

Corporate Social Responsibility (CSR) in Indian Banking Sector: An Empirical Study on AU Small Finance Bank Limited

¹Dr. Kanchan and ²Rakesh Choudhary

¹Assistant Professor, ²Research Scholar,

^{1,2}Department of Accountancy and Business Statistics, University of Rajasthan, Jaipur, India

Abstract: The Indian banking industry plays an important role in promoting economic growth and development of the country. India is the first country to quantify CSR and make it mandatory as per Companies Act 2013. Therefore, the Reserve Bank of India has made it mandatory for every commercial bank operating in India to contribute to CSR. Corporate Social Responsibility (CSR) refers to the practice of integrating social and environmental concerns into business operations and interactions with stakeholders. CSR in Indian banking sector is aimed at improving financial inclusion, and providing financial services to the untapped areas of the country. The socio-economic development of the country can be improved by focusing on activities like poverty eradication, health and medical care, rural development, financial literacy, education and environment protection. CSR in the Indian banking industry is not just about compliance; many banks view it as an integral part of their corporate identity and a way to contribute positively to society while enhancing their brand image. The new Company Act of 2013 mandates companies to invest at least 2% of the average of their three preceding financial years' net profit into CSR activities. This study highlights the main CSR activities done by AU Small Finance Bank. For the same, the annual reports of five years since 2018 to 2022 has been analysed. A questionnaire has also been designed to get some knowledge about what the employees think about the CSR programmes run by the AU Small Finance Bank. This study reveals that the main focus of AU's CSR investment is on the skill development and livelihood creation. Apart from this, AU Small Finance Bank, is doing a great job to facilitate the weaker sections of the society by investing in education, health care and sanitation programs, sports activities and other fruitful actions. This study also reveals that the employees think that AU Small Finance Bank is quite serious about the sustainable development of the society.

Keywords: CSR, Corporate Sustainability, AU Small Finance Bank, Sustainable Development

I. INTRODUCTION

Corporate Social Responsibility (CSR) is deliberate inclusion of economic and social interest of total environment of a business in which it operates, in corporate decision making and also honouring triple bottom line of people, planet and profit dimension. In an evolutionary progression of present times, when every developing economy struggles for the attainment of higher level of living, banking sector plays a very important role in achieving socio-economic development for a country like India by providing various financial products and services to different sections of the society. Corporate Social Responsibility is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner. That Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. Taking in to consideration the significance of CSR in Indian Banking Sector, the present study is taken to examine the different areas of CSR initiatives done by banks in India and it is also focused towards seeking the CSR actions, awareness of these actions among the employees. AU Small Finance Bank is the largest small finance bank of India which is headquartered in Jaipur. AU Small Finance Bank has done many CSR activities all over India every year, including small villages, weaker sections of the society. They have made people aware about its existence and also about the environmental, cultural, social, educational and other needs of the society.

The aspects of CSR are mentioned in Section 135 of the Companies Act 2013, every company whether public or private whose net worth is Rs. 500 Cr or has the turnover of Rs. 1000 Cr or net profit of Rs. 5 Crores must contribute at least 2% of its average net profit as CSR for the preceding three financial years. Furthermore, as per the CSR rules, the CSR provisions are not only related to Indian companies, also relevant to branches and offices of foreign companies in India. It is clear that an organization's CSR framework and policy serves as a legal and regulatory arrangement ensuring conformity with the ethical standards, and national or international practices and norms, the new laws and the provisions made it mandatory for eligible entities to have CSR framework in format of unique CSR policy and constituting CSR committee to overlook CSR efforts and working in alignment with CSR Policy.

II. LITERATURE REVIEW

Rajul Dutt and Himani Grewal (2018) has analyzed SBI is playing an outstanding role to bring out the relationship between the organization and the society. SBI is trying its best to benefit the society in every manner it can. The bank's major focus area under CSR is healthcare and sanitation, skill development, livelihood creation sector, education sector, sports, environment protection and other sector as well. But the main area of focus is skill development and livelihood creation sector in which bank is investing almost more than the 50% of the decided CSR budget. But it should also support some other sectors.

Shafat (2017) has analyzed the impact of CSR on financial performance of twenty-eight numbers of commercial banks listed in Bombay stock exchange (BSE). The study observes that CSR exerts a positive impact at the financial performance of the Indian commercial banks, more particularly CSR has a positive impact on profitability and stock returns of these banks as per the consideration of financial data from 2007 to 2016.

Nidhi (2016) studied on CSR of Indian banking sector. She stated that “Corporate Social Responsibilities of the banking industry in India. Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. The word “responsibility” emphasizes that the business has some moral obligations towards the society”. She used secondary data for the research. She studied on six banks and did a case study on HDFC bank. She concluded in her study that banks in India are giving more importance of CSR issues. Due to highly competitive environment CSR is gaining more importance today. She concluded that government and media should play their role affectively.

Kaur and Bhaskaran (2015) studied the CSR practices of public sector bank and private sector bank. The author found that private sector banks are performing on all CSR parameters, but showing very less concern for entrepreneur development, while public sector banks are not at all performing any CSR practice in the area of ethics and employee development. Most of the CSR practices are carried out in the sectors of society welfare, financial inclusion and rural development by public sector banks, whereas in the case of private firms, they are focusing extra on society welfare, education and rural growth practices.

Tania (2014) did a research on exploring underlying dimensions of business benefits through corporate social responsibility: a study on commercial banks with the aim explore the underlying dimensions of business benefits through CSR activities and found that business organizations undertake CSR initiatives as a strategy to flourish in a highly competitive environment.

Burianová and Paulík (2014) the act of executing CSR and moral standards in the banking industry prompts for social duty and ethics which has become an appropriate marketing apparatus to communicate with the stakeholders.

Trotta et al. (2012) in their research found CSR as an important driver of reputation of any institution and also creates economic value over time. Holder-Webb et al. (2009) argued that CSR can be considered as a source to have a competitive advantage and an increase in the company’s credibility with stakeholders and also to build a long-term reputation.

Gautam and Singh (2010) the literature available on CSR indicates that the CSR does not affect the company’s goodwill and reputation, but also has an adverse effect on the financial performance.

Objectives of the Study

The literatures in record show that a lot of researches have been done on CSR activities, CSR investment in banking industry but a particular bank’s performance with respect to CSR initiatives is not analysed as it is required in the current scenario. So after identifying this research gap, this study analyzes the status of CSR initiatives of AU Small Finance Bank. The main objectives of the study are:

- To collect the information about CSR actions done by AU Small Finance Bank.
- To identify whether the CSR actions are facilitating the entire society as a whole.
- To categorize the essential part where CSR activities are being carried out by AU Small Finance Bank.

Research Methodology

Sampling Design:

For the current study, 40 respondents are randomly selected from 10 branches of AU Small Finance Bank by the researcher.

Data Source and Collection Procedure:

The present study is descriptive and exploratory in nature. Primary and secondary type of data has been collected. Primary data was collected by direct personal interview through questionnaires. A well-structured questionnaire was made for the study. There were some specific questions related to CSR investment of the banks. And in order to take answers from the respondents, a five-point Likert scale has been used. Moreover, secondary data has been collected from existing literature, published books, articles, journals, newspapers, magazines, and internet for this research. Annual reports of 5 years of AU Small Finance Bank from 2018-2022 has been critically analysed and all the CSR investments have been taken in to consideration.

Data Analysis Procedure:

For getting a proper understanding of the research problem, the primary data collected from all the sources has been critically analyzed. The secondary data collected from the annual reports has been analyzed properly along with the primary data collected with the help of questionnaire.

Data Analysis and Findings

Main CSR Expenditure by AU Small Finance Bank:

According to Table 1, it is clear that AU Small Finance Bank expenditure on CSR activities increased in first three years in FY 2018, 2019 and FY 2020 thereafter it is decreased in FY 2021 and again decreased in FY 2022 for healthcare, culture, sports, education, skill development and livelihood creation, environmental protection and other activities as well. But it is also clear from Table 1 that CSR expenditure every year is less than the CSR budget of that year. It is not a good sign in the interest of the society. The graphical representation of Table 1 is as below:

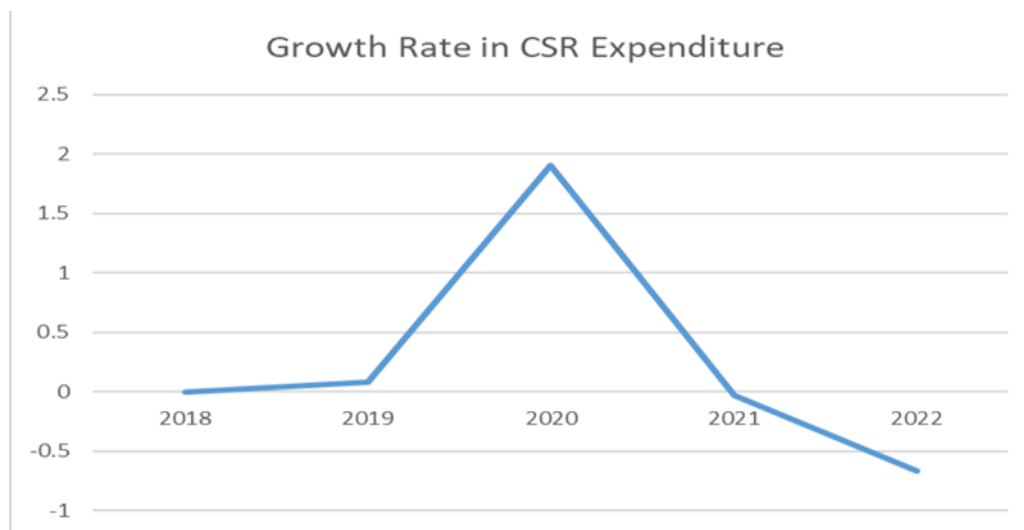
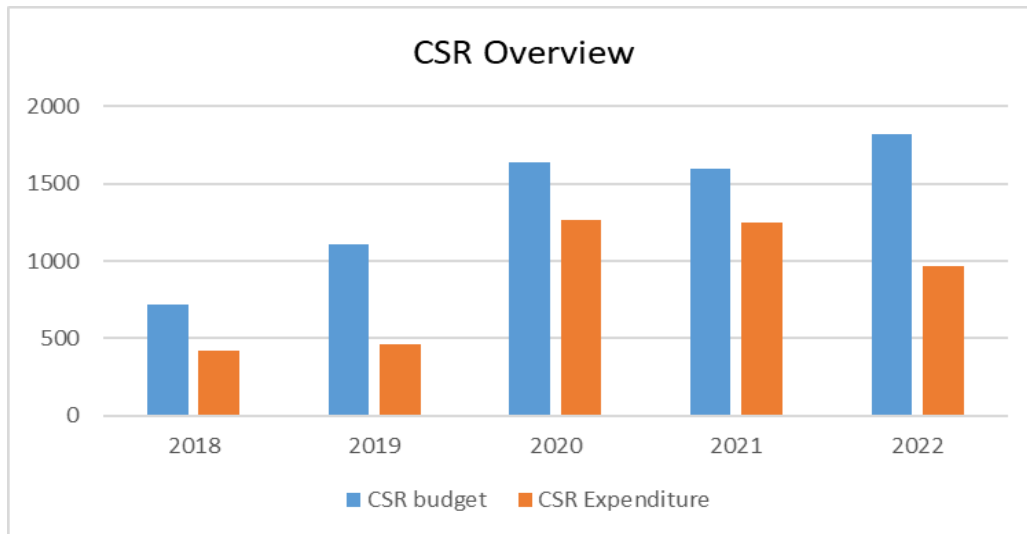
Table 1 : Total CSR Expenditure of AU Small Finance Bank

Year	CSR budget (In Lakhs)	Expenditure (In Lakhs)	Growth Rate
2018	718	423	-
2019	1110	459	8.51%
2020	1638	1265	190.54%

2021	1597	1252	-3.07%
2022	1823	970	-66.67%

[Source: Annual Report of AU Bank (2018-2022)]

Graphical Representation of CSR Budget and CSR Expenditure



The trend analysis in graphical represents the growth rate of CSR activities by AU Small Finance Bank which is quite uncertain in last five years. In the year 2019, the growth rate of CSR activities is positive 8.51% in comparison to 2018. This shows that in 2019, the investment in CSR activities was more than the investment in 2018. But Table 1 shows, the investment was less than the CSR budget of that year it is a good sign for the Indian economy. Similarly in 2020, 2021 and 2022, the growth rate is 190.51%, -3.07%, -66.67% in comparison to 2019, 2020 and 2021 respectively.

Sector Wise CSR Expenditure by AU Small Finance Bank

CSR in Healthcare Sector

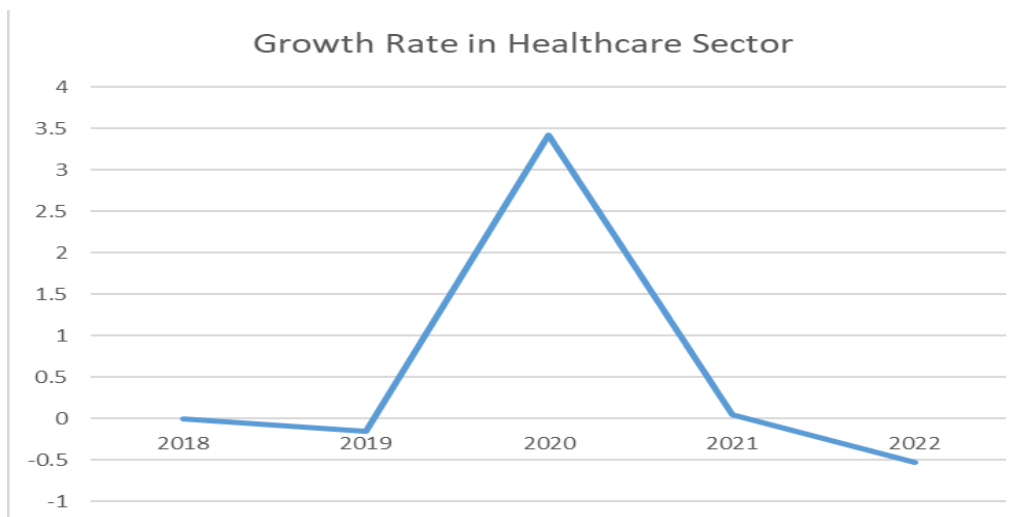
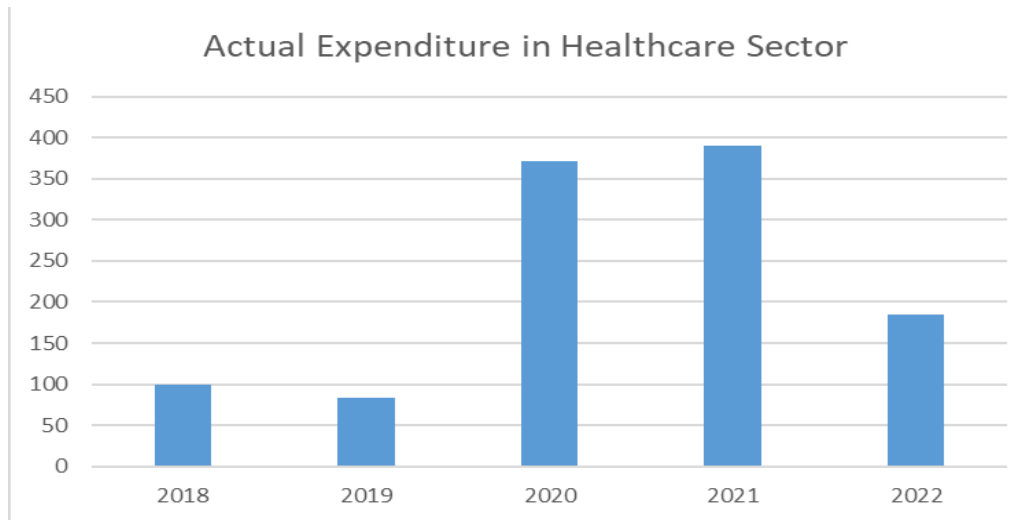
A good health for any person leads to a good mind which ultimately leads to a better society. Health is one of the main concerned issues. In India at some places there are no medical facilities which lead to various diseases, high mortality rate and AU Small Finance Bank is doing a great job in this area. From the annual reports of AU Small Finance Bank, it is very much clear that the bank organized health camps on regular basis and launched projects related to different diseases. From Table 2, it is also clear that maximum amount has been invested by the bank in 2021 in particular healthcare sector. The investment from 2019 to 2021 has increased and in the years 2022 it reduced.

Table 2 : CSRExpenditure in Healthcare Sector

Year	Actual Expenditure (In Lakhs)	Growth Rate
2018	100	-
2019	84	-16.00%

2020	371	341.67%
2021	390	5.12%
2022	185	-52.56%

[Source: Annual Report of AU Bank (2018-2022)]



The trend analysis also depicts that the growth rate of CSR expenditure in healthcare sector is fluctuating every year. In 2019 it was -16.00% and it increased to 341.677% and 5.12% in 2020 and 2021 respectively. In 2022 it decreased to -52.56%.

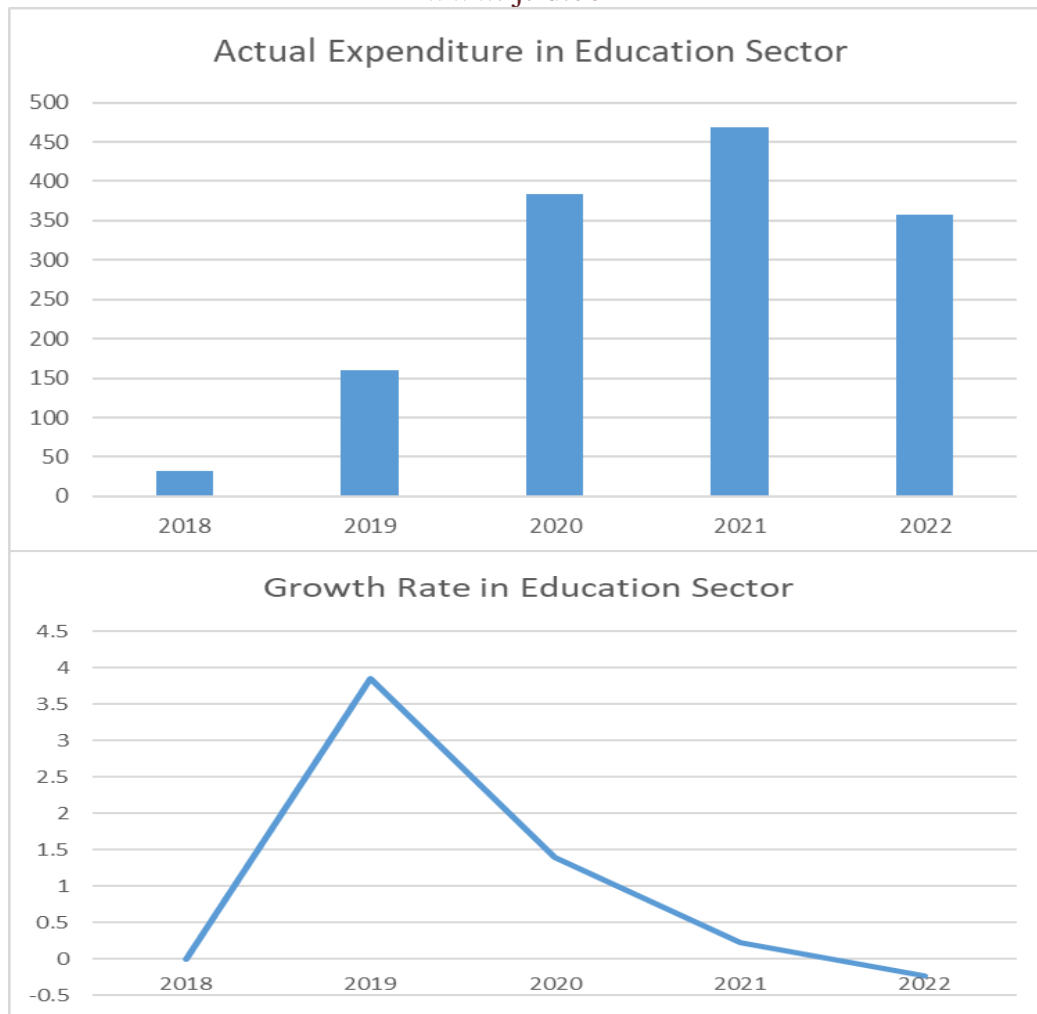
Major CSRExpenditureby AU Small Finance Bankin EducationSector:

Education is a must for the development of any country. By keeping this thing in mind, AU Small Finance Bank has done huge investment in the terms of finance in this particular sector. From Table 3, it is very much clear that AU Small Finance Bank has done a great job by investing in the education sector. Banks have launched many scholarships and fellowship programs/schemes to help students from the under privileged section. From Table 3, it is clear that the bank has invested 469 lakhs in 2021. In 2019, 2020 and 2021, the amount invested increased in comparison to previous years and it decreased in 2022.

Table3: CSR Expenditure of AU Small Finance Banking Education Sector

Year	Actual Expenditure (In Lakhs)	Growth Rate
2018	33	-
2019	160	384.85%
2020	383	139.38%
2021	469	22.45%
2022	358	-23.67%

[Source: Annual Report of AU Bank (2018-2022)]



From the graphical representation, it is clear that the growth rate of the bank is not very effective. Although the bank’s combined investment in CSR for different sector increased every year but the sector wise investment has been different every year. In education sector it is increased in 2019 as 384.85% after that it is decreased every year up to 2022 shows negative growth rate as compared to 2021, -23.67%.

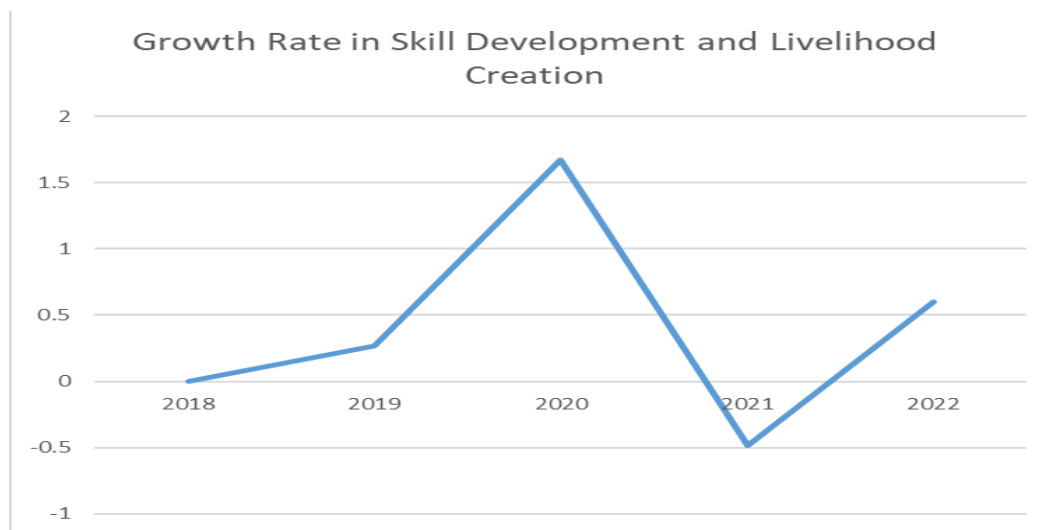
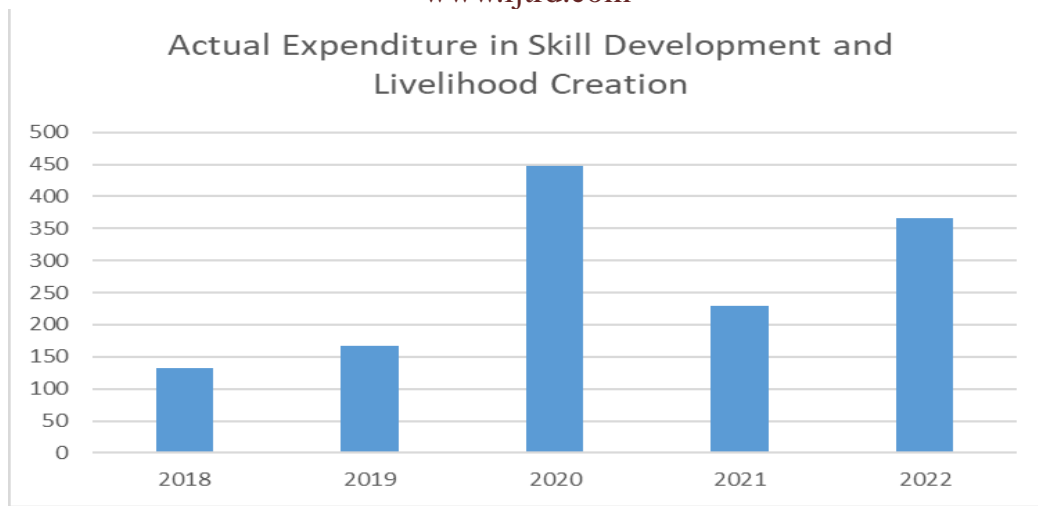
Major CSRExpenditure by AU Bank in Skill Development and Livelihood Creation

AU Small Finance Bank has invested a huge amount in skill development and livelihood creation in comparison to any other sector. From the annual reports of AU Small Finance Bank, it can be seen that AU Bank has provided infrastructure support to Rural Self Employment Training Institutes for skill building of the rural youth. From Table 4, it can be seen that the AU Small Finance Bank investment in skill development and livelihood creation increased every year except 2021. In the year 2022, actual investment in this sector Rs366 lakhs.

Table 4: Expenditure by AU in Skill Development and Livelihood Creation

Year	Actual Expenditure (In Lakhs)	Growth Rate
2018	132.00	-
2019	167.00	26.52%
2020	447.00	167.67%
2021	229.00	-48.77%
2022	366.00	59.83%

[Source: Annual Report of AU Bank (2018-2022)]



The trend analysis also depicts that the growth rate of CSR expenditure in skill development and livelihood creation increases first two years after that its decreased in 2021 and again increased in 2022. The actual growth rate in this sector 26.52%, 167.67%, -48.77% and 59.83% in 2019, 2020, 2021 and 2022 respectively.

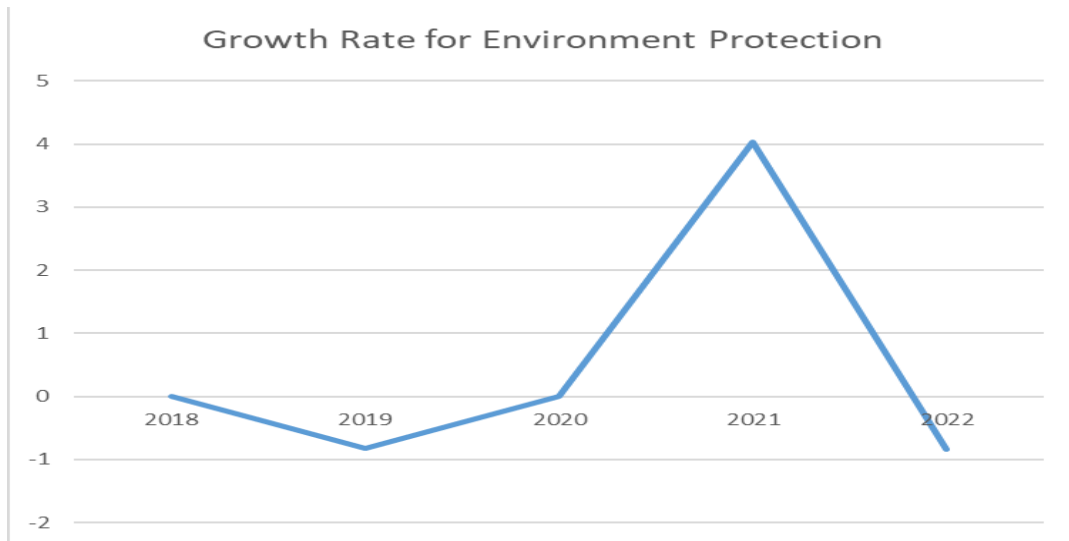
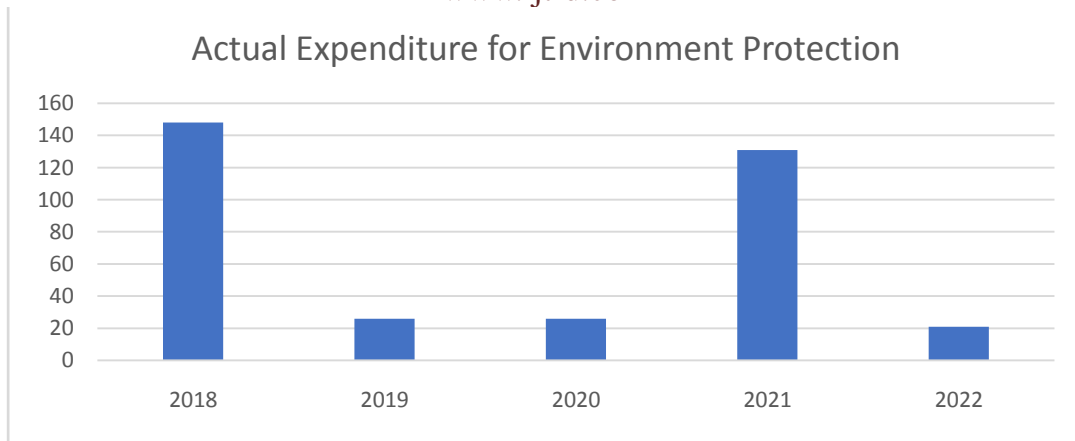
Major CSRExpenditureby AU Small Finance Bankin EnvironmentProtection

AU Small Finance Bank has taken serious steps towards environmental sustainability. From the annual report of2018-2022,it can be seen that AU Small Finance Bank has launched programmes to meet the renewal energy target, also launched somerainwater harvesting programmes,different environmental sustainability programmes, tree plantation etc. In2018, itwas 148lakhs which decreasedin thenexttwoyearsRs 26 lakhs after that it was increased in 2021 Rs 131 lakhs and again decreased in 2022 Rs 21 lakhs.

Table 5: CSR Expenditure by AU Small Finance Bank inEnvironment Protection

Year	Actual Expenditure (In Lakhs)	Growth Rate
2018	148	-
2019	26	-82.43%
2020	26	-
2021	131	403.84%
2022	21	-83.97%

[Source: Annual Report of AU Bank (2018-2022)]



From the trend analysis it is clear that the amount invested decreased for the two years, in 2019 the growth rate was -82.43% after that it was increased to 403.84% in 2021 and again decreased in 2022 to -83.97%. This depicts the investment done by AU Small Finance Bank in the form of CSR actions under the area of environment protection is not up to the level.

In the questionnaire, there were 8 questions in the questionnaire and the data was collected from Jaipur District of Rajasthan. The sample size was 40, so 40 employees were personally interviewed to fill the questionnaire. Demographic Profile of the Respondents is as follows:

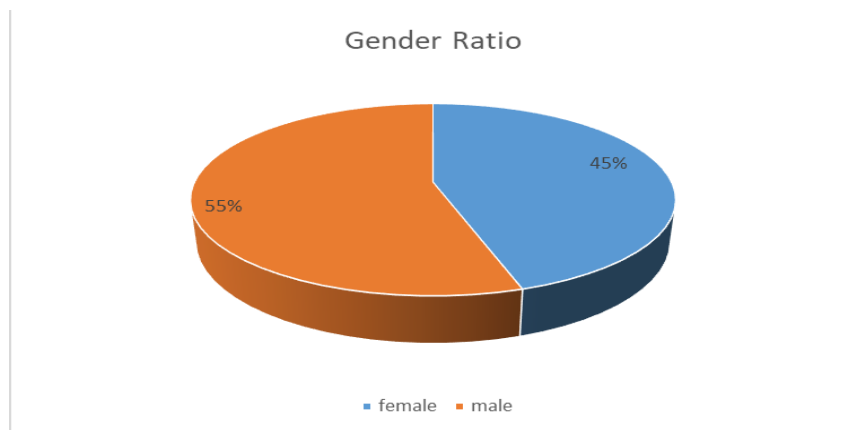


Fig-11: Respondents-Gender

It is found from the questionnaire that out of 40 respondents, 22 were males and 18 were females, i.e. 55% were males and 45% of the respondents were females.

As per the data analysis, 95% employees agreed to the statement that CSR activities of AU Small Finance Bank are standard and performed while 5% of the employees were neutral because they were not fully aware about the concept of CSR. 98% employees agreed that AU Bank has a separate CSR department and CSR policies are implemented effectively by the bank. Only 2% were neutral to the statement because they were not aware about the CSR programmes run by the bank. 96% employees agreed that bank's management is very much concerned about the CSR issues, while 2% were neutral and 2% employees disagreed with the statement. 89% employees think that bank gives satisfactory emphasis on education contribution, while 11% were neutral to the statement. 93% employees think that environment contribution of AU Bank is sound while 7% are neutral. 84% employees agreed that the contribution of AU Bank in health and sanitation sector increased people's awareness. And nowadays people from weaker sections of the society are taking the advantage of this opportunity. The rest 16% think that it is not as effective as it should be. 87% employees agreed that CSR activities

create a positive image of the bank in the market, while 11% were neutral to the statement and only 2% employees think that CSR has nothing to do with the image creation of the bank in the society. 78% employees agreed that CSR activities help in retaining customers while 19% were not having any idea about this and were neutral to the statement, only 3% employees disagreed to the statement and think that CSR is not having any important role in retaining the customers.

As per the secondary data analysis, collected from the annual reports of AU Small Finance Bank from 2018 to 2022, it is clear that AU Small Finance Bank is sometimes lacking in the area of CSR investments. Talking about the CSR budget of AU Small Finance Bank, it is clear from the annual reports from 2018 to 2022, that there is a good upside movement in the CSR budget except in 2021. In 2018, the CSR budget was Rs. 718 lakhs which turned into Rs. 1823 lakhs in 2022. Actual CSR expenditure is always lower than the decided CSR budget (Table-1). Considering the sectorwise expenditure done by the bank, the performance of the bank in the area of CSR is not very satisfactory. In 2018, the investment in the healthcare sector was Rs. 100 lakhs which decreased to Rs. 84 lakhs in 2019 and increased to Rs. 371 lakhs in the year 2020 and Rs. 185 lakhs in 2022 which showed a great downfall in the CSR investment in healthcare sector. In education sector, the investment was Rs. 33 lakhs which in the year 2018 which is increased every year upto 2021 Rs. 469 lakhs and turned to Rs. 358 lakhs in the year 2022. AU Small Finance Bank has also invested in different sectors like environmental protection, sanitation, sports, and other sectors. As per the annual reports analysis of the five years since 2018 to 2022, it is very much clear that AU Small Finance Bank has given more attention to the skill development and livelihood creation sector in comparison to all the other sectors. The investment in this sector increased every year except in 2021. From the annual reports of five years, it is very much clear that the CSR expenditure in environmental protection was Rs. 148 lakhs in the year 2018 thereafter drastic downfall upto 2022 Rs. 21 lakhs except 2021 Rs. 121 lakhs invested in this sector.

CONCLUSION

Banks play a vital role in the financial improvement of any country. This research gives a basic idea of the general practices being followed by the bank. From the above findings, it can be concluded that AU Small Finance Bank is playing an outstanding role to bring out the relationship between the organization and the society. AU Small Finance Bank is trying its best to benefit the society in every manner it can. The bank's major focus area under CSR is healthcare and sanitation, skill development, livelihood creation sector, education sector, sports, environment protection and other sectors as well. But the main area of focus is skill development and livelihood creation sector in which bank is investing almost more than the 40% of the decided CSR budget. But it should also support some other sectors. In this current study, it has been revealed that the work of CSR movements for the main area is bound to the education, skill development and healthcare sector. The current study additionally recommends that the CSR committee of AU Small Finance Bank should focus towards the needful areas of the society by understanding the CSR needs of the society in general.

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