

A Comparative Analysis of CSR Performance between SBI and HDFC Bank

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ABSTRACT

The main intention of the present research is to analyze the Corporate social responsibility (CSR) carried out by selected public and private sector banks to play a ethical role towards society and area in which it is operating. New Indian companies act 2013 made CSR as an obligatory requirement for the companies registered under companies act. There are several activities to be performed under CSR rule. The present research paper is the comparative in nature between public and private sector banks in India. Study is based on secondary data available at different source. SBI from public sector banks and HDFC from private sector banks are selected for the study. Time period for the study is fy 2016-17 to fy 2018-19. In this paper researcher has been prepared table for net profit, budgeted CSR to be spent, actual amount spent on CSR and CSR as % of net profit after tax. It is found that after obligatory requirement the banks are spending extra. Banks also reported their CSR activities in regularize system.

Keywords - CSR, history, CSR in India, sustainable development.

Introduction

Corporate Social Responsibility (CSR) is also known as corporate sustainability or corporate citizenship. United Nations has enounced CSR as, "A management concept whereby companies unified social and environmental concerns in their business process and interactions with stakeholders." Corporate Social Responsibility (CSR) is a concept that suggests that it is the responsibility of the corporations processing within society to contribute towards economic, social and environmental development that creates a obvious positive effect on society at huge. Although there is no fixed definition, however, the concept emphasize on the activities to be done beyond the business. To focus the importance of banks in corporate social responsibility, RBI issues a notice on December 20, 2007 for all the scheduled commercial banks in India. RBI also gave directions to the banks to assimilate their business activities with social and environmental prospects. In India, the term became popular in the 1960s and now is a perilous part of business enterprises. Among the world Indian is the first country who made CSR compulsory in Indian companies Act, 2013 under section 135. Businesses should have to give back their profits in key activities like Education, environment, Poverty, art and culture, Gender Equality, rural development, Hunger, etc. A CSR activity is not new in India, but its importance raises with Companies Act, 2013. The CSR concept deals with the national development agenda. As per section 135 of the Companies Act, 2013 The Act came into force from 01-04-2014. Every listed company, private limited or public limited, which having a net worth of Rs 500 crore or more, a turnover of Rs 1,000 crore or more and net profit of Rs 5 crore or more, needs to spent at least 2% of its average net profit earned during previous three year on CSR activity. The CSR activities in India should not be undertaken only as per given Schedule VII of the act. The companies are required to set up a CSR committee which designs a CSR policy which is approved by the board and confined the CSR activities the business is willing to undertake.

Corporate Activities are initiatives which goals to transforming live of people and society at large. It is the social investment to help sustainability of society. CSR is not only exercise but it is a commitment to support initiatives that improve the lives of underprivileged by fulfilling their basic needs. Organizations are expected to fulfill its social accountability and they achieve this through organizing variety of social activities in decent manner in the field of donations, charity, financial support for women empowerment, and also make them financially independent, rural development etc. As per Companies Act, 2013 and CSR (Policy) Rules from 1st April 2014 CSR activities are mandatory and it will leads to India a leading nation. As per SEBI All listed companies and those who wish to get listed shall report its CSR activities in the form of Business Responsibility Report (BRR) forming a part of its annual report.

A capacious change has taken place in the Indian Banking Sector during the last decennium. Digitalization has occupied a vast place in product & services and business operations of banks. Digital banking, Net banking, mobile banking, digital wallets, banking apps have become a vital part of life to customers. Customer's expectations are constantly increasing from the banks. To fulfill customers and other stakeholders' expectations and to benefit over market, banks are required to rectify their performance constantly both in long run and short run. First of all performance should be measured than it will be improved. Assessing performance on financial parameters is not enough because it is affected by many other non-financial component like customers, employees, modification of business process, social and environment aspect also.

Corporate Social Responsibility is an instrument by which the business contributes in various social welfare activities. If a company fails to contribute the mandated amount on CSR activities, it is compulsory to describe the reasons in the Board's report for unspent of prescribed CSR amount. This act also defines the activities that would be eligible for this purpose. In the current view, corporate social responsibility has been wider weight in the corporate world including financial and banking sector. The purpose of this paper is to study the corporate social responsibility activities done by selected top Indian public sector and private sector banks.

Research methodology

Literature review

- 1. Deepika Dhingra and Rama Mittal (2014)** studied the CSR practice in public and private sector banks. They have detailed describe CSR practices worldwide also. According to their findings they have pointed out that from 1956 to 1990 the concept was evolving and most of the banks use CSR as it is a marketing tool. It is also founded that CSR reporting in India is not at satisfactory level.
- 2. Vijay.P and Divya.N (2014):** this study details the aims to provide information about CSR initiatives in Indian commercial banks and its impact on their customers towards CSR concept in selected Indian banking institution. Primary data which is collected from 135 respondents by convenient sampling method. The secondary data collected from sources to RBI website, various journals from the year 2000-01 to 2012-13. It is founded in this study that CSR have providing more satisfaction to the educational people and gender wise especially to the women in selected banks. It is also

suggested for Indian banks to give special emphasize to the activities for uneducated people.

3. **Sukhpreet kaur and R.Bhaskaran (2015)** have studied and analyzed CSR practices of ten public sector and ten private sector banks performances have ranked based on different kind of ten criteria. It is also observed from the study that banks are using CSR to building a good corporate image in their operating fields. Finally results revealed that public sector banks have more concentrating on education, community welfare and the private sector banks are paying attention more on community welfare, education and rural development activities.
4. **Rajnish Yadav and Dr.F.B.Singh (2016)** present a research paper regarding impact of CSR on financial performance on commercial banks in India. SBI and PNB banks from public sector banks of India and ICICI and AXIS banks from private sector banks of India has taken as sample to find out the impact of CSR. It is found that CSR impacts positive on financial performance of the banks in India. The trends Of CSR spending are also increasing in all selected banks.
5. **Vishal V.Rabadiya(2016)** have investigated corporate social responsibility in corporate sector in India. The sample for the study is 30 companies listed in BSE for the period of 2010-11 to 2014-15. The study covered the banking industry, IT industry, pharma and automobile industry respectively. The researcher also observed that change in financial performance effect to CSR spending and If EPS increase CSR spending is also increase. Researcher given suggestion for automobile industry that companies have to maintain good correlation between CSR and financial performance for upcoming future.

Objectives

1. To study about CSR activities of HDFC bank and SBI.
2. To assess the CSR spending of HDFC bank and SBI.
3. To find out the effect of CSR on financial performance of HDFC bank and SBI.
4. To give recommendations based on the analysis.

Hypothesis of the study

- Ho: there is no significant difference in % of csr spent between net profit after tax and actual amount spent on CSR between SBI and HDFC bank.
- H1: there is significant difference in % of csr spent between net profit after tax and actual amount spent on CSR between SBI and HDFC bank.

Sample size

On the basis of net profit of top five public and private sector banks as on 31-3-2019. HDFC bank from private sector bank AND SBI bank from public sector banks has been selected from the top five banks for the study.

Time period of the study

Financial year 2016-17 to 2018-19.

Types of data and data collection

The study is based on secondary data which is available in form of annual reports at the website of the HDFC and SBI bank.

Limitations of the study

1. Data of three years of two banks CSR spending has been taken for the study.
2. Study is based on secondary data therefore findings depending on the authenticity of data.
3. t-test has been used to analysis therefore limitations of t-test also applied to analysis.

- (a) **State bank of india** State Bank of India is the apex and largest public sector bank in India. Vision of the bank is “Serving the Community Everywhere” clearly indicates that CSR has always been a major part of the State Bank of India policy making. The analogical chart of CSR activities in key sector and total spending for the financial year 2016-17 to 2018-19 are as under.

SBI BANK	F.y. 2016-2017	F.y. 2017-2018	F.y. 2018-2019
Key areas of CSR activities	Healthcare Education Skill development Vocational training Environment sustainable Art and Culture Sports Relief fund	Healthcare Education Skill development Vocational training Environment sustainable Sports Relief fund	Healthcare Education Skill development Vocational training Relief fund
Profit after tax (PAT) (INR Cr.)	10484	-6547	862
CSR Prescribed Amount (INR Cr.)	99.51	104.84	0.05
CSR Actual Amount (INR Cr.)	109.82	112.96	6.24
Csr spending as % of PAT	1.04750%	-1.7253%	0.72389%

(Source: Annual Reports)

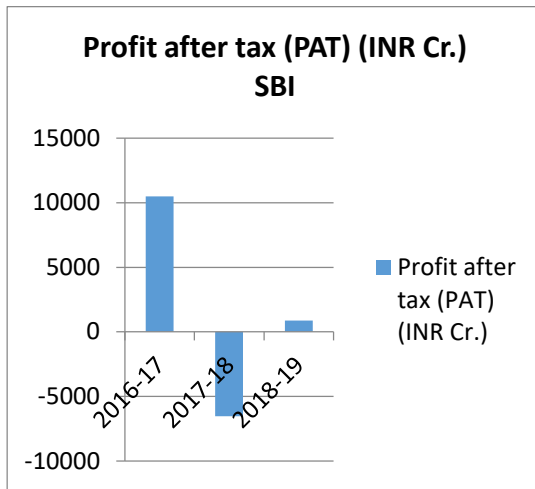
- b) **HDFC BANK** HDFC believes inclusive growth and development of society in which they operate and therefore products and services focused on wellbeing of population, environment, employees, internal and external stakeholders and customer with utmost ethical governance. The table below shows the CSR activities of bank as a percentage of average net profit of last three years.

HDFC BANK	F.y. 2016-2017	F.y. 2017-2018	F.y. 2018-2019
Key areas of CSR activities	Supporting healthcare Poverty and nutrition	Supporting healthcare Poverty and nutrition	Supporting healthcare Poverty and nutrition

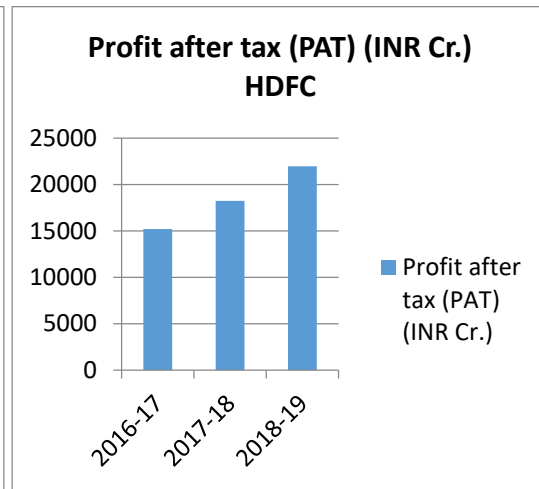
Publishing URL: : <http://www.researchreviewonline.com/issues/volume-7-issue-97-may-2021/RRJ438963>

	Supporting education Skill development Environment Rural development	Supporting education Skill development Environment Rural development	Supporting education Skill developments Environment Rural development
3 year's Profit after tax (PAT) (INR Cr.)	15200	18246	21960.4
CSR Prescribed Amount (INR Cr.)	304	365	439.2
CSR Actual Amount (INR Cr.)	305.42	374	443.8
CSR spending as % of PAT	2.001%	2.0496%	2.0209%

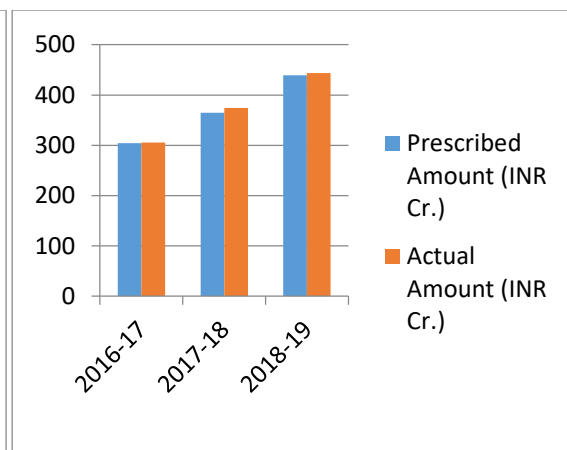
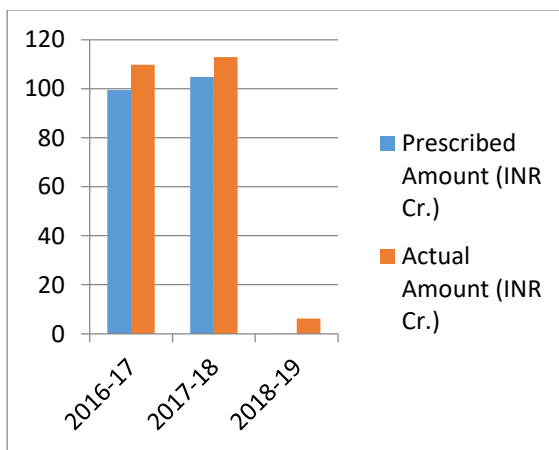
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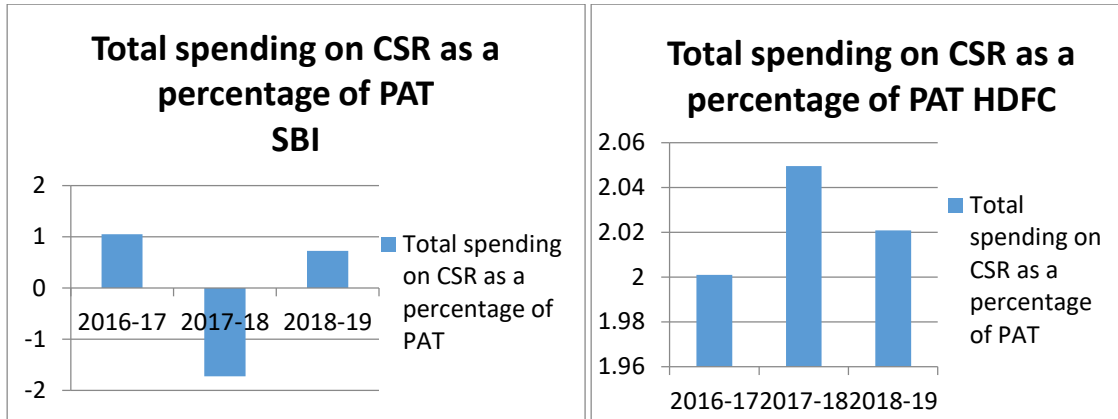


(Source: Annual Reports)



(Source: Annual Reports)





(Source: Annual Reports)

(Source: Annual Reports)

Year	2016-17	2017-18	2018-19
% OF CSR SPENT OF SBI	1.04750	-1.7253	0.72389
% OF CSR SPENT OF HDFC	2.001	2.0496	2.0209

(Source:Annual Reports)

INTERPRETATION:- As $T_c < T_t$, so null hypothesis is accepted that there is no significant difference in % of CSR spent between net profit after tax and actual amount spent on CSR between SBI and HDFC bank during the study period.

Conclusion

The finding of the study reveals that Public sector banks have a mix-mix trend in increase and decrease of CSR expenditure and Net profit whereas Private sector banks have a increasing trend regarding to net profit and CSR spent. SBI has a up and down trend in profit so it will also affect on CSR spent. HDFC bank meet its legal requirements to spent at least 2% of net profit of preceding 3 years average profit. SBI and HDFC bank have various CSR activities under Education, poverty reduction, hunger eradication, Health Environment programme, art and culture, sports and national relief activities. Most of the banks not defined clearly the CSR philosophy they are just using CSR as a marketing instrument. Societal impact of any project should be checked by bank before financing to the any project. By unifying triple bottom line principle, the bank can be socially in developing country like India; banking sector plays a very significant role in upgrading the national economy. In this study researcher analyze the CSR activities SBI and HDFC bank. It has been observed that the selected banks are playing an important role in CSR activities but particular field Education, Health, Social Community Welfare and Environment. It is suggested that some other CSR activities and social issues also need to be focused. It is statistically proved with the help of t-test that there is no significant difference in % of CSR spent and net profit after tax.

PARTI.	SBI	HDFC
Mean	0.015363	2.023833333
Variance	2.298612	0.000596943
Observations	3	3
Df	4	
t Stat	-2.29423	
t Critical two-tail	2.776445	

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