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CSR AND FINANCIAL PERFORMANCE OF TOP BANKS IN INDIAN BANKING INDUSTRY

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ABSTRACT
*This study explores the relationship between **Corporate Social Responsibility (CSR)** and **financial performance** in the Indian banking industry, focusing on the **top five public and private sector banks**. With increasing emphasis on sustainability and stakeholder engagement, Indian banks have integrated CSR initiatives into their core strategies. The study uses financial tools like **Return on Assets (ROA)**, **Return on Equity (ROE)**, **Earnings Per Share (EPS)**, **Net Profit Margin** and **Tobin Q** with the assessment of CSR efforts based on annual reports and sustainability disclosures from 2020–2024. To analyze the shift in corporate social responsibility (CSR) practices, a comparative tool was employed to assess the CSR expenditure of 10 major Indian banks, highlighting the **percentage change in spending** between 2020 and 2024.*
KEYWORDS: *CSR, Public Sector Banks, Private Sector Banks, Financial Performance, CSR Expenditure.*

INTRODUCTION

In today's rapidly evolving business environment, **Corporate Social Responsibility (CSR)** has become a critical factor for the success and sustainability of financial institutions, particularly in the banking sector. As banks play a pivotal role in economic development, financial stability, and social progress, integrating CSR into their core strategies has garnered increasing importance. CSR activities not only help address social and environmental issues but also strengthen **client trust**, **brand reputation**, and **long-term profitability**. In India, the **Companies Act of 2013** mandates that banks allocate at least **2% of their average net profits** from the last three years to CSR initiatives. This mandatory spending applies to banks that meet specific criteria, including a net worth of ₹500 crore or more, a turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more during any of the preceding three years. While 2% is the minimum legal requirement, many banks choose to invest more in CSR initiatives as they recognize the broader benefits these activities bring, such as enhancing brand reputation, fostering customer loyalty, and contributing to long-term sustainability. . The study will provide insights into how CSR activities impact profitability, growth, and overall financial stability.

OBJECTIVE

- To measure the CSR contribution on financial performance of the Banking industry in India.
- To compare the financial performance of public sector and private sector banks in India.
- To analyse the expenditure on CSR Initiatives by the banking industry in India.

REVIEW OF LITERATURE

- **Kumar and et al (2022)** done research on the topic **"CSR and Firm Financial Performance: Evidence from Indian Manufacturing Companies**" in which they analyzed manufacturing companies in India and observed a positive relationship between CSR practices, especially related to environmental sustainability and employee welfare, and financial performance. They argued that CSR initiatives in the form of reducing environmental impact and improving employee welfare led to enhanced operational efficiencies, which ultimately reflect in better financial outcomes.
- **Panda and et al (2022)** done research on the topic **"CSR and Financial Performance in Indian FMCG Companies**". In their analysis of fast-moving consumer goods (FMCG) companies in India found that CSR activities, especially those focused on sustainable sourcing and waste management, were positively correlated with financial performance. They argued that sustainable practices not only improved cost efficiencies but also enhanced consumer perception, leading to greater sales and market share.
- **Ndum and et al (2022)** conducted a study on **"Effect of financial ratio analysis on performance of selected companies in Nigeria"**. This study determined the effect of financial ratio analysis on performance of Food and Beverages companies in Nigeria, using market ratio, profitability ratio and return on assets. Ex-

post facto research design was employed in the study. In this study, simple linear regression was utilized. The outcome of the regression analysis shows that, at the 5% level of significance, the market ratio and profitability ratio of listed food and beverage firms in Nigeria strongly relate with return on assets.

- **Jain and et al (2021)** in their research work **"The Role of Corporate Social Responsibility in Enhancing Financial Performance: A Study of Indian IT Companies**" analysed about the Indian IT companies to examine the impact of CSR on financial performance. Their results revealed that companies investing in CSR activities such as environmental sustainability, community welfare, and employee health programs saw a noticeable improvement in both short-term and long-term profitability. The research emphasized that CSR led to improved employee productivity, reduced turnover, and increased client satisfaction, all of which positively impacted financial performance.
- **Sharma and et al (2020)** in their paper work titled **"Corporate Social Responsibility and Profitability: An Empirical Study of Indian Firms"** analysed the effect of CSR on the profitability of listed companies in India. They found a positive correlation between CSR expenditure and profitability, especially in sectors like IT and pharmaceuticals. Companies engaging in environmental and social welfare activities saw improved financial performance, suggesting that CSR helps in mitigating risks and gaining competitive advantages.

RESEARCH DESIGN

The study is **descriptive** and **analytical** in nature and it is concerned with the **analysis of Financial Statements of Banks in India** i.e. Top 5 - Public and Private Sector banks.

PERIOD OF THE STUDY

The time of the recent years has been considered for the overall financial performance of Banks in India that is from the **2019-2020 to 2023-2024.**

DATA COLLECTION

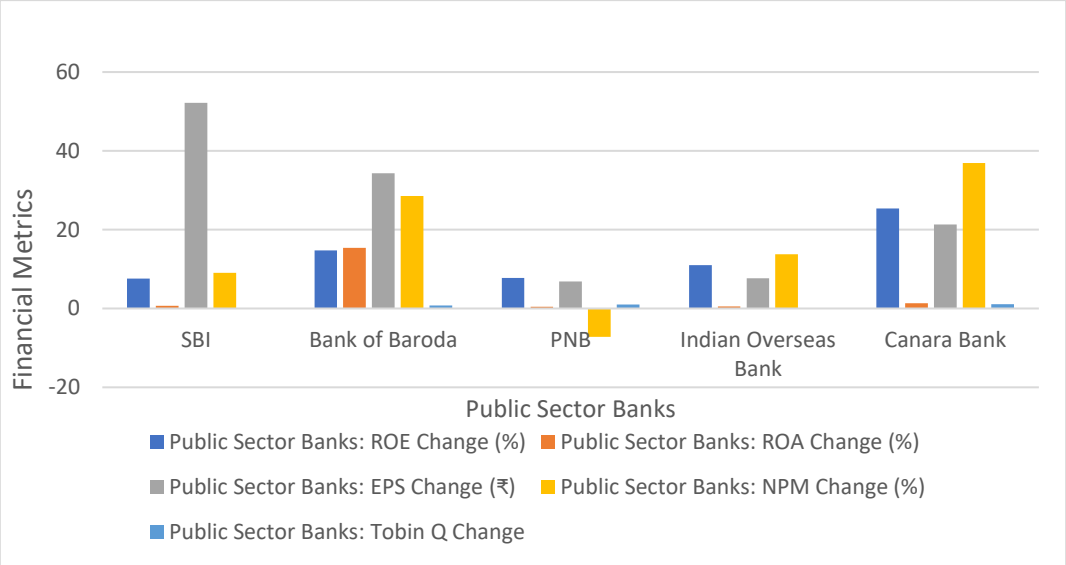
The data for this project is collected from **Secondary sources.** Data is collected from the past financial records of the company. That is balance sheets, profit & loss account, annual reports of the company and other financial statements. And also, from journals, newspapers, magazines, publication and websites are referred to obtain information.

MEASUREMENT OF FINANCIAL PERFORMANCE

1. PUBLIC SECTOR BANKS

Bank	ROE Change (%)	ROA Change (%)	EPS Change (₹)	NPM Change (%)	Tobin Q Change
SBI	7.58	0.66	52.21	9.08	0.0642
Bank of Baroda	14.75	15.4	34.28	28.59	0.79
PNB	7.76	0.48	6.87	-7.21	1.01
Indian Overseas Bank	11.03	0.5	7.65	13.8	0.06
Canara Bank	25.37	1.3	21.35	36.89	1.07

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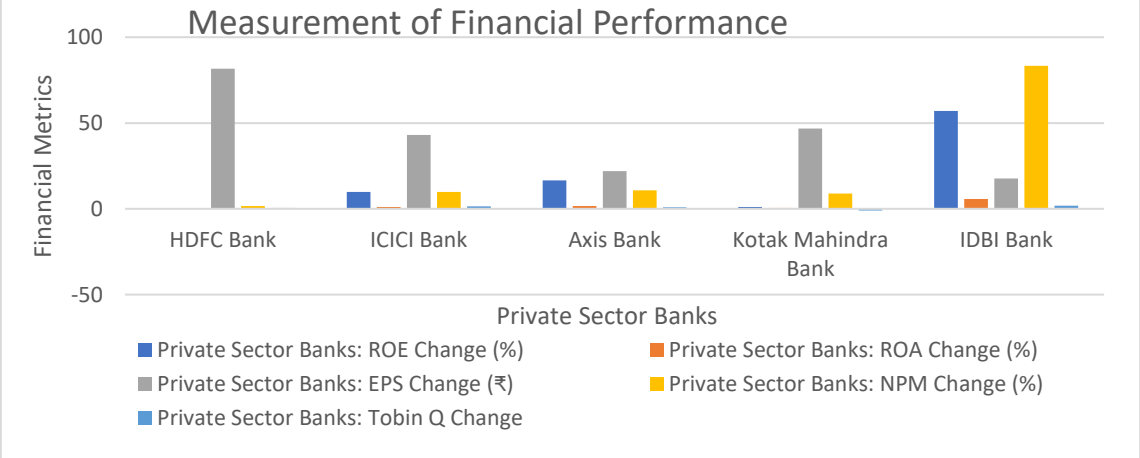


INTERPRETATION

Between 2020 and 2024, the improved financial performance of public sector banks has strengthened their capacity to invest in Corporate Social Responsibility (CSR) initiatives. For example, Canara Bank showed a remarkable rise in ROE by 25.37% and NPM by 36.89%, indicating enhanced profitability and operational efficiency, key enablers of increased CSR spending. Similarly, Bank of Baroda reported a 14.75% rise in ROE and a 28.59% increase in NPM, reflecting improved resource utilization, which can translate into greater CSR contributions. SBI's steady rise in EPS by ₹52.21 and ROE by 7.58% also supports its continued CSR engagement. Indian Overseas Bank and PNB, despite smaller gains, improved their ROE by 11.03% and 7.76% respectively, which suggests a better financial base for future CSR plans. These improvements align with the view that better financial outcomes provide banks with more room to fulfil their CSR obligations, fostering inclusive and responsible growth in society.

PRIVATE SECTOR BANKS

Bank	ROE Change (%)	ROA Change (%)	EPS Change (₹)	NPM Change (%)	Tobin Q Change
HDFC Bank	0.3	0	81.71	1.7	0.5
ICICI Bank	9.75	0.99	43	9.74	1.35
Axis Bank	16.52	1.63	22.03	10.74	0.88
Kotak Mahindra Bank	1.04	0.54	46.72	8.85	-0.99
IDBI Bank	57.02	5.79	17.74	83.39	1.8



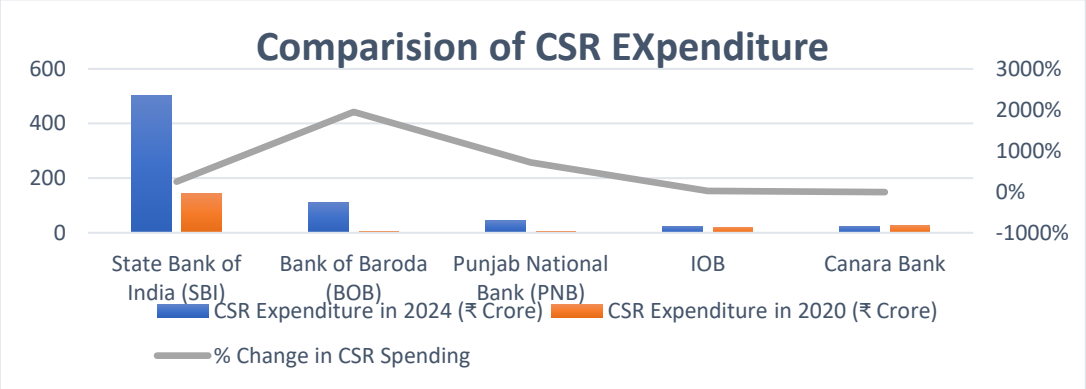
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INTERPRETATION

From 2020 to 2024, private sector banks in India showed strong financial growth, increasing their ability to invest in Corporate Social Responsibility (CSR) activities. IDBI Bank led the way with a 57.02% rise in Return on Equity (ROE), 5.79% in Return on Assets (ROA), and an 83.39% increase in Net Profit Margin (NPM), reflecting a major improvement in profitability and efficiency. ICICI Bank also performed well, with a 9.75% rise in ROE, ₹43 increase in Earnings per Share (EPS), and 9.74% growth in NPM, providing a stable financial base for CSR. Axis Bank had the highest growth in ROE (16.52%) and ROA (1.63%), showing better operational returns that support social initiatives. Kotak Mahindra Bank saw moderate improvements with a 1.04% rise in ROE and 8.85% in NPM, though a 0.99 drop in Tobin Q pointed to a cautious market outlook. HDFC Bank maintained consistent progress, with an ₹81.71 rise in EPS and a 0.5 increase in Tobin Q, confirming its strong position to continue effective CSR efforts.

COMPARISION OF CSR EXPENDITURE OF PUBLIC BANKS IN INDIA

Bank	CSR Expenditure in 2024 (₹ Crore)	CSR Expenditure in 2020 (₹ Crore)	% Change in CSR Spending
State Bank of India (SBI)	502.32	144.88	247%
Bank of Baroda (BOB)	111.69	5.47	1950%
Punjab National Bank (PNB)	44.6	5.47	717%
Indian Overseas Bank (IOB)	24.71	20.5	20.70%
Canara Bank	24.71	26.83	-7.90%



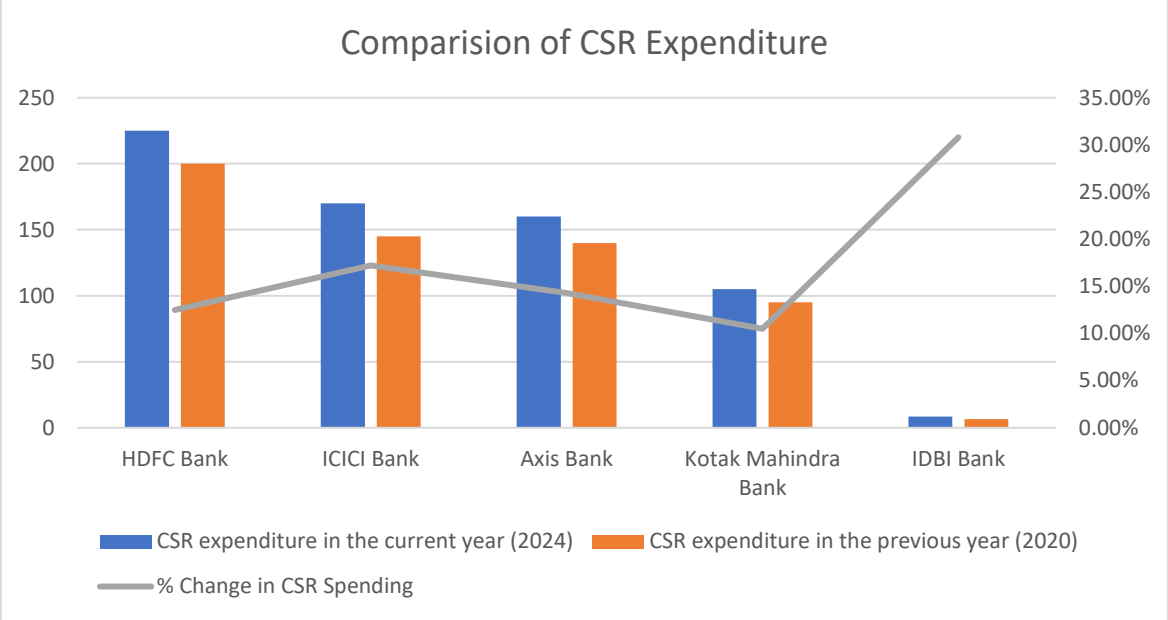
INTERPRETATION

Between 2020 and 2024, Indian banks have demonstrated a varied approach to corporate social responsibility (CSR), with some significantly ramping up their contributions, while others have shown more restrained growth. The State Bank of India (SBI) led the way with a remarkable 247% increase in CSR expenditure, growing from ₹144.88 crore in 2020 to ₹502.32 crore in 2024, reflecting a strong commitment to social causes. Bank of Baroda (BOB) saw an astounding 1950% surge, from ₹5.47 crore to ₹111.69 crore, marking an extraordinary expansion in its CSR efforts. Similarly, Punjab National Bank (PNB) raised its CSR spending by 717%, from ₹5.47 crore to ₹44.6 crore, indicating a robust shift toward social responsibility. Indian Overseas Bank (IOB) registered a more moderate increase of 20.7%, from ₹20.5 crore to ₹24.71 crore, signaling steady growth in its community initiatives. In contrast, Canara Bank experienced a slight reduction of 7.9%, with its CSR spending dropping from ₹26.83 crore to ₹24.71 crore, which could reflect changes in its strategic priorities. This data highlights the diverse approaches banks are taking towards CSR, with some prioritizing large-scale investments in social causes, while others focus on maintaining or slightly adjusting their efforts.

COMPARISION OF CSR EXPENDITURE OF PRIVATE BANKS IN INDIA

BANKS	CSR expenditure in the current year (2024)	CSR expenditure in the previous year (2020)	% Change in CSR Spending
HDFC Bank	225	200	12.50%
ICICI Bank	170	145	17.20%
Axis Bank	160	140	14.30%
Kotak Mahindra Bank	105	95	10.50%
IDBI Bank	8.5	6.5	30.80%

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INTERPRETATION

The CSR expenditure of private sector banks has shown a positive trend from 2020 to 2024, highlighting an increasing focus on corporate social responsibility. HDFC Bank led with a 12.5% growth, signaling its sustained commitment to societal development, while ICICI Bank followed closely with a 17.2% rise, demonstrating a strong inclination towards social welfare. Axis Bank also showed a healthy increase of 14.3%, reflecting its steady investment in community initiatives. Kotak Mahindra Bank, with a 10.5% rise, further confirms the growing importance of CSR in the financial sector. IDBI Bank, despite being smaller in overall expenditure, had the highest percentage growth at 30.8%, showing significant progress in its CSR efforts, albeit from a smaller base. The overall trend indicates that these banks are progressively allocating more resources to CSR activities, which could be linked to their increasing recognition of the positive impact of social initiatives on brand value, reputation, and long-term sustainability.

FINDINGS

- Canara Bank exhibited the highest improvement in financial performance, with a 25.37% increase in ROE and a 36.89% rise in NPM, reflecting its stronger profitability and operational efficiency, enabling better CSR investments. In contrast, Canara Bank's CSR expenditure decreased slightly by 7.9% despite the growth.
- IDBI Bank experienced the most significant improvement in financial performance, with a 57.02% rise in ROE and an 83.39% increase in NPM, allowing for a strong boost in CSR expenditure (30.8% increase). Despite this, its CSR spending remains relatively low compared to larger banks.
- Both public and private banks exhibited a steady increase in CSR contributions, with banks like ICICI (17.2%) and Axis Bank (14.3%) showing consistent growth. This reflects a growing recognition of CSR's impact on long-term sustainability and brand value.

SUGGESTIONS

- Banks such as Indian Overseas Bank (IOB) and Kotak Mahindra Bank, which showed modest CSR growth, should aim to increase their CSR investments. This can be achieved by identifying more impactful social causes and engaging in larger-scale initiatives that align with their operational strengths.
- Punjab National Bank (PNB) showed a 7.76% increase in ROE, but its CSR spending increased by 717%, reflecting a significant shift toward social responsibility. However, the bank's financial performance can be further enhanced by focusing on improving profitability, potentially moving from a negative NPM growth of -7.21% to a positive one. Strengthening operational efficiency will allow PNB to allocate more resources to CSR activities consistently.
- SBI achieved a 247% increase in CSR expenditure, rising from ₹144.88 crore to ₹502.32 crore. The bank's steady financial performance with a 7.58% increase in ROE and ₹52.21 increase in EPS signals

its ability to maintain a steady flow of CSR investments. The bank should consider increasing investments in long-term sustainability projects, ensuring its contributions leave a lasting social impact.

CONCLUSION

The analysis of the financial performance and CSR expenditures of public and private sector banks between 2020 and 2024 reveals that banks with improved profitability and operational efficiency have greater capacity to invest in Corporate Social Responsibility (CSR) initiatives. Public sector banks like **Canara Bank** and **Bank of Baroda** have shown significant financial growth, with **Canara Bank** registering a 25.37% increase in ROE and 36.89% growth in NPM, enabling them to increase their CSR spending substantially. Similarly, **SBI**'s steady rise in EPS and ROE has allowed it to significantly boost its CSR investments, underscoring the relationship between strong financial performance and increased social responsibility.On the private sector side, **IDBI Bank** stands out with a remarkable 57.02% increase in ROE and 83.39% growth in NPM, highlighting a strong financial turnaround that strengthens its CSR capabilities. Other banks like **ICICI Bank**, **Axis Bank**, and **HDFC Bank** have also shown steady financial growth, enabling them to incrementally increase their CSR budgets and contribute to social causes. Despite moderate growth, banks like **Kotak Mahindra Bank** and **HDFC Bank** have maintained strong performance, which supports their ongoing CSR efforts.

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