

CORPORATE SOCIAL RESPONSIBILITY AND BANKING SECTOR-AN IMPACT ANALYSIS

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ABSTRACT:

The study aimed to know about the Impact of the CSR's spent amount on the CSR's operating profit. The study considered for through the secondary data for the period of 2013-2020. The study focused on the trend analysis, association and to know the impact of the CSR's spent on the CSR's operating profit. The study have found that there is a short run association between the CSR Spent amount of SBI, HDFC, Bank of Baroda banks and CSR operating profit except in the ICICI, it is noted that there is a short run association in this bank. Comparatively, it shows that there is a short run association for the SBI, HDFC and Bank of Baroda bank and for ICICI bank there is a long run relationship between the CSR expenses and CSR Operating Profit. The study implies that there is an increase in the trend with respect to Bank of Baroda CSR spent amount and CSR Operating Profit and similar with the SBI and HDFC banks. It is found the least spent amount in the ICICI bank is CSR spent amount is 122.4484 and CSR operating profit is 6122.42.

INTRODUCTION

In recent years, the idea of Corporate Social Responsibility (CSR) has expanded exponentially across the globe and throughout all industries, including banking. This prominence stems from the fact that the rapid speed of globalisation and social growth requires all businesses, large and small, with a local focus, to consider CSR through enhancing social and environmental efficiency. Furthermore, in the midst of the global financial downturn and intense competition in the financial system, the banking industry, which is one of the most fragile, plays a critical role in facilitating the nation's economy and helping the nation to discharge CSR.

CSR varies from location to location, business to industry, and over time. Given the lack of agreement among academics and practitioners on the concept of CSR. It is clear that CSR will provide many benefits to the banking industry. The most critical is to improve the bank's credibility and financial results since a bank's reputation is a deciding factor in retaining existing customers and attracting new ones, which ultimately improves the bank's financial standing. Furthermore, if a bank

prioritises social obligations, the bank will increase earnings by improved risk control, staff satisfaction, and a better image. As a result, when banks want to increase their profits, they are now both mindful that the amount of profit they make is determined by their clients. They are, in reality, members of community. As a consequence, they are expected to become a social bank that fulfils their societal obligation.

Corporate Social Responsibility (CSR) in banks has grown in popularity across the world. Banks from all around the world now support educational, cultural, financial, and health efforts through acknowledging CSR. Furthermore, they carry out sponsorship campaigns for needy groups and voluntary non-profit organisations.

The term "social responsibility of industry" applies to what a company performs for the good of humanity that goes beyond and above what is required by law. The term "responsibility" emphasises that the company has spiritual responsibilities to society. CSR, also known as Sustainable Responsible Business (SRB) or Corporate Social Performance (CSP), is a type of corporate self-regulation that is incorporated into a business model.

Industrialization and commercialization of the service sector have explored vibrant paths of change for a country, but on the other hand, they have rooted the usage of non-renewable energy sources, global warming, green house gas missions, and increasing levels of pollution, both of which have negative consequences for the next decade. The increasing concern for sustainable growth, environmental performance, including emission control and natural resource management, has brought the principle of Corporate Social Responsibility widespread acceptance (CSR). The incorporation of CSR concepts into business operations is critical to ensuring an economy's long-term growth. Several foreign programmes, including the United Nations Environment Programme Finance Project, the Global Reporting Initiative, the Equator Principles, and the Declaration on Financial Institutions, are ongoing in the financial industry to ensure the incorporation of CSR activities into regular business operations.

CSR seeks to create a significant effect on the ecosystem as well as partners such as clients, workers, owners, neighbourhoods, among others. Carroll describes CSR as "society's fiscal, legal, ethical, and discretionary (philanthropic) demands of organisations."

According to CSR, ethics is critical to a company's long-term sustainability. Moral practises and social accountability principles in a company will foster a healthy relationship between the company and all of its stakeholders. CSR not only provides industry rules, but it it helps businesses succeed by

taking balanced, voluntary approaches to social and environmental issues that benefit society. India's current economic growth is dependent on a well-organized financial structure, which includes subsystems such as financial banks, financial markets, and financial instruments.

CSR activities have been around for a long time, but adoption and recognition in India have been sluggish. This credit goes to the Reserve Bank of India for concentrating CSR activities in the Indian banking sector by issuing a circular in 2007 directing banks to pursue CSR initiatives for sustainable growth. Banks contribute significantly to the country's GDP development by addressing the needs of the increasing middle class in semi-urban and rural areas. The Reserve Bank of India (RBI, 2011) emphasised and indicated the importance of CSR and paying attention to social and environmental issues in industry for long-term growth. In addition, the RBI proposed establishing Non-financial Reporting (NFR) for the work undertaken by banks for the betterment of the society and growth. Banks carry out programmes such as hunger and poverty eradication, child insurance, agricultural development, athlete support, self-employment training and financial literacy trainings, infrastructure advancement, schooling, and environmental protection, among others. It is also recognised that CSR is an important part of the company and is therefore taken into consideration in the financial accounting of the business, which extends beyond financial results.

These policies also influenced developing countries to act in a more socially conscious manner. However, there is a shortage of focused and successful responses to the current need in developed countries. In comparison, relatively few study has been conducted to examine CSR activities in developed and emerging countries. In reality, scholarly publications on this contentious subject are largely Western in nature. The majority of CSR research undertaken to date have been in industrialised countries such as Western Europe, the United States, and Australia, and we also know way too little regarding activities in smaller and developing countries. The current paper examines the measures taken by Indian commercial banks to reflect their activities in this arena in this sense. The second segment explores some of the more popular aspects of CSR activities around the globe. The following segment discusses CSR activities in the banking sector, with a focus on Indian banks. The final portion summarises the shortcomings of CSR activities in the Indian banking sector and makes recommendations to strengthen the existing situation.

A bank is a kind of social organisation. It is directly related to culture. Banks must meet the needs of all stakeholders who are citizens of community in order to work smoothly and successfully. Banks play critical roles in the economy. They serve as a catalytic force for a variety of societal resources.

CSR in the Indian banking sector is aimed at addressing financial inclusion, providing financial services to unbanked or underserved areas of the country, and the country's socioeconomic development by focusing on activities such as poverty eradication, health and medical care, rural area development, self-employment training and financial literacy training, infrastructure development, and e-commerce.

REVIEW OF LITERATURE:

Shahid Ullah (2013): The paper aims at assessing the nature and magnitude of CSR initiatives and practices by the banks in Bangladesh, and examining the linkage between CSR and some key performance indicators of banks. Out of forty seven scheduled banks in Bangladesh, forty six have involvement with CSR activities in 2010 and the involvement of banks in terms of CSR expenditure, community investment, financial inclusion, CSR governance, CSR reporting, and environmental safety has considerably increased during 2007-2010. The study finds no statistically significant relationship between CSR expenditure and total revenue, net income after tax, number of branches, and deposit growth. The findings of the study have been summarized using descriptive statistics. To examine the relationship between CSR expenditure and some other variables namely total revenues, net income after tax, number of branches, and deposit growth for the period of 2008-2010, the study has used Pearson's correlation coefficient.

Persefoni Polychronidou (2014): Companies voluntarily embody social and environmental actions via Corporate Social Responsibility (CSR). In this paper we indicate CSR policies in banking sector in Greece and we study the banks customers' perceptions regarding their banks' CSR policies. We present the ten biggest banks in Greece and we indicate the charitable programs and sponsoring that they offer in general during the last years in Greece. The present study empirically investigates the customers' perception regarding CSR policies of banks; we study if they have really understood the meaning of CSR. Specifically, it is estimated whether customers believe that banks really wish to help society and the environment or they just wish to improve their sales and increase their profits. Under this framework, the results of empirical research are presented and the relevant findings are discussed. Thus, the awakening of the CSR of all companies irrespective of their economic status and the continuous action for the benefit of society and the planet is necessary.

Khaled Hossain (2016): This study proposes that a more exhaustive and others conscious association of the regular individuals in the CSR exercises is required, which would not just satisfy the expected objectives and targets of the corporate associations additionally guarantee a fruitful and

sustainable advancement of the society. This study further recommends some conceivable areas that corporate bodies might consider to consolidate in their CSR errands and needs. This can guarantee the general advancement of the nation. Therefore, the Bangladesh Bank can screen the CSR appropriation and execution of banks furthermore give instructions to the banks and give some need zones to CSR rehearses.

Zainab Al Mubarak(2018): The purpose of this study is to investigate the impact of the corporate social responsibility (CSR) on the corporate image in the banking sector. The focus of the study is on four main components of CSR, which are economic, legal, ethical and philanthropic. The corporate image is strengthened when banks adopt such activities, and positive and significant relationships were statistically found between CSR activities and corporate image. These activities differ in importance as perceived by banks' customers. Enlarging sample size, involving more stakeholders such as employees and managers, and replicating the study in other countries would enrich the findings. Practical implications Banks are advised to consider the study factors in their activities and act as champions of CSR for the welfare of the society to strengthen their corporate image. This paper calls for more investigation in this area for a better understanding of CSR activities and their effects on the corporate image.

NEED OF THE STUDY:

Most of the studies are conducted on how CSR spending will effect on country's economic development. Few focused on the trends of the CSR and Banking financial performance growth. The study made an attempt to know the relationship between the CSR spending and Operating profit of select banks and try to identify the CSR spending of public and private banks on their Operating profit.

OBJECTIVES OF THE STUDY

1. To know the trend of CSR spending by the select banks.
2. To study the relationship of CSR spending with the Operating profit of select banks
3. To examine the CSR impact on the Operating profit of select banks

HYPOTHESIS OF THE STUDY

Hypothesis 1:

H0: There is no relationship of CSR spending with the Operating profit of select banks

H1: There is a relationship of CSR spending with the Operating profit of select banks **Hypothesis 2:**

H0: CSR has no impact on Operating profit of select banks

H1: FPI has no impact on Operating profit of select banks.

RESEARCH METHODOLOGY

The study considers CSR spending as per the company law 2013, according to this act mandatory 2 % of profit were collect through the Annual report of respective banks.

Data Collection: This study is based on secondary data. The data related to CSR have been collected from Annual report for the period of 2014-15 to 2020-2021.

Statistical tools:

ARDL (Auto regression Distribution Lag): The study has considered the ARDL to examine the long run or short run relationship between the variable.

Ordinary Least Square: The study applies the OLS to know the impact of independent variable on Dependent variable.

FINDINGS:

1. The study indicates that there is an increase in the trend with respect to Bank of Baroda CSR spent amount and CSR Operating Profit and similar with the SBI and HDFC banks. It is found the lowest spent amount in the ICICI bank is CSR spent amount is 122.4484 and CSR operating profit is 6122.42.
2. The study have found that there is a short run association between the CSR Spent amount of SBI, HDFC, Bank of Baroda banks and CSR operating profit except in the ICICI, it is noted that there is a short run association in this bank.
3. Here, the study have also indicates that in Akaike information Criteria, there is an optimal lag value as (4, 4) for SBI and for HDFC, Bank of Baroda and ICICI with (3, 4).
4. Comparatively, it shows that there is a short run association for the SBI, HDFC and Bank of Baroda bank and for ICICI bank there is a long run relationship between the CSR expenses and CSR Operating Profit.
5. The study have shown the positive impact of the CSR Spent amount on the CSR operating Profit with respect to HDFC, ICICI and BOB. Here the results signified that there is a negative impact

of the SBI operating profit as the bank has the negative profit as well CSR amount spent is less also.

CONCLUSION:

The study have implied there is an Impact of CSR in the Banking Sector with respect to two public and private banks they are SBI and Bank of Baroda in public bank and HDFC, ICICI from private banks. The study have found that SBI CSR's spent have the impact CSR's operating profit. There is a short run association among the CSR's spent amount of SBI, HDFC and Bank of Baroda's and CSR's Operating profit but long run relationship between the CSR's spent amount of ICICI bank and CSR's operating profit. The study also stated that there is an increase in the trend with respect to Bank of Baroda CSR spent amount and CSR Operating Profit and similar with the SBI and HDFC banks. It is found the lowest spent amount in the ICICI bank is CSR spent amount is 122.4484 and CSR operating profit is 6122.42. The study is concluded that there is main effect of the CSR's spent amount on the CSR's Operating profit.

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