Linking Corporate Social Responsibility and Financial Performance: A Comparative Study of Indian Banks"

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Abstract

This study investigates the relationship between Corporate Social Responsibility (CSR) and financial performance, with a particular focus on commercial banks in India. Adopting a comprehensive literature review as the research methodology, 23 scholarly articles were analyzed to assess various perspectives—positive, negative, neutral, and mixed—on the CSR-financial performance linkage. The review reveals that while a significant relationship exists between CSR and financial performance, its nature is influenced by contextual factors such as industry type, firm strategy, regulatory framework, and ownership structure (public vs. private sector banks). Empirical evidence suggests that strategically aligned CSR initiatives contribute positively to financial performance, enhancing brand value and stakeholder trust. However, challenges such as resource diversion, regulatory compliance costs, and superficial CSR practices often complicate the outcomes. The findings underscore the importance of adopting an integrated, strategic, and socially aligned CSR approach to ensure long-term financial and societal gains. The study concludes by recommending greater transparency, alignment with Sustainable Development Goals (SDGs), and integration of CSR with core business operations for Indian banks to realize sustainable value creation.

Keywords:
Corporate Social Responsibility (CSR), Financial Performance, Indian Banking Sector, Strategic CSR, Public and Private Sector Banks, Literature Review, Sustainable Development Goals (SDGs)

1. Introduction

Corporate Social Responsibility (CSR) refers to a company's obligation to contribute to societal welfare beyond its financial objectives (Dash & Das, 2020). In today's socially aware environment, CSR has evolved from being a peripheral initiative to a strategic priority, especially in developing countries like India, where inclusive growth and sustainability are central concerns. The Companies Act of 2013 made India one of the first countries to mandate CSR, requiring eligible firms to spend at least 2% of their average net profits on CSR activities (Chaturvedi et al., 2021).

This legal shift brought new opportunities and challenges, especially for the Indian banking sector, which plays a critical role in financing development, promoting financial inclusion, and addressing socio-economic disparities. Banks have adopted CSR initiatives across areas such as poverty alleviation, education, healthcare, and environmental sustainability (Maqbool & Zameer, 2018). However, empirical evidence on the financial impact of these CSR initiatives remains mixed and inconclusive.

While some researchers argue that CSR enhances brand value and stakeholder trust, leading to improved financial outcomes (Singh et al., 2021), others suggest that CSR expenditure may strain resources and negatively affect firm performance (Nollet et al., 2016). The debate is further complicated by the mandatory vs. voluntary nature of CSR compliance, ownership structure, and industry context.

Given these contrasting perspectives, it becomes crucial to explore the nuanced relationship between CSR and financial performance in the Indian banking sector. To do so, this study first synthesizes findings from recent literature and then highlights existing gaps that need further empirical validation.

CSR and Financial Performance: A Controversial Relationship

Milton Friedman famously argued that the primary objective of a business should be profit maximization, not engaging in CSR, which he deemed a "fundamentally subversive doctrine" (Friedman, 1970). While some studies argue that CSR may not significantly affect financial performance (Aupperle et al., 1985), establishing a clear correlation between CSR and financial performance remains challenging due to various confounding factors (Ullmann, 1985). The mandatory CSR framework under India's Companies Act of 2013 has raised concerns over the limited beneficial impact on stock returns, leading to the conclusion that CSR spending does not necessarily correlate with financial outcomes (Garg et al., 2021). This indicates a complex relationship between CSR expenditure and corporate performance (Galant & Cadez, 2017).

Even when CSR investments seem to improve a company's profitability, the relationship between such investments and market returns is not always straightforward. This ambiguity is exacerbated by the ongoing debate between the effects of voluntary versus mandatory CSR. Firms engaged in voluntary CSR are often proactive in aligning their CSR activities with business objectives, such as gaining a competitive advantage, which can positively influence financial performance (Garriga & Melé, 2004). On the other hand, mandatory CSR spending may initially result in a short-term decline in financial performance due to the perception of CSR as a forced expenditure, thus producing unclear short-term effects on company valuation. However, in the long run, firms could strategically align CSR to build competitive advantages, which may lead to improved financial performance.

Despite the challenges, CSR has gained increasing importance over time, with companies engaging in CSR through various activities such as philanthropic donations, sustainability efforts, social investments, employee volunteering, and ethical sourcing. These initiatives often translate into higher financial performance and profitability.

In India, CSR expenditure is a relatively new concept, especially after the amendment of the Companies Act in 2013. However, there is a concern regarding the lack of clarity in the annual CSR reports of firms, particularly banks, which may provide vague figures on CSR spending.

The goal of this study is to explore the relationship between CSR spending and the financial success of Indian banks. While prior studies have examined this relationship (Shukla, 2017; Maqbool & Zameer, 2018; Dash & Das, 2020; Singh et al., 2021; Chaturvedi et al., 2021), they have been limited in terms of data periods, control variables, methodology, and robustness checks. The current study aims to address these gaps. The remainder of the paper is structured as follows: literature review, data and methodology, results and discussion, and conclusions.

Research Gap and Problem Statement

Although Corporate Social Responsibility (CSR) has garnered increasing scholarly attention, the nexus between CSR initiatives and financial performance remains ambiguous and contingent upon context. Numerous prior studies have documented positive, negative, or neutral correlations across diverse sectors and geographical landscapes. Nonetheless, a majority of these investigations are impeded by significant limitations that undermine their generalizability and practical applicability.

Firstly, limited attention has been given to comparative analysis between public sector banks (PSBs) and private sector banks (PVBs) in India, especially in the post-2019 regulatory environment. With the increasing emphasis on environmental, social, and governance (ESG) disclosures and alignment with Sustainable Development Goals (SDGs), it becomes critical to assess how different ownership structures (public vs. private) influence the strategic implementation and financial returns of CSR initiatives.

Secondly, many existing studies are either pre-Companies Act 2013, or focus narrowly on CSR expenditure without examining broader dimensions such as CSR strategy, disclosure quality, or stakeholder impact. Moreover, very few recent studies incorporate a post-COVID-19 perspective, which significantly reshaped CSR priorities in the Indian banking sector—especially with shifts toward digital inclusion, public health, and sustainability.

Lastly, while several global studies explore CSR-financial performance relationships using firm-level data, India-specific empirical evidence—especially in the banking sector—is limited, fragmented, or lacks longitudinal robustness.

Given these gaps, the present study aims to bridge the void by:

- Synthesizing post-2013 literature on CSR and financial performance in Indian banks;
- Classifying and comparing trends in PSBs vs. private sector banks;
- Laying the groundwork for future empirical validation and strategy alignment with SDGs.

2. Review of Literature

The requirement for corporate social responsibility (CSR) disclosures has become widespread across many nations, driven by increasing pressure from stakeholders advocating for sustainability. Before 2011, countries like Denmark, South Africa, China, and Malaysia mandated companies to report on their sustainability practices. By 2012, additional countries such as Hong Kong, Brazil, Finland, and Sweden followed suit (Ioannou & Serafeim, 2017). In India, Section 135 of the Companies Act 2013 was introduced, urging businesses to contribute actively to societal welfare in alignment with global sustainability goals, such as those set by the United Nations (Dharmapala & Khanna, 2018). CSR initiatives vary based on the needs of businesses and societal demands, acknowledging that firms have multifaceted responsibilities. Early research into the relationship between CSR and financial performance has shown varied outcomes (Galant & Cadez, 2017).

2.1 Positive Relationship Between CSR and Financial Performance

Several studies have explored the relationship between Corporate Social Responsibility (CSR) and financial performance, often indicating a positive correlation. Waddock and Graves (1997) conducted a regression analysis on 469 U.S. companies using KLD ratings, revealing a mutually beneficial relationship between CSR and financial performance, including Return on Assets (ROA), Return on Equity (ROE), and Return on Sales. In the Indian context, Bihari and Pradhan (2011) highlighted that CSR activities strengthen corporate performance, enhance goodwill, and improve reputation. Similarly, Singh et al. (2021) used correlation methods to establish a positive link between CSR and the financial performance of 39 BSE-listed banks in India. Szegedi et al. (2020) further corroborated this finding in Pakistan, indicating that CSR involvement improves accounting-based financial performance, considering metrics like ROE, ROA, and net profit margin. Recent research by Gayathri VP (2024) emphasized that public sector banks in India contribute significantly to financial inclusion and community welfare through CSR, although the impact on financial performance remains limited. Additionally, Dash and Das (2020) used regression analysis to demonstrate that CSR expenditure positively affects financial performance, although the actual CSR performance and activities showed no significant impact. Lastly, Gupta (2020) conducted a perception study that reflected customers' support for socially responsible banks, though awareness of CSR practices remained low. These studies collectively affirm that CSR generally has a favorable influence on financial performance, especially when aligned with stakeholder interests and corporate goals.

2.2 Negative Relationship Between CSR and Financial Performance

Several studies have reported a negative relationship between Corporate Social Responsibility (CSR) and financial performance, suggesting that CSR expenditures may not always yield favorable financial outcomes.

Moore (2001) examined the UK supermarket industry through a literature review and found a weak relationship between current social and financial performance, though past financial performance showed a strong correlation with present results. Similarly, Nollet et al. (2016) analyzed S&P 500 firms in the US using Bloomberg's ESG scores and linear and non-linear models, revealing a negative relationship in the linear model, with a U-shaped association in the non-linear model, indicating diminishing returns at higher CSR levels. In the Indian context, Bhattacharya et al. (2021) applied OLS and 2SLS models to study CSR expenditure, financial inclusion, and bank performance, finding no correlation between CSR spending and financial performance, and even an inverse relationship with stock market returns. Additionally, Chrisostomo et al. (2011) conducted regression analysis in Brazil, concluding that CSR negatively impacts firm value, reflecting a detrimental effect. Likewise, Kuntluru (2019) used Logit and Probit models to assess 360 NIFTY 500 companies in India from 2015 to 2018, reporting that CSR spending negatively affected firm performance. These findings suggest that while CSR may generate social benefits, it can also strain financial resources, particularly when misaligned with corporate strategy or when short-term financial gains are prioritized over long-term sustainability goals.

2.3 Neutral Relationship Between CSR and Financial Performance

Several studies have shown a neutral relationship between Corporate Social Responsibility (CSR) and financial performance, indicating that CSR initiatives may not always lead to significant financial gains. McWilliams and Siegel (2000) analyzed 524 US firms using two regression models and found that CSR had no substantial impact on profitability when Research and Development (R&D) intensity was considered. Similarly, Aras et al. (2010) examined ISE 100 index companies in Turkey from 2005 to 2007 using various methodologies, concluding that there was no significant link between CSR and financial performance, although larger firms exhibited a stronger commitment to CSR. In the US, Lin et al. (2020) applied the GMM estimator under a dynamic panel data framework to study 100 Fortune-listed firms, finding no direct relationship between CSR and financial performance; however, financial slack was observed to positively influence this connection. In the Indian context, Garg et al. (2021) used OLS and four different models to assess 426 NSE-listed firms from 2016 to 2019, reporting that while CSR expenditure had a minimal beneficial effect on stock returns, mandatory CSR spending did not significantly impact financial performance. These findings suggest that the effect of CSR on financial outcomes may be influenced by external factors such as firm size, financial flexibility, and industry characteristics, resulting in a neutral overall impact.

2.4 Positive/Neutral Relationship Between CSR and Financial Performance

Several studies have demonstrated a mixed relationship between Corporate Social Responsibility (CSR) and financial performance in the Indian banking sector, with private sector banks generally exhibiting a positive impact and public sector banks showing a neutral effect. Dr. Suneetha Naisa (2023) conducted a comparative analysis of annual report data from 2018 to 2022, applying regression analysis and ANOVA, and found that private banks like HDFC and ICICI experienced a positive financial impact from mandatory CSR spending under the Companies Act, 2013, while public sector banks, which engaged in voluntary CSR, showed a neutral relationship. Similarly, Sharma and Sathish (2022) reported that public sector banks demonstrated no significant impact on economic growth, whereas private banks leveraged CSR as a marketing tool, resulting in a positive financial effect. Ramchandani and Sharma (2024) also highlighted that private sector banks with higher CSR expenditure experienced better financial performance, reflected in metrics like ROA and Tobin's Q, while public sector banks saw moderate improvements. Gon and Mititelu (2016) noted that CSR integration was still in its early stages in Indian banks, with public banks lagging behind private banks in CSR practices. Likewise, Kaur (2016) observed that although public sector banks spent more on CSR, private banks exhibited superior CSR planning and transparency. These findings collectively suggest that while CSR spending positively impacts the financial performance of private sector banks, public sector banks often experience a neutral effect due to differences in strategic approaches, regulatory requirements, and operational priorities.

Table 1: Summary of Selected Studies on CSR and Financial Performance

S.no.	CSR and Financial Performance	Authors and Year	Country	Variables	Control Variables	Methodology	Outcomes
1	Positive	Waddock & Graves, 1997	US	Corporate social performance and financial performance (ROA, ROE, Return on sales)	Size, risk, and industry	KLD rating on 469 companies using regression analysis	Both CSR and financial performance are interdependent, showing a positive relationship.
2	Positive	Bihari & Pradhan, 2011	India	CSR activities and the performance of banks	None	Analysis of published records from major Indian banks	CSR strengthens corporate performance and enhances reputation and goodwill.
3	Positive	Szegedi et al., 2020	Pakistan	Financial performance (ROE, ROA, ROS, net profit margin, Tobin's Q, stock returns)	Size, age, capital ratio, overhead expenses	Content analysis of CSR disclosure, panel data models	CSR involvement improves accounting-based financial performance in commercial banks.
4	Positive	Singh et al., 2021	India	Financial performance (Net profit, total assets) and CSR of 39 BSE-listed banks	None	Correlation method	CSR positively impacts the financial performance of banks.

5	Positive	Gayathri VP, 2024	India	CSR Expenditure, Financial Performance	Bank Size, Profitability, Community Welfare, Financial Inclusion	Literature Review, Analysis of Existing Studies	Public sector banks support financial inclusion and community welfare, with limited focus on environmental practices. CSR activities have a positive but limited impact on financial performance.
6	Positive	Sucheesmita Dash & Kishore Kumar Das, 2020	India	CSR Expenditure, CSR Performance , CSR Activities, ROA, ROE	Age, Size	Regression Analysis using SPSS	CSR Expenditure had a positive effect on financial performance (ROA and ROE), while CSR Performance and Activities had no impact.Positiv e for CSR Expenditure; No Impact for CSR Performance and Activities
7	Positive	Bihari & Pradhan, 2011	India	CSR Activities, Bank Performance	None	Descriptive Analysis	CSR strengthens corporate performance and enhances goodwill
8	Positive	Gupta, 2020	India	CSR Awareness, Bank Image, Customer Satisfaction	None	Perception Study	Customers supported socially responsible banks, but were not fully aware of CSR

							practices
9	Negative	Moore, 2001	UK	Corporate social and financial performance of UK supermarket industry	Age, size	Literature review	Weak relationship between current social and financial performances, but strong correlation between past financial performance and present.
10	Negative	Nollet et al., 2016	US	Corporate financial performance (accounting and market-based) and social performance (ESG scores of S&P 500 firms)	None	Bloomberg's ESG scores and linear/non-linear models	Negative relationship found in the linear model; U-shaped association in the non-linear model.
11	Negative	Bhattacharya et al., 2021	India	CSR expenditure, financial inclusion, and bank performance (ROA, stock returns)	Size, risk, profit margin	OLS and 2SLS models	No correlation between CSR expenditure and financial performance; inverse relationship with stock market returns.
12	Negative	Chrisostomo et al., 2011	Brazil	CSR and firm performance (firm value, financial performance)	None	Content analysis, regression analysis	CSR negatively impacts firm value, showing a detrimental relationship.

13	Negative	Kuntluru, 2019	India	CSR spending and firm performance (360 NIFTY 500 companies, 2015-2018)	Size, leverage, age	KLD ratings, Logit and Probit models	CSR spending negatively affects firm performance.
14	Neutral	McWilliams & Siegel, 2000	US	CSR, financial performance, and R&D of 524 firms	Advertising intensity	Two regression models	CSR does not significantly impact profitability when R&D intensity is considered.
15	Neutral	Aras et al., 2010	Turkey	Social responsibility policy and financial indicators of ISE 100 index companies (2005-2007)	Firm size, risk level	Various methodologies and measurement techniques	No significant link between CSR and financial performance; however, a positive relationship was found between firm size and CSR.
16	Neutral	Lin et al., 2020	US	CSR and financial performance (100 firms ranked in Fortune's list)	Financial slack	GMM estimator under dynamic panel data framework	No significant relationship between CSR and financial performance; financial slack positively influences the connection.
17	Neutral	Garg et al., 2021	India	Financial performance and CSR expenditure of 426 NSE-listed firms (2016-2019)	Net profit margin ratio, asset turnover ratio, financial leverage	OLS and four models	CSR expenditure has a minimal beneficial effect on stock returns; mandatory CSR spending does not significantly impact financial performance.

18	Positive/ Neutral	Dr. Suneetha Naisa, 2023	India	Dependent Variable- CSR Spending Independent Variables- Turnover, Net Profit	Total Assets, Tobin's Q, Company Size, Risk, Total Sales	Comparative Analysis, Annual Report Data (FY 2018-2022), Mean, Standard Deviation, Co-Variance, CAGR, Two-Way ANOVA, Regression Analysis	Private sector banks like HDFC and ICICI show a positive financial impact from CSR spending due to the mandatory 2% rule under the Companies Act, 2013. Public sector banks, engaging in voluntary CSR, exhibit a neutral relationship.
19	Positive/ Neutral	Eliza Sharma, M. Sathish, 2022	India	CSR Spending, Economic Growth, Income Index, Education Index, Gender Development Index, Life Expectancy	Bank Size, Profitability, Total Assets, GDP, GSDP (Gross State Domestic Product)	Case Analysis, Correlation, Descriptive Analysis	CSR spending had no significant impact on economic growth. Public sector banks showed a neutral relationship, while private banks used CSR as a marketing tool, leading to a positive financial impact.
20	Positive/ Neutral	Sahil Ramchandani & Sonika Sharma, 2024	India	CSR Expenditure, Financial Performance (ROA, Tobin's Q)	Bank Size, Market Capitalization, Profitability	Comparative Analysis, Descriptive Analysis, Regression Analysis	Private sector banks with higher CSR spending show better financial performance, while public sector banks exhibit moderate

							financial improvement. Positive for private sector banks, Neutral for public sector banks.
21	Neutral to Positive	Abhishek Gon & Cristina Mititelu, 2016	India	CSR Strategies, Financial Performance	Bank Size, Profitability	Case Study Analysis	CSR integration was at an early stage in Indian banks. Public banks lag behind private banks in CSR practices
22	Positive for Private Banks, Neutral for Public Banks	Kaur, 2016	India	CSR Spending, Bank Performance	None	Comparative Study	Public sector banks spent more on CSR, but private banks showed better CSR planning and transparency
23	Neutral for Public Banks, Positive for Private Banks	Sharma & Sathish, 2022	India	CSR Spending, Economic Growth	Bank Size, GDP, GSDP	Correlation Analysis	CSR had no significant impact on economic growth; Private banks use CSR as a marketing tool

3. Research Methodology

The research methodology adopted for this study is a combination of a comprehensive literature review and comparative secondary data analysis. This dual approach provides a structured framework for analyzing the relationship between Corporate Social Responsibility (CSR) and financial performance, especially within the context of Indian banks.

As emphasized by Onwuegbuzie and Frels (2016), a literature review plays a critical role in synthesizing and evaluating existing knowledge, helping to uncover patterns, contradictions, and research gaps. An extensive search was conducted using Google Scholar, employing keywords such as “CSR and financial performance,” “CSR in Indian banks,” and “CSR expenditure and profitability.” This initial search produced 50 relevant scholarly articles. After detailed screening for relevance, academic rigor, and contextual fit, 23 studies were selected. These studies presented multiple perspectives—including positive, negative, neutral, and mixed relationships between CSR and financial performance—and employed various quantitative tools such as regression analysis, correlation analysis, and panel data techniques.

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To complement the literature findings and provide real-time context, the study also incorporates secondary data analysis of actual CSR performance of ten leading Indian banks (both public and private sector) for two financial years (FY 2021–22 and FY 2022–23). Data was sourced from annual reports, bank websites, and official CSR disclosures under Section 135 of the Companies Act, 2013.

The CSR performance of each bank was evaluated using the following metrics:

1. Average Net Profit (₹ Cr)
2. CSR Mandated Spend (2% of Avg Net Profit)
3. Actual CSR Spend (₹ Cr)
4. CSR Spend as % of Profit
5. CSR Performance Score (0–10 scale based on relative achievement)

This comparative scorecard analysis facilitated an evidence-based understanding of the variations in CSR practices between public and private sector banks. The results from this analysis were thematically interpreted using theoretical frameworks such as stakeholder theory, institutional theory, and the resource-based view to explain differences in strategic orientation.

All data used were from publicly available, ethically sourced documents. Care was taken to uphold academic integrity and transparency throughout the process.

3.1 Objectives of the Study

The specific objectives of the study are:

1) To analyze the impact of CSR initiatives on the financial performance of firms.
2) To classify the nature of the relationship (positive, negative, neutral, or mixed) between CSR and financial performance.
3) To compare the CSR-financial performance linkage between public and private sector banks in India.
4) To evaluate CSR spending efficiency of selected banks using comparative performance metrics.

3.2 Hypotheses of the Study

H_0: There is no significant relationship between CSR and the financial performance of firms.

H_1: There is a significant relationship between CSR and the financial performance of firms.

H_2: The impact of CSR on financial performance differs between public and private sector banks.

H_3: Private sector banks demonstrate higher CSR effectiveness compared to public sector banks.

4. Analysis and Interpretation

This section integrates insights from both literature review and empirical evidence to examine the central hypothesis of the study:
"There exists a significant relationship between Corporate Social Responsibility (CSR) and the Financial Performance of firms."

4.1 Insights from Literature

The analysis of 23 selected studies provides nuanced evidence to examine the proposed hypothesis: "There exists a significant relationship between Corporate Social Responsibility (CSR) and Financial Performance of firms."

The literature review supports this hypothesis, although the direction and strength of the relationship vary. A considerable portion of the literature confirms a positive correlation, affirming the hypothesis. Studies such as those by Waddock & Graves (1997), Bihari & Pradhan (2011), and Singh et al. (2021) demonstrate that firms engaging in CSR, especially in a strategic and stakeholder-focused manner, experience improvements in financial metrics such as ROA and ROE. These findings suggest that CSR can be an asset, reinforcing the positive dimension of the hypothesis.

However, the presence of studies showing negative (e.g., Moore, 2001; Bhattacharya et al., 2021) and neutral relationships (e.g., McWilliams & Siegel, 2000; Garg et al., 2021) introduces complexity to the hypothesis. These contrasting findings imply that while a relationship does exist, it may not always be beneficial or statistically significant. Factors such as industry type, firm size, CSR implementation strategy, and regulatory environments play a crucial role in influencing outcomes. These variations challenge the universality of the hypothesis and indicate that the relationship may be conditional or context-dependent.

Moreover, studies highlighting a mixed or positive/neutral impact, particularly in the Indian banking sector (e.g., Dr. Suneetha Naisa, 2023; Ramchandani & Sharma, 2024), further support the hypothesis by confirming a relationship exists, even though its effect varies between private and public sector banks. Private banks tend to gain more financial advantages from CSR, suggesting that strategic alignment of CSR with core business goals is critical for realizing financial benefits.

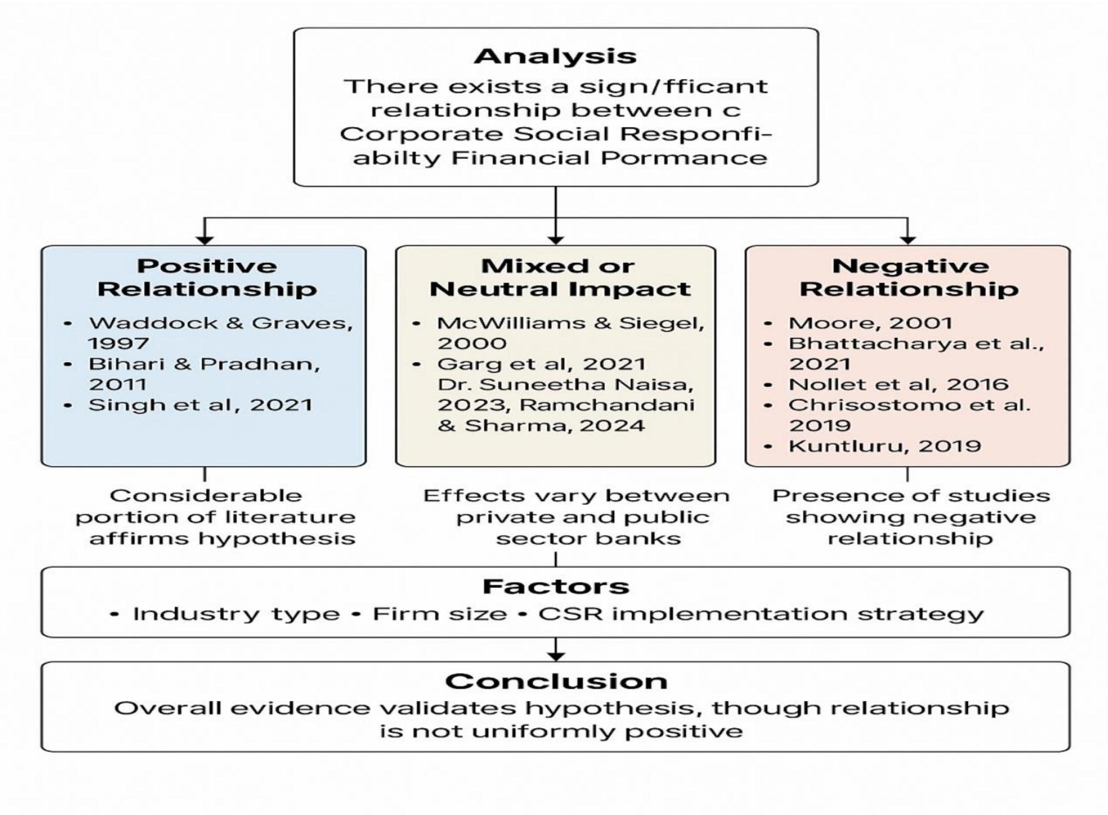

Table 2: "Summary of Empirical Evidence on the Relationship Between CSR and Financial Performance"

4.2 Empirical Analysis: Bank-wise CSR Scorecard

To supplement the literature findings, CSR performance of 10 prominent Indian banks was analyzed for FY 2021–22 and FY 2022–23. The following parameters were used:
Average Net Profit, CSR Mandated Spend, Actual CSR Spend, CSR as % of Avg Profit, and a CSR Score (0–10).

Bank-wise CSR Scorecard: Comparative Analysis (FY 2021–22) & (FY 2022–23)

Table:3 Bank-wise CSR Scorecard (FY 2021–22)

Rank	Bank	Avg Net Profit (₹ Cr)	CSR Mandated Spend (₹ Cr)	Actual CSR Spend (₹ Cr)	CSR % of Avg Profit	CSR Score (0–10)
1	IndusInd Bank Ltd.	3,955.00	79.1	108.7	2.75%	10
2	Canara Bank	2,000.14	40	50.96	2.55%	9.24
3	HDFC	31,444.95	628.9	736.01	2.34%	8.44
4	Kotak Mahindra Bank Ltd.	7,162.00	143.23	162	2.26%	8.13
5	Axis Bank Ltd.	7,080.00	141.61	138	1.95%	6.95
6	ICICI Bank Ltd.	15,821.00	316.43	266.62	1.69%	5.95
7	Union Bank of India	1,699.03	33.98	28.32	1.67%	5.88
8	SBI	22,191.33	443.83	204.1	0.92%	3.02
9	Bank of Baroda	2,882.48	57.65	8.29	0.29%	0.61
10	Bank of India	2,845.67	56.91	3.72	0.13%	0

Observations: Top 5 Banks in CSR performance (based on actual CSR spend as a % of profits) are IndusInd, Canara, HDFC, Kotak, and Axis.Public Sector Banks like Bank of India, Bank of Baroda, and SBI rank lower, indicating underperformance in CSR contribution relative to profits.

Table 4: Bank-wise CSR Scorecard (FY 2022–23)

Rank	Bank	Avg Net Profit (₹ Cr)	CSR Mandated Spend (₹ Cr)	Actual CSR Spend (₹ Cr)	CSR % of Avg Profit	CSR Score (0–10)
1	HDFC	37,395.41	747.91	821.49	2.20%	10
2	IndusInd Bank Ltd.	4,945.70	98.91	108.51	2.19%	9.95
3	Kotak Mahindra Bank Ltd.	8,825.61	176.51	187	2.12%	9.6
4	Axis Bank Ltd.	9,731.22	194.62	202	2.08%	9.41

5	ICICI Bank Ltd.	23,810.06	476.2	462.66	1.94%	8.71
6	SBI	34,105.82	682.12	316.76	0.93%	3.71
7	Canara Bank	6,280.06	125.6	47.51	0.76%	2.87
8	Union Bank of India	5,523.79	110.48	23.38	0.42%	1.19
9	Bank of India	3,169.67	63.39	6.24	0.20%	0.1
10	Bank of Baroda	7,403.62	148.07	13.5	0.18%	0

Top Performers: HDFC, IndusInd, Kotak, and Axis spent well above the mandated level and show strong CSR alignment. Lagging Performers: PSU banks like Bank of Baroda and Bank of India spent far less than mandated, indicating weak CSR commitment.

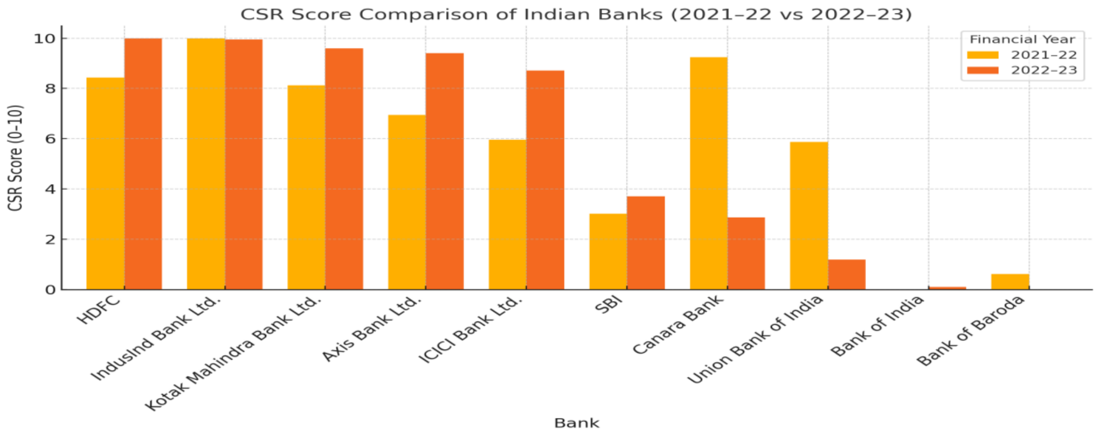

Figure 1 CSR Score Comparison of Indian Banks (2021-22 Vs 2022-23)

The comparative CSR score analysis across FY 2021–22 and 2022–23 highlights a consistent trend of superior CSR performance among private sector banks in India. IndusInd Bank, HDFC, and Kotak Mahindra Bank emerged as the top performers, with CSR expenditures consistently exceeding the mandated threshold under Section 135 of the Companies Act, 2013. In contrast, public sector banks such as Bank of India and Bank of Baroda showed minimal CSR investment relative to their average profits, suggesting limited strategic engagement. Notably, Canara Bank recorded a temporary spike in FY 2021–22 but dropped significantly in FY 2022–23. These findings underscore the importance of not just complying with CSR mandates, but integrating CSR into core business strategy to achieve sustained impact.

Table 5: Private vs. Public Sector Performance

Metric	Private Sector Banks (Avg)	Public Sector Banks (Avg)
CSR % of Avg Profit (FY 2022–23)	~2.15%	~0.58%

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Avg CSR Score (Top 4 Private)	9.67	1.22 (Bottom 4 PSU)

The data reveals a clear strategic advantage for private banks in leveraging CSR for reputational, regulatory, and possibly financial benefits. In contrast, public sector banks demonstrate limited alignment between CSR investments and business goals, often perceiving CSR as a compliance necessity rather than a strategic opportunity.

The findings validate the hypothesis that CSR and financial performance are interlinked, though the relationship is not always linear or uniformly positive, but the strength and direction of this relationship depend on the strategic intent, institutional context, and execution quality. This reinforces the importance of moving beyond compliance towards a strategic integration of CSR, especially in sectors like banking where trust and reputation significantly impact performance.

Challenges and Conflicting Views

The relationship between Corporate Social Responsibility (CSR) and financial performance is not without its challenges and conflicting interpretations. While a significant number of studies suggest a positive association, particularly when CSR initiatives are aligned with business strategy, others caution against overly optimistic assumptions. One of the primary concerns highlighted in the literature is the potential diversion of financial resources. For instance, Nollet et al. (2015) argue that CSR spending may divert capital away from core business functions or other high-return investments, leading to diminished financial performance, especially in the short term.

Another area of contention is the mandatory nature of CSR regulations, such as those introduced in India under the Companies Act, 2013. Critics argue that these mandates impose additional compliance costs, particularly on small and medium enterprises, which may lack the necessary infrastructure or expertise to implement meaningful CSR programs. This can result in CSR being viewed as a financial burden rather than a strategic asset.

Despite these concerns, some researchers emphasize that firms adopting a strategic approach to CSR — by integrating social goals with business objectives — tend to achieve better long-term outcomes. Such firms benefit from enhanced brand reputation, improved stakeholder trust, customer loyalty, and even investor confidence. These intangible benefits may not immediately reflect in financial statements but can significantly contribute to sustainable financial performance over time.

In essence, while CSR presents challenges, particularly in terms of costs and implementation, the conflicting views in the literature highlight the importance of how CSR is managed. Strategic, well-aligned CSR efforts can yield long-term financial gains, whereas superficial or compliance-driven initiatives may lead to neutral or even negative financial consequences.

Future Research Directions

While this study offers valuable insights through a comprehensive review of literature on CSR and financial performance in Indian banks, it opens multiple avenues for future research. Empirical studies using primary or panel data can further validate the observed patterns and test causality through advanced econometric models. Comparative studies across sectors beyond banking—such as manufacturing, IT, or FMCG—could reveal sector-specific CSR dynamics. Furthermore, a deeper exploration of ESG metrics, SDG alignment, and CSR reporting quality would enrich the understanding of CSR's strategic value. Future researchers are also encouraged to examine stakeholder perception, consumer loyalty, and investor behavior in response to CSR initiatives, thereby bridging the gap between financial and social outcomes in corporate strategy.

Conclusion

The analysis of CSR performance across Indian commercial banks reveals significant disparities, reflecting divergent levels of strategic commitment, resource allocation, and alignment with broader societal objectives. While private sector banks like HDFC, IndusInd, Kotak Mahindra, and Axis Bank consistently exceed mandated CSR thresholds and demonstrate a clear alignment between CSR initiatives and business strategy, several public sector banks—including Bank of India and Bank of Baroda—continue to underperform. These inconsistencies indicate that CSR in the Indian banking sector is still evolving, with many institutions yet to fully integrate social responsibility into their corporate ethos.

The findings affirm the hypothesis that a significant relationship exists between Corporate Social Responsibility (CSR) and a firm's financial performance. However, this relationship is complex and conditional, influenced by factors such as firm size, ownership structure, regulatory context, and the strategic integration of CSR activities. The observed trends underscore that CSR, when strategically aligned with business goals and stakeholder expectations, can yield both social impact and financial returns.

To improve the overall effectiveness and impact of CSR in the banking sector, this study recommends:

1. Greater transparency in CSR reporting and disclosure practices,
2. Explicit alignment of CSR initiatives with the Sustainable Development Goals (SDGs),
3. Deeper integration of CSR strategies with banks' core business operations.

These measures would ensure that CSR is not only a tool for regulatory compliance but a catalyst for long-term value creation, enhancing both corporate reputation and stakeholder trust.

Finally, the study advocates for future research to examine the role of regulatory environments, governance mechanisms, and stakeholder engagement in shaping CSR outcomes. Such studies would provide a more granular understanding of the levers that drive effective CSR and its tangible impact on organizational performance within the Indian banking ecosystem.

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