

# Corporate Social Responsibility and Economic Development- An Empirical Study on HDFC Bank

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**Abstract - Corporate Social Responsibility is considered as a new and an improved management tool for long-term success and sustainability of a business. Nowadays CSR has been assuming greater importance in the corporate world including financial institutions especially the banking sector. Many Indian commercial banks have created their individual brand image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives for societal welfare and community development. HDFC Bank designed many programs for community development. The main objective of this research article is to make a study on the CSR spending pattern of HDFC Bank. The analysis clearly shows that HDFC Bank play a major role in the economic development of the country by CSR activities. HDFC bank is trying its best to benefit the society in every manner it can.**

**Index Terms - Corporate Social Responsibility, CSR, Economic Development, HDFC Bank.**

## 1.INTRODUCTION

Corporate Social Responsibility (CSR) is, essentially a new business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence. The new generation corporations and entrepreneurs recognize the fact that social and environmental stability are two important prerequisites for the long-term sustainability of their markets. For the new generation corporate leaders, optimization of profit is the key and is more important than its maximization. Hence there is a noticeable shift from accountability to shareholders to accountability to all stakeholders for the long-term success and sustainability of the business. Stakeholders include consumers, employees, affected communities and shareholders, all of whom have the right to know about the corporations and their business. Through CSR programs, philanthropy and volunteer efforts,

businesses can benefit society while boosting their brands. CSR thus helps both society and the brand image of companies. By practicing Corporate Social Responsibility also called ‘Corporate Citizenship’ companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

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. 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.

According to Frederick “CSR as a private contribution to society’s economic and human resources and a willingness on the part of business to see that those resources were utilized for broad social ends”. Frederick summarised the development of CSR in the 1950s into three core ideas: (1) corporate managers as public trustees through the shareholding system; (2) stakeholders’ balanced claims to corporate resources; and (3) the acceptance of business philanthropy.

## 2.CSR-LEGAL FRAMEWORK IN INDIA

The Ministry of Corporate Affairs (MCA) on conclusion of ‘India Corporate Week- 2009 has announced “Corporate Social Responsibility Voluntary Guidelines 2009” which advocates value based and ethical business practices, cordial labour relations, customer satisfaction and loyalty, generating benefits to the community and the environment, being the major stakeholder. In India, the concept of CSR is

governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013.

The CSR provisions within the Act is applicable to companies with an annual turnover of Rs.1,000 crore and more, or a net worth of Rs.500 crore and more, or a net profit of Rs.5 crore and more during any financial year. Any company belonging to the class mentioned shall set-up a CSR committee. This committee needs to comprise of three or more directors, out of which, at least one director should be an independent director. The composition of the committee shall be included in the board's report. The new rules will be applicable from the fiscal year 2014-15 onwards.

The Companies Act, 2013 mandates that these companies would be required to spend at least 2% of the average net-profits of the immediately preceding three years on CSR activities, and if not spent, explanation for the reasons thereof would need to be given in the director's report (Section 135 of the Companies Act, 2013). These rules will be applicable from F.Y.2014-15 onwards.

### 3.STATEMENT OF THE PROBLEM

Corporate Social Responsibility is attaining importance day-by-day. 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 across the globe relating to CSR practices in the banking sector. A very little systematic documentation of CSR initiatives is available so far in the Indian scenario of the banking industry, though a number of Indian Banks have adopted various initiatives to execute the concept of CSR. HDFC Bank is largest contributor of CSR in India in the banking sector in the financial year 2020-21.

The present research work is undertaken to study the economic impact of CSR activities undertaken by the HDFC Bank. The economic impact of social responsibility can be translated into direct and indirect

effects for the bank that practice it. Initiation of a new study on the subject of CSR will naturally throw up additional information which will be useful in the overall performance of the bankers and academicians. The present study is undertaken with this end in view.

### 4.LITERATURE REVIEW

Patel, A. (2016), in his 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.

Rajul Dutt and Himani Grewal (2018) in their study entitled "Corporate Social Responsibility (CSR) in Indian Banking Sector: An Empirical Study on State Bank of India Limited" revealed that SBI, is doing a great job to facilitate the weaker sections of the society by investing in education, healthcare and sanitation programs, sports activities and other fruitful actions. This study also revealed that the employees think that SBI is quite serious about the sustainable development of the society.

Benson Kunjukunju (2020) in his work entitled "Corporate Social Responsibility: A Case Study of State Bank of India" studied the CSR spending pattern of State Bank of India. The study shows that though the bank is making efforts in CSR areas more emphasis is to be put on the initiatives. The bank is not even meeting the regulatory requirements. The study concluded that RBI should be more stringent in issuing guidelines pertaining to setting apart of funds for CSR initiatives by banks.

Kunjukunju Benson (2020) in his study "CSR in Banking Sector- An Empirical Study on Yes Bank Limited" shows that though there is a growth in CSR spending of Yes Bank Ltd. (31 per cent), 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.

Nithin Venugopal and Benson Kunjukunju (2021) in their study “Influence of Corporate Social Responsibility on Organizational Performance- A Study on Indian Commercial Banks” analysed whether corporate social responsibility is having any impact on organizational performance of an organization. The study revealed that the correlation between CSR variables such as Economic, Philanthropic and Legal Responsibilities with Organizational Performance has a positive relationship but there is no relationship exists between Ethical Responsibility and Organizational Performance.

### 5.OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To collect the information about CSR activities done by HDFC Bank.
2. To study the awareness of CSR initiatives by employees of the bank.
3. To identify whether the CSR activities 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 40 sample employees of HDFC Bank 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 HDFC Bank for the fulfilment of CSR. The study covers a period of 5 years starting from 2016-17 to 2020-21.

### 8.ANALYSIS AND INTERPRETATION

#### 8.1 Possible Benefits of Corporate Social Responsibility

Primary data have been collected from 40 sample employees of HDFC Bank at random by using a well-structured questionnaire specially designed for the purpose. The bank officials are asked to rate the possible benefits of CSR 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 40 respondents is found out, based on which the researcher calculated the Mean Percentage Score (MPS) of each of the purpose. This score is classified into one of the four groups as ‘Low’ if the mean percentage score is less than 35 per cent, ‘Average’ if the mean percentage score is between 35 to 50 per cent, ‘Medium’ if the mean percentage score lies in the interval 50 to 75 per cent and ‘High’ if the mean percentage score is above 75 per cent. Table 1 reveals the employees’ outlook regarding the possible benefits of corporate social responsibility in the society.

Table 1-Possible Benefits of Corporate Social Responsibility

No	Benefits	Mean	MPS*	Rating	Rank
1	Satisfying stakeholders	4.64	92.83	High	III
2	Easier access to capital	1.41	24.33	Low	VIII
3	Reduced regulatory burden	2.90	60.00	Medium	VI
4	Finding and keeping talented staff	1.96	39.34	Average	VII
5	An advantage over competitors	4.47	89.33	High	V
6	Increased customer engagement	1.36	21.96	Low	IX
7	Increased brand awareness and recognition	4.98	99.67	High	I
8	Improved public image	4.96	99.50	High	II
9	Identify new business opportunities	4.48	89.34	High	IV

Source: Primary data

(MPS\*)Mean Percentage Score

The result exhibited in Table 1 and Figure 1 revealed that based on the mean percentage score it is clear that the employees opined that ‘Increased brand awareness and recognition’ and ‘Improved public image’ as most important benefit of CSR with a MPS of 99.67 and 99.50 respectively. ‘Satisfying stakeholders’, ‘Identify new business opportunities’, and ‘Advantage over competitors’ are the other important benefits of spending for CSR activities which ranked 3rd, 4th and 5th position. The mean percentage score is above 75 per cent. The statement ‘Reduced regulatory burden’ has an overall mean percentage score of 60 per cent (Medium) is ranked as 6. Further the table revealed that only average benefit to ‘Finding and keeping talented staff’ as the MPS is only 39.34. The ‘Easier access to capital’ and ‘Increased customer engagement’ are other benefits of CSR which ranked least significant as their mean percentage score is less than 35 per cent.

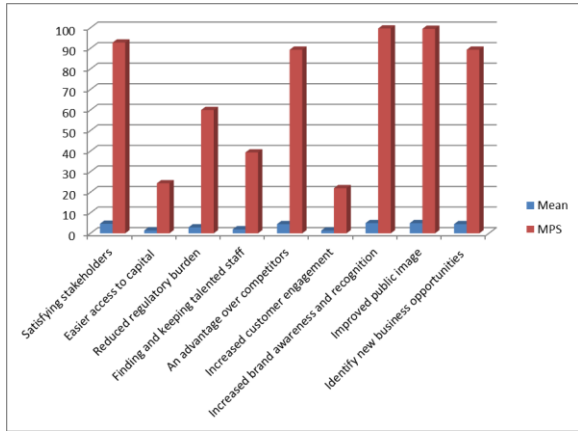


Figure-1 Possible Benefits of Corporate Social Responsibility

8.2 ACTUAL CSR SPENDING BY HDFC BANK

HDFC Bank is one of the largest contributors of CSR in the country. Keeping its spot in the 500 Crore CSR club, HDFC Bank, one of the highest CSR spenders in India expended Rs. 736 Crores towards their Corporate Social Responsibility initiatives in the year 2021-22. Two per cent of the net profit of the bank in each year is earmarked for CSR activities.

Actual CSR Spending of HDFC Bank for the last 6 years is given in Table 2 and Figure 2. In the financial year 2016-17 banks actual expenditure on CSR projects amounted to only Rs. 305 crore which grow

to Rs. 736 crore in the year 2021-22 which is 2.4 times higher than 2016-17. CSR spend by the bank showed a Compound Annual Growth Rate (CAGR) of 15.78 per cent over a period of six years.

Table.2 CSR Spending by HDFC Bank

CSR Spending (Rs. in Crore)						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
HDFC BANK	305.42	374	439.2	535	634.91	736
AAGR	-	22.45%	17.43%	21.81%	18.67%	15.92%
CAGR						15.78%

Annual Average Growth Rate (AAGR)

Compound Annual Average Growth Rate (CAGR)

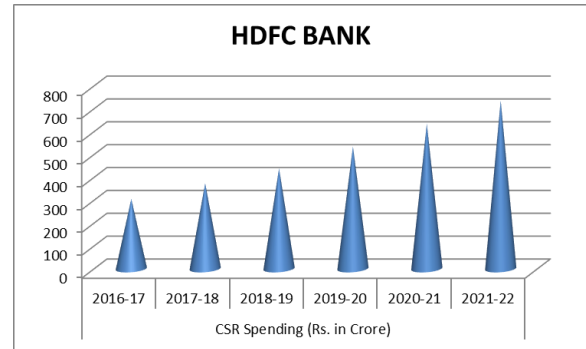


Figure.2 CSR Spending by HDFC Bank

8.3 CORE AREAS OF CSR SPENDING

According to the management of HDFC bank "CSR is not charity or mere donations but a way of going beyond business as usual, creating shared value and contributing to social and environmental good". HDFC Bank spent Rs 736 crore towards Parivartan, the umbrella program for all Corporate Social Responsibility (CSR) initiatives, in FY 2021-22. Parivartan, which denotes change, seeks to bring about a meaningful difference to the lives of people, making them part of the national mainstream. Parivartan focuses on five distinct areas of socioeconomic empowerment:

- Rural Development,
- Education,
- Skill Training and Livelihood Enhancement
- Healthcare and Hygiene and
- Financial Literacy and Inclusion.

Rural Development

- The Holistic Rural Development Programme (HRDP) was introduced by HDFC bank for the growth of the Indian rural economy. The bank focussed in the areas of soil, farm-based livelihoods and water conservation, on-ground

training for farmers, creation of Farmer Producer Organisations, education, sanitation and Natural Resource Management has reached 5.75 lakh households. By the end of March 2021 bank trained 1 lakh farmers in 1970 villages in 21 states, planted more than 16 lakh trees. Bank also deployed 32,000 solar lights and 11,290 biomass stoves to rural households.

- Under Education Programme bank supported 2.67 lakh schools in the country and also trained over 19.67 lakh teachers in association with NGO partners, benefitting over 2.07 crore students. By the end of the year 2020-21 Bank also created around 600 community libraries. Bank also created 650 digital class rooms' in-state run schools in various states.
- Under Skill Training and Sustainable Livelihood Initiative (SLI) bank providing training and capacity development to youth and women from sections of society that have no access to formal education. Up to March 2021, Bank trained in total 7.81 women entrepreneurs and revived/formed 7,880 SHGs in the country. The programme has touched 1.29 crore lives of households in 28 states across 544 districts
- The livelihood initiatives of the bank centre around Under the Healthcare and Hygiene programme (HDFC Bank's WASH Programme) Bank constructed over 23,500 household toilets, conducted 1,800 sanitation drives, Organized 1.18 lakh health check camps. Bank is a forerunner in conducting blood donation camps and donated 18.58 lakh units of blood. Apart from branch and college level camps, the Bank also tied up with corporate and defence establishments to organize camps on their premises, thus increasing the reach and spread of this social campaign.
- Under Financial Literacy Programme Bank engaged more than 1.42 crore beneficiaries via 18.84 lakh Financial Literacy Camps. Bank is committed to furthering financial inclusion under the Pradhan Mantri Jan Dhan Yojana (PMJDY).

## 9.CONCLUSION

The present research work gives a basic idea of the CSR activities followed by HDFC bank. From the opinion of bank employees 'Increased brand

awareness and recognition' and 'improved public image' are the most important benefit of CSR spending. 'Satisfying stakeholders', 'identify new business opportunities', and 'advantage over competitors' are the other important benefits of spending for CSR activities. It can be concluded that HDFC Bank is thus building customer loyalty, reputation, employee motivation and brand value by its CSR activities

HDFC Bank is one of the highest CSR spenders in India expended Rs. 736 Crores towards their Corporate Social Responsibility initiatives in the year 2021-22. CSR spend by the bank showed a Compound Annual Growth Rate (CAGR) of 15.78 per cent over a period of six years. From the above analysis it is clear that HDFC Bank play a major role in the economic development of the country. HDFC bank is trying its best to benefit the society in every manner it can.

Parivartan is the Bank's umbrella brand for all social efforts. It aims to drive positive change in people's lives by empowering them, to become self-sufficient and integrated with the society through direct or indirect interventions. The Bank's Holistic Rural Development Programme (HRDP) focuses on comprehensive development through activities under NRM, Education, Skill Development and Livelihood, Financial Literacy and Healthcare, Environment Protection and other sector as well. These activities are based on the belief that rural development is the key to India's growth.

From the above findings, it can be concluded that HDFC Bank is playing an outstanding role to bring out the relationship between the organization and the society. This study might be useful for understanding the position of HDFC Bank when CSR activities of other major commercial banks are concerned.

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