

## **A Study on Corporate Social Responsibility of Selected Public and Private Sector Banks in India**

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### **Abstract**

In the present times Corporate Social Responsibility (CSR) plays a major role in banking and other sectors in achieving their objectives. In India the companies are adopting Corporate Social Responsibility (CSR) practices at a very fast rate due to their ethical standards as well as due to the requirements of the law. The companies are aware about their critical role in the society. The banking sector is no exception in this context. They are also adopting Corporate Social Responsibility practices. The public as well as private sector banks have already initiated many social and economic welfare programs which includes community welfare, education, environment protection, poverty eradication, health and medical care, rural area development etc. In the present study the Corporate Social Responsibility practices of banks has been studied. For this purpose, one bank from public and one from private sector has been selected. The public sector bank chosen for the study is State Bank of India and HDFC Bank has been selected from the private sector banks. The study analyzed and compared the total expenditure incurred by the banks on various Corporate Social Responsibility activities. The study found that both the banks have increased their spending on corporate social responsibility activities.

*Keywords:* Corporate Social Responsibility, Banking sector, Public and Private Sector Banks

### **Introduction**

Corporate Social Responsibility depicts the sensitivity of an organization towards the society. In the banking industry, according to their Corporate Governance policy they need to follow ethical practices in their activities in order to protect the interest of shareholders, stakeholders and public at large. In the present times it is of utmost importance for the long-term

survival and for attaining profits. As per the Corporate Social Responsibility norms banks need to be socially responsible and focus on social problems such as poverty, environment degradation, rural area growth etc. By following such efforts banks can improve their public image and build up trust among its existing and potential customers. The Reserve Bank of India stressed that the banks should take social and economic welfare programmes. RBI has also circulated a notice on Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks. Many studies have been conducted to study the corporate social responsibility practices of the banks. The present study analyzed the Corporate Social Responsibility initiatives of two prominent banks, that is, one each from public sector and private sector banks has been selected. State Bank of India, a leading bank from public sector and HDFC Bank from private sector has been selected for this study.

### Literature Review

The various studies reviewed are:

**Dake and Pole (2011)** studied the corporate social responsibility practices of selected private sector banks viz., HDFC Bank, ICICI Bank, Krur Vyasya Bank, ING Vyasya Bank and Axis Bank. The study concluded that few banks are window dressing about their social welfare efforts. This is due to lack of statutory provisions regarding corporate social responsibility. The researcher wanted more stringent rules for the banks regarding implementation CSR principles.

**Sharma and Mani (2013)** analyzed the corporate social responsibility activities of Indian commercial banks for the year 2009-10 to 2011-12. The study found that with respect to private and foreign banks, public banks are contributing more in case of CSR initiatives. It was found some banks are not meeting the regulatory requirements.

**Singh et. al (2014)** discussed the corporate social responsibility initiatives and spending of ICICI Bank for five years. Singh concluded that the bank's expenditure on corporate social responsibility practices has shown increasing trend for the study period. Further, the study emphasized that the banks should aware the public about their initiatives regarding social welfare.

### Objectives of Study

1. To discuss the CSR Regulatory Framework prevailing in India.

2. To study the CSR initiatives of the State Bank of India (SBI) and HDFC Bank.
3. To analyses the trend of CSR Expenditure in SBI and HDFC Bank for last ten years.

### Research Methodology

The study collected secondary data from the annual reports of the State Bank of India and HDFC Bank from their respective websites, articles and different websites. The period of the study is ten years, that is, from the year 2013-14 to 2022-23. Percentage increase and decrease in CSR expenditure, Charts and Bar Graphs have been used to study the trend of CSR expenditure of the respective banks during the period of study.

### Corporate Social Responsibility Framework

The Companies Act 2013 requires the private as well as public limited companies to spend a part of their profit on social work. Every company needs to spend at least 2% of its average net profit for the immediately preceding three financial years on Corporate Social Responsibility activities. But most of the companies fail in fulfilling these criteria.

### CSR initiatives of HDFC Bank

PARIVARTAN, an initiative of HDFC Bank includes following areas:

- Rural area development
- Health Care & Hygiene
- Education, Financial Awareness
- Skill training.
- Zero Investment Innovation for Education Initiatives (ZIIEI) etc.

**Table-1: Profit After Tax (PAT) & CSR Expenditure of HDFC Bank as on 31<sup>st</sup> March**

Year	Net Profit (in crores)	CSR Expenditure (in crores)	Increase/decrease in CSR spending (%)
2013-14	8478	70.37	NA
2014-15	10216	118.55	68.46
2015-16	12296	194.81	64.33

2016-17	14550	305.42	56.77
2017-18	17486.8	374.00	22.45
2018-19	21078	444	18.72
2019-20	26257	535	20.49
2020-21	31116.5	634.9	18.67
2021-22	36961.3	736	15.92
2022-23	44109	820.9	11.53

Source: Annual Reports and Business Responsibility Reports

Table 1 clearly shows the Net Profit, CSR Expenditure and rise and fall in CSR spending in percentage of HDFC from the year 2013-14-10 to 2022-23. It shows that the bank has shown upward trend in its Net profit as well as spendings on CSR activities over the period of time. It was Rs. 70.37 crores in the year 2013-14 which increases to 820.9 crores in the year 2022-23.

**Figure 1: CSR Expenditure of HDFC Bank**

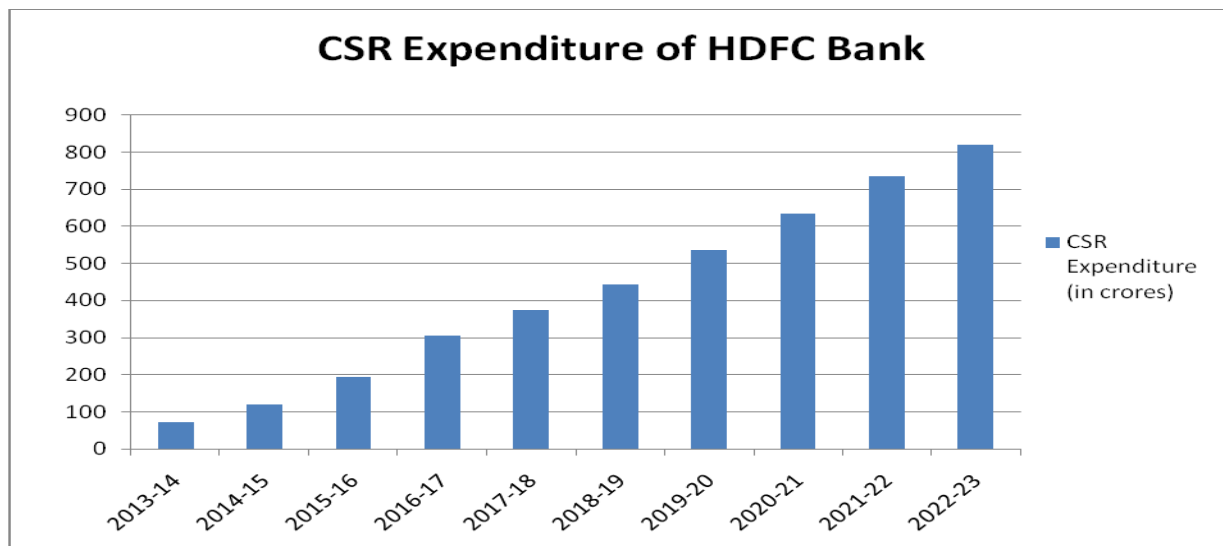


Figure 1 depicts the CSR expenditure of HDFC Bank from the year 2013-14 to 2022-23. The figure clearly shows that the bank has consistently increased their expenditure on CSR initiatives and activities.

**Figure 2: Increase/Decrease in CSR Spending of HDFC Bank**

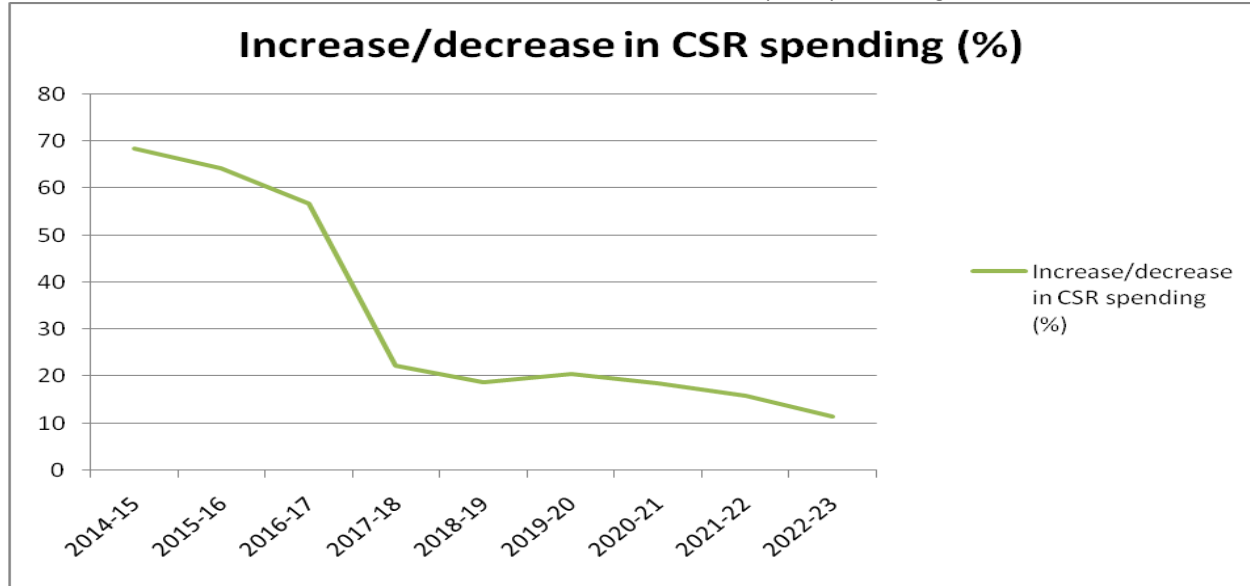


Figure 2 shows the increase or decrease in the CSR in each year which shows that although the CSR expenditure has increased during the period of study but the percentage increase has shown decreasing trend.

### CSR initiatives of State bank of India

SBI foundation in collaboration with SBI Bank works for promoting growth, equality and responsive towards the needs of communities. After the merger of State Bank of Bikaner and Jaipur with SBI, they are contributing two percent of the annual net profits on Corporate Social Responsibility activities. SBI contributed towards the construction of a residential schools' buildings, provides support for the education and overall development of underprivileged children.

**Table-2: Profit After Tax (PAT) & CSR Expenditure of State Bank of India as on 31<sup>st</sup> March**

Year	Net Profit (in crores)	CSR Expenditure (in crores)	Increase/decrease in CSR spending (%)
2013-14	10891	148.93	NA
2014-15	13102	115.8	-22.24
2015-16	9951	143.92	24.28
2016-17	10484	109.82	-23.69
2017-18	-6547	112.96	2.86
2018-19	862	22.7	-79.90

2019-20	14488.1	27.47	21.01
2020-21	20410	144.88	427.41
2021-22	31675.9	204.1	40.87
2022-23	50232	316.7	55.17

Source: Annual Reports and Business Responsibility Reports

Table 2 clearly shows the total spendings of SBI from the year 2013-14 to 2022-23. It shows that the bank spending on CSR activities has been fluctuating over the period of time due to variation in the net profit of banks. It was Rs. 148.93 crores in the year 2013-14 but decreased to 27.47 crores in the year 2019-20. After that from the year 2020-21 the CSR spendings has increased consistently till 2022-23.

**Figure 3: CSR Expenditure of State Bank of India.**

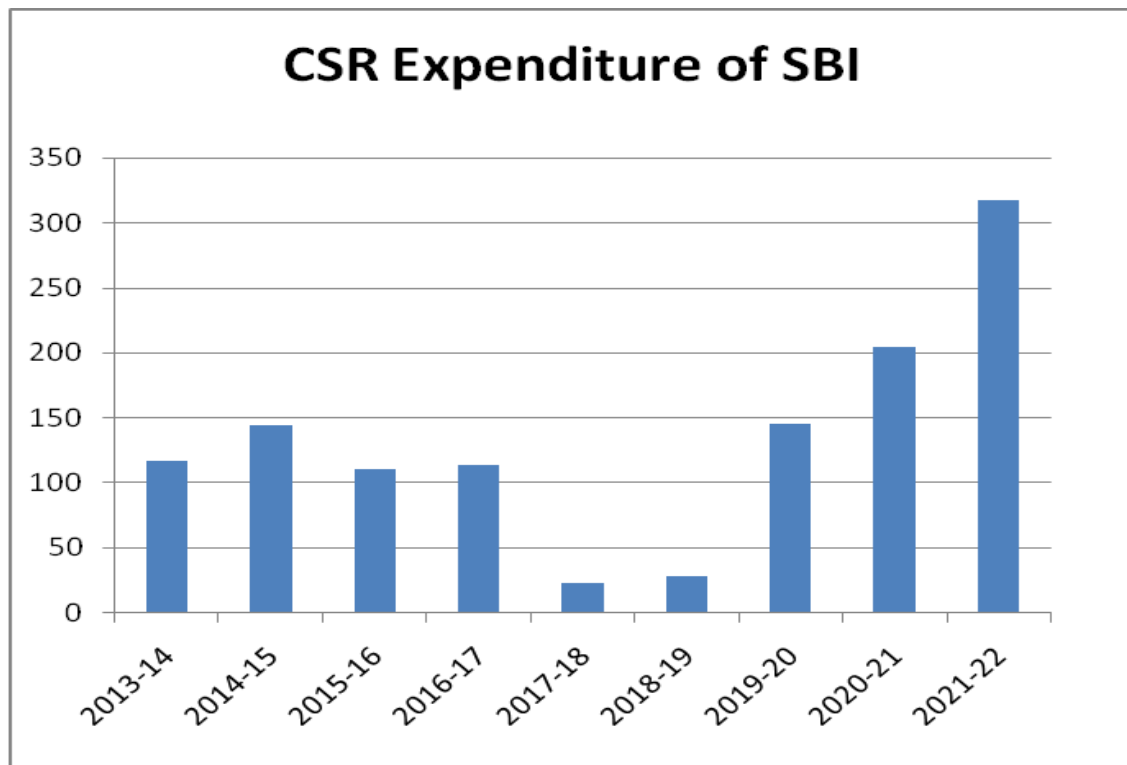
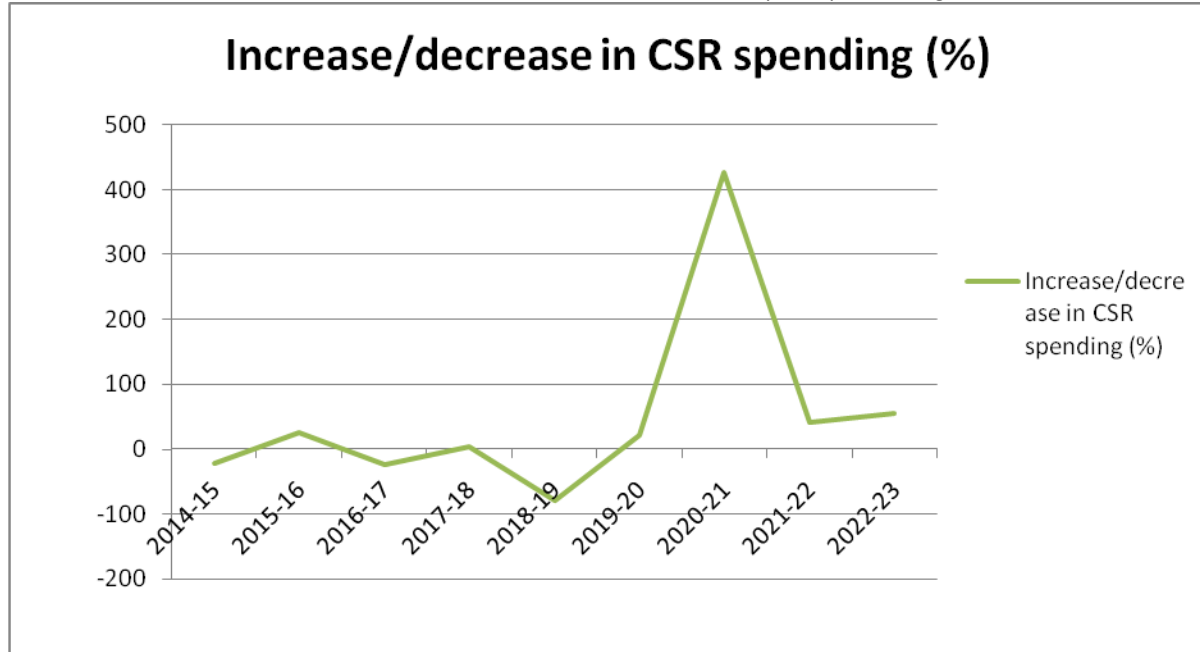


Figure 3 shows the CSR Expenditure of SBI from the year 2013-14 to 2022-23. It shows that the bank expenditure on CSR was not consistent. It was from the year 2019-20 that the bank increased its CSR expenditure.

**Figure 4: Increase/Decrease in CSR Spending of State Bank of India**



**Figure 4 shows that no fix trend has shown in CSR spendings of State Bank of India. The bank decreased the CSR spending in 2014-15, 2016-17 and 2018-19. This indicates fluctuating trend in CSR spending.**

### Conclusion

The study discussed the various initiatives of the State Bank of India and HDFC Bank. The Reserve Bank of India has issued various guidelines for the Indian banks regarding compliance of Corporate Social Responsibility practices. The analysis of the spending of both the banks showed that the banks have increased their spending during the study period. But the spending of the private bank, that is, HDFC Bank is more than that of State Bank of India. HDFC Bank has more consistently increased their expenditure on CSR activities than that of SBI. It shows that the banking sector is adopting various CSR initiatives but more needs to be done.

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