

Corporate Social Responsibility In The Indian Banking Sector: A Case Study On HDFC Bank

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ABSTRACT

Corporate Social Responsibility (CSR) is the need of the hour. By engaging in CSR activities, the companies mainly aim to give back to the society in which they operate. Modern businesses are currently shifting their focus from profit maximization to sustainable development. Only the companies that are ready to work toward making public life easier can sustain in today's competitive market. Along with that, contributing effectively to CSR helps companies to have a better brand image, stakeholder satisfaction, employee retention, new opportunities, and better access to capital.

The banking industry being the lifeblood of the Indian economy and a key service sector contributes the highest percentage of CSR Funds in India when compared with the other sectors such as Oil Drilling Lubricants and Petrochemical, miscellaneous, metals, mining, minerals, and computer software and IT. HDFC Bank being one of the largest private sector banks in India constantly contributes a large sum of amount on CSR to transform public lives. Their major CSR activities are rural development, Skill Development and Livelihood Enhancement, Promotion of Education, Healthcare and Hygiene, and Financial Literacy and Inclusion.

The data for this study is collected through secondary sources such as CSR Reports, websites, and papers. The data have been collected and analyzed over three years starting from the financial year 2019-20 to 2021-22. In addition, the study uses resource dependence theory, and corporate citizenship theory to best understand the concept. The importance of CSR in the banking sector and the popularity of HDFC Bank in the Indian market as a key player makes this study relevant.

KEYWORDS: Corporate Social Responsibility, HDFC Bank, CSR Funds and Activities, Community Development, Indian Banking Sector.

INTRODUCTION

Modern banking in India originated in the middle of the 18th century. The Indian Banking sector is divided into two; Scheduled and non-scheduled banks. The scheduled banks are the ones that are included in the 2nd schedule of the Reserve Bank of India (RBI) Act of 1934. The scheduled banks are then further classified into nationalized banks, State Bank of India (SBI) and its associates, Regional Rural Banks (RRB), Foreign Banks, and other Indian Private Sector Banks. SBI is considered the largest, and the oldest bank which is still in existence (Banking in India, 2023)

There are 12 public sector banks, 22 private sector banks, 46 Foreign Banks, 56 Regional Rural Banks, 1485 Urban Cooperative Banks, and 96000 Rural Cooperative Banks in addition to the cooperative credit institutions under the Indian Banking system. Since 2020, the bank assets across sectors have been increased significantly. In 2022 – 23, the total assets in the public banking sector were US\$ 1,553.57 billion, and US\$ 901.3 billion in the private banking sector. According to the Reserve Bank of India (RBI) India's banking sector is well regulated, and is sufficiently capitalised. In addition, the financial, and economic conditions in India are far better than any other country in the world. As of the year 2022, more than 80% of India's population has a bank account when compared with 17% in 2009 (India Brand Equity Foundation , 2023)

The major aim of Corporate Social Responsibility in the Indian Banking Sector is to address financial inclusion. Providing financial services, and the socio-economic development of a country focusing on poverty eradication, healthcare promotion, education and skill development, environmental conservation, rural development, and women empowerment. The CSR thrust areas are common for both private and public sector banks. As per the Reserve Bank of India CSR is referred to as the incorporation of social and environmental issues by organizations in their business operations as well as in their interactions with their stakeholders (Dhingra, 2014)

HDFC Bank is India's largest private-sector bank by assets, and the world's fourth-largest in terms of market capitalization as of July 2023. The bank was incorporated in 1994 as a subsidiary of the Housing Development Finance Corporation with its headquarters in Mumbai (HDFC Bank,

2023) Through various social initiatives, HDFC Bank aims to transform the lives of millions of people in the country. The social activities of the HDFC Bank fall under the umbrella of 'Parivartan'. The bank has created an impact on 98+ Million lives through its CSR activities such as rural development, skill development, livelihood enhancement, promotion of education, healthcare and hygiene, and financial literacy and inclusion. (HDFC Bank , 2023)

LITERATURE REVIEW

Responsible organizations should be ethical to their stakeholders. Business organizations have to incorporate CSR practices into the organization's day-to-day business operations to ensure sustainable economic development. The banking sector is one of the several mainstream sectors that are putting up efforts to inculcate CSR into their business activities. By contributing to community development, CSR activities help an organization to build a positive impact on society. The study points out that, in a service industry like banking the relationship between customer pleasure, and service quality is crucial. HDFC Bank is one of the largest private sector banks in India. In addition, it is also one of the highly profitable banks with a net profit of 2078 crores in the Financial Year 2018-19. Further, the study states that HDFC Bank being one of the largest CSR contributors in India has maintained its position in the 500 crore CSR club during the FY 2021 – 22 by allocating Rs. 736 Crore to their CSR activities (Rath, 2021)

According to the United Nations Industrial Development Organisation CSR is a management concept whereby organizations integrate social and environmental concerns in their interactions with the stakeholders, and their business operations. The study states that commercial banks in India have taken the concept of CSR seriously. During the FY 2020-21 HDFC Bank became the largest contributor of CSR in India from the Banking sector. In addition, In FY 2019-20, HDFC Bank spent an amount of Rs. 535 Crore on CSR, Rs. 634.91 Crore on the FY 2020-21, and Rs. 736 Crore on the FY 2021-22 respectively. Further, the study states, that by contributing effectively to CSR an organization can have certain benefits which include increased brand awareness, and recognition, better public image, stakeholder satisfaction, new opportunities, an advantage over the competitors, employee retention,

customer engagement, and easier access to the capital (Kunjukunju, 2022)

Banks are the lifeblood of an economy. A country's economic development can be measured through the performance of its central banks. In India, banks are socially responsible focusing on sustainability and community development. The banking sector in India is giving significant importance to socially responsible activities such as health care, education, and sanitation. By being active in CSR the banks can easily differentiate themselves from their competitors (Panjabi, 2020)

RESEARCH GAP

This study mainly focuses on the two main aspects of corporate social responsibility. This includes the role of CSR in the Indian Banking Sector and takes the CSR activities of HDFC Bank, and its impact on society over three financial years to examine the connection between CSR and the Indian Banking sector.

The study mainly aims to analyze the role of CSR in the Indian Banking sector and the way the HDFC bank is contributing to it. HDFC Bank stands first in CSR contribution in the Banking sector. This is one of the major factors that make this study relevant.

HDFC Bank has been continuously contributing to CSR activities to make public life easier. This is one of the reasons for making HDFC one of the leading banks in the country and also contributes to the financial improvement of the country. These aspects need to be explored. This study mainly aims to understand it, and it makes this study integral.

STATEMENT OF THE PROBLEM

Corporate Social Responsibility has significant importance in this capitalist economy for ensuring the sustainability of life and business in the future. Some of the major importance of CSR are brand value, risk management, increased sales, employee retention, and cost savings (Thacker, 2019) Socially responsible companies are more likely to stand out from their competitors as they cultivate superior and positive brand recognition. In addition, being socially responsible empowers the employees to utilize the

corporate resources at their disposal for the good (Murphy, 2022)

The major CSR activities the Indian banks focus on are skill development, health and sanitation, promoting education, and environmental conservation. The CSR activities of Indian Banks have always gained the attention of researchers and readers due to their importance. Both the public and private sector banks in this market have always demanded credibility and responsibility. Earlier the primary objective of an organization was to earn profit but nowadays they are concerned about both the financial and non-financial goals with risk awareness and maintenance of transparency (Dutt, 2018)

HDFC Bank is India’s one of the leading private banks and was also one of the first to receive approval from the Reserve Bank of India (RBI) for setting up a private sector bank in 1994. Their CSR Activities, corporate governance, and business activities are an example for other private sector banks to follow (HDFC Bank, 2023)

METHODOLOGICAL FRAMEWORK

Objectives	Research Questions	Hypothesis	Methodology
To identify the role of CSR in the Indian Banking Sector	What is the role of CSR in the Indian Banking Sector?	CSR plays a vital role in the Indian banking sector and thereby contributes to the financial improvement of a country.	Quantitative method using secondary data
To identify the various CSR activities of HDFC bank	What are the various CSR activities of HDFC Bank?	The major CSR activities of HDFC Bank fall under the category of healthcare, rural development, and education.	Quantitative method using secondary data
To identify the impact of the CSR activities of HDFC Bank on community development	What is the impact of CSR activities done by the HDFC Bank on community development?	HDFC Bank focuses on CSR activities to make public life easier.	Quantitative method using secondary data

RESEARCH QUESTIONS

- What is the role of CSR in the Indian Banking Sector?

- What are the various CSR activities of HDFC Bank?
- What is the impact of CSR activities done by the HDFC Bank on community development?

OBJECTIVES

- To identify the role of CSR in the Indian Banking Sector
- To identify the various CSR activities of HDFC bank
- To identify the impact of the CSR activities of HDFC Bank on community development

THEORETICAL FRAMEWORK

Resource Dependence Theory

Resource Dependence Theory deals with the way the external resources of an organization affect organizational behaviour. This theory states that the procurement of external resources has a vital role in the tactical, and strategic management of an organization. In addition, this theory points out that an organization depends on various resources that ultimately originate from an organization's environment. This environment to a considerable extent includes other organisations as well. Further, the study states that resources are the basis of power. And this power and resource dependence is linked directly (Resource dependence theory, 2023)

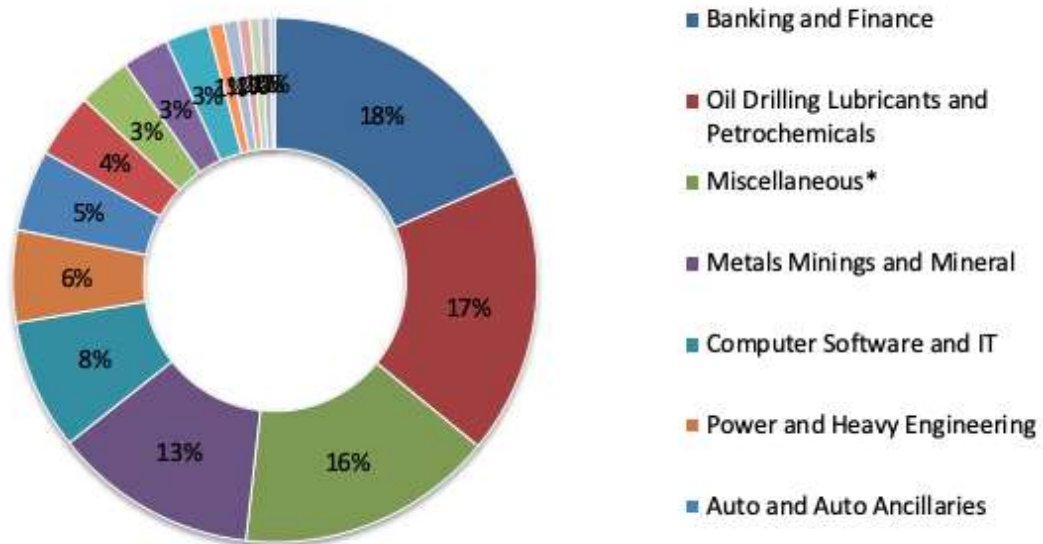
Corporate Citizenship Theory

The term corporate citizenship refers to an organization's social duties that result in the betterment of society, which in other words is known as giving back to society. To build corporate citizenship an organization has to go through different phases such as elementary, engagement, innovation, integration, and transformation. Organizations that fulfill their corporate citizenship will have an increase in their productivity, better satisfaction, and morale in the workplace (Corporate Citizenship, 2023) Corporate Citizenship Theory says that organizations have a responsibility toward their various stakeholders. This includes the community, individuals, and the environment. Organizations must respect and consider the stakeholders while implementing a business action. The companies must also ensure that the business strategies and activities will abide by the rules and regulations and adhere to high ethical standards (Sitnikov, 2013)

DATA ANALYSIS AND INTERPRETATION

The main aim of this study is to understand the role of CSR in the Indian Banking Sector focusing on the HDFC Bank. The Data has been collected through secondary sources referring to the CSR Reports, websites, and papers. A pan-India analysis of the CSR activities and its impact by the HDFC Bank has been collected and analyzed for the study for a period of three years starting from the financial year 2019-20 to the financial year 2021-22. In addition, the study also analyses the CSR contribution of the banking and other primary sectors in India during the financial year 2021-22.

Sectoral Distribution of Estimated Prescribed CSR for the Year 2021-22



Source: (NGOBOX, 2021)

As per the Data published by the CSR Box in September 2021, the Banking and Finance sector contributes 18% of the total CSR funds in India. The other sectors include Oil Drilling Lubricants and Petrochemicals, Miscellaneous (Aquaculture, breweries, and distilleries, cigarettes, printing, stationery and packaging paints, and varnishes), Metals, Mining’s and Minerals, Computer Software, and IT. As of 2021-22, these are the five major sectors with the largest estimated CSR Funding. These sectors together contribute 72% of the total prescribed amount.

CSR Activities of HDFC Bank for the Financial Year 2021-22

Average Net Profit	CSR Prescribed Expenditure	CSR Spent	Local Area Spent
36692.9 Cr.	733.86 Cr.	722.99 Cr.	157.54 Cr.

CSR Activities of HDFC Bank for the Financial Year 2020-21

Average Net Profit	CSR Prescribed Expenditure	CSR Spent	Local Area Spent
31400 Cr.	627.86 Cr.	634.42 Cr.	634.91 Cr.

CSR Activities of HDFC Bank for the Financial Year 2019-20

Average Net Profit	CSR Prescribed Expenditure	CSR Spent	Local Area Spent
26700 Cr.	533.59 Cr.	535.31 Cr.	535.31 Cr.

Source: (National CSR Portal, 2023)

The HDFC Bank has spent an amount of Rs. 722.99 Crore on Corporate Social Responsibility in the financial year 2021-22. Rs. 634.42 Crore in the Financial year 2020-21, and Rs. 535.31 Crore in the financial year 2019-20 on CSR respectively. The highest CSR spent was on the FY 2021-22, and the lowest was on the FY 2019-20 when compared with the three financial years starting from 2019-20 to 2021-22.

CSR DETAILS OF HDFC BANK

FINANCIAL YEAR 2019-20

CSR Details of FY 2019-20							
S.No	CSR Project(s)	Development Sector(s)	State	District	Project Amount Outlay (INR Cr.)	Amount Spent (INR Cr.)	Mode of Implementation
1.	Rural Development	Education	Pan India	Nec/ Not Mentioned	70.28	70.28	NEC/ Not Mentioned
2.	Health Care	Environmental Sustainability	Pan India	Nec/ Not Mentioned	0.25	0.25	NEC/ Not Mentioned
3.	Skill Training And Livelihood Enhancement	Health Care	Pan India	Nec/ Not Mentioned	0.12	0.12	NEC/ Not Mentioned
4.	Environmental Sustainability	Livelihood Enhancement Projects	Pan India	Nec/ Not Mentioned	28.64	28.64	NEC/ Not Mentioned
5.	Eradicating Poverty	Poverty, Eradicating Hunger, Malnutrition	Pan India	Nec/ Not Mentioned	49.80	49.80	NEC/ Not Mentioned
6.	Promoting Education	Rural Development Projects	Pan India	Nec/ Not Mentioned	386.22	386.22	NEC/ Not Mentioned
Grand Total (INR Cr.)					535.31	535.31	

Source: (National CSR Portal, 2023)

In the Financial Year 2019-20, the HDFC Bank spent its CSR funds on CSR activities related to education, environmental sustainability, health care, livelihood enhancement projects, poverty, eradicating hunger, and malnutrition, and rural development projects. During the particular year,

the bank has spent an amount of Rs. 386.22 Crore on promoting education, Rs. 70.28 Crore on rural development, Rs. 49.80 Crore on eradicating poverty, and Rs. 28.64 Crore on environmental sustainability. In addition, the highest amount of CSR Fund was spent on promoting education, and the lowest (Rs. 0.12 Crore) on Skill Training and Livelihood Enhancement.

MAJOR CSR DETAILS OF HDFC BANK FOR THE FINANCIAL YEAR 2020-21

CSR Project	Human Resource Development Program (HRDP), Schools Rehabilitation, Smart Classroom, Livelihood, Student Skill Development Program, Swachha Banking, COVID Relief, Community Kitchen, Digital Education, Nursing Training, Special Education Centre, Infrastructure for water accessibility, Scholarship for the Girl Child, Skill Training Program for the Youth, Tree Plantation, Poverty Eradication, Financial Literacy, Support for Sports, Startup Support, Support to Cancer Patients, Fellowship Program, Solar Lamps, Disaster
Development Sectors	Rural Development Projects, Education, Vocational Skills, Health Care, Special Education, Environmental Sustainability, Gender Equality, Poverty, Eradicating Hunger, and Malnutrition, Training to Promote Sports
State	Andhra Pradesh, Assam, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Meghalaya, Odisha, Punjab, Rajasthan, Sikkim, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal

MAJOR CSR DETAILS OF HDFC BANK FOR THE FINANCIAL YEAR 2021-22

CSR Project	COVID relief Program, Health Care and hygiene, Holistic Rural Development Program, Skill Development, Environmental Sustainability, Smart Class Project, Training On Phlebotomy, Water Supply Management, Solar Street Light, Carbon Footprint Mitigation, Promoting Education, Distribution Of E Rickshaws, Tree Plantation Program, Felicitating Martyrs And Disabled Soldiers, Scholarship Support Program, Solar Panel Installation, Water Management Program, Payroll Giving Program, Dairy Support Program, Financial Literacy Program, Flood Relief Program, Incubator Program, Support To Person With Disability, Promotion Of Clean Water, Sanitation, Digitisation Of Govt Schools, Support To Cancer Patients, Skill Training for Youth, Community Toilet, Infrastructure for Sports
Development Sectors	Health Care, Rural Development Projects, Vocational Skills, Environmental Sustainability, Education, Livelihood Enhancement Projects, Training to promote sports, Prime Minister's National Relief Fund, Poverty, Eradicating

	Hunger, and Malnutrition, Other Central Government Funds, Armed Forces, Veterans, War Widows/ Dependants
State	Andhra Pradesh, Assam, Bihar, Chandigarh, Chhattisgarh, Delhi, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Leh & Ladakh, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Sikkim, Tamil Nadu, Telangana, Uttar Pradesh, Uttarakhand, West Bengal

CSR IMPACT OF HDFC BANK

Rural Development

Household's Covered	988000+
Villages Impacted	3335+
Water Conservation Structures Developed	10500+
Kitchen Gardens Developed	48490+
Solar Lights Installed	41810+
Biomass Stoves Developed	11670+
Trees Planted	1769000+

Skill Development and Livelihood Enhancement

Individuals Trained	808000+
SHGs Revived Formed/Trained	8470+
Individuals Trained	254000+

Promotion of Education

Libraries Set Up	710+
Schools Impacted	280000+
Teachers Trained	1994000+
Students Reached	20900000+

Healthcare and Hygiene

Household Toilets Build	23800+
Sanitation Drives Conducted	1810+
Health Camps Organised	6330+
Public Benefited Through Health Camps	118000+
Units of Blood Donated	1858000+

Financial Literacy and Inclusion

Individuals Reached	17100000+
Financial Literacy Camps Conducted	1969000+

Source: (HDFC Bank , 2023)

The major CSR Activities of HDFC Bank belong to the categories of rural development, Skill Development, Livelihood Enhancement, Promotion of Education, Healthcare, and Hygiene, and Financial Literacy and Inclusion. The bank has planted 1769000+ trees under the rural development projects, 808000+ individuals were trained under the skill development and livelihood enhancement projects, 20900000+ students benefited from their CSR activities that promote education, 1858000+ units of blood were donated as part of the healthcare and hygiene, and 17100000+ individuals have been benefited from the financial literacy and inclusion projects.

CONCLUSION

This paper mainly aims to understand the role of Corporate Social Responsibility in the Indian Banking Sector focusing on the HDFC Bank. The banking sector is considered the lifeblood of the Indian economy and is one of the primary sectors consistently contributing to CSR over the years. They alone contribute 18% of the total CSR funds in India. The other major sectors include Oil Drilling Lubricants and Petrochemicals, Miscellaneous Metals, Mining's and Minerals, Computer Software, and IT.

HDFC Bank is one of the largest private sector banks in India by assets and the world's fourth largest by capitalization. The bank was established in the year 1994 and headquartered in Mumbai. The CSR Activities of the HDFC Bank are carried out under the scheme 'Parivartan' with which they aim to contribute towards the economic, social, and sustainable development of the country. The major CSR activities of HDFC Bank fall under five main categories. They are rural development, Skill Development and Livelihood Enhancement, Promotion of Education, Healthcare and Hygiene, and Financial Literacy and Inclusion. The HDFC Bank has spent an amount of Rs. 722.99 Cr. on the FY 2021-22, Rs. 634.42 Cr. on the FY 2020-21, and Rs. 535.31 Cr. on the FY 2019-20. The company spent a large portion of its CSR Funds on promoting education, HRDP, poverty eradication, healthcare, livelihood enhancement, and environmental sustainability activities.

By constantly contributing to CSR the HDFC Bank is not only giving back to the society in which it operates but it is also

helping them to build a better brand image, employee retention, and a successful future.

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