



A study on CSR practices of Karnataka Bank Ltd with special reference to Karnataka state

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Abstract

Corporate social responsibility practice of every organization can make the nation safe, secure and progressive. High net-worth individuals and corporate should join their hands with government to establish an ideal and developed state. Karnataka Bank Ltd (KBL) is only private bank which is originated from Karnataka and extended its operation across the India. KBL is the first largest private sector bank and the fifth largest commercial bank in terms of number of branches operating in Karnataka. The lines appeared in the preamble of the CSR policies of KBL reveals a positive view point towards society and CSR, the lines are as "..... We believe in the principle of sharing the earnings..." Profit sharing with the stakeholders is base for CSR which addresses the social problems. The main objective of the study is to review the CSR practices and reporting by KBL in Karnataka. This study is based on secondary data, which was analyzed by using simple percentage, Karl-Pearson Correlation and two tail t-test, have been adopted to analyze the data. Finally, the study concludes with some observation that, there is no significant relationship between number of branches operating and reporting of CSR expenditure in KBL. Education & skill development, environmental sustainability and healthcare are main areas where KBL reported its most of CSR practices in Karnataka State. The lion portion of CSR reporting has noticed in Dakshina Kannada District which is home-district of KBL. There are some other area where KBL has more opportunity to address social issues like reducing inequalities, promotion of sports, protection of heritage / culture and rural development etc.

Keywords: CSR, social issues, KBL, reporting

Introduction

Karnataka is the hometown of Kannadigas where Kannada is the state language. It is one of the Indian states which are blessed with greatness, prestige and heritage. The State of Karnataka is popularly known for flora and fauna, different types of soil, numbers of river systems, minerals and human resources. In spite of rich nature and natural resources, the development of Karnataka state is not up to the mark. The statistics of SDG report reveals that nearly 20.91% ^[1] populations are still under the poverty line, as per the Centre for Monitoring Indian Economy unemployment rate is 1.5% ^[2] and Human Development Index is also medium with a score of 0.689 ^[3]. It is not only the responsibility of the government to ensure the overall development of the state but also lies with the institutions and individuals. High net-worth individuals and corporate should join their hands to establish an ideal and developed state. It is not new to corporate, to contribute for a good cause out of its profit. To encourage the corporate to take active participation in addressing the social issues, Government of India made CSR as mandatory for all prescribed corporate including private sector banks.

Need for the study

In Modern economy, the banking system has a prominent role in growth of the country as it creates new capital or continuously involved in formation of capital. Karnataka Bank Ltd (KBL) is one private bank which is originated from Karnataka and extended their operation across the India. KBL is the 1st largest private sector bank and the 5th largest commercial bank in terms of number of branches operating

in Karnataka. As KBL originated in Mangalore, a Distinct of Karnataka, it has a huge number of CSR projects with handsome spending. It is very interesting to know, how KBL contributing back to society in the light of CSR.

Review of literature

The researcher made an attempt to review a few articles and material to understand the background of the study. Suresh Chandra Bihari and Sudeepta Pradhan (2011) ^[4] has made an effort to explore the CSR practices of prominent banks in India along with assessing the impact of such practices on the banks. This study covered 3 private sector and 5 public sector banks but not covered Karnataka Bank Ltd. This study has given evidence to believe CSR practices has a positive impact on performance of the business. Namruta and other (2015) ^[5] have given more concentration on the key provisions of CSR in Companies act 2013 and covering the gap between public sector banks and private sector banks with respect to CSR spending. Muhammed Juman and Christopher (2016) ^[6] have undertaken a study to explore the significance of CSR in Indian banking industry through content analysis of annual reports. Finally, researchers felt that banks feel more responsible for social issues and financial inclusion, while environmental issues remain unaddressed by most of them. Ashwini J, Aparna J Varma and Sudhakar Kulkarni (2016) ^[7] have discussed the areas of CSR initiatives and ways of implementing CSR projects through KBL without any numerical data along with other three corporate. In another study of Vkranth Sing and others (2017) ^[8], it is evident that Spending on CSR and net profit of KBL are positively correlated, so an increase in the

profits will also increase the spending on CSR. A study conducted by the Omakaranand and Grewal (2018) ^[9] throws light on main CSR activities done by SBI. Skill development and livelihood creation is the main focused area where CSR investment made by the SBI. Employees of SBI think that the bank is serious about the sustainable development of the society. A study undertaken by Dutta and Grewal (2018) ^[10] highlights the SBI's prominent CSR projects undertaken by analyzing five years' annual report (2014 to 2018). This study reveals that the main focus of SBI's CSR investment is on the skill development and livelihood creation. It also reveals that the employees of SBI think that the bank seriously considered the CSR. The group of researchers and research scholars (2019) ^[11] has made an attempt to determine the relationship between CSR expenditure and performance of Axis Bank. The Pearson's correlation has adopted to test the relationship between CSR expenditure and performance. It concludes that, CSR has negative relation with ROE and positive relation with ROA. There are several articles on general aspects and only a few on CSR practices of KBL.

Statement of the problem

KBL as one of the leading private sector banks in Karnataka State had contributed to society through its CSR practices. In the last seven financial years from 2014-15 to 2020-21, a positive amount has been noticed on CSR spending by KBL in Karnataka State. KBL has 580 branches throughout Karnataka which is highest in private sector banks, it has 97 years of history for its operation and it is the only one private sector bank originated from Karnataka state which is earning a good amount of profit. The earning was spent for the societal obligations which needs to be aligned and understood, how this practice is involved in resolving various issues. With this background researcher has shown interest to throw some light on CSR practices of KBL with special reference to the Karnataka State. Hence, this study is entitled as "A Study on CSR practices of Karnataka Bank Ltd with Special reference to Karnataka State".

Objectives of the study

The main objective of the study is to review the CSR practices and reporting by KBL in India in general and in Karnataka in particular. The following sub objectives have been framed to make the study more meaningful.

1. To understand the CSR spending in India in general and in Karnataka in particular by the Karnataka Bank Limited.
2. To Study the district-wise and sector-wise reporting of CSR spending in Karnataka by the Karnataka Bank Limited.
3. To analyze the various social issues addressed through CSR practices by the Karnataka Bank Limited.
4. To study the relationship between number of branches operating in Karnataka and reporting of CSR spending in Karnataka by the KBL.

Research methodology and hypothesis

This study is based on secondary data which has been collected from books, published reports, newspapers, journals and websites. The various tools like simple percentage, Karl-Pearson Correlation and two tail t-tests have been adopted to analyze the data. The following hypothesis has been formulated for testing purposes.

H₀: There is no significant relationship between number of branches and reporting of CSR expenditure in KBL

H₁: There is a significant relationship between number of branches and reporting of CSR expenditure in KBL

Limitation of study

This study is restricted to only one unit i.e., single bank and the study covers secondary data from FY 2014-15 to 2020-21. Hence, it cannot be generalized.

Concept of social issues and CSR

Poverty, unemployment, corruption, caste system, blind trust in government, gendered violence, communalism, regional imbalance, lack of healthcare infrastructure, environmental pollution are the main social issues faced by the India as well as Karnataka. If proper education, health care facilities and equal opportunities are provided to weaker sections, many of the social issues get resolved themselves. In the early days, solving social issues was the only responsibility of the government but now the trend has been changed. CSR is a mechanism where private partnership or contribution is expected to address social issues. CSR is the way of managing business processes in which an overall positive impact has been produced on society. According to Section 135 of Companies Act 2013, once a company crosses the threshold limit for CSR, it is required to spend at least 2% of their average net profits of 3 preceding years on eligible CSR activities.

During the financial year 2014-15 to 2019-20, as per the National Portal of CSR ^[12] more than 24000 corporate spent the Rs 93,489 cores on CSR in India to address the various social issues (in Karnataka it was Rs. 5759.7 Cores).

Background of the KBL

Karnataka Bank Limited (KBL) is a leading 'A' Class Scheduled Commercial Bank in India which incorporated on February 18th, 1924 at Mangaluru town of Dakshina Kannada district in Karnataka State. Over the years the Bank grew with the merger of Sringeri Sharada Bank Ltd., Chitradurga Bank Ltd. and Bank of Karnataka. KBL has ¹³ a network of 858 branches spread across 22 states and 2 Union Territories. The KBL has over 90+ years of experience of providing professional banking services and quality customer service. As a result of these ^[14], the bank has over 8,220 employees, 1,46,000 shareholders and over 10.21 million customers. The lines appeared in the preamble of the CSR policies of KBL reveals a positive view point towards society and CSR; the lines are as "*Karnataka Bank strongly believes that usefulness of existence of an entity is best judged not from the financial numbers We believe in the principle of sharing the earnings*" ^[15]. The CSR efforts of the KBL is recognized and honored in 2014-15, 2017-18 and 2018-19 ¹⁶ as Best Bank Award for CSR & Green Initiatives (Runner Up. 2014-15), MSME Banking Excellence Awards 2016 (CSR Initiatives and Business Responsibility Award– Runner Up–Emerging Category), and "*Bank with Best Technology Orientation*" and "*Best Corporate Social Responsibility Practices*" awards instituted by ET NOW – World BFSI Congress in 2018-19.

Pattern of CSR spending by KBL in India and in Karnataka

Spending on CSR is the way of showing its concern towards society. CSR practice is not just a moral act, as it offers financial, marketing and employee motivation advantages to

its practitioners. Therefore, spending on CSR can be considered as an investment rather than expenditure. KBL's Spending of CSR in India and in the local area presented in table 1.

Table 1: Spending on CSR in India by KBL (in Cores)

Year	Average Net Profit	CSR Prescribe Expenditure (2%ofAverage Net profit)	CSRS pent in India	Local Area Spent	%CSRS pent to Budget	% of Local area Spending
201415*	301.73	6.03	2.04	NA	33.83	NA
2015-16	478.44	9.57	4.9	2.98	51.20	31.14
2016-17	498.62	9.97	6.18	2.96	61.99	29.69
2017-18	518.43	10.37	6.77	4.47	65.28	43.11
2018-19	435.38	8.71	8.75	3.74	100.46	42.94
2019-20	461.98	9.24	9.32	5.02	100.87	54.33

Source: Data Compiled from www.csr.gov.in * and annual reports

NA- Not Available

Table -1 reveals that, CSR prescribed expenditure of KBL is in between Rs 6.03 Cr to 10.37 Cr during the financial year 2014-15 and 2019-20. During the same period CSR spent by the KBL in India is between Rs.2.04 Cr to Rs. 9.32 Cr. Percentage of CSR spent to budgets falls in between 33.83% (2014-15) and 100.87% (2019-20). The percentage of

spending in the local area ranges between 29.69% to 54.33%. In two financial years (2018-19 and 2019-20), CSR spending has crossed the prescribed CSR expenditure. Karnataka State is the originated place of KBL; hence, it is expected that major share of its CSR spending is in the home state. Following table shows reporting of CSR expenditure by the KBL in Karnataka State.

Table 2: Reporting of CSR expenditure by KBL in Karnataka (in Lakhs)

Financial Year	CSR spending Reported in India	CSR Spending Reported in Karnataka *	Share of Karnataka as Compared to India (%)
2014-15	96	21.80	22.71
2015-16	489.57	17.62	3.60
2016-17	617.52	2.74	0.44
2017-18	696.89	7.57	1.09
2018-19	896.00	193.00	21.54
2019-20	932.00	53.00	5.69
2020-21	634.71	479.58	75.56
Grand Total	4266.69	753.51	17.66

Source: Annual reports of KBL bank from 2014-15 to 2020-21

Excluding PAN India or Multiple state projects

Table - 2 shows that, in last seven financial years, KBL's Spending on CSR is Rs. 4266.69 lakhs in India out of which for Karnataka State is Rs. 753.51 lakhs (17.66%). In financial year 2016-17, it reported least spending (0.44%) in Karnataka State and Highest spending (75.56%) in 2020-21.

Education, empowerment of women / socially economically disadvantaged, environmental, sustainability and green initiatives, health care, promotion of sports, protection of heritage / culture and rural development etc. these are some important areas where CSR projects have undertaken by KBL. The area of CSR projects and reporting of CSR spending in Karnataka is discussed in the following table.

Table 3: Sector wise CSR reporting by KBL during 2014-15 to 2020-21(in Lakhs)

Sector	Amount*	%
Education and skill development	256.85	33.13
Empowerment of women / socially economically disadvantaged	13.07	1.69
Environmental sustainability and green initiatives	224.92	29.01
Health care	115.02	14.83
Promotion of Sports	10.81	1.39
Protection of heritage / culture	33.37	4.30
Rural Development	41.00	5.29
Swatch Bharth	80.27	10.35
Grand Total	775.31	100.00

Source: Annual reports of KBL bank from 2014-15 to 2020-21

Excluding PAN India or Multiple state projects

As per the table 3, Major reporting of CSR spending by KBL is in education and skill development (33.33%), followed by environmental sustainability and green initiatives (29.01%) and healthcare (14.83%). Low reporting of CSR spending by KBL is in empowerment of women /

socially / economically / physically disadvantaged (1.69%) and promotion of sport (1.39%). District wise analysis was made to know how many home districts get importance as compared to other districts in CSR practices. Financial year 20201-21 data was presented as below.

Table 4: District wise CSR reporting by KBL during 2020-21

Districts	Amount*	%
Bangalore	38.12	7.95
Chikmagalur	21.77	4.54
Chitradurga	0.95	0.20
Dakshinakannada	229.98	47.95
Dharwad	18.42	3.84
Mandya	5.00	1.04
Mysore	0.25	0.05
Shivamogga	7.00	1.46
Udupi	67.17	14.01
Uttara Kannada	0.47	0.10
Multiple District or District not mentioned	90.45	18.86
Reported amount of CSR spending in Karnataka	479.58	100

Source: Annual reports of KBL bank from 2020-21

Excluding PAN India or Multiple state projects

Table - 4 reveals that, the Dakshina Kannada Distinct which is the home town of KBL grabbed lion share (47.95%) in CSR spending as per reported data in Karnataka State. and very least is Mysore (0.05%). There is no mention of specific districts for 18.86% reported CSR spending.

Number of branches directly associated with number of customers and indirectly associated with profit of the bank. CSR spending and reporting is directly associated with profit of the bank. Further, researcher has felt a need of testing the relation between CSR's reporting and number of branches operating in Karnataka with reference to the KBL which presented in table-5.

Table 5: Relationship between CSR reporting in Karnataka and Number of branches

Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Number of Branches of KBL in Karnataka	447	491	512	537	568	580	592
Reporting of CSR expenditure by KBL in Karnataka (in lakhs)	21.8	17.62	2.74	7.57	193	53	479.58
Value of Correlation + 0.639051 T value 1.8758 P value 0.1223 Level of confidence 95% Level of Significance 5% =0.05, Two tail = 0.025 P Value (0.12) > alpha 0.025, Hence, Null Hypothesis is accepted Ho: There is no Significant Relationship between number of branches and reporting of CSR expenditure in KBL							

Source: Annual reports of KBL bank from 2014-15 to 2020-21

Branch locator: <https://dbie.rbi.org.in/DBIE/MOFSelectParam.jsp>

Table - 5 Reveals that, the correlation between number of branches operating in Karnataka and reporting of CSR expenditure in KBL shows the positive correlation with +0.63 (moderate positive correlation). But the calculated correlation is not significant at 95% of level of confidence. Hence, null hypothesis accepted i.e., there is no Significant Relationship between number of branches operating and reporting of CSR expenditure in KBL.

Findings and conclusion

The major observations and findings of the study have listed below.

1. CSR prescribed expenditure of KBL is in between Rs 6.03 Cr to 10.37 Cr during the financial year 2014-15 and 2019-20.
2. During the Study period, CSR spent by the KBL in India is between Rs.2.04 Cr to Rs. 9.32 Cr. Percentage of CSR spent to budgets falls in between 33.83% (2014-15) and 100.87% (2019-20).
3. The percentage of spending in the local area ranges between 29.69% to 54.33%.
4. In two financial years (2018-19 and 2019-20), CSR spending crossed the prescribed CSR expenditure.
5. In last seven financial years, KBL's Spending on CSR is Rs. 4266.69 lakhs in India out of which reported CSR spending for Karnataka State is Rs. 753.51 lakhs (17.66%).

6. In financial year 2016-17, it reported least spending (0.44%) in Karnataka State and Highest spending (75.56%) in 2020-21.
7. Major reporting of CSR spending in Karnataka state by KBL is in education and skill development (33.33%), followed by environmental sustainability and green initiatives (29.01%) and healthcare (14.83%).
8. Dakshina Kannada Distinct which is the home town of KBL grabbed lion share (47.95%) in CSR spending as per reported data in Karnataka State. and very least is Mysore (0.05%).
9. There is no mention of specific district for 18.86% reported CSR spending.
10. There is no Significant Relationship between number of branches operating and reporting of CSR expenditure in KBL.

There is no doubt that, KBL spends a good amount on solving social issues in Karnataka as well as in India. Education and skill development, environmental sustainability and healthcare are main areas where KBL reported its most of CSR practices in Karnataka State. The lion portion of CSR reporting has noticed in Dakshina Kannada District which is home-district of KBL. There are some other area where KBL has more opportunity to address social issues like reducing inequalities, promotion

of sports, protection of heritage / culture and rural development etc. Except FY 2020-21, KBL reporting of CSR spending is also not up to the mark as either it reported as "Multistate - Projects" or "PAN India projects". Not Mentioning geographical area for where CSR projects have undertaken with specific amounts, gives less clarity about the information and less impacts on its stakeholders.

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