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CSR Practices: Public and Private Sector Banks in India

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Abstract: CSR was introduced in India under The Companies Act 2013. In a developing country like India, corporate social responsibility (CSR) is vital. The impact of a company's CSR efforts on the society in which it works is significant. CSR improves a company's brand awareness and reputation in the marketplace. By mobilising deposits and lending money to other enterprises, industries, and individuals, the banking sector in India's service industry aids the country's economy. Private banks must now contribute to a fund for corporate social responsibility programmes that address a wide range of societal challenges by law, although public banks can do so on a voluntary basis. It's fascinating to watch how Indian banks have utilised CSR funds to their advantage. The CSR efforts of selected public and private Indian banks are compared in this study.

Keywords: Indian Bank, Public Bank, Private Bank, CSR, Companies Act 2013.

I. INTRODUCTION

Banking Sector is one of the important pillar of the Indian economy which plays significant role in the development of the economy. The performance of bank should be judged beyond the financial parameters. The authorities need not only focus on the financial performance but to examine into the CSR performance of the banks. To highlight the role of banks in corporate social responsibility the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title "Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks".(Moharana, 2013).

With the introduction of new Company act 2013, India became the first country in the world to have legislation for compulsory CSR spending. The new legislation of Banks Act 2013 requires certain class of banks to spend at least 2 % of their three year average annual net profit towards CSR activities.

The concept of Corporate Social Responsibility is not new for India. The concept is known as social duty and charity but with time it change in broader way. In older days, Corporate world seeking for profit and survival but now due to the globalization and social development, management emphasis on financial as well as non financial GOALS.

The corporate world is adjusting to its new mission, which is to meet the requirements of the current generation without jeopardising the ability of future generations. Businesses are gradually but steadily taking responsibility for how their operations affect society and the environment. The goal of every business is to improve people's quality of life through developing leadership that inspires trust. CSR is the human face of a very competitive business environment. The ability to recognise this human face is an important and fundamental feature of society's capacity to embrace the enormous and sometimes difficult changes brought about by globalisation elements. The Companies Act 2013, the world's first of its type, reshapes the Indian social sector, ushering in a new age on the way to inclusive prosperity. The mandated social spending requirement [CSR] defined

by section 135 of the act, as well as an awareness of CSR, sustainable development, and non-financial reporting, is one of the most acclaimed aspects of the new company law regime. The RBI deserves credit for addressing CSR practices in the Indian banking sector by issuing a circular in 2007.

Given the critical role those financial institutions, particularly banks, play in supporting the world's economic and developmental activities, their contribution to sustainable development is critical. The importance of banks acting as responsible corporate citizens in society, especially in a growing country like India, cannot be overstated in this context. They should conduct themselves in a manner that reflects their concern for human rights and the environment.

According to recent studies, firms that engage in CSR activities have a substantially longer lifespan than those that do not. This is why a growing number of companies from all industries are participating in CSR initiatives.

The Emerging CSR Model demonstrates how the definition of CSR is evolving in terms of both its substance and applicability. The concept assumes that the business sector bears some responsibility toward its many stakeholders, with the ultimate goal of maximising profits and ensuring long-term viability. CSR entails much more than charitable giving and the development of schools, hospitals, and temples. CSR's goals have moved beyond the obvious and now include objectives such as the following:

- “Accountability”
- “Building relationships”
- “Image makeover”
- “Long-term sustainability”
- “Maximizing gains”
- “Maximizing profits”

II. CSR PRACTICES IN INDIAN BANKING SECTOR

Banks are regarded as financial middlemen with extraordinary leveraging capabilities. The Reserve Bank of India (RBI) and the government of India play an important role in bank governance, primarily through bank regulation and oversight (Samantray et al., 2008). The financial industry is regarded as critical in our country. Systemic stability, financial stability, and deposit insurance liability considerations are all addressed through the governance process.

There is a dearth of systematic documentation of corporate social responsibility (CSR) operations in India. In December 2007, the Reserve Bank of India (RBI) issued a directive to banks requiring them to engage in corporate social responsibility (CSR) programmes for long-term growth. Non-financial reporting, which will account for the banks' intangible assets, was also requested by the regulator.

"On a topic like global warming and climate change, there is a lack of awareness." The majority of Asian businesses are unaware of the dangers that climate change poses to their business models and the environment. In this scenario, the need for long-term development efforts by financial institutions in India becomes critical, and banks, in particular, can contribute to this endeavour by playing a significant role," the RBI stated in a circular to banks (Deccan Herald, 2004).

According to the central bank, corporate social responsibility (CSR) comprises businesses incorporating social and environmental issues into their business operations and relationships with stakeholders. In order to achieve economic development, sustainable development means preserving the quality of the environment and social systems.

Non-financial reporting is a mechanism by which businesses report on their actions, particularly those including environmental, social, and economic accounting.

Banks must keep up with changing circumstances and adjust their strategy and plans accordingly. Along with their annual reports, banks must make their CSR projects public. The contribution of financial institutions, such as banks, to sustainable development is critical, according to the central bank, given their role in supporting global economic and developmental activities. As a result, especially in a growing country like India, banks must act responsibly as corporate citizens. Their actions should demonstrate that they care about human rights and the environment.

III. LITERATURE REVIEW

Sharma and Agarwal (2016) analyze CSR practices of selected public and private sector banks in India. With the help of analysis, they concluded that selected banks are making efforts for the implementation of CSR, but are not spending their 2% share of profits on CSR.

Sharma and Mani (2013) analyze the corporate social responsibility (CSR) activities carried out by Indian commercial banks based on the secondary data taken from the annual reports of the banks for the year 2009-10 to 2011-12. The analysis shows that some banks are not even meeting the regulatory requirements. Private sector banks and foreign banks are still lagging in this area.

Singh, Srivastava and Rastogi (2015) evaluate the role of Indian Banking Sector in the development of the nation through the CSR initiatives conducted by the State Bank Of India, Punjab National Bank, HDFC & ICICI towards the education. Secondary data are collected from the annual reports of the respective bank's web site and from various journals. They concluded that banks are also facing tough competition and challenges, if they want to be the winner of this competitive race they have to do something extra for their customers and that is Corporate Social Responsibility.

(Muhammed Juman et al. 2016) the researcher has done a content analysis to study corporate social responsibility practices by banks. For the study, 3 Public and 2 Private Banks were selected. From annual reports of the banks, the study was conducted, and findings show that Banks are far behind other top companies in the matter of CSR. The study also finds that banks are spending more on social issues than environmental issues as they do not harm the environment directly.

(Sandeep Kaur 2016) the researcher has attempted to find out various CSR activities carried out by Indian banks. Various bank falling under different categories such as Axis Bank, IndusInd Bank, Yes Bank, Union Bank of India, Punjab National Bank, ICICI, IDBI, HDFC, SBI, and SIDBI are taken into consideration. The findings suggest that though the Indian banks are making efforts in the CSR areas, still there is a requirement of more emphasis on CSR. The results show that public sector banks have a higher contribution in CSR activities than Private sector and foreign banks. The study concluded that most of the banks use CSR as a marketing tool.

(V. Carolin et al. 2015) the scholars have analyzed various CSR activities carried out by Indian banks and identified whether those activities are in connection with triple bottom line principle or not. The study shows that only a few banks report their activities on the triple bottom line principle. Also, the standards for rating CSR practices are less uniform in comparison to that for financial rating.

(Deepika Dhingra et al. 2014) the scholar in the study has analyzed CSR Practices of various Indian banks. The study found that among the reporting banks, some banks are making false gestures in respect of their efforts for socio-environment concern and very few banks define CSR philosophy. The study suggests that the banking sector must also portray their socially responsible behavior by integrating the triple bottom line principle.

According to the researchers (Nithin Venugopal et al. 2018), the bank's employees and recipients of CSR activities have their own ideas about what the bank's top priorities should be. Additionally, researchers looked at how much Indian commercial banks spent on CSR initiatives between fiscal years 2014-15 and 2015-16. There are four banks that have been chosen, including the State Bank of India, Union Bank of India, Federal Bank, and HDFC Bank. Although Indian banks make an effort

to engage in CSR activities, many fail to meet regulatory standards. "Employment to the disabled" is a major objective for CSR, according to employees. A primary objective for CSR's beneficiaries is to promote education, child welfare, women's empowerment, and employment opportunities for the disabled.

As part of their research into CSR initiatives, (Upasana Thakur et al., 2016) the researchers looked at SBI and HDFC bank's efforts. According to the findings, both banks are actively involved in corporate social responsibility (CSR). On the other hand, in relation to its market capitalisation, SBI engages in fewer CSR activities. In addition, HDFC bank is ranked higher than SBI in the top corporations with regard to CSR initiatives.

CSR practices of major Indian banks have been analysed by the researcher in this study (Deepika Dhingra et al, 2014). According to a survey, some reporting banks are making deceptive gestures in regard to their social and environmental initiatives, and only a few banks specify their CSR philosophy. The report recommends that the banking industry incorporate the triple bottom line principle into their socially responsible behaviour.

For the purpose of discovering the dynamics that motivate companies in India to engage in socially responsible activities and determining their motives for doing so (Charles Blankson et al. 2018), the author has examined the CSR policies of the top 500 NSE listed corporations in the country. CSR is driven by a variety of reasons including economic, social and legal considerations, as well as ethical and moral ones, in Indian enterprises, according to the researchers. However, the methods in which Indian firms respond to the drivers of CSR are distinct from those observed in Western nations.

Indian banks' CSR efforts have been examined by researchers and it has been determined whether or not their CSR activities are linked to the triple bottom line idea. (V. Carolin et al 2015). It has been found that just a few banks disclose their activities on the triple bottom line principle, as a survey found. CSR procedures are also subject to a different set of standards for evaluation than are those used to evaluate financial institutions.

Indian banks have a history of engaging in a wide range of CSR activities, which Sandeep Kaur (2016) has attempted to elucidate. Different banks from various categories are taken into consideration, such as: Axis Banks, Indus-Ind Banks, Yes Banks, Union Banks of India, Punjab National Banks (PNB), ICICI Banks, IDBI Banks, HDFC Banks, SBI Banks and SIDBI Banks. Indian banks are making progress in CSR, but there is still a need for additional emphasis on the subject. The findings suggest that public sector banks contribute more to CSR initiatives than private sector and international banks. Banks are using CSR as a marketing tool, according to a recent survey.

Scholars (Shafat Maqbool et al. 2017) studied the effect of corporate social responsibility (CSR) on the financial performance of 28 BSE-listed commercial banks. According to the findings, CSR has a favourable effect on the financial health of Indian banks. CSR has a favourable impact on profitability and stock returns, according to an analysis of financial data that spans from 2007 to 2016. The researcher in the study aimed to determine the significance of CSR in the Indian banking business (Ruchi Gupta et al. 2015). It was found that financial inclusion is a critical component of a bank's CSR from the 2013-14 annual reports for seven public and three private sector banks. According to the findings, banks were more concerned with social causes than environmental ones.

The study's researcher (Eliza Sharma et al., 2013) examined commercial banks' CSR activity from 2009 to 2012. Several banks were found to be failing to satisfy regulatory standards, according to the findings of this investigation. The study found that public sector banks made the most overall CSR contributions. Study findings are based on banks' voluntary CSR initiatives because it was conducted before the 2013 Companies Act made CSR mandatory. There has been an investigation of bank social responsibility procedures by the researcher (Muhammad Juman et al. 2016). Three public and two private banks were chosen for the study. "The research was based on bank annual reports, and the results demonstrate that banks lag well behind other top firms when it comes to CSR. While environmental issues are important, banks are focusing more on social concerns, according to a new study.

IV. RESEARCH OBJECTIVES

Objectives of this study are, to recognise how Indian banks are doing in terms of CSR and Indian banks' spending patterns and CSR expenditures will be studied and compared.

Sources of Data

This study relies on secondary data gleaned from bank websites and scholarly research articles published in a variety of publications and proceedings of conferences. Annual reports of public banks and private banks are used to gather information on CSR efforts and to compare private and public banks.

Sample Size

The top three private banks and public banks contributing to CSR have been selected for examination.

Below mentioned 3 private banks covered in this study.

- Kotak Mahindra Bank Limited
- ICICI Bank
- HDFC Bank

Below mentioned 3 public banks covered in this study.

- Bank of Baroda
- Canara Bank
- State Bank of India

Period of the Study

CSR data for the years 2019-20 and 2020-21 have been analysed in this study.

V. DATA ANALYSIS

Table 1: CSR Amount Spent by Selected Private Banks

	Kotak Mahindra Bank Limited		HDFC BANK		ICICI BANK	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
CSR Prescribed	142.27	124.23	627.86	533.59	184.53	127.3
CSR Spent	79.4	74.62	634.91	535.31	200.5	134.35
Education	42.51	29.01	56.9	386.22	6.56	
Environment	1.57		7.37	28.64	17.48	
Healthcare	18.46	4.66	106.86	0.25	71.63	
Rural Development			402.44	70.28	48.21	53.05
Sports	14.4	10.93				
Swachh Bharat & Sanitation			2.91		1.52	
Other Welfare						2.89
Skill Development			43.65	0.12	28.2	
Social Welfare		0.02			4.94	25
Poverty & Nutrition			0.45	49.8		26
Financial Literacy					0.17	1.09
Administrative Overheads	2.48		7.84			
Impact Assessment			0.49			
Disaster Management			6		3.95	
Livelihood enhancement projects		30			17.51	26.32
Heritage					0.17	
Drinking water facilities					0.16	

Interpretation

Table 1 shows that ICICI Bank increased its CSR fund spending by roughly 50% from 2019-20 to 2020-21. In comparison to the previous year, HDFC Bank spent 18% more CSR funds in fiscal year 2020- 21, while Kotak Mahindra Bank spent only 6% more CSR funds.

HDFC Bank spent the most money from its CSR fund in the Rural Development category, which was ranked first. Rural development is a priority for ICICI Bank, whereas education is a priority for Kotak Mahindra Bank when it comes to CSR funding.

Table 2: CSR Amount Spent by Selected Public Banks

	Canara Bank		Bank of Baroda		State Bank of India	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
CSR Prescribed	26.56	26.83	6.9	4.33	144.88	8.62
CSR Spent	24.71	20.5	6.9	4.33	144.88	8.62
Animal Welfare					1.45	
Education	4	3.75	6.25	3.53	11.59	0.35
Environment					4.35	0.06
Financial Literacy	5.63	2.92				
Girl Child Welfare					20.28	
Handicap Welfare	0.64	0.49			1.45	
Healthcare	2.39	2.6	0.35	0.15	40.57	0.55
National Foundation						2.82
Other Welfare			0.3	0.02	7.24	0.18
Poverty & Nutrition	1.04	0.16				
Rural Development	0.09	0.67			43.46	0.03
SBI Foundation						3.88
Skill Development	10.26	9.22				0.31
Social Welfare				0.63		
Sports					10.14	
Swacch Bharat & Sanitation	0.18	0.22			2.9	0.29
Women Empowerment	0.48	0.46			1.45	0.13

Interpretation

According to table 2, SBI spent much more CSR funds in 2020-21 than in 2019-20. In comparison to the previous year, BOB spent 59 percent more CSR funds in fiscal year 2020-21, whereas Canara Bank spent roughly 20% more CSR funds. In terms of SBI CSR spending, the segment of Rural Development took first place. In terms of CSR fund spending, Bank of Baroda prioritises education, whereas Canara Bank prioritises skill development.

VI. SUGGESTIONS

Even if green banking isn't just about doing good deeds for the community, it's also about making society livable while minimising environmental impact. This increases bank CSR activity, and other banks may get interested in these activities as a result of this. CSR practices in financial services should be prioritised for the development of green banking services. Public and private sector banks' contributions to CSR practises are being studied, however the results are not yet sufficient. Banks should engage in more CSR activities in order to better serve their consumers. As a result of increased customer loyalty, companies who participate in CSR projects have better financial results. To put it another way, it's a strategic advantage for most organisations in any industry. Customers and the bank itself must be satisfied by more and more inbound and outbound activity implemented by banks. A researcher further suggests to the authorised authority to adopt a standard format for CSR amount disclosure, where companies are required to disclose how much they have spent in total for a certain segment during the compilation of secondary data.

VII. CONCLUSION

The above analysis shows that Public sector banks have a changing trend in increase and decrease of CSR expenditure and Net profit whereas Private sector banks have a much static upward trend. Among the selected banks only Yes bank shows a positive

change in both CSR expenditure and Net profit. Private sector banks show an increase in share price whereas public sector banks show a decrease in share price. Hence, it can be said that CSR has a positive impact on the share price of private sector banks whereas CSR has an adverse effect on the share price of public sector banks. Both public and private sector banks have various activities under Education, Health and Environment programme.

Based on the results presented above, it is possible to draw the conclusion that both private sector and public sector banks are making an effort to engage their consumers in a meaningful way through the use of CSR initiatives. The health care industry is the primary focus of the public sector banks, whereas the rural development industry is the primary focus of the private sector banks. When compared to public sector banks, private banks are spending a greater amount of money on corporate social responsibility (CSR) activities. However, public sector banks have spent more money on CSR during the year 2020-21 compared to 2019-20. It has also been observed that private sector banks spent more money on corporate social responsibility than the amount that was prescribed for them by The Companies Act 2013. This is because private banks are required to spend 2 percent of the average net profits made during the three financial years that immediately preceded the most recent one, whereas public banks are allowed to spend only 1 percent of the net profit from the most recent year.

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