

A STUDY OF BUSINESS RESPONSIBILITY DISCLOSURES IN SELECTED BANKS IN INDIA

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Abstract

The present businesses have become volatile. They are no longer governed by numbers pertaining to sales, revenues and profits. The importance of non-financial aspects has risen resulting in businesses considering various social and environmental performance parameters as a part of their decision making. To display their spirit of responsibility, various organisations have shown keen interest in disclosing non-financial information to their stakeholders to a large extent. The present study aims to analyse the various business responsibility reporting disclosures of the top 10 banks of India in terms of market capitalization. The Business responsibility reports of the banks have been analysed for a period of one year. The sample of banks have been found to be following the various national voluntary guidelines on Social, Environmental and Economic responsibilities of Business (NVG) notified by the Ministry of corporate Affairs, Government of India, in July 2011. After analyzing the financial services sector represented by banks in the present study, it was found that still Business Responsibility report (BRR) is not an important part of the disclosures of various banks. The banks should to try to make it accurate to the maximum possible extent. For a transparent and interactive report, business responsibility report should be comprehensive.

1. INTRODUCTION

The present businesses have become volatile. They are no longer governed by numbers pertaining to sales, revenues and profits. The importance of non-financial aspects has risen resulting in businesses considering various social and

environmental performance parameters as a part of their decision making. It has therefore become very important for businesses to nurture their non-financial parameters to protect themselves from future uncertainties and unpleasant situations.

To display their spirit of responsibility, various organisations have shown keen interest in disclosing non-financial information to their stakeholders to a large extent. The regulators in India have taken various steps towards building the competencies of reporting non-financial parameters. It started with the release of National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) by the Ministry of Corporate Affairs (MCA), followed by the Business Responsibility Report (BRR) framework based on the NVGs by the Securities and Exchange Board of India (SEBI), and then the CSR rules under Section 135, of the Companies Act 2013. Such regulations, are prompting companies to produce an integrated form of reporting as seen recently in the latest circular from SEBI advising the top 500 listed companies to adopt integrated reporting on a voluntary basis. Integrated reporting aims to provide a concise communication about how the organisation's strategy, governance, performance and prospects create value over time for stakeholders. Such a report is expected to enhance accountability, stewardship and trust, as well as reinforce the information flow and transparency of business.

The present study aims to analyse the various business responsibility reporting disclosures of the top 10 banks of India in terms of market capitalization.

1.1 Business Responsibility Reporting

The BRR, introduced in August 2012, is the reporting requirement of the Securities and Exchange Board of India (SEBI), in line with the national Voluntary Guidelines on Social, Environmental and Economic responsibilities of Business (NVG) notified by the Ministry of corporate Affairs, Government of India, in July 2011.

With the intention of promoting non-financial reporting within corporate India, the mandate allows flexibility in terms of reporting, by allowing companies to map the requirements of BRR with an existing non-financial/ sustainability report based on internationally accepted reporting frameworks.

1.2 Evolution of NVGs

1. Ministry of Corporate Affairs (MCA) announces their theme of responsible business in 2008
The Ministry of Corporate Affairs is set to work on draft guidelines for responsible business. This was done in consultation with a Guideline Drafting Committee appointed by the Indian Institute of Corporate Affairs, as well as a multi-stakeholder expert group. This is to become the first set of guidelines.
2. National voluntary CSR guidelines released in 2009
'National Voluntary CSR Guidelines' saw MCA adopt the role of enabler, facilitator and regulator for development and growth of corporate India. These guidelines drew attention to the core elements of a CSR policy which could help organisations in developing their strategy and road map for CSR initiatives.
3. NVGs released in 2011

After consultations with various government bodies, large businesses, SMEs, and feedback from various national as well as international agencies, the NVGs were released in July 2011. These guidelines contained nine broad principles to be adopted by companies as part of their business practices and included a framework through which specific disclosures were to be furnished.

4. Following the release of NVGs in 2011, a circular by SEBI (dated: 31 August 2012) introduced the Business Responsibility Report and mandated its inclusion in the annual reports of the top 100 listed companies based on market capitalisation in the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange (BSE), as on 31 March 2012. This annual

reporting requirement was to come into effect from 31 December 2012. In the same circular, SEBI also suggested a framework for BRR in the form of a template which was divided into sections covering:

- General information of the company
- Financial details
- Business responsibility information; and
- Principle-wise performance of the company.

1.3 THE NINE PRINCIPLES OF A RESPONSIBLE BUSINESS

The nine guiding principles of the National Voluntary Guidelines are meant to cover all aspects that are significant to a business sustainability. They are designed so as to be applicable to businesses in almost all sectors and of all sizes. Each principle has core elements which define the principle and they are outlined in brief, below:

Principle 1: Businesses should conduct and govern themselves with ethics, transparency, and accountability. The principle recognises that ethical conduct in all its functions and processes is the cornerstone of responsible business and emphasises that businesses should inform all relevant stakeholders of the operating risks and address and redress the issues raised.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle. The principle recognises that all stages of the product life cycle, right from design to final disposal of the goods after use, have an impact on society and the environment. Responsible businesses, therefore, should engineer value in their goods and services by keeping in mind these impacts.

Principle 3: Businesses should promote the well-being of all employees. The principle encompasses all policies and practices relating to the dignity and well-being of employees engaged within a business or in its value chain.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable, and marginalised. Businesses have a responsibility to think and act beyond the interest of shareholders and include all their stakeholders. Identification of vulnerable stakeholders and the impact on them becomes crucial for a business to be able to develop long-term strategies and create shared value. This principle encourages businesses to proactively identify, engage and respond to those stakeholders that are disadvantaged, vulnerable and marginalised.

Principle 5: Businesses should respect and promote human rights. The principle recognises that human rights are the codification and agreement of what it means to treat others with dignity and respect. This principle enshrines the achievements of human rights for all employees and is in agreement with the Universal Declaration of Human Rights.

Principle 6: Businesses should respect, protect, and make efforts to restore the environment. The principle emphasises that environmental issues are interconnected at the local, regional and global levels which makes it imperative for businesses to address issues such as global warming, biodiversity conservation and climate change in a thorough and systematic manner. The principle encourages businesses to understand and be accountable for direct and indirect environmental impacts of their operations, products and services and to strive to make them more environment friendly.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner. This principle recognises the right of businesses to engage with the Government for redressal of a grievance or for influencing public policy and public opinion. The principle emphasises that policy advocacy must expand public good rather than diminish it or make it available to a select few.

Principle 8: Businesses should support inclusive growth and equitable development. The principle recognises the challenges of social and economic development faced by India and builds upon the development agenda that has been articulated in the government policies and priorities. The principle recognises the value of the energy and enterprise of businesses and encourages them to innovate and contribute to the overall development of the country, especially to that of the disadvantaged, vulnerable and marginalised sections of society.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner. This principle is based on the idea that the basic aim of a business entity is to provide goods and services to its customers in a manner that creates value for both. The principle recognises that customers have the freedom of choice in the selection and usage of goods and services, and that the enterprises will strive to make available goods that are safe, competitively priced, easy to use and safe to dispose of, for the benefit of their customers.

1. OBJECTIVES OF THE STUDY

The objective of the present study is to analyse the business responsibility disclosures made by selected banks in India. The top 10 banks constituting BANKEX are considered for the analysis. The Business responsibility reports of the banks have been analysed for a period of one year.

2. RESEARCH METHODOLOGY

The sample of companies analysed in this report are the top 10 banks of India listed on the Bombay Stock Exchange (BSE) based on their market capitalization as on December 8, 2017. The BRR was obtained from the annual reports of the banks or as standalone reports available on the website.

The SEBI document published on 13 August, 2012 provides a framework for companies to prepare their BRR and the responses according to this framework was considered for this research.

Time Period: Financial year 2016-17

Sample Size: 10 top banks of India constituting BANKEX (an index of Banking companies as on December 8,2017) . The following banks form part of the sample for the purposes of the study.

Sr. No	Name of the Bank
1	Axis Bank
2	HDFC Bank
3	Bank of baroda
4	Federal Bank
5	ICICI Bank
6	Indusind Bank
7	Kotak Mahindra
8	Punjab National bank
9	State Bank of India
10	Yes Bank

Data collection: Secondary sources were used i.e.websites of the sample companies involved

The main limitation of the study is time constraint with the researcher.

ANALYSIS OF BUSINESS RESPONSIBLE REPORTING DISCLOSURES

4.1 GOVERNANCE

Organisations are expected to set high standards for ethics and accountability, both within and outside their boundaries. The management's approach and philosophy to the way it conducts business sets the tone for the entire organisation and this philosophy trickles down across the value chain. The presence of a dedicated committee or a director committed to the cause of nurturing strong ethical practices may not only help guide an organisation along the right path but also safeguard it from any unforeseen risks.

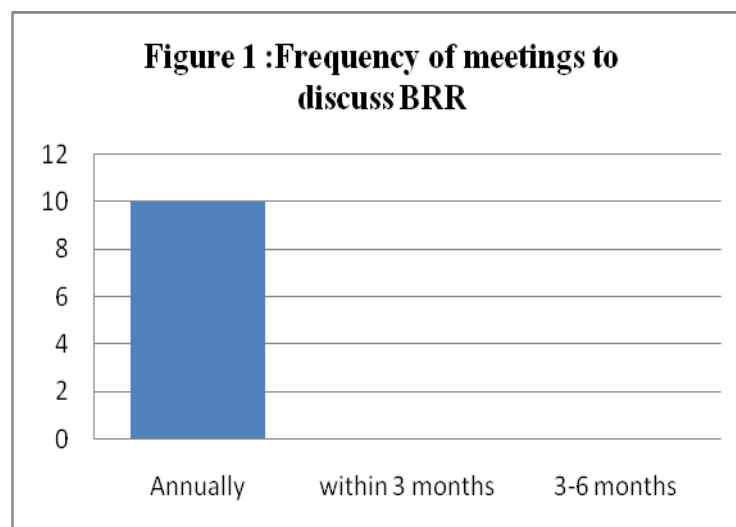
An effective way of cultivating good governance within the organisation is through policies designed at the top and then disseminated for execution. Having relevant and meaningful policies is a good way of communicating to the employees as well as the external stakeholders about how the organisation perceives various aspects. This also serves as a guide for them to conduct themselves in a precise manner.

4.1.1 Policies on NVGs

The sample of banks have been found to be following the various national voluntary guidelines on Social, Environmental and Economic responsibilities of Business (NVG) notified by the Ministry of corporate Affairs, Government of India, in July 2011. It was found that these banks have policies on all principles but weblinks are not there.

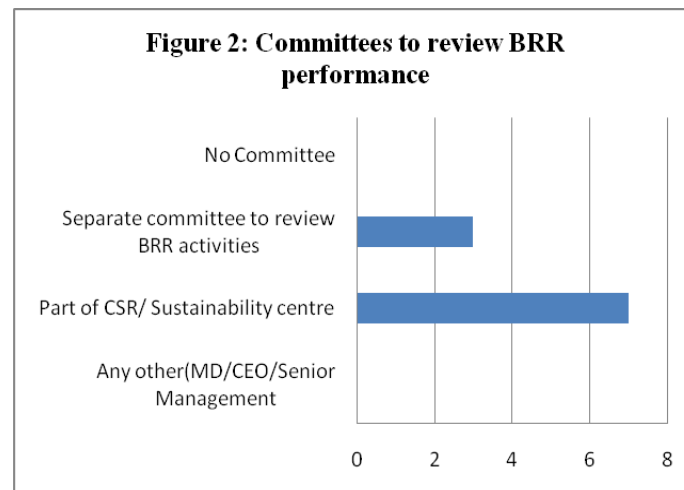
4.1.2 Frequency of meetings to discuss BRR

The frequency of meetings either by the BRR committee or meetings of the board where performance across the nine principles is discussed showcases the commitment of the management towards business responsibility. From the study, it is found that the sample banks have conducted the meetings annually. Figure 1 also shows the same results. The more frequently these meetings take place with review of governance system, the more course-correction happens, which eventually benefits the organization.



4.1.3 Committees to review BRR performance

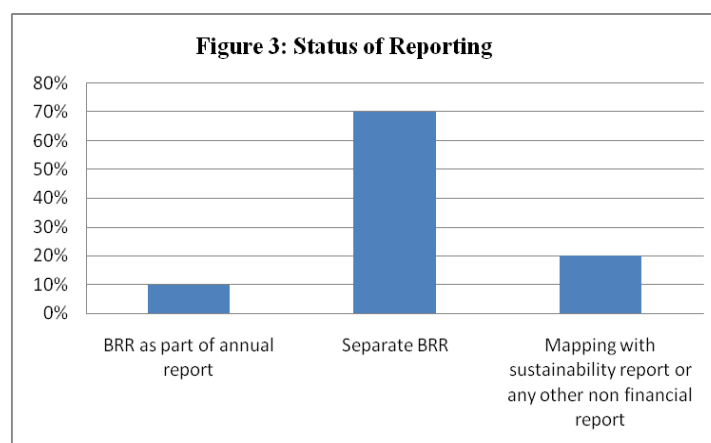
While there is a mandatory requirement to have a business responsibility head, it is observed that only 30% banks have a separate committee to review BRR activities, others have considered it as a part of CSR/ sustainability centre as is evident from figure 2.



4.2 TYPES OF BR REPORTS

4.2.1 Status of reporting

In the study, it was found that Kotak Mahindra Bank has reported BRR as a part of annual report in the year 2017. State Bank of India and Indusind Bank have mapped the BRR with sustainability report. All other banks present a separate BRR.



4.2.2 Type of BRR

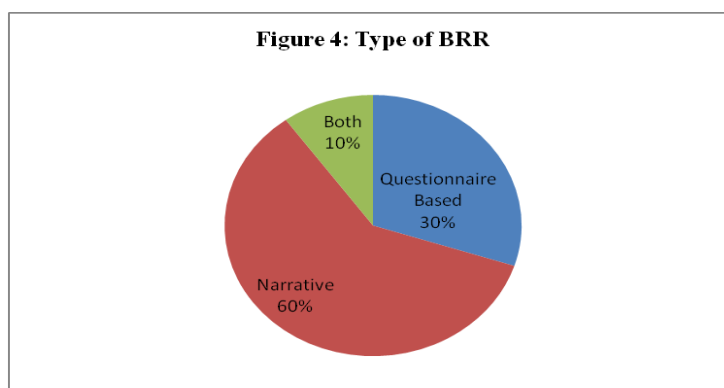


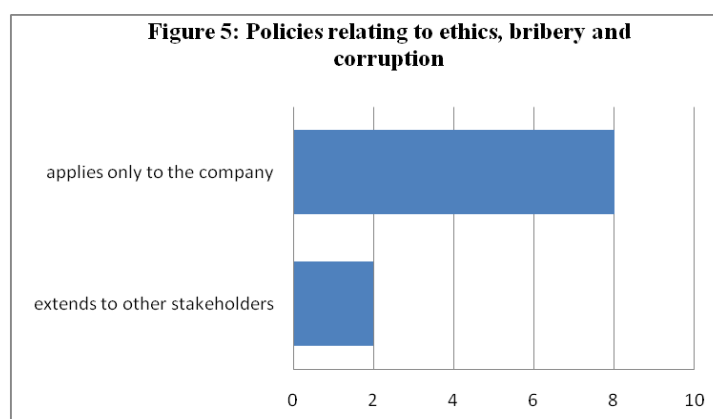
Figure 4 shows that 30 per cent of the companies publish BRR following the framework suggested by SEBI which primarily included responses to the questionnaire. 60% of the sample have gone beyond the requirements of regulation and reported thoroughly on various non-financial disclosures related to the nine principles laid down by NVGs. However, only one bank shows disclosures in the form of questionnaire and narrative as well.

4.3 Businesses should conduct and govern themselves with ethics, transparency and accountability

A code of conduct is one of the foremost policies in an organisation. This code sets the minimum standard for behaviour among the management, employees, and external stakeholders. Such a code provides guidance for the regular activities of the organisation to promote moral behaviour, ethical decision-making, prevent negative legal effects and encourage positive relationships. This helps in highlighting the values and principles which members of the organisation must uphold.

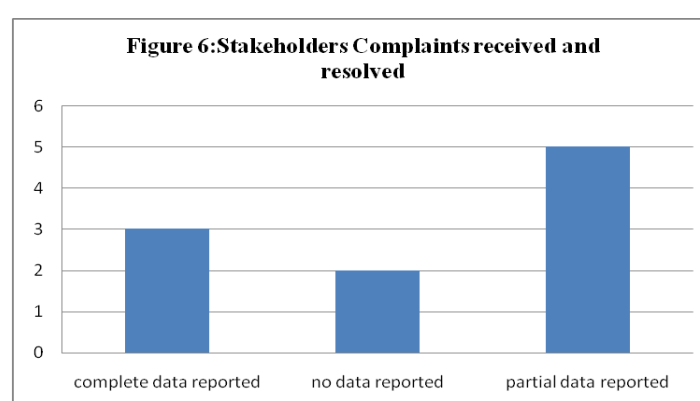
SEBI in its suggested framework asks companies whether the code relating to ethics, bribery, and corruption is applicable only to the company or whether it extends to the group/joint ventures/suppliers/contractors/NGO/others. 20 per cent of the banks have reported that it extends to external stakeholders. For others, it is applicable to the company itself.

4.3.1 Policies relating to ethics, bribery and corruption



4.3.2 Stakeholder complaints received and resolved

While the organizations extend their code of conduct to its employees and business partners, it is necessary to recognize if the stakeholders have any feedback or grievances regarding ethical code of conduct. Only 30 per cent of the banks have provided complete data regarding the stakeholders complaints received and resolved. 20% of the sample have not reported the data on this matter. However, there is ambiguity in the type of stakeholders considered as the numbers are consolidated figures.



4.4 Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

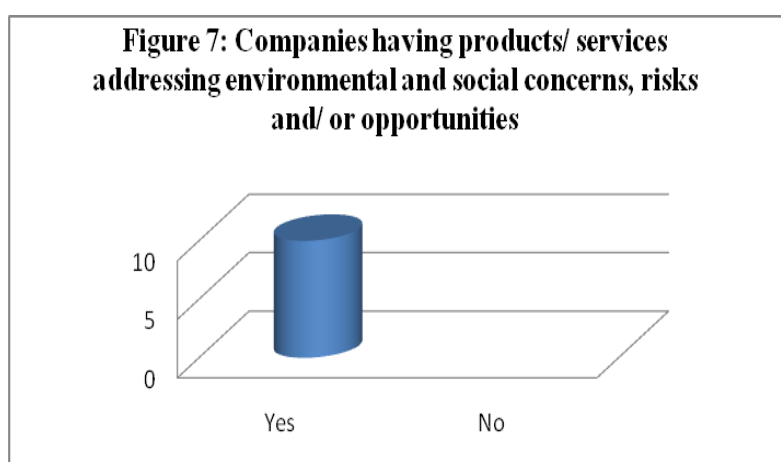
As a responsible business, an organisation commits itself to developing the triple bottom-line by taking into account the social and environmental impacts of its products or services right from design to disposal stage. There is a discernible shift

in the way companies around the world address environmental concerns from merely adopting environmentally friendly initiatives, to now building strategies around climate change risks and opportunities.

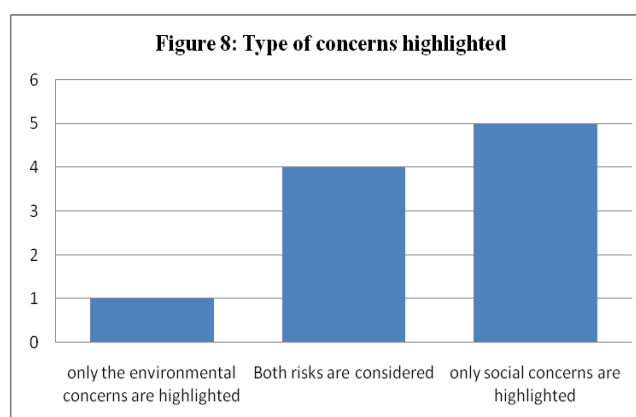
The suggested framework requests companies to disclose information regarding products and services whose design has incorporated environmental or social concerns, risks and/or opportunities. SEBI encourages companies to be aware of optimal resource use over the life cycle of the product and ensure that everyone connected with it i.e. designers, producers, value chain members, customers and recyclers are aware of their responsibilities. It asks for information regarding manufacturing processes, material usage and resource reduction to get an idea of the environmental and social performance of the organisation.

Though banking sector has service orientation, still all the BRRs of the banks have addressed to the environmental and social concerns, risks and/or opportunities as is evident from figure 7. Banks claim that their working has a very little impact on the environment, thereby reducing the applicability of this principle on the financial services sector. However, various banks have given importance to the social concerns involved in the sector. 4 banks out of the sample have considered both the environment and social concerns involved.

4.4.1 Companies having products/ services addressing environmental and social concerns, risks and/or opportunities.



4.4.2 Type of concerns highlighted



4.4.3 Waste management

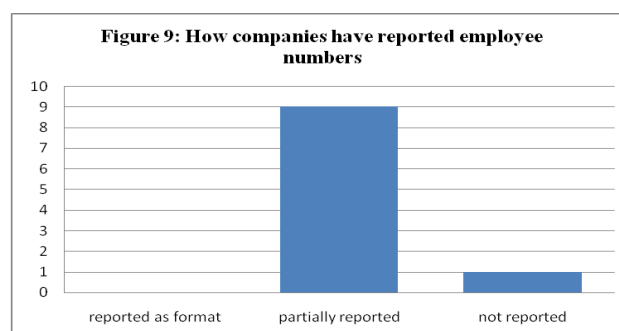
Along with judicious consumption of resources, proper waste and disposal mechanisms are crucial in maintaining environmental balance around the work area as well as avoiding any legal or compliance related issues.

The responses under this principle were not applicable on the banking sector as it does not produce waste as compared to non financial sector. It is seen that companies in the financial sector have not clearly described their waste handling mechanisms.

4.5 Businesses should promote the well-being of all employees

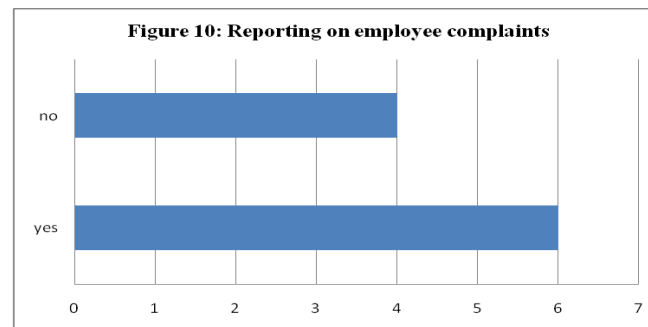
As is evident from the figure 9, none of the banks have reported the data on employee numbers in the prescribed format. 90 percent of the sample banks have partially reported the employee numbers.

4.5.1 How companies have reported employee numbers

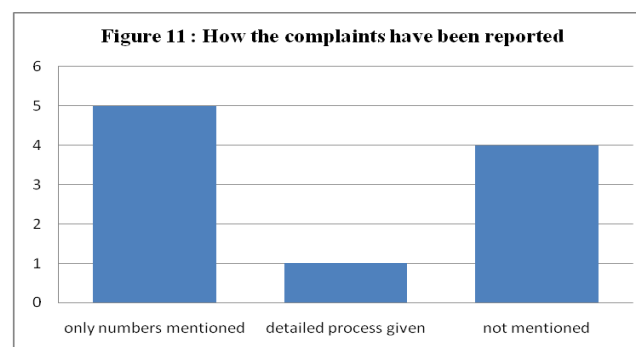


4.5.2 Reporting on employee complaints

Figure 10 purports to the reporting on employee complaints regarding sexual harassment, child labour and discriminatory employment, etc. 40 per cent of the banks have mentioned 'Nil' in this point, this raises doubts over the mechanisms established to capture such complaints.

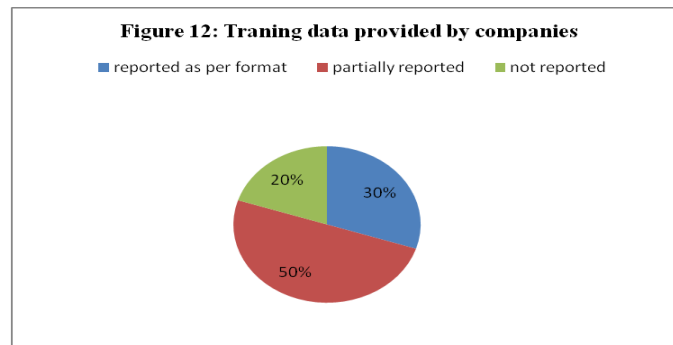


4.5.3 How the complaints have been reported



4.5.4 Training data provided by companies

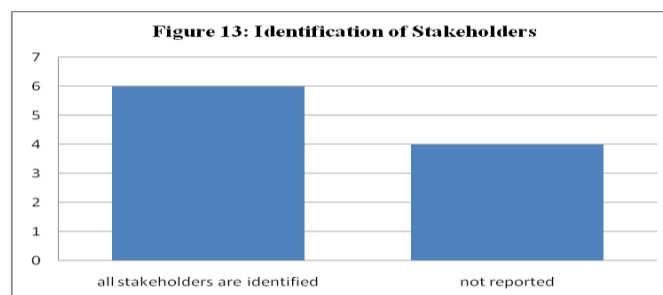
Employees' professional development is one of the critical factors that translates into long term value for the organization. Training of employees on safety and skill-upgradation helps both the organization and the individual. 30 per cent of the sample banks have provided data and break up as suggested by the framework as is in the figure 12.



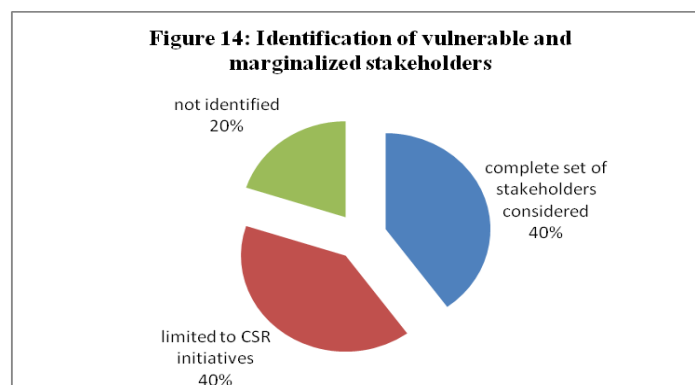
4.6 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.

Stakeholder engagement is a systematic process of involving people who may be affected by the decisions or can influence the decisions of the organisation. Identifying internal and external stakeholders and engaging with them helps the organisation to understand their concerns and work towards achieving mutually beneficial objectives

4.6.1 Identification of stakeholders



4.6.2 Identification of vulnerable and marginalised stakeholders



Most of the banks (60%) have identified their stakeholders. The format also requires companies to confirm whether disadvantaged vulnerable and marginalized groups are identified as one of the stakeholders. Only 40 per cent have confirmed that they have identified them as stakeholders. Other 40 per cent have responded to this disclosure requirement by explaining their CSR initiatives.

4.7 Businesses should respect and promote human rights

Protection of human rights and prevention of violations goes a long way in cementing a company's reputation. Employees tend to feel secure and be more productive when they are confident that their rights are being protected. A good grievance handling system thus becomes essential in providing employees with an opportunity to come forward with their complaints and issues.

4.7.1 Complaints reported

Table 1: Complaints reported

yes (all details provided)	0
no	10

4.7.2 Description of complaints reported

Table 2: Description of complaints reported

Detailed process given	0
only numbers mentioned	9
not mentioned	1

While the sample of banks used in the study have not responded to the reporting of the stakeholders complaints as no details are available. However, only numbers are mentioned in a few of the banks' BRR report. Majority of responses are 'nil'

complaints, lack of explanation on the process of recording such complaints reduces the credibility of this disclosure.

4.8 Businesses should respect, protect, and make efforts to restore the environment

Environmental stewardship is about responsible use of resources and protection of the natural environment through conservation and sustainable practices. Any organization through its operation, products and services, has an impact on the environment. It is important to identify these impacts and have mechanisms in place to mitigate negative effects. All the sample banks have stated that they have identified the environmental risk.

4.8.1 Identification of environmental risk

Table 3: Identification of environmental risk

yes	10
no	0

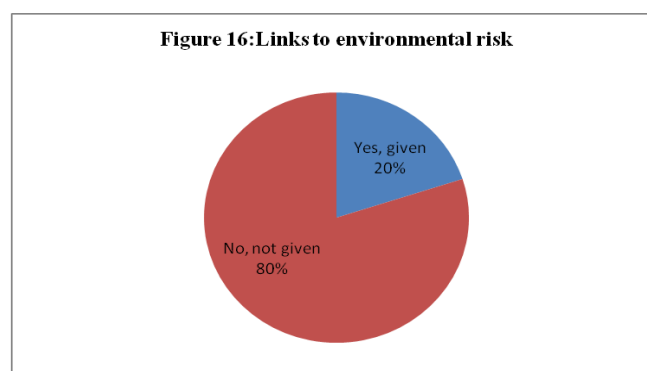
4.8.2 Strategies to address global environmental issues



60 per cent of the companies have stated that they have identified environmental risks and have undertaken initiatives on clean technology, energy efficiency, renewable energy, etc., out of which only 20 per cent have provided access to more

detailed information through weblinks. However, 60 per cent of the banks have only given a mention about the initiatives with no mention on strategy or roadmap.

4.8.3 Links to environmental risk



4.8.4 Existence of CDM projects

From the research, it was found that Clean Development Mechanism (CDM) projects are not that common amongst sample banks.

Table 4: Existence of CDM projects

Yes	0
No	10

Of the companies surveyed, the emission norms set by the Central and State Pollution Control boards are not applicable on the banking sector. All the banks have stated that they have no pending show cause notices against them.

4.9 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

Public policy advocacy involves activities such as litigation, lobbying, and public education that are intended to influence sections of legislation or industrial policies.

Through public policy advocacy, companies should strive to drive a positive change in the industry

90 per cent of the companies participate in policy advocacy through various associations, to influence regulations and policies on topics like governance and administration, economic reforms, inclusive development, energy security, and sustainable business practices. The companies who have lobbied have done so over most of the topics and also some others like healthcare, infrastructure development, and safety and skill development.

4.9.1 Topics of lobbying

Table 5: Type of Lobbying

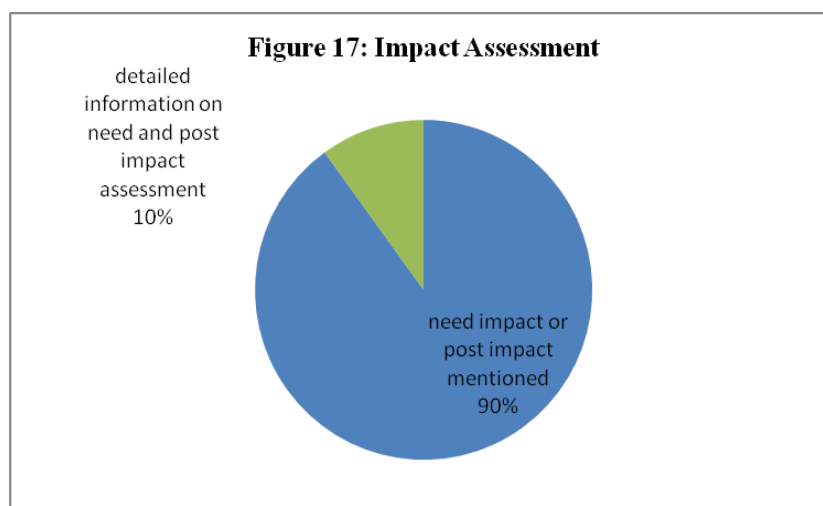
Governance and administration	9
sustainable business principles	0
economic reforms	0
energy security	0
water	0
food security	0
others	0
inclusive development policies	0
Not applicable	1

4.10 Businesses should support inclusive growth and equitable development

Companies must view themselves as an institution in the society that can create positive change and be instrumental towards the inclusive progress of the community. The mandatory spin on CSR as per the Companies Act 2013, has changed the dynamics through greater emphasis on governance and stricter monitoring and reporting obligations.

All the companies have carried out CSR activities. The impact assessment of the projects must also be carried out to ensure the projects meet the desired objectives. Majority of the companies from the banking sector have disclosed need impact or post impact for their CSR activities.

4.10.1 Impact assessment



4.10.2 Execution of CSR projects

Table 6: Execution of CSR projects

External NGO	
Inhouse team	2
Government structure	
own foundation	8
any other organisation	

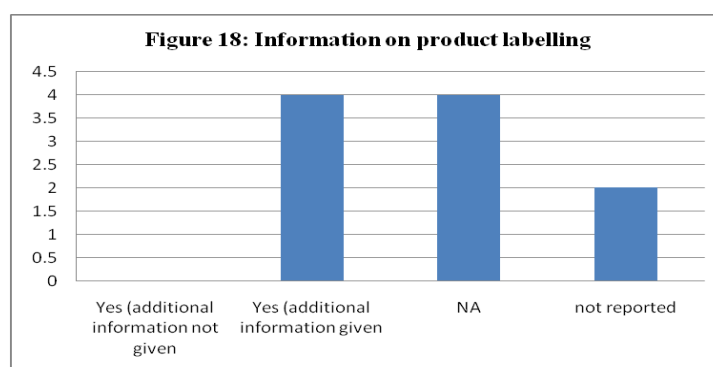
It is seen that companies use multiple modes of executing their CSR activities. As per the CSR rules under section 135 of the Companies Act 2013, implementation of CSR activities have to be done either through one's own non-profit foundation, through an independently registered non-profit organization having relevant experience of at least three years, or by collaborating resources with other companies. In the present

study, 80 per cent of the banks have their own non-profit foundation. However, 20 per cent of the banks use their in house team for the execution of CSR activities.

4.11 Businesses should engage with and provide value to their customers and consumers in a responsible manner

Any responsible organization through its products and services aims to create a positive value for its customers. Transparent product related information, fair trade practices, responsible advertising and fair competition are key ingredients of a responsible business. 40 per cent of the banks provide product labeling information. However, 20 per cent of the banks have not reported product information and 40 per cent of the banks have mentioned that this point is not applicable to them.

4.11.1 Information on product labeling



4.11.2 Whether customer surveys are carried out

Table 7: Whether customer surveys are carried out

Details of survey given	6
answer mentioned in yes/no only	0
not reported	4

All companies recognize that customer satisfaction is important and have institutionalized customer surveys to assess it. In the present study, 60 per cent of

the banks provide details of the customer survey conducted. 40 per cent of the sample, however, does not report the customer feedback under this principle.

3. Conclusion, Suggestions and Directions for future research

The present study pertaining to analysis of business responsibility reporting disclosures has been conducted for financial year ending March 31, 2017. The framework as suggested by SEBI has been considered for the purposes of analysis. It was found that the financial services sector as compared to non-financial sector has to give due importance to the sustainability issues.

It was found that the frequency of the meetings to review BRR is once a year as compared to quarterly reporting in various other sectors. Most of the banks are considering BRR as a part of sustainability center/CSR and a dedicated committee to review BRR has to exist to reap the actual benefits of responsible reporting. There are banks that map business responsibility report with some other report. It is suggested that separate BRR should be made and all questions pertaining to principles should be answered. It was found that the policies related to ethics, bribery, etc are restricted to the company itself in most of the banks and it does not extend to other stakeholders. However, some of the questions of the NVG framework were not applicable on the banks/ financial services sector.

Further, the study purports that there are banks which have not reported or identified their stakeholders especially marginalized and vulnerable stakeholders in the report. Almost all the banks have taken care of the environmental and social concerns involving their operations.

The study suggests that a table indicating the linkage of various questions with the narratives given in the report can be beneficial for the stakeholders and regulators. The banks should try to make it accurate to the maximum possible extent. For a transparent and interactive report, business responsibility report should be comprehensive.

Future research could include a primary data based study on the reporting challenges, a comparison between the business responsibility reporting of financial and non financial sector can be drawn.

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1. Business responsibility reports, Retrieved from https://www.sebi.gov.in/sebi_data/attachdocs/1344915990072.pdf Accessed on December 20, 2017
2. Business Responsibility Reporting- An analysis of top 100 BSE and NSE listed companies, 9 July 2017, Retrieved from <https://home.kpmg.com/in/en/home/insights/2017/07/business-responsibility-reporting.html> Accessed on December 9, 2017

VARIOUS WEBSITES OF THE RELEVANT BANKS

1. <https://www.hdfcbank.com>
2. <https://www.kotak.com/en.html>
3. <https://www.axisbank.com/>
4. <https://www.pnbindia.in>
5. <https://www.sbi.co.in/>
6. <https://www.federalbank.co.in/>
7. <https://www.indusind.com/>
8. <https://www.icicibank.com/>
9. <https://www.yesbank.in>
10. <https://www.bankofbaroda.co.in/>