

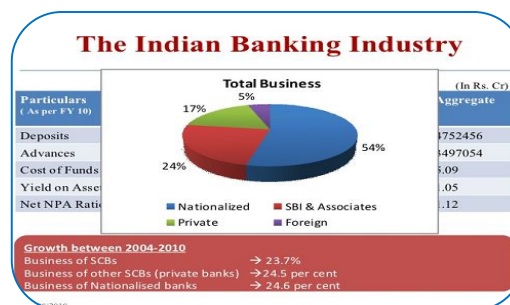


CSR IN INDIAN BANKING INDUSTRY: A STUDY OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS

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ABSTRACT :

The main purpose of this study is to analyze the corporate social responsibility activities carried out by top Indian public sector and private sector banks from the year 2014-15 to 2016-17. We select this time period because 2014-2015 was the first year of operations after Companies Act, 2013 came. These banks are selected on the basis of highest market capitalization during the year 2016-17. It has been found that these selected banks are involved in limited number of CSR activities. It has also been observed that public sector banks contribute more than private sector banks in corporate social responsibility activities.

KEYWORDS : Corporate Social Responsibility, Corporate Organizations, Financial Services, Banking Sector, Public and Private Sector Banks.

INTRODUCTION

Corporate Social Responsibility is a medium by which the business organizations contribute in various social welfare activities. Basically, these are the strategies to run the business in ethical, social and useful way for the welfare of society. It is concerned with the social and environmental effects of corporate financial decisions. The term Corporate Social Responsibility is very popular in financial services also. To focus the importance of banks in corporate social responsibility, RBI issues a notice on December 20, 2007 for all the scheduled commercial banks in India. RBI also gave directions to the banks to assimilate their business activities with social and environmental prospects. The concept of CSR is not new rather it has been as old as businesses have survived. But when Companies Act, 2013 came, it becomes mandatory for a certain type of companies to spend 2 percent of their average net profit in the past 3 years on CSR activities. If a company fails to contribute the mandated amount on CSR activities, it is compulsory to describe the reasons in the Board's report. This act also defines the activities that would be eligible for this purpose. In the recent scenario, corporate social responsibility has been assuming larger emphasis in the corporate world including banking sector. The purpose of this paper is to study the corporate social responsibility activities carried out by top Indian public sector and private sector banks selected on the basis of market capitalization and to give suggestions for better CSR activities by banks.

LITERATURE REVIEW

This section provides a comprehensive literature review on CSR especially underscoring CSR activities taken by banking organization in national and international context both.

Narwal (2007) describes the corporate social responsibility (CSR) actions done by the Indian Banking Industry. The study has been primary in nature. A total of 33 public and private sector banks constitute the sample of the study. The study concludes that despite of location, these banks spend in

similar activities. **Khan et al (2009)** investigates the reporting of CSR by banks in the context of Bangladesh. The sample size of this study was twenty banking companies. These companies were listed in Dhaka Stock Exchange. The study found that CSR reporting by these companies is discretionary in nature. **Sharma and Kiran (2012)** analyze the CSR initiatives taken by large companies in context of India. This study is secondary in nature. This study has been conducted on IT Sector, FMCG and Auto sector. A total of 12 organizations were covered in this study. The study revealed that IT and auto sector has been contributing more on CSR activities in comparison to FMCG sector. **Vijay and Divya (2013)** evaluates the effects of CSR concept on Indian commercial banks before and after the introduction of it. The study period has been chosen from 2000-01 to 2012-13. The sample size was consisted of 135 customers from selected bank. The study summarize that after the implementation of this act, banks becomes more liable and socially responsible. **Singh et al. (2013)** analyze the number of steps taken by the Indian banking sector in the area of CSR and its reporting. The study found that many banks are not revealing the contributed amount on the CSR activities on the official websites. On the basis of indulgement of banks in social activities, Reserve bank of India should set some benchmark so that a distinction can be made between banks those who are contributing towards CSR practices and those who are not. **Sharma (2013)** conducted a study on CSR activities taken by Indian commercial banks. The time period of the study was from 2009-2010 to 2011- 2012. A number of variables are used in this secondary study. The study concludes that even the banks are spending on CSR activities but still there is a need to focus more on CSR activities. **Verma and Kumar (2014)** examine the spending ways of various companies on CSR activities. The sample size of this study is 30 companies. All of these are listed on BSE sensex. The study found that the companies have been contributing a very low amount on CSR activities when the act has not been passed. This study favors the introduction of this act because this act helps to make the corporate more obliged towards society. **Fatma et al. (2014)** conducted a research to analyze the CSR activities In Indian banking context. The study observed these initiatives on the basis of stakeholder's point of view. The study was based on a sample of 350 respondents. The study concluded that many CSR reports have been concentrating on a particular stakeholder group. It was suggested that every group should be focused in CSR activities.

In our study, we present the current status of CSR activities in Indian public and private sector banks selected on the basis of market capitalization.

OBJECTIVES OF THE STUDY

The objective of the study is to highlight the existing CSR activities by selected banks and give recommendations for better CSR activities. The main objectives of this paper include:

1. To study the concept of CSR.
2. To study the major areas of CSR activities in selected public and private sector banks.
3. To give recommendations based on the analysis.

RESEARCH METHODOLOGY

This study is mainly descriptive in nature. Secondary data has been used in this study to give descriptive details about total CSR expenditure, areas of investment related to CSR activities, proportion of profits spent in CSR activities by various public and private sectors banks in India. Data was collected from top five public sector banks i.e. State Bank Of India , Bank Of Baroda, Punjab National Bank, Canara Bank, Bank of India and top five private sector banks i.e. HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Axis Bank, Indusind Bank. These banks were selected on the basis of highest market capitalization during the year 2016-17. The time period for our study is 2014-15 to 2016-17. The Data is collected from secondary sources particularly from concerned Banks Annual Report, Websites and data from various journals.

CSR initiatives by Public Sector Banks

Here, major areas on CSR activities and expenditure on these activities by banks during 2014-15 to 2016-17 are discussed.

(a) STATE BANK OF INDIA

State Bank of India is the largest public sector bank in India. Vision statement of bank "Serving the Community Everywhere" clearly indicates that Corporate Social Responsibility has always been a major part of the State Bank of India policy making. The comparative chart of CSR activities in major areas and total spending for the last three years covering 2014 – 2017 is shown in table below.

TABLE NO. -1

SBI BANK	2014-15	2015-16	2016-17
Major areas of CSR activities	Education. Healthcare. Sanitation. Livelihood creation. Assistance during natural calamities like floods/droughts etc.	Healthcare Education Skill development Sanitation Disability Environment Sports Culture Natural calamities R & D Fund	Healthcare. Education. Skill Development. Livelihood Creation. Environment protection.
Profit after tax (PAT) (INR Cr.)	13,101.57	9,951	10,484
Prescribed Amount (INR Cr.)	109.00	143.92	328.41
Actual Amount (INR Cr.)	115.80	143.92	109.82
Total spending on CSR as a percentage of PAT	0.8%	1.4 %	1.1%

(Source - SBI annual report)

By analyzing this table we can see that In the year 2014-15 the expenditure of bank in different CSR activities was 115.80 Cr. which increased to 143.92 Cr in the year 2015-16. But in the year 2016-17, CSR spending decreased to 109.82 Cr. Here, it is very clear that SBI has not been able to maintain stability in their CSR expenditure. SBI bank has been awarded by many awards from time to time for its contribution in CSR activities.

(b) BANK OF BARODA

Bank of Baroda has a legacy and tradition of contributing actively to the social and economic development of the community through various developmental activities. Bank of Baroda has been outperforming in social service sector. The table below shows the major areas of CSR activities supported by bank.

TABLE NO. - 2

Bank of Baroda	2014-15	2015-16	2016-17
Major areas of CSR activities	Education Health Socio-Economic Development Environment.	Education Health Human welfare Social welfare activity	Education Health Human welfare Financial literacy Social welfare activities
PAT	INR 3,398.43 cr.	INR (-5,395.53) cr.	INR 1383.14 cr.
Actual Amount	INR 1783.13 lakh	INR 1940.21 lakh	NIL
Total spending on CSR as a percentage of PAT	0.52%	0.4%	NIL

(Source – Bank of Baroda annual report)

(c) PUNJAB NATIONAL BANK

“Giving back to the society” is the prime motive behind CSR activities of Punjab national bank. PNB is also a big player of Banking Sector under Public Sector which has contributed in a lot in CSR strategies like Sustainability, social investment, health, and green initiatives. The table below shows the CSR activities taken by PNB in last three years and its total spending on CSR.

TABLE NO. - 3

PNB BANK	2014-15	2015-16	2016-17
Major areas of CSR activities	Rehabilitation work Medical Camps Farmers Training Tree Plantations Blood Donation Camps. Distribution of Artificial Limbs PNB Hockey Academy	Medical Camps. Tree Plantation. Blood Donation camps. Distribution of Artificial Limbs	Medical Check Up Camps Tree Plantations Blood Donation camps Distribution of Artificial Limbs Installation of Solar lights Installation of Digital registration Machines at Hospital Construction of Bus Shelter
PAT	INR 3062 cr.	INR (- 3974) cr.	INR 1325 cr.
Actual Amount	INR 375.89 lakh.	INR 676.76 lakh.	INR 272.30 lakh.
Total spending on CSR as a percentage of PAT	0.12%	0.17%	0.21%

(Source - PNB annual report)

The table above shows that the total spending on CSR as a percentage of profit after tax has been increasing. In the year 2014-15, it was 0.12% and increased to 0.21% in the year 2016-17.

(d) CANARA BANK

In recognition of the varied initiatives in CSR, the Bank has been conferred by many awards like Golden Peacock Award, 2016; MSME Excellence Award, 2017; CSR Leadership Awards, 2016. CSR initiatives of the bank are shown in table below.

TABLE NO. - 4

Canara bank	2014-15	2015-16	2016-17
Major areas of CSR activities	Education Health Poverty & nutrition Skill Development Rural Development Disability & Old age	Education Health Poverty & nutrition Skill Development Rural Development disability & Old age	Education Health Poverty & nutrition Skill Development Rural Development disability & Old age
PAT	INR 2703 cr.	INR (- 2813) cr.	INR 1122 cr.
Prescribed Amount	INR 6704.51 lakh	INR 3649.37 lakh	INR 33.18 cr.
Actual Amount	INR 3039.61 lakh	INR 3278.19 lakh	INR 32.68 cr.
Total spending on CSR as a percentage of PAT	1.12%	1.2 %	2.91%

(Source – CANARA BANK annual report)

(e) BANK OF INDIA

Bank of India believes that society, which has helped the Bank to grow to such an enormous size over the years, deserves to get back something in return for its development. Bank of India has approved various CSR projects during the year 2016 - 17 aggregating rupees 6.42 crore.

TABLE NO. - 5

Bank of India	2014-15	2015-16	2016-17
Major areas of CSR activities	Alternate/Renewable Energy Potable Water Healthcare Medical Facilities Helping Physically Handicapped Helping Senior Citizens Education Food & Nourishment Women Safety etc.	Swachha Bharat Mission Natural calamities Protect environment Training and Skill development Welfare of backward society	Swachha Bharat Mission Protect environment Training and Skill development Extending health care to poor / under privileged Rural development
PAT	INR 1709 cr.	INR (-6,089) cr.	INR (-1,558) cr.
Actual Amount	INR 11.85 cr.	Nil	INR 6.42 cr.
Total spending on CSR as a percentage of PAT	0.69%	Nil	0.41%

(Source – BOI annual report)

CSR initiatives by Private Sector Banks

Here, major areas on CSR activities and expenditure on these activities by private sector banks during 2014-15 to 2016-17 are discussed.

(a) HDFC BANK

HDFC believes inclusive growth and development of society in which they operate and therefore products and services focused on wellbeing of population, environment, employees, internal and external stakeholders and customer with utmost ethical governance. The table below shows the CSR activities of bank as a percentage of average net profit of last three years.

TABLE NO. - 6

HDFC BANK	2014-15	2015-16	2016-17
Major areas of CSR activities	Financial Literacy Education Skill Training Health Care Environmental Sustainability Eradicating Poverty Rural development	Financial Literacy & empowerment Education Skill Training Health Care Environmental Sustainability Eradicating Poverty Rural development	Financial Literacy Education Skill Training and Livelihood Health Care Environmental Sustainability Eradicating Poverty Rural development
Average net profit (ANP) of last 3 years	INR 9,856.35 cr.	INR 12,385 cr.	INR 15,200 cr.
Prescribed Amount	INR 197.13 cr.	INR 248 cr.	INR 304 cr.
Actual Amount	INR 118.55 cr.	INR 194.81 cr.	INR 305.42 cr.
Total spending on CSR as a percentage of ANP	1.2 %	1.6%	2.0%

(Source - HDFC annual report)

(b) ICICI BANK

Banks provides sustainable banking products to cater the needs of all type of customers. It also comply all environmental rules and regulation stated by the government. From the table below, it can be observed that the major areas of CSR activities are education, rural development, eradication of poverty etc.

TABLE NO. - 7

ICICI BANK	2014-15	2015-16	2016-17
Major areas of CSR activities	Promoting education Eradication of hunger, poverty & malnutrition Rural development Ensuring environment sustainability Relief & welfare	Promoting education Eradication of hunger, poverty & malnutrition Rural development Ensuring environment sustainability Relief & welfare	Promoting education Eradication of hunger, poverty & malnutrition Rural development Ensuring environment sustainability Relief & welfare
Average net profit of last 3 years	INR 85.79 billion	INR 106.05 billion	INR 99.86 billion
Prescribed Amount	INR 1.72 billion	INR 2.12 billion	INR 2.00 billion
Actual Amount	INR 1.56 billion	INR 1.72 billion	INR 1.82 billion.
Total spending on CSR as a percentage of ANP	1.8%	1.6%	1.8%

(Source - ICICI annual report)

(c) KOTAK MAHINDRA BANK

At Kotak Mahindra Bank, environment, social and governance (ESG) practices are integral components of its business functions and are embedded in its systems and processes. Kotak Mahindra Bank has made lot of contribution in CSR activities pertaining to diverse sectors. The focus areas of bank in CSR activities are shown in the table. It is very clear that in real terms total expenditure in CSR activities by bank is increasing over the years but as percentage of PAT bank has not been able to sustain its total CSR expenditure whereas it is showing decreasing trend.

TABLE NO. - 8

KOTAK MAHINDRA BANK	2014-15	2015-16	2016-17
Major areas of CSR activities	Promoting education Enhancing vocational skills & livelihood Healthcare and sanitation Reducing inequalities Sustainable development Relief and rehabilitation Clean India	Promoting education Enhancing vocational skills & livelihood Healthcare and sanitation Reducing inequalities Sustainable development Relief and rehabilitation Clean India Sports.	Promoting education Enhancing vocational skills & livelihood Healthcare and sanitation Reducing inequalities Sustainable development Relief and rehabilitation Clean India Sports.
PAT	INR 1,865.98 cr.	INR 2089.78cr.	INR 3,411.50 cr.

Actual Amount	INR 11.94 cr.	INR 16.5 cr.	INR 17.4 cr.
Total spending on CSR as a percentage of PAT	0.64%	0.79%	0.51%

(Source – KOTAK MAHINDRA BANK annual report)

(d) AXIS BANK

The primary purpose of bank's philosophy is to make a meaningful and measurable impact on the lives of economically, physically and socially challenged communities of the country through an integrated approach of development. During the year 2016-17, the Bank has been awarded by the 'CII Sustainability Domain (Corporate Social Responsibility) Excellence Award' in recognition of its CSR efforts and impacts created.

TABLE NO. - 9

AXIS BANK	2014-15	2015-16	2016-17
Major areas of CSR activities	Education Environmental sustainability Skills development Cleanliness and sanitation	Education Environmental sustainability Skills development Cleanliness and sanitation	Education Environmental sustainability Skills development Cleanliness and sanitation
Average net profit of last 3 years	INR 6,688.67 cr.	INR 8,151.34 cr.	INR 9,821.75 cr.
Prescribed Amount	INR 133.77 cr.	INR 163.03 cr.	INR 196.44 cr.
Actual Amount	INR 123.22 cr.	INR 137.41 cr.	INR 135.39 cr.
Total spending on CSR as a percentage of ANP	1.84%	1.69%	1.38%

(Source – AXIS BANK annual report)

(e) INDUSIND BANK

The Indusind bank believes that 'good ecology is good economics'. The table below shows the major areas of CSR activities supported by bank. The table also shows the total spending on CSR as a percentage of average net profits of last 3 years. It has been found that spending on CSR has been increasing from Rs. 17.54 cr. in the year 2014-15 to Rs. 33.81 cr. in the year 2016-17.

TABLE NO. - 10

INDUSIND BANK	2014-15	2015-16	2016-17
Major areas of CSR activities	Rural development & Inclusiveness Environmental sustainability Preventive healthcare Education Paralympics Sports	Rural development & Inclusiveness Environmental sustainability Preventive healthcare Education Paralympics Sports	Rural development & Inclusiveness Environmental sustainability Preventive healthcare Paralympics Sports
Average net profit of last 3 years	INR 1632.45 cr.	INR 2,137.95 cr.	INR 2763.58 cr.
Prescribed Amount	INR 32.64 cr.	INR 42.76 cr.	INR 55.27 cr.
Actual Amount	INR 17.54 cr.	INR 27.32 cr.	INR 33.81 cr.
Total spending on CSR as a percentage of ANP	1.07%	1.19%	1.22%

(Source – INDUSIND BANK annual report)

COMPARATIVE ANALYSIS

In the following figure 1 comparative view of top 5 public sector banks with respect to their contribution towards corporate social responsibility are shown. The values are analyzed for three years i.e. 2014-15, 2015-16 and 2016-17. The amount is measured in crores (INR). It can be observed from the analysis that SBI is contributing highest amount on CSR during all the three years while PNB and BOI are contributing minimum amount on CSR.

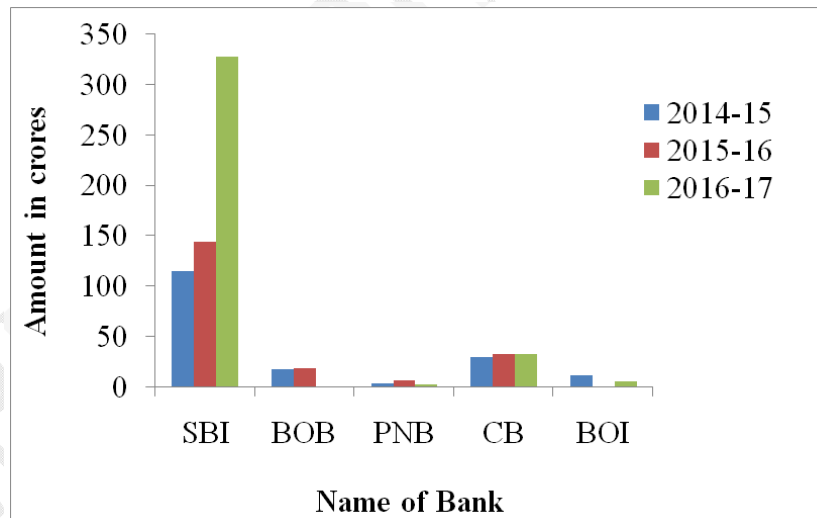


Figure - 1

In the following figure 2, comparative views of top 5 private sector banks with respect to their CSR contribution are analyzed. The values are shown for the three years i.e. 2014-15, 2015-16 and 2016-17. It is observed from the figure that ICICI bank has contributed highest amount in the year 2014-15 while in the year 2015-16 and 2016-17, HDFC bank has contributed highest amount. Kotak Mahindra bank was contributing minimum amount through all the three years.

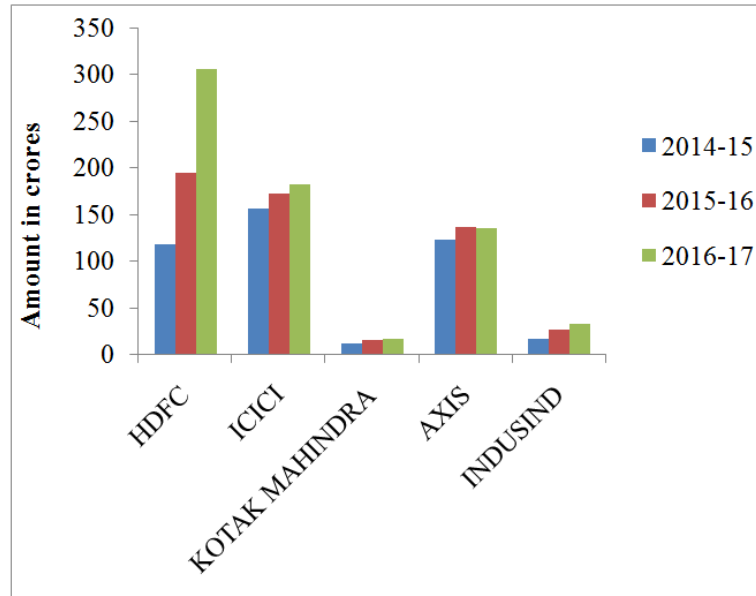


Figure - 2

CONCLUSION

In developing country like India, banking sector plays a very important role in upgrading the economy of the country not only by lending money or increasing the liquidity in the country but also by imposing a new practice called corporate social responsibility (CSR). So, in this study we analyze the CSR activities in Indian banking sector by selecting some public and private sector banks. It has been observed that the selected banks are playing an important role in CSR activities but particularly in the field of Rural Development, Education, Health, Social Community Welfare and Environment. It has been noticed that some other social issues also need to be focused. Data is also observed to analyze the difference between public and private sector banks in discharging corporate social responsibility activities. It is found that the public sector banks have overall higher contribution than private sector banks in CSR activities.

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