

A COMPARATIVE STUDY ON CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN SELECTED PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

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Abstract

Corporate Social Responsibility in India is a result of Companies Act, 2013. For an emerging country like India CSR plays a significant role. The CSR activities by organizations have a broader impact on society in which it operates. CSR has a positive impact on business reputation and brand recognition. For India, the banking sector is considered as a barometer of the economy. The policy and activities of the banking sector affect society at large. As CSR is mandated by law, this study can be benefited to banks, government, policymakers, researchers, and community at large. The objective of the study is to analyze CSR practices and inner comparison between the banks in India. The study mainly focuses on areas such as CSR initiatives, CSR expenditure, and the impact of CSR on the share price of Indian banks. In this research paper State Bank of India, Canara Bank, Yes Bank, and IndusInd Bank, i.e. two public and two private sector banks are selected from the list of futurescape's top 100 companies contributing in CSR. The secondary data is collected from annual reports and website of banks from the year 2014-15 to the year 2017-18. The findings reveal that public sector banks have dynamic trend whereas private sector banks have a much static upward trend for change in CSR expenditure. Also, CSR has a positive influence on the share value price of private sector banks, and CSR has a negative impact on share value price of public sector banks. Education, Health and Environment are the common areas where both public and private sector banks have various kinds of CSR activities for all the selected years.

Keywords: Corporate Social Responsibility, Public Sector Bank, Private Sector Bank, Banking Sector, Share Price
Abbreviations: CSR (Corporate Social Responsibility), SBI (State Bank of India)

1. Introduction

Corporate Social Responsibility (CSR) is also known as corporate sustainability, sustainable business, corporate conscience or responsible business. United Nations has defined CSR as, "A management concept whereby companies integrate social and environmental concerns in their business operations and interactions with stakeholders." Corporate Social Responsibility (CSR) is a concept that suggests that it is the responsibility of the corporations operating within society to contribute towards economic, social and environmental development that creates a positive impact on society at large. Although there is no fixed definition, however, the concept revolves around that fact the corporations need to focus beyond earning just profits. In India, the term became popular in the 1960s and now is a dangerous part of business operations. India is the first country

in the world making CSR mandatory, following an amendment to the Companies Act, 2013. Businesses can invest their profits in areas such as Education, Poverty, Gender Equality, Hunger, etc.

The Companies Act, 2013: CSR concept is not new for India, but its importance increases with Companies Act, 2013. As far as Corporate Social Responsibility is concerned, the Companies Act, 2013 is landmark legislation that made India the first country to mandate and quantify CSR expenditure. The inclusion of CSR is an attempt by the government to engage the businesses with the national development agenda. The details on CSR are mentioned under Section 135 of the Companies Act, 2013. The Act came into force from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its net profit for the immediately preceding three financial years on Corporate social responsibility activities. The CSR activities in India should not be undertaken in the ordinary course of business and must be concerning any of the events mentioned in Schedule VII of the act. The corporations are required to set up a CSR committee which designs a CSR policy which is approved by the board and encompasses the CSR activities the corporations is willing to undertake. The act also has penal provisions for corporations and individuals for failure to abide by the norms.

CSR in Banking Sector:

The banking sector is an important sector for the stabilization of financial systems. It plays a critical role in the economy of our country; it facilitates the flow of funds in our economy and ensures financial resources are allocated efficiently towards promoting economic development and growth. Indian Banks are actively indulged in CSR activities. However, the framework for CSR Practices varies from bank to bank. As per RBI records, there are a total of 21 Public Sector Banks, 21 Private Sector Banks, 45 Foreign Banks, 20 Private Financial Institution including payments bank and 60 public financial institutions including regional rural banks. According to Futurescape's rating, following six banks are ranked in the list of India's top 100 Companies for sustainability and CSR 2018

Sr. No.	Name of Bank	Rank
1	Yes Bank	27
2	IndusInd Bank	47
3	Axis Bank	49
4	HDFC Bank	53
5	State Bank of India	84
6	IDFC Bank	87
7	Canara Bank	97

[Source: www.futurescape.in (CSR ranking 2018)]

2. Literature review

Literature Review creates a gap in the research. The following literature has helped in forming the conceptual framework for the study.





(Charles Blankson et al. 2018) the author has analyzed CSR policy of top 500 NSE listed firms in India to discover forces that drive engagement in socially responsible activities and to ascertain their reasons to these forces. They have found that factors such as economic, social, regulatory and ethical forces are the drivers of Indian firms and are similar to those found in developed economies but the ways firms respond to the drivers of CSR are different for Indian context i.e. Indian firms seek to utilize CSR activities to derive both Tangible (profit) and Intangible (social good) benefits.

(Shafat Maqbool et al. 2017) the scholars have analyzed the impact of CSR on financial performance from of 28 commercial banks listed on BSE. The results indicate that CSR exerts a positive impact on the financial performance of the Indian banks. The Analysis took into consideration financial data from 2007 to 2016, and the results clearly show that CSR has a positive impact on profitability and stock returns.

(Eliza Sharma et al. 2013) the researcher in the study has analyzed CSR activities of commercial banks from 2009 to 2012. The study shows that there are some banks which are not meeting the regulatory requirement. The analysis shows that public sector banks have the overall highest contribution to CSR activities. The study was done before the mandatory requirement of CSR in the Companies Act, 2013; hence the findings are based on voluntary CSR activities by banks.

(Ruchi Gupta et al. 2015) the researcher in the study attempted to identify the significance of CSR in the Indian banking industry. From Annual reports of the year 2013-14 for seven public and three private sector banks, the findings concluded that financial inclusion is a central part to fulfill their CSR. The analysis shows that banks were more into a social issue than environmental issues.

(Nithin Venugopal et al. 2018) the researcher has attempted to study the perception of employees and beneficiaries of the CSR initiatives regarding the major issues that they feel that the bank should take up on a priority basis. The researchers also measured the actual spending by Indian commercial banks for CSR activities during the financial years 2014-15 and 2015-16. Four banks, i.e. State Bank of India, Union Bank of India, Federal Bank and HDFC Bank, are selected. The findings reveal that Indian banks are making an effort for CSR activities, but many banks even don't meet the regulatory requirement for CSR. From the employee's perspective 'Employment to differently abled' is a top priority in CSR. From beneficiary's perspective 'Promotion of Education, Child welfare, woman empowerment and employment to differently abled' is a top priority in CSR.

(Upasana Thakur et al. 2016) the researcher has studied initiatives taken by SBI and HDFC bank about corporate social responsibility. The study concluded that both banks are actively engaged in CSR activities. However, as SBI has less CSR activities as per its market capitalization. Also, in the top companies list based on CSR activities HDFC bank is ranked higher than SBI.

(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.

3. Statement of the Problem

From the literature review it can be said that after the implementation of Companies Act, 2013 the financial performance and CSR involvement of banks have changed. The study mainly focuses on areas such as CSR initiatives, spending pattern in CSR and impact of CSR on the share price of Indian banks. The study will be a comparative analysis of the public sector and private sector banks whose findings will help in forming better CSR policies. The results of the study will be useful to banks, government, policymakers, researchers, and society at large.

4. Research Objective

The general objective of the study is to analyze CSR practices and inner comparison between the banks in India, over and above following reviews are to be studied:

1. To identify the CSR practices of Indian banks.
2. To identify CSR initiatives of Indian banks.
3. To analyze and compare spending pattern and CSR expenditure of Indian banks.
4. To study and examine the effect of CSR on the share price of banks.

5. Research Methodology

The study is based on secondary data. Secondary data has been collected from various sources such as annual reports of banks, bank's website, and the online database. For study top 2 private banks and top 2 public banks contributing in CSR has been selected. The selection has been made from futurescape's top 100 companies contributing towards CSR. As CSR has been mandated by Companies Act, 2013 which came into force on 1st April 2014, the share price from the financial year 2014-15 has been taken into consideration. The present research is a comparative study of CSR practices of the public sector and private sector banks. The selected banks are as follows:

Selected Public sector banks:

1. State Bank of India
2. Canara Bank



Selected Private sector banks:

1. Yes Bank
2. IndusInd Bank

The study covers a period of 4 years, i.e. from the financial year 2014-15 to the year 2017-18.

6. Data analysis and Interpretation

6.1 Net Profit after Tax and CSR Expenditure

Table 1 discloses the net profit after tax and CSR expenditure by four sample banks for four financial years, i.e. from the year 2014-15 to the year 2017-18. Table 1 reveals that the State Bank of India shows the highest profit and CSR expenditure for all the stated financial years. Both public sector banks have upward and a downward trend in net profit and loss for the financial year 2017-18, whereas private sector banks are showing an upward trend in net profit. Yes Bank is the only bank which shows an upward trend in both net profits as well as CSR.

Table 1: Profit after Tax (PAT) and CSR Expenditure

Amount (Rs.) in millions

Bank	Financial Year 2014-15		Financial Year 2015-16		Financial Year 2016-17		Financial Year 2017-18	
	PAT	CSR	PAT	CSR	PAT	CSR	PAT	CSR
State Bank of India	131015.72	1158	99506.54	1439.2	104841.03	1098.2	(65474.54)	1129.6
Canara Bank	27026.24	303.96	28128.23	327.82	11219.22	326.80	(42222.38)	285.30
Yes Bank	20053.61	157.10	25394.47	295.20	33300.96	416.6	42245.64	452.10
IndusInd Bank	17937.20	175.40	22864.50	273.20	28678.90	338.10	36059.90	204.70

Source: Annual Reports



Figure 1: CSR expenditure from the financial year 2014-15 to the financial year 2017-18

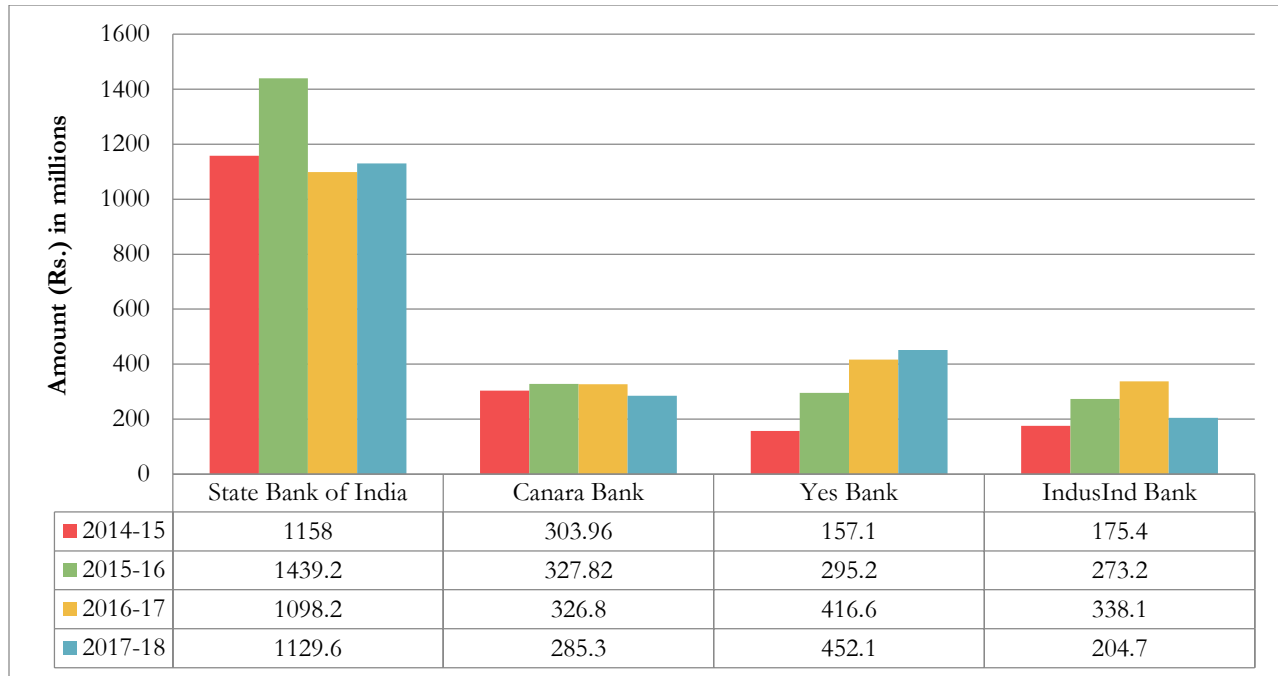


Figure 1 shows that SBI has the highest amount of CSR expenditure for all the stated years among all the banks. There is no static trend for increase or decrease in CSR expenditure for public sector banks. CSR expenditure of State Bank of India is increasing in the year 2015-16; however, it decreases in the year 2016-17 and increases in the year 2017-18. CSR expenditure for Canara bank is not much dynamic, but it shows an increase and decrease trend. Private sector banks have a comparatively static upward trend for CSR expenditure. Among all the banks Yes bank is the only bank which shows an upward trend in CSR expenditure. IndusInd bank shows an upward trend until the year 2016-17, but in the year 2017-18 CSR expenditure decreases. The data reveals that private sector banks have more static trend for an increase in CSR expenditure than public sector banks.

Table 2: Increase/ Decrease in CSR Expenditure from the year 2014-15 to the year 2017-18

Financial Year	State Bank of India	Canara Bank	Yes Bank	IndusInd Bank
From 2014-15 to 2015-16	24.28 %	7.85 %	87.90 %	55.76 %
From 2015-16 to 2016-17	-23.69 %	-0.31 %	41.12 %	23.76 %
From 2016-17 to 2017-18	2.86 %	-12.70 %	8.52 %	-39.45 %

Source: calculated

Table 2 reveals that among all the other bank's private bank Yes bank shows improvement in CSR expenditure. CSR expenditure of State Bank of India is decreased by 23.69 % from the year 2015-16 to the year 2016-17; however, it increases by 2.86 % from the year 2016-17 to the year 2017-18. CSR expenditure for Canara bank shows a decreasing trend from the year 2015-16 to the year 2016-17 and the year 2016-17 to the year 2017-18 by 0.31 % and 12.70 % respectively. Yes bank has increasing CSR expenditure from the year 2014-15 to the year 2017-18. The IndusInd bank has increasing CSR expenditure till 2016-17, but it decreases from the year 2016-17 to the year 2017-18 by 39.45%. The data reveal that public sector banks show a changing trend in CSR



expenditure than private sector banks. The highest positive change has been observed in Yes bank from the year 2014-15 to the year 2015-16 where CSR expenditure increases by 87.90%. The highest negative change has been found in IndusInd bank from the year 2016-17 to the year 2017-18 where CSR expenditure decreases by 39.45%. The lowest difference for an increase in CSR expenditure is observed in State Bank of India from the year 2016-17 to the year 2017-18 which is 2.86%. The smallest change for the decrease in CSR expenditure is seen in Canara bank from the year 2015-16 to the year 2016-17 which is 0.31%. The data reveal that from the year 2014-15 to the year 2017-18 public sector banks have a much static change in CSR expenditure than private sector banks.

6.2 Share Price on BSE

Table 2 shows the share price of banks from the financial year 2014-15 to the financial year 2017-18. The opening price at the beginning of the financial year, the closing price at the end of the financial year, highest price during the financial year and lowest price during the financial year are listed. The opening, highest and lowest share price of the State Bank of India shows positive change whereas closing share price shows negative change from the year 2014-15 to the year 2017-18. The opening share price of Canara Bank shows positive change whereas highest, lowest and closing share price show negative change from the year 2014-15 to the year 2017-18. Yes bank and IndusInd bank show a positive difference in the opening, highest, lowest and closing share price.

The data reveals that Private sector banks show an increase in share price from the financial year 2014-15 to the financial year 2017-18. Public sector banks show a decrease in share price from the financial year 2014-15 to the financial year 2017-18.

Table 3: Share Price on BSE from the Financial Year 2014-15 to the Financial Year 2017-18

Bank	Year	Open	High	Low	Close
State Bank of India	2014-15	193.23	335.90	186.74	267.00
	2015-16	266.90	305.00	148.30	194.30
	2016-17	194.00	294.25	166.60	292.60
	2017-18	294.30	351.50	232.50	250.10
Canara Bank	2014-15	258.63	484.39	243.17	357.85
	2015-16	359.89	400.21	151.93	184.66
	2016-17	184.95	331.40	171.00	303.00
	2017-18	303.10	463.40	225.35	264.25
Yes Bank	2014-15	83.45	182.00	80.80	163.31
	2015-16	162.80	179.40	118.00	172.91



Bank	Year	Open	High	Low	Close
	2016-17	172.02	311.57	165.33	309.82
	2017-18	309.60	383.25	275.15	304.90
IndusInd Bank	2014-15	502.90	959.00	472.00	882.50
	2015-16	881.55	988.50	784.45	967.60
	2016-17	965.50	1440.00	935.05	1409.45
	2017-18	1411.00	1818.00	1375.25	1795.60

Source: Moneycontrol.com

6.3 CSR Activities and Initiatives

As per Companies Act, 2013 Companies falling under the criteria of CSR shall undertake CSR activities mentioned in the schedule VII of the act directly or the companies may conduct CSR activities through its holding, subsidiary or associate company as well as through registered trust or society. The details regarding CSR activities and initiatives of selected banks from the financial year 2014-15 to the financial year 2015-16 are as follows:

1. State Bank of India:

For all the four years, i.e. from the financial year 2014-15 to the financial year 2017-18, the bank has included various activities under Healthcare and Education under their CSR practices. Apart from that, activities under Sanitation, Vocational Training, Livelihood creation, Assistance during natural calamities, activities for Person with a disability, Skill development, Environment Protection, Culture, Sports and others were taken place. The initiatives under CSR practices of the bank are SBI Gram Seva, Centre of excellence for a person with a disability, SBI youth for India, etc. The bank has a tie-up with various NGOs like Seva Mandir, Dhan Foundation, Rotary India Literacy Mission, etc.

2. Canara Bank:

The bank has multiple CSR activities under Education, Health, Poverty & Nutrition, Skill development, Environment protection, Women empowerment, Financial Literacy, activities for the person with disability & old age and rural development from the year 2014-15 to the year 2017-18. The initiatives under CSR practices include NGO named Higher Education Financing Agency (HEFA) which is set up by Canara bank under a joint venture shareholder agreement with the Ministry of Human Resource Development.

3. Yes Bank:

The bank has various CSR activities under Livelihood security & enhancement, Healthcare & social welfare, Environment sustainability, Arts, Sports & Culture, and sustainable MSMEs. The initiatives under CSR practices include Yes Steady, Yes Foundation and Yes Community. The bank has various NGO partners like Swades foundation, Deshpande foundation, Ammada trust, etc.



4. IndusInd Bank:

The bank has multiple CSR activities under Preventive Healthcare, Environment Sustainability and Rural development during the financial year 2014-15 to the financial year 2017-18. Apart from that, activities under Education, Paralympics Sports, Energy conservation, and Renewable energy were taken place. The initiatives under CSR practices of the bank are IndusInd for sports, and Solar powered ATMs, etc. The bank has various NGO partners like CERE, Aaranyak, Samarthanam, Nalandaway Foundation, etc.

7. 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 from the year 2014-15 to the year 2017-18. 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.

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