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Corporate Social Responsibility Practices as a Driver of Financial Performance: A Study of Selected Banks of India

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Abstract

Corporate Social Responsibility (CSR) initiatives in the Indian banking sector primarily aim to promote **financial inclusion** and expand the reach of financial services to underserved and marginalized regions. These efforts focus on critical areas such as **poverty alleviation, healthcare, rural development, financial literacy, education, and environmental sustainability**, thereby contributing meaningfully to the **socio-economic development** of the nation. This study specifically examines CSR practices of **six leading banks in India**—comprising the top **three public sector** and **three private sector** banks—over the period **2019–2023**. The analysis seeks to explore the **focus areas** of CSR expenditure among these selected banks, offering insights into their strategic priorities and societal contributions. Furthermore, the study highlights a **notable disparity in CSR practices** between public and private sector banks. It provides a comparative evaluation of the CSR initiatives undertaken by these institutions, revealing differences in expenditure levels, target areas, and the extent of community engagement. The findings aim to enhance the understanding of how Indian banks, both publicly and privately held, are aligning their operations with broader developmental and sustainability goals.

Keywords: Corporate Social Responsibility, Private and Public Banks, Social responsibility, Financial Inclusion, Expenditures.

Introduction

Corporate Social Responsibility (CSR) refers to expenditures undertaken by banks or other registered companies, either in compliance with government ordinances or guidelines or on a voluntary basis. These expenditures represent additional investments aimed at benefiting society at large. Conceptually, CSR encompasses welfare activities such as sanitation, clean drinking water, education, healthcare, and pollution control. In India, private sector banks are mandated to allocate 2% of their profits after tax (PAT) to CSR activities, whereas public sector banks generally allocate around 1% of their PAT.

Evolution of Corporate Social Responsibility

The "evolution of Corporate Social Responsibility" refers to the gradual shift in the approach of Indian corporations toward philanthropy, moving from ad hoc charitable acts to structured and strategic initiatives. Corporate Social Responsibility (CSR) encompasses the methods by which corporations operate to create a net positive impact on the communities, cultures, societies, and environments in which they function. At its core, CSR is founded on the principle that businesses, alongside governments, bear a responsibility to contribute to societal improvement. This principle compels businesses to address societal challenges that are traditionally within the purview of governments.

India boasts one of the oldest traditions of corporate social responsibility, rooted in its cultural and historical ethos. However, many multinational corporations (MNCs) operating in India often lack deep cultural or emotional ties to the country, resulting in CSR efforts that are either superficial or undertaken merely for compliance. Despite significant progress in recent years, CSR in India has yet to achieve widespread recognition and integration as a vital component of corporate activity.

To bridge this gap, Indian corporations must align their CSR strategies with the rigor of their traditional business operations. This includes establishing clear objectives, exploring viable avenues for social investments, and maintaining transparency by publishing open data on their progress toward these goals. Such measures are essential to ensure that CSR is not only a regulatory obligation but also a genuine effort to contribute meaningfully to sustainable development and societal well-being.

Review of Literature

A number of studies on CSR have focused on different aspects, including the comparison of expenditure and related variables, organizational factors, and consumer opinions. These studies often explore consumer perceptions of satisfaction and the effectiveness of CSR initiatives.

Rama Mittal and Deepika Dhingra (2014) This study emphasizes the critical role financial institutions play in promoting economic development through CSR, particularly in developing countries like India. Although Indian banks are increasingly incorporating sustainability into their business models, the authors highlight inadequacies in CSR reporting. Only a limited number of banks adhere to the Triple Bottom Line (TBL) framework, underscoring the need for alignment with global sustainability benchmarks.

Sarita Moharana (2013) Analyzing the CSR practices of five nationalized banks—Allahabad Bank, Andhra Bank, Bank of Baroda, State Bank of India, and UCO Bank—the study reveals that CSR efforts are basically focused on rural development, community welfare, education and the welfare of women and children. However, the scope of activities remains narrow, suggesting the need for a broader approach to social development for greater societal impact.

Sudershan (2019); Okafor et al. (2021); Gangi et al. (2018): These studies collectively affirm the positive relationship between CSR and financial performance. Gangi et al. found that increased CSR engagement enhances profitability and net interest income. Sudershan, analyzing 1,460 firm-years in India, noted that firms meeting CSR goals achieved better financial outcomes.

Ines (2022), Kabir & Sabina (2022): Kabir and Sabina observed that higher corporate financial performance (CFP) drives increased CSR expenditure. However, CSR spending itself does not necessarily improve CFP. Variables like net income, total deposits, return on assets, and prior CSR involvement positively correlate with CSR expenditure, while older firms tend to spend less.

Sang Tang My and Ha Tang My (2022): Focusing on Vietnamese banks listed on HOSE and HNX from 2015 to 2020, the study found an increasing emphasis on CSR, particularly regarding human resource development. Bank performance was influenced by CSR, financial leverage, and bank size. The authors recommend strategic CSR investments to enhance profitability and competitiveness in the sector.

Nandini Prabhu, G. & Aithal, P. S. (2021) This study analyzes CSR programs across Indian public and private banks, highlighting the regulatory requirement for private banks to allocate 2% of profits to CSR, while public banks do so voluntarily. Findings indicate that private banks tend to focus on customer-centric CSR initiatives, whereas public sector banks use CSR as a branding tool and to support marginalized communities.
Burianová Lenka and Paulík Jiří (2014) Studying commercial banks in the Czech Republic, the authors developed a CSR index for four banks -Česká spořitelna, Československá obchodní banka, Komerční banka, and GE Money Bank. The results indicate an average CSR index across the institutions, with significant gaps in transparency and information disclosure related to CSR activities.
Nithin Venugopal (2018) This study explores employee awareness and perceptions of CSR in Indian banks. While all respondents were aware of CSR concepts, and 87.5% recognized CSR as integral to the business model, 92.5% reported no direct involvement in CSR planning or execution. The study recommends greater employee participation in regional CSR initiatives and increased focus on women's welfare and education.

Research Objectives
1. To identify Indian banks CSR practices.
2. To evaluate and compare Indian banks spending behaviour of CSR funding.

Sources of Data
This study relies on secondary data sources, including official bank websites and academic research papers published in journals and conference proceedings. By analyzing publicly available data, such as annual reports, the CSR initiatives of private and public sector banks are examined and compared. Some calculations have also been done in this regard.

SAMPLE SIZE
For the purpose of this study, the top three private banks and the top three state banks in terms of CSR contributions have been selected.

PRIVATE BANKS
1. HDFC BANK
2. ICICI BANK
3. KOTAK MAHINDRA BANK LIMITED

PUBLIC BANKS
1. STATE BANK OF INDIA
2. BANK OF BARODA
3. CANARA BANK

PERIOD OF THE STUDY
In this study, an examination of the most recent four years worth of data was carried out. In this particular study, data during 2019-20 to 2022-23 data were analyzed.

DATA ANALYSIS

Table1: Year-wise expenditure on CSR activities of banks from 2019-20 to 2022-23.

NAME OF THE BANKS	2022-23	2021-22	2020-21	2019-20
STATE BANK OF INDIA	316.76	204.10	144.88	8.62
BANK OF BARODA	13.50	8.29	6.90	4.33
CANARA BANK	47.51	25.48	24.71	20.50
HDFC BANK	820.89	736.01	634.91	535.31
ICICI BANK	407.84	266.62	200.50	134.35
KOTAK MAHINDRA BANK	187.40	162.00	79.40	74.62

State Bank of India (SBI): SBI has demonstrated a commendable commitment to corporate social responsibility (CSR), with its expenditure rising sharply from ₹8.62 crore in 2019–20 to ₹316.76 crore in 2022–23. This substantial increase signifies a strategic shift towards broader social and environmental initiatives. With an average CSR expenditure of ₹168.59 crore, SBI exhibits consistent dedication to sustainability, reinforcing its leadership in aligning business operations with the United Nations' Sustainable Development Goals (SDGs).

Bank of Baroda: Although Bank of Baroda has relatively lower CSR spending compared to its peers, it has shown steady growth—from ₹4.33 crore in 2019–20 to ₹13.50 crore in 2022–23. With an average expenditure of ₹8.26 crore, the bank reflects moderate but consistent engagement in CSR. A continued focus in this area could significantly enhance its social and environmental footprint.

Canara Bank: Canara Bank has also shown a positive trajectory in CSR engagement, with expenditure increasing from ₹20.50 crore in 2019–20 to ₹47.51 crore in 2022–23. An average of ₹29.55 crore in CSR spending highlights the bank’s growing emphasis on societal well-being and its efforts to align with sustainable development goals, thereby contributing meaningfully to social change.

HDFC Bank: HDFC Bank leads the group in CSR expenditure, with a notable rise from ₹535.31 crore in 2019–20 to ₹820.89 crore in 2022–23. Its average CSR spending of ₹681.78 crore underscores a strong and sustained commitment to social responsibility. The bank plays a proactive role in supporting community development, education, healthcare, and environmental sustainability.

ICICI Bank: ICICI Bank mirrors this positive trend, with its CSR expenditure increasing from ₹134.35 crore in 2019–20 to ₹407.84 crore in 2022–23. With an average of ₹252.33 crore, ICICI emerges as a key contributor to social causes, demonstrating a solid integration of sustainability within its business strategy.

Kotak Mahindra Bank: Kotak Mahindra Bank has also registered significant growth in CSR spending, from ₹74.62 crore in 2019–20 to ₹187.40 crore in 2022–23. Its average expenditure of ₹125.86 crore reflects a steady commitment to addressing societal and environmental challenges. This upward trend highlights the bank's growing alignment with global sustainability efforts.

Comparative Analysis: Among the selected banks, HDFC Bank stands out with the highest average CSR expenditure, reflecting a strong, long-term commitment to social responsibility. SBI also showcases impressive growth in CSR spending, indicating its strategic focus on sustainability. ICICI Bank, Canara Bank, and Kotak Mahindra Bank all demonstrate positive and consistent upward trends, highlighting their increasing dedication to aligning business practices with social and environmental objectives. Bank of Baroda, while spending comparatively less, continues to move in a positive direction. Collectively, these trends underscore the pivotal role that major Indian banks are playing in fostering sustainable development and enhancing societal well-being.

ANOVA TESTING

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
STATE BANK OF INDIA	4	674.36	168.59	16455.96
BANK OF BARODA	4	33.02	8.255	14.91763
CANARA BANK	4	118.2	29.55	148.1515
HDFC BANK	4	2727.12	681.78	15314.25
ICICI BANK	4	1009.31	252.3275	13664.4
KOTAK MAHINDRA BANK	4	503.42	125.855	3292.447

Note: Researcher's Calculation.

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1225679	5	245135.7	30.08408	3.85623E-08	2.772853
Within Groups	146670.4	18	8148.353			
Total	1372349	23				

Note: Researcher's Calculation.

H0 = There is no significant difference in CSR spent between selected banks of India.

H1 = There is significant difference in CSR spent between selected banks of India.

INTERPRETATION

Statistical Interpretation:

Based on the data analysis, for 5 and 18 degrees of freedom, the calculated F-value (F_cal) is **30.08**, while the tabulated F-value (F_tab) is **2.77**. Since **F_cal > F_tab** and the **p-value is 3.85623E-08**, which is significantly lower than the specified alpha level (**α = 0.05**), the **null hypothesis is rejected**. This statistical result confirms that there is a **significant difference in CSR expenditure among the selected Indian banks**.

Conclusion:

The in-depth analysis of Corporate Social Responsibility (CSR) expenditure among selected Indian banks over the four-year period reveals distinct patterns and varying levels of commitment to social and environmental causes.**State Bank of India (SBI)** emerges as a frontrunner, with a consistent and substantial increase in CSR expenditure, averaging ₹168.59 crore. This reflects its strategic alignment with sustainability and social development goals. **Bank of Baroda**, despite having a lower absolute CSR expenditure, shows a steady upward trend, with an average of ₹8.26 crore, indicating its growing involvement in CSR initiatives. **Canara Bank** exhibits a positive trajectory with an average CSR spending of ₹29.55 crore, signifying an increasing emphasis on societal welfare. **HDFC Bank** stands out with the highest absolute and average CSR expenditure (₹681.78 crore), showcasing its robust and sustained commitment to community development, education, and environmental sustainability. **ICICI Bank**, with an average CSR expenditure of ₹252.33 crore, has shown strong and consistent growth, reinforcing its position as a major contributor to sustainable development. **Kotak Mahindra Bank**, averaging ₹125.86 crore in CSR expenditure, also demonstrates a notable increase, highlighting its strengthening commitment to social responsibility and environmental stewardship.

This comparative assessment illustrates the **diverse CSR strategies** adopted by these banks. While their approaches differ, each institution plays a vital role in advancing sustainable development. Collectively, these efforts reflect a **positive shift in the Indian banking sector** towards more responsible and inclusive business practices.

Looking forward, as these banks continue to evolve their CSR strategies, they are poised to play a **critical role in addressing global challenges**, promoting inclusive growth, and making a lasting impact on society and the environment.

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