Magnitude of Corporate Social Responsibility towards Firms Profitability of Indian Banks

Dr. Manoj Kumara N V

Associate Professor& Research Guide, Department of Management Sciences, Maharaja Institute of Technology-Mysore, India

*Correspondence: manojkumara_mba@mitmysore.in

Corporate social responsibility (CSR) is to terms be self-regulating business model that contributes firms to be socially accountable and profitable to it. The confined to selected listed Indian banks with focus concerned to be corporate initiation, motives and outcomes of such efforts related to CSR. The Study contributes towards ascertaining researcher knowledge on CSR impact on firm profitability. The present study is confined to a sample of 10 banks actively performing NSE of India. The financial variables like ROE, ROA, and EPS considered analyzing financial performance of selected companies. The stated hypotheses are proven with usage of t-test and ANOVA to ascertain the significant relationship towards CSR and Profitability. The study helps to found that there no significant change in profitability of banks and CSR activities.

**Keywords:** CSR, Profitability, ROE, ROA, EPS

**Introduction**

Corporate Social Responsibility (CSR) is a self-regulating business model that mainly focuses on procedures of interaction by an organization with its stakeholders and the public at widely by creating a motto of being responsible socially. Banking financial service and insurance (BFSI) segments is the primary driver of a nation’s economy. Socially responsible is a strategy that creates a brand that image may create popularity of any business by way of recognition by public. India is the first country in the world to improve statutory obligation of CSR for corporate with specified policies. In India total INR 71,277 Crore have been spend on 1,05,358 CSR projects till 2019-20. 1


**Background of the Study**

CSR and profitability are two flows in every business it is also a part of banks also, Indian banking sectors are most important sectors in Indian economy. CSR is a tool to measure business when they stay socially accountable. It is considered as a corner stone of the identity of many brands, helping shape a positive reputation. That positive reputation creates a value to any business even it is also applied to banking sector. CSR activities may impact negatively or positively towards firm’s profitability it also focuses on how strategically the firm spend amount to CSR projects. Some of the bank made some contribution in Covid-19 pandemic those are Kotak Mahindra Bank it pledge INR 60 crores (Rs 25 crores to PM Care, Rs 10 Crores to Maharashtra CM relief fund), HDFC bank committed to Rs 150 crores to PM Care, ICICI pledged to Rs 80 Crores to PM Care and Committed Rs 20 crores to state government, hospitals, CISF & Police force provide 2.13 lakh surgical masks, 40,000 N95 masks, 20,000 liters of sanitizers, 16,000 gloves etc. they conducted CSR activities.

**Problem Statement**

The globalize world integration of CSR in business is one of the great challenges faced by the firm today. Stakeholders require much more from the firm other than pursuing growth and profitability. Firm which aims to be or are leaders in CSR are challenged by increasing innovation, rising public expectations, heightened social and environmental problems and continuous quality improvement. CSR activity is a dynamic and complex environment. CSR spending for that what are the factors influence CSR like firm size, firm age etc. Another problem is that CSR spending really impact the firm’s profitability if yes what extent or if not, what are the reasons these are the problem statements related to this study.

Source: www.downtoearth.in

Chart 1.1 Industry wise Covid-19 response (Funds Committed)

Above charts show the industry wise Covid-19 response those are funds committed. There are 7 industry each have different way of response. The fund committed percentage are 34%.
20%, 14%, 12%, 3%, 3%, 2% and 12% of individual sectors respectively. Those are diversified, oil drilling, BFSI, metals& mining, auto, construction, computer software respectively. The study reports highest contribution made by diversified industry.

Chart 1.2 shows CSR spent by HDFC and ICICI banks high actual CSR spent in 2019-2020 Rs. 390 crores by HDFC and Rs. 170 crores by ICICI banks. Lowest spent on the year 2015-16 that is Rs.130 crores and Rs.180 crores by HDFC and ICICI bank respectively.

Source: www.thecsrjournal.in
Chart 1.2 HDFC and ICICI Bank Prescribed & Actual CSR Spent (in INR Cr.)

**Literature Review**


The above results clearly show that there is both positive and negative impact for the business. So the present study mainly focus on Magnitude of Corporate Social Responsibility towards Firms Profitability of Indian Banks

**Objectives of the Study**
- To analyze significant impact CSR on financial performance of selected banks.
- To examine significant impact of profit variable and CSR contribution.

**Research Methodology**
The following Table -1 represents the research methodology inculcated in this research paper

<table>
<thead>
<tr>
<th>Research Study</th>
<th>Empirical Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Method</td>
<td>Descriptive &amp; Analytical Research</td>
</tr>
<tr>
<td>Sample Method</td>
<td>Simple Random Sampling Method</td>
</tr>
<tr>
<td>Sampling Technique</td>
<td>Convenient Sampling Technique</td>
</tr>
<tr>
<td>Sample</td>
<td>10 Banks</td>
</tr>
</tbody>
</table>

Table 2  Selected Banks from NSE as a sample size

<table>
<thead>
<tr>
<th>Banks Name</th>
<th>Banks Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HDFC Bank</td>
<td>6. Bhandan Bank</td>
</tr>
<tr>
<td>2. ICICI Bank</td>
<td>7. Yes Bank</td>
</tr>
<tr>
<td>3. Kotak Mahindra Bank</td>
<td>Karnataka Bank</td>
</tr>
<tr>
<td>5. Federal Bank</td>
<td>10. City Union Bank</td>
</tr>
</tbody>
</table>

**Description of the study area:**

**Source of data:**
Secondary Data: Data were collected using banks website and moneycontrol.com

**Tools for the study**

Mean: Arithmetic mean is of given set of data is the sum of data divides the number of observations this is also called as simple average and is denoted by \( \bar{X} \). Mean is used in the study to check the high and low mean value by the firm.

\[
\bar{X} = \frac{\sum x}{N}
\]

Standard deviation: - Elements of the set are more dispersed than standard deviation becomes larger. The SD is used to find the deviation level of CSR activity and profit position of the firm.

\[
\sigma = \sqrt{\frac{\sum (x-\mu)^2}{n-1}}
\]

ANOVA: - Use to find relation between independent and dependent variable related to CSR and profitability variables. T-test: -. It is used in study to test difference between means of two samples that is dependent sample or paired observation.

\[
t = \frac{\bar{x} - \mu}{\sqrt{s^2/n}}
\]

**Hypothesis**

H01 = There is no statistically significant impact of CSR on Net profit.

H02 = There is no statistically significant impact of CSR on ROE, ROA and EPS.

**Analysis and Interpretation**
The study mainly focusing on CSR impact on profitability of selected banks listed in NSE, for the analysis use statistical tools are and mean, t-test, SD, ANOVA.

**Table 3 One-Sample Statistics**

<table>
<thead>
<tr>
<th>Ratios</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSREXP</td>
<td>50</td>
<td>71.46</td>
<td>97.78</td>
<td>13.82</td>
</tr>
<tr>
<td>NP</td>
<td>49</td>
<td>4234.77</td>
<td>4899.83</td>
<td>699.97</td>
</tr>
<tr>
<td>ROA</td>
<td>50</td>
<td>1.34</td>
<td>.72</td>
<td>.10</td>
</tr>
<tr>
<td>ROE</td>
<td>50</td>
<td>11.39</td>
<td>5.72</td>
<td>.80</td>
</tr>
<tr>
<td>EPS</td>
<td>50</td>
<td>21.58</td>
<td>20.00</td>
<td>2.82</td>
</tr>
<tr>
<td>FIRMAGE</td>
<td>50</td>
<td>44.80</td>
<td>36.81</td>
<td>5.20</td>
</tr>
<tr>
<td>FIRMSIZE</td>
<td>50</td>
<td>160702.79</td>
<td>189457.49</td>
<td>26793.33</td>
</tr>
</tbody>
</table>

Source: - Author’s Calculation-SPSS Database
The above table 3 shows that one-sample statistics by this analyze that highest mean value is firm size that is 160702.79 and NP is 4234.77 and lowest mean value 1.34 in ROA. High deviation in in firm size 189457.49 and NP is 4899.83. The low deviation in ROA is 0.72. CSR expenditure is mean value is 14.082 and lowest is 5.167 that is CSREXP.

Table 4 shows find the significant level of all variables (NP, ROA, ROE & EPS). There is no significant relationship between CSR Spending and Profit Variables (NP, ROA, and ROE & EPS). There is no significant impact of CSR Spending on Profit Variables. Significant level is 0.000. High change value is 252.205 and lowest change value is 71.574.

Table 5 shows the correlations between CSREXP with NP, ROA, ROE and EPS. CSREXP have positive correlation between NP, ROA, ROE and EPS that is 0.91811, 0.0415, 0.17306, 0.50679. The study found that positive significant levels in CSREXP with NP and EPS that is 0.000.

### Table 4: One-Sample Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>393811.32</td>
<td>1</td>
<td>393811.32</td>
<td>252.205</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>73389.17</td>
<td>47</td>
<td>1561.47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>467200.49</td>
<td>48</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above table 4 shows find the significant level of all variables those are CSREXP, NP, ROA, ROE, EPS, Firm AGE, Firm Size. All variable has significant that is 0.000. Highest t-test value is ROE 14.082 and lowest is 5.167 that is CSREXP.

### Table 5: Correlations

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CSREXP</th>
<th>NP</th>
<th>ROA</th>
<th>ROE</th>
<th>EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>0.918</td>
<td>0.042</td>
<td>0.173</td>
<td>0.507</td>
<td></td>
</tr>
<tr>
<td>Sig. (1-tailed)</td>
<td>0.000</td>
<td>0.389</td>
<td>0.117</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

Above Table 5 shows the correlations between CSREXP with NP, ROA, ROE and EPS. CSREXP have positive correlation between NP, ROA, ROE and EPS that is 0.91811, 0.0415, 0.17306, 0.50679. The study found that positive significant levels in CSREXP with NP and EPS that is 0.000.

### Results and Discussion

- There is no significant relationship between CSR Spending and Profit Variables (NP, ROA, and ROE & EPS). There is no significant impact of CSR Spending on Profit Variables. Significant level is 0.000. High change value is 252.205 and lowest change value is 71.574.
- The independent and dependent variable relations those are ROE, ROA, NP, EPS, Firm Size, Firm Age with CSREXP, ROA, ROE, EPS, are constant. Significant F change is 0.000, 0.619, 0.923.
- The significant level of all variables those are CSREXP, NP, ROA, ROE, EPS, Firm AGE, Firm Size. All variable has significant that is 0.000. Highest t-test value is ROE 14.082 and lowest is 5.167 that is CSREXP.
• Highest mean value is firm size that is 160702.79 and NP is 4234.77 and lowest mean value 1.34 in ROA. High deviation in in firm size 189457.49 and NP is 4899.83. The low deviation in ROA is 0.72. CSR expenditure is mean value is 71.46 and deviation is 97.78. Firm’s size, age and CSR expenditure are the variable is related with NP, ROA, ROE, and EPS.

Conclusion
The study mainly related to know relationship of CSR spending and profit variables of listed banks in NSE in India. For the study use the sample of 10 listed banks in NSE. The study confined the dependent and independent variables like firm size, firm age, ROE, ROA, EPS, NP and CSR expenditure. CSR programs have generally been most common among large corporations; small businesses also participate in CSR through smaller-scale programs such as donating to local charities and sponsoring local events.

Conflicts of Interest: The authors declare no conflict of interest.

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References
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