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Pre and Post Covid CSR Spending of Selected Public and Private Sector Banks: A Comparison

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Abstract

CSR is viewed as a means by which businesses may give back to the society and utilise its surplus for the betterment of society. Since all existing institutes use the society's resources, it is their moral responsibility to give back something to the society. The Banking sector is one of the largest utilisers of the society's resources thus, its contribution becomes necessary for improving the economy. The resources must be utilised as per mentioned areas in Sec. 135 of Companies Act, 2013 Scheduled VII of Corporate Social Responsibility (CSR). The businesses should reciprocate by demonstrating their social and economic responsibility. This paper aims to examine the various CSR activities and approaches used before and during the Covid19 by public and private sector organisations, particularly banks. What are the problems that the entities confront in addition, and what are the main distinctions between the public and private sectors' CSR initiatives? and the legal

framework regarding the CSR in India the banking sectors.

Key Words

Corporate Social Responsibility, Public Sector Bank, Private Sector Bank. CSR Spending, Covid19.

Introduction

CSR refers to a company's obligation to contribute to the advancement of society. Corporate Social Responsibility (CSR) is still in developing stage for academicians, professionals, and business people in today's changing world, in terms of both theory and practice. Corporate Social Responsibility (CSR) is the idea that businesses should voluntarily implement social, environmental, and health concerns into their business strategy, operations, and interactions with stakeholders and society at large.

Section 135 of the Companies Act, 2013 states that companies having with a net worth of INR 5000 million or a net turnover of INR 100 million or net profits of INR 500 million or more, in any financial year, are required to spend every year, at least 2% of their net average profits incurred during 'immediately preceding financial year' on an approved list of activities prescribed under Schedule VII of the Act (Jumde, 2021). An increasing number of businesses are adopting various corporate social responsibility (CSR) programs focusing

on the needs of entire society's stakeholders instead of only companies' stakeholders in recent years. Transforming the business model in a way to serve all stakeholders of the society is known as CSR (European Commission 2001). With time several rating agencies have been established which give the score after evaluating multiple reports and ground reports of companies CSR initiatives such as their Environmental, Social, and Corporate Governance (ESG goals) performance. To enable these information intermediaries to standardise the manner they communicate their CSR ratings, several voluntary reporting standards have evolved in addition to information intermediaries. The voluntary integration of social and environmental issues into a company's business model and activities is referred to as CSR (European Commission 2001). To enable these information intermediaries to standardise the manner they communicate their CSR ratings, several voluntary reporting standards have evolved in addition to information intermediaries. The first case of Covid infection in India was reported on 30th January 2020, and Covid19 was declared as pandemic on 12th March, 2020 by WHO. As a safety measure the Government of India declared a nationwide lockdown on 23rd March 2020 which halted most of the economic activities of our economy, factories were shut and supply chain was adversely affected which shrunk our economy by 10 percent i.e., from \$3 trillion to \$2.7 trillion. All these affected the financial health of every sector and their CSR spending. The paper focuses on the effects of Covid19 and CSR spending of Public and Private sector banks.

The objectives of the study are :

1. To evaluate the CSR spending of Private and Public sector banks pre and post Covid.
2. To study the PAT (Profit After Tax) and CSR spending of Private and Public sector banks.

Literature Review

Bihari and Pradhan (2011), stated financial institutions could expand CSR initiatives and attain sustainability. Internal initiatives taken by them may build social structures and daily operations resulting in long-term benefits. Banks can help finance sustainable economic growth. In order to recognise and embrace larger social aims, organisations like enterprises and banks need go outside their conventional areas of operation.

Moharana (2013), his study suggested that since the CSR is being new concept in India, the banking sector being a major part of economy should make appropriate policies and a monitoring committee for implementing the provisions of CSR. The researcher also emphasized on some key points to improve CSR participation, first Government companies should take initiative, second the Private sector companies should realise their responsibility for the society.

The study conducted by Sabeena and N. A. Krishnamoorthi (2016) stated that banking sector is in the forefront of the country's CSR initiatives. Whether they are in the public or private sector, most banks are excellent at putting CSR initiatives in place in line with their values, the amount spent by banks are not disclosed in public domain when it comes to CSR reporting. CSR grew in importance in the banking sector when the RBI was involved. The CSR spending banking sector can improve significantly if reformed polices are implemented.

S. Kaur (2016) observed how banks devote most of their CSR efforts to supporting women, children, rural development, education, and community welfare. Better CSR initiatives by banks are needed, which can be accomplished by including an increasing number of social development issues related to the corporate sector. According to her analysis, public sector banks have made the largest total contribution to CSR programmes. Private sector banks and foreign banks continue to lag behind in this area. Corporate social responsibility and financial performance are linked.

The research of Shafat Maqbool's (2017) suggested that businesses demonstrate a stronger commitment to enhancing their CSR practises in order to strengthen their brand and income. Effective CSR initiatives can attract socially conscious investors and customers to take interest in these firms in both investing and buying.

R. Dutta and H. Grewal (2018) stated that the two main focuses of SBI's CSR involvement are the creation of livelihoods and skill development. Additionally, SBI is doing a fantastic job of supporting programmes in sports, healthcare, sanitation, education, and other worthwhile endeavours to assist the less fortunate sections of society. They felt that the CSR committee at SBI should focus on the socially important areas of society by being aware of its needs in this regard.

H. Kewlani and K. Bhatt (2019) showed that comparatively public sector bank CSR spending and net profit is more deviating, and the positive tendency CSR spending of private sector banks is significantly more consistent. CSR affects private sector banks favourably while having a detrimental impact on the share price of public sector banks. Several programmes relating to education, health, and the environment involve banks from both the public and private sectors.

J.F. Mary (2020) revealed that banks in India are attempting to enhance their CSR practises. Included in the top 10 rankings on CSR Portal are ICICI Bank and HDFC Bank. Significant contributions to rural development were made by both banks. In addition, HDFC Bank gave to the fields of education, training for the workforce, and health care. Banks helped the public during a crisis. They have found that the banks are utilising their resources to pull up those areas who are marginalised in society

A. Raj and A. Agnihotri (2020) in their study found banks are trying to implement CSR programmes, despite the fact that they are quite limited because they mostly concentrate on health, education, and women's empowerment. In this article, it is argued that the banks can provide resources more efficiently to socioeconomic and development centres of many diverse industries and the people in it. Further, the authors states that the public sector banks have spent CSR significantly without using it as marketing tactic, but the private sector use CSR initiatives as a marketing tactic.

According to E. Sharma and M. Sathish (2022), a comprehensive ideology is needed to assess the real-world implications of the CSR activities carried out by banks. The banks should develop a sound and creative plan to ensure that all their operations are for betterment and expansion of the economy.

Research Methodology

This study is based on secondary data and descriptive cum analytical in nature. Sources of Secondary data are Annual financial reports, websites and third-party survey reports, rating agencies reports were analysed from 2017 to 2022. Top five banks with highest CSR spending from both Public and Private sector banks have been selected for the study. The current study focuses on the pre and post Covid CSR expenditure of the select banks. The chosen banks are as follows:

Banks selected for the study

S. no.	Public Sector Banks	Private Sector Banks
1	Indian Bank	HDFC Bank
2	State Bank of India	Axis Bank
3	Punjab National Bank	IndusInd Bank
4	Bank of Baroda	ICICI Bank
5	Canara Bank	RBL Bank

Data Analysis

Table 1: Public Sector Bank’s Profit after tax (PAT) and CSR expenditure (in ¹ crores)

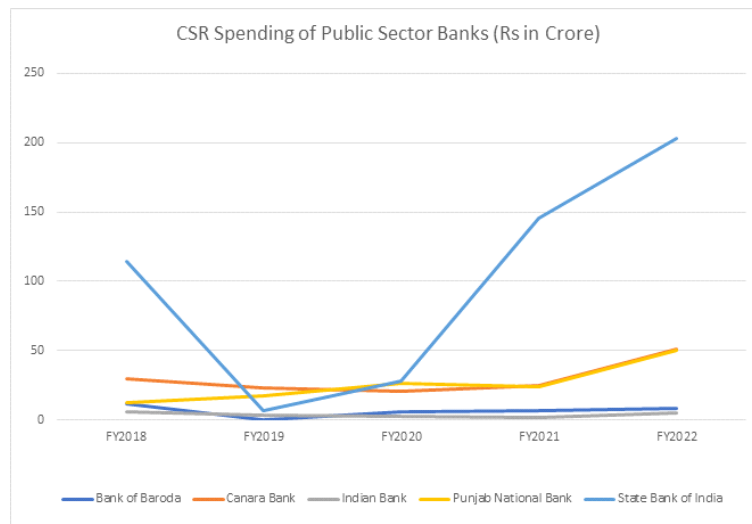
Name of the Bank	Financial Year 2017-18		Financial Year 2018-19		Financial Year 2019-20		Financial Year 2020-21		Financial Year 2021-22	
	PAT	CSR	PAT	CSR	PAT	CSR	PAT	CSR	PAT	CSR
Bank of Baroda	2430.81	11.71	433.52	NIL	546	5.58	830	6.95	7275.28	8.30
Canara Bank	4325.25	29.50	348.50	23.60	2238	20.50	2559.88	24.75	5675.44	51
Indian Bank	1259	6	322.5	3.45	755	2.62	3005	2.05	3945.82	5.00
Punjab National Bank	830.00	12.35	1190.55	17.25	647.28	26.50	930.5	23.75	3458	50.25
State Bank of India	6557.50	113.98	865	6.75	14489	28.48	20411.45	145.90	31676.00	203.10

(Source: Mishra, 2022)

Table no.1 shows the Profit After Tax and CSR expenditure of top five banking Sector organizations for the five financial years. Data shows that Profit After Tax of State Bank of India (SBI) & Canara Bank was continuously increasing but CSR expenditure amount was initially decreased after that its increased, and Bank of Baroda, Indian Bank & Punjab National Bank (PNB) have decreasing trend of profit after tax (PAT) but after 2021 it has got positive trend and CSR expenditure pattern was same as PAT.

The CSR spending of Bank of Baroda, Canara Bank, Indian Bank and SBI has first decreased in FY18 and FY19 but increased afterwards, only the Punjab National Bank has shown an increasing CSR spending. But the total amount spend by SBI is highest among the all public sector banks.

Figure 1



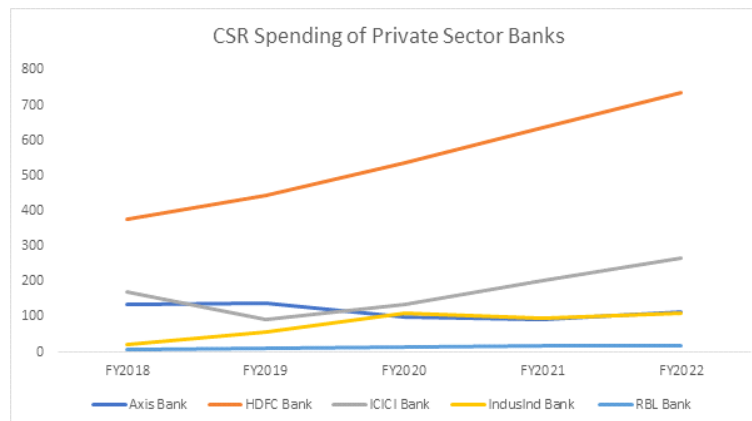
(Source: Mishra, 2022)

Table 2: Private Sector Banks’ Profit after tax (PAT) and CSR expenditure of (Rs in crores)

Name of the Bank	Financial Year 2017-18		Financial Year 2018-19		Financial Year 2019-20		Financial Year 2020-21		Financial Year 2021-22	
	PAT	CSR	PAT	CSR	PAT	CSR	PAT	CSR	PAT	CSR
Axis Bank	275.70	135.77	4679	138.80	1630.29	101.5	6589.50	92.94	13125.50	115.47
HDFC Bank	17588.95	376	21180.5	446	26258	537	31226.63	635.80	36972.35	737.50
ICICI Bank	6778	172	3364	93.30	7933	135.45	16194	201.50	23440	268.62
IndusInd bank	3616.00	22.50	3302.50	55.50	4428.91	109.56	2847.40	95.75	4612.15	109.6
RBL Bank	636.00	7.95	868	11.57	506.77	14.85	509	18.75	74.75	18.30

(Source: Mishra, 2022)

Figure 2



(Source: Mishra, 2022)

Table no. 2 of this study shows the pattern of profit after tax (PAT) and Corporate Social Responsibility expenditure of top five private organizations of banking sector this financial report was between 2017-18 to 2021-22. All the private sector banks show the positive trend of CSR expenditure except for FY2019 of ICICI bank and in FY2020 and FY2021 of Axis Bank which has decreased. The amount spend as CSR is highest in case of HDFC Bank followed by the Axis Bank. The CSR expenditure of HDFC Bank, ICICI and Axis Bank only shows the positive relation between PAT and CSR. And other banks namely IndusInd and RBL Bank show negative relationship between PAT and CSR expenditure.

Table no. 3: Shows the Year on Year (YoY) growth of CSR spending of Public and Private Sector Banks

Name of the Bank	From FY2017-18 to FY2018-19	From FY2018-19 to FY2019-20	From FY2019-20 to FY2020-21	From FY2020-21 to FY2021-22
Bank of Baroda	-99.58 %	NA	26.14%	20.14%
Canara Bank	-17.21%	-13.25%	20.55%	106.32%
Indian Bank	-57.69%	-33.06%	25.31%	141.87%
Punjab National Bank	39.71%	52.84%	-13.78%	120.95%
State Bank of India	-94.04%	308.17%	427.41%	40.88%
Axis Bank	2.86%	-26.62%	-9.93%	24.68%

HDFC Bank	18.72%	20.50%	18.67%	15.92%
ICICI Bank	-45.76%	45.72%	49.24%	32.98%
IndusInd Bank	170.93%	95.01%	-12.42%	14.75%
RBL Bank	51.80%	30.90%	35.70%	-2.51%

(Source: Mishra, 2022)

Table no.3 represent the Corporate Social Responsibility expenditure pattern of public sectors bank and private sector banks. Both Public sector and Private sector banks have shown continuous improvement in terms of spending amount on Corporate Social Responsibility from the financial year 2018-19 to 2019-20 except for Punjab National Bank which reflected declining pattern from the financial year 2019-20 to 2020-21. In the same way among the private sector banks, HDFC bank reflect continuous improvement in every financial year. But Axis bank shows negative trend from financial year 2018-19 to 2019-20, and ICICI bank also declined in financial year 2017-18 & 2018-19 in the same way IndusInd bank has also reflect declined pattern from 2019-20 to 2020-21, rest of them reflect continuous improvement in over the years. In the case of RBL bank, its CSR spending improved except in financial year 2020-21 to 2021-22. SBI Shows the highest positive improvement from financial year 2019-20 & 2020-21 and Bank of Baroda reflect most negative change in financial year 2017-18 to 2018-19. The data reflects that there was static pattern in public & private sector banking organizations.

Finding & Conclusion

According to study, the trend of PAT and CSR spending of private sector banks initially increase and the decrease, which is substantially more varying than those of public sector banks. Only HDFC Bank among the both sector banks show a consistent positive PAT and CSR spending. Even after the Covid19 virus had halted the major economic activities, still both public and private sector banks had participated in a variety of CSR projects, although the CSR initiatives conducted by Indian banks were selective, while some were completely ignored. Canara Bank, one of the public sector banks, and Axis Bank as well as ICICI Bank, from the private sector, have excelled in a variety of CSR-related areas. The primary sectors in which banks conduct CSR efforts includes children's education, sustainable environment, financial literacy & exposure to financial services, healthcare infrastructure, rural growth, and electricity in rural areas, skill development. The Swachh Bharat Mission, disaster and waste management, women empowerment, standard of living, hunger index, job-oriented skills, and the drinking water crisis are among the areas where the resources are required to be channelise. We can draw the conclusion from the above findings and literature review that the CSR initiatives taken by bank still need much more of their attention. The necessity for CSR initiatives must be identified by the banks, who must then put them into actions.

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