilitation to victims of Natural Calamities across different states. In order to help out the victims of UP, token amount of `2Crores was donated to Chief Minister's Relief Fund in the year 2010-2011. The following year, in an attempt to help and settle the life of people affected by natural calamities, total amount of `5.5Crores was disbursed to various states Chief Minister's Relief Fund. `2Crores each to Chief Minister's Relief Fund of Assam and Rajasthan was provided in 2013, in order to overcome the damaged caused by flood in the states. To support different states in the hard time of Natural calamities, the bank provided a support in monetary form, an amount of `2Crores each to three states Chief Minister's Relief Fund, so that life could be brought back to normal during the year 2014. During the FY2015, the Bank has lent its helping hand to the States of Jammu & Kashmir and Andhra Pradesh with a donation to the Chief Minister's Relief Fund of the respective States to provide succour to the people affected by flood/cyclone.

At the same time, ICICI foundation along with the ICICI group company, supported and donated towards Uttarakhand Chief Minister's Relief Fund to aid the relief work in the state huge amount of `15crores in 2013. In 2014, huge amount of

`12crores was donated towards Prime Minister’s Relief Fund for people affected by natural calamities in states of Jammu & Kashmir, Assam, Meghalaya, and Andhra Pradesh by the ICICI group companies in an attempt to provide all the possible support from their end.

## 5. Financial Inclusion

year	SBI	ICICI
2010-2011	65 FI centres were setup to support the Business Correspondent (BC). Rolled out unique products like SHG Credit Card, SHG Sahayog Niwas, SHG Gold Card. 2300 new BC outlet were set up to cater to urban/metro centres.	ICICI foundation in collaboration with other ICICI group companies conducted outreach program, in order to raise awareness about financial inclusion and its benefits
2011-2012	Opened 40lacs accounts in 12,931 villages under the Financial Inclusion Plan. 1.36Crores No Frills accounts were opened in 400 districts. 113 FI Centre to support 30000 BC service points were also opened.	In order to increase awareness about financial inclusion, the foundation uses different media such as van campaigns, street plays and audio visuals in local language
2012-2013	Setup 38480 BC customer Service Points. The bank covered 12931 FI villages and 7600 FIP villages. In order to cater to labourers, vendors etc. near about 5629 BC were opened. Around 14lacs customers have been enrolled during the year.	Several financial literacy programs were rolled out too in order to increase awareness about finance and organised banking channels.
2013-2014	Started 45487 new BC Customer Service Points and covered 31729 villages during the year. 11423 CS outlets were also started to cater the requirements of labourers, vendors. Also opened 1.50crores small accounts across the country.	During the year ICICI opened 317 branches in unbanked villages in order to provide financial services. At the same time the RSETIs also gave training and conducted financial awareness campaigns.
2014-2015	Total of 57575 Customer Service Points operate at present throughout the nation	The foundation in collaboration with the ICICI group companies worked



	that provides various products and services viz saving, term deposit, micro loans, remittances, loan repayments etc. PMJDY was yet another success with 3.3Crores accounts opened across the nation.	towards banking the unbanked and as a result opened 460 branches in the unbanked area of the country. And at the same time ICIC RSETIs reaches out to the unemployed youth and engages them in Financial Literacy program with various modules like flip-charts, games, self-analysis questionnaires.
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### **Guiding principles for banks with reference to CSR in India**

Financial institutions play vital role in day to day life, be it for even the richest person or even to a normal middle class family. But in present scenario, there is lot of expectation from the society towards any business operating in a location and banks are no exception to that. Even government understands the need and hence few guidelines had been passed which needs to followed by banks.

### **National voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business**

Reviewing various international practices, guidelines for sustainable development and economic development and learning from various national good practices and norms in the year 2009, the government of India understanding the importance of the triple bottom line concept, took a step and released voluntary guidelines on CSR. But in the later stage in following years, taking valuable suggestions from the stakeholders, the guidelines were revised and the new guidelines encompasses social, environmental and economical responsibilities of business. The new guidelines which was passed in 2011 after taking into consideration important and valuable suggestions from the stakeholders urged the businesses to be responsible and carryout such actions that

would lead to economic development and sustainable growth of the society. The basic guiding principles are:

**Principle 1:** Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

**Principle 2:** Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

**Principle 3:** Businesses should promote the wellbeing of all employees.

**Principle 4:** Businesses should respect the interest of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

**Principle 5:** Businesses should respect and promote human rights.

**Principle 6:** Businesses should respect, protect, and make efforts to restore the environment.

**Principle 7:** Businesses, when engaged in influencing public and regulatory policy, should do so in responsible manner.

**Principle 8:** Businesses should support inclusive growth and equitable development.

**Principle 9:** Businesses should engage with and provide value to their customers and consumers in responsible manner.

Mere adoption of these principles would not help any business, until unless these are actually implemented in reality. The chairman/CEO/owner plays an important role in adopting and ensuring the principles are implemented and the guidelines must be embedded in the business policies and strategies. Disclosure is yet another part in the adoption of the guidelines, this would help in better understanding of the impact of the businesses on the society and environment.

### **Reserve Bank of India guidelines to Banks on CSR**

Sustainable development, social, economical and environmental development is a much talked issue globally and India is no exception to that. The RBI, in December 2007 gave a circular to banks focusing on CSR for sustainable development and to follow Non-Financial Reporting that provides details of the banks' tangible assets such as the environmental, social and economic aspects. Taking into consideration various laws, regulations and guidelines for financial institutions globally, the regulatory authority of banks in India, understanding the need of the same in the country directed banks to undertake CSR initiatives for sustainable development.

### **CONCLUSION**

CSR has become significant phenomena in today's business, be it either for public sector or private sector business. But it is of great importance and to be under consideration while designing the CSR initiatives, as these initiatives need careful planning and at the same time implementation mechanism, the reason being that, a single CSR initiative, the way it is implemented for one organization may not necessarily be as beneficial and effective as for the other organizations too. The same is in the case of CSR initiative of State Bank of India and ICICI. The primary concern for both these institutions are same, the area they focus to implement their CSR activities are same, but the approach is different for both the banks.

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**Corporate Governance  
& Corporate Social  
Responsibility in India**  
*Issues and Perspectives*

Editor

**Rajkumar Giridhari Singh**



## **Corporate Social Responsibility practices of SBI: A study in Mizoram**

- Premendra Kumar Singh & Bidhu Kanti Das

### **Abstract:**

Corporate Social Responsibility refers to the obligations of corporate houses 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. CSR or SR started taking shape only after 1950s by publishing book entitled *social responsibilities of the Businessman (1953)*, prior to this it was “philanthropic” era where individuals donated for charities. In later years, many scholars worked on the topic and it got momentum in 1980s and 1990s. In new millennium super national organizations like UN (United Nation) felt its importance and came with “Global compact 2004” which is mainly for CSR, Human Rights & environmental protection

for corporate bodies. Later on lots of national government felt the urgency and came with some guidelines or law for CSR. India was not an exception, it came up with a guideline in the year 1999 for PSUs and later in 2013, made it compulsory for certain group of companies depending on their turnover, net profit or investment through Companies Act, 2013.

State Bank of India is a PSU (Public Sector Undertaking), which was undertaking CSR since 1973. SBI is spending prior to Companies Act, 2013, 1% of their net profit under two broad categories i.e. National donation and Normal donation. SBI being the largest network bank in Mizoram also, the research wants to study the social initiatives under CSR undertaken in Mizoram and its impact.

**Keywords:** Corporate Social responsibility (CSR), State Bank of India (SBI), Mizoram.

### **Introduction**

All organizations, companies running today have an impact on society, environment through their operations. There is no single universally accepted definition of CSR, the definitions that are present today underpins the expectation society has and the impact the business has on society and can be interchangeably used for Corporate Responsibility and sustainability, business ethics, Social Responsibility. The roots of CSR lie in philanthropic activities such as donations, charity, relief works etc, which were carried out in the early 1900s. Henry Ford of Ford Motor Company was one of the first to understand the need for doing things for society during 1917 and came up with aim "To do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it, and incidentally to make money". CSR is just not about charity or donation anymore, but is the process by which an organization develops its relationships with stakeholders and demonstrates its dedication towards the growth and development of the society.

India has the world's richest tradition of CSR, the concept dates back to Mauryan history where emphasis was given on ethical practices while conducting business. Even from religion view, Hindu, Islam, Sikh all had something similar and they donated or gave some portions of their earnings for the poor and the disadvantaged. CSR in India can be categorized under four phases, the first phase being the wealthy businessmen build religious institutions. The industrialist families like Tatas, Birlas, Godrej promoted the concept by setting up charitable foundations, educational, healthcare institutions. In the second phase, Mahatma Gandhi gave the concept of trusteeship which helped in socio economic growth on India. In the third phase CSR was influenced by the emergence of PSU to ensure proper distribution of wealth. In the fourth stage, Indian companies integrated CSR into sustainable business strategies.

The researcher has made an effort to find out the initiatives taken by SBI in Mizoram, for society at large without compromising their profit and efficiency. The social and environmental initiatives have been globally acknowledged. In reference to that, here, effort has been made to find out specific benefited people of Mizoram from SBI and its impact.

### **Objective**

The main objective of the paper is to study the CSR activities undertaken by SBI in Mizoram with reference to developmental activities. The study further assesses the impact of such activities on socio economic development of Mizoram.

### **Methodology**

The study is based on secondary data only, which were collected from the annual reports, Business responsibility reports of SBI, books, journals, and leaflets. Several websites were referred for gathering data which included their own website too.

### **Literature Review**

*Social Responsibilities of the Businessman* (1953) by Howard R. Bowen was the start of the CSR, and studies further started based on the book. This book gave a different meaning to CSR, as prior to this there were no such literature were available on the subject. William C. Frederick, one of the early pioneers of CSR, asserted that there were three core ideas in the 1950s: the idea of corporate managers as public trustees, the idea of balancing competing claims to corporate resources, and the acceptance of philanthropy as a manifestation of business support of good causes (Frederick, 2006).

It was in 1960s that mostly people took interest in the emergence of CSR. Milton Friedman's work on CSR (1970) which was captured in New York Times Magazine had the most sustainable impact. He claimed "that the social responsibility of business is to increase its profits (and nothing else)". He argues that business and corporations have in fact no responsibilities, in contrast to a corporate executive. As a business person and "an agent serving the interest of his principal" the executive has direct responsibility to the principal, namely "to conduct business in accordance with their desires, which generally will be to make as money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical customs.

1970s marked a serious attempt to define CSR and different authors and scholars came up with several definitions. Bowen defined SR as "Obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of objectives and values of our society". Davis defines the same as "Businessmen's decision and actions taken for reasons at least partially beyond firm's direct economic or technical interest". Later many scholars worked on the concept and came up with several new ideas and definitions of the topic. The European

Commission defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”. The World Business Council for Sustainable Development defines CSR as “the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”.

In the following years, more intense work was carried out in the field and several theories evolved. To point out some remarkable work Windsor (2006) coined three approaches to CSR: Ethical responsibility, Economic responsibility, corporate citizenship. Garriga and Mele (2004) distinguished four groups of CSR theories, namely Economic, Politics, Social integration and ethics.

Frederick (1998) divided the first fifty or so years of CSR into four phases: CSR-1 (1960s – 1970s) as “doing the right things”; CSR -2 (1980s), according to Frederick, is marked by more responsive corporate behavior toward social responsibilities, i.e., “corporate social responsiveness”; CSR -3 (1990s) is marked by compliance and Frederick imagines that CSR-4 (Since then) will bring more on cosmological and spiritual aspects. It remains to be seen whether or not CSR will indeed become more holistic in nature. As it stands, it is a stretched out construct – may be not a “tortured” one, but certainly hard to pinpoint. It took Archie Carroll (1999) e.g., almost thirty pages to revisit 50 years of CSR and provide an evolutionary perspective of a “definitional construct.”

“*Business and Society*” a book by George Steiner in 1971 emphasized on the responsibilities of business to help achieve the basic goals of society. As the companies become larger, their responsibilities also increase and they should not see

only the benefit of company, CSR goes beyond the concept of profit making.

S. Prakash Sethi (1975), discussed 'dimension of corporate social performance' and in the process he differentiated different concept of corporate behavior which might be termed as 'social obligation', 'social responsibility', 'social responsiveness'. According to Sethi, social obligation mainly concerned with market force or legal constraints, the criteria are economic and legal only. According to him "social responsibilities implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectation of performance". At last he regards social responsiveness as adaption of corporate behaviour to social needs.

In 1979, Archie B. Carroll proposed a four part definition of CSR which gave a new wave to the burning topic of CSR. He suggested that, managers or firms engaging in CSR, need to have 1) basic definition of CSR, 2) an understanding of the issue for which social responsibility existed, 3) a specification of the philosophy of responsiveness to the issues, 4) Importance of societal impacts.

Wartick and Cochran (1985) extended Carroll approach and suggested that corporate social involvement rests on the principles of social responsibility, the process of social responsiveness and the policy of issues management.

By "Strategic Corporate Responsibility" (Maak, 2008) connote the increasingly instrumental use of CSR as a strategic positioning device in the post-Enron environment. In order to succeed in an environment of contested values (Diermeier, 2006) CSR is "used" for reputational gains; CSR strategy in and of corporations is seen as a means to gain competitive advantage on "the market for virtue" (Vogel, 2006). Not surprisingly, the number of CSR reports has risen exponentially in recent years, demonstrating just how responsible corporations behave and that they should be trusted as good citizens around the world.

### **Analysis**

State Bank of India, the largest bank of the nation has always been involved in social welfare and has always given parts of their profit. Their care for the society has helped them develop rapidly in their business at same time they involve more in social developments. That has helped them attain a higher status in the society, they have bagged several awards not just on national level but even globally. SBI received Golden Peacock Award for Corporate Social Responsibility, Mumbai; Golden Peacock Award for Sustainability, London. Consecutively for three years in a row since 2013, SBI is conferred Asia's best CSR practice Award. Apart from these, several other awards has been received by SBI which includes World Branding Forum, London 'Brand of The Year Award'. Golden Globe Tigers Award for CSR best Practices & Innovations in CSR, Kuala Lumpur. BFSI Environmental Award, Singapore.

The main focus area of the Bank's CSR activities are supporting education, healthcare, assistance to poor and privileged, environmental protection, entrepreneurship development program, assistance during natural calamities, livelihood creation, supporting sanitation, assistance to poor and underprivileged. Every year 1% of the profit of the Bank is used up in the CSR activities which amount to around Rs.100Cr. During the FY 2014-2015, total of Rs.115.80Cr was spent on CSR activities. For education Rs.41.20Cr was spent across the country which included computers worth Rs.7.21Cr. For healthcare, Rs.28.56Cr was spent which included 79 ambulances and medical vans in rural and semi urban areas. For sanitation purpose, under the Swachh Bharat mission, the bank donated Rs.13.64 for construction of 435 toilets in 398 schools. The bank provided infrastructure support of Rs.21Cr to 24 Rural Self Employment Training Institutes (RSETIs). The bank also donated total of Rs.4Cr to CM relief fund of Andhra Pradesh and Jammu & Kashmir.



Mizoram a small state in the Northeastern part of India, having a small population has benefitted a lot from the CSR activities of SBI. During the FY 2012-2013 and FY 2013-2014 more emphasis is given on supporting education, at the same time numerous initiatives has been undertaken for supporting cultural activities, sports, and special care taken for differently able kids and NGOs. For educational purposes, the bank provided infrastructure support by way of computers and other educational accessories, and donation of buses for visually/physically challenged children. In order to support healthcare, medical equipments including refrigerator, mortuary van and ambulance were donated. Below table depicts the major work which has been carried out in the state by SBI in different sectors.

**Table 1.** Benefits of CSR activities Categorization.

CSR Activities	Education	Sports	Cultural activities	Support to NGO
Main Benefits	Over 800 schools benefitted with safe drinking water (water filter, water purifier). Financial support to toppers and Quiz competition winner School bus provided to differently able students.	Sponsorships of different sports activities including football, badminton and providing jersey for teams. Motivating via cash rewards to winners etc.	Different cultural activities including Bihu, Choir, Chapcharkut, cultural fest are sponsored and being promoted as part of cultural diversity.	Support in earning of livelihood via providing infrastructure including vehicle. Providing drinking water in calamities.

Source: Field Survey

### **Findings**

During time period of two years, total of 868 schools were benefitted in different ways, which includes installation of water filter, ceiling fan, water purifier, refrigerator, cash reward to outstanding students, school bus, sponsorship for seminars and so on were carried out during these two financial years. The bank has taken utmost care for promoting sports in the state, sponsorship of several sports events, providing Jersey for teams, providing monetary support to Mizoram Santosh Football team members as well as the officials. The bank tries to bring diversity in culture and promotes and supports such activities undertaken by cultural group, in the state SBI has spent about Rs. 2,00,000, for carrying out several cultural activities. Providing financial support for hospitals in forms of summo ambulance, Mortuary cum Ambulance bus has been some crucial initiative by the bank for the welfare of the society. Making donation of vehicle to organization where people can make use of it to make their livelihood is also taken care by the organization.

### **Conclusion**

Corporate Social Responsibility in today's date has become a very important and significant. People expectations are increasing and corporate houses responsibilities are simultaneously increasing, so as to abide by law and not letting people down. At the same time corporate organizations also understand that in present scenario it's not all about money making, people have become very concerned about welfare of society and they choose to go along organization who work for the betterment of society. SBI in this regards has served the public well, indulging them in different social welfare activities, supporting education, healthcare and so on. These in turn has given them a better image or say reputation in people perception that this organization works for the betterment of the society. In return the bank benefits by getting people being associated with such a caring organization.

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## CURRICULUM VITAE



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Place: Aizawl  
Dated: 05/12/2016

Premendra Kumar Singh

**ABSTRACT**

Of

**CORPORATE SOCIAL RESPONSIBILITY IN MIZORAM: A  
COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR  
BANKS**

Submitted by

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## ABSTRACT

### CORPORATE SOCIAL RESPONSIBILITY IN MIZORAM: A COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE SECTOR BANKS

#### Introduction

The concept Corporate Social Responsibility has a long and wide-ranging history (Carroll, 2008). The story of CSR had not been smooth, it was discredited, written off or simply overlooked in search of new ways of conceptualizing the business and society interface (Crane *et al.* 2008). It has gained a lot of fame and popularity as of now but it is mostly a product of the twentieth century, mostly from 1950s till date. Until 1950s, publications on the topic instead of being steady rise it were more of a peaks and troughs (De Bakker *et al.* 2005).

#### History of Corporate Social Responsibility

Formal writings on Social Responsibility (SR) are largely product of the twentieth century, especially the past 70 years or so. Though formal writings on the topic were available only from 1950s, there are literature and evidences present which reflect that CSR was carried out since 1600 AD onwards. Though the roots of the concept that we know today as corporate social responsibility have a long and wide ranging history, it is mostly a product of the twentieth century, especially from the early 1950s up to the present time.

#### Defining Corporate Social Responsibility

Bowen (1953) refers CSR as “the social responsibility of businessmen 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.”

#### Pyramid of Corporate Social Responsibility

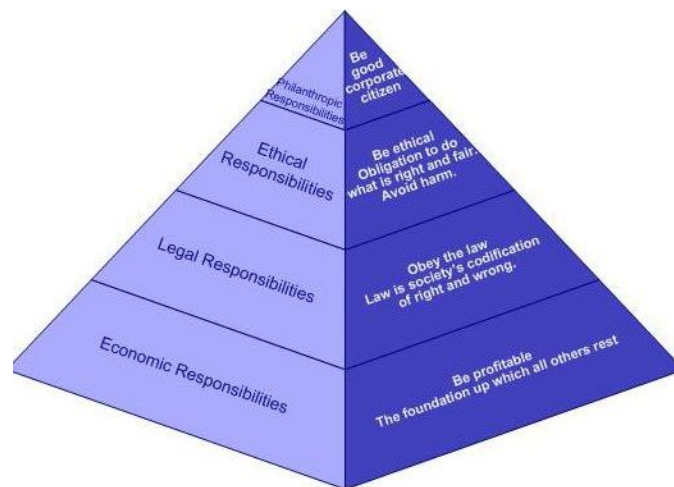


Fig. The Pyramid of CSR.

#### Corporate Social Responsibility in India

Among the pioneer was TISCO who in the year 1912 introduced eight hour working shift which was the first in this world, prior to which there was no time cap on the working hours.

TISCO also introduced free medical aid for its employees and local people in the year 1915. Concept of free schooling was first introduced in India by TISCO in the year 1917.

### **Significance of Study**

Banks operating in Mizoram, no doubts, are earning profit from the state. It is therefore of importance for the public to know the banks performance on socially responsible business and philanthropic activities in the state. The findings of the study would bring to knowledge the work and socially responsible business and the philanthropic activities of banks in Mizoram. The study also intended to help in assessing which banks are involved in conducting socially responsible business and implementing Philanthropic activities and which banks is only profit oriented and ignoring the legal norms of CSR of the country.

### **Scope of study**

The study is confined to CSR practices of six banks namely, SBI, UBI, PNB, AXIS, ICICI and HDFC in the Mizoram. To be more specific, the study is confined to the socially responsible business and CSR activities of these banks in different sectors like agriculture, Financial Inclusion, Education and Philanthropy during the period of 5 financial years i.e. 2011-2012 to 2015-2016.

### **Literature Review**

Several literatures were referred for carrying out the study. The write-ups on CSR in general and CSR in banks were referred between the years 1938 till 2016. Journals, books, magazines and other sources written during this period were taken in to consideration.

### **Objective of the study**

There are not many corporate business operating in the state, banking sector is one of the biggest corporate business that functions here and so with their existence in the state, it was very important to know and understand to what extent banks were helping in the development and advancement of the state and its people. So the study was conducted to answer the following objectives:

1. To study CSR activities of public and private sector banks in Mizoram.
2. To compare CSR performance of public and private sector banks operating in Mizoram.

### **Research Question**

Taking into consideration the objectives of the study, the following research questions were formulated.

1. Public sector banks are more involved in implementing socially responsible business and philanthropic activities in the state rather than the private sector banks.
2. The socially responsible business and philanthropic activities of private sector banks are mainly profit oriented or promotion oriented.

## **Methodology**

The study on “Corporate Social Responsibility in Mizoram: A comparative Analysis of Public and Private sector Banks”, was carried out within the state of Mizoram with following tools and techniques.

Universe: All the public and private sector banks operating in Mizoram formed the universe. There are total of 25 banks currently operating in the state.

Sampling Design: Out of the 25 banks operating in Mizoram, six banks were selected for the study, three each from the public sector and private sector banks. In the public sector banks, the researcher selected State Bank of India, Punjab National Bank and United Bank of India and in the private sector banks AXIS Bank, ICICI Bank and HDFC Bank were selected. The reason for selection of these banks was that, these banks are among the top most banks in each sector in the country in terms of number of employees, total assets, and turnover.

Data Collection: In order to carry out the research, primary as well as secondary data was collected. The primary data was collected by personal interview of the managers of the selected banks. The secondary data was collected from various published media such as annual reports, CSR reports, and magazines and also from unpublished sources.

Tool for analysis: This is a descriptive study based on qualitative and quantitative data. Analysis was made from available data by using basic statistical tools such as summation, percentage, ratio etc.

## **Banking sector in Mizoram**

Mizoram became the 23<sup>rd</sup> state of India in February 1987, before which it was just a district of Assam till 1972 and later became Union Territory. But getting the statehood was not easy task. Mizo National Front (MNF), the then political organization of the state was formed on 22<sup>nd</sup> October 1961 with a goal of achieving autonomy and being state. The way chosen by the MNF was of violence and hence it was outlawed in 1967, but then their demands were still the same and as a result of the disturbance, the government of India, agreed upon making Mizoram an Union territory in 1971 July and officially on 21<sup>st</sup> January 1972, the Union Territory of Mizoram came into being. Post that, in February 1987, Mizoram was given statehood as the 23<sup>rd</sup> state of India.

## **Banking in Mizoram**

The first ever bank that started its operation in Mizoram was State Bank of India, which started functioning in 1972. The second bank that started its operation was Mizoram Cooperative Apex Bank (MCAB) which started operating in 1982 which was later followed by the Mizoram Rural Bank (MRB) in the year 1983. And with the development of banks, the state government jointly with the Industrial Development Bank of India (IDBI) in 1983 setup the Zoram Industrial Development Corporation (ZIDCO) in order to boost the growth of industries in the state.

## **History of Indian banking sector**

In India, according to Central Banking Enquiry Committee (1931), the banking system can be traced back to the Vedic Period i.e 2000 to 1400 BC. During the 500BC, professional Banking system existed in India. “Kautilya Arthashastra” which dates back to the 400BC, also contained references to lenders and creditors. Since long, informal banking system existed in India, even during the Mauryan Dynasty and the Buddhist Period, evidences are present that shows the existence of informal banking systems. And like the European countries, even in India, the temples in those days also operated as place for storing gold coins thereby lending it and earning interest on the same.

## **International Guidelines on CSR to Financial Sector**

- i. United Nation – Principle for Responsible Investment (UN-PRI)
- ii. United Nations Environmental Programme Finance Initiative (UNEP FI)
- iii. The Equator Principles (EPs)
- iv. The Collevocchio Declaration

## **National Guidelines on CSR to Financial Sector**

- i. National voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business
- ii. Reserve Bank of India guidelines to Banks on CSR

## **4. CSR Activities in Mizoram: An Analysis**

In this chapter the researcher analyses the data for CSR activities in the state. There are three main division of the analysis. These are (i) CSR for Agricultural Development, (ii) CSR for Financial Inclusion, (iii) CSR for Education and Flagship program, (iv) CSR for Philanthropy. The research questions formulated for the study are answered in this and are followed by the research findings.

## **Major Findings of the Study**

Major findings of the study can be broadly categorised in four sections which is described as below.

1. It is found that, public sector banks in Mizoram are great supporter of the farmers for fulfilment of their agricultural requirements.
2. It was found that the private sector banks have shown to be very negligent whilst comparing with the public sector banks in regards to support in agriculture and allied sector of the state.
3. In the past five years total of 11638 agricultural loans was sanctioned by the banks in the state and out of which 95.3% was sanctioned by public sector banks and only 4.7% of the loan was sanctioned by the private sector banks.
4. It was found that total of 14370 KCC were sanctioned during the past five years and out of which 99.91% of the cards were issued by the public sector banks.

5. It was found that total amount of ₹100.72crore was disbursed through the KCC and 97.96% of the amount was disbursed by the public sector banks and 2.04% only was disbursed by the private sector banks under study.
6. It was found that the public sector banks in Mizoram implement all the schemes which were launched by the government of India.
7. The public sectors banks in Mizoram are more concerned about bring more number of people under the umbrella of banking services than the private sector banks.
8. It was found that the ratio at which the public and private sector banks are executing the PMSBY scheme was 6257:123 which means that while the private sector banks opened 123 accounts under PMSBY scheme, the public sector banks opened 6257 accounts.
9. It was found that 98.10% of the accounts under PMJJBY scheme were opened by the public sector banks in Mizoram.
10. 97.9% of the accounts of APY were opened by the public sector banks, and only 2.1% of total accounts were opened by the private sector banks.
11. It was found that public sector banks are the only banks that offer PMMY scheme in the state and private sector banks do not entertain such financial inclusion schemes.
12. It was found that 91.07% of the total accounts opened under the PMJDY scheme were opened by the public sector banks and 8.93% were the shares of the private sector banks.
13. 94.62% of the accounts under the PMEGP scheme were opened by the public sector banks in the past five years.
14. It was also found that 97.37% of the finance under the PMEGP scheme was provided by the public sector banks.
15. It was also found that private sector banks mostly focus on such products which would prove to be beneficial to them.
16. It was found that private sector banks were not much involved and did not focus on providing basic banking services to customers on the other hand, they provide privileged services to the richer customers.
17. It was found that public sector banks in Mizoram have done more activities than the private sector banks.
18. It was found that the public sector banks in Mizoram come forward in sponsoring various activities for schools and other institutions for sports, quiz and cultural activities.
19. It was found that public sector banks have supported schools for maintaining the facilities at schools like computers, safe drinking water by providing water purifier, filters etc.
20. It was found in the study that contribution of private sector banks in promoting education in the state was negligible.
21. It was found during the study period that total 1145 educational loans were sanctioned, out of which 99.8% of the loan were issued by the public sector banks and the remaining 0.2% only were sanctioned by the private sector banks.
22. It was found that amount of ₹39.36crore were sanctioned for educational loan during the past five years by the public sector banks under study.

23. 99.89% of the educational loan was issued by the public sector banks in Mizoram and the remaining 0.11% was sanctioned by the private sector banks.
24. It was found that public sector banks are more involved and promote philanthropic activities in the state when compared to the private sector banks.
25. Public sector banks in Mizoram have come forward to contributing various developmental activities like branding of football stadium.
26. It was found that public sector banks in Mizoram carry out philanthropic activities such as donation of ambulance, medical vans, mortuary vans in the state whereas the private sector banks were not found performing such activities.
27. It was found that public sector banks are more involved in countering the societal problems by supporting orphans, old age homes, rehabilitation centres across the state.
28. It has been found that public sector banks proactively come forward to support activities in the state in form of sponsoring events such as sports meet, cultural events and so on.
29. It was also found during the research period that private sector banks have not contributed any amount towards the development of the state when compared to the public sector banks.

### **Conclusion & Suggestions**

Based on the research findings, there are certain suggestions that are provided in order to have a proper CSR implementation across the state. The suggestions are provided for the banks as well as for government as below.

#### **Suggestion for Banks**

##### **Public Sector Banks**

1. The banks should set up RSETI in the state to impart vocational training in the state, which would give opportunities to the youths of the state to earn living.
2. The public sector banks must prioritize certain areas and spend their CSR funds for the development.
3. Public sector banks should increase their CSR expenditure. In the state the turnover of banks in Mizoram is approximately ₹9261crore, and if their profit is calculated at 4%, it is approximately ₹370crore and, 2% of the profit is around ₹7crore.

##### **Private Sector Banks**

1. Keeping under consideration the overall business of the banks, private sector banks which are not involved in any kind of CSR must initiate CSR activities.
2. The banks that initiated CSR activities but are negligible when compared to public sector banks must undertake more CSR activities in the state.
3. The top level managers of private sector banks should encourage offering of financial inclusion schemes to every section of the society.
4. The private sector banks must proactively work in order to support the farmers of the state in form of loan, KCC and other financial support that is required.

5. There should be norms in the banks that some specific percentage of loans should be sanctioned for the agricultural development based on total loans sanctioned from banks.
6. The private sector banks must indulge more in supporting the education system and facilities in the state in the form of sponsorship of educational events, creating infrastructure facilities in school and colleges etc.
7. The private sector banks must support in every possible ways, institutions such as orphanages, old age homes, rehabilitation centres and such others.
8. The private sector banks must also pay attention towards the educational infrastructure support like school buses, vans in the state and should offer more help to aspiring students who wish to study further and needs financing from the banks in form of educational loans.

### **Suggestion for Government and Public Authorities**

1. The government must make sure that the banks spend 2% of their profit in the state.
2. Though huge amount of profit is generated by all banks operating in Mizoram. Mizoram government should take proactive steps and make the banks spend some of their CSR allocations in the state itself.
3. The Mizoram government should prioritize certain areas in the state such as building orphanages, rehabilitation centres, educational development etc. and should invite the banks operating in the state to invest in those priority sectors through their CSR activities
4. The government of Mizoram should implement concept of consortium of banks, where every bank would contribute their shares of 2% of their profit for the CSR activity in the state.

### **Conclusion**

The CSR activities of the public sector banks had been remarkable in the state. The public sector banks on a large scale contribute in support of the farmers of the state via several means, ranging from Kisan Credit Cards to crop loan and agricultural loan. The public sector banks in an attempt to provide basic banking facilities and cover maximum people of the state offer and promote Financial Inclusion schemes launched by the government of India. The contribution of the public sector banks in the field of education had been worth mentioning, the banks have organised and have sponsored several educational functions in the state. The banks have also provided computers, safe drinking water in schools as part of support to education in the state. The public sector banks in the state have also done a lot of philanthropic activities and have benefitted several hospitals and NGOs. The private sector banks on the contrary have done lesser CSR activities in the state when compared to the public sector banks. Though there had been contribution from the private sector banks towards agricultural advancement in the state, it had not been much. Private sector banks are negligent about the issuing of KCC and offering loan in agriculture loans to the farmers. Same is the case in financial inclusion, private sector banks offer many of their schemes only to some specific sections of people and have covered very few customers across the state. Contributions of private sector banks towards education had been very negligible and very few philanthropic activities had been carried out in the state. Therefore it will not be wrong to

say that private sector banks are lacking way behind the public sector banks when compared in performance and implementation of CSR activities. The public sector banks implement CSR activities in a better way which is in all means is beneficial for the state.

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