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CORPORATE SOCIAL RESPONSIBILITY IN THE INDIAN BANKING SECTOR: A SYSTEMATIC REVIEW OF ITS ROLE IN SOCIO-ECONOMIC DEVELOPMENT

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Abstract

Corporate Social Responsibility (CSR) has emerged as a significant instrument for promoting inclusive and sustainable development, particularly in developing economies like India. The enactment of the Companies Act, 2013 marked a transformative shift by mandating CSR spending, thereby institutionalizing corporate participation in socio-economic development. Within this framework, the Indian banking sector especially public sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Canara Bank, and Bank of Baroda has assumed a pivotal role due to its extensive outreach and developmental orientation.

This review paper aims to examine the evolution, conceptual foundations, and practical implementation of CSR within the Indian banking sector, with a specific focus on its contribution to socio-economic development. The study is based on a systematic review of existing literature, policy frameworks, and secondary data on CSR expenditure trends from 2014–15 to 2023–24. It analyses the nature and sectoral distribution of CSR activities undertaken by banks, including financial inclusion, education, healthcare, rural development, and environmental sustainability.

The findings indicate that while CSR engagement among Indian banks has increased significantly in terms of financial allocation and thematic diversity, its impact on measurable socio-economic outcomes remains uneven. Public sector banks demonstrate broader social outreach, whereas private sector banks exhibit more strategic and brand-driven CSR approaches. The review also identifies key challenges, including inadequate impact assessment, limited environmental focus, and the tendency to treat CSR as a compliance requirement rather than a strategic imperative. The paper concludes that although CSR has the potential to act as a catalyst for national development, there is a pressing need for outcome-oriented planning, improved transparency, and robust evaluation mechanisms to enhance its effectiveness in the Indian banking sector.

Keywords: CSR, Indian Banking Sector, Socio-Economic Development, Public Sector Banks, CSR Spending, Financial Inclusion, Sustainability

1 Introduction

1.1 Background of CSR

Evolution from philanthropy to strategic responsibility

Corporate Social Responsibility (CSR) has undergone a significant transformation over time, evolving from a narrow philanthropic approach to a comprehensive strategic framework embedded within corporate governance. In its early stages, CSR was largely associated with voluntary charitable activities such as donations, community welfare initiatives, and support for social causes. These efforts were often discretionary in nature and not directly linked to business objectives, reflecting a moral obligation rather than a structured corporate commitment.

However, with increasing globalization, stakeholder awareness, and regulatory developments, the concept of CSR has expanded beyond philanthropy. Organizations began to recognize that their responsibilities extend beyond profit generation to include social, environmental, and ethical considerations. This shift marked the transition of CSR from an external, peripheral activity to an integral part of business strategy.



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In the contemporary context, CSR is viewed as a strategic tool that contributes to long-term sustainability and value creation. It encompasses a wide range of responsibilities, including ethical business practices, environmental sustainability, stakeholder engagement, and community development. The focus has moved towards creating shared value, where businesses align their economic goals with societal needs. This transformation reflects a paradigm shift from “doing good” as an optional activity to “doing business responsibly” as a fundamental organizational principle.

Global vs Indian CSR perspective

The concept and practice of Corporate Social Responsibility (CSR) exhibit notable differences when examined from global and Indian perspectives, shaped by variations in regulatory frameworks, socio-economic priorities, and cultural contexts.

At the global level, CSR has largely evolved as a voluntary and strategic business practice. In developed economies such as the United States and European nations, CSR is driven by stakeholder expectations, corporate governance norms, and sustainability frameworks. Companies integrate CSR into their core strategies through environmental, social, and governance (ESG) initiatives, focusing on long-term value creation, brand reputation, and risk management. International organizations like the United Nations and the World Business Council for Sustainable Development have further shaped CSR through frameworks such as the Sustainable Development Goals (SDGs), encouraging corporations to align their activities with global development priorities.

In contrast, the Indian CSR landscape is characterized by a hybrid model combining voluntary commitment with legal mandate. The introduction of the Companies Act, 2013 marked a significant milestone by making CSR spending mandatory for qualifying companies, requiring them to allocate at least 2% of their average net profits toward CSR activities. This legislative approach is unique to India and reflects the country’s emphasis on using corporate resources to address pressing socio-economic challenges such as poverty, education, healthcare, and rural development.

Another distinguishing feature of CSR in India is its strong developmental orientation. While global CSR often emphasizes sustainability, climate change, and corporate governance, Indian CSR places greater focus on social welfare areas such as financial inclusion, skill development, women empowerment, and community upliftment. This is particularly evident in sectors like banking, where institutions actively engage in initiatives aimed at inclusive growth and grassroots development.

Furthermore, cultural and historical factors also influence CSR practices in India. Traditional values such as “daan” (charity) and trusteeship, as advocated by Mahatma Gandhi, have shaped the ethical foundation of CSR, encouraging businesses to view themselves as custodians of societal wealth.

In summary, while global CSR is largely market-driven and strategically aligned with sustainability goals, the Indian model stands out for its regulatory backing and developmental focus, making CSR a critical instrument for socio-economic transformation.

1.2 CSR in India

Legal framework: Companies Act, 2013

The introduction of the Companies Act, 2013 marked a watershed moment in the evolution of Corporate Social Responsibility (CSR) in India, transforming it from a voluntary practice into a legally mandated corporate obligation. Section 135 of the Act specifically deals with CSR and lays down the criteria, responsibilities, and compliance requirements for eligible companies.

Under this provision, companies meeting any of the following financial thresholds are required to undertake CSR activities:

- Net worth of ₹500 crore or more, or



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- Turnover of ₹1000 crore or more, or
- Net profit of ₹5 crore or more

Such companies must allocate at least 2% of their average net profits (of the preceding three financial years) toward CSR activities. This mandate ensures a systematic and consistent contribution by corporates to national development.

The Act also requires the constitution of a CSR Committee of the Board, consisting of at least three directors (including one independent director, where applicable). The committee is responsible for formulating and recommending a CSR policy, identifying key areas of intervention, and monitoring the implementation of CSR projects.

Schedule VII of the Act provides a broad framework of permissible CSR activities, which include:

- Eradicating poverty and promoting education
- Gender equality and women empowerment
- Ensuring environmental sustainability
- Protection of national heritage
- Rural development and livelihood enhancement
- Contributions to government relief funds

In addition, recent amendments have strengthened compliance mechanisms by introducing provisions related to unspent CSR funds, requiring companies to transfer such amounts to specified funds or designated CSR accounts within prescribed timelines. Companies are also mandated to disclose CSR activities and expenditures in their annual reports, enhancing transparency and accountability.

Overall, the Companies Act, 2013 has institutionalized CSR in India by embedding it within corporate governance structures. It has not only increased CSR spending but also shifted the focus toward more structured, accountable, and impact-oriented social interventions.

Mandatory CSR Spending (2% rule)

A defining feature of the CSR framework in India is the statutory requirement of mandatory CSR spending, commonly referred to as the “2% rule”, introduced under Section 135 of the Companies Act, 2013. This provision mandates that qualifying companies must spend at least 2% of their average net profits of the preceding three financial years on CSR activities.

The objective of this rule is to ensure that corporate entities contribute systematically to social and economic development rather than treating CSR as an occasional or voluntary initiative. By linking CSR expenditure directly to profitability, the law creates a structured mechanism through which companies participate in nation-building efforts.

The 2% rule applies to companies that meet specified financial thresholds (net worth, turnover, or net profit), thereby targeting financially capable organizations. The spending must be directed toward activities listed under Schedule VII of the Act, which includes areas such as education, healthcare, environmental sustainability, rural development, and social welfare.



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Importantly, the rule is not merely prescriptive but also supported by compliance and accountability measures. Companies are required to:

- Disclose CSR expenditure in their annual reports
- Provide reasons for any shortfall in spending
- Transfer unspent CSR amounts to designated funds or accounts within stipulated timelines (as per recent amendments)

Over time, this mandate has significantly increased CSR investments in India and has encouraged companies to adopt a more strategic and impact-oriented approach. However, debates continue regarding its effectiveness, with some critics arguing that mandatory spending may lead to a compliance-driven mindset rather than genuine social commitment.

Overall, the 2% CSR rule represents a unique regulatory innovation, positioning India as one of the few countries where corporate social responsibility is legally enforced, thereby strengthening the role of businesses in achieving inclusive and sustainable development.

1.3 Importance of Banking Sector

Banks as Catalysts of Socio-Economic Development

The banking sector plays a pivotal role in driving socio-economic development by acting as a financial intermediary that mobilizes savings and channels them into productive investments. Banks serve as the backbone of an economy, facilitating capital formation, promoting entrepreneurship, and supporting industrial and agricultural growth. Their extensive reach and institutional credibility position them as key agents of inclusive development.

One of the primary contributions of banks lies in advancing financial inclusion, ensuring that underserved and marginalized sections of society gain access to formal financial services such as savings accounts, credit, insurance, and digital payments. Initiatives like the Pradhan Mantri Jan Dhan Yojana have significantly expanded banking access, enabling millions to participate in the formal economy.

Banks also contribute to socio-economic development through credit facilitation. By providing loans to small and medium enterprises (SMEs), agriculture, and rural sectors, banks stimulate employment generation and income creation. This, in turn, fosters economic stability and reduces regional disparities. Public sector banks, in particular, have been instrumental in implementing government-led development schemes and priority sector lending.

Furthermore, banks play a crucial role in infrastructure development by financing large-scale projects such as roads, housing, renewable energy, and urban development. These investments not only boost economic growth but also improve the quality of life and overall human development.

In the context of Corporate Social Responsibility (CSR), banks extend their developmental role beyond financial services by actively engaging in community-based initiatives. Their CSR activities often focus on education, healthcare, skill development, environmental sustainability, and rural upliftment—areas that directly contribute to socio-economic progress.

Additionally, the banking sector supports the transition toward a sustainable economy by promoting green financing, digital banking, and responsible lending practices. These efforts align economic growth with environmental and social considerations.



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The banks function as catalysts of socio-economic development by facilitating financial access, supporting productive sectors, enabling infrastructure growth, and contributing to social welfare through CSR initiatives. Their role is especially significant in a developing country like India, where inclusive and sustainable growth remains a central policy objective.

Role in financial inclusion, rural development, employment

The banking sector plays a multifaceted role in advancing socio-economic development by promoting financial inclusion, supporting rural development, and generating employment opportunities. These functions are particularly significant in a developing economy like India, where large segments of the population have historically remained outside the formal financial system.

Financial Inclusion:

Banks act as primary agents in extending financial services to underserved and marginalized populations. Through initiatives such as the Pradhan Mantri Jan Dhan Yojana, banks have enabled millions of individuals to open zero-balance accounts, access direct benefit transfers, and participate in digital financial ecosystems. Financial inclusion enhances savings behavior, reduces dependency on informal credit sources, and promotes economic security among low-income groups.

Rural Development:

Banks contribute significantly to rural development by providing credit to agriculture, small-scale industries, and rural enterprises. Priority sector lending mandates ensure that a portion of bank credit is directed toward sectors critical for rural growth. Financial support for irrigation, farming equipment, self-help groups (SHGs), and micro-enterprises helps improve agricultural productivity and rural livelihoods. Additionally, banks often undertake CSR initiatives focused on rural infrastructure, sanitation, education, and skill development, thereby strengthening grassroots development.

Employment Generation:

The banking sector indirectly fosters employment by financing businesses, startups, and micro, small, and medium enterprises (MSMEs). Access to credit enables entrepreneurs to establish and expand enterprises, leading to job creation across sectors. Moreover, various government-supported schemes facilitated by banks, such as the Pradhan Mantri Mudra Yojana, provide financial assistance to small entrepreneurs and self-employed individuals, further contributing to employment generation. Banks also create direct employment opportunities through their own expanding networks and operations.

In essence, by integrating financial access with developmental financing and employment support, the banking sector plays a crucial role in fostering inclusive growth and reducing socio-economic disparities in India.

1.4 Rationale of the Study

Why focus on banking sector CSR

The banking sector occupies a unique and influential position in the economy, making it a critical area of focus for studying Corporate Social Responsibility (CSR). Unlike other industries, banks do not merely operate for profit generation but also function as key instruments of economic policy implementation and social transformation. Their extensive outreach, institutional trust, and direct engagement with diverse sections of society position them as effective agents for delivering CSR-driven development outcomes.



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One of the primary reasons for focusing on banking sector CSR is its development-oriented mandate, especially in the context of public sector banks. Institutions such as State Bank of India, Punjab National Bank, Union Bank of India, Canara Bank, and Bank of Baroda have a strong presence in rural and semi-urban areas, enabling them to implement CSR initiatives at the grassroots level. Their involvement in government schemes, priority sector lending, and financial inclusion further amplifies their developmental impact.

Additionally, the banking sector demonstrates a structured and measurable approach to CSR spending, particularly after the implementation of the Companies Act, 2013. Banks regularly disclose CSR expenditures, sectoral allocations, and project outcomes in their annual and sustainability reports, providing a reliable basis for analytical study. This transparency makes the sector suitable for evaluating trends, patterns, and effectiveness of CSR initiatives over time.

Another important aspect is the alignment of banking CSR with national priorities. CSR activities undertaken by banks predominantly focus on areas such as financial inclusion, education, healthcare, rural development, and livelihood generation, which are directly linked to India's socio-economic development goals. This alignment enhances the relevance of studying CSR within the banking context.

Furthermore, despite increased CSR spending, there remains a lack of clarity regarding its actual impact on socio-economic development. Existing studies highlight gaps in implementation, monitoring, and outcome assessment. Therefore, focusing on the banking sector allows for a critical examination of whether CSR initiatives translate into meaningful developmental outcomes or remain largely compliance-driven.

In summary, the banking sector is an ideal domain for CSR analysis due to its wide outreach, developmental orientation, regulatory compliance, and availability of structured data, making it highly relevant for assessing the role of CSR in socio-economic development.

Increasing CSR Expenditure but Unclear Impact

In recent years, Corporate Social Responsibility (CSR) expenditure in India has witnessed a substantial increase, particularly following the implementation of the Companies Act, 2013, which mandates eligible companies to allocate 2% of their average net profits toward CSR activities. This regulatory push has led to a consistent rise in CSR spending across sectors, including the banking industry, where both public and private sector banks have significantly expanded their CSR budgets and outreach.

However, despite this quantitative growth, the qualitative impact of CSR remains ambiguous and inadequately assessed. A major concern highlighted in existing literature is the lack of robust mechanisms to evaluate the actual outcomes of CSR initiatives. While companies report financial allocations and activities undertaken, there is limited evidence on whether these interventions lead to measurable and sustainable improvements in socio-economic conditions.

One of the key issues is that CSR activities are often input-oriented rather than outcome-oriented, focusing more on the amount spent rather than the impact generated. This results in a gap between reported achievements and real developmental progress. Additionally, many organizations tend to adopt a compliance-driven approach, treating CSR as a statutory obligation rather than integrating it into their core strategic framework.

In the banking sector, this issue becomes more pronounced due to the wide scope and diversity of CSR initiatives undertaken by institutions such as State Bank of India, Punjab National Bank, and Bank of Baroda. While these banks invest heavily in areas like education, healthcare, and financial inclusion, there is often insufficient monitoring and evaluation of long-term outcomes, such as improvements in income levels, employment generation, or quality of life.

Furthermore, the absence of standardized metrics and impact assessment frameworks makes it difficult to compare CSR effectiveness across organizations and sectors. As a result, there exists a disconnect between CSR spending and actual socio-economic development outcomes.



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Therefore, while the increase in CSR expenditure reflects a positive shift toward corporate participation in social development, it also underscores the urgent need for impact-driven planning, rigorous evaluation mechanisms, and greater accountability to ensure that CSR initiatives deliver meaningful and sustainable benefits to society.

1.5 Objectives of the Review Paper

To Review CSR Concepts and Evolution

One of the primary objectives of this review paper is to critically examine the conceptual foundations and evolutionary trajectory of Corporate Social Responsibility (CSR). The study seeks to trace the development of CSR from its early origins as a philanthropic and voluntary activity to its current status as a strategic and institutionalized component of corporate governance.

This objective involves analysing various definitions, dimensions, and theoretical perspectives of CSR proposed by different scholars over time. It includes an exploration of key frameworks such as the economic, legal, ethical, and philanthropic responsibilities of businesses, along with the integration of stakeholder theory and sustainability principles.

Furthermore, the review aims to understand how CSR has evolved in response to changing socio-economic conditions, regulatory developments, and stakeholder expectations at both global and national levels. Special attention is given to the transition from traditional charity-based approaches to more structured, impact-oriented, and strategy-driven CSR practices.

By examining this evolution, the study establishes a strong theoretical foundation that supports further analysis of CSR practices within the Indian banking sector and their role in socio-economic development.

To analyse CSR practices in Indian banking sector

Another key objective of this review paper is to analyse the nature, scope, and implementation of Corporate Social Responsibility (CSR) practices within the Indian banking sector. The study focuses on understanding how banks design, execute, and report their CSR initiatives in alignment with regulatory requirements and developmental priorities.

This objective involves a detailed examination of CSR activities undertaken by major public sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Canara Bank, and Bank of Baroda. It includes analysing sectoral focus areas such as education, healthcare, financial inclusion, rural development, environmental sustainability, and skill development. The review also aims to assess patterns in CSR expenditure, project selection, and implementation strategies adopted by banks over time, particularly in the post-Companies Act, 2013 period. Additionally, it examines the extent to which banks integrate CSR into their broader business strategies versus treating it as a compliance requirement.

By analysing these practices, the study seeks to identify trends, strengths, and limitations in the CSR approaches of Indian banks, thereby providing a foundation for evaluating their effectiveness in contributing to socio-economic development.

To Examine Role Of CSR In Socio-Economic Development

A central objective of this review paper is to examine the role of Corporate Social Responsibility (CSR) in promoting socio-economic development, particularly within the context of the Indian banking sector. The study aims to analyse how CSR initiatives undertaken by banks contribute to improving social welfare, reducing economic disparities, and supporting inclusive growth.

This objective focuses on evaluating the impact of CSR activities in key developmental areas such as education, healthcare, financial inclusion, rural development, women empowerment, and livelihood generation. Banks such as State Bank of India,



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Punjab National Bank, and Bank of Baroda actively engage in these areas through structured CSR programs aimed at addressing grassroots-level challenges.

The analysis also considers how CSR initiatives align with broader national development goals and contribute to improving socio-economic indicators such as income levels, employment opportunities, access to basic services, and overall quality of life. In addition, the study seeks to understand whether CSR efforts lead to sustainable development outcomes or remain limited to short-term interventions.

By examining these dimensions, the review aims to assess the effectiveness of CSR as a tool for socio-economic transformation and to identify the extent to which corporate initiatives complement government efforts in achieving inclusive and sustainable development.

To Identify Research Gaps

Another important objective of this review paper is to identify existing gaps in the literature related to Corporate Social Responsibility (CSR), particularly within the Indian banking sector. Despite a substantial body of research on CSR, several areas remain underexplored or inadequately addressed, limiting a comprehensive understanding of its effectiveness and impact. This objective involves critically analysing previous studies to identify inconsistencies, limitations, and areas lacking empirical evidence. One of the major gaps observed is the absence of robust impact assessment mechanisms, where most studies focus on CSR expenditure and activities rather than evaluating their actual socio-economic outcomes. There is limited research linking CSR initiatives directly to measurable improvements in indicators such as income levels, employment generation, or quality of life.

Another gap lies in the lack of longitudinal and comparative studies, especially those examining CSR trends over an extended period, such as post-implementation of the Companies Act, 2013. Additionally, there is insufficient comparative analysis between public and private sector banks in terms of CSR effectiveness and strategic integration. The literature also reveals a limited focus on environmental sustainability within banking CSR, with most studies emphasizing social aspects such as education and financial inclusion. Furthermore, the absence of standardized frameworks for measuring CSR performance makes it difficult to evaluate and compare outcomes across institutions like State Bank of India, Punjab National Bank, and Canara Bank.

By identifying these research gaps, the study highlights the need for more rigorous, data-driven, and impact-oriented research, thereby providing direction for future studies and strengthening the academic discourse on CSR in the Indian banking sector.

2. Conceptual Framework of CSR

2.1 Definitions and Dimensions of CSR

The conceptual framework of Corporate Social Responsibility (CSR) is most comprehensively explained through the model proposed by Archie B. Carroll, commonly known as the Carroll Pyramid of CSR. This model categorizes CSR into four interrelated dimensions which are economic, legal, ethical, and philanthropic responsibilities forming a hierarchical structure that defines the scope of corporate obligations toward society.

Economic Responsibilities

At the base of the pyramid lies the economic responsibility, which emphasizes that the primary role of any business is to be profitable and economically viable. Organizations are expected to produce goods and services efficiently, generate



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employment, and ensure returns to shareholders. Profitability serves as the foundation upon which all other responsibilities are built.

Legal Responsibilities

The second layer involves legal responsibilities, which require businesses to operate within the framework of laws and regulations established by the government. Compliance with legal standards ensures that corporate activities are conducted fairly and transparently. In the Indian context, adherence to the Companies Act, 2013, including CSR provisions, forms an essential component of this responsibility.

Ethical Responsibilities

Beyond legal obligations, businesses are expected to adhere to ethical standards that reflect societal norms and values. Ethical responsibilities encompass fairness, honesty, integrity, and respect for stakeholder interests. These are not mandated by law but are crucial for maintaining trust and long-term sustainability.

Philanthropic Responsibilities

At the top of the pyramid are philanthropic responsibilities, which involve voluntary contributions to society, such as charitable donations, community development programs, and support for education and healthcare initiatives. This dimension represents the discretionary aspect of CSR, where organizations actively contribute to improving the quality of life in society.

The Carroll model highlights that CSR is not limited to a single dimension but is a comprehensive framework integrating economic performance with social and ethical accountability. In the banking sector, these dimensions collectively guide institutions in balancing profitability with their broader role in socio-economic development.

2.2 Theoretical Foundations

Stakeholder Theory

Stakeholder Theory is one of the most influential theoretical frameworks underpinning Corporate Social Responsibility (CSR). Propounded by R. Edward Freeman, this theory challenges the traditional shareholder-centric view of business by emphasizing that organizations have responsibilities toward a broad range of stakeholders, not just their owners or investors. According to Stakeholder Theory, a firm's success depends on its ability to create value for all stakeholders, including employees, customers, suppliers, creditors, government, and the wider community. This perspective recognizes that businesses operate within a complex social system and must balance diverse and sometimes competing interests to ensure long-term sustainability and legitimacy.

In the context of CSR, Stakeholder Theory provides a strong justification for why companies should engage in socially responsible practices. It suggests that addressing stakeholder expectations such as fair labor practices, environmental protection, customer satisfaction, and community welfare is essential for maintaining trust, enhancing reputation, and achieving sustainable growth. Within the banking sector, the relevance of this theory is particularly pronounced. Banks interact with multiple stakeholders, including depositors, borrowers, regulators, employees, and society at large. CSR initiatives undertaken by banks, such as financial inclusion programs, rural development projects, and environmental sustainability efforts, reflect an attempt to address the needs and expectations of these diverse stakeholder groups.



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Furthermore, Stakeholder Theory also supports the idea that CSR should be integrated into core business strategy rather than treated as a peripheral activity. By aligning organizational objectives with stakeholder interests, banks can achieve both economic performance and social impact, reinforcing their role as responsible and sustainable institutions.

Triple Bottom Line (People, Planet, Profit)

The Triple Bottom Line (TBL) framework is a key theoretical foundation of Corporate Social Responsibility (CSR), introduced by John Elkington. This model expands the traditional measure of corporate performance beyond financial outcomes to include social and environmental dimensions, thereby promoting a more holistic approach to business responsibility.

The Triple Bottom Line is based on three core pillars:

People (Social Responsibility):

This dimension focuses on the impact of business activities on society and stakeholders. It includes initiatives related to employee welfare, community development, education, healthcare, and social equity. In the banking sector, this is reflected through CSR activities such as financial inclusion, skill development, and support for marginalized communities.

Planet (Environmental Responsibility):

The environmental dimension emphasizes sustainable practices that minimize ecological impact. It includes efforts toward resource conservation, waste management, carbon footprint reduction, and promotion of renewable energy. Banks contribute to this pillar through green banking initiatives, financing environmentally sustainable projects, and implementing eco-friendly operational practices.

Profit (Economic Responsibility):

This pillar represents the traditional financial performance of a business, ensuring profitability and economic viability. However, under the TBL framework, profit is pursued in a manner that aligns with social welfare and environmental sustainability, rather than at their expense.

The Triple Bottom Line framework highlights that sustainable business success depends on balancing these three dimensions simultaneously. It shifts the focus from short-term profit maximization to long-term value creation for all stakeholders.

In the context of the Indian banking sector, the TBL approach is increasingly relevant as banks integrate CSR into their strategic operations. By aligning economic goals with social and environmental responsibilities, banks can contribute more effectively to inclusive and sustainable socio-economic development.

Neoclassical vs Ethical perspectives

The theoretical discourse on Corporate Social Responsibility (CSR) is significantly shaped by the contrast between the neoclassical (economic) and ethical (normative) perspectives of business responsibility. These two viewpoints offer fundamentally different interpretations of the role of corporations in society.

Neoclassical Perspective:

The neoclassical view, strongly associated with Milton Friedman, asserts that the primary responsibility of a business is to maximize shareholder wealth. According to this perspective, corporate managers act as agents of the owners (shareholders)



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and are obligated to use corporate resources efficiently to generate profits, provided they operate within the boundaries of law and ethical customs. CSR activities, in this view, are justified only if they contribute indirectly to profitability, such as enhancing brand image or customer loyalty. Any diversion of corporate funds toward social causes without clear economic returns is often seen as a misuse of shareholder resources.

Ethical Perspective:

In contrast, the ethical perspective argues that businesses have broader moral obligations toward society that extend beyond profit maximization. This view is supported by scholars like Keith Davis, who emphasized that corporations, due to their power and influence, must act responsibly and contribute to societal well-being. From this standpoint, CSR is not optional but an inherent duty of organizations to address social, environmental, and ethical issues, even if such actions do not yield immediate financial benefits.

Comparative Insight:

While the neoclassical approach prioritizes economic efficiency and shareholder interests, the ethical perspective emphasizes stakeholder welfare and long-term societal impact. In contemporary business environments, especially in sectors like banking, a balanced approach is increasingly adopted. Organizations strive to integrate profitability with ethical responsibility, aligning with broader frameworks such as sustainability and stakeholder theory.

In the Indian context, particularly after the implementation of the Companies Act, 2013, the ethical dimension of CSR has gained greater prominence, encouraging firms to move beyond profit-centric models toward more socially responsible and accountable business practices.

2.3 CSR and Sustainable Development

Link with Sustainable Development Goals (SDG)

Corporate Social Responsibility (CSR) is closely aligned with the global agenda of sustainable development, particularly through its linkage with the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. The SDGs comprise 17 comprehensive goals aimed at addressing critical global challenges such as poverty, inequality, climate change, environmental degradation, peace, and justice by the year 2030.

CSR serves as an important mechanism through which corporations contribute to the achievement of these goals. By integrating social, environmental, and economic objectives into their business strategies, organizations align their CSR initiatives with broader sustainable development priorities. For instance, CSR activities related to education, healthcare, gender equality, and environmental sustainability directly correspond to SDGs such as Quality Education (Goal 4), Good Health and Well-being (Goal 3), Gender Equality (Goal 5), and Climate Action (Goal 13). In the context of the Indian banking sector, CSR initiatives play a significant role in advancing SDG-related outcomes. Banks actively support programs related to financial inclusion, rural development, and livelihood generation, which align with goals such as No Poverty (Goal 1) and Decent Work and Economic Growth (Goal 8). Additionally, green banking practices and investments in sustainable infrastructure contribute to environmental goals.

The alignment between CSR and SDGs also enhances accountability and impact measurement. By mapping CSR activities to specific SDGs, organizations can better assess their contributions to sustainable development and improve transparency in reporting. This approach encourages a shift from fragmented CSR initiatives to more strategic, goal-oriented, and measurable interventions. Thus, the integration of CSR with SDGs reinforces the role of businesses, particularly banks, as key stakeholders in achieving sustainable and inclusive development at both national and global levels.



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CSR as a Development Tool

Corporate Social Responsibility (CSR) has increasingly emerged as an effective tool for promoting socio-economic development, particularly in developing economies like India. Beyond its traditional role as a philanthropic activity, CSR is now recognized as a structured mechanism through which businesses contribute to addressing societal challenges and supporting national development priorities.

As a development tool, CSR enables the mobilization of corporate resources like financial, managerial, and technological toward sectors that require focused intervention, such as education, healthcare, rural development, environmental sustainability, and livelihood generation. By channelling funds and expertise into these areas, corporations complement government efforts and help bridge developmental gaps, especially in underserved regions.

In the Indian context, the institutionalization of CSR through the Companies Act, 2013 has further strengthened its role as a development instrument. The mandatory allocation of 2% of profits ensures a steady flow of resources dedicated to social welfare activities. This has led to the expansion of CSR initiatives across various sectors, with measurable contributions to community development.

In the banking sector, CSR functions as a strategic extension of the developmental role already played by banks. Institutions such as State Bank of India and Bank of Baroda undertake CSR initiatives that promote financial literacy, support small entrepreneurs, enhance rural infrastructure, and improve access to education and healthcare. These interventions directly contribute to improving living standards and reducing socio-economic inequalities.

Moreover, CSR as a development tool emphasizes sustainability and long-term impact rather than short-term charitable activities. It encourages organizations to design projects that create lasting benefits, empower communities, and promote self-reliance. When effectively implemented, CSR can act as a catalyst for inclusive growth by integrating business objectives with societal needs.

Thus, CSR serves not only as a corporate obligation but also as a powerful instrument for fostering balanced and sustainable socio-economic development.

3. Evolution of CSR (Global and Indian Context)

3.1 Global Evolution (1960s–Present)

Early Philanthropy

The early phase of Corporate Social Responsibility (CSR), particularly during the 1960s and earlier, was predominantly characterized by philanthropic activities. During this period, CSR was not conceptualized as a formal business strategy but was viewed as a voluntary and moral obligation of business owners toward society.

Corporations and industrialists engaged in charitable actions such as donations to educational institutions, hospitals, and community welfare programs. These activities were largely discretionary and were often influenced by the personal values and ethical beliefs of business leaders rather than institutional policies or regulatory frameworks. CSR, in this context, was synonymous with charity and benevolence, lacking structured planning or measurable outcomes. This phase was also shaped by the growing awareness of the social responsibilities of businesses in the wake of industrialization and increasing public scrutiny. Scholars like Howard R. Bowen, often regarded as the “father of CSR,” emphasized that business decisions should align with societal values and expectations. His work laid the intellectual foundation for the development of CSR as a formal



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concept. However, CSR during this stage remained reactive rather than proactive, with companies responding to societal needs on an ad hoc basis. There was little integration between business operations and social responsibility, and no standardized framework for implementation or reporting.

So, the early philanthropy phase represents the foundational stage in the evolution of CSR, where the focus was primarily on charitable contributions and moral responsibility, setting the stage for the later transition toward more structured and strategic approaches to corporate responsibility.

Ethical and Governance Integration

Following the initial phase of philanthropy, the evolution of Corporate Social Responsibility (CSR) entered a more structured stage during the 1970s and 1980s, characterized by the integration of ethical considerations and corporate governance principles into business operations. This phase marked a significant shift from voluntary charity to a more systematic and accountable approach to corporate behavior.

During this period, businesses began to recognize that their responsibilities extended beyond economic performance to include adherence to ethical standards and transparent governance practices. CSR was increasingly linked with concepts such as corporate accountability, business ethics, and responsible decision-making. Companies started adopting codes of conduct, ethical guidelines, and governance frameworks to ensure fairness, integrity, and compliance in their operations.

The growing influence of stakeholders including consumers, employees, regulators, and civil society played a crucial role in this transition. Organizations were expected to operate not only within legal boundaries but also in alignment with societal values and ethical norms. Scholars like Keith Davis emphasized that corporate power must be accompanied by social responsibility, reinforcing the need for ethical governance. Additionally, this phase witnessed the emergence of corporate governance mechanisms, such as board accountability, disclosure practices, and internal controls, which aimed to enhance transparency and prevent unethical practices. CSR began to be seen as an integral part of governance structures rather than an isolated activity. As a result, businesses moved toward a more proactive approach, embedding ethical considerations into their policies and decision-making processes. This integration laid the groundwork for the later development of strategic CSR, where social responsibility became closely aligned with long-term business sustainability. In essence, the ethical and governance integration phase represents a critical turning point in CSR evolution, where organizations transitioned from informal philanthropic efforts to more accountable, transparent, and ethically driven business practices.

Strategic CSR

The concept of Strategic Corporate Social Responsibility (CSR) represents the most advanced stage in the evolution of CSR, emerging prominently from the late 1990s onward. In this phase, CSR is no longer treated as a peripheral or philanthropic activity but is integrated into the core business strategy of organizations, aligning social responsibility with long-term corporate objectives. Strategic CSR emphasizes the idea of creating shared value, where businesses simultaneously achieve economic success and contribute to societal development. This approach moves beyond compliance and charity, focusing on initiatives that generate sustainable impact while also enhancing organizational performance, competitiveness, and stakeholder trust.

Scholars like Michael E. Porter and Mark R. Kramer have significantly contributed to this perspective by advocating that CSR should be strategically aligned with a firm's core competencies and value chain. According to this view, companies can identify areas where their business expertise intersects with social needs, thereby maximizing both social impact and business benefits.

In practical terms, Strategic CSR involves:

- Integrating CSR into corporate planning and decision-making



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- Focusing on long-term, sustainable projects rather than one-time initiatives
- Aligning CSR activities with business strengths and stakeholder expectations
- Measuring outcomes and impact rather than just expenditure

In the context of the banking sector, strategic CSR is reflected in initiatives such as financial inclusion programs, digital literacy campaigns, support for small and medium enterprises (SMEs), and green financing. These activities not only address critical societal needs but also strengthen the bank's market position and customer relationships.

Moreover, Strategic CSR aligns closely with global frameworks such as sustainability and the Triple Bottom Line, reinforcing the importance of balancing economic, social, and environmental goals.

Strategic CSR signifies a paradigm shift from "doing good" as an obligation to "doing well by doing good", where social responsibility becomes a driver of innovation, competitiveness, and sustainable development.

3.2 CSR in Indian Context

Pre-2013 Voluntary CSR

Before the enactment of the Companies Act, 2013, Corporate Social Responsibility (CSR) in India was largely voluntary and philanthropic in nature. There was no statutory requirement mandating companies to allocate a fixed portion of their profits toward social activities. As a result, CSR practices varied significantly across organizations in terms of scale, focus, and implementation. During this period, CSR was primarily driven by the values, ethics, and vision of business leaders rather than formal policies or regulatory frameworks. Many Indian business houses engaged in charitable activities such as building schools, hospitals, and community infrastructure, often influenced by traditional cultural values like "daan" (charity) and trusteeship, as advocated by Mahatma Gandhi. In the banking sector, public sector banks such as State Bank of India and Punjab National Bank undertook various community development initiatives, including financial literacy programs, rural development projects, and support for education and healthcare. However, these activities were not standardized or systematically reported, leading to a lack of transparency and comparability.

Another key characteristic of pre-2013 CSR in India was the absence of structured reporting and accountability mechanisms. Companies were not required to disclose CSR expenditures or outcomes in a consistent format, resulting in limited data availability and difficulty in assessing the actual impact of CSR initiatives. Furthermore, CSR during this phase was often perceived as an adjunct to business operations rather than an integral component of corporate strategy. Most initiatives were short-term and charity-oriented, with minimal emphasis on sustainability or long-term socio-economic impact. The pre-2013 phase of CSR in India was marked by voluntary, philanthropic, and unstructured efforts, which, although socially beneficial, lacked the strategic direction, accountability, and scale that characterize modern CSR practices.

Post-Companies Act Transformation

The enactment of the Companies Act, 2013 brought a fundamental transformation in the nature and scope of Corporate Social Responsibility (CSR) in India. This legislation marked a shift from voluntary and unstructured CSR practices to a mandatory, regulated, and strategic framework, thereby institutionalizing corporate participation in socio-economic development.

One of the most significant changes introduced by the Act was the legal obligation for eligible companies to spend at least 2% of their average net profits on CSR activities. This provision ensured a consistent and predictable flow of corporate resources into developmental sectors such as education, healthcare, environmental sustainability, and rural development.



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The post-2013 phase also emphasized formalization and governance. Companies are now required to constitute CSR committees, develop CSR policies, and disclose their CSR activities and expenditures in annual reports. This has enhanced transparency, accountability, and comparability across organizations. In the banking sector, institutions such as State Bank of India, Union Bank of India, and Bank of Baroda have significantly expanded and structured their CSR initiatives. Their activities are now more aligned with national development priorities and are implemented through well-defined programs with measurable objectives. Another important outcome of this transformation is the shift from philanthropic to strategic CSR. Organizations increasingly focus on long-term, impact-oriented projects rather than one-time charitable contributions. CSR is now integrated into business strategies, aligning corporate goals with societal needs and sustainable development objectives.

However, despite these advancements, challenges persist. Many organizations continue to approach CSR from a compliance perspective, and issues related to impact assessment, efficient utilization of funds, and long-term sustainability remain areas of concern.

Overall, the post-Companies Act era represents a significant milestone in the evolution of CSR in India, transforming it into a structured, accountable, and development-oriented corporate function.

Shift Toward Structured Reporting

A significant outcome of the post-reform phase of Corporate Social Responsibility (CSR) in India has been the shift toward structured and standardized reporting practices. With the implementation of the Companies Act, 2013, companies are now required to systematically disclose their CSR activities, expenditures, and outcomes as part of their annual reporting framework. Prior to this transformation, CSR disclosures were largely inconsistent, voluntary, and qualitative in nature, making it difficult to assess and compare corporate contributions. However, the new regulatory framework introduced formal reporting requirements, including the preparation of an “Annual Report on CSR Activities,” which details the amount prescribed, amount spent, unspent funds, sectoral allocation, and project-wise implementation.

In addition to statutory disclosures, companies particularly in the banking sector have increasingly adopted advanced reporting frameworks such as Business Responsibility and Sustainability Reports (BRSR) and sustainability reports. These reports provide a more comprehensive view of corporate performance across environmental, social, and governance (ESG) dimensions, moving beyond mere financial reporting. Banks such as State Bank of India, Punjab National Bank, and Canara Bank regularly publish detailed CSR disclosures, including sector-wise spending, geographic coverage, and impact narratives. This enhances transparency, accountability, and stakeholder trust, while also enabling researchers and policymakers to analyse CSR trends more effectively. Moreover, structured reporting has facilitated a shift toward data-driven decision-making and impact evaluation, encouraging organizations to move beyond descriptive reporting to measurable outcomes. It also supports benchmarking and comparative analysis across institutions and sectors.

The move toward structured reporting has strengthened the credibility and effectiveness of CSR in India by ensuring greater transparency, standardization, and accountability in corporate social initiatives.

4. CSR in Indian Banking Sector

4.1 Nature of CSR Activities in Banks

Corporate Social Responsibility (CSR) activities in the Indian banking sector are largely aligned with national development priorities and focus on addressing key socio-economic challenges. Public sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Canara Bank, and Bank of Baroda undertake a wide range of CSR initiatives aimed at promoting inclusive and sustainable development.



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The major areas of CSR activities in banks are as follows:

Financial Inclusion

Financial inclusion is a core area of CSR for banks, given their primary role in the financial system. Banks implement initiatives to extend banking services to unbanked and underbanked populations, particularly in rural and semi-urban areas. Programs related to financial literacy, digital banking awareness, and support for government schemes like the Pradhan Mantri Jan Dhan Yojana help in integrating marginalized communities into the formal financial system.

Education and Skill Development

Banks actively contribute to improving educational infrastructure and promoting skill development. CSR initiatives include building schools, providing scholarships, supporting digital education, and establishing training centers for youth. Skill development programs focus on enhancing employability through vocational training, especially for economically weaker sections.

Health and Sanitation

Healthcare and sanitation are key focus areas, particularly in underserved regions. Banks support initiatives such as organizing health camps, funding medical equipment, constructing sanitation facilities, and contributing to public health infrastructure. These efforts are crucial in improving community health outcomes and quality of life.

Women Empowerment

Promoting gender equality and empowering women is an important dimension of CSR in the banking sector. Banks support women through self-help groups (SHGs), entrepreneurship development programs, financial literacy initiatives, and access to credit facilities. These efforts aim to enhance women's economic independence and social status.

Rural and Community Development

Banks play a significant role in rural and community development through CSR initiatives focused on infrastructure development, livelihood support, and community welfare. Activities include improving rural infrastructure, supporting agriculture and allied sectors, and implementing projects that enhance living standards in rural areas.

4.2 Public vs Private Sector Banks

Corporate Social Responsibility (CSR) practices in the Indian banking sector exhibit notable differences between public sector banks (PSBs) and private sector banks in terms of approach, priorities, and implementation strategies.

Public Sector Banks (PSBs): Wider Outreach and Social Focus

Public sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Canara Bank, and Bank of Baroda are characterized by their extensive branch networks and strong presence in rural and semi-urban areas. This wide outreach enables them to implement CSR initiatives at the grassroots level, directly targeting marginalized and underserved communities. The CSR approach of PSBs is largely development-oriented, focusing on areas such as financial inclusion, rural development, education, healthcare, and poverty alleviation. Their activities are often aligned with government policies and national development programs, reflecting their dual role as financial institutions and instruments of public policy.



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PSBs tend to prioritize social impact over strategic branding, with a greater emphasis on community welfare and inclusive growth. However, their CSR initiatives may sometimes lack innovation or strategic integration due to bureaucratic processes and compliance-driven approaches.

Private Sector Banks: Strategic and Brand-Driven CSR

In contrast, private sector banks adopt a more strategic and business-oriented approach to CSR. Their initiatives are often aligned with corporate branding, stakeholder engagement, and long-term business objectives. CSR activities are designed to enhance reputation, customer loyalty, and competitive advantage while addressing social issues. Private banks typically focus on high-impact, well-structured projects, often incorporating innovation, technology, and partnerships with non-governmental organizations (NGOs). Their CSR strategies emphasize measurable outcomes, scalability, and sustainability.

Moreover, private sector banks are more likely to integrate CSR into their overall business strategy, ensuring alignment with organizational goals and performance metrics. This results in a more professional and outcome-oriented implementation of CSR initiatives.

While PSBs excel in outreach and social commitment, private sector banks demonstrate strength in strategic planning, efficiency, and impact measurement. Together, both sectors contribute significantly to socio-economic development, albeit through different approaches and priorities.

5. CSR and Socio-Economic Development

Corporate Social Responsibility (CSR) plays a vital role in promoting socio-economic development by addressing key economic, social, and environmental challenges. In the Indian banking sector, CSR initiatives are closely aligned with national development priorities and contribute significantly to inclusive growth.

5.1 Contribution to Economic Development

Employment Generation

CSR initiatives undertaken by banks contribute to employment generation by supporting entrepreneurship, small businesses, and self-employment opportunities. Financial assistance, training programs, and incubation support enable individuals to start and sustain economic activities, thereby creating direct and indirect employment.

Skill Development

Banks actively invest in skill development programs aimed at enhancing the employability of youth, particularly in rural and underprivileged areas. These initiatives include vocational training, capacity-building workshops, and digital literacy programs, which equip individuals with the skills required to participate effectively in the workforce.

5.2 Contribution to Social Development

CSR activities in the banking sector significantly contribute to improving social infrastructure. Banks support educational initiatives through scholarships, school infrastructure development, and digital learning programs. In healthcare, they organize medical camps, provide funding for hospitals, and promote preventive healthcare. Sanitation initiatives, including the construction of toilets and awareness campaigns, further contribute to improving public health and hygiene standards.



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5.3 Financial Inclusion as CSR

Rural Banking Initiatives

Banks play a crucial role in extending financial services to rural and underserved populations. Through branch expansion, mobile banking, and financial literacy programs, they promote access to savings, credit, and insurance facilities, thereby integrating marginalized communities into the formal financial system.

Support to MSMEs and Marginalized Groups

CSR initiatives often focus on supporting Micro, Small, and Medium Enterprises (MSMEs) and economically weaker sections. By providing credit, training, and advisory services, banks help these groups achieve financial stability and economic independence, contributing to overall economic growth.

5.4 Environmental Sustainability Initiatives

Green Banking

Banks are increasingly adopting green banking practices as part of their CSR strategies. These include promoting paperless transactions, reducing carbon footprints, and financing environmentally sustainable projects. Green banking reflects the sector's commitment to balancing economic growth with environmental conservation.

Renewable Energy Support

CSR initiatives also extend to supporting renewable energy projects such as solar power, wind energy, and energy-efficient technologies. By financing and promoting clean energy solutions, banks contribute to environmental sustainability and long-term ecological balance.

6. Review of Empirical Studies

6.1 CSR Practices in Indian Banking Sector

Empirical studies on Corporate Social Responsibility (CSR) in the Indian banking sector reveal several consistent patterns regarding its nature, implementation, and outcomes.

One of the key findings across studies is that CSR activities in Indian banks are largely focused on social development areas, particularly education, healthcare, rural development, and community welfare. Both public and private sector banks actively engage in these domains, indicating a strong alignment of CSR initiatives with national development priorities.

Another important observation is the significant increase in CSR expenditure post-2013, following the introduction of mandatory CSR provisions. Studies show that both public and private sector banks have consistently increased their CSR spending over time, reflecting greater institutional commitment and regulatory compliance.

Research also highlights that CSR practices differ between public and private sector banks. Public sector banks tend to focus more on social welfare and inclusive development, whereas private sector banks adopt a more strategic and customer-oriented approach, often linking CSR with brand building and customer engagement.



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Several empirical studies have examined the relationship between CSR and financial performance. The findings suggest a mixed but generally positive relationship, where CSR expenditure contributes to improved profitability and financial performance in some cases, although its impact on market returns remains inconclusive.

Additionally, studies indicate that CSR contributes to intangible benefits, such as enhanced corporate reputation, customer trust, and stakeholder engagement. These factors indirectly influence the long-term sustainability and competitiveness of banks.

However, empirical research also points to certain limitations. There is evidence of inadequate CSR reporting and lack of transparency, with many banks providing insufficient or inconsistent disclosures regarding CSR activities and outcomes.

Finally, a critical finding across multiple studies is the gap between CSR expenditure and actual socio-economic impact. Despite increasing investments, there is limited evidence to suggest a direct and measurable contribution of CSR activities to broader economic indicators such as GDP growth or human development.

In summary, empirical literature suggests that while CSR practices in the Indian banking sector have expanded significantly in scope and scale, challenges remain in terms of impact assessment, transparency, and strategic integration.

6.2 CSR and Financial Performance

Positive vs Negative Relationship Debate

The relationship between Corporate Social Responsibility (CSR) and financial performance has been a subject of extensive academic debate, with studies presenting mixed and often contrasting findings. This debate primarily revolves around whether CSR activities enhance or hinder a firm's profitability and overall financial performance.

Positive Relationship Perspective:

A significant body of research supports the view that CSR has a positive impact on financial performance. Proponents argue that socially responsible practices enhance corporate reputation, strengthen customer loyalty, and build trust among stakeholders. These factors contribute to improved brand value and competitive advantage, which can translate into higher profitability in the long run. In the banking sector, institutions such as State Bank of India and HDFC Bank have leveraged CSR initiatives to enhance stakeholder engagement and market positioning. Additionally, CSR can lead to operational efficiencies, risk reduction, and better regulatory compliance, all of which positively influence financial outcomes.

Negative Relationship Perspective:

In contrast, some scholars argue that CSR may have a negative or neutral impact on financial performance, particularly in the short term. From a neoclassical viewpoint, CSR is seen as an additional cost that diverts resources away from core business activities. Investments in social and environmental initiatives may reduce immediate profits, especially if they are not strategically aligned with business objectives. Critics contend that excessive focus on CSR could compromise efficiency and shareholder value.

Balanced Perspective:

A more nuanced view suggests that the relationship between CSR and financial performance is context-dependent. The impact of CSR varies based on factors such as the nature of the industry, scale of investment, strategic alignment, and effectiveness of implementation. In many cases, CSR yields long-term financial benefits rather than immediate returns, making it a strategic investment rather than a cost.



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In the Indian banking sector, the debate is particularly relevant due to regulatory requirements under the Companies Act, 2013, which mandate CSR spending irrespective of immediate financial outcomes. This has further intensified discussions on whether CSR should be viewed as a compliance cost or a value-creating activity.

While evidence suggests that CSR can positively influence financial performance over time, the relationship is not universally consistent. It depends on how effectively CSR initiatives are integrated into corporate strategy and aligned with organizational goals.

6.3 Stakeholder Perspective Studies

Employee vs beneficiary expectations

Empirical studies on Corporate Social Responsibility (CSR) in the banking sector reveal a notable divergence between the expectations of internal stakeholders (employees) and external stakeholders (beneficiaries). Understanding this distinction is essential for evaluating the effectiveness and alignment of CSR initiatives.

Employee Perspective:

Employees, as internal stakeholders, tend to view CSR through an organizational and operational lens. Their expectations are often aligned with initiatives that enhance workplace inclusivity, ethical conduct, and employee engagement. In the context of CSR activities, employees frequently emphasize programs such as employment generation, workplace diversity, support for differently-abled individuals, and skill development initiatives. These preferences reflect their proximity to organizational processes and their focus on human resource development and institutional responsibility.

Beneficiary Perspective:

In contrast, beneficiaries who represent the external recipients of CSR initiatives prioritize programs that directly address their immediate socio-economic needs. Studies indicate that beneficiaries place greater importance on areas such as education, healthcare, women empowerment, child welfare, and livelihood support. Their expectations are more community-oriented and reflect ground-level developmental challenges, particularly in rural and underprivileged regions.

Gap and Implications:

The divergence between employee and beneficiary expectations highlights a misalignment in CSR planning and implementation. While employees may favor structured and organization-centric initiatives, beneficiaries often require more inclusive and need-based interventions. This gap can lead to inefficiencies in CSR outcomes if not adequately addressed.

In the banking sector, institutions such as State Bank of India and Union Bank of India have increasingly recognized the importance of stakeholder engagement in designing CSR strategies. Incorporating feedback from both employees and beneficiaries can lead to more balanced, relevant, and impactful CSR programs.

So, aligning employee perspectives with beneficiary needs is crucial for enhancing the effectiveness of CSR initiatives. A stakeholder-centric approach ensures that CSR activities are not only well-implemented but also socially relevant and impactful.

6.4 Comparative Studies (PSBs vs Private Banks)

Comparative studies examining Corporate Social Responsibility (CSR) practices in public sector banks (PSBs) and private sector banks reveal distinct differences in their approaches, priorities, and effectiveness. These differences are influenced by variations in ownership structure, organizational objectives, regulatory expectations, and market orientation.



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Public Sector Banks (PSBs):

Studies consistently show that PSBs such as State Bank of India, Punjab National Bank, and Bank of Baroda demonstrate a stronger inclination toward socially oriented CSR activities. Their initiatives are largely aligned with government policies and focus on areas such as financial inclusion, rural development, education, and poverty alleviation. Due to their extensive branch networks and rural presence, PSBs have greater outreach and are more actively involved in grassroots-level development.

However, empirical studies also highlight certain limitations in PSBs' CSR practices, including less strategic planning, limited innovation, and weaker impact assessment mechanisms. In many cases, CSR is treated as a compliance requirement rather than a strategic function, which may affect the efficiency and long-term sustainability of their initiatives.

Private Sector Banks:

Private sector banks, on the other hand, adopt a more strategic and performance-driven approach to CSR. Their initiatives are often well-structured, focused, and aligned with corporate branding and stakeholder engagement. These banks tend to emphasize innovation, partnerships with NGOs, and measurable outcomes, leading to more efficient implementation and better reporting practices.

Comparative studies suggest that private banks generally perform better in terms of CSR disclosure, transparency, and impact measurement. Their CSR activities are often integrated with business strategy, enhancing both social impact and corporate reputation.

Comparative Insights:

Overall, the literature indicates that while PSBs excel in terms of reach and social commitment, private sector banks demonstrate greater efficiency, strategic alignment, and accountability in CSR implementation. The differences highlight the need for PSBs to adopt more strategic and impact-oriented approaches, while private banks can expand their outreach to underserved areas.

The comparative studies underscore that both PSBs and private sector banks play complementary roles in advancing CSR objectives, and a balanced integration of outreach and strategic efficiency is essential for maximizing socio-economic impact.

7. Critical Analysis and Research Gaps

A critical review of existing literature on Corporate Social Responsibility (CSR) in the Indian banking sector reveals several persistent gaps and challenges that limit the effectiveness and evaluation of CSR initiatives.

Lack of impact assessment of CSR outcomes

One of the most significant gaps in CSR research is the absence of robust mechanisms to assess the actual impact of CSR activities. Most studies and corporate reports focus on financial allocations and activities undertaken, rather than measuring tangible outcomes such as improvements in income levels, education quality, healthcare access, or overall community well-being. This limits the ability to evaluate the real contribution of CSR to socio-economic development.

CSR as compliance vs strategy

Despite the regulatory mandate under the Companies Act, 2013, many organizations continue to treat CSR as a compliance-driven obligation rather than integrating it into their core business strategy. This approach often results in short-term,



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fragmented initiatives that lack long-term vision and sustainability. In contrast, a strategic approach to CSR can generate both social impact and business value, but its adoption remains inconsistent.

Limited focus on environmental sustainability

Another critical gap is the relatively low emphasis on environmental sustainability within CSR activities of banks. While social sectors such as education, healthcare, and financial inclusion receive significant attention, environmental initiatives such as climate action, biodiversity conservation, and sustainable resource management are comparatively underrepresented. This imbalance highlights the need for a more comprehensive approach aligned with sustainability frameworks.

Gap between CSR spending and actual development outcomes

Although CSR expenditure has increased significantly over time, there exists a noticeable disconnect between financial input and developmental outcomes. Higher spending does not necessarily translate into meaningful or measurable socio-economic progress. This raises concerns about the efficiency, targeting, and implementation of CSR projects, particularly in large institutions like State Bank of India and Bank of Baroda.

Lack of Standardized Evaluation Metrics

The absence of uniform and standardized metrics for assessing CSR performance further complicates analysis and comparison across organizations. Different banks follow varied reporting formats and evaluation methods, making it difficult to benchmark performance or derive generalized conclusions. This lack of standardization also affects transparency and accountability in CSR reporting.

while CSR in the Indian banking sector has made considerable progress in terms of scale and scope, these critical gaps highlight the need for more impact-oriented, strategically integrated, and systematically evaluated CSR practices to ensure meaningful contributions to socio-economic development.

8. Implications

8.1 Policy Implications

The findings from the review of CSR practices in the Indian banking sector highlight several important policy implications that can enhance the effectiveness, accountability, and impact of CSR initiatives.

Need For Stricter Monitoring

Although the Companies Act, 2013 has institutionalized CSR and improved reporting practices, there remains a need for stronger monitoring and enforcement mechanisms. Regulatory authorities should ensure that CSR activities are not merely reported but are also effectively implemented and aligned with intended objectives. Periodic audits, third-party evaluations, and stricter compliance checks can help prevent misallocation of funds and enhance transparency. Strengthening institutional oversight will ensure that CSR initiatives contribute meaningfully to socio-economic development rather than functioning as symbolic or compliance-driven activities.

Impact-based CSR evaluation

There is a pressing need to shift from expenditure-based reporting to impact-based evaluation of CSR initiatives. Current reporting frameworks primarily focus on the amount spent and activities undertaken, with limited emphasis on measurable outcomes. Policymakers should encourage the adoption of standardized impact assessment models that evaluate the



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effectiveness of CSR projects in terms of tangible socio-economic indicators such as employment generation, education outcomes, healthcare improvements, and environmental sustainability.

Introducing clear guidelines for impact measurement, along with sector-specific benchmarks, will enable better comparison across organizations and improve accountability. This approach will also encourage companies, including major banks such as State Bank of India and Punjab National Bank, to design more outcome-oriented and sustainable CSR programs.

This means strengthening monitoring mechanisms and promoting impact-based evaluation are essential policy measures to ensure that CSR evolves from a compliance requirement into a powerful tool for achieving inclusive and sustainable development.

8.2 Managerial Implications

The analysis of CSR practices in the Indian banking sector highlights important managerial implications that can enhance the effectiveness, sustainability, and strategic value of CSR initiatives.

Strategic Integration of CSR

One of the key managerial implications is the need to integrate CSR into the core business strategy rather than treating it as a peripheral or compliance-driven activity. Banks should align their CSR initiatives with organizational goals, competencies, and stakeholder expectations to create shared value. Strategic integration ensures that CSR contributes not only to social development but also to long-term business performance, reputation, and stakeholder trust.

For instance, banks such as State Bank of India and Bank of Baroda can leverage their expertise in financial services to design CSR programs focused on financial literacy, entrepreneurship development, and digital inclusion. Such alignment enhances both social impact and institutional effectiveness.

Long-Term Project Planning

Another critical implication is the need for **long-term, sustainable CSR planning**. Instead of short-term, one-time initiatives, banks should focus on multi-year projects that create lasting impact and address root causes of socio-economic challenges. Long-term planning allows for better resource allocation, continuous monitoring, and measurable outcomes.

Sustainable CSR projects in areas such as education, skill development, rural development, and environmental conservation require consistent engagement and follow-up. By adopting a long-term perspective, banks can ensure that their CSR efforts lead to meaningful and enduring improvements in community well-being.

Effective CSR management in the banking sector requires a shift toward strategic integration and long-term planning, enabling organizations to maximize both social impact and organizational value.

8.3 Academic Implications

The findings of this review have several important academic implications, contributing to the advancement of research on Corporate Social Responsibility (CSR), particularly within the Indian banking sector.

Need for Empirical and Data-Driven Research

There is a clear need for more empirical, quantitative, and data-driven studies that go beyond descriptive analysis of CSR activities. Future research should focus on establishing measurable relationships between CSR initiatives and socio-economic indicators such as employment, income levels, education outcomes, and quality of life.



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Development of Impact Assessment Frameworks

The absence of standardized models for evaluating CSR effectiveness highlights the need for academic contributions in developing robust impact assessment frameworks. Researchers can design sector-specific models tailored to the banking industry, incorporating both financial and non-financial performance indicators.

Longitudinal and Comparative Studies

There is scope for conducting longitudinal studies that analyse CSR trends over an extended period, particularly before and after the implementation of the Companies Act, 2013. Additionally, comparative studies between public and private sector banks can provide deeper insights into differences in CSR strategies, efficiency, and outcomes.

Interdisciplinary Research Opportunities

CSR is inherently multidisciplinary, intersecting fields such as economics, management, sociology, and environmental studies. Academic research can benefit from interdisciplinary approaches that examine CSR from multiple perspectives, including its social, environmental, and governance dimensions.

Focus on Emerging Areas

Future research should also explore emerging areas such as digital financial inclusion, green banking, ESG integration, and sustainable finance, which are increasingly relevant in the banking sector. These areas offer new avenues for understanding the evolving role of CSR in a rapidly changing economic and technological environment.

In summary, the study underscores the need for more rigorous, comprehensive, and innovative academic research to deepen the understanding of CSR and enhance its effectiveness as a tool for socio-economic development.

9. Future Research Directions

The evolving landscape of Corporate Social Responsibility (CSR) in the Indian banking sector presents several important avenues for future research. One of the most critical areas is the development of robust and standardized CSR impact measurement models. Existing studies largely focus on financial inputs rather than actual outcomes, highlighting the need for frameworks that assess tangible changes in socio-economic indicators such as employment, income levels, education, and healthcare. In addition, comparative international studies can provide valuable insights by examining differences in CSR practices across countries. For instance, comparing India's mandatory CSR framework under the Companies Act, 2013 with voluntary CSR approaches in other economies can help evaluate the effectiveness and efficiency of different regulatory models.

Furthermore, there is a growing need to design sector-specific CSR frameworks tailored to the unique characteristics of the banking industry. Such frameworks should incorporate dimensions like financial inclusion, responsible lending, and sustainable finance, enabling a more accurate assessment of CSR performance in banks. Another emerging area of research is the role of digital banking in CSR. With rapid technological advancements, digital platforms have the potential to enhance financial inclusion, improve transparency, and expand access to financial services in remote and underserved regions. Overall, future research should adopt a more innovative, comparative, and impact-oriented approach to strengthen the role of CSR as a strategic tool for socio-economic development.



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10. Conclusion

Corporate Social Responsibility (CSR) has evolved significantly from a philanthropic and compliance-driven activity to a strategic tool that plays a vital role in achieving sustainable and inclusive development. In the contemporary business environment, CSR is no longer viewed as an optional obligation but as an integral component of corporate strategy, aligning organizational objectives with societal needs. This transformation is particularly evident in the Indian context following the implementation of the Companies Act, 2013, which has institutionalized CSR and enhanced its scope, accountability, and impact.

The banking sector, owing to its extensive outreach, financial capabilities, and developmental orientation, occupies a critical position in advancing CSR objectives. Public sector banks such as State Bank of India and Bank of Baroda have played a significant role in implementing CSR initiatives across key areas such as financial inclusion, education, healthcare, and rural development. Their efforts contribute directly to socio-economic progress and support national development goals.

However, despite the expansion of CSR activities and increased financial allocations, there remains a pressing need to shift toward outcome-oriented and impact-driven CSR practices. The effectiveness of CSR should be evaluated not merely on the basis of expenditure but on its ability to generate measurable and sustainable improvements in socio-economic conditions. Strengthening impact assessment mechanisms, enhancing strategic integration, and ensuring long-term sustainability of CSR initiatives are essential for maximizing their developmental impact.

In conclusion, CSR in the Indian banking sector holds significant potential as a catalyst for socio-economic development. Realizing this potential requires a concerted effort to move beyond compliance toward a more strategic, accountable, and impact-focused approach.

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