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CORPORATE SOCIAL RESPONSIBILITY: A CONTRIBUTION BY INDIAN BANKS

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ABSTRACT

In the recent years, Corporate Social Responsibility (CSR) has emerged as an essential tool or entity, as well as region of responsibility for every business house. In India, where after enjoying almost 70 years of independence, we still have such areas, where there is a lack of communication, lack of sensibility, lack of resources, etc. To become a successful developed nation the business houses need to take responsibility of such areas, by accepting the CSR approaches and contributes something to sustainable development by delivering economic, social and environmental benefits, for the shareholders and the public at large. CSR is a concept, with many definitions and practices. The way it is understood and implemented, depends upon the differences in regions, companies and countries. Moreover, CSR is a very broad concept, which addresses various topics such as corporate governance, health and safety, environmental effects, working conditions and contributes to economic development. In this reference, the attempt has been made in this research paper, to analyze the CSR reported areas, in some selected Public & Private Sector Banks of India. Further, the relation between profitability and CSR has been investigated, from the Annual Reports/ Business Responsibility Reports, of selected Public & Private Sector Banks in India, for the financial year 2015-16 and 2016-17.

KEYWORDS: Responsibility, Business, House, Sustainable Development, Shareholders, Economic Development, Corporate Governance, Environmental Effects

INTRODUCTION

Corporate social responsibility (**CSR**, also called **corporate conscience**, **corporate citizenship** or **responsible business**), is a form of corporate self regulation, integrated into a business model. CSR policy functions as a self-regulatory mechanism, whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law". The aim, is to increase long-term profits and shareholder trust, through positive public relations and high ethical standards, to reduce business and legal risk, by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders, including consumers, employees, investors, communities, and others. The term "corporate social responsibility", became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility, more narrowly construed.

Business Dictionary, defines CSR as "A company's sense of responsibility towards the community and the environment (both ecological and social), in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources."

Jared Diamond defines CSR, "Business have changed when the public came to expect and require different behavior predict that, in the future, just as in the past, changes in public attitudes will be essential for changes in businesses environmental practices."

Most of the present day's businessmen have observed the world, as a small market and rapid improvements in technology, which brought significant business opportunities from the last decade. In this situation, the business community can enjoy more significant benefits, with positive attitude towards CSR. The implementation of CSR in the western world is just simply a microcosm, to the developing world's corporate sector.

CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES

The Corporate Social Responsibility is based on the following principles:

- **Legal Compliance Principle:** The enterprise shall comply with and understand all applicable, local, international, written, declared, and effected laws and regulations, in accordance with fixed, specific procedures.
- **Adherence to Customary International Laws Principle:** The enterprise shall adhere to international and governmental agreements, executive regulations, declarations, covenants, decisions, and guidelines, when setting its policies and practices, pertinent to Social Responsibility.
- **Respecting Related Stakeholders lefts Principle:** The enterprise shall acknowledge and accept the diversity of related stakeholders' lefts and interests, and the diversity of the major and minor enterprises' activities and products, among other elements, which may affect such related stakeholders.
- **Transparency Principle:** The enterprise shall clearly, accurately, and comprehensively declare its policy, decisions, and activities, including known and potential effects on the environment and society. Moreover, such information shall be available to affected persons, or those who are likely to be affected materially by the enterprise.
- **Respect for Human lefts Principle:** The enterprise shall execute policies and practices, which shall result in respecting existent human lefts in the Universal Declaration of Human lefts.

APPROACHES TO CORPORATE SOCIAL RESPONSIBILITY

The approaches associated with the concept of CSR are as follows:

Community Involvement

Community involvement is the basis of all accomplished CSR policy initiatives and extends far beyond the standard charitable measures. The organizations can introduce innovative schemes, in lieu of community involvement such as permanent learning programs, for disadvantaged sectors of society; sponsorship of young entrepreneurs; provision of academic scholarships and research proposals; support environmental issues such as recycling and waste management; community support programs; health support programs; financial support for art and culture; etc.

Awareness and Transparency

It is essential that, there should be a transparent and a strong commitment to the adoption of CSR practices. This can be reached through explicit reference, to CSR activities adopted by banks: dedicating sections of Annual Reports to CSR matters; publishing of Sustainability Reports and/ or policy statements on CSR; and web-based information. It should be noted that, corporate sustainability for organisations is much more than mere charity. In this context, organisations are encouraged to improve the future of the people in all communities and they operate through CSR programmes, which in turn will sustain their business in the future.

Financial Inclusion

The market in which organisations operate today, requires a new range of products and services, targeting new customer segments, including groups who are not yet fully integrated in society, and not dealing with the organisations such as temporary workers, low-income families, and micro businesses operating in poor areas of the country. This situation represents a challenge in terms of designing suitable products and services for these distinct segments, and the opportunity to develop a new type of business, beneficial to all.

Ethics Training

The rise of ethics training inside corporations, some of it required by government regulation, has helped CSR to spread. The aim of such training is to help employees make ethical decisions, when the answers are unclear. The most direct benefit is, reducing the likelihood of "dirty hands", fines and damaged reputations for breaching laws or moral norms. Organizations see increased employee loyalty and pride in the organization.

Common Actions

Some common actions must be followed such as, recycling, waste management, water management, renewable energy, reusable materials; 'greener' supply chains, reducing paper use etc. Further, community involvement which include raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, engaging in fair trade practices, etc. And above all, Ethical Marketing where companies that ethically market to consumers, are placing a higher value on their customers and respecting them as people, who are ends in them. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies, that want to be viewed as ethical.

GUIDANCE ON CORPORATE SOCIAL RESPONSIBILITY IN INDIA

ISO 26000 Guidance, on social responsibility is launched from ISO, the International Organization for Standardization is an International Standard, providing guidelines for social responsibility (SR) named **ISO 26000** or simply *ISO SR*. It was released on 1 November 2010. Its goal is to contribute to global sustainable development, by encouraging business and other organizations, to practice social responsibility to improve their impact on their workers, their natural environments and their communities. This standard was developed by ISO/TMBG Technical Management Board - groups. ISO 26000, was published for the first time in November 2010. ISO 26000 offers guidance on socially responsible behavior and possible actions.

There are three ways, it is different from the more widespread standards, designed for companies to use to meet particular requirements, for activities such as manufacturing, managing, accounting and reporting:

- ISO 26000 is a voluntary guidance standard- that is; it does not contain requirements such as those used when a standard is offered for "certification". There is a certain learning curve, associated with using ISO 26000, because there is no specific external reward - certification - explicitly tied to ISO 26000. ISO recommends that; users say, for example, that they have "used ISO 26000 as a guide to integrate social responsibility into our values and practices."
- ISO 26000 is designed for use by all organizations, not only businesses and corporations. Organizations, such as hospitals and schools, charities (not-for-profits), etc. are also included. ISO 26000 makes particular efforts to show that, its flexibility means that, it can be applied by small businesses and other groups as well [3]. So far, many of the earliest users of ISO 26000 have been multi-national corporations, especially those based in Europe, and East Asia, particularly Japan.
- ISO 26000 was developed through a multi-stakeholder process, meeting in eight Working Group Plenary Sessions between 2005 and 2010, with additional committee meetings and consultations on e-mail, throughout the five-year process. Approximately, five hundred delegates participated in this process, drawn from six stakeholder groups: Industry, Government, NGO (non-governmental organization), Labour, Consumer, and SSRO (Service, Support, Research and Others - primarily academics and consultants). Leadership of various task groups and committees, were "twinned" between "developing" and "developed" countries, to ensure viewpoints from different economic and cultural contexts. Since, ISO operates on a parliamentary procedure form, based on consensus, the final agreed-on standard was the result of deliberation and negotiations; no one group was able to block it, but also no one group was able to achieve its objectives, when others strongly disagreed. The goal was to make ISO 26000, accessible and usable by all organizations, in different countries, precisely because, it reflects the goals and concerns of each and all of the stakeholder groups in its final compromise form.

The Seven Key Principles, advocated as the roots of socially responsible behavior, are:

- Accountability
- Transparency
- Ethical behavior
- Respect for stakeholder interests (stakeholders are individuals or groups who are affected by, or have the ability to impact, the organization's actions)
- Respect for the rule of law
- Respect for international norms of behavior
- Respect for human rights

The Seven Core Subjects, which every user of ISO 26000 should consider, are:

- Organizational governance
- Human rights
- Labor practices

- Environment
- Fair operating practices
- Consumer issues
- Community involvement and development

LITERATURE REVIEW

This study considers a few of below stated literature reviews:

Wood, D. J. (1991), defined in his study regarding corporate social performance, and formulated a model to build a coherent, integrative framework for business and society research. Principles of social responsibility are framed at the institutional, organizational, and individual levels. Processes of social responsiveness are shown, to be environmental assessment, stakeholder governance, and issues governance; and outcomes of corporate social performance are posed as social impacts, programs, and policies.

Riel, C.B.M. (1995), defines the concept of CSR, with the help of corporate communication as an instrument, which is predominantly used to influence corporate images, or reputations of the company. Reputations cannot be controlled by the company; but by the perception of media about that company. Such communication is a strategic tool, to create and enhance customer loyalty and market share. The major targets for information disclosure are the existing customers, general public and society at large. Such disclosure of information, tries to emphasize on the fact that, the marketing activities are in congruence with customer values.

Brown, N. & C. Deegan. (1998), CSR believes that, business corporations have an obligation to work for social betterment. CSR has become an integral part of today's business society. Such behavior attracts a lot of attention, from the media and the society. Today, more and more companies believe in disclosing their social and environmental achievements. Apart from business, society and the media, corporate social reporting has attracted much attention from academics. There are different theoretical perspectives, which are used to study corporate social reporting, viz. agency and legitimacy theories. These theories emphasize that, companies use corporate social reporting, to affect the perception of the public towards the company.

Khoury G, Rostami J, Turnbull JP (1999), state that CSR encompasses the relationship between a company and all of its stakeholders, such as customers, employees, communities, owners/ investors, government, suppliers and competitors. According to them, the major social responsibilities of corporations consist of community service, the improvement of relationship with employees, job creation, environmental protection and financial returns.

Austin, James E. (2000), gave the concept of Collaboration Continuum. He explained the development of collaboration between nonprofits and corporations. According to him, such collaboration begins from a philanthropic stage, where, the nature of the relationship is similar to that of a charitable donor and (grateful) recipient; and ultimately results in organizational integration, where the equivalence of mutual benefits is fully apprehended by firms.

Mohr, Webb (2001), conduct 48 in-depth interviews, with consumers in a metropolis. They find that, some consumers behave in a socially responsible way, because they are of the view that, their purchase decisions not only influence their families and themselves, but also affect the environment. Therefore, these socially responsible consumers take into account a firm's social activity, when making purchase decisions. A number of studies also indicate that, consumers could appreciate and reward corporations, which have made donations to charities; they hope that corporations can operate in an ethical way, in which environment can be protected and sometimes their purchase decisions are based on these factors.

Porter and Kramer (2002), are of the view that, competitive context is integral to the success of a corporation, and the context can be improved through charitable causes, carried out by the corporation, which can contribute to the integration of the corporation's economic goals and social goals. Meanwhile, they remind corporations to choose charitable causes, which are related to their business operation. Otherwise, it can only generate social benefits without bringing economic benefits.

Dhar, Satyajit, and Mitra, Sarbani (2010), reviewed in a study that, there is scope for improvement in corporate social reporting practices in India. Although, a few companies have started to publish separate sustainability or corporate social report, there is a lack of objective and informative reporting.

Chandrakanta Sahoo (2011), states in his study that, CSR in India is restricted to narrowly defined set of people (read as stakeholders), to fixed set of roles (implementing community development projects) and to the approaches with tunnel vision (community development in the sectors of health, education etc). This is more specific to the country like India, where, for over a century the approach of CSR remained corporate philanthropy and community development. There is a need to augment the scope of CSR, with respect to stakeholders involved, CSR practices of corporations, from isolated, independent community development interventions, to longer lasting initiatives through their association with civil society organizations and government in planning, policy making and implementation of various RD interventions.

Sarita Moharana (2013), found in his research that, the selected banks directly engage in CSR activities, mostly in the area of Rural Development, Education, Community Welfare, Women and Children. The analysis shows that, these banks are making efforts for the implementation of CSR, but are restricted within certain fields. There is a need for better CSR activities of the banks, which is possible by adding more and more social development issues link, with the corporate sector.

Swati Sharma, Reshu Sharma & Jugal Kishor (2013), revealed in their study that, till 1990's CSR was exclusively dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often constrained themselves to one time financial grant, and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind, while planning for such initiatives, thereby, reducing the worth and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing. There has been a clear transition, from giving an obligation or charity, to giving as a strategy or responsibility.

OBJECTIVES OF THE STUDY

Every research study is conducted with some explicit intend. The intention of the present study is to ascertain answers to the questions, through the application of technical procedures and methods.

The main objectives of the research are:

- To study the corporate social responsibility practices of the selected banks.

- To study the relation between corporate social responsibility practices and the financial performance of the selected banks.

SELECTION OF BANKS

In India, commercial banks are running at a faster pace. For this study, 10 public sector banks and 5 private sector banks are chosen, on the basis of the volume of their business in the country. **Public Sector Banks chosen for the study are**: 1. State Bank of India, 2. Bank of Baroda, 3. Punjab National Bank, 4. Central Bank, 5. IDBI Bank, 6. Canara Bank, 7. Union Bank, 8. Bank of India, 9. Syndicate Bank, 10. Indian Overseas Bank and the **Private Sector Banks chosen for the study are:** 1. HDFC Bank, 2. ICICI Bank, 3. Kotak Mahindra Bank, 4. AXIS Bank, and 5. IndusInd Bank

SOURCES OF DATA COLLECTION

Data, for the purpose of the present study is collected from secondary sources. The relevant secondary data was collected through published information and details, from the websites of the selected banks and other published records of banks like annual reports, newsletters, websites like ndtv.profit.com, moneycontrol.com, etc.

FRAMEWORK OF DATA ANALYSIS

To examine the CSR contribution of selected Public Sector and Private Sector Banks, tabular and graphical presentation of Profit after Tax, Funds Allocated and Funds Utilized for CSR is made. And, to study the relation between corporate social responsibility practices and the financial performance of the selected bank's regression analysis is used. In this study, CSR is considered as an independent variable and Return on Asset (ROA), Return on Equity (ROE) and Earning per Share (EPS), as dependent variables to know the casual effect relationship among them.

ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN BANKS

As stated, India got independence 70 years ago, but still we are lacking in many areas, where engineering is required like rural development, eradication of poverty, sanitation, health care services, reserves for natural calamities, protection of national heritage, art and culture etc. Government of India, took many steps ahead for these purposes, one among it is, where it has been made mandatory, subject to availability of profits, a specific budget may be allocated for CSR activities and spending on CSR activities in every financial year, which shall be atleast 2% of the average net profits, of the Bank made during the three immediately preceding financial years, in accordance with the Schedule VII, of the Companies Act.

In this study, the CSR contribution of selected Public Sector and Private Sector Banks is analyzed, with the help of tabular and graphical presentation of profit after tax, funds allocated and funds utilized as follows:

Profit after Tax

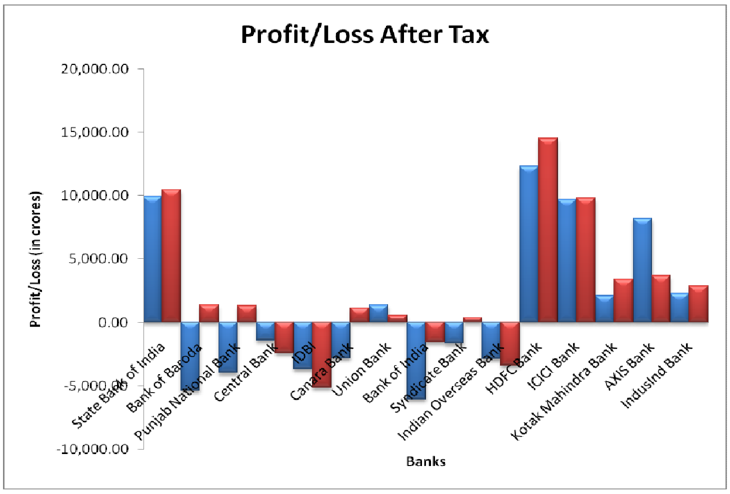
Table 1: Profit after Tax in Public & Private Sector Banks

		2015-2016	2016-2017
SN	Name of Bank	Profit After Tax *(figures in crores)*	Profit After Tax *(figures in crores)*
1	State Bank of India	9,950.65	10,484.10
2	Bank of Baroda	(5,395.54)	1,383.14
3	Punjab National Bank	(3,974.40)	1,324.80
4	Central Bank	(1,418.19)	(2,439.10)

Table 1: Contd.,			
		2015-2016	**2016-2017**
SN	**Name of Bank**	**Profit After Tax** ***(figures in crores)***	**Profit After Tax** ***(figures in crores)***
5	IDBI Bank	(3,664.80)	(5,158.14)
6	Canara Bank	(2,812.82)	1,121.92
7	Union Bank	1,351.60	555.21
8	Bank of India	(6,089.21)	(1,558.31)
9	Syndicate Bank	(1,643.49)	358.95
10	Indian Overseas Bank	(2,897.33)	(3,416.74)
11	HDFC Bank	12,296.21	14,549.64
12	ICICI Bank	9,726.29	9,801.09
13	Kotak Mahindra Bank	2,089.78	3,411.50
14	AXIS Bank	8,223.66	3,679.28
15	IndusInd Bank	2,286.45	2,867.89

Source: Annual Report

The above table presents the profitability position of Public & Private Sector Banks, for the financial year 2015-2016 and 2016-2017. The banks like State Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank and IndusInd Bank shows an increasing trend in profit. On the other hand, the banks like Bank of Baroda, Canara Bank and Syndicate Bank shows the profit in the year 2016-2017, in comparison to the loss incurred in 2015-2016. The banks like a Central Bank, IDBI Bank, Bank of India and Indian Overseas Bank are still into losses, in both financial years.



Source: Annual Report

Figure 1: Profit after Tax in Public & Private Sector Banks

Figure 1, provides the details of earnings after tax, by Public Sector and Private Sector Banks for the financial year 2015-16 and 2016-17. From the graphical presentation, it is evident that, earning performance of the State Bank of India is highest in case of Public Sector Banks, in both financial years and of HDFC Bank again, in both financial years in case of Private Sector Banks.

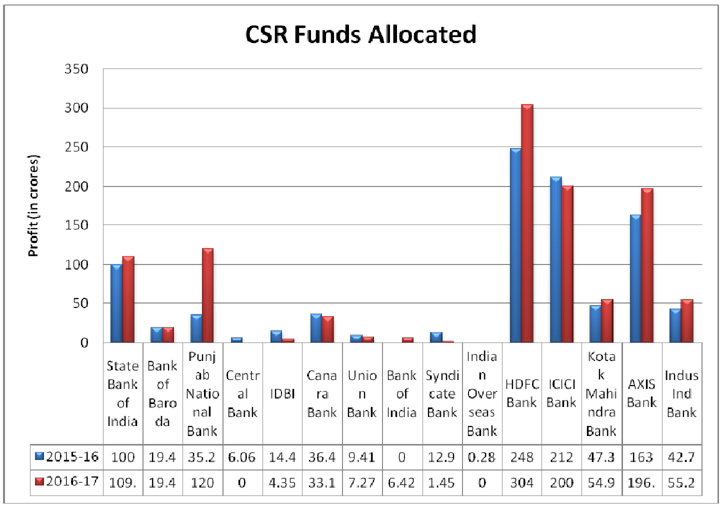
CSR Funds Allocated

Table 2: Funds Allocated for CSR Activities by Public & Private Sector Banks

SN	Name of Bank	2015-2016 CSR (Funds Allocated) *(figures in crores)*	2016-2017 CSR (Funds Allocated) *(figures in crores)*
1	State Bank of India	100.00	109.82
2	Bank of Baroda	19.4	19.4
3	Punjab National Bank	35.28	120.00
4	Central Bank	6.06	NIL
5	IDBI Bank	14.41	4.35
6	Canara Bank	36.49	33.18
7	Union Bank	9.41	7.27
8	Bank of India	NIL	6.42
9	Syndicate Bank	12.93	1.45
10	Indian Overseas Bank	0.28	NIL
11	HDFC Bank	248.00	304.00
12	ICICI Bank	212.00	200.00
13	Kotak Mahindra Bank	47.33	54.92
14	AXIS Bank	163.03	196.44
15	IndusInd Bank	42.76	55.27

Source: Annual Report

The above table shows the funds assigned for CSR activities of Public Sector and Private Sector Banks, for the financial year 2015-16 and 2016-17. Since, some banks are showing negative trend (losses) in these two financial years, despite that reserves/provision has been created for CSR activities, by the banks. The banks named Bank of India, in the year 2015-16 could not make up for CSR, due to losses in last three consecutive years, the Central Bank, Indian Overseas Bank in the year 2016-17 are also not able to allocate funds for CSR, due to losses in previous years.



Source: Annual Report

Figure 2: Funds Allocated for CSR activities by Public & Private Sector Banks

Figure 2, shows funds allocated for CSR activities by Public Sector & Private Sector Banks, for the financial year 2015-16 and 2016-17. The funds allocated for CSR in Public Sector Banks i.e., Punjab National Bank for the financial year is highest in the year 2016-17 and highest in State Bank of India in the year 2015-16. In case of Private Sector Banks, the highest budget is allocated for CSR in HDFC Bank, for both financial years.

CSR Funds Utilized

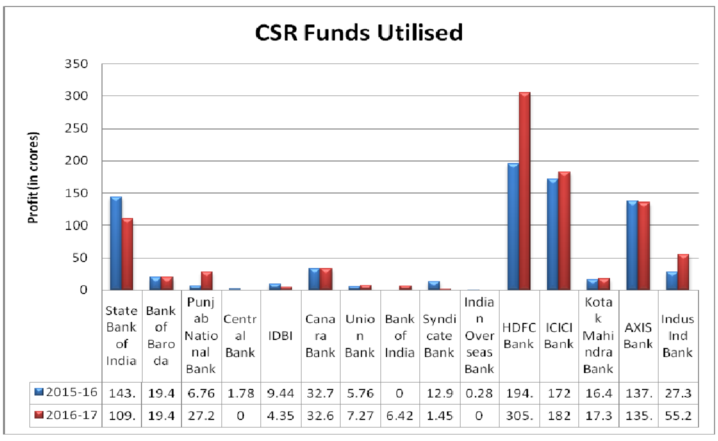
Table 3: Funds Utilized for CSR Activities by Public & Private Sector Banks

SN	Name of Bank	2015-2016 CSR (Funds Utilized) *(figures in crores)*	2016-2017 CSR (Funds Utilized) *(figures in crores)*
1	State Bank of India	143.92	109.82
2	Bank of Baroda	19.4	19.4
3	Punjab National Bank	6.76	27.23
4	Central Bank	1.78	NIL**
5	IDBI Bank	9.44	4.35
6	Canara Bank	32.78	32.68
7	Union Bank	5.76	7.27
8	Bank of India	NIL*	6.42
9	Syndicate Bank	12.93	1.45
10	Indian Overseas Bank	0.28	NIL***
11	HDFC Bank	194.81	305.42
12	ICICI Bank	172.00	182.00
13	Kotak Mahindra Bank	16.41	17.33
14	AXIS Bank	137.41	135.39
15	IndusInd Bank	27.32	55.27

Source: Annual Report

*(NOTE- *The provisions of spending 2% of average profit, during last 3 financial years is not applicable to Bank of India, it being established under Banking companies (Acquision & Transfer of Undertakings), Act 1970 and not under Companies Act. **CSR Budget of Central Bank, for the financial year 2016-17 was NIL, as Bank had incurred loss during the financial year 2015-16. ***No amount of CSR spending is provided by Indian Overseas Bank, in its Annual Report for the year2016-2017.)*

The above table highlights the funds utilized for CSR by Public and Private Sector Banks, for the financial year 2015-16 and 2016-17. In case of Public Sector Banks, in the financial year 2015-16, State Bank of India has higher contribution than other banks in CSR and more than the allocated funds are utilized in CSR activities, whereas, in the financial year 2016-17, an equal amount is contributed by the bank towards CSR. In case of Private Sector Banks, the major contributor is HDFC Bank. In the financial year 2015-16, an equal amount is contributed towards CSR, but in the year 2016-17 more funds are utilized against budgeted funds, for that financial year.



Source: Annual Report

Figure 3: Funds Utilised for CSR activities by Public & Private Sector Banks

Figure 3, shows funds utilized for CSR activities by Public & Private Sector Banks, for the financial year 2015-16 and 2016-17. In the above figure it is clear that, in case of Public Sector Banks, State Bank of India has the highest contribution and on the other hand, in case of Private Sector Banks, the major contributors are HDFC and ICICI Bank.

Amount Spent on CSR as percentage of PAT

Considering the mandatory requirement of spending, i.e., 2 percent of the average net profit, of the preceding 3 financial years for CSR activities, by profit making companies, a brief analysis of the amount spent on CSR activities by Public & Private Sector Banks as a percentage of their net profit, for the financial year 2015-16 and 2016-17 is given here as follows:

Table 4: Amount Spent on CSR Activities as %age of PAT by Public & Private Sector Banks

		2015-2016	2016-2017
SN	**Name of Bank**	**Amount Spent on CSR *(figures in percent)***	**Amount Spent on CSR *(figures in percent)***
1	State Bank of India	1.45	1.05
2	Bank of Baroda	0.36	1.40
3	Punjab National Bank	0.17	2.06
4	Central Bank	0.13	NIL
5	IDBI Bank	0.26	0.08
6	Canara Bank	1.17	2.91
7	Union Bank	0.43	1.31
8	Bank of India	NIL	0.41
9	Syndicate Bank	0.79	0.40
10	Indian Overseas Bank	0.01	NIL
11	HDFC Bank	1.58	2.10
12	ICICI Bank	1.77	1.86
13	Kotak Mahindra Bank	0.79	0.51
14	AXIS Bank	1.67	3.68
15	IndusInd Bank	1.19	1.93

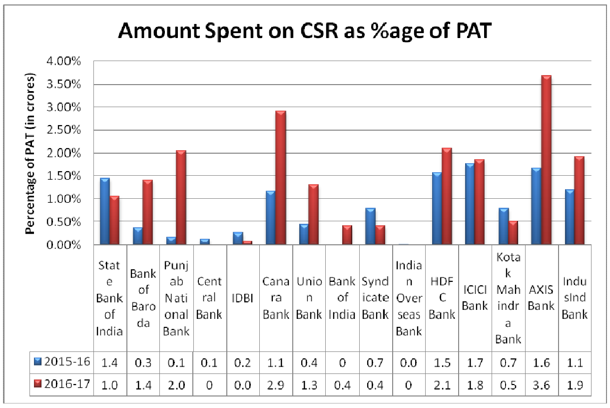
Source: Annual Report

The above table presents the amount spent on CSR activities, as a percentage of Profit after Tax by Public & Private Sector Banks, for the financial year 2015-16 and 2016-17. This helps in recognizing the spending profile (%age of profits), between Public Sector and Private Sector Banks, which is illustrated as follows:

Table 5: Spending Profile

Spending Profile (%age of profits)	Percentage of Public Sector Banks		Percentage of Private Sector Banks	
	2015-2016	**2016-2017**	**2015-2016**	**2016-2017**
Spends of 2% or more	-	20%	-	40%
Spends of 1.5% or more	-	-	60%	40%
Spends < 1.5%	20%	30%	20%	-
Spends < 1%	70%	30%	20%	20%
Total	**90%**	**80%**	**100%**	**100%**

The above table depicts that, only 90% of Public Sector Banks are contributing in the year 2015-16 and 80% banks in the year 2016-17, towards CSR. Whereas, 100% Private Sector Banks are making their contribution towards CSR in both financial years, i.e., 2015-16 and 2016-17.



Source: Annual Report

Figure 4: Amount spent on CSR activities as %age of PAT by Public & Private Sector Banks

Figure 4, shows the amount spent as a percentage of net profit by Public & Private Sector Banks, for the financial year 2015-16 and 2016-17. In case of Public Sector Banks, Canara Bank has the highest contribution, say 2.90% in the year 2016-17 and in case of Private Sector Banks, the highest contribution is made by Axis Bank, say 3.60% in the year 2016-17.

CSR Thrust Reported Areas

After recognizing the contribution of Indian Banks, towards CSR from the profits they did, let us take a look upon some major thrust areas for CSR practice in Indian Banks, which are common in Public Sector and Private Sector Banks. In this study, the following categories take into consideration, to investigate the areas of operation by selecting public sector and private sector banks:

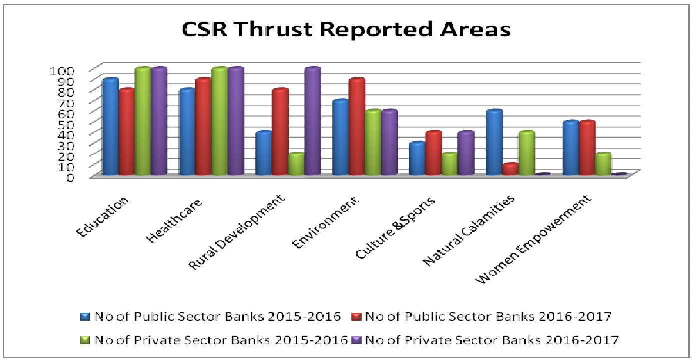
- Education and skill development
- Healthcare and poverty eradication
- Rural development
- Environment protection
- Culture, Sports & others
- Natural calamities
- Girl child & women empowerment

Table 6: Thrust Areas of CSR Reported by Public Sector & Private Sector Banks

Areas of CSR activities	No. of Public Sector Banks *(figures in percentage)*		No. of Private Sector Banks *(figures in percentage)*	
	2015-2016	**2016-2017**	**2015-2016**	**2016-2017**
Education & Skill Development	90	80	100	100
Healthcare & Poverty Eradication	80	90	100	100
Rural Development	40	80	20	100
Environment Protection	70	90	60	60
Culture, Sports & Others	30	40	20	40
Natural Calamities	60	10	40	0
Girl Child & Women Empowerment	50	50	20	0

Source: Annual Report/BRR

The above table represents the percentage contribution, made by Public Sector & Private Sector Banks for the financial year 2015-16 and 2016-17. Apart from above mentioned categories, many banks are contributing in some other areas also, like preservation of national heritage and culture, welfare measures for armed forces veterans, farmers welfare trust, retail banking, sanitation, agriculture sector lending, loans to non-corporate farmers, medical camps, trauma centers, energy conservation, financial literacy, inclusion, rural development, rehabilitation centers, entrepreneurial development programs etc.



Source: Annual Report
Figure 5; Thrust Areas for Reported CSR Activities of Banks

The chief domain of private sector banks, is to enhance the level of education and skill development through training, healthcare services, investing in financial inclusion, rural development, etc., whereas, public sector bank's focuses more on sanitation facilities, in rural and urban areas, protection of environment, women empowerment, providing facilities during natural calamities, promotion of sports etc. However, both public and private sector banks have different approach, to promote these segments. In country like India, the progress is desired but at all the levels of focused segments, so that development can be gained.

ANALYSIS OF RELATION BETWEEN CSR & PROFITABILITY OF BANKS

Gone are the days, when a businessman only focuses on his incomes and expenditure, and earns the wealth/profit for his own. In today's world, businesses are contributing their wealth/ profit, with their stakeholders in the sense to earn more wealth as well as goodwill. These businessmen encourage and promote, considerable options for the investors. Now-a-days, every bank is contributing some percentage of its earnings on CSR. In this study, relationship between profitability and CSR by banks is analyzed by comparing profitability ratios, such as ROA, ROE and EPS with CSR (recorded form PAT of banks), for the financial year 2015-16 and 2016-17.

Relationship between CSR & Investment

To investigate the relationship between ROA, ROE, EPS and CSR, the following hypothesis are studied by using SPSS 21software. CSR is considered as an independent variable and Return on Asset (ROA), Return on Equity (ROE) and Earning Per Share (EPS), as dependent variables.

Null Hypothesis **(H1):** There is positive significant relationship between CSR and profitability.

Alternative Hypothesis **(H0):** There is no relationship between CSR and profitability.

The Relationship between CSR and Return on Asset (ROA)

Table 7: Model Summary of CSR & ROA

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
2015-2016	.686	.470	.430	.86011
2016-2017	.621	.386	.335	.86162

The model summary shows, how well the model is fitted with the variables. In the above table, in the year 2016 R is 0.686 and R^2 is 0.470, that means only 47% dependent variable is explained by the independent variable. The adjusted R^2 is 0.430. In the year 2017, R is 0.621 and R^2 is 0.386, that means only 38.60% dependent variable is explained by the independent variable. The adjusted R^2 is 0.335.

Table 8: Coefficients of CSR & ROA, t-Value, p-Value

Coefficients						
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Status**
	B	**Std. Error**	**Beta**			
CSR (2015-2016)	.011	.003	.686	3.398	.005	Rejected
CSR (2016-2017)	.007	.003	.621	2.747	.018	Accepted

From the above table, it is found that, in the year 2016, the standardized coefficient is 0.686 that means, there is a 68.60 % positive relationship between CSR and Return on Asset. The *t*-value is 3.398 and p-value is 0.005, which is lower than α=0.05. So, the null hypothesis is rejected. It means, there is no significant relationship in the year 2016, between ROA and CSR. In the year 2017, the standardized coefficient is 0.621, which means there is a 62.10 % positive relationship between CSR and Return on Asset. The *t*-value is 2.747 and p-value is 0.018, which is higher than α=0.05. So, null hypothesis are accepted in this year. It means, there is significant relationship in the year 2017, between ROA and CSR.

The Relationship between CSR and Return on Equity (ROE)

Table 9: Model summary of CSR & ROE

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
2015-2016	.689	.474	.434	11.32062
2016-2017	.557	.310	.252	12.25574

In the above table, in the year 2016 R was 0.689 and R^2 was 0.474, that means only 47.40% dependent variable was explained by the independent variable. The adjusted R^2 was 0.434. In the year 2017, R is 0.557 and R^2 is 0.310, that means only 31.10% dependent variable is explained by the independent variable. The adjusted R^2 is 0.252.

Table 10: Coefficients of CSR & ROE, t-Value, p-Value

Coefficients						
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Status**
	B	**Std. Error**	**Beta**			
CSR (2015-2016)	.148	.043	.689	3.426	.005	Rejected
CSR (2016-2017)	.088	.038	.557	2.322	.039	Accepted

From the above table, it is found that, in the year 2016, the standardized coefficient was 0.689 that means; there was a 6.89 % positive relationship, between CSR and Return on Equity. The *t*-value was 3.426 and p-value was 0.005, which is lower than α=0.05. So, the null hypothesis is rejected. It means, there is no significant relationship between ROE and CSR. In the year 2017, the standardized coefficient is 0.557, that means there is a 5.57 % positive relationship between CSR and Return on Equity. The *t*-value is 2.322 and p-value is 0.039, which is higher than α=0.05. So, the null hypothesis is accepted. It means, there is a significant relationship in the year 2017, between ROE and CSR.

The Relationship between CSR and Earning Per Share (EPS)

Table 11: Model Summary of CSR & EPS

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2015-2016	.608	.370	.322	28.01204
2016-2017	.796	.633	.603	12.71647

From the model summary report, it is found that, in the year 2016 the value of R was 0.608 and R^2 was 0.370, that means only 37% dependent variable was explained by the independent variable. The adjusted R^2 was 0.322. In the year 2017 the value of R is 0.796 and R^2 is 0.633, that means only 63.30% dependent variable is explained by the independent variable. The adjusted R^2 is 0.603.

Table 12: Coefficients of CSR & EPS, t-Value, p-Value

Coefficients						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Status
	B	Std. Error	Beta			
CSR (2015-2016)	.295	.107	.608	2.764	.016	Accepted
CSR (2016-2017)	.178	.039	.796	4.551	.001	Rejected

From the above table, it is found that, in the year 2016 the standardized coefficient was 0.608, that means there was a 60.80 % positive relationship between CSR and EPS. The *t*-value was 2.764 and p-value was 0.016, which is higher than α=0.05. So, the null hypothesis is accepted. It means, there is a significant relationship between EPS and CSR. In the year 2017 the standardized coefficient is 0.796, which means there is a 79.60% positive relationship between CSR and EPS. The *t*-value is 4.551 and p-value is 0.001, which is lower than α=0.05. So, the null hypothesis is rejected. It means there is no significant relationship, in the year 2017 between EPS and CSR.

SUMMARY

The two financial years 2015-16 and 2016-17 are taken for analysis, under this study. From the above analysis, it has been examined that, in the year 2016 most of the banks were facing losses, despite that, the contribution towards CSR has been seen in the case of both Public Sector & Private Banks, in both the financial years. The spending profile shows that, there is no contribution more than 1.5%, by Public Sector Banks in both the financial years, whereas, only 20% banks are contributing more than 2% towards CSR, in the year 2017. On the other hand, 60% Private Sector Banks in the year 2016 and 40% in the year 2017, are contributing towards CSR more than 1.5%. Only 40 % banks are contributing more than 2%, in the year 2017. The result of regression analysis shows that, in the year 2016, there is no relation among CSR ROA and ROE, but there is a positive relation between CSR and EPS. Whereas, in the year 2017, there is a positive relation among CSR, ROA and ROE but there is no relation between CSR and EPS. It suggests that, banks can perform their duties towards society in the quiet satisfactory manner.

CONCLUSIONS

From the above analysis, it is suggested that, if the amount of funds allocated to CSR activities of Public & Private Sector Banks are found to remain unutilised, the amounts should be carried forward for the next years, to make productive utilization in CSR activities only. The selected banks need to choose the best projects; to implement CSR activities and priorities should be given, to support the backward districts and simply spending for the sake of utilization of funds allocated for CSR activities, should not be done. The new mandate will not affect the banks/ organizations, which are already involved in CSR, as their business activity and spending is between 1.5 to 2 percent. They will only have to spend some more on CSR, to reach the level of 2 percent. It will awake the banks/ organizations, which are doing minimal or no CSR activity. Many are of the opinion that, CSR should be voluntary, but at the other hand, some experts opined that, CSR must be a mandatory affair as banks/ organizations are affecting their stakeholders, and not taking enough care of them. Mandatory CSR policy, suggested by the new Companies Act 2013, is a very good step towards sustainable development.

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