Corporate Social Responsibility Practices of HDFC Bank

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Abstract

The purpose of this research is to investigate the banking sector's CSR efforts in India. Businesses cannot function in a void. Due to the fact that it draws on public means, business must contribute to the common good. CSR is often regarded as one of the most difficult study fields nowadays. The traditional bank branch has been replaced by online and mobile banking services, marking a significant shift in the banking industry. Through different social activities for societal welfare and community development, several Indian commercial banks have established their own brand identities in the realm of corporate social responsibility (CSR).

Keywords: Corporate Social Responsibility, CSR, Economic Development, HDFC Bank, Sustainable development

1. INTRODUCTION

In business, "social responsibility" refers to voluntary actions taken by a firm that benefit society beyond minimum legal requirements. To be responsible is to recognize that a business has ethical obligations to its stakeholders. A strategy to corporate self-regulation, corporate social responsibility (CSR) is also known as sustainable responsible business (SRB) or corporate social performance. The use of nonrenewable energy sources, global warming, greenhouse gas mission, and rising levels of waste are all rooted in the bright paths to development that industrialization and commercialization of the service sector have opened up for a country, but they all have harmful effects on the generation to come. Sustainable development, environmental performance, pollution control, and the management of natural resources have all risen to prominence in recent years, and with this has come a greater appreciation for the significance of corporate social responsibility (CSR). It is essential for businesses to incorporate CSR principles into their day-to-day operations in order to ensure sustainable economic development. The banking industry is just one of several that is undergoing a slew of worldwide efforts designed to mainstream CSR standards into daily operations. Among them are the Equator Principles, the Global Reporting Initiative, the Coll Vecchio Declaration on Financial Institutions, and the United Nations Environment Programmed Finance Initiative.

As a result of these initiatives, industrialized countries have increased their commitment to social responsibility. However, emerging nations are lacking effective and well-targeted solutions to meet the current demand. Further, CSR practices in developing and emerging nations have been the subject of surprisingly little research. In truth, Western viewpoints are privileged in the academic literature on this controversial subject. According to Belal (2001), our knowledge of CSR in developing and emerging countries is still inadequate. Until far, most studies on CSR have been conducted in Western European, North American, and Oceanic contexts. This study attempts to analyses the actions made by Indian commercial banks in this context to demonstrate their participation in the sector. Later, we'll take a closer look at some of the more noteworthy aspects of CSR initiatives from throughout the world. After this, the study will examine the corporate social responsibility (CSR) efforts of several banks in India. The last section presents a high-level overview of the issues plaguing current CSR practices in the Indian banking sector, along with some suggestions for improving the situation.

While it is true that a company's main responsibility is to maximize profits for its shareholders or owners, it is also required to do so in a manner that satisfies the company's social commitment. In order to have a positive impact on society as a whole, several businesses have implemented CSR practices (Olivia, 2011). Corporate governance is a topic of discussion because of the impact that liberalization and deregulation have had on the economy. Corporate governance, as defined by the Organization for Economic Co-operation and Development (OECD), outlines the rules and processes for making decisions about the organization, including the roles of the board of directors, management, shareholders, and other stakeholders. Companies in India are now under close scrutiny, which has elevated the topic of corporate governance to the forefront of public discourse. The banking industry is under increased public scrutiny and has learned the hard way that missteps in governance and stakeholder relationships may result in negative press, making corporate governance a top priority in the financial services industry as a whole.

What a company performs for the public good beyond what is required by law is referred to as "social responsibility." The term "responsibility" implies that corporations have an obligation to act in a certain way for the public good. Corporate Social Responsibility (CSR) or Corporate Social Performance (CSP) is an approach to corporate self-regulation that is included into a company's overall business strategy. In addition to producing a profit, companies have a responsibility to ensure the safety of their employees and the communities in which they operate, as well as to make positive contributions to such communities. Companies now routinely include CSR initiatives into their overall strategies. It's the idea that a firm can do well for both society and its bottom line. Corporations must repay the public for the benefits they have received. India's Companies Act of 2013 is the world's first piece of law to require CSR. In Section 135 of the Companies Act 2013, the many facets of CSR are outlined. Companies with a net worth of Rs. 500 Cr or sales of Rs. 1000 Cr or net profit of Rs. 5 Cr are required to set aside at least 2% of their average net profit over the previous three Financial Years as CSR, under the Act. There is a common belief that banks are the economy's central nervous system. The progress of a country's economy may be tracked by looking at how well its central bank is doing. According to the Companies Act of 2013, corporate social responsibility (CSR) initiatives inside financial institutions are now required.

In this era of globalization, it is extremely difficult for businesses in the service industry to achieve previously unheard-of levels of client satisfaction. Many businesses have been upgrading their services in preparation for this difficult challenge. When it comes to staying ahead of the competition, service quality is one of the most important factors. As a result, service quality is the instrument of strategy that strengthens competitive advantages and boosts profits (Tam, 2004). This tactic is being used by an increasing number of service providers as a client retention tool. As a result, satisfied customers are a good indicator of service quality, and satisfied customers are a good indicator of customer loyalty. The same holds true for service providers: they can't improve their work for customers until they fully grasp how those customers rate and assess the services they get. At that point, businesses in the service industry may safely assume that their clientele are making use of the many services they provide. Empirical studies stress the connection between service quality and satisfied clients. Therefore, in a service industry like banking, the connection between customer pleasure and service quality is crucial. In the banking industry, superior customer service is a major selling point. In addition, technological development aids the banking industry in bettering the standard of their services (example: ATM, Online Banking, Mobile Banking, and Visa card). The idea is that customers will remain loyal to a brand for as long as they are offered items that outperform those of rival companies. Therefore, banks may make more money by outdoing their rivals in terms of service quality. All financial institutions, therefore, need to priorities providing excellent service if they want to attract and keep their clientele.

2. LITERATURE REVIEW

Purvi Derashri (2020) When considering the two biggest banks in India as of June 2020, considering their balance sheets, reach, and client base, it is clear that HDFC Bank, from the private sector, and SBI, from the public sector, are the clear frontrunners. HDFC Bank is one of the largest private banks in the nation, with more than five thousand locations. It is also one of the most profitable banks, having earned a net profit of 2,078 crores in fiscal year 2018–19 and having a Gross Nonperforming Asset Ratio (NPA) of less than two percent. The State Bank of India (SBI), India's oldest and largest public bank (with almost 200 years of history), is doing better than other public sector banks but worse than private sector banks in terms of profitability, nonperforming assets (NPAs), yearly growth, and key performance indicators. However, in the fiscal year 2018-2019, the bank had a net profit of 862.23 crores. This study examines how customers feel about HDFC Bank's online banking services and how those feelings compare to those they have toward more conventional banking channels. Readers of this article will have a better grasp of how customers feel about these cutting-edge offering’s banks. The E-Banking application has been built for a large regional bank.

Raj, Manisha. (2018) This study examines how customers feel about HDFC Bank's online banking services and how those feelings compare to those they have toward more conventional banking channels. This document is useful for gauging how customers feel about these cutting-edge banking amenities. The E-Banking application was created for a large, well-known regional bank in southern India. The bank has been fully digitized over the last four years in response to the more competitive and technologically advanced global marketplace and has begun preparing for a concept known as e-banking to attract more consumers and expand its core operating methods. With the use of Internet banking, the bank hopes to spread the idea of IT-based enabling services (ITES). The E-Banking services are performed exclusively for the consumer and would seamlessly connect with the current core banking system. Rather than requiring customers to physically visit a branch every time they need anything, the basic concept is to provide a suite of services to them online so that they may do even the most mundane banking transactions with greater ease and efficiency. Online banking is available only to savings bank customers. Clients, but not existing account members. The only online operations available to the consumer are requesting a new check book and transferring money between his own personal accounts, and this only during the viewing phase of the system.

Mr. Santosh Shah et.al (2019) When it comes to the growth of a country's currency and financial sector, the banking system plays a pivotal role. It is the heart of the financial system and plays a crucial role in relaying the central bank's monetary policy to the rest of the economy. Nonperforming assets (NPAs) have become a major barrier to Indian banks' profitability. Until 1992, banks were reluctant to disclose the terrible debts they had incurred and the provisions they had made due to concerns that doing so would have a negative effect on their business. It is widely agreed that the implementation of prudential regulations represents a watershed moment in the effort to reform the financial system, as they serve to fortify the Bank's monetary role and enhance transparency. Research on SBI Bank's "Non-Performing Assets" was previously conducted using an exploratory approach in order to attain the study's aims. The study's goal is to evaluate the Nonperforming Asset (NPA) stage, or the extent to which the financial institution has been effective in reducing the NPA level. Using secondary data analysis, this article seeks to compare SBI and HDFC Bank's non-performing assets and comment on both institutions' performances. This research not only suggests potential solutions to the growing problem of banks' nonperforming assets, but also pinpoints the root causes of this trend.

3. RESEARCH AND METHODOLOGY

Information has been gathered from both secondary and primary resources. Primary Data: A well-structured questionnaire developed for the purpose was used to gather primary data from 40 randomly selected HDFC Bank employees. Questions were designed to gauge workers' level of familiarity and opinion of the bank's CSR initiatives. We asked respondents to rate the importance of several factors related to allocating funds for corporate social responsibility on a Likert scale from 1 to 5, with 1 being the least important factor and 5 the most important. Existing literature, annual reports of bank, published books, research articles, journals, newspapers, magazines, and websites have all been mined for secondary data.

4. DATA ANALYSIS

Consequences that CSR May Have for Businesses This study's primary data comes from a random sample of 40 HDFC Bank workers, who filled out a thorough and well-crafted questionnaire. The bank employees are asked to rank the potential CSR advantages on a scale from 1 to 5, with 1 being the least beneficial and 5 the most beneficial. The researcher determined the Mean Percentage Score (MPS) for each objective by averaging the responses of all 40 participants to the survey questions. If the mean percentage score is below 35%, it is considered "Low," if the mean percentage score is between 35% and 50%, if the mean percentage score is between 50% and 75%, and if the mean percentage score is 75% or more, it is considered "High." How workers feel about the societal advantages of CSR is shown in Table 1.

Table 1. The potential advantages of CSR

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				V

	over competitors	4.47	89.33	High	
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

As shown in Table 1 and Figure 1, the workers ranked "increased brand knowledge and recognition" (MPS = 99.67) and "improved public image" (MPS = 99.50) as the two most significant benefits of CSR. Other significant advantages of investing in CSR initiatives include "satisfying stakeholders," "identifying new business prospects," and "advantage over rivals." The average score is more than 75%. As a whole, the statement "Reduced regulatory burden" averages 60% (Medium) and receives a ranking of 6. The data also showed that the MPS's single average benefit, 'Finding and maintaining talented people,' is just 39.34. Other advantages of CSR, such as "Easier access to money" and "Increased consumer involvement," scored lower than 35% on average because of their relative insignificance.

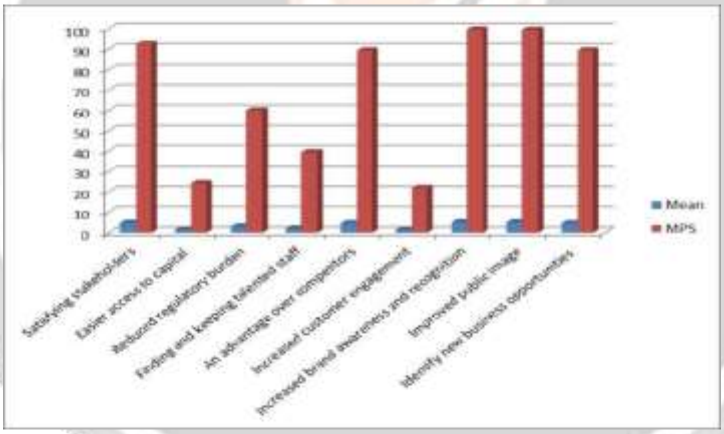

Figure-1 Corporate social responsibility may have positive outcomes,

5. HDFC BANK'S ACTUAL CSR SPENDING

Financial institution is a major supporter of community service programmed throughout the nation. As one of the largest CSR spenders in India, HDFC Bank continued to maintain its position in the 500 Crore CSR club by allocating Rs. 736 Crores to CSR projects in the fiscal year 2021-22. CSR programmed get 2% of the bank's annual net profit.

Table 2 and Figure 2 reflect HDFC Bank's actual CSR expenditures over the last six years. Actual spending on CSR initiatives by banks was only Rs. 305 crores in 2016–17, but is expected to reach Rs. 736 crores in 2021–22, an increase of 2.4 times over the previous year. The bank's spending on CSR increased at a CAGR of 15.78% during a six-year period. Charity and Social Responsibility Expenditures by HDFC Bank, Table.2

Table.2 CSR Expenditures of 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)

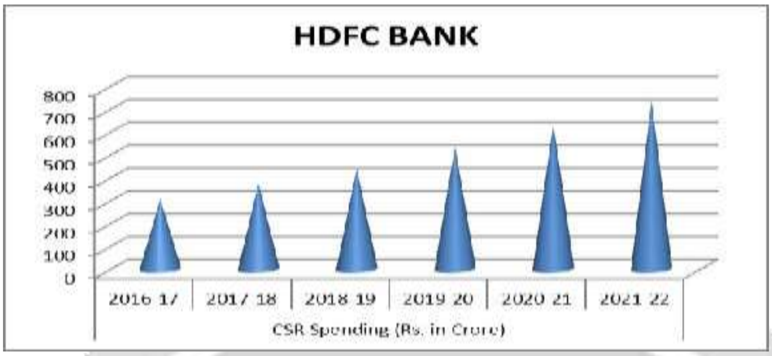

Figure 2 CSR Expenditures of HDFC Bank,

6. MAIN FOCUSES OF CSR BUDGETS

"CSR is not charity or simply gifts but a method of going beyond business as usual, generating shared value and contributing to social and environmental good," the management of HDFC Bank explains. In FY 2021-22, HDFC Bank allocated Rs 736 crore to Parivartan, its overarching Corporate Social Responsibility (CSR) programmed. Parivartan, which means "change," works to effect real transformation in people's life so that they may participate fully in the mainstream of society at the national level. Parivartan's mission is to help its clients in five key areas of economic and social empowerment:

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

HDFC bank has established the Holistic Rural Development Programmed (HRDP) to boost the rural sector of India's economy. Through its efforts in agriculture, natural resource management, and natural resource conservation, the bank has impacted the lives of 5.75 lakh families. One million farmers in 1970 communities across 21 states will have received training from the bank, and over 16 thousand tresses will have been planted. More than 32,000 solar lights and 11,290 biomass stoves were distributed by the bank to homes in rural areas.

To the tune of 2.07 crore kids, the Education Programmed bank funded 2.67 lakh schools throughout the nation and educated over 19.67 lakh instructors via NGO partners. About 600 public libraries will have been established by the conclusion of the 2020-21 fiscal year thanks to the Bank's efforts. Bank also built 650 online classrooms for use by state-funded schools around the country.

Youth and women from underserved communities who do not have access to formal education may get training and capacity building via the bank's Skill Training and Sustainable Livelihood Initiative (SLI). The Bank will have restored or founded 7,880 SHGs throughout the nation and educated 7,81 women entrepreneurs by the end of March 2021. As of 2013, 1.29 crore families in 28 states and 544 districts have some kind of interaction with the programmed.

To put it simply, the bank's livelihood programmed revolve HDFC Bank's WASH Programmed has built over 23,500 toilets for homes, organized 1,800 cleanliness campaigns, and held 1.18 million health screenings. The bank has been a frontrunner in organizing blood donation camps, contributing 18.58 lakh units of blood. The Bank collaborated with business and military entities to host camps on their premises in addition to organizing camps at the branch and university levels.

More than 1.42 billion people have been reached through Financial Literacy Camps, which were held as part of the Bank's Financial Literacy Programmed. The Bank is dedicated to expanding access to banking services for low-income individuals as part of the Pradhan Mantri Jan Dhan Yojana (PMJDY)

7. CONCLUSIONS

This research demonstrates that all Indian banks are more concerned with their Social Responsibility. Corporate social responsibility (CSR) is a rapidly expanding and more cutthroat industry. Companies that make contributions to CSR initiatives may see an uptick in both their national and worldwide reputations as a result. Based on the results of the survey, it is clear that Corporate Social Responsibility is a priority for all Indian banks today. Given that it contains an in-depth analysis of a top private bank This study was conducted primarily to ascertain what elements influence H.D.F.C. Bank customers' level of happiness and loyalty. The Holistic Rural Development Programmed (HRDP) is the Bank's all-encompassing approach to rural revitalization, including initiatives in natural resource management (NRM), education, skill development and livelihood, financial literacy and healthcare, environmental protection, and other sectors.

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