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CORPORATE SOCIAL RESPONSIBILITY PRACTICES BANKS IN INDIA: A STUDY OF TWO PRIVATE SECTOR BANKS

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ABSTRACT

Responsibility towards the society and the environment in which an organization or a business firm operates is the prime concern of the present day. Businesses make use of resources provided by the society while the society or the environment in which it operates bears certain costs which were neglected or not taken care of until recent times when some amendments in the Companies Act were made wherein it has been made compulsory for organizations to endeavour into voluntary activities for the benefit of the society, which has been termed as Corporate Social Responsibility (CSR). In relation to this, an attempt has been made to evaluate the CSR practices adopted by Private Sector Banks in India. With respect to it, few Private Sector Banks have been selected on judgmental basis and thereby their contributions for the society and CSR practices has been evaluated by considering two financial years namely 2014-15 and 2015-16. Also, an effort has been made to compare the provisions in the Schedule VII of the Companies Act, 2013 and the actual practices undertaken by the Private Sector Banks. For this purpose the data has been collected from the annual reports of the respective banks and various other literatures. The data so collected will be analysed and the major findings will be highlighted. Also, some suggestions which may be developed and required to be mentioned along with the conclusion will be stated. The scope for future study in the respective field shall also be stated.

KEYWORDS

corporate social responsibility (CSR), private sector banks, society.

INTRODUCTION

In the present day context there has been an increasing use of some terms like Corporate Social Responsibility (CSR), Sustainable Development (SD) and Non-Financial Reporting (NFR) among the entities carrying out businesses and the stakeholders of such businesses. As such business houses have put concerted efforts to make sustainable development a priority along with their goals of economic interests. CSR involves the integration of social and environmental issues in the business operations of business firms. Business encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point in time. As of now the social context of business entities and their activities have been redefined. The concept of holistic development of society along with business activities has gained importance because the activities carried out by the businesses impact deeply on the people, society and the environment. Thus, the necessity arises as to sustainable development. It is well understood that business and society cannot be separated. Both the aspects are interdependent and intertwined in a complex form that makes it impossible to sustain when the other is absent.

Corporate Social Responsibilities is, traditionally, seen as a voluntary action that businesses take over and above compliance of legal requirements to fulfill their economic interests and the interests of the society. CSR basically refers to transparent business practices that are based on ethical values, compliance with legal requirements, and respect for people, communities, and the environment. Thus, beyond making profits, companies are responsible for the totality of their impact on people and the planet. CSR is a set of comprehensive policies and practices that aligned in the business operations and covers the ethics, environment, and governance, interests of stakeholders within the business and outside.

Along with other business organizations certain activities for the society has been carried out by financial institutions as well. The financial institutions like commercial banks, cooperative banks and rural banks carry out their basic banking functions which becomes their primary objective and consequently they undertake various other activities which the becomes a boon for the society. These banking institutions provide the services may due to the necessity of complying with the rules and regulations or their philanthropic activities or undertake practices voluntarily. The banking institutions and their contribution to sustainable development are paramount since they deliver upon the economic and developmental activities of the world. It is prime concern for a developing nation like India to act socially responsible. In this regard and growing awareness of the issue of social responsibility the Reserve Bank of India on December 20, 2007, circulated a notification that advised the scheduled commercial banks, to deliver their resources upon "Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting".

REVIEW OF LITERATURE

Chaudhury, S.K, Das, S.K and Sahoo, P.K (2011) stated in their study that the banking institutions need to promote greater accountability towards corporate social responsibilities. The study has been done on twelve numbers of cases which relates to various commercial banks both public and private and the CSR practices undertaken by them. The study mentions that the financial institutions should be framing CSR policies in order to allocate funds for CSR as a priority activity of banking institutions. Also, the institutions should make a periodical review system whereby it will make the CSR activities and its spending effective and its impact can be known.

Krishnan, N (2012) is of the opinion that CSR activities have a positive impact on the financial and non-financial performance of firms under the study. The study has been prepared taking into consideration various objectives like the impact of CSR on a firm's performance and the impact of CSR on other associated aspects of the firm. The financial benefit resulting from the CSR activities surpasses the cost which has been undertaken to implement those. The business firms need to incorporate the details of the CSR practices and mention the impact of such practices in the annual report.

Bhuvaneshwari.M, Chitra.P and Arthi.D (2015) made a study regarding the CSR initiatives of ICICI bank. The study has been basically made from secondary sources by referring to Annual Reports and other secondary materials. They comment positively on the contribution of the banking sector towards society in the form of CSR. The ICICI bank has been increasing their contribution towards CSR every year which is helping in creating good image of the bank. The study indicates that if banks initiate different practices for the society then it will be helping the economy to develop and sustain.

Md. Rahman, M and Md. Iqbal, F (2013) conducted a study regarding the CSR practices and to analyze the various CSR areas covered by the Private Commercial Banks and the perceptions of CSR tasks of banks in Bangladesh. The methodology includes both primary and secondary collection of data. The study reveals that CSR activities have positive impact on the employees' behavior, customers' behavior and establishing its market. According to the study most activities of CSR practice are concentrated on Education sector. Thus, banks should try to diversify their area of CSR operations for the overall development of the society.

Vasagan, V.T (2013) conducted a study on the CSR practices of Axis bank. The study tries to understand the strategies adopted by Axis Bank in the name of CSR. The study has been made from secondary sources and the data has been basically collected from the Annual report of the bank for the period under study. As per the study, Axis bank has put tremendous effort in undertaking CSR activities within a short period of time. The study also reveals that the activities need proper evaluation so that it is effectively implemented.

Mehta, M and Chaugule, K (2014) is of the opinion that businesses has become aware of the advantages which a firm enjoys when it implements CSR. The CSR activities affect them by way of increasing the goodwill and the image of the firm as make provisions for society from the profits they make. The study has been prepared from secondary sources like journals and websites. The data has been collected from the Annual report of the firm and for the period under study.

IMPORTANCE OF THE STUDY

Every study that is required to be carried out is blended with some importance which can be for the overall society, individual good or for some specific group. The importance of the study undertaken lies in the evaluation of banks towards society in terms of Corporate Social Responsibility. The study discusses about the Private Sector Banks and the CSR practices undertaken by them. It also throws some light over the fulfilling of provisions mentioned in the Section 135 of Companies Act, 2013.

OBJECTIVES OF THE STUDY

The present study has been carried out in order to throw some light over the activities and practices undertaken by Private Sector Banks. The study has been made with the following objectives in mind:

1. To identify the Corporate Social Responsibility practices undertaken by the Private Sector Banks.
2. To compare between the practices carried out by the Private Sector Banks and the CSR provisions mentioned in Schedule VII of Section 135 of Companies Act, 2013.

RESEARCH METHODOLOGY

The study is basically descriptive in nature and has been prepared in order to evaluate the CSR practices adopted by Private Sector Banks in India. Consequently, two Private Sector Banks have been selected on judgmental basis and thereby their contributions and practices for the society have been evaluated for the financial years namely 2014-15 and 2015-16. The banks so selected are Axis Bank and HDFC bank. In this study the data has been collected from the primary source that is from the annual reports of the respective banks and various other literatures. Since these Annual Reports are extracted from the bank's specific websites so the data so collected becomes secondary data, although the source is primary. Apart from the collection of information from the websites the researchers has referred to various other journals and articles in relation to CSR and its implementation by banks. In order to fulfill the purpose of the study the researcher has referred to the Section 135 and Schedule VII of Companies Act, 2013.

SCOPE OF THE STUDY

The present study has been undertaken to evaluate the practices undertaken by the Private Sector Banks in India for the betterment of the society and the environment in which the bank carry out its normal course of activities. Along with that a comparison with the provisions mentioned in the Companies Act, 2013 have been made in order to analyze the differences with the practices undertaken by the banks. The paper concentrates only on the practices undertaken by the banks for CSR. With regard to this only the practices of two banks have been analyzed and thus the results may not be generalized.

ANALYSIS AND DISCUSSION

SECTION 135 OF COMPANIES ACT, 2013

(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall,—

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, 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, in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (a) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Explanation.— For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198.

SCHEDULE VII

(Section 135)

Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:

- (i) eradicating extreme hunger and poverty;
- (ii) promotion of education;
- (iii) promoting gender equality and empowering women;
- (iv) reducing child mortality and improving maternal health;
- (v) combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- (vi) ensuring environmental sustainability;
- (vii) employment enhancing vocational skills;
- (viii) social business projects;
- (ix) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- (x) such other matters as may be prescribed.

CORPORATE SOCIAL RESPONSIBILITY (CSR) PRACTICES OF AXIS BANK AND HDFC BANK

CSR PRACTICES OF AXIS BANK

TABLE NO. 1: PRACTICES OF AXIS BANK DURING THE YEAR 2014-15

CSR Project or Activity identified	Sector in which the Project	Amount Outlay (Budget) Project or Programs wise
Contribution to Axis Bank Foundation towards undertaking CSR activities as per the focus areas and programs areas listed in Axis Bank's 'Policy for Corporate Social Responsibility'.	Education (primary, secondary, supplementary, special, vocational), livelihood enhancement, vocational skills training, conservation of natural resources and rural development, healthcare (including preventive healthcare)	62.18 crores (For 2014-15)
Financial literacy and inclusion program: Financial literacy initiatives to create awareness and educate various sections of society, especially those which do not have access to banking system, on personal financial management and provide them access through financial inclusion initiatives.	Education (financial literacy), reducing inequalities faced by socially and economically backward groups, rural development	52.32 crores
Environmental sustainability program: a. Reduction of GHG emissions through use of renewable energy and optimising energy efficiency b. Promoting ecological balance and natural resource conservation through tree plantation	Environmental sustainability, ecological balance and natural resource conservation	5.75 crores
MSME Sector building program: Contribute to MSME sector capabilities enhancement through knowledge based skills development.	Education (skills development)	1.09 crores
Cleanliness and sanitation program: Cleanliness and sanitation drives to promote the 'Swatch Bharat' mission in rural areas where Bank has presence.	Sanitation	0.06 crores
Administrative expenses: Administrative and other expenses including salaries and training cost for the Bank's CSR personnel, training and capacity building of implementation partners and staff cost for CSR initiatives up to 5% of overall CSR Expenditure		1.82 crores

Source: Compiled from the Annual Report of Axis Bank for the financial year 2014-15

TABLE NO. 2: PRACTICES OF AXIS BANK DURING THE YEAR 2015-16

CSR Project or Activity identified	Sector in which the Project	Amount Outlay (Budget) Project or Programs wise
Contribution towards and its partner NGO towards undertaking CSR activities as per the focus areas and programs listed in Axis Bank's 'Policy for Corporate Social Responsibility'.	Education (primary, secondary, supplementary, special, vocational), livelihood enhancement, vocational skills training, conservation of natural resources and rural development, healthcare (including preventive healthcare)	73.58 crores
Financial Literacy and inclusion program: a. Financial literacy initiatives to create awareness and educate various sections of society, especially those which do not have access to banking system, on personal financial management and provide them access through financial inclusion initiatives. b. Financial literacy and consumer awareness initiatives to safeguard against fraud and cyber-crime.	Education (financial literacy, consumer awareness), reducing inequalities faced by socially and economically backward groups, rural development.	30.03 crores
Environmental sustainability program: a. Reduction of GHG emissions through use of renewable energy and optimising energy efficiency b. Promoting ecological balance and natural resource conservation through tree plantation	Environmental sustainability, ecological balance and natural resource conservation	28.35 crores
MSME Sector building program: Contribute to MSME capabilities enhancement through knowledge based skills development.	Education (skills development)	1.67 crores
Education and Skill development program: a. Promoting entrepreneurial skills among college students b. Imparting employable skills to youth	Education (skills development)	2.08 crores
Administrative expenses: Administrative and other expenses including salaries and training cost for the Bank's CSR personnel, training and capacity building of implementation partners and staff cost for CSR initiatives up to 5% of overall CSR expenditure		1.70 crores

Source: Compiled from the Annual Report of Axis Bank for the financial year 2015-16

INTERPRETATION: The above tables describe the CSR activities of Axis Bank for the financial year 2014-15 & 2015-16. The bank has made the disclosure regarding the CSR activities in the Corporate Social Responsibility Report as a Statutory Report which elaborates about the various activities and practices carried by the bank during the financial year. The bank has made significant contribution towards certain sectors like education, financial literacy and environment sustainability. The table also explains the ways through which the total amount allotted for CSR activities have been incurred.

TABLE NO. 3: PRACTICES OF HDFC BANK DURING THE YEAR 2014-15 & 2015-16

CSR Project or Activity identified	Sector in which the Project	Amount Outlay (Budget) Project or Programs wise (in Cr.)	
		2014-15	2015-16
Financial Literacy and Empowerment	Promotion of Education	7.63	1.00
Promoting Education	Promotion of Education	8.52	24.59
Skill Training and Livelihood Enhancement	Skill development and Vocational Training	12.47	17.99
Health Care	Preventive and Curative Healthcare	7.24	8.26
Environmental Sustainability	Environment	0.95	0.72
Eradicating Poverty	Eradicating poverty	0.99	1.36
Rural Development	Rural Development Projects	80.18	140.89

Source: Compiled from the Annual Report of HDFC Bank for the financial year 2014-15 & 2015-16

INTERPRETATION: The above table describes the CSR activities of HDFC Bank for the financial year 2014-15 & 2015-16. The bank has made the disclosure regarding the CSR activities in the Corporate Social Responsibility Report within Directors' Report which elaborates about the various activities and practices carried by the bank during the financial year. The bank has made significant contribution towards certain sectors like Education, Health Care and Rural Development. The table also explains the total amount of expenditure that has been incurred in each of the heads.

IMPLICATIONS

The primary motive of commercial banks is to render the banking services as has been required by the Banking Regulation Act, 1949. The banks are but separately guided by another Act other than the Companies Act, 2013 which is Banking Regulation Act, 1949. There has been no specific provision which defines banks activities towards CSR in the Banking Regulation Act, 1949. Apart from banking institutions other business houses are meeting the requirement of CSR practices which as of now become mandatory. Thus, there arises a need for banking institutions as well to comply with the norms of CSR and contribute towards it. An effort has been made to compare the CSR practices of the private sector and the provision mentioned in the Companies Act, 2013 so that the differences or similarities can be evaluated.

From the Table No. 1, Table No. 2 and Table No. 3 we get to know the practices of the two Private Sector Banks that have been selected for the purpose of the study. The comparison with the banks and the provisions in the Companies Act, 2013 are as follows:

- Committee:** Since the Net Profit for both the banks has been more than 5 crores the bank has developed a CSR policy and formed a committee for its purpose.
- Disclosure:** Along with the formation of a committee the banks have disclosed the members of the CSR committee.
- Amount Allocation:** The average net profit of the banks for last three financial years were more than 5 crores and as such made provision for CSR activities for 2% of the profits as has been mentioned in the provisions of the Act. The total amount of Axis bank is approximately Rs. 133.77 crores and Rs. 163.03 crores respectively and Rs. 197.13 crores and Rs. 248 crores respectively of HDFC bank.
- Amount Spent:** The CSR activities of bank and the total amount allocated has been mentioned in the report and the actual amount spent and unspent has been distinctly made in the report.
- Amount Unspent:** The reasons unspent has been again explained elaborately by the banks in the report.
- Sectors of Contribution:** The contribution by Axis Bank has been mainly upon the education, financial literacy and environment sustainability. While HDFC Bank has contributed mostly towards Education, Health Care and Rural Development.
- Sector not considered for CSR:** The banks have not taken any measure to reduce child mortality and maternal health even though certain contributions have been made in the health sector.
- Priority Sector Lending:** Priority Sector lending is one of the important aspects of banking but the above banks selected for the study has not included factor into consideration.
- Details regarding activities of CSR:** The details regarding the CSR activities in various sectors has been mentioned by the Axis Bank but HDFC bank have not disclosed all the details except for the sectors for which expenditure has been made by the bank.

The above discussion regarding the CSR practices of banks and its comparison with the Companies Act, 2013 brings into light various important facts. The banks operate with their own set of principles under the broad framework of Banking Regulation Act, 1949. The banks carry out various CSR activities and which happen to be in line with the provisions of the Companies Act, 2013 as the bank have been fulfilling the mentioned provisions. However in relation to schedule VII of the Act, it can be said that some of the activities which needs to be carried out by the business houses were not practiced by the banks. Also, as has been required to have entirely separate reporting system of CSR activities of an entity, some banks fails to do so. They make the disclosures along with the Directors' report.

Although the banks are profit making organizations yet they remain excluded from the compulsory contributions towards Corporate Social Responsibilities. The activities or practices which the banks undertake towards CSR are more often voluntary in nature. The banks disclose such information in the annual reports out of their own discretion. It may be to make their image in the market, which quite competitive, bright and penetrate in the market.

The banks mostly concentrate in activities like donation for the welfare of rural areas, education, financial literacy etc. Their contributions limit to certain activities only.

SUGGESTIONS

It may not be possible from the above minor study to provide many suggestions in terms of contributions of CSR practices but still the researcher makes certain observations in this respect.

The banking sector has been contributing towards society with their discretion and considers it as their operations. Since the banks have been considering CSR activities and disclosing them like any other corporate houses as such these banks need to be put under the umbrella of Corporate Social Responsibility and make them mandatory.

CONCLUSION

Corporate Social Responsibility (CSR) has been described in the study is the contribution of business towards the society since they utilize the resources of the society. The study concentrates upon the banks contribution towards the society in the form of CSR. The practices have been highlighted and a comparison has been made with the Section 135 of Companies Act, 2013.

Banks concentrate their activities to only specific areas like education, financial literacy, rural development etc. The Private Banks along with normal course of activities continue to indulge themselves in CSR practices and have rightfully disclosed that information in the Annual Reports. But the picture of fulfilling the demands of the society as has been expected by the society still remains vague. The banks need to follow a prescribed format of disclosing their contribution towards CSR which become prime importance in the present day world. These practices of banks for CSR need to have real impact on the society through which the societies can benefit and can develop in a country like India.

LIMITATION

The above study suffers from some limitations which have been described below:

- The study has been basically made from the annual reports of two banks only, due to which the results cannot be generalised.

2. The period of study is of two financial years only.
3. During the period of study the recent annual reports of the respective banks were not published because of which it was not considered for the study.

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