

CSR in Banking Sector- An Empirical Study on Yes Bank Limited

Dr. Benson Kunjukunju

Professor & Head, Post Graduate Department of Commerce, Mar Thoma College of Science and Technology, Chadayamangalam (P.O)-691534, Kerala Mob: 9496152627, 8075268936

**Corresponding Author: Dr. Benson Kunjukunju*

ABSTRACT: - The concept of Corporate Social Responsibility (CSR) is not a new concept in the banking industry, but in the current economic situation it has become the best solution for integrating moral principles in banking activity. The main purpose of this study is to analyze the corporate social responsibility activities carried out by Indian Corporates especially the banking industry. CSR spending of all corporates in India showed an annual average growth rate of 13.04 per cent whereas the CSR spending of Yes Bank Ltd. showed a growth rate of 31.3 per cent. Yes Bank Ltd. ranks top among the Indian commercial banks in respect of CSR spending. All other public and Private sector banks are still lagging in this area. The study is primarily based on the secondary data on the actual spending on CSR by Yes Bank Ltd. for the financial year 2014-15 to 2018-19. The analysis shows that though there is a growth in CSR spending of Yes Bank Ltd. (31 percent), it is disheartening to observe that Yes Bank is not taking serious efforts to spend the whole amount set apart for CSR activities in each year. It is also observed that some commercial banks which are not even meeting the regulatory requirements. The study concluded that there is a requirement for more emphasis on CSR by commercial banks in the coming years.

Keywords: Corporate Social Responsibility, CSR, CSR Spending, Banking

I. INTRODUCTION

The concept of corporate social responsibility (CSR) has evolved over the past decades from a marginal and often neglected area of interest into a comprehensive area of specialization, which has become increasingly relevant in decision making processes in an enterprise. According to United Nations Industrial Development Organization (UNIDO) Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

World Business Council for Sustainable Development defined CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Corporate social responsibility (CSR) is a subject matter of great interest in the corporate world”.

According to CSR a business needs to incorporate various social, legal and environmental concerns in its operations and culture and be ‘socially responsible’. Mahatma Gandhi the father of the nation said that “Wealth created by the society has to be ploughed back into the society”. Corporate social responsibility (CSR) is thus a self-regulating business model that helps a company be socially accountable to itself, its stakeholders and the public.

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 the first country to make the incorporation of Corporate Social Responsibility (CSR) activities mandatory for qualifying companies. It is, for sure, a remarkable step towards growth, overall development and humanity.

Schedule VII of the Companies Act 2013

The following are the types of CSR activities in India that the qualifying listed companies under the Companies Act 2013 can contribute to:

- (i) Eradicating Hunger, Poverty and Malnutrition
- (ii) Promoting Education
- (iii) Promoting Gender Equality.
- (iv) CSR initiatives related to the Environment

The new generation of corporations and entrepreneurs recognize the fact that social and environmental stability are two important prerequisites for the long-term sustainability of their markets. Corporate social responsibility is both a value and a strategy to ensure the sustainability of business. A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital market, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

Finance is undoubtedly "grease to the economy". The banking sector is gaining more importance in today's world. The economy of the country in one way is reflected by the performance of the banks. With the advanced change in the technology the banking sector has tapped all the unreached areas in last few years and also giving back the society with social welfare activities.

Commercial banks activities have direct impact on the people who forms the part of their clientele base. The concept of CSR is increasingly used in the banking industry, being perceived as a tool to develop a positive image and attract new customers. In the wake of the recent and still ongoing utterly devastating global financial crisis, both reputation and legitimacy of banks are highly under pressure. Reserve Bank of India (2007) stated that CSR entails the integration of social and environmental concerns by companies in their business operations and also in interactions with their stakeholders.

The CSR activities of Indian commercial banks have gained further importance in the wake of new listing guidelines issued by Securities and Exchange Board of India (SEBI) and on the introduction of Companies Act '2013. The Reserve Bank of India stressed and suggested the need for CSR and to pay attention towards social and environmental concerns in business for sustainable development. RBI also suggested starting the Non-financial Reporting (NFR) for the work done by the banks for betterment of the community and development.

The major thrust areas for CSR practice in Indian commercial banks are common both in public and private sector banks. These areas include child welfare, community welfare, education, healthcare, poverty eradication, rural development, vocational training, women's empowerment, protection of girl child, employment and financial literacy trainings, infrastructure development and environmental protection etc. RBI also insisted upon taking measures for sustainable development of economy through realizing the dire necessity of CSR.

II. REVIEW OF LITERATURE

Sharma, S & Agarwal, A. (2016) in their study "Comparative Study of Corporate Social Responsibility in Selected Public and Private Sector Banks" considered the CSR practices of selected public and private sector banks in India. The study concluded that selected banks are making efforts for the implementation of CSR; however they are not spending their 2% share of profits on Corporate Social Responsibility.

Patel, A. (2016)¹⁴, 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.

Sanjay Kanti Das (2012), in his study presented that development of Corporate Social Responsibility (CSR) is very slowly in India though it was started a long time ago. In his view CSR has been assuming greater importance in the corporate world, including the banking sector. There is a visible trend in the financial sector of promoting environment friendly and socially responsible lending and investment practices.

Statement of Problem

Corporate Social Responsibility is attaining importance day-by-day. It is also an emerging topic of discussions, deliberations, seminars and conferences among corporate world and academic community. It is considered as a new and improved management tool for long-term success and sustainability of business. The extent of social orientation among companies varies widely. Banking industry have now no choice but to implement CSR since the passing of the new Indian Companies Act' 2013 and to abide with the guidelines issued by the Reserve Bank of India (RBI) in this regard. Banks should try to maintain a good relationship with

the society in which it operates and in which it is a citizen. The present work aims to make a study of the pattern of spending by Yes Bank Ltd. with regard to CSR initiatives. The result of the study seems to be useful to the bankers, government, policy makers, academicians and researchers and to the society at large.

Objectives of the Study

Following are the important objectives of the study.

- 1) To study the concept of CSR
- 2) To identify and analyse the major areas of CSR initiatives by Yes Bank Ltd.

Scope and Period of the Study

The study covered the concept of CSR and an understanding of the activities and practices undertaken by Yes Bank Ltd. for the fulfillment of CSR. The study covers a period of 5 years starting from 2014-15 to 2018-19.

Research Methodology and Collection of Data

The study is based on secondary data, presented in tables and graphs. Data is collected from secondary sources i.e; reports and web sites, text books, research articles in journals and news papers.

CSR Spending by Indian Corporates -An Overview

India is the first country in the world to make Corporate Social Responsibility (CSR) mandatory, following an amendment to the Companies Act 2013 in April 2014. It got all companies with a net worth of ₹ 500 crore, or revenues exceeding ₹ 1,000 crore, or net profit over ₹ 5 crore, to spend 2 per cent of their average profit over the last three years on CSR programmes. The Act requires that these companies have a Board-level CSR Committee that formulates and monitors a CSR policy and recommends CSR spending. The Board must also approve and publicly disclose the CSR policy as well as report what the company has spent on CSR in a prescribed format in the annual report. If they fall short, they have to declare why they were unable to spend that amount. Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger as part of any CSR compliance.

Tata Chemicals Ltd. was ranked the number one company third year in a row for Sustainability & CSR practice in Responsible Business Ranking, a study conducted by Futurescape (2019). It is on the top of all Indian corporates for CSR activities for the financial year 2018-19. Second position occupied by Infosys Ltd., Bharat Petroleum Corporation Ltd. ranked third, followed by Mahindra & Mahindra Ltd. and ITC Ltd. Tata group companies occupies prime position among Indian corporates. Tata Motors Ltd. ranked 6th in the row and Tata Power Ltd. ranked 13th position.

Based on the study by Futurescape (2019), the leading 100 companies that were selected for CSR spending for the financial year 2018-19 consisted of a mixture of 25 Public Sector Enterprises (PSE) and 75 Non-Public Sector Enterprises (Non PSE). The total expenditure of these 100 companies was ₹ 9,463 crores in the FY 2018-19. The CSR spending of leading 100 companies represent around 80 per cent of the total CSR spend in India.

An analysis by KPMG, titled 'India CSR Reporting Survey 2019', shows that CSR spending from India rising year-on-year. Even though this amount has increased from ₹ 5,115 crore in 2014-15, it is too small for the size of corporate India. At least 76 per cent of companies compared to 38 per cent in 2014-15 reported that they spend at least 2 per cent of profits on CSR. Out of these 100 companies, it was found that 28% of companies had a budget of over ₹ 100 crore, 22% had over ₹ 40-100 crore. and 50% were between ₹ 15-40 crore.

Energy (oil, electricity and gas) Financial Services and IT companies, amounted for more than half (53%) of the total CSR expenditure (₹ 5,017 Cr.) of the 100 leading companies. Metals and mines, consumer goods and automobiles companies are the next big contributors in CSR expenditure. The expenditure of PSE companies was accounted at 35% (₹ 3,323 Cr.) and Non-PSE companies stood at 65% (₹ 6,140 Cr.) of the surveyed companies in FY 2018-19. Around 26% leading companies are still not spending the prescribed amount despite the CSR law being in place for five years.

According to Futurescape Responsible Business Ranking (2019), out of the top 100 Indian corporates in CSR spending, Private sector banks are on the top followed by state owned banks. YES Bank Ltd. ranked top on the banking sector on CSR spending (33rd position). IndusInd Bank Ltd. ranked 41, Axis Bank Ltd. 47 and HDFC Bank Ltd. 48. Among public sector banks Union Bank of India ranks on the top 69 and IDFC Bank 93. Whereas the state owned State Bank of India (SBI) which ranked 236 in the Fortune Global 500 list of world's biggest corporations of 2019 and 45 in the world banking ranked only 94th position in India in CSR spending followed by Canara Bank 100. It is clear from the study that public sector banks are lagging in CSR spending.

Indian Commercial Banks

The general role of commercial banks is to provide financial services to general public and business, ensuring economic and social stability and sustainable growth of the economy. Banks have always played an important position in the country's economy. They play a decisive role in the development of the industry and trade. They are acting not only as the custodian of the wealth of the country but also as resources of the country, which are necessary for the economic development of a nation.

The Indian banking system consists of 20 public sector banks, 22 private sector banks, 44 foreign banks, 44 regional rural banks, 1,542 urban cooperative banks and 94,384 rural cooperative banks in addition to cooperative credit institutions. As on January 31, 2020, the total number of ATMs in India increased to 2,10,263 and is further expected to increase to 4,07,000 by 2021.

About Yes Bank Limited

Yes Bank Ltd. is India's fourth largest private sector bank headquartered in Mumbai. It has a pan-India presence across all 28 states and 9 Union Territories in India and a Representative Office in Abu Dhabi. Yes Bank has grown into a 'Full Service Commercial Bank' providing a complete range of products, services and technology driven digital offerings, catering to corporate, MSME & retail customers. On 5th March 2020 in an attempt to avoid the collapse of the bank, which had an excessive amount of bad loans, the RBI took control of it. As per the RBI's reconstitution decision Yes Bank is now owned by State Bank of India who has a 30% stake in the company as of 28th July 2020.

Yes Bank in association with CARE India and Humanitarian relief and development NGO has launched India's first Social Deposit Account (SDA). SDA is regular Fixed Deposit accounts where customers have the option of donating their interest income to a social cause through CARE India. Yes Bank received the Best Corporate Social Responsibility Practice award at the 6th social and corporate Governance Awards 2010 held in Mumbai. It also won Best CSR Practice Award in March 2011.

Yes Bank leads the sector in its effort to mainstream Responsible Banking and Sustainability. It is the only commercial Bank to rank amongst the top 30 Responsible Businesses listed in 'India's Top Companies for Sustainability and CSR 2018 (a study by IIM-Udaipur & Futurescape Netcoms). The Bank was also the only Indian bank to be accorded 'Prime' status by OEKOM AG, a leading ESG ratings agency in Europe & was the only Indian Bank to be selected in Dow Jones Sustainability Indices (DJSI) in the emerging market index.

CSR - Yes Bank Limited- An Overview

Yes Foundation is the social development arm of Yes Bank Ltd founded in December 2012, and focuses on stimulating entrepreneurship and innovative use of media initiatives for social transformation to enable India. The foundation focused on Innovation, Engagement, Inclusion and Empowerment which are the key guiding principles of the foundation. Yes Bank Ltd. is implementing the CSR activities through its implementing partners which are given below:

- Swades Foundation
- Yes Foundation
- Deshpande Foundation
- Entrepreneurship Development Institute of India
- Ammada Trust
- Foundation for MSME Clusters (FMC)
- Rotaract
- Salaam Bombay Foundation
- Livinguard
- National Cancer Institute
- Manav Sadan Vikas Sanstha
- Rashtriya Sewa Bharti
- Villgro Innovations Foundation
- Ministry of Aayush - GOI
- Tata Power Club Enerji
- District Administration Ambala

Yes Bank Ltd. - Core Areas of CSR

Yes Foundation has identified several areas of intervention for the implementation of projects. These focus areas have been identified in line with and in alignment with the provisions of Schedule VII of Section 135 of the Companies Act, 2013. The key focus areas of Yes Bank Ltd. are;

- 1) Eradication, Hunger, Poverty and Malnutrition

- 2) Preventive Healthcare, Water and Sanitation
- 3) Education, Employability and Livelihoods Enhancement and
- 4) Environmental Sustainability

Actual CSR Spending

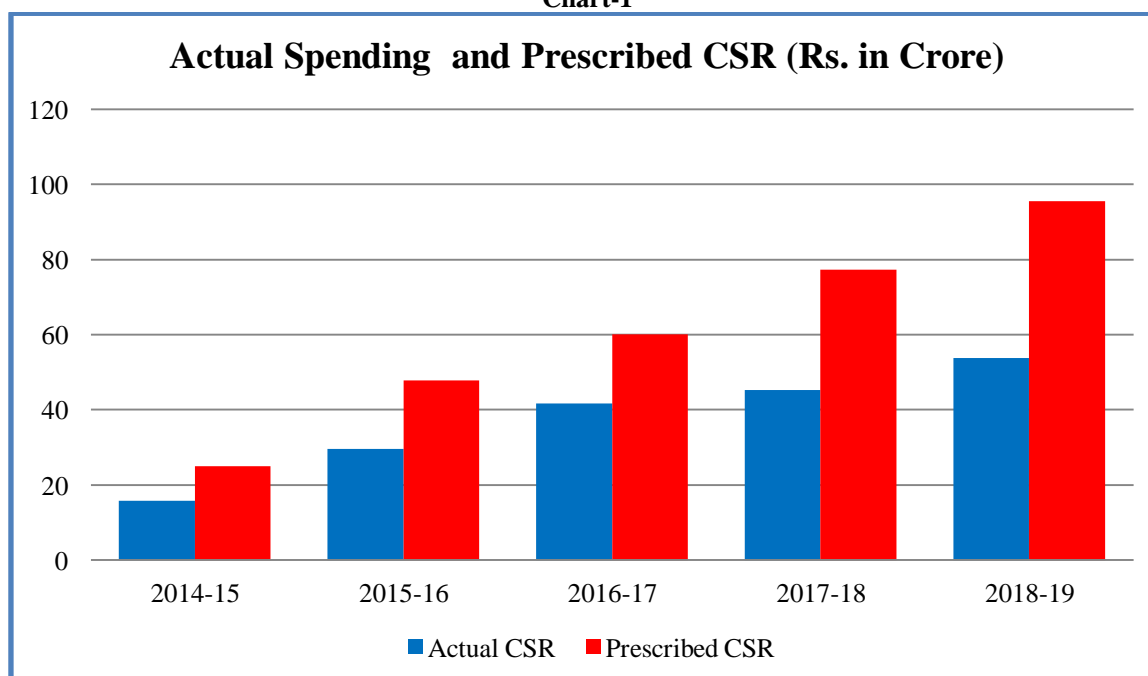
Actual CSR Spending and the Prescribed CSR of Yes Bank Ltd. for the last 5 years are given in Table 1. It is clear from the table that the bank is not spending the amount earmarked for CSR activities in each year. The actual percentage of spending compared to the amount prescribed for CSR is lowest in the year 2018-19 which represent only 56% of the amount earmarked for that year. The Annual Average Growth Rate (AAGR) for the period is 31.3 per cent. Actual CSR Spending and the Prescribed CSR of Yes Bank Ltd. are given Table 1 and Figure 1.

Table 1 Actual CSR Spending and Prescribe CSR of Yes Bank Ltd. (Rs. in Crore)

Year	Prescribed	Actual	% of Actual Spending on Prescribed CSR	AAGR (Actual Spending)
2014-2015	25.00	15.71	63	-
2015-2016	47.75	29.52	62	87.90
2016-2017	60.02	41.66	69	41.12
2017-2018	77.22	45.21	59	8.52
2018-2019	95.58	53.78	56	18.95
AAGR				31.3

Source: Annual Report

Chart-1



Company's Statement for Unspent in FY 2018-19

The reason for lower spend, is on account of factors like milestone based project level disbursement to implementation partners, delays in permissions from local authorities and implementation schedule in this fiscal, inability of implementation partners to scale-up projects and quality of proposals to undertake new projects.

Total CSR Spending by Indian Corporates Vs. Yes Bank Ltd.

The Companies Act made it necessary for firms to spend at least two per cent of their average net profit over the preceding three years on CSR projects. The spending for CSR could be under various heads ranging from education and healthcare, poverty eradication to sports or for ensuring gender equality.

The actual amount of CSR spending by all Corporates in India showed an increasing trend since its beginning in the year 2014-15. For the financial year 2018-19 CSR spend is 17.2 per cent higher than the ₹ 10,128.3 crore spent the previous year (2017-18). It was ₹ 6,552.5 crore in financial year 2014-15. With a

cumulative amount of approximately ₹ 47,000 crore being spent by corporates during the five years since the CSR laws came into force in India (FY 2014-15 to 2018-19), its corporate community deserves a round of applause for spending an average of ₹ 12,000 crore every year on diverse social projects across the country. To provide a context, the cumulative CSR spend is about 125% of the central government’s budget for 2019-20 on higher education. The average annual spend on CSR during these four years has been equivalent to the 2019-20 Budget outlay of ₹ 12,600 crore for Government of India’s flagship scheme, Swachh Bharat.

During the year 2018-19 the biggest spends 33 Per cent (₹ 4,406 crore) were for schedule VII (II) of the Companies Act which involves ‘promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.’ The next biggest spend (₹ 3,206.5 crore) was under Health care 20%, followed by Rural Development 10% and Poverty, Hunger and Malnutrition 9%. Within the sectoral spend, CSR funds worth ₹ 568 crore were channelled into three government schemes—Swachh Bharat Kosh, the PM’s National Relief Fund, and the Clean Ganga Fund. Apart from these, owing to the prevailing flood situation in various parts of the country, CSR contribution of Rs. 48 Cr. was made to alleviate the situation.

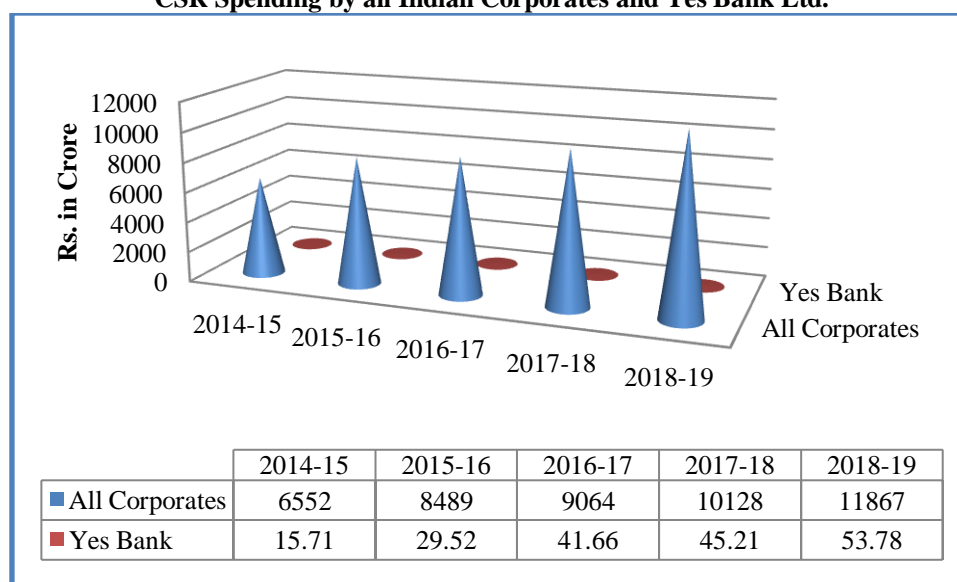
CSR spending by all Coporates in India showed an annual average growth rate of 13.04 per cent whereas the CSR spending of Yes Bank Ltd. showed a growth rate of 31.3 per cent. Table 2 and Figure 2 show the spending for CSR for the last five years by Indian Corporates and Yes Bank Ltd.

Table 2 CSR Spending by all Corporates in Indian and Yes Bank Ltd. (₹ in Crore)

Year	Total	AAGR of all Corporates in India	Yes Bank Ltd.	AAGR of Yes Bank
2014-2015	6552	-	15.71	-
2015-2016	8489	29.56	29.52	87.90
2016-2017	9064	6.77	41.66	41.12
2017-2018	10128	11.74	45.21	8.52
2018-2019	11867	17.17	53.78	18.95
AAGR		13.04		31.3

Source: Calculated

**Chart 2
CSR Spending by all Indian Corporates and Yes Bank Ltd.**



III. CONCLUSION

The study concluded that even though the CSR spending by corporates has increased manifold from 2014-15, it is too small for the size of corporates in India. The CSR spending of leading 100 companies represent around 80 per cent of the total CSR spend in India. It is also disheartening to observe that the companies which come under the definition of Corporate under the amendment have not spent even 2% of their net profits towards CSR. Around 26% leading companies are still not spending the prescribed amount despite the CSR law being in place for five years. The analysis further shows that Yes Bank Ltd. is taking serious

efforts in CSR areas and there is a growth in CSR spending by 31 percent for the last five years. But the reason for lower spend is not justifiable and hence the bank requires more emphasis to put on the initiatives. RBI should be more stringent in issuing guidelines pertaining to setting apart of funds for CSR initiatives by banks. Banks also work for their profit along with contributing towards the society because CSR is just not the charity but a practical implementation of ethical ideas towards to society. The study has a scope of further research where the CSR performance of banks can be related to financial performance of the banks.

REFERENCES:

- [1]. UNIDO – United Nations Industrial Development Organization (2007) www.unido.org. Retrieved 4th April 2017, from <http://www.unido.org/csr/o72054.html>.
- [2]. Companies Act, 2013. (2014) (2nd ed.), Lucknow.
- [3]. Patel, A. (2016), “Corporate Social Responsibility: A Comparative Study of SBI and ICICI in India”, *International Journal for Innovative Research in Multidisciplinary Field*, 2(10), 182-188.
- [4]. Sharma, S., & Agarwal, A. (2016), “Comparative study of Corporate Social Responsibility in Selected Public and Private Sector Banks”, *BRDV International Journal of Multidisciplinary Research*, 1 (3), 10-17.
- [5]. Sanjay Kanti Das, (2020), CSR Practices and CSR Reporting in Indian Financial Sector, *International Journal of Business and Management Tomorrow*, Vol. 2 No. 9.
- [6]. Business Standard Sunday, (2020), September
- [7]. Futurescape & IIM Udaipur (2019), “India's Top Companies for Sustainability and CSR – 2019”, Responsible Business Rankings.
- [8]. WBCSD - World Business Council for Sustainable Development (2000), old.wbcsd.org. Retrieved 4th April 2017, from <http://old.wbcsd.org/work-program/business-role/previous-work/corporate-social-responsibility.aspx>
- [9]. Annual Report of various banks and corporates.