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A Comparative Study of CSR Initiatives in Private Sector Banks

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Abstract

In the recent years the concept of Corporate Social Responsibility is spreading very rapidly in India in all the sectors. Corporate Social Responsibility is to contribute towards the society while working with in ethics. 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).RBI played a important role in supporting the concept of CSR by passing a circular in the year 2007,December, directed banks to undertake CSR initiatives for sustainable development .The Banking sector is in a leading position in discharging CSR in the country. This paper tries to enlist various initiatives taken by the banking sector in the current era with respective to CSR and its reporting along with its future scope.

Key Words: CSR Practices, Banking Sector, CSR Reporting

INTRODUCTION

This is the time of industrialization and commercialization of the entire service sector. All the Companies are moving forward for the profit maximization and the profit which they are gaining it is from the society so the companies must take it as obligation towards the society which is to be repaid in terms of social banking towards the benefit of society. This social Banking means to contribute for the society while conducting the work within the boundary of ethics and that is called Corporate Social Responsibility. The CSR practices have been started a long time ago but in India its speed of implementation were very slow. At present there is an increasing awareness about CSR, Sustainable Development and Non-Financial Reporting, the credit goes to RBI in focusing the CSR practices in Indian Banking Sector, by passing a circular in the year 2007, December, directed banks to undertake CSR initiatives for sustainable development.

According to Michael Hopkins (2003), CSR is concerned with treating the internal and external stakeholders of the firm ethically or ina socially responsible manner and the wider aim of corporate social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders.
The CSR phases as its development can be divided in to four phases are as follows:

Phase I (Till 1914) - The oldest form of CSR was motivated by charity and philanthropy with direct influence from culture, religion, family tradition, and industrialization process.

Phase II (1914-1960) - Dominated by the country's struggle for independence and influenced fundamentally by Gandhi's theory of trusteeship for consolidation and amplification of social development. Gandhi's reform programs which included activities that sought in particular abolition of untouchability, women's empowerment and rural development.

Phase III (1960-1980) - The paradigm of mixed economy with the emergence of legislation on labor and Environmental standards, affected the third phase of Indian CSR This phase Is also characterized by a shift from corporate self-regulation to strict legal and public regulation of business activities.

Phase IV (1980- Onwards) - Indian companies and stakeholders began abandoning traditional philanthropic engagement and, to some extent, integrated CSR into a coherent and sustainable business strategy, partly adopting the multi stakeholder approach.

OBJECTIVE OF THE STUDY

Following are the objectives for this study:

- To Study the concept of CSR
- To Study the Major areas of CSR initiatives in Indian Banking Sector.

METHODOLOGY

Research methodology is the blue print of the research which is going to be conducted. The Research design in this study is Descriptive research design, Random Sampling technique is used for selecting the Banks for this Study in which the major players two from Public Sector and two from Private Sector have been selected for the study i.e. Kotak Mahindra Bank, HDFC and ICICI. The Data is collected from secondary sources particularly from concerned Banks Annual Report, Web sites, newsletters and data from various journals.

LITERATURE REVIEW

[Carroll, 1979; 2008, 500]: "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time."

The Commission defines corporate social responsibility as "the responsibility of enterprises for their impacts on society". To fully meet their social responsibility, enterprises "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" According to Bert Scholtens, "finance relates to the sustainability of economic development and to CSR. The three financing modes open the potential to direct the economic activities in a way that takes account of social, ethical, and environmental issues".

According to Jacob M. Rose, in his study findings indicate that directors employ prospective rationality cognition, and they sometimes make decisions that emphasize legal defensibility at the expense of personal ethics and social responsibility. The results suggest that additional ethics education will have little influence on the decisions of many business leaders because their decisions are driven by corporate law, rather than personal ethics.

Paul C. Godfrey and Nile W. Hatch they studied on the two aspects one; Examination of the marginal utility of various CSRs by firms. Second, researchers must focus tools on individual firm-stakeholder their.

CSR INITIATIVES BY BANKING SECTOR

Period of the Study

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

Conclusion

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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