



Essence of corporate social responsibility in private banks in India

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Abstract

Corporate Social Responsibility (CSR) has become one of the standard business practices of our time. A business' CSR can encompass a wide variety of means, from giving away a portion of a company proceeds to charity, to implementing "greener" business operations. CSR initiatives are essential in a society where financial institution play a major role in eliminating poverty, providing access to financial resources that is financial inclusion. In India banking sector is playing a very important role in upgrading the economy of the country. The purpose of this paper is to analyze the various initiatives taking by private banks in India with respect to CSR.

Keywords: corporate social responsibility, business, financial

Introduction

Corporate social responsibility (CSR) has become one of the standard business practices of our time. Corporate social responsibility (CSR) refers to business practices involving initiatives that benefit society. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders.

Under the old companies act, 1956, there was no provision of CSR. However the CSR was introduced as voluntary activity in 2009 Guidelines by Ministry of Corporate Affairs. But in new Companies Act 2013, companies having a net worth of at least Rs 500 crore, turnover of Rs 1,000 crore or more as well as those with a minimum net profit of Rs 5 crore in a financial year are required to fulfill CSR norm. Such companies have to spend "in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years," towards CSR works, as per Section 135 of the Companies Act. They also have to constitute a CSR committee of the respective board of directors and this panel would formulate and recommend to the board the CSR activities that can be taken up by the company. The Reserve Bank of India (RBI) also realized the dire necessity of CSR and insisted the banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development.

Objectives of the study

The fundamental objective of this paper is

- To find out the major areas where CSR activities are performed by private banks in India.
- To compare and analyze the contribution of CSR activities of private banks in India in different areas.

Research Methodology

Four private Sector banks have been selected for the study i.e.

HDFC, ICICI, Kotak Mahindra and Axis bank. The data is collected from secondary sources particularly from concerned banks annual report, web sites, newsletters and data from various journals.

CSR activities performed by banks

Initially CSR was only a philanthropic activity, more and more related to donations and charity. With the development and change in social norms focus shifted towards the society, cultural and community development in recent years an attempt has been initiated to ensure socially responsible behavior of banking sector in a more organized manner. The major thrust areas for CSR practices in private banks in India are.

HDFC Bank

Building sustainable communities, especially in rural India, and empowering them financially, socially and environmentally is a key CSR objective of HDFC bank.

Education

- For providing quality education bank have reached out to more than 59,000 students and 5 lakh teachers across India.
- Bank partnered with Sri Aurobindo Society to train over 5 lakh school teachers in Uttar Pradesh under the Zero Investment Innovation in Education Initiative (ZIIIEI). By this program, nearly 1.7 lakh schools received an 'Inspection Management System (IMS)'.
- Bank supported 455 students who were economically and socially disadvantaged under Educational Crisis Scholarship Support (ECSS) programme.

Financial Inclusion

The Bank firmly believes that financial literacy is the first step towards financial inclusion.

- Financial literacy camps were conducted in various states
- Bank also launched 'Dhanchayat: Financial Literacy on

Wheels', a film to educate people in rural India on the perils of borrowing from unorganized sources covering 10 lakh viewers.

Skills training and livelihood enhancement

- The Bank has supported more than 4,000 households and trained more than 500 youth in different trades enabling them to be entrepreneurs.
- The Bank initiated a pilot programme in skill development - The National University Students Skill Development Programme in association with the Tata Institute of Social Sciences in which about 4,200 students have taken training.

Healthcare

- Bank organised health camps to create awareness among rural women on the importance of healthcare.
- Bank set up blood donation camps at over 2,300 centres in more than 975 locations across India.

Rural Development

- A National Resource Management programme was undertaken, where a thorough needs assessment and capacity building was undertaken.
- Bank also set up street lights, sanitation facilities and water wheels, a cylindrical container carrying water in the villages.

ICICI Bank

ICICI Foundation for inclusive growth was set up in early 2008 to build ICICI Group's legacy of promoting inclusive growth. Its focus areas are-

Skill development and sustainable livelihood

- ICICI Academy provides vocational training to youth from economically weaker sections to help them earn a sustainable livelihood.
- Over 2500 youth were trained in 2016 with women representation at 41%.
- ICICI Foundation operates Rural Self Employment Training institutes where 1500 youth were trained with women representation of 50%.
- Around 1000 trainees were provided with credit facilities for starting their own enterprises.

Education

- Bank partnered with government to implement School and Teacher Education Reform programme.
- 55 nodal level Academic Resource Centre were opened.
- ICICI foundation constructed toilets in 100 schools and SMC members were trained in the upkeep and maintenance of toilets.

Primary Healthcare

- ICICI foundation partnered with government to improve mother and child health.
- 186 village health, sanitation, water and nutrition committees were made.

Rural Development

- Training is provided to become self employed.

- Bank had opened 2294 branches in rural and semi urban locations, of which 573 branches were in unbanked villages.
- Conducts financial literacy workshops called Gram Samved.

Donations

- Bank contributed to chief minister's relief fund to help people affected by floods in Chennai.
- Daan Utsav was organized to encourage people to donate towards education for underprivileged children.
- Blood donation camps were organized.

Axis Bank

Axis Bank Foundation(ABF) set up in 2006, is the Corporate Social Responsibility arm of Axis bank. The primary purpose of bank's CSR philosophy is to make a meaningful and measurable impact on the lives of economically, physically and socially challenged communities of the country by supporting initiatives aimed at creating conditions suitable for sustainable livelihood in these communities.

Education

- ABF's education programme focused on primary and secondary education
- Provide special education for children with disabilities.
- Vocational skill training is provided to children from 8th to 10th standard.
- Support anganwadis and government schools in improving quality of education.
- 1,35,191 are beneficiaries of these programmes.

Sustainable Livelihood

- Vocational skills' training is key initiative to promote sustainable livelihood.
- Skill and leadership training camps are conducted for women in rural areas.
- Self-help groups are formed. Financial access is provided to SHGs. This is key initiative towards financial inclusion.
- 4,17,606 are beneficiaries of these programmes.

Health Care

- Through life line foundation, ABF provides support for highway accident management.
- Training is provided to police personnel, toll operations personnel in science of first aid/pre hospital trauma care.
- 20,646 victims have been rescued.

Environmental Sustainability

- Farmers are given training regarding sustainable agricultural practices such as organic farming, prevention of soil erosion, renewable energy use for irrigation etc.

MSM Enterprises

- Supported MSM enterprises through priority lending.

Sanitation

- Conducted a cleanliness and sanitation drive in 438 rural branches.

- Swachh Bharat Saptah was observed in Dec 2014

Financial Literacy

- Financial literacy is provided to people in rural areas.
- Chotta Recurring Deposit was launched to encourage small saving.

Stake holder engagement and volunteering activities

- 26 blood donation drives were held.
- Encourage employees for voluntary donations for underprivileged and marginalized.

Kotak Mahindra Bank

The Kotak Mahindra Education Foundation (KEF) was set up in 2007. This foundation is working for promoting education for urban poor. Main CSR activities of bank are

Promoting education and livelihood

- KEF take holistic and innovative approach to help urban poor.
- Livelihood training is provided at 7 centres.
- School Leadership Development Intervention (SLDI) programme was started towards improving access to quality education. 53 school leaders have been empowered through these initiatives.
- School Teacher’s Enrichment Programme (STEP) is an integrated platform to enhance teaching skills of the teachers.
- To sensitize the teachers on certain areas, 33 special workshops were conducted.
- Parent Intervention Programme was initiated to create awareness among parents on importance of education. 2393 Parents from 15 schools were empowered and sensitized through nine meetings.
- Kotak Udaan offers a range of activities for marginalized students to boost confidence.
- Kotak provides scholarship to students who despite challenging circumstances have managed to excel in

academics.

Health Care and Sanitation

- The mid-day meal programme was started and 4870 students were benefited from this scheme.
- Majhi Swachha Shala programme was stated to create value of cleanliness among students.
- 33 toilets and 45 urinal were built and repaired.
- 8 schools were provided with sufficient potable drinking water.

Skill Building

- Kotak Unnati is a vocational training programme for underprivileged school and college drop outs.
- A programme earn while you learn was tried in Mumbai based college.

Employee engagement and volunteering

- Blood donation camps were organized.
- 30 employees assisted the villagers with brick laying and painting work.

Lending a helping hand during natural calamities

- During Chennai floods bank helped its employees by giving them medical assistance and special interest free loans.
- Bank joined hands with NGO –The Banyan for rehabilitation of families affected by floods.
- The Latur in Maharashtra witnessed severe drought and bank is supporting ten villages of Latur to supply potable water.

Contribution of banks towards CSR activities

As per section 135 of new Companies Act, every year at least 2% of average net profit of company of three preceding financial years should be spend towards CSR work. Amount of CSR expenditure of the above mentioned private banks during the financial year 2014-15 and 2015-16 is shown in table-1

Table 1: Contribution of banks towards CSR activities

Year	2014-15		2015-16			
	Average profit of last three preceding years(RS crore)	CSR Expenditure during financial year(RS crore)	CSR expenditure during financial year (%)	Average profit of last three preceding years(RS crore)	CSR Expenditure during financial year(RS crore)	CSR expenditure during financial year (%)
HDFC	9856.35	118.55	1.2	12385	194.81	1.6
ICICI	169.22	3.39	2.0	10605	171.55	1.6
Axis	6688.67	123.22	1.84	8151.34	137.41	1.69
Kotak Mahindra	1959.79	11.97	.61	2366.37	16.41	.69

Source: Annual Reports of various banks

By analyzing table-1 we find that ICICI bank spent nearly 2% of its profit on CSR activities while AXIS bank spent nearly 1.84% of profit on CSR activities during 2014-15 while during 2015-16, HDFC, ICICI and AXIS bank spent around 1.6% of average profit of three years on CSR activities but Kotak Mahindra spent only .6% on CSR activities which is

quite less as required by new Company Act, 2013. CSR practices have become an essential part of banking business. Before the Company Act2013, most of the banks were not disclosing their amount spent on various CSR activities but now it is mandatory to disclose their expenditure on various CSR activities

Sector wise expenditure on CSR activities during 2015-16 HDFC

Table 2: Sector wise expenditure on CSR activities (2015-16)

CSR Activities	Amount spent (Cr RS)	Amount spent (%)
Financial literacy and empowerment	1.00	0.51
Promoting Education	24.59	12.62
Skill training and livelihood enhancement	17.99	9.23
Health care	8.26	4.24
Environment sustainability	0.72	0.37
Eradicating poverty	1.36	0.70
Rural development projects	140.89	72.33
Total	194.81	100.00

Source: Compiled from HDFC annual report, 2016

As shown in table-2 HDFC spent nearly 72.33% of its CSR expenditure on rural development project, around 12.62% on promoting education and 9.23% on skill training and livelihood enhancement.

ICICI Bank

Table 3: Sector wise expenditure on CSR activities (2015-16)

CSR Activities	Amount spent (Cr RS)	Amount spent (%)
Projects of ICICI foundation for inclusive growth	45	26.23
Rural development project	119.7	69.77
Contribution towards relief and welfare in calamity affected area	3.87	2.26
Livelihood Programme	1.0	0.58
Supporting research and capacity building in education sector	0.51	0.30
Health sector projects	0.09	0.05
Financial Counseling	0.77	0.45
Others	0.61	0.36
Total	171.55	100.0

Source: compiled from ICICI bank annual report - 2016

As shown in table 3 ICICI bank has also spent maximum on rural development projects i.e. 69.77% and nearly 26.23% of CSR expenditure was on projects of ICICI Foundation for inclusive growth.

Axis Bank

Table 4: Sector wise expenditure on CSR activities (2015-16)

CSR Activities/Projects	Amount spent (Cr RS)	Amount spent (%)
Projects of Axis Bank Foundation	73.58	53.55
Financial literacy and inclusion programe	30.03	21.85
Environmental sustainability programe	28.35	20.63
MSME sector building programe	1.67	1.22
Education and skill development	2.08	1.51
Administrative expenses	1.70	1.24
Total	137.41	100.00

Source: Complied from axis bank annual report- 2016

As shown in table- 4, AXIS bank foundation has spent 53.55% for education, livelihood enhancement, vocational skills, training and conservation of natural resources and rural

development and healthcare, 21.85% of expenditure is spent on financial literacy and socially economically backward groups and rural development.

Kotak Mahindra Bank**Table 5:** Sector wise expenditure on CSR activities (2015-16)

CSR Activities/Projects	Amount spent (Cr RS)	Amount spent (%)
Projects implemented through Kotak Education Foundation	963.93	58.76
Promoting education Through other agencies	315.4325	19.23
Preventive health care	203.465	12.40
Environmental sustainability	70	4.27
Setting homes for backward families	2.25	0.14
Flood relief	50	3.04
Drought relief	10	0.61
Sports	25	1.52
Donations	0.45225	0.03
Total	1640.53	100.00

Source: Compiled from Kotak Mahindra annual report-2016

Table 5 shows that Kotak Mahindra has spend nearly 78% on education and 12.4% on preventive healthcare measures.

By analyzing CSR report of these banks we find that-

- None of the bank has spent 2% of the average net profit of the previous three years on CSR activities in 2015-16. In fact kotak Mahindra has spent just 0.69% of the average net profit of the previous three years.
- CSR practices of the selected banks represents a wide spectrum of different activities including rural development, community development and social welfare, education, skill development, healthcare, family initiatives, women's empowerment and environment protection.
- HDFC and ICICI bank are contributing more towards rural development while Axis bank and Kotak Mahindra are more committed towards education sector.

Conclusion

The banking sector in India is contributing to the society and environment with adoption of CSR initiatives and private banks are showing interest in integrating sustainability into their business model. In fact Indian banks no longer see CSR as charity but a way of building their image and marketing their product. However more spending on CSR activities is required as per new Companies Act, 2013. The present time is the time of tough competition and banks are also facing this challenge and to become winner of this competitive race they have to do something extra for their customers and that is Corporate Social Responsible.

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