Corporate Social Responsibility in Banking: Evaluating the Impact of CSR Practices on the Financial Performance of Selected Indian Banks

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ABSTRACT

Corporate Social Responsibility (CSR) initiatives are primarily aimed at enhancing impact on society and the environment beyond its core business activities. These initiatives focus on various aspects such as poverty alleviation, healthcare, rural development, promoting financial literacy, education, and environmental protection. Despite the growing interest in CSR and its implications for businesses, there remains a need for empirical studies specifically focusing on the banking sector. This research aims to investigate how CSR practices impact the financial performance of banks. The study employs a causal and cross-sectional model to assess the influence of CSR activities on the financial performance of Indian banks. The findings reveal that banks prioritise community, environmental protection, and education in their CSR efforts, but their contributions to farmers' welfare and financial literacy are relatively limited. Additionally, the research highlights a notable difference in CSR practices between public and private sector banks. Furthermore, the study suggests that CSR performance has an impact on the financial performance of these banks. This study bridges the gap between CSR literature and financial performance in the banking industry by investigating how CSR practices influence profitability and investor decision-making in banks, giving insights that can nourish future studies and theoretical development. Banks can use the insights gathered to optimise their CSR efforts, better aligning them with financial objectives and improving overall performance. Investors may incorporate CSR issues into their decision-making processes, which may lead to better investment results and risk management. Regulators may use the data to create rules that encourage responsible banking and financial stability.

Keywords: Corporate Social Responsibility (CSR), Community Welfare, Environmental Protection, Financial Performance

1. INTRODUCTION

The term "Corporate Social Responsibility" (CSR) gained prominence in the business sphere, signifying an increasing recognition of companies' obligations to make positive contributions to society and the environment beyond their core economic pursuits (Rahman et al., 2024). The interconnectedness of CSR and the net-zero economy highlights the critical role that businesses can play in achieving a sustainable future (Thakur & Shah, 2024). Although CSR has garnered significant attention across various industries, its impact on the banking sector in India remains largely uncharted (Mishra & Sant, 2023). Banks play a crucial role in the economy by facilitating the flow of funds between savers and borrowers, fostering economic growth, and shaping decisions regarding capital allocation (Chaudhary & Yadav, 2022). Consequently, there is significant interest among researchers, practitioners, policymakers, and other stakeholders to understand the impact of CSR activities on the financial performance of banks (Shah, 2018). The fundamental aim of CSR is to enhance the company's overall influence on society and stakeholders (Mohd, 2023). The term "responsibility" underscores the moral obligations that a business holds toward society (Dhingra & Mittal, 2014). The ethical obligations of a business are interconnected with its dedication to multiple parties, such as stakeholders, employees, shareholders, customers, suppliers, and governmental bodies, among others. CSR embodies the concept that corporations are not solely focused on profit generation; they also have an ethical duty to contribute to the improvement of the society that facilitates their prosperity (Sharma, 2011). In the past, organizations prioritized profit maximization as their primary objective, allocating resources for production and providing

goods and services mainly to generate financial gains. However, there has been a shift in the contemporary landscape, with a growing acknowledgment of the importance of corporate social responsibility in business, alongside the pursuit of maximizing wealth.

2. REVIEW OF LITERATURE

Examining the scholarly literature on socially responsible banking, particularly in the context of India, sheds light on a promising outlook characterized by numerous studies that assess the relationship between Corporate Social Responsibility (CSR) practices and financial performance. An in-depth investigation conducted by Kumar and Prakash (2020) underscores the growing adoption of CSR initiatives by Indian banks, encompassing a range of practices including community development, environmental sustainability, and ethical investment. These endeavors are perceived not solely as ethical necessities but also as strategic instruments for bolstering corporate reputation (Smith, 2003). Maqbool & Zameer (2018) utilized a panel dataset covering 28 Indian commercial banks over a decade. They also incorporated control variables such as size, risk, capital intensity, and age. Their findings demonstrate a favorable impact of CSR on both profitability and stock returns. As a result, the outcomes indicate that CSR positively affects the financial performance of Indian banks. According to the research by Kaur & Singh (2020), CSR demonstrates a favourable impact on Financial Performance (FP), particularly regarding value-added margin (VAM), profit margin (PM), and gross margin (GM). This suggests that greater allocations to CSR activities can result in enhanced shareholder wealth, increased profitability, and boosted sales. However, it's important to highlight that this study did not establish a significant correlation between CSR and Market Momentum (MM). Sameer (2021) examined the association between Corporate Social Responsibility (CSR) and financial metrics by categorizing it into three primary dimensions: Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS). The study's findings reveal a significant and adverse correlation between diversity and ROA. However, no significant relationships were observed between community engagement, environmental initiatives, workplace policies, and ROA. Regarding ROE, the results also indicate a robust and negative link with environmental practices, while no notable associations were found between community involvement, diversity, workplace policies, and ROE. Furthermore, in exploring the impact of control variables on ROE, the study suggests that company size lacks statistical significance. Similarly, the correlation between company size and ROE demonstrates a negative trend, with no substantial relationships identified between community engagement, diversity, environmental efforts, workplace practices, and ROE (Cho et al., 2019). AIS greatly enhances small business agility by facilitating rapid responses to market changes and optimizing resource utilization. Additionally, it promotes sustainability by reducing waste and improving resource management efficiency (Koundal & Bhalla, 2025).

Margaretha & Rachmawati (2016) indicates that when evaluating CSR through employee-related metrics, it does not significantly affect a company's financial performance, as measured by Return on Assets (ROA) and Tobin's Q. Conversely, the environmental dimension demonstrates a notable influence on ROA but not on Tobin's Q. Conversely, community-related CSR demonstrates a significant impact on both ROA and Tobin's Q. Iqbal et al., (2012) The findings suggest that Corporate Social Performance (CSR) does not influence Financial Performance (CFP). The results distinctly show that CSR adversely affects the market value of the company's shares, yet it does not display any significant correlation with the firm's Debt-to-Equity (D/E) ratio. Costa & Fonseca (2022) the contribution can be outlined in three primary facets: Firstly, it involves scrutinizing the world's largest thousand firms presently active. Secondly, the econometric results underscore a favourable connection between incorporating CSR and innovation, leading to enhanced financial performance. Lastly, when examining various time frames, the evidence suggests a gradual but positive trend in the uptake of CSR practices. However, the relationship is not consistently straightforward. Dixit et al., (2021), propose that although CSR practices typically produce favourable results, their impact may depend on variables such as the specific types of CSR initiatives and the broader economic environment. The literature underscores the necessity for a nuanced comprehension of the contextual elements shaping the efficacy of CSR practices within the Indian banking sector (Chaudhary & Yadav, 2022). The incorporation of environmental, social, and governance (ESG) principles into financial sector investment evaluations constitutes the essence of sustainable finance (Koundal et al., 2024). As awareness grows, embracing sustainable finance becomes essential for a resilient, just, and sustainable future (Hussain et al., 2025; Thakur, Hussain, et al., 2024). As public awareness of environmental issues grows, businesses are increasingly developing strategies for sustainable management practices. Businesses play a crucial role in creating jobs and generating wealth, but when they fail to act responsibly, they can also harm society and the environment (Thakur, Shah, et al., 2024). Additionally, scholars such as Jain and Kumar (2017) underscore the significance of stakeholder perceptions, suggesting that the effectiveness of CSR endeavours is closely intertwined with how these practices are perceived by customers, investors, and the wider community. Notably, the existing literature on socially responsible banking in India, particularly concerning the association between Corporate Social Responsibility (CSR) practices and financial performance, is lacking. While numerous studies recognize the positive correlation between CSR involvement and financial indicators, there is a limited understanding of contextual factors that might moderate or amplify this relationship, particularly within the Indian context. Therefore, further research is essential to explore the nuanced impacts of specific CSR initiatives and the influence of economic conditions on the financial outcomes of banks in India.

3. RESEARCH GAP

The literature on socially responsible banking in India underscores the growing adoption of CSR practices among banks. However, there is a noticeable dearth of studies specifically examining the extent of CSR practices within the Indian banking sector and their implications for corporate performance. The primary objective of this paper is to evaluate the level of CSR involvement within the banking industry, particularly following the implementation of the New Companies Act in 2013. This legislative change mandated CSR for certain categories of companies, including a significant portion of banking enterprises operating in India. The increased focus on CSR stems from its perceived capacity to impact company performance. Over time, numerous studies have documented varied and sometimes unpredictable effects of corporate social responsibility on financial performance. Hence, the central aim of this research is to empirically investigate the effects of CSR on financial performance, with specific attention to key metrics such as Net Profit Margin (NPM), Return on Assets (ROA), Return on Equity (ROE), and the prevalence of Non-Performing Assets (NPA)

4. OBJECTIVES OF THE STUDY

The research endeavours to perform an in-depth analysis of Corporate Social Responsibility (CSR) practices within both public and private sector banks, contrasting their efforts in domains like philanthropy and community development. Furthermore, it aims to evaluate the influence of these CSR practices on banks' financial performance by investigating the correlation between social responsibility initiatives and vital financial metrics such as profitability and return on investment.

5. HYPOTHESIS

H_1 = There is no significant differences in the CSR initiatives undertaken by private sector banks and public sector banks.

H_2= There is no significant impact of the CSR performance on financial performance of the selected banks.

6. RESEARCH METHODOLOGY

The study aims to investigate the influence of corporate social responsibility on the financial performance of banks. To achieve this goal, a sample comprising the top four banks in India was selected, encompassing the fiscal years from 2019-20 to 2022-23. Financial performance is represented by ROA, ROE, NPM, and NPAR (as illustrated in Figure 1), serves as the dependent variable for the study. The independent variables include community welfare, education, environmental protection, farmer welfare, and financial literacy. Secondary data pertaining to these variables was collected from various sources including the banks' annual reports, reports from NGOs, newsletters, and industry forum publications.

Figure 1: Hypothesised relationship
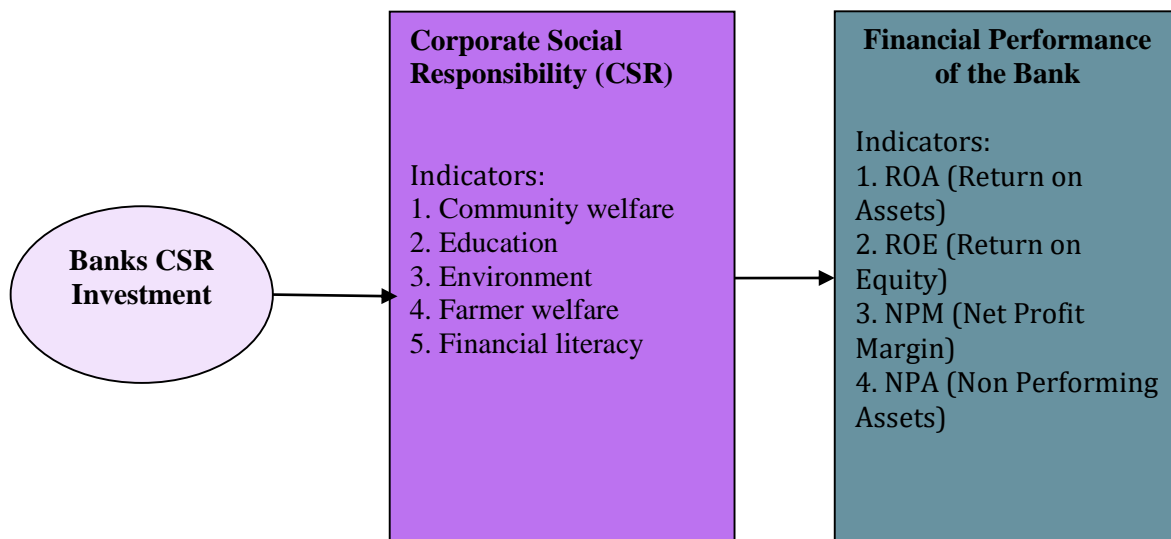
Source: compiled by authors

The Social Responsibility Disclosure Index (SRDI) was computed to gauge the banks' contributions to sustainable development and their disclosure of CSR endeavors. Banks' CSR scores were derived from their annual reports, with the SRDI considering both the nature and extent of CSR activities disclosed in these reports. From the literature, five CSR variables were identified: community welfare, environmental protection, education, farmer welfare, and financial literacy.

All social activities were classified under these categories. Points were allocated to each bank's CSR activities based on criteria such as the number of activities conducted, the expenditure on CSR endeavours, and the level of disclosure in the annual report. The total CSR score for each bank (as depicted in Table 1) was computed by aggregating points across all its CSR activities.

Table 1: CSR Score Calculation

No. of activities	0-1	2-3	4-5	Above 6
Points	1	2	3	4

Regression model:

$$Y\ ROA = \beta 0 + \beta 1\ CW + \beta 2\ EP + \beta 3\ EDU + \beta 4\ FW + \beta 5\ FL \qquad (1)$$

$$Y\ ROE = \beta 0 + \beta 1\ CW + \beta 2\ EP + \beta 3\ EDU + \beta 4\ FW + \beta 5\ FL \qquad (2)$$

$$Y\ NPM = \beta 0 + \beta 1\ CW + \beta 2\ EP + \beta 3\ EDU + \beta 4\ FW + \beta 5\ FL \qquad (3)$$

$$Y\ NPAR = \beta 0 + \beta 1\ CW + \beta 2\ EP + \beta 3\ EDU + \beta 4\ FW + \beta 5\ FL \qquad (4)$$

Where:

$\beta 0$ = Intercept Coefficient

$\beta 1$ = Coefficient for each of independent variable

CW= community welfare

EP= Environment protection

EDU = Education

FW= Farmer Welfare

FL = Financial Literacy

## 1. Data Analysis and Interpretation of Results

In this section, several findings are outlined based on the analysis of data gathered from diverse sources such as annual reports, directors' reports of selected banks, and publications from the RBI. Table 2 demonstrates an increasing trend in the adoption of CSR initiatives by the chosen banks. Notably, HDFC conducted an average of 16.2 activities over a five-year span, followed by ICICI with 16 activities, PNB with 13 activities, and SBI with a lower score. It is noteworthy that two of the four banks surpassed the average score of 14.3.

Table 2: Bank wise CSR score in respective years

S.No.	Activities	2018-19	2019-20	2020-21	2021-22	2022-23	Average score
1	SBI	10	11	12	13	14	12
2	PNB	11	12	13	14	15	13
3	ICICI	14	15	16	17	18	16
4	HDFC	15	15	16	17	18	16.2
	Average score	10	13.25	14.25	15.25	16.25	14.3

Source: banks annual report 2018-23

Figure 2 illustrates the average scores of CSR activities. It is evident that the average score for community welfare is high, at 3.9, with HDFC and ICICI contributing the most, while SBI and PNB have the lowest contributions. Regarding environmental protection, the average score is 3.7, with ICICI and HDFC making the highest contributions, and SBI having the lowest. In education, the average score is 3.3, with HDFC and PNB making the greatest contributions. Farmer welfare activities have an average score of 3, with ICICI and HDFC contributing the most. Conversely, financial literacy-related activities have an average score of 2.6, with ICICI and HDFC making the largest contributions.

Figure 2: Average CSR score in terms of five factors (2018-19 to 2022-23)
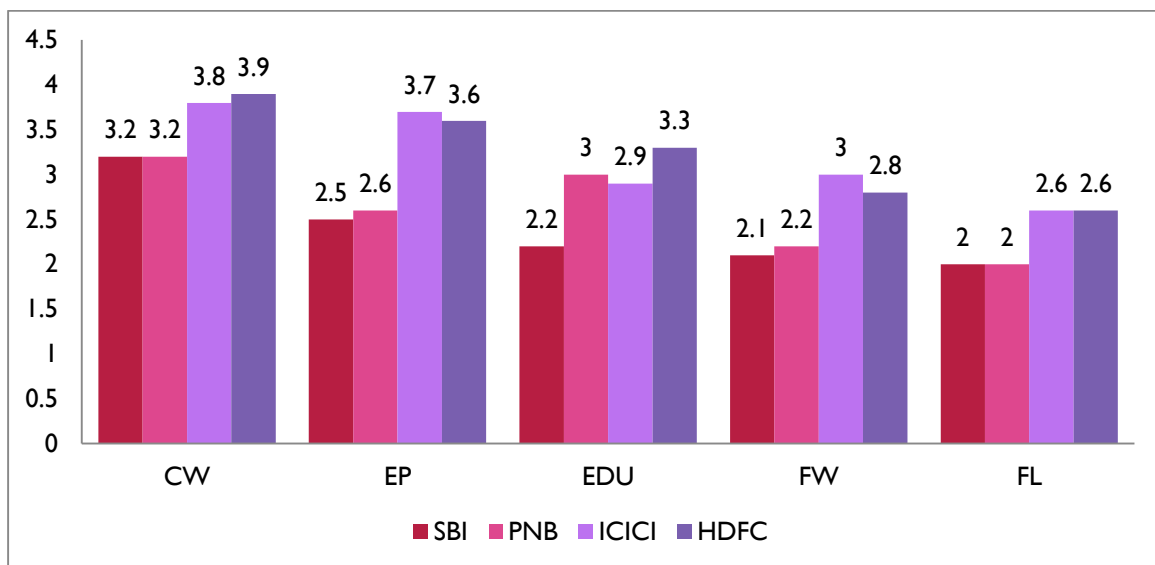
Source: Banks annual report 2018-23

H₁: There is no significant difference in the CSR initiative taken up by public sector banks and private sector banks.

An independent sample t-test was performed to evaluate and contrast the CSR scores between public sector and private sector banks. The results unveiled a significant difference in the mean CSR scores of these distinct bank categories. Thus, the null hypothesis was discarded, indicating a notable disparity in the CSR scores between public sector and private sector banks, as indicated in Table 3.

Table 3: Summary of t-test for CSR performance of public and private sector banks

CSR	T	F	Sig. (2- tailed)	Mean difference	Std. error difference
Equal variance assumed	5.441	.293	.000	-3.60000	.66165

Source: statistical analysis of field data

Note: significance level 5%

H₂= There is no significant impact of the CSR performance on financial performance of the selected banks.

From the descriptive statistics provided in Table 4, it is evident that there are a total of 20 observations for each variable. Concerning ROA, the mean value is 0.83, accompanied by a standard deviation of 0.86, a minimum value of -1.28, and a maximum value of 2.01. For ROE, the mean value stands at 7.90, with a standard deviation of 9.50, a minimum value of -24.2, and a maximum value of 16.75. NPM is recorded with a mean value of 7.11, along with a standard deviation of 10.41, a minimum value of -19.44, and a maximum value of 29.2. Lastly, the NPA ratio demonstrates a mean value of 2.08, with a standard deviation of 2.05, a minimum value of 0.27, and a maximum value of 6.56.

Table 4: Descriptive Statistics

Variables	Observations	Minimum	Maximum	Mean	Std. Deviation
ROA	20	-1.28	2.01	0.83	.86
ROE	20	-24.2	16.75	7.90	9.50
NPM	20	-19.44	29.2	7.11	10.41
NPA	20	0.27	6.56	2.08	2.05

CW	20	2.00	4.00	3.7	.57
EP	20	2.00	4.00	3.4	.59
EDU	20	2.00	4.00	3.3	.73
FW	20	2.00	4.00	3.3	.80
FL	20	1.00	4.00	3.0	1.02

Source: Banks annual report 2019-23

The descriptive statistics reveal the following for each variable: CW (Community Welfare) has a mean of 3.7, a standard deviation of 0.57, with values ranging from 2.0 to 4.0; EP (Environmental Protection) shows a mean of 3.4, a standard deviation of 0.59, also ranging from 2.0 to 4.0; EDU (Education) exhibits a mean of 3.3, with a standard deviation of 0.73, and values ranging from 2.0 to 4.0; FW (Farmer Welfare) has a mean of 3.3, a standard deviation of 0.80, with values ranging from 2.0 to 4.0; FL (Financial Literacy) displays a mean of 3, with a standard deviation of 1.02, and values ranging from 1.0 to 4.0.

Table 5 presents a summary of the regression model outcomes. The correlation between ROA and CSR is represented by an R value of 0.895, while the R square value of 0.804 signifies the explanatory capability of the independent variables (CW, EP, EDU, FW, and FL). This suggests that 80.4% of the variation in ROA can be explained by these independent variables, indicating a robust and substantial relationship between the explanatory variables and ROA. The standard error of the estimate, recorded at 0.4296, reflects the extent to which the sample is likely to represent the broader population.

Table 5: Summary of regression model

Model	R	R square	Adjusted R square	Std. error of the estimate
1	0.897	.804	.752	.4296

Source: statistical analysis of data

Table 6 provides insight into the model's goodness of fit via the F-ratio, calculated at 15.374, and deemed statistically significant at a significance level of $p < 0.005$. This result indicates compelling evidence supporting the presence of a linear relationship between ROA and one or more of the explanatory variables.

Table 6: Summary of ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.353	4	2.838	15.374	.000
	Residual	2.769	15	.185		
	Total	14.122	19			

Source: statistical analysis of data

Table 7 presents the coefficients of the regression model with ROA as the dependent variable. The t-values for the variables representing community welfare, environmental protection, education, farmers' welfare, and financial literacy are recorded as -0.216, -0.619, 3.714, -1.190, and 4.139, respectively. Consequently, the hypothesis is rejected, and the model indicates a better fit with approximately 80.4% of the variation attributed to independent variables. Notably, education and financial literacy significantly impact ROA, while all other CSR variables show an insignificant impact. The statistical analysis suggests a weak relationship between ROA and the independent variables.

Table 7: Summary of coefficients of regression model

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		

1	(Constant)	-3.440	1.237		-2.781	.014
	CW	.-.052	.242	-0.031	-0.216	.832
	EP	-.147	.238	-.086	-.619	.545
	EDU	.693	.187	.554	3.714	.002
	FW	-.251	.211	-.143	-1.190	.252
	FL	.925	.224	.548	4.139	.001

Source: statistical analysis of data

The summary of the regression model presented in Table 8 unveils an R value of 0.865, indicating the correlation between ROE and CSR variables. The R square value, at 0.748, denotes the explanatory power of the independent variables (CW, EP, EDU, FW, and FL). This implies that the independent variables collectively explain only 74.8% of the observed variation in ROE.

Table 8: Summary of regression model

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.865	.748	.658	5.55870

Source: statistical analysis of data

Table 9 provides insights into the model's goodness of fit through the F-ratio, which is calculated as 6.709 and determined to be statistically significant at a significance level of $p < 0.005$. This indicates substantial evidence supporting the conclusion that at least one of the explanatory variables maintains a linear relationship with ROE.

Table 9: Summary of ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1211.541	5	242.308	6.709	.002
	Residual	505.644	14	36.117		
	Total	1717.186	19			

Source: statistical analysis of data

Table 10 presents the coefficients of the regression model with ROE as the dependent variable. The t-values for community welfare, environmental protection, education, farmers' welfare, and financial literacy are 3.184, 1.197, 3.385, 0.552, and 0.097 respectively. Consequently, the hypothesis is rejected, indicating that the model fits better with 74.8% of the variation attributed to independent variables. Particularly noteworthy is the significant impact of Education and community welfare on ROE, while all other CSR variables exhibit an insignificant impact. However, it's noteworthy that all the CSR variables positively influence the ROE. The statistical analysis indicates a weak relationship between ROE and independent variables.

Table 10: Summary of coefficients of regression model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-57.037	11.654		-4.894	.000
	CW	7.779	2.443	.490	3.184	.007
	EP	2.991	2.498	.188	1.197	.251

EDU	7.014	2.072	.529	3.385	.004
FW	1.121	2.033	.093	.552	.590
FL	.118	1.497	.013	.079	.938

Source: statistical analysis of data

Table 11 provides insights into the summary of the regression model results. The R value of 0.828 illustrates the correlation between NPM and CSR, while the R square value of 0.686 indicates the explanatory power of the independent variables (CW, EP, EDU, FW, and FL). This suggests that 68.6% of the observed variation in NPM can be explained by these independent variables, underscoring a robust and significant relationship between the explanatory variables and NPM. The standard error of the estimate, standing at 6.80368, offers insight into the representativeness of the sample concerning the population.

Table 11: Summary of Regression Model

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.828	.686	.573	6.80368

Source: statistical analysis of data

Table 12 provides insight into the model's goodness of fit via the F-ratio, registering at 6.107 and deemed statistically significant at a significance level of $p < 0.005$. This suggests substantial evidence supporting the assertion that at least one of the explanatory variables maintains a linear relationship with NPM.

Table 12: Summary of ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1413.431	5	282.686	6.107	.003
	Residual	648.062	14	46.290		
	Total	2061.493	19			

Source: statistical analysis of data

The findings in Table 13 display the coefficients of the regression model with NPM as the dependent variable. The t-values for community welfare, environmental protection, education, farmers' welfare, and financial literacy are 1.898, 0.830, 2.126, 1.314, and 0.630 respectively. Consequently, the hypothesis is rejected, indicating that the model fits better with 68.6% of the variation attributed to independent variables. Particularly noteworthy is the significant impact of education and community welfare on NPM, while environmental protection, financial literacy, and farmer's welfare positively influence NPM. However, the statistical analysis indicates a weak relationship between NPM and independent variables.

Table 13: Summary of Coefficients of Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-55.920	12.020		-4.652	.000
	CW	6.488	3.418	.356	1.898	.078
	EP	2.606	3.142	.151	.830	.421
	EDU	4.979	2.342	.350	2.126	.052
	FW	3.102	2.361	.239	1.314	.210

FL	1.143	1.816	.110	.630	.539

Source: statistical analysis of data

Table 14 presents a summary of the regression model outcomes. The correlation between NPAR and CSR is indicated by an R value of 0.860, while an R square value of 0.740 denotes the explanatory capacity of the independent variables (CW, EP, EDU, FW, and FL). This suggests that 74% of the observed variation in NPAR can be explained by these independent variables, indicating a strong and meaningful relationship between the explanatory variables and NPAR. The standard error of the estimate, recorded at 1.2182, offers insight into how accurately the sample represents the wider population.

Table 14: Summary of Regression Model

Model	R	R square	Adjusted R square	Std. error of the estimate
1	.860	.740	.647	1.21862

Source: statistical analysis of data

Table 15 illustrates the goodness of fit of the model by presenting the F-ratio, which is calculated as 7.957 and found to be statistically significant at a significance level of $p < 0.005$. This suggests that there is significant evidence to support the conclusion that at least one of the explanatory variables exhibits a linear relationship with NPAR.

Table 15: Summary of ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	59.082	5	11.816	7.957	.001[b]
	Residual	20.790	14	1.485		
	Total	79.872	19			

Source: statistical analysis of data

Table 16 presents the coefficients of the regression model with NPAR as the dependent variable. The t-values for the variables representing community welfare, environmental protection, education, farmers' welfare, and financial literacy are -2.097, -2.285, -2.762, 1.409, and -1.493, respectively, none of which are statistically significant at the 5% significance level. Consequently, the hypothesis is accepted as all CSR variables are found to have an insignificant impact on NPAR. Additionally, it's worth noting that all variables, except for farmer's welfare, demonstrate a negative influence on NPAR. This indicates that the statistical analysis reveals a weak relationship between NPAR and the independent variables.

Table 16: Summary of Coefficients of Regression Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.557	2.153		6.761	.000
	CW	-1.284	.612	-.358	-2.097	.055
	EP	-1.286	.563	-.379	-2.285	.038
	EDU	-1.158	.419	-.414	-2.762	.015
	FW	.596	.423	.233	1.409	.181
	FL	-.486	.325	-.236	-1.493	.158

Source: statistical analysis of data

7. DISCUSSIONS AND IMPLICATIONS

The study's findings highlight that among the sampled banks, there is a notable concentration of CSR efforts on education, healthcare, environmental protection, skill development, and farmers' welfare, with other CSR sectors receiving comparatively less attention. In accordance with the CSR principles outlined in the Companies Act 2013, the study recommends a more balanced approach, urging banks to accord equal significance to various CSR activities. Particularly emphasized are areas such as environmental protection, education, farmers' welfare, and financial literacy. Additionally, the study observes that not all sampled banks meet their Priority Sector Lending (PSL) ratio targets mandated by the Reserve Bank of India (RBI), emphasizing the importance of banks striving to fulfil these targets.

A significant finding is the substantial gap between the prescribed CSR expenditure and the actual CSR spending in SBI, PNB, HDFC and ICICI Bank. This is consistent with earlier studies conducted by Bordoloi and Mukherjee (2017); Chopra & Arju(2017); Mohd(2023) which also examined CSR practices within Indian public and private sector commercial banks. Moreover, the study aligns with the research conducted by (Palaniappan Shanmugam & D S, 2019) which investigated mandatory CSR spending and its effects on Indian companies. The study underscores the necessity of a government-mandated monitoring mechanism to oversee CSR interventions and conduct social audits for evaluating social outcomes. The research suggests that CSR practices may influence financial performance, echoing conclusions drawn in previous studies (Costa & Fonseca, 2022; Iqbal et al., 2012; Kuntluru, 2019; Maqbool & Zameer, 2018). The study also corresponds with earlier research by Kabir & Chowdhury (2023), indicating that improved corporate financial performance (CFP) results in increased CSR expenditure. To bolster CSR effectiveness, it is advised that banks adhere to CSR practices to a significant degree, as this could significantly influence their financial performance. When crafting and evaluating CSR policies, banks should consider stakeholders' views, perspectives, and expectations concerning social responsibility initiatives (Dadwal & Arya, 2023; Kim & Lee, 2022; Lee et al., 2013; Pratihari & Uzma, 2019; Yeung, 2011). Banks are advised to prioritize comprehensive coverage of all aspects of their CSR policy, encompassing care for all stakeholders, ethical operations, respect for workers' rights and welfare, and environmental stewardship. Regular reviews of CSR policies and project advancements are vital for ensuring consistency and advancing CSR efforts within banks. Additionally, innovation is underscored as a critical factor for identifying areas for enhancement, broadening the reach of CSR initiatives, and addressing overlooked areas.

8. CONCLUSION

The global banking industry has widely adopted Corporate Social Responsibility (CSR) reporting, and Indian banks are actively engaged in CSR initiatives as outlined in Schedule VII of the Companies Act 2013. There is an observed positive correlation between CSR practices and financial performance. While Indian banks are making efforts in CSR, there is a need for greater emphasis. Currently, CSR efforts primarily target community welfare, with areas such as farmer welfare, financial literacy, and education being neglected. Private sector banks make a more significant CSR contribution compared to public sector banks, indicating a lag in this aspect for the latter. Notably, there is a considerable difference in mean CSR scores between public and private sector banks. The study also suggests that CSR performance impacts financial performance, but there is potential for a more significant impact if banks fully embrace CSR practices. It is recommended that banks enhance their adherence to CSR practices, potentially leading to substantial improvements in financial performance. Emphasizing the importance of periodically reviewing CSR policies and monitoring project progress is crucial. This approach allows banks to identify areas for improvement, untapped opportunities, and overlooked sectors, ultimately expanding the scope of their CSR initiatives.

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