

# THE ROLE OF CSR PRACTICES IN SELECTED PUBLIC SECTOR BANKS AND SELECTED PRIVATE SECTOR BANKS IN INDIA

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## **Abstract**

*Banks in India have been indulging in a lot of activities which they showcase as their contribution in terms of corporate social responsibility. According to Archie B. Carroll an organization has its obligations towards the society, divided in to four parts in the order of importance namely Economic, Legal, Ethical and Discretionary obligations. The article intends to examine the position of "Financial inclusion" as a matter of social responsibility of the commercial banks. Further, the article intends to critically examine the issue of whether promotion of financial inclusion is an economic or legal or ethical or discretionary obligation of the banks. If it is established as an economic responsibility, then the banks should apply all their resources to promote the issue and at the same time ensure more profitability.*

*It reviews the concept of social responsibility and how it is useful to sustain in the market. The paper aims clearly to make some recommendations for overcoming the challenges and also make corporate social responsibility more successful for banks. The main methods used in this study are semi-interviews, field observation, and documentation review.*

**Keywords:** Corporate Social Responsibility, challenges, and opportunities, Sustainable environment.

## **INTRODUCTION**

Since India became part of the global economy and underwent economic reform in 1991, its economy is growing at a faster rate of nearly 10 per cent per annum. In the process, India has become the fourth largest economy in the world. In the last two decades, a significant proportion of the population across the country has reaped the benefits of this economic growth. They have become the part of global economy and market, and their lives have transformed into one of global citizens with all the comforts and luxury in life.

Management without caring needs and expectations of stakeholders in a community will not be competitive compared with those who do in the 21st century. Demand for accountability and transparency from both public and private sectors has become soaring. In the olden days, management is seeking for survival and profits. Nowadays, management concerns managing financial and non-financial results with awareness of risk and maintenance of transparency. As a result, corporate social performance (CSP) has possessed equal importance of corporate financial performance (CFP).

The term "Stakeholder" has been put into Today management vocabulary. In fact, it provides a full picture for management to map their ought to be "obligations" and as well as their need to be "customers' requirements". Having a stakeholder map, it can widen the horizon of marketers in the sense of making them realize the importance of social responsibility; and the need of fulfilling requirements of customers and the society. Stakeholders do not want to have any undesirable events found in the market.

Issues that they are concerned are things that affect their health and safety. Products or services that consist of misleading messages in advertisements are especially the worry of the public. They want to get a real message from, instead of marketing gimmicks. Hence, marketers should develop an awareness of social responsibility when devising marketing campaigns

India is the largest democracy in the world with a population of 1.37 billion people. However, this democracy is not visible when it comes to financial inclusion. The extent of social orientation amongst companies varies widely. On one hand there are some organizations which are committed and very active while on the other we

find organizations that do not have any kind of social orientation. (Cherunilam,2003). The entire range of obligations that an organization has towards the society is called corporate social responsibility. However, the first and primary responsibility of any organization would be its economic responsibility towards its employees, shareholders and other direct stakeholders in terms of operating efficiency and profitability.

In order to manage people's behavior successfully internally and externally, Drucker (2006) mentioned that realization of common goals and common values with ongoing training and timely responses to change were fundamental in management. In short, what we have learnt from Drucker is that management is about handling human beings, integrating variables, unifying objectives, developing people toward common objectives for results.

So a manager needs to managing people, process and resources for results and for fulfilling requirements of stakeholders for quality. Quality concepts have been spread across industries and countries. Current practice of achieving quality in manufacturing and servicing industries is obtaining ISO 9000 and other industry-related certificates. How about quality standard used in banking industries? What are the common practices for banking organizations to prove their quality service? According to Kothari (2006), quality includes fulfilling a set of inherent characteristics, meeting stated or implied needs or expectations, conforming to specifications; and moving towards customer satisfaction. Bornman (2004) mentioned that there were many attempts to define "quality".

However, economic benefits should not be reaped through illegal ways and means. Therefore, both economic and legal obligations of an organization are primary in nature. Now, if the economic obligations are met by way of all legal means then the organization should start thinking of the ethical considerations of earning such economic benefits. This is the position where the top management of the organization starts redefining their business models so as to meet the larger ethical requirements viz. product quality development, employee satisfaction, fair pricing, fair distribution, fair real time employment generation, bringing transparency in business decisions, development of business models bringing down costs for the customers and taking up projects with larger ethical considerations.

A good CSR reputation will help the company only when the company achieves its basic objectives and remains profitable at the same time. (Luo et al, 2012). Commercial banking in India is witnessing more and more competition every day. The competition is mainly based on three factors namely (a) number of account holders (b) services offered (c) interest rates. Hence, to be more effective and enjoy the trust of the masses the banking sector should focus mainly on promoting financial inclusion in India. (Luo & Du 2012).

The public sector banks have concentrated mainly on rural development, women empowerment and poverty eradication whereas the private sector banks have concentrated on education and employment, child welfare and environment (Sharma,2011).It can be observed that the banking companies in India stand divided on prioritization of CSR activities. An examination of the total profit of the banks in India would lead us to the figure which could have been spent on CSR activities by the banking system only.

- **Corporate** : means doing business for wealth creation.
- **Social** : means to take care of community.
- **Responsibility**: means concern towards the welfare or development of the economy or

Country

## OBJECTIVE

1. To Determine the Concept of Corporate Social Responsibility.
2. To Examine the Opportunities and Challenges through Corporate Social Responsibility of Banking Sector.

## LITERATURE REVIEW

Historically CSR has been viewed as developed countries' phenomena. As such a large body of literature on CSR practices has merged in the context of developed countries. However, literature on the theory and practices on CSR in the developing countries remains scant (Belal, 2001). Hardly a few studies have looked at CSR practice in India. Different researches at different points of time and classical Indian literature have emphasized the CSR practice of corporate entities in India.

Masud Rana (2015) identified the opportunities and challenges of corporate social responsibility from various public and private sector of banks. In older days, for the survival, banking sectors only focused on profit-making and customer satisfaction, but now if corporate wants to sustain in market for long term then the business should be operated ethically and some part of wealth should be given for the social development.

Shravya Saxena (2016) stated in her study that, there are various banks which do not fulfill the provision of corporate Social Responsibility, which is not good for our economy and society. Corporate Social Responsibility is not about charity or donation it also aims to reduce poverty among the underprivileged segment of the society.

Another study by Dutta and Durgamohan (2009) found that education takes the first place followed by health and social cause. Similarly, a survey conducted by CSM (2001), the perception of companies towards various parameters of CSR has been brought forward. The various dimensions of CSR valued by companies are national wealth, employment, environment and social programme including health and literacy.

In a survey of CSR reporting in Asia Chapple and Moon (2005) found that nearly three quarters of large companies in India present themselves as having CSR policies and practices. The EU green paper (2001) identifies two main dimensions of companies implementing CSR an internal dimension relating to practices internal to the company and an external dimension involving stakeholders.

The above findings of different scholars at different points of time entail that they have rightly observed and underscored the CSR practices and performance of companies in India.

### CSR PRACTICE IN INDIA

In 21st-century banking sectors faced many challenges. A strong perception has been developed in India that banks have to manage a social responsibility to maintain a relationship with society and for long term sustainability in the marketplace. There are lots of challenges in the banking sector.

- Lack of awareness of stakeholders.
- Economic pressure and recession.
- Lack of commitment and participation by top management.
- Lack of consensus implementation of CSR
- An issue of transparency
- Lack of clear guidelines about corporate social responsibility.
- Need of proper supervision on (CSR) corporate social responsibility.

### OPPORTUNITIES IN THE BANKING SECTOR

Corporate Social Responsibilities are an opportunity to maintain a relationship with stakeholders. It also helps to increase the revenue and build an image in the marketplace. Banks would introduce the new opportunities in banking sector.

- Corporate Social Responsibility can improve the profits.
- Corporate Social Responsibility can help in improving the negative image of banks.
- Long term sustainability in the marketplace.
- CSR's can help to retain the investors.
- Can help creating high performance level of employees.

#### Profits of selected banks in India

Bank	Profit in 2018-19 (In '000)
HDFC Ltd.	210,781,653
State Bank of India	862,22,98

#### Corporate Social Responsibility Framework

The Ministry of Corporate Affairs has notified Section 135 and Schedule VII of the Companies Act 2013 as well as the provisions of the Corporate Social Responsibility Policy Rules, 2014 to come into effect from April 1, 2014.

Private limited or public limited companies have a legal obligation to spend some amount of profit in social work. Companies should meet any one or more of the following criteria.

NET WORTH	Rs. 500 crore
TURNOVER	Rs. 1000 crore
NET PROFIT	Rs. 5 crore

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.

## RESEARCH METHODOLOGY

The methodology is the systematic and theoretical analysis of a particular area of study. The information captured in this research paper was received from the websites of SBI and HDFC banks. The study was conducted to identify the challenges and opportunities of social responsibilities in the banking sector.

### **HDFC Bank**

HDFC (The Housing Development Finance Corporation) is a private bank. HDFC bank drives the holistic growth of communities. It works on five distinct areas i.e. rural development, promotion of education, skill development, healthcare and hygiene, and financial literacy. In rural development, along with various NGO's, it has covered 2.98 lakh houses impacting 870 villages. HDFC has also been working on various initiatives of the government like MANREGA, Ministry of electronics and Information Technology.

The Bank's CSR is implemented under the aegis of 'Parivartan' which is the umbrella brand for all the Bank's social initiatives. Parivartan aims to bring about a transformation in the communities in which the Bank operates through multiple initiatives in the areas of Education, Skill training and Livelihood Enhancement, Health Care, Environmental Sustainability and Rural Development. The Bank's programs are guided by CSR Policy duly approved by the Board which is driven by the vision of "Creating Sustainable Communities". The CSR policy and programs are aligned to comply with the requirements of Section 135 of the Companies Act, 2013 and are monitored by a Board level committee.

HDFC believes that a nation truly develops when its community sustains in livelihood. HDFC started a new initiative named PARIVARTAN which means a step towards progress. Bank also started ZIIEI zero investment innovation for education initiatives to improve the quality of education in government schools. Every year, the Bikaner branch of HDFC bank, organizes blood donation camps in Colleges, and in 2018 they collected 32 units blood from a college, which was a great initiative towards the health sector. An event named 'DAAN UTSAV 2018 GOONJ' was also organized, in which the bank employee's donated clothes and sanitary pads to needy people.

### **Composition of CSR Committee:**

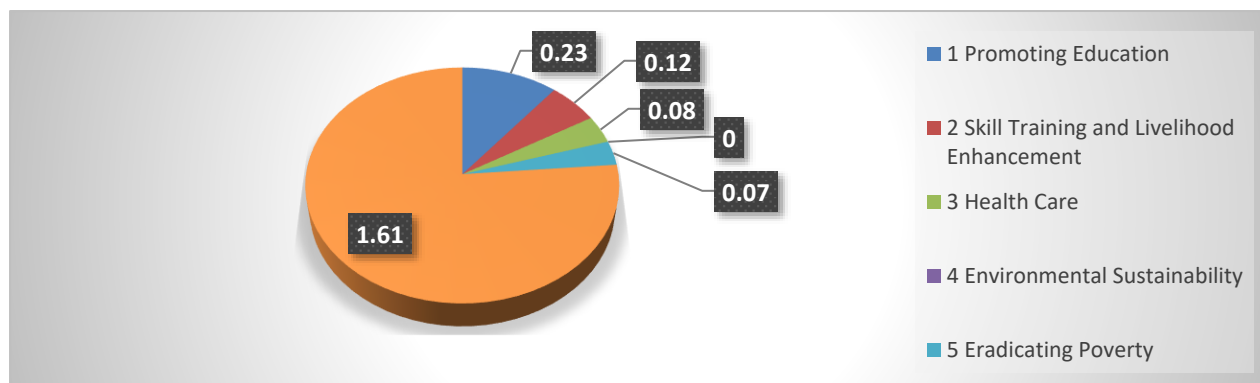
The Bank has also constituted a Board-level CSR Committee to govern the implementation of the policy. The present composition of the Committee is as follows:

1. Mr. Umesh Chandra Sarangi, Chairman (Independent Director)
2. Mr. Aditya Puri
3. Mr. Malay Patel (Independent Director)
4. Mr. Sanjay Sachar (Additional Independent Director)

**Table showing Amount spent on CSR Activities  
(Rs. In crores)**

Sr. No.	CSR Project/Activity	Amount spent	% of Profit spent
1.	Promoting Education	48.52	0.23
2.	Skill Training and Livelihood Enhancement	24.45	0.12
3.	Health Care	17.34	0.08
4.	Environmental Sustainability	0.71	0.00
5.	Eradicating Poverty	13.71	0.07
6.	Rural Development	339.59	1.61
<b>Total</b>		<b>444.32</b>	<b>2.11</b>

**Pie-chart showing Amount spent on CSR activities by HDFC Bank**



### State bank of India

SBI (State Bank of India) is a nationalized bank. State Bank Group formed SBI foundation for all the CSR activities to bring smile to the socio-economically backward sections of the society. After the merger of SBI bank with SBI, they will now contribute two percent of the annual net profit on Corporate Social Responsibility. Earlier SBI bank was spending one percent of the profit on Corporate Social Responsibility activities.

Social Responsibility is deeply ingrained in the culture of your Bank. Consequently, it has been undertaking social welfare initiatives much before the formal CSR concept was coined. Your Bank believes that it owes a solemn duty to the less fortunate and underprivileged members of the society to make sustainable social change in their lives. In 2018, SBI contributed towards the construction of a residential school building in Patna, Bihar. SBI also provides support for the education and overall development of rural area of our country.

#### Focus areas of our CSR activities:

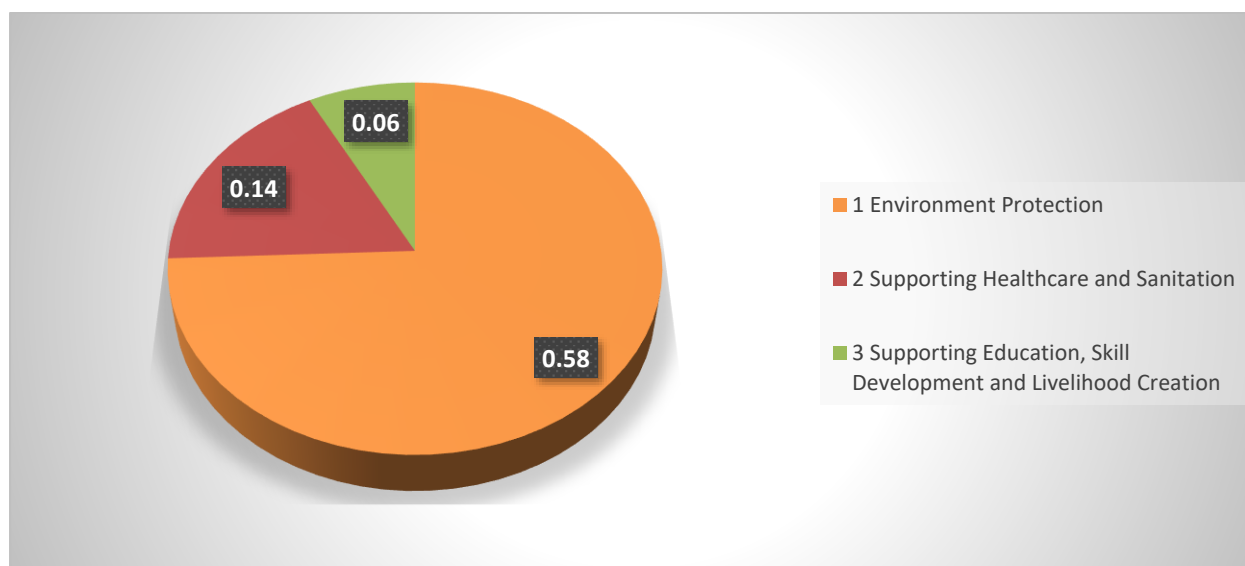
1. Supporting Healthcare
2. Supporting Education
3. Skill Development and Livelihood Creation
4. Environment Protection
5. Sanitation

The AGM of SBI (Bikaner branch) Mr. Harish Rajpal distributed gifts to all the employees on New Year, as a token of appreciation and also for the motivation of employees to work harder in future, as a result of which a tremendous hike was seen in the business.

**Table showing Amount spent on CSR Activities  
(Rs. In crores)**

Sr. No.	CSR Project/Activity	Amount spent	% of Profit spent
1.	Environment Protection	5.00	0.58
2.	Supporting Healthcare and Sanitation	1.24	0.14
3.	Supporting Education, Skill Development and Livelihood Creation	0.49	0.06
<b>Total</b>		<b>6.73</b>	<b>0.78</b>

**Pie-chart showing Amount spent on CSR Activities by SBI Bank**



### ADVANTAGES OF THE STUDY

The above model will ensure more and more participation of companies because of the visibility factor. Moreover, the government/public will have access to real audited data on CSR activities taken up by various companies throughout the country. Peripheral companies would either not register and be short listed by the Registrar of Companies as NON CSR companies or become active and committed to the cause of CSR.

This study would increase the volume and speed CSR activities and at the same time differentiate the economic obligation of the banking companies i.e., financial inclusion from CSR obligations which are discretionary in nature.

## LIMITATION OF THE STUDY

**There are many Public Sector Banks and Private Sector Banks but this study is limited to State Bank of India and HDFC Bank LTD.**

### Conclusion

From the above study, inference can be drawn that HDFC Bank Ltd. incurred more CSR Expenditure than State Bank of India. However, HDFC Bank Ltd. incurred CSR Expenditure on more activities as compared to State Bank of India. It can also be inferred that HDFC Bank Ltd. surpassed in complying with CSR Provisions of The Companies Act, 2013 as compared to State Bank of India.

The new model assumes that the government of India as well as RBI will show its political will power to deploy its resources towards promotion for financial inclusion. The model also assumes that the RBI along with the commercial banks would understand that their viability and profitability will be sustainable for a longer period of time, only when there is total financial inclusion.

We can suggest that the public sector works more than the private sector in social welfare but there is more need for creation of awareness among Corporate Social Responsibility. At present the banking sectors are working more effectively as compared to past years. After the recommendation of RBI and Government of India the Banking Sector are more aware about Corporate Social Responsibility.

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