Responsible Banking

Working Paper 2

Partners in Change
Promoting Human Rights in Business

Banks, Financial Institutions and the India Responsible Business Index: Analysing Commitments

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This article is based on data from the India Responsible Business Index (IRBI). The IRBI is a framework of policies, mechanisms and knowledge instruments based on Principles 2, 4, 5 and 8 of the National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business. The development of the IRBI was a collaborative effort of Praxis, Partners in Change and other member organisations of Corporate Responsibility Watch (CRW); Oxfam India; and Change Alliance.

Abstract

Drawing its analytical framework from a variety of international and domestic norms and legislation, this quantitative analysis uses data from the India Responsible Business Index to analyse policies of eighteen entities in India's financial sector. Deploying a variety of statistical measures, we are able to make a group and sectoral comparison of policy existence across four principles derived from India's National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business: product life cycle sustainability, employee rights, human rights, and inclusive growth and equitable development. As a group, the financial sector performs poorly in policy existence with only 42.37% of all policy commitments compared to the BSE 100's 54.38% of policy commitments—essentially they performed worse, on average, than businesses from other sectors. The highest performing financial entities in policy presence include Union Bank of India, Kotak Mahindra Bank and Canara Bank while the lowest performing financial entities are Bank of India, Punjab National Bank and LIC Housing Corporation Ltd.

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Introduction

This analysis offers a general overview of the policy existence and corresponding performance of Indian private banks, public banks and various financial institutions for the 2014-15 financial year. Primary data used in the analysis was drawn from the India Responsible Business Index (IRBI), an initiative developed from a partnership between Praxis-Institute for Participatory Practices, Partners in Change and other Corporate Responsibility Watch member organisations, Change Alliance and Oxfam India.[1] Fundamentally people-centred, the IRBI encompasses a vision of employee well-being, non-discrimination in the workplace, inclusiveness in the supply chain, community members as business stakeholders and community-centred development through CSR.

The IRBI team analysed every company, bank and financial institution in the BSE 100 and compiled their disclosure, policy existence and performance results into a single dataset which was then shared with the concerned companies. As the primary analytical device utilised in this analysis, a discussion of the relevant norms and legislation the IRBI used as its analytical framework is required in order to better understand this study's own framework.

Background and theoretical Framework: the India Responsible Business Index (IRBI)

A mixture of progressive norms and legislation, both domestic and international, contributed to elements within the IRBI. Governing a majority of these elements were India's National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business (NVGs), a set of nine non-binding principles establishing an Indian understanding and approach to inculcating responsible business conduct. [2] Borrowing from the NVG framework, the IRBI posits social inclusion as its primary critical lens, encompassing four NVG principles:

- Principle 2: *focusing on Product Life Cycle Sustainability*[3]
- Principle 3: *focusing on Employee Well-being*
- Principle 5: *focusing on Respect and Promotion of Human Rights*
- Principle 8: *focusing on Inclusive Growth and Equitable Development*

Because a social inclusion lens is concerned solely with people and their interaction with businesses across different geographies, the IRBI can be seen as initiative to highlight business' interaction with civil and human rights.

[1] *Making Growth Inclusive: Analysing Inclusive Policies, Disclosures and Mechanisms of Top 100 Companies*. Praxis and Corporate Responsibility Watch. 2015. Page 3

[2] *Making Growth Inclusive: Analysing Inclusive Policies, Disclosures and Mechanisms of Top 100 Companies*. Praxis and Corporate Responsibility Watch. 2015. Pages 20-21

[3] *For the names of the Principles as per the NVGs, see: http://www.mca.gov.in/Ministry/latestnews/National_Voluntary_Guidelines_2011_12jul2011.pdf*

In addition to the NVGs, several other international and domestic progressive norms and legislation are immediately relevant to the IRBI framework:

- The United Nations Guiding Principles on Business and Human Rights (UNGPs) establishes a more specific foundation for business' obligation to upholding and promoting human rights.[4] Developed by UN Special Representative for Business and Human Rights John Ruggie at the request of Secretary General Kofi Annan, the UNGPs follow a 'Protect, Respect, and Remedy' framework.

- As a result of the United Nations Permanent Forum on Indigenous Issues, the concept of Free Prior Informed Consent (FPIC) is also embedded in this study's analytical framework. With its influence readily identifiable in the IRBI, the principle of FPIC normalises bottom up participation from indigenous communities who may be impacted by development projects[5]. FPIC gives voice to vulnerable populations that are all too often overlooked and overridden for the sake of development.

- Due the nature of the financial sector, the principle of third party accountability, clearly referenced in Principle 1 and Principle 5 of the NVGs, will also be embedded within this analysis. The financial sector's primary operations entail pooling and distributing funds to various borrowers in order to earn profit through interest accrued from loans. In this way, banks and financial institutions are merely intermediaries between lenders that have funds in need of investment and borrowers that need funds to execute various projects and objectives. As such, the financial sector is often not held accountable and responsible for social and environmental violations perpetrated by entities that they lend to and invest in. Here, by insisting on the principle of third party accountability with respect to all policies analysed for social inclusion, we require the financial sector to extend these policies beyond their own internal operations and extend them to their external contractors, suppliers, and partnerships.

- Finally, India's Business Responsibility Report (BRR) framework[6] also directly contributes to elements within the IRBI. Some elements of social inclusivity absent from the NVGs were borrowed from the BRR framework to create a more comprehensive evaluation embedded within the IRBI. [7] It should be noted here that, like the NVGs, the BRR is organised principle-wise and indeed adopts the same principles that the NVGs set out. However, the content of the BRR questions as per

[4] *Guiding principles on business and human rights: implementing the United Nations" protect, respect and remedy" framework. United Nations 2011.*

[5] *McGee, B. (2009). Community Referendum: Participatory Democracy and the Right to Free, Prior and Informed Consent to Development, The. Berkeley J. Int'l Law, 27, 570.*

[6] *For this, please see the format suggested by the Securities and Exchange Board of India, which is available here: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1344915990072.pdf*

[7] *Format for Business Responsibility Report (BRR)*. Securities and Exchange Board of India. 2015.

Section E of the SEBI format reveals some distinct emphases under each principle: some aspects of the NVGs are left out, whilst certain different perspectives are added in (such as the emphasis on local and small producers in Principle 2 (Section E) of the BRR). In this study, as in the IRBI, both the NVGs and the BRR frameworks are drawn on.

In summary, then, the analytical framework used to evaluate financial entities' policy existence and performance is based primarily on the IRBI framework. Beyond that, certain other frameworks (which the IRBI itself draws on) such as human rights frameworks referred to above, also underpin our analysis.

Of the sixteen policy areas featured in this study, one relates to principle 2 of the NVGs, eleven to principle 3, one to principle 5 and the remaining three to principle 8. Given the IRBI's nature, this means the NVGs, the BRR framework, the UNGPs and the concept of FPIC are all ingredient. A previous analysis on financial entities' disclosure across elements listed in the IRBI will also be referred to in order to contextualise the results of financial entities' policy existence and performance.[8]

The IRBI dataset was used to study banks and financial institutions' disclosed policy commitments within the 16 specific policy areas listed in Figure 1 above. Within the IRBI framework, banks and financial institutions are assigned one of three outcomes: policy absent in the public domain, policy is mentioned but does not detail mechanisms for enforcement, and policy is mentioned with enforcement mechanisms detailed. To qualify as having a specific policy, a company need not necessarily have a dedicated policy on the said area. Rather, the policy commitment needs to have been expressed clearly within the public domain, typically the website of the company concerned.

Figure 1: Assessment Framework

Column 1	Column 2	Column 3		
NVG Principle	**Specific policy area**	**Extent of commitment**		
Principle 2	Acknowledges priority to the local suppliers for its raw materials and services	policy absent in the public domain	policy is mentioned but does not detail mechanisms for enforcement	policy is mentioned with enforcement mechanisms detailed
Principle 3	Gives equal opportunity to employees in recruitment			
	Recognises right to trade unions/collective bargaining			
	Eliminates child and forced labour			

[8] *Indian Banks and Financial Institutions Disclosure Analysis. PIC Responsible Banking Working Paper 2, 2016.*

	Highlights efforts to create an enabling environment for women			
	Provides grievance redressal system for discriminatory employment			
	Recognises equal opportunity in career advancement for employees			
	Recognises equal opportunity in career advancement for women employees			
	Recognises equal opportunity in career advancement for people with disabilities			
	Recognises safety of employees (OHAS)			
Principle 5	Policy on human rights extends beyond the company			
Principle 8	Comply with CSR expenditure as mandated by law			
	Channels to implement CSR projects are listed			
	Monitoring mechanism for CSR projects			

The framework above enables each bank to be assessed on the basis of a combination of 16 different values, each of which corresponds to a particular policy and the extent of disclosed commitment to that policy area.

Methodology

This study will use the term *financial sector* to describe all banks and financial institutions taken together and the term *financial entity* to describe an individual, nonspecific bank or a financial institution. It will only use the term *financial institution* to refer to any individual financial institution listed under the appropriate subgroup and likewise for the term *bank*. For the sake of simplicity and brevity, the term *policy* is used consistently below to refer to a commitment within a particular policy area.

This study will analyse eighteen financial entities categorised by subgroup as follows:

Private Banks	Financial Institutions	Public Banks
Axis Bank	Housing Development Finance Corporation Ltd.	Bank of Baroda
HDFC Bank	IDFC Ltd.	Bank of India
ICICI Bank	LIC Housing Finance Ltd.	Canara Bank
IndusInd Bank	Power Finance Corporation Ltd.	Punjab National Bank
Kotak Mahindra Bank	Rural Electrification Corporation Ltd.	State Bank of India

Yes Bank	Shriram Transport Finance Corporation Ltd.	Union Bank of India

Table 1: Financial entities listed by subgroup.

As indicated in Column 3 of Figure 1, above, three levels of commitment to any one policy area are possible. Within the IRBI framework, as here, these three levels of commitment represent three different values. However, in its scoring of these commitments this study departs from the IRBI. Whereas the IRBI team developed its own methodology in assigning numerical values to companies based on a variety of weighted factors, here each of the 16 policy areas is given *equal weightage*. Further, in this study the following statistical measures are used to analyse the extent of commitment to the given policy areas:

- **Mean** – the average of a set of numerical values, taken by adding all values and dividing by the total number of values.
- **Median** – the value separating the higher half of the data set from the lower half. Medians can be used as a more accurate descriptor of the data set when outliers, or isolated significantly high or low performances, skew the mean.
- **Standard Deviation** – a measure used to quantify the amount of variation or dispersion in a data set. Taken together with the coefficient of variation (described below), the standard deviation allows us to evaluate the strength of the mean or median as a descriptor for the entire set.
- **Coefficient of Variation (CV)** – a standardised measure of variation, obtained by dividing the standard deviation by the mean. The CV allows us to compare standard deviations of different data sets, an issue that is recurrent across multiple principles in this analysis. From the size of the data sets in this analysis, a CV above 0.5 indicates high variance which discredits the mean as an accurate descriptor of the entire data set. A CV below 0.5 indicates low variance which strengthens the mean as an accurate descriptor of the entire data set.

To quantify results, banks and financial institutions are assigned a numerical score for each policy outcome: 0.0 for policy absent, 0.5 for policy mentioned without enforcement mechanisms, and 1.0 for policy mentioned with enforcement mechanisms. Taken together, the results will be referred to as a policy score and evaluated using a mean, median, standard deviation, and a CV.

The total number of policy commitments will record the number of policies either mentioned without mechanisms for enforcement or mentioned with mechanism for enforcement detailed. By comparing this value to the mean policy score of each financial entity, we can evaluate the strength of these policies: a mean policy score closer to the total number of policy commitments indicates more enforcement mechanisms detailed and thus a more robust overall polity, and vice versa for a weak polity. To quantify this result, we divide the mean policy score by the mean amount of policies disclosed. A result from 0.50-0.67 indicates most policy commitments failed to detail enforcement mechanism and thus the policies are weak. A result of 0.67-0.83 indicates around half of the policy commitments detail enforcement mechanism and thus the policies have moderate strength. A result between 0.83-1.00 indicates all or most of the policy commitments detail enforcement mechanism and thus the policies are robust. This allows us to not only situate the financial sectors' performance both in comparison with the general population of companies in the BSE 100 and as an overall measure of performance, but also to judge the strength and salience of policies when they are mentioned.

Variance is used to evaluate the strength of the mean and median in accurately describing the conditions of the set based on the results of the whole—high variance discredits the mean while low variance strengthens it. Hence when analysing data sets across banks and financial institutions, a low level of variance is most preferable for an accurate depiction of results on which we will draw conclusions. The results of all banks and financial institutions will be detailed, accompanied with a brief description of disclosure performance gathered from the previous analysis to place the results into a broader context of social inclusivity.

This analysis will first provide a broad overview of the financial sector's performance as a group of nineteen financial entities across all sixteen policies relating to social inclusion. The performance overview will then be divided by subgroups of private banks, public banks, and financial institutions to note any significant changes across subgroups. It will also note high performers and lower performers where appropriate. After, it will break down performance by individual principle, first presenting financial entities as a whole followed, again, by a breakdown by subgroup.

Findings

I. Comparisons with the BSE 100

In order to locate the financial sector within a broader environment of Indian companies' performances across these policies on social inclusion, it is illuminative to first present the performance of the BSE 100 as a means of comparison. There is a great amount of variance in policy existence and disclosure not only across different sectors and industries, but also between companies within the same industry. Because of this variance between companies, broad generalisations on their status as a group is often difficult, if not always impossible.

Taking a randomised sample of 10 companies in the BSE 100, we can extrapolate their results to the entire population, or to all top 100 companies. Quite broadly, companies within the BSE 100 performed poorly across all four principles accounted for in the IRBI. Overall, 45.62% of all required policies for social inclusion are absent amongst all companies in the BSE 100, mentioning 23.75% of policies without enforcement mechanisms and fully detailing 30.63% of policies with enforcement mechanisms. In short, the entire group only discloses a little over half of what is required for good standing in social inclusivity.

Tabulated results between the financial sector and the BSE 100 are listed below.

Principle	Financial Sector	BSE 100
Principle 2	38.89%	54.38%
Principle 3	37.36%	50.91%
Principle 5	50.00%	50.00%
Principle 8	61.00%	73.32%
Overall	42.37%	54.38%

Table 2: Comparison between the financial sector and the BSE 100 on the percentage of policy commitments

A comprehensive overview of the financial sector's performance will be detailed later in the report, but for the sake of comparison its general results will be mentioned briefly. Compared to the BSE 100's 45.62% policy absence, the financial sector performed substantially worse with 58.25% of all policies for social inclusion absent. Furthermore, compared to the BSE 100's 30.63% of policy commitments with enforcement mechanisms detailed, the financial sector again performed substantially worse at 20.07% on the same metric. The financial sector therefore tends to have fewer policies on social inclusion than their peers in the BSE 100 and when a policy is present, it tends to be weaker than policy commitments by companies in the BSE 100. When evaluating individual financial entities in comparison to their peers, one then must account for the entire financial sector's relatively poor performance within the context of the general population of companies.

II. Principle-wise analysis

The following Principle-wise analysis is focused on four of the Principles present in the NVGs and the BRR frameworks. These four principles also formed the thematic basis of the IRBI.

Principle 2: Product and Service Life Cycle Sustainability

Principle 2 requires companies to ensure sustainability in the life cycle of their products and services. For banks and financial institutions enacting socially inclusive policies, this principle demands considerate engagement with local actors when acquiring materials for their supply chains. This principle then also requires that financial entities should ensure that their investments uphold product life cycle sustainability through sourcing materials from the local communities.

From the IRBI data, we find only one policy relevant to social inclusion in the supply chain for financial entities: a policy that acknowledges priority to local suppliers for raw materials and services. Smaller data sets have a predisposition for higher variance; because the inclusion or exclusion of any given data point can significantly skew overall results of the entire set, a variance test will be useless in determining the salience of the attempted statistical analysis. Principle 2 and principle 5, each only containing one policy, will not be analysed using standard deviation nor a coefficient of variation, but rather high and low performances will be highlighted where appropriate.

As a group, only seven financial entities possessed a policy that acknowledges priority to local suppliers for its raw material services. Out of these seven financial entities, only Axis Bank details enforcement mechanisms. The financial sector's mean policy commitments is 0.38 out of 1 possible policy (38.90%), with a mean policy score of 0.22 (22.22%). This leads to a ratio between mean policy commitments and mean policy score of 0.58, indicating a weak body of policies. We can therefore conclude that when the financial sector mentioned the policy for principle 2, we would expect that policy to omit enforcement mechanisms.

Division by subgroup shows only a slight deviation from these averages. Private banks were the highest performers with 0.50 policy commitments out of 1 (50.00%) per bank and a mean policy score of 0.33 (33.33%). Public banks were next with the same 0.50 policies out of 1 (50.00%) mentioned per bank and a mean policy score 0.25 (25.00%). Financial institutions were the poorest performers with only 0.17 policy commitments out of 1 (16.67%) per institution and a mean policy score of 0.08 (8.33%).

Endemic across the financial sector is a continuous absence of policies encouraging local sourcing for its raw materials. 45.62% of companies in the BSE 100 have no policy encouraging local sourcing compared to 61.10% of financial entities. This reinforces the conclusion reached previously—that the financial sector performs significantly worse than all companies in the BSE 100. Clearly, more policies need to be implemented and enforced to ensure active inclusion of communities throughout the supply chain. Tabulated results across principle 2 are listed below.

	Financial Entity	Policy Score	Policy Commitments
1.	Axis Bank	1.0	1
2.	IDFC	0.5	1
2.	Kotak Mahindra Bank	0.5	1
2.	State Bank of India	0.5	1
2.	Union Bank of India	0.5	1
2.	Yes Bank	0.5	1
2.	Bank of Baroda	0.5	1
8.	Bank of India	0.0	0
8.	Canara Bank	0.0	0
8.	HDFC Bank	0.0	0
8.	Housing Development Finance Corporation Ltd.	0.0	0
8.	ICICI Bank	0.0	0

8.	IndusInd Bank	0.0	0
8.	LIC Housing Finance Ltd.	0.0	0
8.	Power Finance Corporation Ltd.	0.0	0
8.	Punjab National Bank	0.0	0
8.	Rural Electrification Corporation Ltd.	0.0	0
8.	Shriram Transport Finance Corporation Ltd.	0.0	0

Table 3: Financial entities by policy performance across Principle 2

Subgroup	Mean Policy Commitments	Mean Policy Score	Median Policy Score
Private Banks	0.50	0.33	0.25
Public Banks	0.50	0.25	0.00
Financial Institutions	0.17	0.08	0.00
All Financial Entities	0.39	0.22	0.00

Table 4: Statistics across all four principles

Principle 3: Employee Well-Being

Principle 3 expects companies to ensure fairness and equality to all employees in recruitment and career advancement. Additionally, principle 3 prohibits child labour, sexual harassment and discrimination while obligating companies to provide a safe working environment for all employees. For the financial sector, banks and financial institutions are expected to uphold principle 3 in their internal and external operations—not only should financial entities act according to this principle amongst their directly employed staff, but they should additionally extend this obligation to the corporations they finance.

Within principle 3 are eleven policies required by financial entities to fulfil their obligation to social inclusivity. Taken as a group, the financial sector mentions an average of 4.11 policies per financial entity out of a possible 11 policies (37.36%). Each financial institution will then have, on average, 6.89 policies absent out of their total obligation of 11 (6264%). When scoring banks and financial institutions as a group for their corresponding policy existence, each entity has an average policy score of 2.86 out of a possible score of 11, or 26.00% of the total. The median score of 2.50 is close enough to the mean score to qualify the result as acceptable. Comparing the mean policy score with the mean policy commitments, we derive a ratio of 0.87 indicating a strong strength of the policy commitments. We can therefore conclude that when policies within principle 3 are mentioned by the financial sector, they tend to detail enforcement mechanisms.

The standard deviation of 2/05 leads to a CV of 0.46, indicating a low to moderate amount of variance which qualifies the mean as a sufficient descriptor.

The highest performing subgroup in principle 3 was public banks with a mean of 3.83 out of a possible 11 policy commitments (34.82%) and a mean policy score of 2.92 out of 11 (26.54%). Its median of 2.75 may seem to qualify the mean, however its standard deviation and CV of 2.22 and 0.76, respectively, indicate a substantial amount of variance and thus the presence of significantly high or low performers. When observing the set of policy scores as a whole, the variance is obvious with scores range from 0.5, the lowest score of any financial entity, to 6.5, the highest score of any financial entity. The mean policy score gives an inaccurate view of the performance of all individual banks within a confined set of public banks and one must instead examine each bank individually to place public banks within the context of principle 3's social inclusivity policies.

The next strongest subgroup was private banks with a mean of 4.50 out of 11 policy commitments (40.91%) and a mean score of 2.83 out of 11 (25.73%). Its median score of 4.25 qualifies the mean score as an acceptable result. Observing the standard deviation of 1.33, we can derive a CV of 0.47 which indicates a relatively low level of variance and strengthens the mean score as an accurate descriptor of the entire populations of private banks. With a higher mean of policy commitments than public banks and a comparable policy score with a low amount variance, private banks can be seen as on par with, if not outperforming, public banks.

On par with private banks was the financial institution subgroup with mean of 4.00 out of 11 policy commitments (36.36%) and an identical mean score of 2.83 out of 11 (25.73%). Its median policy score of 2.75 seems to qualify the mean policy score, however the standard deviation and CV of 1.47 and 0.53, respectively, indicates a moderate amount of variance within the set. In order to assess the strength of the mean as a descriptor of the entire set, one must analyse the individual financial institutions within the set itself. A quick evaluation reveals a relatively high policy score of 5.0 by Power Finance Corporation Limited, almost double the mean policy score of the group. The omission of such a result then leads to a more evenly distributed result.

Although some subgroups tended to perform better than others, the differences were truly nominal compared to the total possible amount of policies encompassed within policy 3. Amongst private banks, Kotak Mahindra Bank proved to outperform all others in its subgroup, tying for second in policy score (5.0) and mentioning more policies than any other financial entity (7). ICICI Bank was the worst performer amongst private banks in principle 3, tying for second last both in the number of policies it mentioned (2) and in its policy score (1.0). Disclosure levels for both banks, however, were moderate.

Amongst public banks, Union Bank of India again outperformed not only its subgroup, but the entire financial sector for principle 3. Its policy score ranks first amongst all financial entities (5.5) while its mean policy commitments ties for second (6). The disclosure analysis across principle 3 also highlights Union Bank of India's strong increase in proportional female representation in its work force. Bank of India again exhibited the poorest performance, tying for last of all financial entities in both policy commitments (1) and policy score (0.5). Its strong overall disclosure is evident within principle 2, where Bank of India disclosed the most of any financial entity. Additionally, Punjab National Bank's tied for second last in policy commitments (2) and second last in policy score (1.0). Its poor disclosure level continues in principle 3, where it was one of the few financial entities that failed to disclose the number of women it employs in its workforce.

Amongst financial institutions, Power Finance Corporation Limited had the highest policy score (5.0) tying for the second amongst all financial entities and tying for second in mean policy commitments (6). From the disclosure analysis, Power Finance Corporation Limited had a moderate-high level of disclosure across indicators in principle 3. Tied for the worst for policy score (0.5) and polices mentioned (1) was LIC Housing Corporation Limited. Conversely, LIC Housing Corporation Limited disclosed a moderate-high level of indicators in principle 3, with the highest amount of female employment of any financial entity for both the 2012-13 and 2013-14 financial years.

Beyond subgroup comparisons, the financial sector again performs poorly in comparison to the BSE 100. While the average company within the BSE 100 will mention 50.91% of policies within principle 3, or 5.6 policies per company, the financial sector only mentions 37.37% or 4.11 policies per financial entity. This reinforces the conclusion that the financial sector not only performs objectively poorly as an industry in including policies upholding principles of social inclusion, but also performs objectively worse than the interindustry average across all policies. More policies need to be enacted within the financial sector and across the BSE 100 to foster safety, equality and fairness in the workplace so that all employees have an equal opportunity for success. Without these policies codified, there is no way of ensuring the financial market reneges on such commitments. Tabulated results across principle 3 are listed below.

	Financial Entity	**Policy Score**	**Policy Commitments**
1.	Union Bank of India	5.5	6
2.	Kotak Mahindra Bank	5.0	7
3.	Power Finance Corporation Ltd.	5.0	6
4.	Canara Bank	4.0	6
5.	IDFC Ltd.	3.5	7
6.	Axis Bank	3.5	6
7.	State Bank of India	3.5	6
8.	Shriram Transport Finance Corporation Ltd.	3.0	5

9.	IndusInd Bank	2.5	5
10.	HDFC Bank	2.5	4
11.	Housing Development Finance Corporation Ltd.	2.5	4
12.	Rural Electrification Corporation Ltd.	2.5	3
13.	Yes Bank	2.5	3
14.	Bank of Baroda	2.0	2
15.	Punjab National Bank	1.0	2
16.	ICICI Bank	1.0	2
17.	LIC Housing Finance Ltd.	0.5	1
18.	Bank of India	0.5	1

Table 5: financial entities by policy performance across principle 3

Subgroup	Mean Policy Commitments	Mean Policy Score	Median Policy Score	Standard Deviation	Coefficient of Variation (CV)
Private Banks	4.50	2.83	2.50	1.33	0.47
Public Banks	3.83	2.92	2.75	2.22	0.76
Financial Institutions	4.00	2.83	2.75	1.47	0.53
All Financial Entities	4.11	2.86	2.50	2.05	0.46

Table 6: Statistics across all four principles.

Principle 5: Human Rights

The fifth NVG principle requires banks and financial institutions to promote and respect human rights. Due to the nature of the financial sector, an internal human rights policy is often easily implemented. The financial sector's main activities concern pooling and distributing funds to various borrowers, with little to no environmental nor social impacts directly attributable to their operations. Indeed, only one financial entity, Punjab National Bank, fails to disclose a human rights policy applicable to its internal operations.

However, when analysing the financial sector's performance across principle 5, we apply the principle of third party accountability, referenced in different ways in both the NVGs and in the BRRs, to evaluate the extent to which each financial entity's human rights policy extends beyond the financial entity to obligate its lenders to follow the same protocols when utilising their funds. Only one policy—a policy on human rights that extends beyond the company—is appropriate for this analysis. Like principle 2, principle 5 will disregard measures of variance because of a constrained sample size that lends itself to naturally high levels of variance.

Taken as a group, the financial sector had a mean of 0.50 out of 1 (50.00%) policy mentioned. This means that half of all financial entities failed to at least mention a policy on human rights that extends beyond its internal operations.

When scoring banks and financial institutions as a group for their corresponding policy existence, each entity has an average policy score of 0.42 out of a possible score of 1, or 41.67% of the total. The median policy score of 0.25 is near enough to the mean to qualify the result as acceptable. Comparing the mean policy score with the mean policy commitments, we derive a ratio of 0.60 indicating a weak body of policies. We can therefore conclude that when the policy within principle 5 is mentioned by the financial sector, individual entities tend to omit enforcement mechanisms.

A subgroup analysis indicates nominal differences across the financial sector. The highest performing subgroup was public banks with a mean of 0.50 policy commitments out of a possible 1 (50.00%) and a mean policy score of 0.50 (50.00%). Slightly deviating from this result is the financial institution subgroup with the same mean policy score of 0.50 (50.00%) and only a negligible difference in the mean amount of policy commitments at 0.42 (41.67%). Private banks are considered the worst performing subgroup, but regardless had the same mean policy commitments as private banks at 0.50 (50.00%) and a mean policy score of 0.33 (33.33%).

Because a principle 5 analysis is one dimensional, it is difficult to evaluate high and low performers based on the existence of one policy alone. We must therefore use the context of the general results across all four principles to note deviations from the norm. While Bank of India delivered a total policy score of 1.5 across all principles, under principle 5 it details its own human rights policy and extends it beyond its internal operations to its suppliers, subcontractors and various other external entities. This single policy presence account for two-thirds of its total policy score. From the disclosure analysis, Bank of India was not only the highest performing bank in principle 5 for both financial year 2012-13 and 2013-14, but also recorded the greatest increase in disclosed indicators within principle 5 across years; its success is in acceleration. Bank of India is therefore a standout performance in principle 5, both in terms of disclosure and policy. As mentioned before, Punjab National Bank was the only financial entity without a human rights policy implemented for its internal operations, let alone extending beyond the bank itself. Its performances should be recognised as the worst across principle 5.

Beyond subgroup comparison, the financial sector as whole performed on par with the rest of the companies in the BSE 100. The mean number of policy commitments in the BSE 100 for principle 5 was 0.50 out of 1 (50.00%) with its mean policy score the same at 0.50. Thus, the policy commitments within the BSE 100 on principle 5 strongly tend to detail enforcement mechanisms for ensured policy implementation. This results correlates perfectly with that of the financial sector.

Despite the slight improvement exhibited by the financial sector to perform on par with colleagues in the BSE 100, half of all companies and financial entities still fail to extend a policy on human rights beyond their internal operations. This policy requirement is only a foundational base to build upon—it does not require companies to extend their human rights policies to all external actors, just any other actor beyond the company itself. Nor does it evaluate the content or strength of the human rights policy implement. Yet despite this relatively low bar of entry, around half of all entities within the BSE 100 fail to implement this basic requirement. The financial sector must subsume this requirement and extend beyond it to truly uphold respect for human rights. Tabulated results across principle 5 are listed below.

	Financial Entity	Policy Score	Policy Commitments
1.	Bank of India	1.0	1
2.	Canara Bank	1.0	1
3.	IDFC Ltd.	1.0	1
4.	LIC Housing Finance Ltd.	1.0	1
5.	Union Bank of India	1.0	1
6.	Yes Bank	1.0	1
7.	Axis Bank	0.5	1
8.	Kotak Mahindra Bank	0.5	1
9.	Shriram Transport Finance Corporation Ltd.	0.5	1
10.	Bank of Baroda	0.0	0
11.	HDFC Bank	0.0	0
12.	Housing Development Finance Corporation Ltd.	0.0	0
13.	ICICI Bank	0.0	0
14.	IndusInd Bank	0.0	0
15.	Power Finance Corporation Ltd.	0.0	0
16.	Punjab National Bank	0.0	0
17.	Rural Electrification Corporation Ltd.	0.0	0
18.	State Bank of India	0.0	0

Table 7: Financial entities by policy performance across principle 5

Subgroup	Mean Policy Commitments	Mean Policy Score	Median Policy Score
Private Banks	0.50	0.33	0.25

Public Banks	0.50	0.50	0.50
Financial Institutions	0.50	0.42	0.25
All Financial Entities	0.50	0.42	0.25

Table 8: Statistics across principle 5

Principle 8: Inclusive Growth and Equitable Development

The eighth principle holds that banks and financial institutions should support inclusive growth and equitable development. Indirectly, the financial sector is the underwriter of the greater Indian economy, financing development projects and fostering economic growth. But clearly, this growth has not come without significant costs; adverse social and environmental impacts are endemic across these growth initiatives. The financial sector must assume accountability for the consequences of their financing by demanding more out of their lenders and discovering the most effective pathways of change for their corporate social responsibility (CSR) activities. Principle 8 encompasses three policies on social inclusivity in equitable development: a policy that complies with CSR expenditure laws, a policy that lists channels to implement CSR projects and a policy that establishes monitoring mechanisms for CSR projects.

Across three policies, the financial sector had a mean of 1.83 policy commitments (61.11%) and a mean policy score of 1.53 (51.00%). Principle 8 is then considered the financial sector's best performing areas in terms of both mean policy score and mean policy commitments. The median policy score of 1.50 qualifies the mean as an acceptable result, however, from the standard deviation of 0.87 we derive a CV of 0.57 indicating a moderate amount of variance across the industry. Several low performers negatively impact the mean, slightly obscuring the clarity of the results. Regardless, the mean policy score can still be used as an accurate descriptor of the entire financial sector. Comparing the mean policy commitments with the mean policy score, a ratio of 0.84 indicates a strong body of policies. We can therefore conclude that when the financial sector mentions principle 8 policies, they tend to detail enforcement mechanisms for their policies' continued implementation.

A subgroup analysis reveals private banks as the highest performing subgroup with a mean of 2.00 out of 3 possible policy commitments (66.67%) and a mean policy score of 1.75 (58.33%). The median policy score of 2.00 qualifies the mean as an acceptable result while the standard deviation and CV of 0.88 and 0.50, respectively, indicate a moderate to low amount of variance. The strength of the mean policy is adequate to qualify as an accurate descriptor of the entire set.

The next subgroup was financial institutions with a mean of 1.83 out of 3 possible policy commitments (62.00%) and a mean policy score of 1.50 (50.00%). The median policy score of 1.50 qualifies the mean as an acceptable result while the standard deviation and CV of 0.55 and 0.37, respectively, indicate a negligible amount of variance. The strength of the mean policy score is notably high and thus it is an appropriate measure as a descriptor of the entire set.

The poorest performing subgroup was public banks with a mean of 1.67 out of 3 possible policy commitments (55.67%) and a mean policy score of 1.33 (44.33%). The median policy score of 1.25 may seem to qualify the mean as an acceptable result, however the standard deviation and CV of 1.17 and 0.89, respectively, indicate a substantial amount of variance in the set. Analysing individual performances by financial entities in the public bank subgroup, this variance is clearly derived from the high range of policy scores from 0.0, the lowest possible score, to 3.0, the highest possible score. The performances should then be analysed individually rather than comparatively as a group.

Out of financial sector, only two financial entities, Canara Bank and ICICI Bank, mentioned all policies with enforcement mechanisms detailed. Both banks performed relatively well in the disclosure performance, with Canara Bank disclosing slightly more indicators than ICICI Bank. Their performances are notable and deserve to be recognised as models of socially inclusive policies within principle 8. Bank of India reclaimed it position as the worst performing bank by failing to mention any principle 8 policies. Axis Bank, Bank of Baroda, Punjab National Bank and LIC Housing Finance Corporation all perform well below the average with policy scores of 0.5.

Beyond subgroup comparison, the financial sector as whole performed worse than the rest of the companies in the BSE 100. The mean number of policy commitments in the BSE 100 for principle 8 was 2.20 out of 3 (73.34%) with its mean policy score at 2.00 (66.67%). Thus, the policy commitments within the BSE 100 on principle 8 strongly tend to detail enforcement mechanisms for ensured policy implementation. The mean amount of policy commitments by the financial sector at 1.83 shows its poor performance in comparison to the BSE 100, with its mean policy score of 1.50 substantially lower than the greater population of all companies. This again reinforces the conclusion that the financial sector is a poorly performing industry from the perspective of policy disclosures. Tabulated results across principle 8 are listed below.

	Financial Entity	Policy Score	Policy Commitments
1.	Canara Bank	3.0	1
1.	ICICI Bank	3.0	1
3.	Housing Development Finance Corporation Ltd.	2.0	1
3.	IDFC Ltd.	2.0	1
3.	IndusInd Bank	2.0	1
3.	Kotak Mahindra Bank	2.0	1

3.	State Bank of India	2.0	1
3.	Union Bank of India	2.0	1
3.	Yes Bank	2.0	1
11.	Power Finance Corporation Ltd.	1.5	0
11.	Rural Electrification Corporation Ltd.	1.5	0
11.	Shriram Transport Finance Corporation Ltd.	1.5	0
14.	HDFC Bank	1.0	0
15.	Axis Bank	0.5	0
15.	Bank of Baroda	0.5	0
15.	LIC Housing Finance Ltd.	0.5	0
15.	Punjab National Bank	0.5	0
18.	Bank of India	0.0	0

Table 9: financial entities by policy performance across principle 8

Subgroup	Mean Policy Commitments	Mean Policy Score	Median Policy Score	Standard Deviation	Coefficient of Variation (CV)
Private Banks	2.00	1.75	2.00	0.88	0.50
Public Banks	1.67	1.33	1.25	1.17	0.89
Financial Institutions	1.83	1.50	1.50	0.55	0.37
All Financial Entities	1.83	1.53	1.50	0.87	0.57

Table 10: Statistics across all principle 8.

III. Sectoral analysis

Taken as a group and analysed across four principles relating to social inclusion, banks and financial institutions at least mention an average of 6.78 out of 16 policies per financial entity, or 42.37% of all policies.

When scoring banks and financial institutions as a group for their corresponding policy existence, each entity has an average of 4.94 out of a possible score of 16, or 30.90% of the total. The median score of 4.50 is close enough to the mean score to qualify the result as an acceptable measure. The standard deviation of 2.18 leads to a CV of 0.44, indicating a relatively low amount of variance and thus the mean is sufficient to describe the set.

Comparing the mean policy commitments with the mean policy score leads to a ratio of 0.73, indicating moderate policy strength. We can therefore conclude that if policies are mentioned by any given financial entity, we expect nearly half of these policies to detail enforcement mechanisms.

When analysing subgroups, the results slightly deviate from the financial sector's overall performance. The highest performing subgroup was private banks with an average of 7.50 out of 16 policy commitments (46.88%) and a mean policy score of 5.25 out of 16 (32.81%). The median of 5.00 qualifies the mean as an acceptable result. The standard deviation of 1.63 leads to a CV of 0.31 indicating a low level of variance and the results thus strongly describe the set. Private banks disclosed almost an entire policy more per financial entity than the group average.

The poorest subgroup was public banks with an average of 6.33 out of 16 policy commitments (39.56%) and a mean score of 4.83 out of 16 (30.19%). While the median score of 4.50 may seem to qualify the mean score as an acceptable result, the standard deviation and CV tell a different story. From the 3.30 standard deviation we derive a CV of 0.68, indicating a high level of variance. With this we can assume that the mean and median do not accurately reflect the performance of the group as a whole. As expected, the set contained two banks whose performances were statistically significantly above the average: Union Bank of India's score of 9 and Canara Bank's score of 8. These two banks then drew the mean policy score of the entire group up: with the two excluded, the group average drops to 3.00.

The middle performing subgroup was financial institutions with an average of 6.50 out of 16 policy commitments (40.63%) and a mean score of 4.83 (30.19%). The median score of 4.50 is close enough to qualify the mean as an acceptable result. The standard deviation of 1.80 leads to a CV of 0.37 indicating a low level of variance. Because the mean is a more accurate representation of the group, we can infer that financial institutions are at least on a par with, if not outperforming, public banks.

Clearly evident from the results of this overview is the relatively high private bank performance in mentioning the required policies for social inclusion outlined in the IRBI with mechanism detailed to ensure policy enforcement. From the disclosure data, we see that private banks disclose the most of any subgroup in principle 3 on employee well-being and principle 8 on sustainable and equitable development. Amongst the private banks, Kotak Mahindra Bank is currently in the top quartile for disclosure, ranks first in the number of policy commitments (11) and is tied for second in policy score (8.0). It deserves recognition as one of the highest performing banks in both policy and performance.

The variance in performance between financial institutions and public banks is much less definitive, with both on about the same level of mediocre performance. The disclosure analysis reveals public banks disclose the most of any subgroup in principle 2 on product life-cycle sustainability while financial institutions disclose the most in principle 5 on respect for human rights. Nonetheless, there are some notable performers in each group. Union Bank of India, a public bank, consistently ranks as one of the highest disclosing banks of any financial entity. Additionally, it recorded the highest increase in female employment across three financial years, gaining a proportional increase of 2.78% of females in the total work force. Union Bank of India possesses the highest policy score of any financial entity (8.5) and tied for second highest amount of policy commitments (10). It, too, deserves recognition. A final mention should be given to Canara Bank, a public bank that disclosed above average across all four policies and tied for second in both its policy score (8.0) and total amount of policies disclosed (10).

Overall, the poorest performing financial entity was Bank of India, a public bank that ranked last in the total amount of policy commitments (2) and tied for last in its policy score (1.50). Yet from the disclosure analysis, we see that Bank of India disclosed some of the highest amounts of any financial institution. It marked the highest disclosure rate of any bank in principles 1 on ethics and transparency, principle 2 on product lifecycle sustainability and principle 5 on human rights where it also recorded the highest disclosure increase of any financial entity between the 2012-13 and 2013-14 financial years. Evidently, Bank of India has work to do in its policy existence while its apparent due diligence towards disclosure should be accounted for in its critique. Another poor performer was Punjab National Bank, a public bank that tied for last in its policy score (1.50) and tied for second last in the total amount of policy commitments (3). Observing Punjab National Bank's disclosure performance reaffirms its poor standing with social inclusion policies. Punjab National Bank consistently disclosed one of the lowest amount of indicators and was the only financial entity to fail to possess a human rights policy, let alone extend it to its constituents. Finally, LIC Housing Corporation Limited was the worst performing financial institution and the third worst performing financial entity overall with a policy score of 2.00 and only 3 polices mentioned. From the disclosure analysis, we see LIC Housing Corporation performed below average across all four principles on social inclusion.

Setting relative comparison aside for a moment, banks and financial institutions as a whole perform insufficiently when detailing policies. Only 42.37% of policies were mentioned while 57.63% of policies were completely absent. Even the highest performing subgroup, private banks, only nominally improve upon this average with 46.88% of policy commitments. With just 20.07% of policies detailed with enforcement mechanisms, nearly four-fifths of policies risk being blatantly ignored. This inadequacy is sector-wide throughout the Indian financial industry and more work is required to raise policy implementation levels. Tabulated results across principle all four principles are listed below.

	Financial Entity	Policy Score	Policy Commitments

1.	Union Bank of India	8.5	10
2.	Kotak Mahindra Bank	8.0	11
3.	Canara Bank	8.0	10
4.	IDFC Ltd.	7.0	11
5.	Power Finance Corporation Ltd.	6.5	8
6.	State Bank of India	6.0	9
7.	Yes Bank	6.0	7
8.	Axis Bank	5.5	9
9.	Shriram Transport Finance Corporation Ltd.	5.0	6
10.	IndusInd Bank	4.5	7
11.	Housing Development Finance Corporation Ltd.	4.5	6
12.	ICICI Bank	4.0	5
12.	Rural Electrification Corporation Ltd.	4.0	5
14.	HDFC Bank	3.5	6
15.	Bank of Baroda	3.0	4
16.	LIC Housing Corporation Ltd.	2.0	3
17.	Punjab National Bank	1.5	3
18.	Bank of India	1.5	2

Table 11: Financial entities by policy performance across all four principles.

Subgroup	Mean Policy Commitments	Mean Policy Score	Median Policy Score	Standard Deviation	Coefficient of Variation (CV)
Private Banks	7.50	5.25	5.00	1.64	0.31
Public Banks	6.33	4.83	4.50	3.30	0.68
Financial Institutions	6.50	4.83	4.75	1.80	0.37
All Financial Entities	6.78	4.94	4.50	2.18	0.44

Table 12: Statistics across all four principles.

Conclusion

This analysis did not measure the policy efficacy nor the financial sector’s commitment to socially inclusive policy. Nor did it analyse individual policy content and seek to remedy problems with recommendations. Rather, it analysed the policy presence of six private banks, six public banks and seven financial institutions and presented the quantitative results with a brief qualitative statement to contextualise the data. From this quantitative study, we can conclude that, across a range of policy areas, the financial sector has not been proactive in disclosing progressive policies and mechanisms. We can also conclude that the financial sector performs worse than the general population of companies within the BSE 100. The financial sector continually failed to mention more than 60% of the policies required for social inclusion. While the BSE 100 mentioned 54.38% of all social inclusion policies across four NVG principles, the financial sector only mentioned 42.37%. The only principle where the financial sector performs on par with the BSE 100 in the mean of policy commitments is principle 5 where both record half disclosure of 50.00%

From the perspective of social inclusion that is embedded into the IRBI and on the NVG principles on which it is based, every financial entity needs to improve in its policy disclosures, and, *quite possibly* (though we cannot comment further on this without evidence) their *development* of progressive policies and related mechanisms. The fulfilment of these policy disclosure requirements would not in and of itself create a socially inclusive financial sector, but would be a step forward nonetheless. Before this can be achieved, the financial sector should comply with the minimum requirements outlined in this analysis.

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