ANWESH: International Journal of Management and Information Technology
4 (2), Sept 2019, 19-22
http://www.publishingindia.com/anwesh

Adoption of Corporate Social Responsibility By Private Sector Banks - An Analysis of HDFC Bank

Laxminarayana Maroli[1*] and V. Manickavasagam[2]

[1]Assistant Professor, Department of Commerce & Management, Acharya Bangalore B. School, Bangalore & Research Scholar, Department of Corporate Secretaryship, Alagappa University, Bangalore, Karnataka, India. Email: researchmaroli@gmail.com, lnmaroli@acharyabbs.ac.in
[2]Ph.D Research Supervisor, Department of Corporate Secretaryship, Alagappa University, Bangalore, Karnataka, India.
*Corresponding Author

Abstract: In present day corporate world corporate social responsibility is getting very good importance and increase in awareness and control. Corporate social responsibility means, policies of organisations to run their business in such manner that is ethical, socially favourable, environmentally friendly and beneficial to community with respect to development. Organisations and firms in additions to their objectives and interests like profit maximisation and growth, also they should show their interest in societal welfare and environmental protection by taking reasonable responsibility. As per recent company regulations organisations required to invest specified percentage of their profit on corporate social responsibility activities. Banks and financial institutions playing very important role in economic development of any country. Banks required to take very crucial role in removing poverty, achieve equitable and responsible systems of governance and ensure environmental security. In mixed economy system like any other industry, even in banking sector also both public and private banks playing their role in business. In public sector banks normally they are controlled by Government and they implement CSR activities as per government regulations. Even Private banks also required to take up CSR activities at par with any other corporate houses. In this regard this paper attempts to analyze the CSR practices followed and implemented by Indian private banks.

The main objective of this research paper is to find out CSR practices adopted and followed and achieved by private banks in India with reference to HDFC banks.

This paper is based on conceptual research and information is taken from secondary resources by referring research journals and magazines.

Keywords: Corporate social responsibility, Economic development, Private sector banks, Sustainability.

I. Introduction

Business organisation is performing their business activities taking resources from this environment and society. Organisations considered as part and parcel of the society. Especially corporate companies are considered as separate legal entity and corporate citizens of the particular country. Even though business organisations' main objective is profit maximisation, they required to contribute reasonably for the society's development, environment protection and country's interest. Corporate company taking resources from this environment and taking the services of manpower from this society. First priority every business organisation should give importance for running their business on ethical basis. They required to produce and supply quality goods and services on reasonable basis. Also they required to create reasonable job opportunities for the people of the country, payment of reasonable salary and other allowances and facilities according to work position and efforts as per law which is governing employment. Also organisations required take minimum care towards nature while discharging waste water and smoke into nature and with reference to controlling various type of pollution. Every business organisations required to run their business ethically. This its self one most important social responsibility which is expected from every business organisation. Running business in unethical manner and later spending funds in CSR activities for the purpose of fulfilling legal obligation is not correct. Some organisations adopting CSR activities for the sake of their company business promotion, name and fame purpose. This action also again considered as again looks like unethical. Some Business organisations may argue that their main duty is doing their business and they pay various types of taxes to the government and doing development activities in the country is government's responsibility. Government is ultimately responsible for country's development, protection etc. However, every business organisation expected to join hands with government in developmental activities.

Banking is the back bone for the economy. Banking sector is one of basic requirement for the economic development of any country. Banking sector establishes link between society and business organisations. Accepting deposits for the purpose of lending is the fundamental principle of banks. Banks encourages savings habits among people and provide financial assistance to business world at reasonable rates of interest. Since 2001 banking industry growing at the rate of 51%. Approximately the contribution of banking sector to GDP is about 7.7% of GDP. Banking sector also given employment opportunity for 1.5 million people.

Banking sector in India includes 20 Public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1562 urban co-operative banks and 94,384 rural co-operative banks. Total lending increased at a CAGR of 10.94% and total Deposits increased at a CAGR of 11.66% in financial year 2017-18.

Since Indian economy is following mixed economy system, both public sector and private sector banks are operating in Indian banking sector. Like public sector banks, private sector banks also contributing considerably for the economic growth of our country. Private sector banks are excellent in using technology for providing services to consumers. Their services in internet banking, mobile banking, ATM services and other services are considerably fast and best compared to public sector banks in India. Private banks provides various types of savings and deposits schemes for the benefits of customers as per customers' requirement and as per their profile. Private banks also playing vital role in corporate finance and business finance.

At present there are 21 private sector companies operating in India. Important among them are listed below:

Axis Bank
Bhandan Bank
Catholic Syrian Bank
DCB Bank
Dhanalaxmi Bank
HDFC Bank
ICICI BANK
Indus Ind Bank
IDFC FIRST BANK
Jammu and Kashmir Bank
Karur Vyshya Bank
Kotak Mahindra Bank
Lakshmi Vilas Bank
Nainital Bank
RBL Bank
South Indian Bank
Tamilnadu Mercantile Bank
Yes Bank

II. Objectives of the Study

- To understand the Concepts of CSR and CSR regulations as Companies Act, 2013.
- To know the CSR Policy of Private Sector Bank.
- To know the status of implementation of CSR activities and expenditure made for CSR activities by Private Sector Bank.
- To know the status of statutory compliance fulfilled by the Private Sector Bank.

III. Research Methodology

This research paper is based on secondary data and information are collected from various reports published by Banks, RBI, journals and magazines, and banking websites. Researcher has adopted simple percentage technique for analysing the data. For this research purpose researcher has selected HDFC Bank one of the leading bank in private sector. Data has been collected from the annual reports of the Bank for Financial years from 2016-17 to 2018-19 for the period of 3 years.

IV. Literature Review

A detailed study conducted by Khan and Atkinson (1987) on the managerial responses to social responsibility in India and Britain reveals that many Indian managers have the opinion that CSR is relevant to every business organisations and highly supported that business has responsibilities not only to the shareholders and employees but also to customers, suppliers, society and to the state.

Singh and Sharma (2015) in their paper "Corporate social responsibility practices in India: Analysis of public companies" explain the regulatory system and CSR policies and functions and services carried out by the public sector units i.e., Coal India Ltd. and GAIL. The action taken in the areas of education, skill development, women empowerment activities, development of poor and needy section of society, nutrition, health and sanitation facilities and rural development. They also follows mandatory regulations. These companies highly working for social responsibility and they are covering activities as per Companies Act, 2013 also performing many more other activities.

Fadun *et al.* (2014) in his paper "Corporate Social Responsibility (CSR) Practices and Stake Holders Expectations: The Nigerian Perspectives" use Caroll's 1991 CSR model and verifies business CSR practices and stakeholders' expectations in Nigeria which states that four kinds of social responsibilities constitute total CSR: Economic, legal, ethical and philanthropic. Stake holders give more importance on economic, legal and ethical responsibilities than philanthropic component.

A. An Overview of CSR Rules Under Companies Act, 2013

Even though the CSR concept originated quite long back, unfortunately very few companies were involved in CSR activities before implementation of CSR rules under Companies Act, 2013. According to Section 135 of new Companies Act 2013, any company or business has a turnover of more than 1000 crore rupees, net worth of Rs. 500 crore and having at least 5 crores of net profit in any financial year must do CSR. Under the rules, the Government has also fixed a threshold limit of 2% of "Average" net profit of the block of previous three years on CSR activities and it company fails to spend such amount, disclosures are to be made for the same. Companies required to do CSR activities as per certain identified CSR activities under schedule VII of Companies Act, 2013.

B. CSR Activities as Prescribed Under Sub Section 3, Section 134 of Companies Act, 2013

- Poverty alleviation
- Education
- Development
- Ecological balance
- Enhancement of craftsmanship
- Support to armed forces
- Support for sports events
- Charitable funds: Favouring Prime Minister's National Relief Fund etc.
- Technological support: To uplift the technology of incubator that comes under academic institutions and which are approved by central government.
- Rural developing: Introducing varied projects for rural development.

V. Analysis and Interpretation

A. HDFC Bank

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalisation of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC bank commenced operations as a Scheduled Commercial Bank in January 1995.

B. Important CSR Initiatives of HDFC Bank

- Zero investment innovation for education initiative.
- E-waste management program.
- Sustainable livelihood initiative.
- Health and sanitation.
- Financial inclusion.
- Educational scholarship support.
- Skill training and livelihood support.

Table I: CSR Details of HDFC Bank

Particulars	2018-19	2017-18	2016-17
Average Net Profit for Last 3 Financial Year Rs. in Crores	21960.40	18246.00	15200.00
Prescribed Expenditure Rs. in Crores	439.20	365.00	304.00
Amount Spend for CSR Activities Rs. in Crores	443.80	374.00	305.42
Unspent Amount Rs. in Crores	0	0	0

From the above Table I we can observe that HDFC bank even though it is a private sector bank taken very hard steps to invest more funds prescribed for CSR activity during past 3 years. The amount spent was more that 2% of average profits of past 3 years as per law. Bank should continue the same status in future also.

Table II: Activity Wise Expenditure on CSR by HDFC Bank During the Year 2018-19 (Rs. in Crores)

S. No.	Schedule VII Activity	Project Wise Outlay	Cummulative Expenditure	Investment Through Agency/Direct
1	Promotion of Education	48.52	148.44	Through Agency 44.30
2	Skill Development	24.45	102.68	Through Agency 20.18
3	Preventive and Curative Health Care	17.34	71.63	Direct
4	Environment Sustainability	0.71	4.12	Direct
5	Eradication of Poverty	13.17	24.17	Through Agency 13.03
6	Rural Development	339.59	1077.39	Through Agency 143.52

From the above Table II we can observe that during the year 2018-19 HDFC bank invested money reasonably in all types of activities specified by law. However, bank required to invest more money for environmental sustainability and eradication of poverty programs and projects.

Table III: Activity Wise Expenditure on CSR by HDFC Bank During the Year 2017-18 (Rs. in Crores)

S. No.	Scehdule VII Activity	Project Wise Outlay	Cumulative Expenditure	Investment Through Agency/Direct
1	Promotion of Education	41.29	99.92	Agency (-33.40)
2	Skill Development	17.31	78.24	Agency (17.76)
3	Preventive and Curative Health Care	15.19	54.29	Direct
4	Environment Sustainability	0.73	3.41	Direct
5	Eradication of Poverty	4.18	11.00	Agency (4.15)
6	Rural Development	295.85	737.80	Agency (118.71)

From the above Table III we can observe that during the year 2017-18 also HDFC bank has invested quite good amount in all types of CSR Activities. Environmental sustainability should be given still more importance. As per ministry of Corporate Affairs Reports for the year 2017-18 HDFC bank is one of the top ten companies in CSR spent category and the bank has gained 3rd position.

Table IV: Activity Wise Expenditure on CSR by HDFC Bank During the Year 2016-17 (Rs. in Crores)

S. No.	Scehdule VII Activity	Project Wise Outlay	Cumulative Expenditure	Investment Through Agency/Direct
1	Promotion of Education	25.48	58.63	Agency (-18.01)
2	Skill Development	30.41	60.93	Agency (12.90)
3	Preventive and Curative Health Care	23.56	30.10	Direct
4	Environment Sustainability	1.01	2.68	Direct
5	Eradication of Poverty	4.46	6.82	Agency (4.46)
6	Rural Development	220.50	441.95	Agency (93.42)

From the above Table IV we can observe that during the year 2016-17 also HDFC bank has invested quite good amount in all types of CSR activities. Environmental sustainability should be given still more importance.

VI. Conclusion

Banking sector is contributing toward CSR in great extent for the benefit of the society with their basic banking service. HDFC bank is leading private sector banks under this study, which is stepping positively towards social friendly banking in addition to their objective of profit maximisation and wealth maximisation. This study shows that the bank is more than reasonable in adoption of CSR activity and spending required amount of funds in CSR activities as per law with the objectives of providing greater benefit to the society.

References

[1] H. R. Machiraju, *Corporate Governance*, HPH, 2018.

[2] V. Balachandran, and V. Chandrashekaran, *Corporate Governance, Ethics and Social Responsibility*, PHI, 2013.

[3] S. Kavitha, “The study of effective implementation of corporate social responsibility in the banking sector,” *Presidency Journal of Management Thought and Research,* 2018.

[4] Business Responsibility Report of HDFC Bank from 2015-2019.

[5] Annual Reports of HDFC Bank 2016-2017 to 2018-2019.

[6] “Ministry of Corporate Affairs - Government of India,” Mca.gov.in. [Online]. Available: http://www.mca.gov.in

[7] K. Prabhavathi, and G. P. Dinesh, “The study of CSR spent in Indian banking industry,” *International Journal of Research and Scientific Innovation (IJRSI),* vol. 4, no. 9, pp. 32-37, 2017.

[8] S. K. Pole, “Role of private banks in the growth of Indian economy,” *Financial Management,* pp. 216-217, 2013.

[9] Y. Fakay, and B. Buragohain, “Corporate social responsibility: A review of literature,” *Paripex - Indian Journal of Research,* vol. 4, no. 2, pp. 197-199, 2015.