



## ANALYSIS OF CSR EXPENDITURE BY SELECTED PRIVATE BANKS IN INDIA

### SECTION – I

#### INTRODUCTION

Indian banks have been undertaking CSR initiatives voluntarily after the circular issued by the Reserve Bank of India in December 2007, directing the banks to undertake CSR initiatives for sustainable development. The principles of sustainable development are important in all industrial and commercial sectors, as all activities have the potential to influence social and environmental welfare quality. The financial sector is of particular importance, as this sector has the potential to affect many projects and the development trends that result from them. After the enactment of the new Companies Act 2013, CSR (Corporate Social Responsibility) has become mandatory for a certain class of companies in India. An important aspect of corporate social responsibility is Sustainable Development. The new Act requires CSR activities to be in project mode with pre-defined objectives, performance indicators and an enhanced monitoring and evaluation plan. (CSR) Studies have revealed that most of the commercial banks in India are yet not prepared for 2% of the net profit spending on CSR projects.

Banks like State Bank of India have been created under The SBI Act and so the new norms are not mandatory on them. (The Economic Times, 2014).

### SECTION – II

#### OBJECTIVE OF THE STUDY

- To study the various CSR initiatives by selected Banks in India.
- To compare the CSR spending by the Selected Banks in India with their earmarked fund for the purpose.
- To analyze the targeted areas in which such spending are incurred.

### SECTION – III

#### RESEARCH METHODOLOGY:

The Present research work is based on secondary data obtained from various websites, bank annual reports, journals and articles. A random sample of five major Private Sector Banks namely HDFC, ICICI, AXIS, YES and KOTAK Mahindra Bank has been selected. The banks selection has been done based on their profitability and extensive reach.

### SECTION – IV

#### LITERATURE REVIEW:

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" (Scholtens, 2006)

In "Corporate social responsibility: an analysis of Indian commercial banks" the researcher has analyzed the corporate social responsibility (CSR) activities carried out by Indian commercial banks by using variables like rural branch expansion, priority sector lending, environment protection, community welfare, women welfare, new initiative related to CSR, financial literacy, education and farmers' welfare. The study concluded that there are some banks which are not even meeting the regulatory requirements. (Sharma & Mani)

According to **Waddock and Smith** Corporate Social Responsibility (CSR) and orientation of banks can be a useful tool for them to tide over such crises in future, if banks maintain their relationships with stakeholders in making their businesses more sustainability. CSR among other things is a key stakeholder relationship building activity. (Moharana, 2013)

Sharma in (2011) made an attempt to analyze CSR practices and CSR reporting in India with special reference to banking sector and concluded that banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far away from satisfaction. (Dhingra & Mittal, 2014)

The Reserve Bank of India and the Ministry of Corporate Affairs has made organized efforts to ensure socially responsible behavior by the banking sector in India. The major thrust areas in areas for CSR practice in Indian banks are common in public sector and private sector banks.

- Children welfare & Community welfare
- Education,
- Environment,
- Healthcare and poverty eradication,
- Rural development and vocational training,
- Women's empowerment, protection to girl child and employment.

#### DATA ANALYSIS:

An attempt has been made to analyse each banks CSR spending and focus areas of CSR.

#### HDFC Bank

HDFC Bank prescribed CSR Expenditure for the year 2016-17 was INR 304 crores of which the bank was able to spent INR 305.42 crore. So there was no unspent amount during the year 2016-17. According to the annual report of the bank CSR spending comes to 2% of the Net Profit. According to the report the bank had put in place a robust monitoring and reporting mechanism to ensure effective implementation of his CSR activities, in line with the requirements of Companies Act 2013.(www.hdfcbank.com)

<b>2016-17 (INR in Crores)</b>	
Promoting Education	25.48
Skill Training and Livelihood Enhancement	30.41
Healthcare	23.56
Environment	1.01
Eradicating Poverty	4.46
Rural Development	220.50
<b>Total</b>	<b>305.42</b>

**Table 1**

#### ICICI Bank

Prescribed CSR Expenditure (two percent of the average net profits of the last three financial years) for ICICI bank was INR 2 billion. The Bank has spent INR 1.82 billion or approximately 1.8% of its average net profits of the last three financial year CSR during FY2017 leaving around and amount of INR 0.18 billion unspent. According to the bank's report the lower spend vis-a-vis the budget was due to lower than budgeted fund requirement from implementing agencies and lower than anticipated direct spends. (www.icicibank.com)

<b>2016-17 (INR in Millions)</b>	
Promoting Education	9.3
Skill Training and Livelihood Enhancement	475.0
Healthcare	36.1
Eradicating Poverty	-
Rural Development	1303.2
<b>Total</b>	<b>1823.6</b>

**Table 2**

#### AXIS Bank

The prescribed CSR expenditure for the Bank for 2016-17 in terms of the Section 135 was INR 196.44 crores, against which the Bank has spent INR 135.39 crores towards various CSR initiatives. This has resulted into total amount unspent of Rs. 61.05 crores.

<b>2016-17 (INR in Crores)</b>	
Education & Skill training and livelihood Enhancement	69.25
Financial literacy & Skill Training	55.98
Healthcare	1.27
Environment	6.20
Capacity building	2.69
Total	135.39

**Table 3**

According to the banks' report the Bank is aware of its corporate social responsibilities and has been engaged in community and social investment. For this purpose, the Bank has set-up a Trust – the Axis Bank Foundation and has been contributing one percent of its previous year's net profit to the Foundation since 2006-07 under its CSR initiatives. The Bank stays committed to its corporate social responsibility and intends to continually increase the impact of its CSR initiatives. The bank gives assurance that it is committed to spend the prescribed CSR amount in the subsequent years, without giving any specific reason for the shortfall. ([www.axisbank.com](http://www.axisbank.com))

**YES Bank**

The prescribed CSR expenditure for YES Bank for 2016-17 in terms of the Section 135 was INR 60.02 crores. The bank had planned to spend INR 50 crores whereas it has spent INR 41.66 which leaves INR 8.34 crores unspent during FY 2016-17.

<b>2016-17 (INR in Crores)</b>	
Promoting Education	20.8
Livelihood and water security	11.08
Healthcare	2.55
Skill Training and Enhancement	5.21
Eradicating Poverty	0.12
Rural Development	1.9
Total	41.66

**Table 4**

Total unspent amount of INR 8.34 crores is regarding environmental sustainability projects which would now be considered for FY 2017-18. ([www.yesbank.com](http://www.yesbank.com))

**Kotak Mahindra Bank**

The prescribed CSR expenditure for Kotal Mahindra Bank for 2016-17 in terms of the Section 135 was INR 5492 lakh. The CSR expenditure incurred for the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 under section 135, amount to INR 1733.15 lakh which leaves INR 3759 lakh unspent during FY 2016-17. (<http://www.kotak.com>)

<b>2016-17 (INR in Lakhs)</b>	
Promoting Education	1454.87
Enhancing vocational skills and Livelihood	65.00
Healthcare and sanitation	84.58
Sustainable development	4.50
Relief and rehabilitation	10.40
Clean India	8.80
Sports	105.00
Total	1733.15

**Table 5**

According to the disclosures in the report the bank is in the process of charting out its plan to invest in society and its own future. The bank is building its CSR capabilities on a sustainable basis and is committed to gradually increase its CSR spend in the coming years. Thus, the bank does not clarify specifically on the total unspent amount of INR 3759 lakhs.

If we summarized the data then we can derive the following charts:

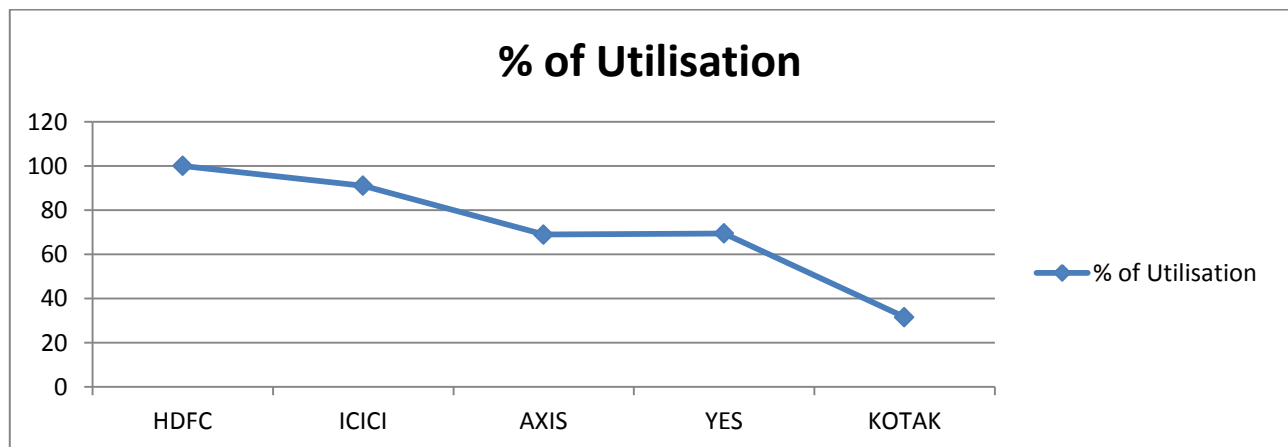
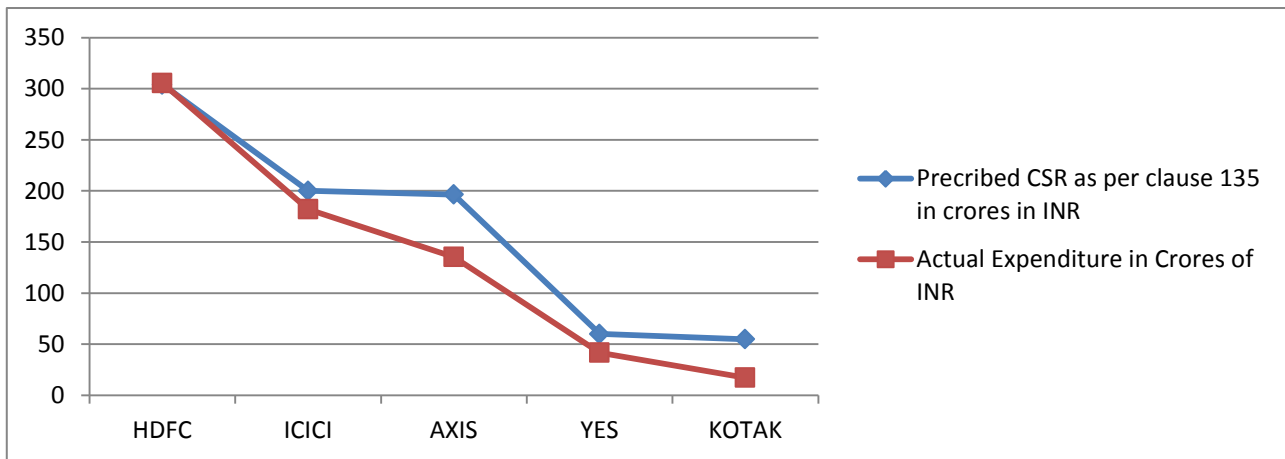
Bank	Prescribed CSR as per Clause 135 (INR in Crores)	Actual Expenditure (INR in Crores)	Amount Unspent (INR in Crores)	% of Utilisation
HDFC	304	305.42	NIL	100
ICICI	200	182	2	91
AXIS	196.44	135.39	61.05	68.92
YES	60.02	41.66	8.34	69.41
KOTAK	54.92	17.33	37.59	31.55

**Table 6**

**SECTION - V**

**CONCLUSION:**

According to the data most of the banks have failed to spend their earmarked funds during 2016-17 although they have a tradition of spending a part of profit on social and environmental projects. Further majority of them have argued that they are the midst of streamlining their CSR expenditure according to the new CSR rules and hence were not able to fulfill the target. Considering that this is the third year after the applicability of clause 135 of The Companies Act 2013 the bank like HDFC has achieved 100% of its target and the bank like ICICI have almost achieved 90% of its target. However the other banks have a long way to go.



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**Dr. Chirag V. Jiyani**  
Assistant Professor  
Govt. Commerce College  
Nikol

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