



IMPACT OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES ON THE INDIAN BANKING INDUSTRY

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ABSTRACT

India is the first country in the world, which introduced mandatory CSR requirements. The CSR activities have gained further importance in the wake of new listing guidelines issued by the Securities and Exchange Board of India (SEBI) and on the introduction of Companies Act 2013. Commercial banks in India have taken up CSR activities seriously as the Reserve Bank of India has advised all the commercial banks operating in India to set aside at least one per cent of their profits for CSR activities. The concept of corporate social responsibility is not new in the banking sector, but nowadays, it becomes highly newsworthy. The present study is based on both primary and secondary data. The main objective of this research article is to make a study on the CSR activities carried out by Axis Bank. The study further analysed the awareness level and perception of employees on CSR initiatives by Axis Bank. The study concluded that there is little growth in CSR spending; it is disheartening to observe that Axis Bank is not taking serious efforts to spend the whole amount set apart for CSR activities each year. It is also observed that the bank focuses on various CSR activities which are decided by the CSR committee of the bank and the employees have no say in CSR activities.

Key Words:

Corporate Social Responsibility, CSR, CSR Activities Axis Bank, CSR Spending

1. Introduction

Corporate Social Responsibility (CSR) is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line- Approach) while at the same time addressing the expectations of shareholders and stakeholders.

CSR is defined “as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner”. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of law, ethical standards and national or international norms. It is a process which maximises the creation of shared value through collaboration with all stakeholders and ensures that the interests of enterprises and the interests of wider society are mutually supportive.

Corporate social responsibility (CSR) is also known by a number of other names. These include ‘Corporate Accountability’, ‘Responsible Business’, ‘Corporate Ethics’, ‘Corporate Citizenship’ or ‘Stewardship’, ‘Responsible Entrepreneurship’ and ‘Triple Bottom Line’. As CSR issues become increasingly integrated into modern business practices, there is a trend towards referring to it as “Responsible Competitiveness” or “Corporate Sustainability.” Corporate Social Responsibility also called is a form of corporate self-regulation integrated into a business model.

The Companies Act 2013 has formulated Section 135 and is landmark legislation that makes Indian companies answerable to the government about their CSR expenditure. India is one of the first countries in the world to make Corporate Social Responsibility (CSR) mandatory. Businesses are able to invest a portion of their profits in areas such as education, betterment of society, sanitization, and disaster relief as part of any CSR compliance. It is, for sure, a remarkable step towards growth, overall development and humanity. Be it a private sector company or a public sector company, Corporate Social Responsibility (CSR) has to be adhered to by all listed companies. If a company falls in either of the following criteria for compulsion, they need to form a CSR committee.

- That has a net worth of Rs. 500 crore or more, or
- That have an annual turnover of Rs. 1000 crore or more, or
- That generates a profit of Rs. 5 crore or more.

The qualifying companies are required to form a CSR committee. They are needed to spend at least 2% of its average net profit for the 3 previous consecutive financial years on CSR initiatives. Mandatorily, a CSR committee has to be formed by the qualifying companies.

2. Indian Banking Industry

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 44 foreign banks, 43 regional rural banks, 1,484 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions (September, 2022). The lion’s share of the Indian financial industry in India belongs to the banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.

3. Axis Bank-Origin and Development

Axis Bank is the third largest private sector bank in India. Axis Bank is one of the first new generation private sector banks to have begun operations in 1994. The Bank was promoted in 1993, jointly by Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India, National Insurance Company Ltd., The New India Assurance Company Ltd., The Oriental Insurance Company Ltd., and United India Insurance Company Ltd. With a balance sheet size of Rs. 11,75,178 crores as on 31st March 2022, Axis Bank has achieved consistent growth and with a 5-year CAGR (2016-17 to 2021-22) of 14% each in Total Assets & Advances and 15% in Deposits. The Bank has a large footprint of 4,758 domestic branches (including extension counters) with 10,990 ATMs & 5,972 cash recyclers spread across the country as of 31st March 2022.

Axis Bank Foundation (ABF) was established in 2006 with the objective of giving focus and structure to bank's corporate social responsibility and corporate citizenship agenda. The Foundation's mandate is to enhance economic development for the marginalised communities. These include communities heavily dependent on natural resources and hand skills for their livelihoods and youth who are unable to find employment, especially the disabled. Foundation works in partnership with NGOs to design and deliver its livelihood programs. The program is based on a framework that comprises:

- Needs of the communities
- Build and strengthen the capacity of the communities to work towards their development goals,
- Leverage Government programs,
- Linkages with Financial Institutions and Markets. The programs outcomes are also aligned to achieve some of the Sustainable Development Goals (SGDs) set by United Nations in 2015 – Goal 1 - No Poverty, Goal 2 - Zero Hunger, Goal – 4 Quality Education, Goal 5 -Gender Equality, Goal 10 -Reduced Inequalities and Goal 13 - Climate Action.

4. Statement of the Problem

Commercial banks in India have taken up CSR activities seriously as the Reserve Bank of India has advised all the commercial banks operating in India to set aside at least one per cent of their profits for CSR activities, but the fact to be borne in mind is that CSR activities depend more on the vision, mission and philosophies of the top management rather than the legal obligations. The literature review revealed that a good number of studies were conducted both in India and abroad relating to CSR practices in the banking sector

The present research work is undertaken to study the economic impact of CSR activities undertaken by the Axis Bank. Besides research on CSR and employee engagement is relatively emerging, but there are a few studies that establish that there is a positive relationship between CSR and employee engagement. In this situation the present paper attempts to analyse the role of employees in the implementation of CSR in Axis Bank. Initiation of a new study on the subject of CSR by banking industry, will naturally throw up additional information which will be useful in the overall performance of the bankers and academicians. Moreover, it can be used as a tool for comparison against other industries in the Indian corporate world.

5. Objectives of the Study

The main objectives of the study are:

- 1) To study the concept and development of corporate social responsibility.
- 2) To identify and analyse the important CSR initiatives by Axis Bank.
- 3) To study the relationship between CSR of the bank and employees opinion.
- 4) To identify whether the CSR activities of the bank are supporting the economic development of the society as a whole.

6. Research Methodology

Data have been collected from both secondary and primary sources.

Primary Data: Primary data has been collected from 30 sample employees of Axis Bank in Kollam District, Kerala at random by using a well-structured questionnaire specially designed for the purpose. There were some specific questions related to the awareness and perception of employees with respect to CSR spending by the bank. In order to take answers from the respondents, a five-point Likert scale has been used 1 to 5 with '1' as the 'Lowest' and '5' as the 'Highest' to measure the priority issues of spending for CSR activities.

Secondary Data: Secondary data has been collected from existing literature, annual reports of bank, published books, research articles, journals, newspapers, magazines and websites.

7. Scope and Period of the Study

The study covered the concept of CSR and an understanding of the activities and practices undertaken by Axis Bank Ltd. for the fulfilment of CSR. The study covers a period of 7 years starting from 2015-16 to 2021-22.

8. Review Of Literature

Patel, A. (2016), in the research article entitled "Corporate Social Responsibility: A Comparative Study of SBI and ICICI in India" attempted to study the CSR initiatives of leading commercial banks in India and compare CSR spending from the year 2009-10 to 2015-16. The study found that the percentage of profit after tax spent for CSR by State Bank of India is more compared to ICICI, but both the banks contribution was high in the financial year 2015-16. The estimated spending for CSR for 2016-17 is also more in SBI as compared to ICICI. A great deal of effort is required towards CSR practices and banks must accept their responsibilities in more legitimate ways.

Ritu Chaudhry and Rakesh Kumar Yadav, (2021) in their study entitled "Indian banking Sector: Overview of its CSR Practices and Challenges" opined that The Indian banking sector has shown interest in mixing sustainability into its operating models, but its CSR practices continue to go miles. Only a few Indian banks report their actions on triple bottom line principles. There is a lack of uniformity in ratings for CSR practices and financial ratings, creating an issue in comparing business houses and defining the CSR rating. Due to the government's mandatory pressure, some banks implement CSR activities on an ad-hoc basis, unrelated to their business models and operations. Most banks have not publicly disclosed their CSR investments.

Kunjukunju Benson (2022) in his study entitled “Corporate Social Responsibility and Economic Development- An Empirical Study on HDFC Bank” concluded that HDFC Bank is building customer loyalty, reputation, employee motivation and brand value by its CSR activities. HDFC Bank is the highest CSR spenders in banking sector in India in the year 2021-22. The study clearly shows that HDFC Bank plays a major role in the economic development of the country by CSR activities and is trying its best to benefit the society in every manner it can.

9. CSR Activities which Need Axis Banks’ Immediate Attention

Primary data have been collected from 30 bank employees of Axis Bank in the state of Kerala at random by using a well-structured questionnaire specially designed for the purpose. Bank employees are asked to rank the important CSR activities which need banks immediate attention in a scale of 1 to 5 with ‘1’ as the ‘Lowest’ and ‘5’ as the ‘Highest’. The mean score of the questions for all 30 respondents is found out, based on which the researcher calculated the mean percentage score of each for the purpose. This score is classified into one of the four groups as ‘Low’ priority if the mean percentage score is less than 40 per cent, ‘Average’ priority if the mean percentage score is between 40 to 49 per cent, ‘Medium’ priority if the mean percentage score lies in the interval 50 to 75 per cent and ‘High’ priority if the mean percentage score is above 75 per cent.

10. Important CSR Activities Identified by Axis Bank Employees

Corporate Social Responsibility (CSR) assumes significance as it permits companies to engage in projects or programs related to social welfare and improvement enlisted under the terms of Companies Act, 2013. There is an element of flexibility in company activities by allowing them to select their preferred CSR engagements that are in agreement with the overall CSR policy of the company. The important CSR activities identified by the employees of Axis Bank are listed below:

- a) **Swachh Bharat & Sanitation:** To accelerate the efforts to achieve universal sanitation coverage and to put the focus on sanitation, the Prime Minister of India had launched the Swachh Bharat Mission on 2nd October 2014. Under the mission, all villages, Gram Panchayats, Districts, States and Union Territories in India declared themselves "open-defecation free" (ODF) by 2 October 2019, the 150th birth anniversary of Mahatma Gandhi, by constructing over 100 million toilets in rural India. Various banks are spending amount for Swachh Bharat & Sanitation
- b) **Promoting Education:** In the recent time banking sector is one of the emerging sectors which contribute a lot in the development of the nation by providing their support towards the education. Education helps in lighting the darkness of the society. CSR activities under promotion for education aim to improve the quality of teaching and learning in schools, Colleges or Higher Education institutions. Banks are involved in improvement of infrastructure in the educational institutions, constructing buildings, toilet for boys and girls, provide teaching aids, funds for buying school bus, setting up of library, playground, drinking water facility, supplying play equipment’s, distributing books at free of cost, scholarships to the children in the rural areas and establishment of Digital Classrooms .

- c) **Environment Sustainability:** CSR activities include programs in verticals such as Water Stewardship, Afforestation, Renewable Energy, Ecological Balance, Animal Welfare, Agroforestry, Climate Adaptation, Waste Management etc.
- d) **Health Support Programs:** The major initiatives under this activity include organizing Blood Donation Camps, Eye Check-up, Cancer detection, Reproductive healthcare check-up, Basic health check-up (Blood Pressure, HB etc.), Diabetes check-up etc. Funds provided to hospitals and charitable organisations for acquiring Ambulances and Medical Vans, medical/surgical equipment's like Stress Test Machine, Dialysis Machine, Eye Equipment, X-Ray Machine, ICU facility and New Born care unit.
- e) **Livelihood Skill Development:** CSR programs are to help develop the capabilities of the individual so that they can earn a sustainable livelihood in life. Livelihood is an important factor for the growth of a nation that addresses key issues like employment scarcity, socio-economic disparity, and others. It deploys locally relevant solutions to promote agriculture, marine fisheries, and other farm and non-farm-based activities such as tailoring, knitting,.
- f) **Rural Development:** CSR initiatives of banks include community based approach to improve health and nutritional status and to reduce deaths of tribal and underserved communities. Infrastructure support and construction/repair of roads, construction and repairs and maintenance of various community assets, infrastructure support, water harvesting, household toilets and sanitation awareness etc.
- g) **Welfare of Women & Child:** Programmes include support migrant workers, women, children through food assistance and dry ration kits and training to rebuild broken supply chains and revitalize local economies. Campaign against child trafficking and child sexual abuse, programmes for access to social security & entitlements, job link support and livelihood opportunities, mobilizing rural women into Self-Help Groups (SHGs), and developing their capacities in the areas of leadership, skill development.
- h) **Eradication of Poverty:** The government's efforts to reduce illiteracy, poverty and environmental damage have received a shot in the arm with banking companies focusing their corporate social responsibility (CSR) spending on similar activities.
- i) **Financial Literacy:** Policy makers across the globe have been considering financial inclusion as an intrinsic part of mainstream philosophy on economic and social development. Whopping number of our farmers, labourers, urban slum dwellers and rural artisan communities are the financially excluded. Companies may provide technical know-how, infrastructural support and financial boost to such efforts of the government like creation of Aadhaar-linked bank accounts, bank-linked SHG microfinance, e-transfer of money, use of mobile wallets, etc.
- j) **Drinking Water Facilities:** One in 10 people lack access to safe drinking water and up to 700 million people are projected to be displaced by intense water insecurity as early as 2030. By 2030, India's water demand is projected to be twice the available supply. This not only implies severe water scarcity for millions of people, but also an eventual 6% loss in the country's GDP. To provide safe and pure water, RO plants are set up giving emphasis to water conservation, sewage treatment plants, rise in water

vigilance, and water storage facilities with which it is playing an important role in water-management and progress. Equitable access to clean water, safe sanitation and hygiene are essential to sustain life. It has increasingly been aiding and sustaining the effort for poverty reduction in the developing countries like India.

11. Analysis and Interpretation

Table 1 and Figure 1 revealed the viewpoint of employees concerning the focus areas of CSR activities which require attention of Axis Bank.

Table 1
CSR Activities which Need Priority

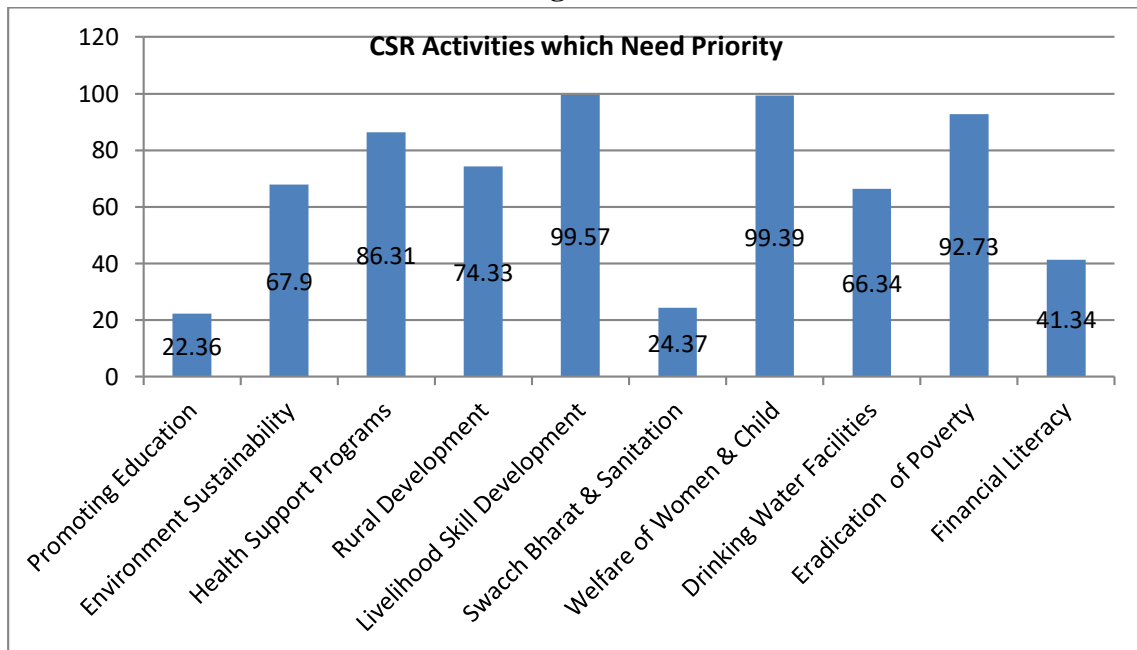
No.	CSR Activities	Mean	MPS*	Rating	Rank
1.	Promoting Education	1.39	22.36	Low	X
2.	Environment Sustainability	2.99	67.90	Medium	VI
3.	Health Support Programs	4.28	86.31	High	IV
4.	Rural Development	2.43	74.33	Medium	V
5.	Livelihood Skill Development	4.98	99.57	High	I
6.	Swachh Bharat & Sanitation	1.44	24.37	Low	IX
7.	Welfare of Women & Child	4.91	99.39	High	II
8.	Drinking Water Facilities	2.91	66.34	Medium	VII
9.	Eradication of Poverty	4.63	92.73	High	III
10.	Financial Literacy	2.06	41.34	Average	VIII

Source: Primary data
(MPS*) Mean Percentage Score

The result exhibited in Table 1 revealed that based on the mean percentage score 'Livelihood Skill Development Programme' occupies highest position among the various CSR activities. The mean percentage score (MPS) of 'Livelihood Skill Development Programme' is 99.57 and ranked first by the employees. Employees consider 'Welfare of Women & Child', 'Eradication of Poverty' and 'Health Support Programme' as the three other issues which requires top most importance with a mean percentage score of 99.39, 92.73 and 86.31 respectively. These issues ranked 2nd, 3rd and 4th position.

Whereas CSR Programmes viz. 'Rural Development', 'Environment Sustainability' and 'Drinking Water Facilities' ranked medium importance and occupies 5th, 6th and 7th position respectively. Whereas CSR programmes namely 'Financial Literacy' ranked average position and its mean percentage Score is 41.34. In the opinion of Axis Bank employees CSR programmes namely 'Swachh Bharat & Sanitation' and 'Promoting Education' ranked least importance. The mean percentage score of these activities is less than 40 per cent.

Figure 1



12. CSR Spending by Axis Bank Ltd.

Actual CSR Spending and the Prescribed CSR of Axis Bank Ltd. for the last 7 years are given in Table 2. From the table it is very clear that the bank has been constantly supporting the CSR initiatives. Axis Bank witnessed a significant cut in its Corporate Social Responsibility spent over the last three years as the average profit of the financial institution has declined. The banking major which spent more than Rs. 138 crore on CSR in 2018-19, had a CSR spent of just close to 91 crore for the financial year 2020-21. Last year (2021-22), the bank had spent Rs. 113 crore on its CSR activities which is higher than the previous years.

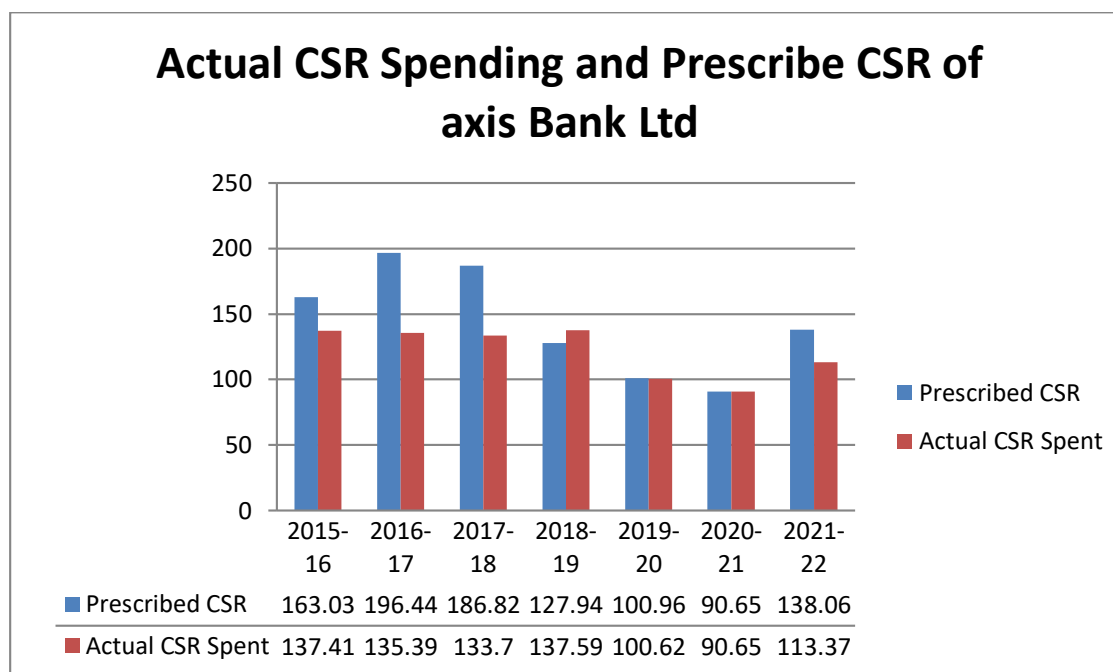
Table.2

Actual CSR Spending and Prescribe CSR of axis Bank Ltd. (Rs. in Crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Prescribed CSR	163.03	196.44	186.82	127.94	100.96	90.65	138.06
Actual CSR	137.41	135.39	133.70	137.59	100.62	90.65	113.37
AAGR	-	-1.47%	-1.25%	2.91%	-	-9.91%	25.06%
CAGR							-2.71%
% of Actual Spending on Prescribed CSR	74%	69%	72%	108%	100%	100%	82%

Source: Annual Report of Axis Bank-Variou Years

Figure.2



The table further reveals that the bank is not spending the actual amount earmarked for CSR activities during the years 2015-16 to 2017-18 and in the year 2021-22. The actual percentage of spending compared to the amount prescribed for CSR is lowest in the year 2016-17 which represent only 69% of the amount earmarked for that year. During the year 2021-22 bank expended only 82% of the funds earmarked for CSR activities.

The annual average growth Rate (AAGR) of CSR spending shows a declining trend except in the year 2021-22. The Compound Annual Average Growth Rate (CAAGR) for a period of seven years is -2.71 per cent. Actual CSR Spending and the Prescribed CSR of Axis Bank Ltd. are given Figure 2.

13. Core Areas of CSR Spending

Axis Bank Foundation (ABF) is the Corporate Social Responsibility (CSR) arm of Axis Bank Limited. The Corporate Social Responsibility (CSR) philosophy of Axis Bank Limited is to make meaningful and measurable contributions in the lives of socially, economically, financially and physically excluded disadvantaged and challenged communities of the country. Bank believes that it can play an active role in stimulating India's socio-economic development as well as its ecological balance. On various years Axis Bank Foundation focuses on six distinct areas of socio-economic empowerment viz.

1. Sustainable Livelihood Enhancement and Rural Development,
2. Promoting Education,
3. Promoting Vocational Skills Development
4. Ensuring Environmental Sustainability and Conservation of Natural Resources
5. Financial Literacy and Inclusion and
6. Promotion of Healthcare including Preventive Health Care, Hygiene, Sanitation and Disaster Management.

These programmes may be implemented either directly by the Bank or through Axis Bank Foundation (ABF) or other implementation partners.

Table.3**Core Areas of CSR Spending** (Rs. in Crore)

Programmes	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Lively hood & Rural Development	0	0	54.39	101.91	68.04	53.11	67.89
Skills Development	3.75	9.21	13.88	5.56	3.19	2.76	4.67
Environmental sustainability	28.35	18.49	9.69	24.52	3.07	0	1.04
Financial Literacy	30.03	23.30	15.78	1.84	20.13	22.84	30.00
Education	73.58	82.24	36.79	1.42	2.26	0	0
Others including Healthcare	1.70	2.15	3.24	2.34	3.93	11.94	9.77
Actual CSR	137.41	135.39	133.70	137.59	100.62	90.65	113.37

Compiled from Axis Bank Annual report – Various years

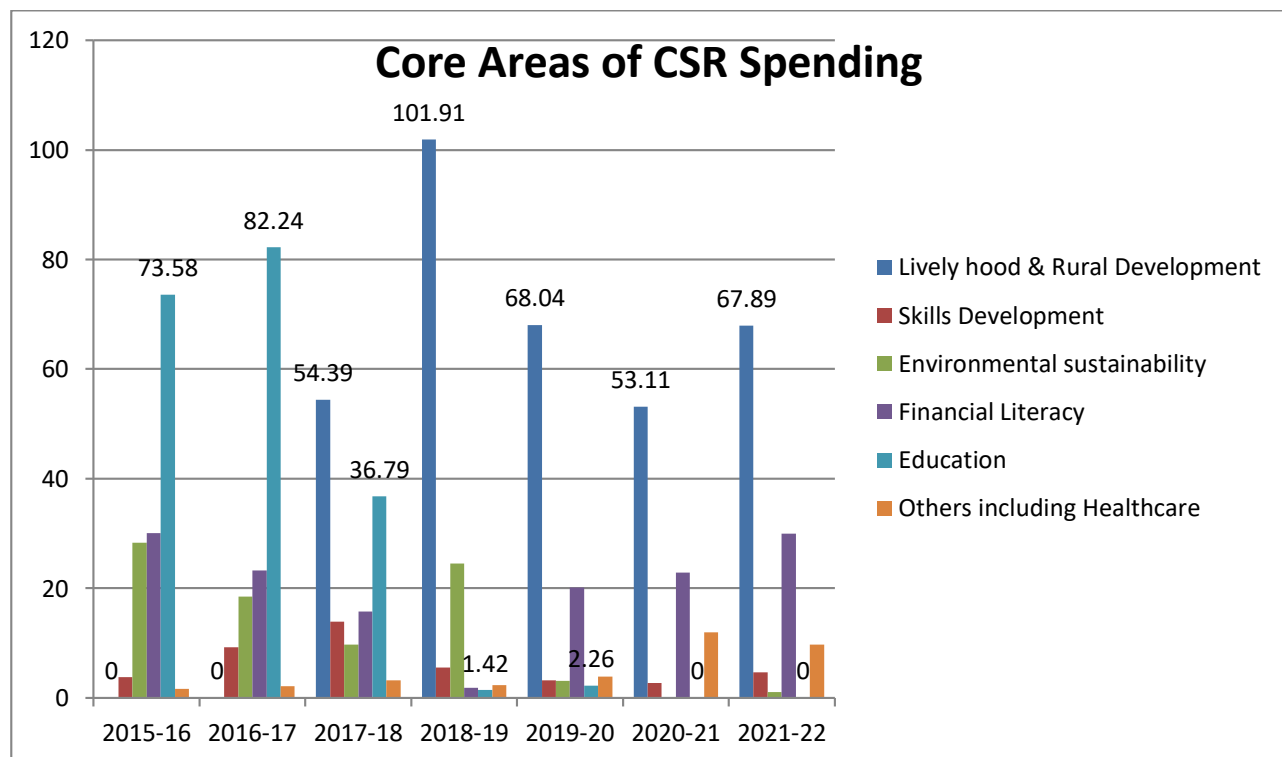
Table.3

Table 3 depicts that the core areas of CSR spending on different years vary according to the decisions of the CSR committee of the bank. The focus area of CSR by Axis Bank for the financial year 2021-22 was 'Lively hood & Rural Development'. 'Financial Literacy' and 'Healthcare' ranked second and third important programmes.

Bank also gives highest priority to 'Lively hood & Rural Development' in the years 2017-18 to 2021-22. However employees have given highest priority to issues like 'Livelihood Skill Development Programme' whereas the bank gives only least priority. CSR initiative 'Financial Literacy' is given important priority by the bank whereas the employees are giving only medium priority. It is clear that the

employees opinion of whether the project, as a part of their CSR initiative, was implemented by the bank ensuring their actual need or not. It is evident that Bank focuses on various CSR activities which are decided by CSR committee of the bank and the employees have no say on CSR activities.

14. Conclusion

In the viewpoint of employees the prime areas of CSR activities of bank must include 'Livelihood Skill Development Programme' which is ranked first followed by 'Welfare of Women & Child', 'Eradication of Poverty', 'Health Support. 'Financial Literacy' ranked average position. Swacch Bharat & Sanitation' and 'Promoting Education' ranked least importance programmes.

Axis Bank has witnessed a significant cut in its corporate social responsibility spent over the last three years as the average profit of the financial institution has declined. Axis bank is not spending the actual amount earmarked for CSR activities during the years 2015-16 to 2017-18 and in the year 2021-22. During the year 2021-22 bank expended only 82% of the funds earmarked for CSR activities. The annual average growth Rate (AAGR) of CSR spending shows a declining trend except in the year 2021-22. The Compound Annual Average Growth Rate (CAAGR) for a period of seven years is -2.71 per cent.

The core areas of CSR spending on different years vary according to the decisions of the CSR committee of the bank. The focus area of CSR by Axis Bank for the financial year 2021-22 was 'Lively hood & Rural Development'. 'Financial Literacy' and 'Healthcare' ranked second and third position. The study concluded that Bank focuses on various CSR activities which are decided by CSR committee of the bank and the employees have no say in CSR activities.

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