
Transparency in Corporate Social Responsibility and Business Immensity: A Study on India's Public and Private Sector Banks

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Abstract

Corporate transparency has been recognised, theoretically and practically, as an inevitable ingredient of growth and sustainability of the businesses. This study is carried out to measure the effect of Corporate Social Responsibility (CSR) transparency of India's banks on their business immensity. A new CSR transparency index named 'BACTREX' is developed by the author for measuring the transparency of banks and banking system in spending for CSR. The index of transparency on information delivery related to CSR spending and activities is developed combining three variables viz: activity-wise data index, index on total amount and elaboration index with different weightages. The banks are segregated into various categories on the basis of index point range from zero to one. The study found that India's private sector banks are well ahead of dominant public sector banks in CSR transparency. The study also found that even though business immensity of the Indian banking system is not affected by its CSR transparency as per Correlation Coefficient, small and large banks are comparatively compatible with the Stakeholder Theory.

Keywords: CSR transparency, CSR transparency index, business immensity, Indian banking system, public and private sector banks.

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1. Introduction

Indian economy, similar to many other economies in the world, experienced drastic changes in 1990s as measures are taken to globalise most sectors. Corporate sector has been one of the most blessed sectors of globalisation since efforts are made to privatise and liberalise the businesses. Indian banking sector, which includes public and private sector banks, also changed its destiny with radical structural changes. Many public sector enterprises including public sector banks are allowed to raise capital from the stock market. Competition has been surged in many sectors. New players and new products are entered the economy.

Consequently, businesses started treating consumer as king. Transparency should be ensured in corporate sector for the wellbeing of themselves in that sense. Corporate transparency is also required for the economy as a whole as the consumers and investors may sit on the fence if transparency is away from businesses.

Banks' accountability to the stakeholders

Banks should be accountable to their stakeholders including customers, shareholders, debenture holders, employees, regulatory authority and government. Stakeholders contribute immensely to the banks in different ways. While government enacts laws on banking and recapitalises public sector banks, shareholders help generate equity capital, debenture investors offer fixed capital, customers really run the business with deposits and borrowing, employees work for the company's wellness and regulatory authority provide financial accommodation in emergencies besides monitoring.

CSR requirements of Indian companies

Corporate social responsibility (CSR) simply refers to the ethical responsibility of the profit making businesses towards the society in a period of time. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation (Joshi, 2007). Some companies use the terms "corporate citizenship", some "the ethical

corporation”, while others use “good corporate governance” or “corporate responsibility”. CSR spending by Indian businesses, by and large, helped mobilise money for variety of social activities like housing, sanitation, scholarship, literacy mission, fund to the public educational institutions, environmental protection etc. According to Ministry of Company Affairs (MCA), 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 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. Director board should, as per law, spend at least 2 % of the average net profit of the last three financial years.

CSR requirements of banks in India

Commercial banks, which are considered as companies, are also required to fulfil the CSR directions of the Ministry of Company Affairs, Government of India. CSR spending is not mandatory for Indian companies including banks until 2013 amendment Act. The Act specifies that CSR spending of at least 2% of the average net profit before tax in the last three years is mandatory for all companies including both public and private sector banks (Ministry of Company Affairs ((MCA), 2014).

Structure of Indian banking system

Indian banking business is recently getting more diversified with new generation banking and new model banking². While new generation banks focus on improving delivery of each banking business with innovative system, new model banks are set up with entirely different banking business. The entire banking business in India is regulated and promoted by Reserve Bank of India (RBI), an autonomous body under Ministry of Finance, Government of India. RBI regulates three types of banking business in the country viz: commercial banks, regional rural banks (RRBs) and co-operative banks.

* **Commercial banks:** Commercial banks, especially scheduled banks

² Banking business: Basic commercial banking activities of receiving deposits and advancing loans.

which are listed in the second schedule of RBI Act of 1934, constitute significant portion of Indian banking business. What makes them different from RRBs and co-operative banks are their greater geographical coverage or national presence, immensity of the business and substantial contribution to trade and industry. India's commercial banking system has been permeated as public sector banks, private sector banks and foreign banks. Public sector banks, with giant market share of 76.60 % of gross deposits in the commercial banking system as on 31st March 2015, are driving the Indian economy with greater resource for lending. 19 % of the total deposits of Indian commercial banking system is appropriated by private sector banks. It is mere 4.38 percent as on 31st March 2015 in case of foreign banks (India Brand Equity Foundation (IBEF), 2017). The present study is based on the transparency of India's public and private sector banks in CSR spending.

* **Regional rural banks:** Regional Rural Banks are set up in India in 1976 as per RRB Act to mobilise capital and infuse credit to the agriculture and other rural economic sectors on regional basis. RRBs are introduced to spread banking services in rural and semi-urban areas as commercial banks are unable to fulfil the entire credit requirements. India has 56 RRBs at the end-March 2016 located in different states of India (Reserve Bank of India (RBI), 2016).

* **Co-operative Banks:** Co-operative banks have become an integral part of the rural agricultural credit market. They operate either as urban co-operative banks or rural co-operative banks. Rural co-operative banks are further classified into state co-operative bank, central co-operative bank and primary agricultural credit societies.

2. Review of literature

2.1. Role of transparency in business

Transparency is not an option but a condition for the proper functioning of any organisation especially business organisations. Transparency is of paramount importance in the conduct of business by corporates (Ahuja, 2012). Transparency, from businesses' point of view, should be ensured for the growth to build and sustain trust of all stakeholders such as shareholders, debenture holders, management, employees, investment funds and

customers. It is inevitable for the corporates as business would be implanted only because of this requirement. Availability of information is alleged to be a key determinant of the efficiency of resource-allocation decisions and growth in an economy (Bushman, Piotroski & Smith, 2004). Bushman et al. (2004) classify the component of corporate transparency into three viz: corporate reporting, private information & communication and information dissemination. Accountability doesn't include all levels of performance, the organisation should achieve such as social, environmental and economic indicators (Balachandran & Chandrasekaran, 2011). At the same time, he adds that it includes transparency with stakeholders of the organisation's responsiveness and compliance.

Dubbink, Grafland and Ledenkerke (2008) in their article argue that present day transparency among businesses is pretty insufficient. They employed three elements to defend transparency policies of the businesses viz: allocative efficiency, dynamic efficiency and morality. They summarise that information disclosed on CSR by a corporate should be relevant for the user, compatible with user decision-making processes, easily accessible at less cost. As far as disclosers are concerned the information must have impact on the decisions of users and change their conduct in such a way that it affects core goals of the discloser. The discloser should be able to perceive this impact on the user and collecting this information should not be too costly.

2.2. Theoretical framework

On business and transparency: This research is designed in accordance with 'The Stakeholder Theory' which is originally developed by R. Edward Freeman in 1983. It is developed as a theory of organisational management and business ethics. It specifies the role of the businesses towards the stakeholders such as customers, shareholders, debenture holders, employees, suppliers, government and even local community (Freeman, Harrison, Wicks, Parmar, & Colle, 2010). Freeman (1983) states that the activities of business organisation will affect the stakeholders and vice versa. The theory states that the firms which keep effective stakeholder relationship will survive in the industry and perform well. He argues that since stakeholders are defined widely and their concerns are integrated into the business processes, there is simply no need for a separate CSR approach. However,

this study measures the transparency of Indian banks on CSR segment and attempt is made to find whether transparency is affected by business immensity.

According to Fontaine, Haarman and Schmid (2006) “The Stakeholder Theory” is a quite new theory in the way it introduces the concept of stakeholders in the strategic management of a multinational company. They argued that the purpose of Multi-National Companies (MNCs) is not anymore only to make profit for shareholders but also to defend an image and values respecting all stakeholders. The study quotes the finding of Shell and Nike from “The Stakeholder Theory” published by Fontaine, Haarman and Schmid (2006). It is found that irresponsible management of a company will first affect the first stakeholder, its owner, shareholders.

On transparency index³: It is clear from the words of Fabozzi, Modigliani, Jones and Ferri (2013) that how a stock market index as an average becomes a part of everyday life. This could be applied to other indices also as the transparency index devised in this research is equipped to wane the high quantum of figures to a single number.

The banking transparency index devised in this research is comparable to price indices and stock market indices. The three components in the transparency index are representative and relevant to picking up the transparency of CSR transactions of the banks.

All goods and services in the ‘market basket’ listed as per Consumer Price Index and stocks enlisted in various stock market indices are representative and relevant⁴. Just as market capitalisation weighted index of Bombay Stock Exchange ‘S&P BSE SENSEX’ is being constructed, the banking transparency index is constructed in this research. The three components in the index are given weightage on the basis of their respective relevance. Sensex is not only scientifically designed but also based on globally accepted construction and review methodology. Sensex is a basket

³ Average number reflecting the intensity of relevant information disclosures by an agency on its activities or transactions.

⁴Consumer price index: An index that measures the average prices of consumer goods and services (Tucker, 2017).

of 30 constituent stocks representing a sample of large, liquid and representative companies (Bombay Stock Exchange (BSE), 2017). The weightage assigned to each component in the banking CSR transparency index, scantily, depends on the indexation of BSE Sensex and Consumer Price Index. Major companies will be enlisted in top stock market indices and major consumer good items will be given representative weightage. Furthermore, the newly developed 'BACTREX' is in some sense compatible with the famed composite statistic of 'Human Development Index (HDI)'. The three sub-indices of 'BACTREX' viz: index on total amount, activity-wise data index and elaboration index which are in tune with life expectancy index, education index and income index (United Nations Development Programme (UNDP), 2015).

3. Objectives of the study

3.1. Broad objectives

The broad objectives are resumed by the following points:

1. To find banks' transparency in CSR spending.
2. To identify the association between gross banking business and CSR transparency.

3.2. Specific objectives

The specific objectives are resumed by the following points:

1. To unearth the availability of activity-wise data on corporate social responsibility of India's public and private sector banks since 2014-2015;
2. To explore the availability of data on aggregate spending for corporate social responsibility of India's public and private sector banks since 2014-2015;
3. To understand the enormity of information on corporate social responsibility of India's public and private sector banks since 2014-2015;
4. To introduce 'Banks CSR Transparency Index' on the basis of above three variables;

5. To identify association between total business of banks in India and their CSR spending transparency.

4. Research methods

The study is explorative in nature as it explored the transparency of India's public and private sector banks in 'Corporate Social Responsibility' spending and the impact of their business immensity on transparency. The impact is analysed by using correlation coefficient.

An index named 'Banks CSR Transparency Index' (BACTREX) is constructed to measure the banks' and banking system's transparency on corporate social responsibility⁵. This is a three-dimensional index in which three indicators viz: activity-wise data, information on total amount spent on CSR and elaboration on the CSR activities are incorporated. The period of study opted for data collection is from 2014-2015 to 2016-2017 financial years as CSR is made mandatory only from 2014-2015 onwards by the Ministry of Corporate Affairs, Government of India for the companies including banks. The methodology of finding the index has been detailed below:

Banks CSR Transparency Index (BACTREX) = Activity-wise Data Index + Index on Total Data + Elaboration Index

BACTREX = ADI + ITA + EI or A1 index + A2 index + A3 index

Total value of the index lies in between zero and one. BACTREX of one shows that the bank or the banking system is perfectly transparent on its CSR spending. At that, when the value is zero, the bank or the banking system can be treated perfectly non-transparent.

Activity-wise Data Index (ADI) or A1 index: It has 50% weightage since transparency should be seen more in this category. Without activity-wise data on CSR no data would be accurate.

⁵'BACTREX' is an index developed by the author to find transparency in CSR transactions of the commercial banks. It is the short form of 'Banking CSR Transparency Index'.

ADI or A1 index = Information on proportion of CSR spending on specified activities x 0.5

Proportion of amount sanctioned for CSR spending on specified activities: 0.5 for 100 % specification on amount specified, 0.25 for 50% specification and 0 for 0% specification.

Proportion of amount spent for CSR on specified activities: 0.5 for 100% specification on amount spent, 0.25 for 50% specification and 0 for 0% specification.

Both proportions should be added to get information on proportion of CSR spending on specified activities.

In case of no data on total amount sanctioned, one specification should get 0.025 and total specifications should get maximum 0.25.

In case of no data on total amount spent, one specification should get 0.025 and total specifications should get maximum 0.25.

Sum of both proportions should be taken to get information on proportion of CSR spending on specified activities in case of no total data is available.

In case of vague specifications, one should get 0.025.

Specifications without amount will not be considered except in elaboration index.

Index on Total Amount (ITA) or A2 index: It has 30% weightage which is well below the activity-wise data index since as total data alone will not make the CSR spending transparent. However, it carries a significant weight of 30%. Without the revelation on total amount no data would be complete.

ITA or A2 index = Proportion of data availability on total amount sanctioned and spent for CSR x 0.3

Proportion of data availability on total amount sanctioned for CSR: 0.5 for full data and 0 for no data.

Proportion of data availability on total amount spent for CSR: 0.5 for full data and 0 for no data.

Both should be added to get the proportion of data availability on total amount sanctioned and spent.

Elaboration Index (EI or A3 index): It has only 20 % weightage as it provides minimum to ensure transparency compared to other two indices.

EI or A3 index = Proportion of number of words on CSR in the published report x 0.2

Proportion of number of words on CSR in the published report: 0.1 for 100 words, 0.39 for 390 words and 1.0 for 1000 words and above.

‘BACTREX’ = ADI + ITA + EI or A1 index + A2 index + A3 index

CSR transparency of all Indian commercial banks which belong to the ‘scheduled’ category is measured by using the newly developed index. The yearly index is constructed by incorporating three indicators whose data is collected through the above said methodology from the annual reports (2014-2015 to 2016-2017) of 21 public sector and 19 private sector banks in India. The data on gross business that includes total deposits and total advances of the banks are also reaped from the same annual reports. Descriptive statistics is employed in the study including Pearson Correlation Coefficient, mean and ranking besides macroeconomic indexation.

The term “banks” used in the study refers to India’s 21 public sector and 19 private sector banks. It doesn’t include foreign banks, regional rural banks, co-operative banks and payment banks as their contribution to the banking system has been comparatively meagre. Similarly, the years used in the study are the financial years starting from 1st April and ending on 31st March. The monetary unit used in this research is US Dollar as well.

5. Bank-wise CSR transparency index from 2014-2015 to 2016-2017: Study on India’s public and private sector banks

As per Banks CSR transparency index named ‘BACTREX’, whose value ranges from zero to one, public and private sector banks in India are categorised into nine viz: perfectly transparent banks, highly transparent banks, nearly transparent banks, satisfactorily transparent banks, moderately transparent banks, slightly transparent banks, nearly non-transparent banks,

highly non-transparent banks and perfectly non-transparent banks. The banks are categorised on the basis of index points obtained by the particular banks.

5.1. Perfectly transparent banks (1)

The banks with the index point of 1 can be considered as perfectly transparent banks on CSR spending. The year-wise index and rank of India's scheduled commercial banks (both private sector and public sector) from 2014-2015 to 2016-2017 are systematised in table 1. The five banks such as Axis Bank, DCB Bank, Federal bank, HDFC Bank and Karnataka Bank performed very well on CSR transparency with the average "BACTREX" index of 1 over the study period of 2014-2015, 2015-2016 and 2016-2017. All these banks provided sufficient and perfect information through their annual reports of the respective years on all three indicators viz: activity-wise data on CSR spending (both sanctioned and actual spending), data on total CSR spending (both sanctioned and actual spending) and elaboration on CSR. Although it is mandatory for public sector banks too for spending towards CSR activities, all the above mentioned banks are private sector banks. DCB Bank, one of the perfectly transparent banks on CSR spending and a bank with comparatively less turn over, is beyond the CSR limit as it is revealed they incurred loss. However, DCB Bank exhibited all the required information on CSR spending through annual reports in the consequent years.

5.2. Highly transparent banks (0.9 to 0.99)

The banks with the index points of 0.9 and above but below 1 are termed as highly transparent bank on CSR spending. Another five banks viz: ICICI, City Union Bank, IDBI, Yes Bank, J&K Bank is ranked 6th, 7th, 8th, 9th and 10th respectively as per the three-year average data. Their average index points are 0.9945, 0.9807, 0.9659, 0.9656 and 0.9505 respectively. All, except IDBI in this list, are private sector banks. IDBI is the only government owned bank which is listed in top 10 banks on CSR transparency (See Table 1). IDBI, in 2015-2016, is listed top of the list of banks on CSR transparency. It is surprising and thought provoking that no other public sector bank of the total 21 such banks is not named in the list of perfectly transparent bank on CSR spending. While three banks in this list

viz: ICICI, City Union Bank and IDBI delicately dropped CSR transparency on third indicator of elaboration on CSR, the other two banks viz: Yes Bank and J&K Bank dropped transparency slightly on activity-wise data (See Appendix 1).

5.3. Nearly transparent banks (0.75 to 0.89)

Three banks viz: SIB, Lakshmi Vilas Bank and Kotak Mahindra Bank with the average rank of 11, 12 and 13 respectively are included in this range. Their index points are 0.8696, 0.8259 and 0.8074 respectively (See Table 1). These banks have published perfectly the total amount to be spent and actually spent in favour of CSR activities in 2014-2015, 2015-2016 and 2016-2017. None of them have published accurately the activity-wise data in their annual reports. And their elaboration on CSR spending is also not enough but just below perfection. All banks in this category are only private sector banks (See Appendix 1). State Bank of India (SBI), India's largest and world's 45th largest bank, is the only public sector bank included in this range in 2014-2015 and 2015-2016 (See Table 1).

5.4. Satisfactorily transparent banks (0.6 to 0.749)

Four banks such as Union Bank of India, SBI, Bandhan Bank and Karur Vysya Bank are included in this range as per three year average data on CSR transparency with the index points of 0.6943, 0.6848, 0.6062 and 0.6 respectively. On an average, these banks ranked 14th, 15th, 16th and 17th respectively. Out of this, Union Bank of India performed better in 2015-2016 and 2016-2017 after a slightly transparent performance in 2014-2015 (See Table 1). While the elaboration on CSR is perfect in the annual reports of all banks except Bandhan Bank, activity-wise data and data on total CSR spending is incomplete or quite incondite. Bandhan Bank's transparency is zero in 2014-2015 as they have exhibited hardly any data on CSR in their annual report in 2014-2015. At that, their performance in the subsequent years is highly transparent (See Appendix 1).

5.5. Moderately transparent banks (0.45 to 0.59)

The banks with the index points from 0.45 to 0.59 belong to this range of transparency index. On an average, two public sector banks viz: Allahabad Bank and Punjab National Bank (PNB) with the index points of 0.5356 and

0.524 respectively and one private sector bank of IndusInd Bank with the index point of 0.4596 are included in this category of CSR spending transparency (See Table 1). They are moderately transparent since activity-wise data on CSR spending is fragmental and incondite. While PNB is quiet backward in exhibiting activity-wise data and data on total CSR spending, Allahabad Bank is quiet backward in elaboration on CSR. IndusInd Bank is performing poor on CSR spending information in 2014-2015 and 2015-2016. However, it sufficiently published data on CSR spending (See Appendix 1).

5.6. Slightly transparent banks (0.3 to 0.449)

Canara Bank, Indian Bank, Bank of India and IDFC are slightly transparent banks with the index points of 0.4146, 0.3797, 0.3367 and 0.3333 respectively (See Table 1). All these banks, often, lacked perfect data regarding CSR spending on all indicators. All banks lacked consistency in performance on CSR transparency as they failed to publish data on CSR spending adequately and regularly. Three banks of this category viz: Canara Bank, Indian Bank and Bank of India are ranked 20th, 21st and 22nd respectively are public sector banks. IDFC, which ranked 23rd as per the three year average 'BACTREX' index, is private sector bank (See Appendix 1).

5.7. Nearly non-transparent banks (0.15 to 0.29)

This category, of which as many as 12 public sector banks are included in, is the largest category by the number of banks belonged to as per the three-year average "BACTREX" index. The banks included in this range are RBL Bank with 0.286, Vijaya Bank with 0.2706, Oriental Bank of Commerce with 0.2683, Syndicate Bank with 0.2559, Andhra Bank with 0.2407, Uco Bank with 0.2369, Corporation Bank with 0.1967, Dena Bank with 0.1951, Bank of Baroda and United Bank of India with 0.1892 and Central Bank of India with 0.1663. These banks are ranked 25th, 26th, 27th, 28th, 29th, 30th, 31st, 33rd, 33rd and 35th respectively (See Table 1). Their performance on all indicators of CSR transparency as per "BACTREX" index is degrading and extremely inadequate. Most of these banks had fragmental explanation on the data on spending on CSR activities and

lacked sanctioned or actual total CSR spending. CSR elaboration of all these banks are also well below the sufficient level (See Appendix 1).

5.8. Highly non-transparent banks (0.01 to 0.149)

Four banks such as Bank of Maharashtra with 0.0829, Dhanalakshmi Bank with 0.0684, Punjab and Sind Bank with 0.0609 and IOB with 0.0403 are highly non-transparent banks as per 'BACTREX' index (See Table 1). These banks are virtually non-transparent banks as none of them provided hardly any information on CSR spending to the shareholders and customers through their annual reports from 2014-2015 to 2016-2017. They just vaguely and insufficiently elaborated on CSR that just helped them not being perfectly non-transparent banks (See Appendix 1).

5.9. Perfectly non-transparent banks (0)

This is the lowest and last category of banks on the basis of CSR transparency. Only TMB is included in this category as their annual report or any other report on CSR is not available during Sep-Nov 2017 in their official website. It is considered equal to no information on CSR (See Table 1).

Table 1: CSR transparency index of India's public and private sector banks

Bank	2014-2015		2015-2016		2016-2017		Average	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Allahabad Bank	0.431	17	0.5702	20	0.6058	18	0.5356	18
Andhra Bank	0.2712	19	0.1724	31	0.2787	27	0.2407	29
Bank of Baroda	0.462	16	0.0554	35	0.0502	35	0.1892	33
Bank of India	0.7408	14	0.06	34	0.2094	29	0.3367	23
Bank of Maharashtra	0.1356	26	0.0528	36	0.0604	32	0.0829	36
Canara Bank	0.2485	20	NA	NA	0.5808	20	0.4146	21
Central Bank of India	0	33	0.3326	26	NA	NA	0.1663	35

Bank	2014-2015		2015-2016		2016-2017		Average	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Corporation Bank	0.1722	25	0.2256	30	0.1925	30	0.1967	31
Dena Bank	0.1876	24	0.1522	33	0.2455	28	0.1951	32
IDBI ⁶	0.9244	7	0.9734	10	1	1	0.9659	8
Indian Bank	0.1526	26	0.476	23	0.5106	22	0.3797	22
IOB ⁷	0.0695	31	0	37	0.0516	34	0.0403	39
Oriental Bank of Commerce	0.2125	23	0.166	32	0.4264	23	0.2683	27
Punjab & Sind Bank	0	33	0	37	0.1828	31	0.0609	38
PNB ⁸	0.466	16	0.425	24	0.681	17	0.524	19
SBI ⁹	0.75	12	0.75	18	0.5545	21	0.6848	15
Syndicate Bank	0.2374	22	0.2476	27	0.2828	26	0.2559	28
Uco Bank	0.1305	28	0.2294	28	0.3509	24	0.2369	30
Union Bank of India	0.4275	18	0.87	13	0.7855	16	0.6943	14
United Bank of India	0.0745	30	0.2263	29	0.2668	27	0.1892	33
Vijaya Bank	0.1119	29	0.35	25	0.35	25	0.2706	26
Axis Bank	1	1	1	1	1	1	1	1
Bandhan Bank	0	33	0.9164	11	0.9024	12	0.6062	16
City Union Bank	0.9744	6	0.9942	8	0.9736	9	0.9807	7
DCB Bank	NA	NA	1	1	1	1	1	1

⁶ IDBI: Industrial Development Bank of India.

⁷ IOB: Indian Overseas Bank.

⁸ PNB: Punjab National Bank.

⁹ SBI: State Bank of India.

Bank	2014-2015		2015-2016		2016-2017		Average	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Dhanalakshmi Bank	0.0648	32	0.0854	15	0.0552	33	0.0684	37
Federal Bank	1	1	1	1	1	1	1	1
HDFC ¹⁰	1	1	1	1	1	1	1	1
ICICI ¹¹	1	1	0.9836	9	1	1	0.9945	6
IDFC ¹²	0	33	0.5	21	0.5	21	0.3333	24
IndusInd Bank	0	33	0.5	21	0.87	14	0.4596	20
J&K Bank ¹²	0.8565	9	1	1	0.995	10	0.9505	10
Karnataka Bank	1	1	1	1	1	1	1	1
Karur Vysya Bank	0.6	15	0.6	19	0.6	19	0.6	17
Kotak Mahindra Bank	0.7779	11	0.8153	17	0.829	15	0.8074	13
Lakshmi Vilas Bank	0.7444	13	0.845	16	0.8885	13	0.8259	12
RBL Bank	0	33	0.858	14	0		0.286	25
SIB ¹³	0.7845	10	0.9085	12	0.916	11	0.8696	11
TMB ¹⁴	0	33	0	37	0	36	0	40
Yes Bank	0.897	8	1	1	1	1	0.9656	9
Average	0.4334	-	0.5472	-	0.5468	-	0.5091	-

Source: Author's calculation from the annual reports of all scheduled commercial banks in India (2014-2015, 2015-2016 and 2016-2017) Note: NA-Not applicable since the bank revealed that it is beyond the CSR limit as it incurred loss. Indicator-wise index points are shown in Appendix 1.

¹⁰ HDFC: Housing Development Finance Corporation.

¹¹ ICICI: Industrial Credit and Investment Corporation of India.

¹² IDFC: Industrial Development Finance Corporation.

¹³ SIB: South Indian Bank.

¹⁴ TMB: Tamilnad Mercantile Bank.

As shown in table 1, ten commercial banks in India, of which only one is public sector bank and all others are private sector banks, are included in the categories of highly or perfectly transparent banks on the basis of banks CSR transparency index (BACTREX). No public sector bank is found place among the three banks in the category of nearly transparent banks. In the fourth category of satisfactorily transparent banks, two among the four are public sector banks. The notable performance of public sector banks on CSR transparency after IDBI, Union Bank of India and SBI is seen in the category of moderately transparent banks. However, the fact that only five public sector banks are having the average transparency index of 0.5 and above although majority of the commercial banking business still is being handled by them. The rest 16 government owned banks are degradingly insufficient on revealing information about CSR spending and activities.

6. Sector-wise CSR transparency index of the banks in India¹⁵

As per “BACTREX” index, private sector banks do have vivid and apparent advantage over public sector banks in terms of CSR transparency over the study period. Private sector banks, with the gap of around 0.3-0.4 points, are well above public sector banks throughout the period. On an average, CSR transparency of 19 private sector banks in India is 0.701 while that of 21 public sector banks is mere 0.3318 (See Table 2). As per “BACTREX” index, public sector banks, with mere 0.3318, belongs to the index category of ‘slightly transparent banks’ while private banks, with 0.701, belongs to ‘satisfactorily transparent banks’ category. This figure is alarming as far as government owned banks are concerned since their index is quiet low and well below that of private banks. It casts light in to the need for making the public sector banks transparent on CSR spending significantly. Public sector banks, by and large, have to provide data on CSR spending to the shareholders and customers through annual reports sufficiently. Private sector banks, on the other hand, is providing CSR activity-wise and total spending data adequately.

¹⁵ Sector-wise CSR transparency index of banks in India: Analysis of transparency in spending on CSR on the basis of India’s public and private sector banks.

**Table 2: CSR Transparency of Indian banking system
and its public-private sector banks**

	2014-2015	2015-2016	2016-2017	Average
Public Sector Banks	0.2955	0.3167	0.3833	0.3318
Private Sector Banks	0.5944	0.7898	0.7189	0.701
Banking system	0.4334	0.5472	0.5468	0.5091

Source: Author's calculation from the annual reports of all banks in India (2014-2015, 2015-2016 and 2016-2017)

7. CSR transparency of Indian banking system

The Indian banking system, which mainly consists of private and public sector banks, has been strong enough as it quiet survived in the bank crash during 2008 crisis due its stringent credit policies. The Indian banking system, in that sense, has gained some priceless credibility from the customers as well as shareholders. Low “BACTREX” score might turn the stakeholders away from the banking system as its transparency is quiet low. The index of

India's entire banking system, on an average, is mere 0.5091 that technically puts the system in to the ‘satisfactorily transparent banks’ category (See Table 2). The efforts should be made to disclose relevant information in sufficient and timely manner. It will rather strengthen the efforts to rejuvenate the current Indian banking system. Even though Indian banks especially government owned banks are degradingly less transparent as per ‘BACTREX”, Berlin-based Transparency International in its report said ‘Indian companies have the highest average score of any country – they all score 75 % or more – in organisational transparency largely due to the Companies Act’ (Indian Express, 2016). However, the efforts of Ministry of Company Affairs made Indian companies more transparent.

8. CSR transparency and business immensity of banks in India: on the basis of correlation coefficient

Bank's CSR transparency is measured by ‘BACTREX’ index which is constructed by three indicators viz: activity-wise data on CSR spending

(both sanctioned and actual), data on total CSR spending (both sanctioned and actual) and elaboration on CSR. Business- immensity of India's scheduled commercial banks (public-private sectors) is measured by total banking business. Gross deposits and advances as on 31st March 2017 are collected to get the view on size of business that India's 21 public sector and 19 private sector banks are handling (See Appendix 2).

The attempt is made to find whether there exists any type of association between banks CSR transparency and business immensity. It is clear from the table 3 that size of banking business has nothing to do with CSR transparency as the 'Pearson correlation coefficient' was zero in 2016-2017. It makes clear that transparent bank can't necessarily be the large bank by banking business. Even small banks can be transparent in CSR spending. Relatively smaller banks viz: Bandhan Bank, City Union Bank, J&K Bank and SIB having the total banking business of less than \$ 20,000 million as on 31st March 2017 are highly transparent banks with more than the index point of 0.9. At the same time, larger banks viz: HDFC, ICICI and Axis Bank with more than \$ 1.4 lac million are perfectly transparent banks on CSR spending. However, the first and third largest banks viz: SBI and PNB are just moderately or satisfactorily transparent with index of points of 0.55 and 0.68. The fact is that, what makes a bank transparent on CSR spending is not the size of banking business but the determinant is under whom the majority of the equity is owned by.

Table 3: Total business (Gross deposits and advances in USD million) and CSR transparency index of India's scheduled commercial banks, 2016-2017

Sl. No	Bank	Total business (X)	'BACTREX' (Y)
1	Allahabad Bank	55518.32	0.6058
2	Andhra bank	52387.47	0.2787
3	Bank of Baroda	138718.4	0.0502
4	Bank of India	144022.2	0.2094
5	Bank of Maharashtra	37105.98	0.0604
6	Canara Bank	131184.3	0.5808
7	Central Bank of India	69353.59	NA
8	Corporation Bank	55663.82	0.1925

Sl. No	Bank	Total business (X)	'BACTREX' (Y)
9	Dena Bank	29531.95	0.2455
10	IDBI	50109.36	1
11	Indian bank	48528.81	0.5106
12	IOB	54257.99	0.0516
13	Oriental Bank of Commerce	59498.08	0.4264
14	Punjab and Sind Bank	22487.11	0.1828
15	PNB	164015.8	0.681
16	SBI	557666.2	0.5545
17	Syndicate Bank	72026.54	0.2828
18	UCO Bank	51349.04	0.3509
19	Union Bank of India	104887.5	0.7855
20	United Bank of India	30451.31	0.2668
21	Vijaya Bank	35446.94	0.35
22	Axis Bank	121447.4	1
23	Bandhan Bank	6179.612	0.9024
24	City Union Bank	8363.537	0.9736
25	DCB Bank	5414.497	1
26	Dhanalakshmi Bank	2772.529	0.0552
27	Federal Bank	26373.31	1
28	HDFC	184798.6	1
29	ICICI	147176.4	1
30	IDFC	13820.46	0.5
31	IndusInd Bank	36961.43	0.87
32	J&K Bank	19438.5	0.995
33	Karnataka Bank	14456.94	1
34	Karur Vysya Bank	14672.55	0.6
35	Kotak Mahindra Bank	45265.75	0.829
36	Lakshmi Vilas Bank	8371.905	0.8885
37	RBL Bank	NA	0
38	SIB	17422.21	0.916

Sl. No	Bank	Total business (X)	'BACTREX' (Y)
39	TMB	NA	0
40	Yes Bank	42434.07	1
	Pearson Correlation Coefficient of X and Y		-0.0011

Source: Author's calculation from the annual reports of all scheduled commercial banks in India (2016-2017) NA- Not Available.

8.1. CSR transparency and business immensity of banks in India on the basis of classification of banks by total business

Even though no association is found between banks' CSR transparency and their business immensity by using correlation coefficient, banks are differently transparent on the basis of classification of banks as per size of business. It is found that large and small banks are satisfactorily transparent while medium sized banks are just slightly transparent. Thus, it can be judged that large and small banks are efficient in Indian banking system while medium sized banks are less efficient (See Table 4).

Table 4: CSR transparency of Indian banks as per business size (gross deposits + loans outstanding)

Bank type on the basis of business size	No. of banks	Average BACTREX point	Level of transparency
Large banks (Above \$ 100 billion)	9	0.65	Satisfactorily transparent
Medium banks (\$50 b-\$100 b)	8	0.40	Slightly transparent
Small banks (Below \$50 b)	22	0.60	Satisfactorily transparent
Banking system	39	0.51	Moderately transparent

Source: Author's calculation from the annual reports of all scheduled commercial banks in India (2016-2017).

9. Compatibility of the “stakeholders theory” on CSR transparency and business immensity

The stakeholders theory states that organisations’ transparency will help them survive and grow. However, banks’ transparency on CSR segment, by and large, had nothing to do with the banking business as the correlation coefficient between the two in 2016-2017 is zero (See Table 3). At once, some sort of compatibility between the two could be established when the relation is scrupulously examined. Eleven large banks in India by gross business (more than \$50,000 mn in 2016-2017) viz: Allahabad Bank, Canara Bank, IDBI, Indian Bank, PNB, SBI, Union Bank of India, Axis Bank, HDFC, ICICI and Yes Bank had the average ‘BACTREX’ index point of 0.5 and above. Similarly, eight small banks by gross business (less than \$ 50,000 mn in 2016-2017) viz: Bank of Maharashtra, Dena Bank, Punjab and Sind Bank, United Bank of India, Vijaya Bank, Dhanlakshmi Bank, RBL Bank and TMB had low ‘BACTREX’ index of 0.25 and below. At that, justifying the correlation coefficient, thirteen small banks that are private sector banks, by gross business (less than \$ 50,000 mn in 2016-2017) viz: Bandhan Bank, City Union Bank, DCB, Federal Bank, IDFC, IndusInd Bank, J&K Bank, Karnataka Bank, Karur Vysya Bank, Kotak Mahindra Bank, Lakshmi Vilas Bank, SIB and Yes Bank had better ‘BACTREX’ index of 0.5 and above. However, the study is unable to establish the compatibility of the Stakeholder Theory firmly because of two reasons. First, CSR transparency is mere a segment of total corporate transparency. Second, data of only a few years is collected.

10. Concluding remarks

Banks’ transparency on the basis of information disclosed on CSR spending is measured by using self-developed ‘BACTREX’ index for three years from 2014-2015 onwards. CSR transparency of India’s scheduled 21 public sector and 19 private sector banks are classified into various categories, which are formed on the basis of index points, viz: perfectly transparent banks, highly transparent banks, nearly transparent banks, satisfactorily transparent banks, moderately transparent banks, slightly transparent banks, nearly non-transparent banks, highly non-transparent banks and perfectly non-transparent banks. Ten banks, which provided sufficient information on CSR spending through annual reports, on an

average are highly or perfectly transparent. Seven banks are nearly or satisfactorily transparent, seven are moderately or slightly transparent banks. Alarming, 17 banks in India are nearly non-transparent or highly non-transparent or perfectly non-transparent.

The status of public sector banks, by and large, is pitiable as only one public sector bank is included in top 10 out of total 21 such banks in India and only three are included in top 20 banks by 'BACTREX' index. Compared to private sector banks, CSR transparency of Indian public banking system is distressing as its average index point is mere 0.33. Compared to 2015-2016 and 2016-2017 banks are less transparent in 2014-2015 as the banks are not in line with CSR spending which is made mandatory in 2013.

The business immensity of banks, which is measured by gross deposits and advances, had nothing to do with CSR transparency as the correlation between two variables is zero. Unlike this, it is found that large and small banks are highly transparent while medium-sized banks are less transparent. However, transparency of several banks is compatible with 'The Stakeholder Theory' as they had both high banking business and transparency. Great majority of the banks, whose major share is owned by government, is less transparent in CSR segment while great majority of the private sector banks are highly transparent. In a nutshell, banking transparency on CSR segment in the country is driven by ownership pattern of equities of banks and business immensity by transparency inchoately.

11. Suggestions

Since transparency plays an important role in entrenching trust of the customers in banking business and investors in provision of capital, monetary authority should be keen in establishing and ensuring it. Indian commercial banks are, by and large, less transparent in providing relevant information on spending for CSR activities. Hence, the study put forwards a few suggestions for the melioration of banks in India in CSR transparency.

- ✓ Reserve Bank of India (RBI), India's Central Bank, must issue directions and guidelines to the member banks for delivering required and relevant information on CSR spending in each financial year. The information should include activity-wise data on CSR spending (both

budget outlay and actual spending), data on total CSR spending (both budget outlay and actual spending) and elaboration on CSR activities of the bank in required level. The elaboration of each bank should include the details of activities for which money is spent and proposed to be spent by the bank, mode of selection of the activities and banks efforts on CSR spending.

- ✓ RBI should make the CSR budget mandatory for all applicable banks and order should be made to make the budget visible and readable to everyone.
- ✓ RBI's representative should be included in CSR Committee that will be appointed by each applicable bank.
- ✓ Open an online portal either by RBI or by each bank to seek applications for financial assistance under CSR from charitable, educational, research and other socially responsible institutions with justifications and documents required. If the portal is opened by RBI, applications should be forwarded to the applicable banks on the basis of profit after tax. Follow up actions should also be taken. The details of applications should be published through the official website of RBI or concerned banks.

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Appendix I: Indicator-based index points

Bank	2014-2015				2015-2016				2016-2017			
	A1	A2	A3	Index	A1	A2	A3	Index	A1	A2	A3	Index
Allahabad Bank	0.5	0.5	0.155	0.431	0.5	1	0.101	0.5702	0.5	1	0.279	0.6058
Andhra bank	0.5	0	0.106	0.2712	0	0.5	0.112	0.1724	0.213	0.5	0.111	0.2787
Bank of Baroda	0.5	0.5	0.31	0.462	0	0	0.277	0.0554	0	0	0.251	0.0502
Bank of India	0.4816	1	1	0.7408	0	0	0.3	0.06	0	0.5	0.297	0.2094
Bank of Maharashtra	0	0	0.678	0.1356	0	0	0.264	0.0528	0	0	0.302	0.0604
Canara Bank	0.125	0	0.93	0.2485	NIL	NIL	NIL	NA	0.55	0.5	0.779	0.5808
Central Bank of India				0	0	1	0.163	0.3326	NIL	NIL	NIL	NA
Corporation Bank	0	0.5	0.111	0.1722	0.05	0.5	0.253	0.2256	0.025	0.5	0.15	0.1925
Dena Bank	0.15	0	0.563	0.1876	0.15	0	0.386	0.1522	0.103	0.5	0.22	0.2455
IDBI	1	1	0.622	0.9244	1	1	0.867	0.9734	1	1	1	1
Indian bank	0	0.5	0.013	0.1526	0.5	0.5	0.38	0.476	0.5	0.5	0.553	0.5106
IOB	0.025	0	0.285	0.0695				0	0	0	0.258	0.0516
Oriental Bank of Commerce	0.025	0	1	0.2125	0	0	0.83	0.166	0	1	0.632	0.4264
Punjab and Sind Bank				0	0	0	0	0		0.5	0.164	0.1828
PNB	0.232	0.5	1	0.466	0.15	0.5	1	0.425	0.362	1	1	0.681
SBI	0.5	1	1	0.75	0.5	1	1	0.75	0.409	0.5	1	0.5545
Syndicate Bank	0	0.5	0.437	0.2374	0	0.5	0.488	0.2476	0	0.5	0.664	0.2828
UCO Bank	0.125	0	0.34	0.1305	0	0.5	0.397	0.2294	0.125	0.5	0.692	0.3509
Union Bank of India	0.155	0.5	1	0.4275	0.74	1	1	0.87	0.571	1	1	0.7855
United Bank of India	0.025	0	0.31	0.0745	0.025	0.5	0.319	0.2263	0.104	0.5	0.324	0.2668
Vijaya Bank	0.025	0	0.497	0.1119	0	0.5	1	0.35	0	0.5	1	0.35
Axis Bank	1	1	1	1	1	1	1	1	1	1	1	1
Bandhan Bank				0	1	1	0.582	0.9164	1	1	0.512	0.9024
City Union Bank	1	1	0.872	0.9744	1	1	0.971	0.9942	1	1	0.868	0.9736

Bank	2014-2015				2015-2016				2016-2017			
	A1	A2	A3	Index	A1	A2	A3	Index	A1	A2	A3	Index
DCB Bank	NIL	NIL	NIL	NA	1	1	1	1	1	1	1	1
Dhanalakshmi Bank	0	0	0.324	0.0648	0	0	0.427	0.0854	0	0	0.276	0.0552
Federal Bank	1	1	1	1	1	1	1	1	1	1	1	1
HDFC	1	1	1	1	1	1	1	1	1	1	1	1
ICICI	1	1	1	1	1	1	0.918	0.9836	1	1	1	1
IDFC	0	0	0	0	0	1	1	0.5	0	1	1	0.5
IndusInd Bank				0	0	1	1	0.5	0.8058	1	0.8789	0.4596
J&K Bank	0.713	1	1	0.8565	1	1	1	1	0.99	1	1	0.995
Karnataka Bank	1	1	1	1	1	1	1	1	1	1	1	1
Karur Vysya Bank	0.5	0.5	1	0.6	0.5	0.5	1	0.6	0.5	0.5	1	0.6
Kotak Mahindra Bank	0.653	1	0.757	0.7779	0.673	1	0.894	0.8153	0.658	1	1	0.829
Lakshmi Vilas Bank	0.53	1	0.897	0.7444	0.69	1	1	0.845	0.821	1	0.89	0.8885
RBL Bank				0	0.716	1	1	0.858				0
SIB	0.569	1	1	0.7845	0.817	1	1	0.9085	0.832	1	1	0.916
TMB				0				0				0
Yes Bank	0.794	1	1	0.897	1	1	1	1	1	1	1	1

Source: Author's calculation from the annual reports of all banks in India (2015-2017).

'BACTREX' Index = (A1 x 0.5) + (A2 x 0.3) + (A3 x 0.2).

A1: Activise wise index point.

A2: Index point on the basis of data on total amount.

A3: CSR Elaboration index point.

0.5 for 50% weightage, 0.3 for 30% weightage and 0.2 for 20% weightage.

NA: Not applicable.

Appendix 2: Total business of India's scheduled commercial banks as on 31st March 2017 (Total deposits plus advances in USD million)

Sl No	Bank	Deposits	Advances	Total business
1	Allahabad Bank	31,134	24384.09	55518.32
2	Andhra bank	30,143	22244.77	52387.47
3	Bank of Baroda	92,796	45922.52	138718.4
4	Bank of India	83,289	60733.58	144022.2
5	Bank of Maharashtra	21,446	15659.96	37105.98
6	Canara Bank	76,386	54798.48	131184.3
7	Central Bank of India	45,755	23598.29	69353.59
8	Corporation Bank	34,017	21647.1	55663.82
9	Dena Bank	17,573	11958.62	29531.95
10	IDBI	41,416	8692.965	50109.36
11	Indian bank	28,148	20380.61	48528.81
12	IOB	32,595	21662.81	54257.99
13	Oriental Bank of Commerce	33,829	25669.56	59498.08
14	Punjab and Sind Bank	13,193	9294.323	22487.11
15	PNB	95,885	68130.92	164015.8
16	SBI	3,15,360	242306	557666.2
17	Syndicate Bank	40,186	31840.45	72026.54
18	UCO Bank	31,044	20305.03	51349.04
19	Union Bank of India	58,359	46528.46	104887.5
20	United Bank of India	19,578	10873.62	30451.31
21	Vijaya Bank	20,514	14932.62	35446.94
22	Axis Bank	63,909	57538.1	121447.4
23	Bandhan Bank	3,583	2597.076	6179.612
24	City Union Bank	4,645	3718.772	8363.537
25	DCB Bank	2,975	2439.539	5414.497
26	Dhanalakshmi Bank	1,742	1030.715	2772.529

27	Federal Bank	15,063	11310.59	26373.31
28	HDFC	99,268	85530.53	184798.6
29	ICICI	75,578	71598.09	147176.4
30	IDFC	6,201	7619.177	13820.46
31	IndusInd Bank	19,521	17440.31	36961.43
32	J&K Bank	11,176	8262.586	19438.5
33	Karnataka Bank	8,750	5707.04	14456.94
34	Karur Vysya Bank	8,282	6390.48	14672.55
35	Kotak Mahindra Bank	24,278	20987.82	45265.75
36	Lakshmi Vilas Bank	4,712	3659.689	8371.905
37	RBL Bank	NA	NA	NA
38	SIB	10,197	7224.969	17422.21
39	TMB	NA	NA	NA
40	Yes Bank	22,035	20398.76	42434.07

Source: Annual reports of all scheduled commercial banks in India (2017).

NA: Not Available