

## CSR PRACTICES UNDERTAKEN BY PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

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### Abstract

*Corporate Social Responsibility (CSR) has gained more importance from the recent past and became an integral part of strategic decision making. Corporations have realized that Government alone will not be able to accomplish its undertaking to uplift the society. India is the first country to quantify CSR and make it a mandate. Therefore, RBI the Central Bank of India has made it mandatory for every commercial bank operating in India to contribute to CSR. The main aim of this study is to analyse the public and private sector banks CSR and their trends of CSR spending post 2013 to 2018 in India and to forecast the future CSR spending's of the selected banks through least square method technique of forecasting. The data has been collected from the annual reports, CSR reports and official websites of the bank.*

**Keywords:** Corporate Social Responsibility, CSR practices, CSR performances, CSR spending, CSR in banks, CSR India.

### Introduction

In India, the concept of Corporate Social Responsibility is not a new one. Corporate Social Responsibility has been followed since ancient times informally. The idea of helping the poor and underprivileged was mentioned in the ancient literature. The theory of corporate social responsibility (CSR) was braced by many religions in their religious law. Hindus believe in "Dharmada" means salvation, in Sikhism "Langar" – food and shelter in Gurudwara which is an institutionalized philanthropy, Muslims follow "Zakat" is a title given to the underprivileged. The Corporate Social Responsibility development has four stages in India first phase being Philanthropy and charity at the time of industrialization. Second phase: Corporate Social Responsibility was towards social development during the independence struggle. Third phase: Corporate Social Responsibility under the model of "mixed economy". Fourth phase: Corporate Social Responsibility as a sustainable business strategy (Nagwan, 2014). India is one among the fastest growing economies in the world with its diversified culture, traditions, natural resources, civilization, technology, and huge skilled human resources. However, along with growth and development major problems like illiteracy, poverty and lack of healthcare etc. are still prevalent and the Government has inadequate resources to confront these major challenges. This condition has paved way for many areas of the business to play a part towards the social development and their wellbeing. Apart from charity and donations CSR in India has become more standardized. CSR is not only towards stockholders but also stakeholders. Corporate Social Responsibility goes beyond profit-making, it also includes protecting and contributing to society in various ways for their development. It has become a vital part of the corporate strategy. CSR is a concept in which a company integrates social concerns with their business operations. According to Philip Kotler, "CSR is a commitment to improving community well-being through discretionary business practices and contributions of corporate resources." Today, the importance of CSR has been realized as a priority in most of the corporations. CSR proceeds with an obligation to carry on business ethically and to add value towards monetary development while

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refining the personal contentment of the workers and their families and society as a whole. Corporates usually take the resources from the Environment and society such as Human Resource, land, natural resources etc., but the obligation lies with the corporates to return some benefit to the society. Corporates have an obligation to return back the resources they took from society. There arises the concept of Corporate Social Responsibility.

The Companies Act 2013 is a milestone legislation that made India being the first country to mandate and quantify CSR. The aspects of CSR are mentioned in Section 135 of the Companies Act 2013. According to the Act every company whether public or private whose net worth is Rs. 500 Cr or has the turnover of Rs 1000Cr or net profit of Rs 5 Cr must contribute at least 2% of its average net profit as CSR for the preceding 3 Financial years. Further, as per the CSR Rules, the CSR provisions are not only related to Indian companies, but it also relevant to branch and offices of a foreign company in India.

Banks are considered to be the lifeblood of the economy. Economic development of a nation can be measured through the performance of Central Banks of the respective nations. CSR in banks became mandatory as per Companies Act 2013. The CSR practices of Indian Banks are concentrated more towards the following sectors like financial inclusion which offers financial services to the unreached places in the country and concentrating towards the development activities like eradication of poverty, rural development, health care, skill training program, infrastructure development, environment protection and education etc. Hence, the legal framework of the country felt that there is a requirement of making CSR mandatory for the society that leads to the development of CSR policies and its development in Companies Act. Not only companies but also the banking sector falls under the preview of CSR.

### **Literature Review**

This section provides theoretical literature on CSR activities in the Indian banking sector. (Aminu Ahmadu Hamidu, 2015) analyses different theories and core characteristics of Corporate Social Responsibility and (Anil, January 2018) identifies the different stages of CSR development in India and the evolution of CSR in India. (Ankita Patel, Oct - 2016) made a comparative study between SBI and ICICI CSR expenditure from 2009-2016 the findings suggest that public sector banks contribute more than private sector banks in case of CSR contribution. (A. Sabeena, 2016) studies recent initiative's taken by the Indian banks in CSR. The contributions made by 5 banks were identified and studied. (Eliza Sharma, February 2013) analyses the CSR practices in the Indian banking sector and identifies the areas where banks contribute to CSR and concluded that CSR is a marketing tool used by the banks. (George A Arevalo, 2011) made a study to understand how corporations in India consider CSR and how they approach the concept. (Kavita, May, 2016) briefs about the concept of CSR and identifies the challenges of CSR practices in Indian Companies and finds out the area of contribution. whereas (Maharana, Nov. - Dec. 2013) focus on corporate social responsibility (CSR) practices of major banks in India and secondary data is used in the article. The findings suggest that banks in India have increased their CSR activities and contributions to the society which has a positive impact on the performance of the business, apart from improving their image and goodwill. (Nagwan, 2014) studies the evolution of CSR in companies and identifies 4 phases:

First phase charity and philanthropy, Second phase CSR for India's social development, Third phase for CSR under the paradigm of a mixed economy and Fourth phase for CSR at the interface between philanthropic and business approaches and concludes by the recent CSR state in India. (Poornima

Mishra) studies to find out the current CSR activities adopted by the Indian banking sector and develops a framework that ensures effective utilization of CSR funds for development of India. (Sandeep, December 2014) studies the CSR in the Indian banking sector and contribution's, made by different banks. It finds out the recent CSR initiatives in the Indian banking sector. (Sapna Katara, 2014) studies the emerging trends in the area of CSR in the Indian banking sector and concludes banks are presently focusing on the importance and need for social welfare and environmental protection. (Sarita, Dec. 2013) analyses different CSR activities of different players in the Indian banking sector and analyses the contributions made and its impact on the performance of banks. (Saxena, 2016) made a comparative study of CSR between the private sector and public-sector banks and studies the impact of CSR on society and also how it affects the financial performance of the banks (Sethi, 2013) This article analyses how Indian banks and foreign banks disclose CSR information and the effect on the financial performance it uses secondary data and findings reveals that banks manipulate their true social performance by not disclosing the required information. (Srinivas) analyses the CSR activities carried out by ICICI and HDFC identifies the area of Contribution of CSR.

**Research Gap**

Based on the review of literature previous studies have made an attempt to cover Corporate Social Responsibility (CSR) to pre and post period. But there were a handful of researches that were focused either on public or private sector banks thus there is a need to discover the performance of both public and private banks and hence our research attempts to cover both sectors public and private banks. Therefore, this study aims to examine the CSR performance of public and private sector banks and their trends post the implementation of Section 135 of the Companies Act, 2013 and their future CSR predictions.

**Objectives**

- To study the CSR practices of selected public and private banks
- To analyse the CSR expenditure in selected public and private banks
- To forecast the CSR expenditure incurred by public and private banks

**Research Methodology**

The data used are secondary data collected from the annual reports, sustainability reports and official websites of respective banks. For analysing the CSR performance of selected banks, we have chosen five banks from the public and private sector which are listed in BSE & NSE as on 19<sup>th</sup> July 2018. These banks are selected based on their Net profit as net profit is directly related to the Corporate social responsibility of the banks.

<b>PUBLIC SECTOR BANKS</b>	<b>PRIVATE SECTOR BANKS</b>
PNB	HDFC
Indian bank	Kotak Mahindra
Vijaya Bank	ICICI bank
United Bank	Axis bank
Punjab & Sindh	Indus Ind bank

*Source: BSE & NSE*

Study area: Public and private sector bank CSR

Study period: 5 years from 2013 – 2018 is used for the study

Data Analysis Tools: Trend Analysis, Least Square Method

**Data Analysis and Interpretation**

Major contributions of selected public and private banks towards the society are:

**INDIAN BANK**

The Indian bank extends beyond banking and leading it to respect people, honour ethical values, natural environment, and the communities through CSR activities

AREA OF FOCUS
Green Initiatives and Environment Sustainability
Pan India – Blood, Eye, Organ Donation & Health Campus
Self Help Groups (SHGs)
Financial Literacy Centres (FLCs)
Swachh Vidyalaya Abhiyan
Enhancing vocational skills and Financial Skills

**PUNJAB & SIND**

The CSR policy of Punjab & Sind bank focuses on the socio-economic, environmental and cultural upliftment activities and also welfare actions in the areas nearby Punjab & Sind Bank operations in specifically backward and underprivileged areas. Their main focus is towards the community

AREA OF FOCUS
Promoting literacy
Primary health care
Relief and restoration in times of national calamities
Promoting afforestation

**PUNJAB NATIONAL BANK**

Corporate social responsibility of Punjab National Bank has a socially responsible and enlightened attitude. Punjab National Bank CSR policy is towards making certain effective and sustained CSR Programme to strengthen social connections of the Bank towards the community at large.

AREA OF FOCUS
Farmers Training centres (FTCs)
Rural Self Employment Training
PNB LADLI education among girls in Rural
PNB VIKAS village adoption scheme
Health
Green Initiatives
Promotion of Sports

**UNITED BANK**

The main CSR pillars of United Bank are Sustainable Banking, Human Resources Development, Social Commitments and Stakeholders Engagements which serves as strong CSR principle along with bank's financial and development assistance towards the Priority Sector, industrial growth, and infrastructure development

<b>AREA OF FOCUS</b>
Rural Self-Employment Training Institute
financial literacy and credit counselling
United bank socio-economic development foundation (UBSEDF)

**VIJAYA BANK**

The foremost objective of CSR activities at Vijaya Bank is to progress the standard of living of people who are in need, through financial intrusion.

<b>AREA OF FOCUS</b>
Girl child education
Rural health centres
Maintenance of sanitation facility provided to schools
Go-Green Initiatives

**HDFC**

At HDFC bank Corporate Social Responsibility is tied in with building up a plan of action that makes financial incentive as well as adds to a solid environment and solid networks. Their endeavour is to create proper business procedures and methodologies to accomplish a shared objective which adds more to prominent benefit

<b>AREA OF FOCUS</b>
Environmental Sustainability
Sustainable Livelihood
Education
Sanitation
Rural Development

**KOTAK MAHINDRA**

The Banks CSR is all about positively contribute towards the economic and social well-being of communities.

<b>AREA OF FOCUS</b>
Vocational Skills and Livelihood
Health care and Sanitation
Education
Sustainable Development
Relief and Rehabilitation

### ICICI

In ICICI bank CSR is all about providing equal access to growth prospects benefiting every section of the society. ICICI banks CSR initiatives have transformed the lives of over 17 million people. They have equipped 2.5 million underprivileged women to become independent by various CSR initiatives.

<b>AREA OF FOCUS</b>
Skill Development
Education
Clean India
Women Empowerment
Digital India

### AXIS

In AXIS bank the CSR philosophy is aimed to make a change in the economically backward and weaker sections of the society through an integrated approach of development. CSR policy will be guided by the Banks Corporate vision and aspiration to be the bank of choice for Customers, shareholders, Employees and Community.

<b>AREA OF FOCUS</b>
Sustainable Livelihood
Environmental Sustainability
Education and Skill Development
Sanitation
Ecological Balance and Natural Resource Conservation

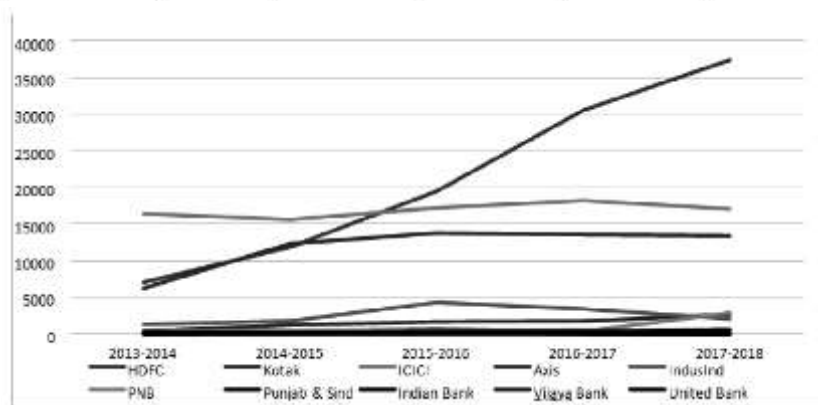
### INDUSIND

The CSR policy of IndusInd Bank is that they believe in Good Ecology is Good Economics. They ensure business expands steadily and sensibly by helping those by directly aiding, while also supporting the welfare of their employees, environment and society at large.

<b>AREA OF FOCUS</b>
Rural Development and Inclusiveness
Sustainable Environment
Health care
Special Interest towards Armed forces, Sports and Education

**TREND ANALYSIS**

Bank/Year	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
PNB	293.75	375.89	676.76	273.3	2861.82
Punjab & Sind	0.2	ND	ND	24.36	ND
Indian Bank	241.89	117.95	295.84	264.96	572.06
Vijaya Bank	ND	11.55	273.39	496.64	3.98
United Bank	33.02	188	213	57.33	24.04
HDFC	7036	11855	19481	30542	37400
Kotak	363	1193	1641	1733	2640
ICICI	16400	15600	17200	18200	17038
Axis	6217	12322	13741	13539	13377
IndusInd	1269	1753	4276	3381	2047



**Fig 1: Trend analysis Graph of Public and Private Sector Banks**

**INTERPRETATION**

From the above trend analysis, HDFC bank's CSR expenditure is having a constant increase over the years (2013-2018). In the contribution to CSR, they have adopted 850 Government schools in 8 states touching 1.16 lakh students to create a conducive environment for learning. The steady increase in the CSR trend explains the contributions the bank has made to the society. They also have large market capitalization. They are reaping profits continuously from the past years and contributing the statutory amount to the CSR. In the case of ICICI bank, there is a decrease in the CSR expenditure as the bank suffers a loss in the FY 17-18. They maintained to provide the amount as close to the previous years. The expenditure is incurred on rural development activities including the Digital Village initiative, financial inclusion and financial literacy, skill development for sustainable livelihoods and elementary education. Axis bank has incurred a huge loss in the PY 17-18, even then they managed to meet their CSR expenditure. For the public sector banks though the CSR is not made mandate; we can see from the analysis that public sector banks still try to contribute towards the development of the society with many CSR initiatives like; Financial literacy, Self Help Group, Green initiatives, and Education etc.

### LEAST SQUARE METHOD

**Table 1: CSR EXPENDITURE OF PUBLIC BANKS (in lakhs)**

YEAR	Punjab National Bank (PNB)	Punjab & Sind (P&S)	Indian Bank	Vijaya Bank	United Bank
2013-2014	293.75	0.20	241.89	ND	33.02
2014-15	375.89	ND	117.95	11.55	188
2015-16	676.76	ND	295.84	273.39	213.00
2016-17	272.30	24.36	264.96	496.64	57.33
2017-18	2861.82	ND	572.06	3.98	24.04
<b>2018-19</b>	<b>2564.49</b>	<b>12.1</b>	<b>540.685</b>	<b>305.027</b>	<b>58.498</b>

### INTERPRETATION

From the use of the least square method, the amount spent by the selected Public sector banks i.e., PNB, P&S, Indian Bank, Vijaya Bank, and United Bank are expected to rise by (in lakhs) 2564.49, 12.2, 540.685, 305.027, and 58.498 in the coming year. The highest contribution for CSR is predicted by Punjab National bank and least by Punjab & Sind Bank.

**Table 2: CSR EXPENDITURE OF PRIVATE BANKS (in lakhs)**

YEAR	HDFC	AXIS	INDUSIND	ICICI	KOTAK
2013-2014	7036	6217	1269	16400	363
2014-2015	11855	12322	1753	15600	1193
2015-2016	19481	13741	4276	17200	1641
2016-2017	30542	13539	3381	18200	1733
2017-2018	37400	13377	2047	17038	2640
2018-2019	45085	16498	3499	18048	3041

### INTERPRETATION

The amount spent by private sector banks is expected to rise by (in lakhs) 45085, 16498, 3499, 18048, 3041 in the coming year. The contribution is made to the marginalized sections of society in the form of various activities. The highest contribution is predicted by HDFC and least by Kotak bank.

### CONCLUSION

The Companies Act 2013 paved a way for organizations to contribute towards CSR but the results were not satisfactory. From this study analysis the particular public and private sector banks adopt CSR practices which includes Financial Literacy, Environmental Sustainability, Education, Health and Rural Development and Inclusiveness. The trend analysis reveals that Private sector banks i.e., HDFC, ICICI, and AXIS bank show an increasing trend in their contribution to CSR and Public sector banks show a constant contribution towards CSR. From the least square method of forecasting,



Punjab National Bank is expected to contribute the highest and Punjab and Sind at the least in selected public sector banks and in selected private sector bank HDFC is contributing the highest and Kotak bank the lowest in coming years. Currently, the standpoint of CSR in India is headed towards a positive direction as there are already existing regulatory bodies such as Ministry of Corporate Affairs (MCE), Department of Public Enterprise (DPE) Indian Institute of Corporate Affairs (IICA) along with RBI already set the wheels in movement and are playing an imperative role in making CSR as a well-known practice.

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