



Magnitude of Corporate Social Responsibility towards Firms Profitability of Indian Banks

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Corporate social responsibility (CSR) is terms to 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

^[1]<https://www.investopedia.com/terms/c/corp-social-responsibility.asp>

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 Cares, Rs 10 Crores to Maharashtra CM relief fund), HDFC bank committed to Rs 150 crores to PM Cares, ICICI pledged to Rs. 80 Crores to PM Cares 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%,

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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.

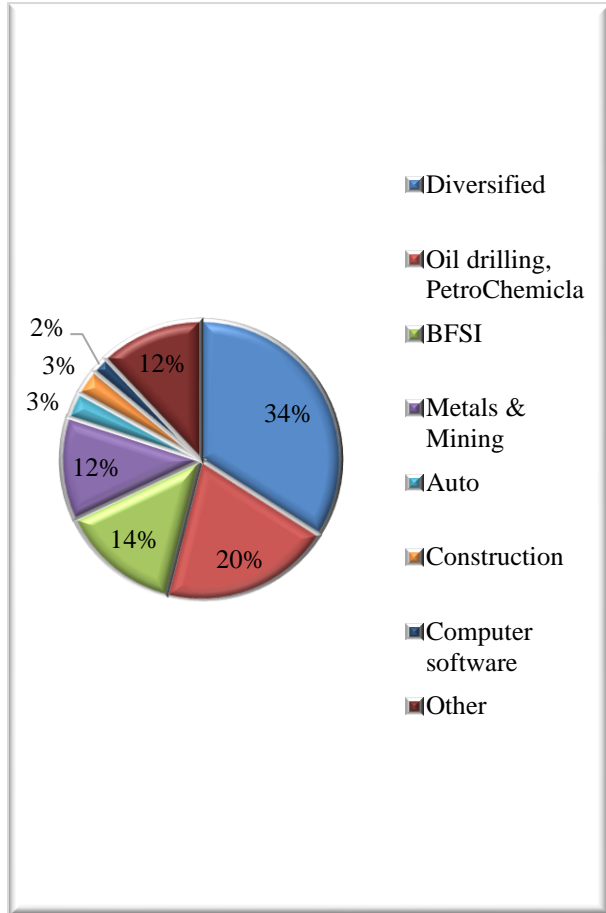


Chart 1.2 shows CSR spent by HDFC and ICICI banks high actual CSR spent in 2019-2020 Rs. 390 crores by HDFC and Rs. 170 crores by ICICI banks. Lowest spent on the year 2015-16 that is Rs.130 crores and Rs.180 crores by HDFC and ICICI bank respectively.

Source: www.thecsrjournal.in

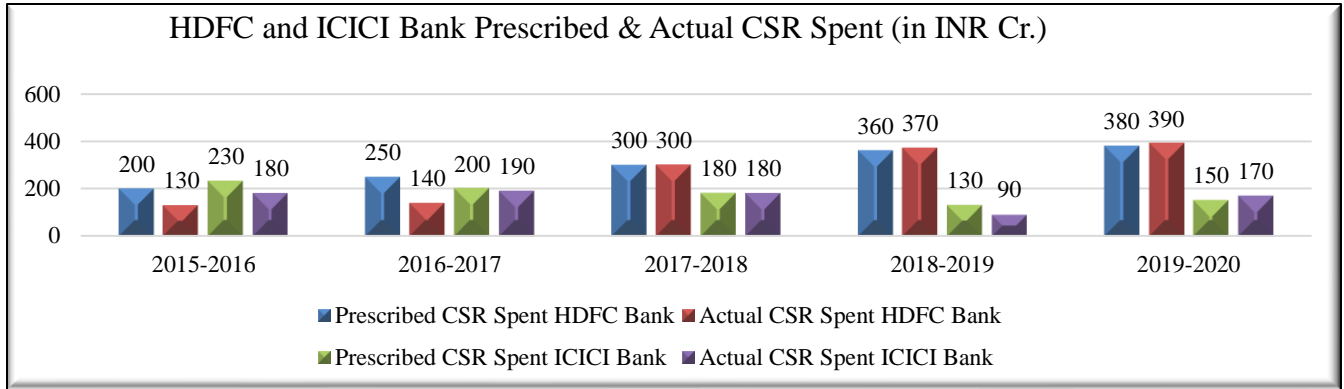
Chart 1.2 HDFC and ICICI Bank Prescribed & Actual CSR Spent (in INR Cr.)

Literature Review

Rajul Dutt^[22] (2018) study reveals that being the largest public sector bank in India the SBI investing on CSR activities this not related to profitability means can earn public views but there is negative or positive impact on profit. Md Habib UZ Zaman Khan^[17] (2010) CSR activity create a value to banks of Bangladesh. Som Sekhar Bhattacharyya^[28] (2008)

study reveals that strategic CSR plan create a strategic gain to firm financially and non-financially. Dr Lynette M MC Donald^[6] (2008) study finds that how much customer satisfied that many firms share price and profits grow. Labrini Sideri^[14] (2021) Sustainability growth of banking sectors is not fully depending on CSR activity. Dr Namita Rajput^[7] (2013) study found that net income and profitability is significant but no significant in profitability and green banking activities. Rupal Tyagi^[24] (2013) found negative relationship between the CSP and CFP. Mobin Fatma^[19] (2016) CSR activities draw the public by increasing purchase and build image of retail banking. Ali Raza^[3] (2020) CSR is not directly linked with customer loyalty. Leena James^[15] (2012) CSR may a part of increase profitability of companies. Shachi Rai^[26] (2015) CSR activity it is depends on company profitability. Manisha Sayena^[16] (2012) reports that insignificant impact of CSR on profitability. Merve Kilic^[18] (2015), CSR depends on size, ownership and broad of the banks CSR disclosure. Robert D Klassen^[23] (1996), environmental management and financial performance create impact on firm.

Atang Hermawan^[5] (2019) CSR activity influence by various factors like size, profitability, leverage, ownership etc by this conclude that there is no relation with them. SandhikaCipta Bidhari^[25] (2013) CSR impact on all financial performance ROE, ROA, ROS but ROS didn't effect on firm value. Shangzhi Charles Qiu^[27] (2021) CSR activity protects financial value during Covid-19 pandemic. KshitizUpadhyay Dhungel^[13] (2011) CSR help to improve societal responsibility. Suman Kalyan Chaudhury^[29] (2011) found that CSR activity impact on banking performance. Jignesh J Patel^[12] (2015) CSR activity has challenges, but it has positive support to society. Namrata Singh^[20] (2013) CSR practices create a value to banks. Henri Servaes^[11] (2013) CSR improve reputation of firm value. AbdulahadAbdulbasith (2019) proved negative impact of profitability. Om Prakash Agrawal^[21] (2020) CSR activity helps to positive and strong impact of financial performance. Faizi Weqar^[9] (2020) efficiency of IC significantly enhances the profitability and productivity of the Indian bank. Elena Platonova^[8] (2018) covered CSR disclosure and the future financial performance of GCC Islamic bank. Adriana Galant^[2] (2017) CSR & CFP have positive relations. Amal Abou Fayad^[4] (2017) adopt volunteer actions that promote social responsibility actions. Grizel Menezes^[10] (2019) net profit has a significant relationship with the CSR spending where as ROA and EPS have no impact. Suwendu Kr Pratihari^[30] (2018) relation between CSI disclosures and profitability is significant.



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

Research Study	Empirical Study
Research Method	Descriptive & Analytical Research
Sample Method	Simple Random Sampling Method
Sampling Technique	Convenient Sampling Technique
Sample	10 Banks

Table 2 Selected Banks from NSE as a sample size

Banks Name	Banks Name
1.HDFC Bank	6. Bhandan Bank
2. ICICI Bank	7.Yes Bank
3.Kotak Mahindra Bank	8. Karnataka Bank
4. Axis Bank	9.Indusland Bank
5. Federal Bank	10.City Union Bank

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.

$$\sigma = \sqrt{\frac{\sum(x-\bar{x})^2}{n-1}}$$

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

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

Source: - Author's Calculation-SPSS Database

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics		
						F Change	df2	Sig. F Change
1	0.918	0.843	0.840	39.515	0.843	252.205	47	0.000
2	0.931	0.866	0.860	36.889	0.023	7.931	46	0.007
3	0.931	0.867	0.858	37.193	0.001	0.250	45	0.619
4	0.931	0.867	0.855	37.610	0.000	0.010	44	0.923

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 71.46 and deviation is 97.78. Firms size, age and CSR expenditure are the variable is related with NP, ROA, ROE, and EPS.

Table 4 One-Sample Test
Source: - Author's Calculation-SPSS Database

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	393811.32	1	393811.32	252.205	0.000
Residual	73389.17	47	1561.47		
Total	467200.49	48			
Regression	404603.53	2	202301.77	148.663	0.000
Residual	62596.96	46	1360.80		
Total	467200.49	48			
Regression	404949.58	3	134983.19	97.577	0.000
Residual	62250.91	45	1383.35		
Total	467200.49	48			
Regression	404963.05	4	101240.76	71.574	0.000
Residual	62237.44	44	1414.49		
Total	467200.49	48			

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

Particulars	CSR EXP	CSR				
		EXP	NP	ROA	ROE	EPS
Pearson Correlation	CSR EXP	1	0.918	0.042	0.173	0.507
Sig. (1-tailed)	CSR EXP	.	0.000	0.389	0.117	0.000
	N	49	49	49	49	49

Source: - Author's Calculation-SPSS Database

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.

Table 6 Model Summary
Source: - Author's Calculation-SPSS Database

Table 6 shows the independent and dependent variable relations those are ROE, ROA, NP, EPS, Firm Size, Firm Age with CSREXP. ROA, ROE, NP, EPS are constant. Significant F change is 0.000, 0.007, 0.619, 0.923.

Table 7 ANOVA
Source: - Author's Calculation-SPSS Database

Ratios	t	df	Sig. (2-tailed)	Mean Difference
CSREXP	5.167	49	.000	71.46
NP	6.050	48	.000	4234.77
ROA	13.143	49	.000	1.34
ROE	14.082	49	.000	11.39
EPS	7.627	49	.000	21.58
FIRMAGE	8.606	49	.000	44.80
FIRMSIZE	5.998	49	.000	160702.79

Table 7 shows that there is no significant change in CSR and Profit variable during study period. 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

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, NP, EPS are constant. Significant F change is 0.000, 0.007, 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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