



# COMPARATIVE ANALYSIS OF CSR PRACTICES IN PUBLIC AND PRIVATE SECTOR BANKS

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*Abstract:* This article in a comparative and contrasting manner, covers the two prominent types of banks in India, viz. the public and the private banks, and the emphasis here is on the attitudes of the two types of banks towards the corporate social responsibility (CSR). Corporate social responsibility (CSR) forms a critical aspect of good corporate governance and the banking sector leads in this segment due to the implications that the sector holds in terms of societal development. As the public sector banks (PSBs) are owned by the government, their corporate social responsibility (CSR) activity has a greater chance of covering national development aspirations such as education, infrastructure in the rural areas, and financial inclusion. Conversely, the banks in the private sector are more strategic, and brand image, environmental sustainability, innovation with regards to digital literacy and improvement in health act as their core drive. This paper looks at the similarities and differences between the CSR approaches of the two sectors and brings out the major differences in the approaches used, the allocation of resources, and the means of assessing the benefits and analyzing its usefulness. These findings confirm that PvSBs can be more flexible, innovative, and even orient corporate social responsibility (CSR) towards the demands of business rather than being too closely attached to hierarchical and process-oriented paradigms such is the case with PSBs. To enforce greater CSR practice, the paper also addresses the challenges that both industries experience and proposes ways in which the two industries can collaborate and incorporate the sustainable development goals. A still further in-depth understanding of the phenomena of CSR in the sphere of the Indian banking industry can be attained with the assistance of the given comparative analysis.

**Index Terms** - Corporate Social Responsibility, Public Sector Banks, Private Sector Banks, India, Banking Sector, CSR Implementation, Sustainable Development, Financial Inclusion, CSR Impact, Strategic CSR.

## Introduction

As the number of corporations required to make a profit continues to rise, what may be considered to be even more important is ensuring that each of them makes a positive contribution to society through their corporate social responsibility (CSR) programs. With the Companies Act of 2013 stating that particular types of companies had to direct 2 percent of their average net earnings to CSR, corporate social responsibility (CSR) in India has become an organized and checked procedure. These organizations include banks, public and commercial. This is explained by the fact that they cause a paradigm shift in society through their massive coverage and economic power.

In the concept of corporate social responsibility, banks are special in this aspect since they have direct contact with the society due to the role they play in the society as financial intermediaries. Besides strengthening economic activities such as mobilization of loans and development of capital, they affect inclusive development, which is particularly valuable in underserved and rural areas. A stark difference can be witnessed in the case of the public sector banks (PSBs) versus the private sector banks (PvSBs) regarding corporate social responsibility (CSR) orientations, focus areas, ways of implementation processes, and the way of measuring their impacts. Privately-owned banks are more strategic in their corporate social responsibility (CSR) as opposed to publicly-owned PSBs. Such banks wish to enhance their reputation in the community as well as fulfill the social investment requirements of the stakeholders and attain their long-term objectives of their corporate sustainability model.

Banks in both the public and the private sector differed in their ownership structure, management philosophy and even their objectives in operations, and hence it is logical to draw a comparison between the CSR policies of these banks. It has been presumed that a government can better serve the needs of national growth and social and economic goals through a public sector bank that is under the government regulation. Consequently, the CSR projects touching on the poverty alleviation, educational, rural development, and financial inclusion will continue to receive a larger amount of funding. As the trend has been in most cases, the private banks have resorted to more innovative modes of social responsibility through the corporate social responsibility (CSR), collaborating with non-governmental organizations (NGOs) and utilization of technology to conquer some scaling issues across industries like health, environment, and internet literacy. Firms including banks must by law set up CSR committees, formulate policies and present annual spending statements once they reach a particular financial bar; the same is spelt out in the Act of Companies, 2013. Now that one is able to contrast the efficacy, efficiency, and creativity of CSR delivery at various bank models, such legal support has given a clearer, quantitative and qualitative launch point upon which CSR can be pursued. Even though activities of both the government and the bank are held under the equal legal framework, the outcomes of their attempts in the field of corporate social responsibility (CSR) are rather various. There is also a risk of bureaucracy and lack of managerial freedom in public sector banks as it may cause the narrow interpretation of CSR as compliance exercise rather than as part of strategy or management. With regards to the development of effective CSR programs, privately owned banks can be more agile due to the control of the shareholders and competition. The grassroots can however penetrate more easily in public sector because of its accessibility and government association. To determine how these two banking units discharge their social roles and service in the society, it is important to make a comparative analysis.

This paper aims to evaluate and discuss the social responsibility programs of the Indian banks in the public and private sector on the basis of the main areas of intervention, planning and implementation strategies, stakeholder engagements and orientation towards SDGs. The present paper will in this regard attempt to give guidelines to policymakers, bank executives, and social sector actors by examining CSR disclosure, published CSR initiatives, and real CSR initiatives to present a comprehensive picture of similarities and differences in CSR implementations in the public and non-public sector banks.

## Literature Review

Considering the growing interest in the society about the role of financial institutions in the welfare of the society, the body of the academic literature comprising of the Corporate Social Responsibility (CSR) and its extension to the banking sector is rich and juicy. Some of the aspects of corporate social responsibility (CSR) analyzed in banking are regulatory compliance, stakeholder management, and sustainability, among others. Although the banking business might be not directly linked with sustainability or environmental or social footprint, as a broker of all parties, the banking sphere can make great chances of influencing sustainable development, as revealed by researchers (Carroll, 1991; Scholtens, 2009). One of the most widely-used theories of CSR initiatives is the pyramid of CSR noted by Carroll (1991) who enumerated that these included financial, moral, legal, and charitable obligations. Scholars have adopted the model in studies relating to the interdependence of the different levels of the banks and whether or not compliance and charity regard CSR strategy more so. Mandal and Roy (2013) provide that in India, the bank companies in the public sector have been focusing on the CSR activities that promote welfare objectives directed by the states and the activities in support of rural areas and economic inclusion. Corporate social responsibility, on the other hand, is more strategic in the perspective of the private banking practice of business; it is regarded as investment in brand equity and customer loyalty. These differences have been present since the Companies Act of 2013, which morphed CSR into a legally-binding obligation and offered a universal gauging tool in determining CSR performance among industries. In the case of the corporate social responsibility (CSR), Sahoo and Tripathy (2007) opine that the creativity and effect-obsessiveness of the public sector banks are less likely to happen due to the imposed nature of the corporate social responsibility. Conversely, the private sector banks have been quite busy in such fields as health services, digital literacy and education and evident are its career-focused activities and strategy (Narwal, 2007).

According to Bihari and Pradhan (2011), it was discovered that unlike the public organizations that released CSR activities in generic forms, the privately owned banks wanted to report more of the details and more of what the stakeholder would wish to hear and see. This observation means that the CSR is more serious to privately owned banks. Likewise, Kumar et al. (2014) observes that the CEOs and C-suite officers at the private banks are expected to drive the corporate social responsibility (CSR) agenda that sustainability and marketing agendas also encompass. In addition, the differences in the ways of evaluation and check-up procedures are also significant in the research analyzing how effective the practice of CSR is. According to Mishra and Suar (2010), the usage of internal committees with little visibility is common to public sector banks, but third-party impact assessments are more likely to be performed in terms of the private sector banks. According to Singh and Agarwal (2018), commercial banks can enhance their own work and results of community engagement since their collaboration with external organizations and non-government organizations achieves better results.

The other aspect in the literature is stakeholder perspective. This can be attributed to better brand and more precise marketing but what Gupta and Sharma (2009) emphasize is that the consumers perceive the CSR in the private industry as more authentic and efficient. In the case of public sector banks, on the contrary, it is considered to regard CSR as a legal matter rather than the concept, which is at the core of their purpose. In the literature, corporate social responsibility (CSR) is also considered to be an addition to SDGs. The public sector banks in India generally commit to realize the objectives of items such as decent employment and economic growth (Goal 8), quality education (Goal 4), gender equality (Goal 5) and climate action (Goal 13) with the initiatives such as PMJDY and MUDRA being sponsored by the government. To the contrary, the corporate social responsibility (CSR) activities of Indian banks in the private sector are increasingly becoming tailored toward certain goals under the SDGs, as stated in a report published by the Confederation of Indian Industry (CII) in 2020. Lack of uniformity in effect measurement and inconsistency of CSR policy execution have been highlighted as the principal bottlenecks in these

industries, even though the majority of the publications recognize the good work being done by the two (KPMG India CSR Survey, 2021). There is a small number of empirical researches that focused on comparative research and produced a coherent picture of the performance of CSR of both public and private banks with universal measurements.

Thus, the extent to which this research aims at filling this gap needs to be identified through comparing CSR of the banks in the public and the private sector in respect to strategy, implementation, social impact, compliance, and facet. The literature suggests that the private banks tend to be more successful and strategic in general, whereas public banks are more approachable as regards to reaching people and cooperation with grassroots development.

## **OBJECTIVES OF THE STUDY**

To evaluate and compare the Corporate Social Responsibility of both public and, private sector banking in India in both borrowing strategy, adoption and societal impacts.

### **I. RESEARCH METHODOLOGY**

It will be a qualitative study of the corporate social responsibility (CSR) efforts of various selected banks in India. A comparison of the CSR programs, their areas of focus, execution systems and assessment of its effects form the basis of the study. We use secondary sources of information which includes annual CSR reports, banking publications, governmental regulatory measures, and the literature. Through the deliberate sampling method, we could list the top ranked public and private banks that participate in CSR and invest in it. In this manner, their CSR initiatives can be discussed in detail. The qualitative data is described in terms of theme-based considerations via CSR focus areas, national policies integration, funding, and stakeholder involvement employed in content analysis techniques. To further enhance the validity of results used in the paper, it also discusses case studies, regulatory reports including one provided by the Reserve Bank of India (RBI) and surveys that institutions like KPMG have conducted on CSR among other people. The research also entails the comparison of the levels of openness on CSR reporting in the two industries. With the above steps we could end up with an objective and varied opinion that throws some light to the nature and effectiveness of CSR activities in the banking sector in India.

### **II. RESULTS AND DISCUSSION**

Corporate Social Responsibility (CSR) has become an important actor in the responsible banking arena in India where the government has got the issue of Section 135 of the on the Companies Act, 2013 in place and requires the qualifying companies, including banks in both the public and the private sectors, to invest or commit two percent of their average annual net profit made in the previous three fiscal years in the social good. In this regard, the banking sector is unique because it is the most able to mobilize funds and stimulate inclusive growth and affect directly a number of areas in the society. It is necessary to state that when considering the CSR practices of PSBs and PvSBs, it may be said that the two groups differed significantly in terms of addressing the issue, amount of strategic-related attention, focus of the resources committed to implementation, implementing processes, and measuring its effects.

Public sector banks focus more on CSR activities that aid the underprivileged people, owing to their ownership of the government and conformity with the national development agenda among the later elements being the enhancement of rural infrastructure topography, basic healthcare services, sanitation,

and education. Their approach towards corporate social responsibility is rather compliance based compared to strategic, as it can be considered a social obligation in their case. When the PSBs implement corporate social responsibility (CSR) through its centralized structure, it tends to follow a model, which resonates with the national policies, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) or the Swachh Bharat Abhiyan. Although such alignment does facilitate access to a broad audience and the ability to craft CSR initiative along the policy lines of the government, it restricts the possibility of creativity and flexibility when performing the same. On the contrary, the models of CSR utilized by the banks in the private sector tend to be more strategic and multi-purposed. Along similar lines, they tend to ensure consistency with their stakeholder interests, environmental goals, brand positioning as many of their activities touch on these areas. There has been an increased interest by the Private banks coupled with non-governmental organisations (NGOs) and social enterprises (SEs) in the development of the strategies in global locations in relation to digital literacy, women empowerment, environmental conservation, and entrepreneurship. The corporate social responsibility (CSR) is being attributed to such business impacts like customer loyalty, employee involvement and investor confidence by the competitiveness in the banking sector.

One of the strong differences in PSBs and PvSBs is the arrangement of making their CSR operational. In part, this is attributed to bureaucracy and rigid procedures in executing project implementation at such institutions and therefore the top-down approach to the implementation of projects is perceived to be the norm in public banks. Decision making is not decentralised and leads to slow and generic application in the fields. This can be attributed to the fact that the allocated monies might not be consumed in full. In the case of the private banks, which are run as more flexible in terms of management and decentralised in authority, the possibility of local branches/ area-based CSR team are in a position to tailor the programs to the local community needs. Most of the privately owned financial institutions are also deploying MIS and digital technologies in the continuous real-time monitoring of the CSR project efficacy and progress.

Patterns of resource allocation and spending also show a great deal of difference. The CSR spending at public sector banks is usually motivated more by the need to conform to compliance culture rather than have any interest or intention in the highlights of return on investment (ROI) or brand building. They rarely report on the amounts of money they have spent or who has gained directly by given out the money but concentrate on general groupings such education and rural development. Nevertheless, the budgeting process of the private sector banks is different to the public sector; the former is more result-orientated and CSR spending is connected with measurable outcomes such as the Key Performance Indicators (KPIs). It is the impacts rather than output that can help much more to get to the true effects of CSR initiatives. To build the trust and transparency of the stakeholders, the private banks tend to report more on the impacts which are usually audited by external auditors.

The banking sector in the private sector has also made tremendous steps in the sphere of impact assessment. Most of the PSBs lack a formal monitoring and assessment of their CSR activities. Internal and procedural assessments are the standard and at most the outside experts assume a secondary role. This could also result in absence of openness on the shortcomings of the project and insistence on providing resources than the effects on the local people. Nevertheless, certain entrusted banks are likely to collaborate with research organizations or consultancy firms so that they can carry out their own independent analysis. There is also the use of Social Return on Investment (SROI) and impact indicators as well as surveys of beneficiaries on satisfaction with the UN Sustainable Development Goals (SDGs). Through this data-driven model, they will be able to transform strategies to be more efficient, expand the appropriate models, and set accountability.

*To give the basis to such comparisons the table below provides the comparison and contrast of the most significant attributes of CSR initiatives of public and private sector banks:*

Aspect	Public Sector Banks	Private Sector Banks
Ownership	Government-owned	Privately owned
CSR Focus Areas	Financial inclusion, sanitation, rural education	Environment, digital literacy, health, entrepreneurship
Implementation Approach	Centralized, bureaucratic	Decentralized, flexible, innovative
Budgeting Strategy	Compliance-based, fixed allocations	Strategic, goal-driven, often exceeding minimum limits
Impact Assessment	Internal reviews, limited transparency	Third-party assessments, KPI tracking, high transparency
Innovation and Partnerships	Low, often rely on in-house teams	High, collaboration with NGOs, startups, and tech firms

Though all the differences in structure and operations are reflected in the chart above, it is worth quite taking into account the problems that the activities of either sector faced as well. Among the issues that plagued the public sector banks is the lack of individuals who are trained to deal with corporate social responsibility (CSR) and the fact that the banks are not much good at adopting new technologies. Due to these limitations, they can not easily follow flexible forms of CSRs or initiate experimental social projects. There is also the issue of not being able to view how interventions will work out in the long term due to the nature of reporting structure. Coming to the other hand the criticism to the private sector banks is that they might want to work on initiatives that are more publicised or have more interest than on areas that appear to be horrible but require their concentration. Sustainability and credibility of such initiatives is also a matter of argument in the business arena as more businesses outsource to NGOs their CSR.

In any case, the two sectors offer special advantages irrespective of the drawbacks. No development program has ever been as easy to provide in underserved regions as it is with these banks due to their extensive rural reach capabilities and supreme grass roots credibility amongst the stakeholders. These groups would be the best vehicles to carry out policy informed social change due to their long standing relationship with government assistance programs. Rather, privately owned banks might improve their CSR by agility, creativity, and result orientation, and as a result, generate new solutions in the form of scale-based technological innovation. According to CSR professionals and policymakers, trust and outreach by the public banks combined with the innovation and efficiency approach by the private banks can have the most significant effects.

Two of the regulatory bodies that are significant in both industries are the Ministry of Corporate Affairs (MCA) and the Reserve Bank of India (RBI) that promote the use of best practices and convergence in both industries. The CSR reporting of the banking industry would be effectively boosted in terms of standardised CSR reporting rules, good CSR tax credit, and government-bankian partnership incentives. The success story can be disseminated and collective action can be attained through the facilities of cross-sector information exchange like CSR conclaves and bank association conferences.

## CONCLUSION

The differences in the structure and activities are reflected in the given chart above though it is relevant to accommodate the issues that have been faced by the either sector. Among the issues which the public sector banks face is the lack of adequate training on handling corporate social responsibility (CSR) and coming to terms with the latest technologies. Owing to these limitations, they cannot establish elastic CSR models or initiate experimental social activities without much trouble. Moreover, it is not always simple to trace how the interventions will be played down in the long run due to the way they are reported. On the one hand, the private sector banks are accused of, perhaps, focusing on the projects that are more exposed or rather interesting to most of the people rather than concentrating on areas that appear horrible but are in fact desperate in need of their help. Even the sustainability and credibility of such initiatives is questionable when talking about the business world where CSR is increasingly being outsourced to NGOs.

Nevertheless, both the industries have their own distinct advantages regardless of the restrictions. It is no longer easier to provide developmental programs in underserved regions than with these banks since they exist in a very broad coverage at the rural level and also grassroots trust of the stakeholders is second to none. These groups would be the best vehicles of the policy-focused social initiatives in that they had a long history of participation with the government assistance programs. Rather, the privately operated banks can add CSR with agility, creativity, and outcome-based approach resulting in establishing novel scalable tech solutions. The confidence of the people in public banks and their outreach along with the innovative and efficiency of the private banks might create maximum impacts as suggested by CSR experts and policy makers.

There are two regulatory mechanisms that are significant in the two industries and are the Ministry of Corporate Affairs (MCA) and the Reserve Bank of India (RBI) since they promote investments in best practices and convergence. Uniformity of reporting guidelines, tax incentives on good CSR and government bank partnerships would be highly beneficial to the CSR attempts of the banking industry. The success stories can be exchanged and collective action can be attained through cross sector information exchange platforms such as CSR conclaves and conferences of bank associations.

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