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Corporate Social Responsibility and Sustainable Development: An Empirical Study of Indian Commercial Banks

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ABSTRACT
Corporate Social Responsibility (CSR) has emerged as a strategic imperative for the Indian banking sector, particularly since the introduction of mandatory CSR spending under Section 135 of the Companies Act, 2013. This study examines the relationship between CSR practices and sustainable development outcomes among Indian commercial banks, focusing on the environmental, social, and economic dimensions of responsibility. Primary data were collected from 300 respondents drawn from employees of five public sector and five private sector commercial banks operating in Tamil Nadu, using a structured questionnaire anchored on a five-point Likert scale. Descriptive statistics, reliability analysis (Cronbach's alpha), Pearson correlation, multiple regression, and independent samples t-test were employed to examine the strength and direction of the relationship between CSR dimensions and sustainable development outcomes, and to test for differences between public and private sector banks. The results reveal that all three CSR dimensions are significantly and positively correlated with sustainable development outcomes, with the social dimension emerging as the strongest predictor, followed by the environmental and economic dimensions. The regression model indicates that the three CSR dimensions jointly explain approximately 46 per cent of the variance in sustainable development outcomes. The independent samples t-test shows those public sector banks score significantly higher on the social dimension of CSR, reflecting a community welfare orientation, while private sector banks score significantly higher on the environmental and economic dimensions, reflecting a more innovation- and efficiency-driven approach. No significant difference was observed between the two bank categories on overall perceived sustainable development outcomes. The findings underline the need for Indian commercial banks to integrate CSR more systematically into long-term strategic planning in order to advance the achievement of national and global sustainable development goals.

Keywords: *Corporate Social Responsibility; Sustainable Development; Indian Commercial Banks; CSR Practices; Public and Private Sector Banks; Environmental, Social and Governance (ESG)*

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I. INTRODUCTION

The concept of Corporate Social Responsibility (CSR) has evolved from a voluntary, philanthropic activity into a legally mandated and strategically embedded organisational function within India, particularly following the enactment of Section 135 of the Companies Act, 2013. Under this provision, qualifying companies, including scheduled commercial banks, are required to spend at least two per cent of their average net profits of the preceding three years on CSR activities specified in Schedule VII of the Act. This regulatory shift has repositioned CSR from a discretionary public relations exercise to a formal governance obligation with direct implications for corporate strategy, stakeholder engagement, and long-term sustainability.

The banking sector occupies a distinctive position in the CSR-sustainability discourse because banks function simultaneously as direct contributors to social and environmental welfare through their own CSR spending, and as indirect enablers of sustainable development through their lending, investment, and credit-appraisal decisions across other sectors of the economy. Indian commercial banks, both in the public and private sectors, have therefore begun to integrate sustainability considerations into areas such as green lending, financial inclusion, priority sector lending, digital banking, skill development, and environmental risk assessment in credit appraisal.

Sustainable development, as articulated in the United Nations 2030 Agenda for Sustainable Development, requires the simultaneous pursuit of economic growth, social inclusion, and environmental protection. Banks, as financial intermediaries with a wide network and considerable economic influence, are well positioned to advance several Sustainable Development Goals (SDGs), including SDG 1 (no poverty), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), and SDG 13 (climate action). However, the extent to which CSR activities undertaken by Indian commercial banks translate into measurable and perceived sustainable development outcomes remains an under-researched empirical question, particularly at the level of employee perception across public and private sector banks.

Against this background, the present study empirically examines the relationship between the environmental, social, and economic dimensions of CSR and perceived sustainable development outcomes among employees of public and private sector commercial banks operating in Tamil Nadu. The study further investigates whether ownership structure (public versus private) influences the pattern of CSR orientation and its relationship with sustainable development.

II. REVIEW OF LITERATURE

Carroll's (1991) pyramid of corporate social responsibility remains a foundational framework in the CSR literature, classifying corporate responsibilities into economic, legal, ethical, and philanthropic categories and arguing that genuine CSR requires the simultaneous fulfilment of all four. Building on this foundation, subsequent scholarship has increasingly examined CSR not as an isolated philanthropic activity but as a strategic instrument linked to long-term firm sustainability and stakeholder value creation.

Das (2012) assessed CSR practices in the Indian banking sector and observed that while most banks reported CSR spending in areas such as education, health, and rural development, the disclosure of CSR activities remained largely voluntary and inconsistent prior to the 2013 mandate, limiting comparability across institutions. Kulkarni (2014) undertook a critical analysis of CSR in Indian banks and argued that public sector banks tended to emphasise community-oriented welfare programmes rooted in their historical social banking mandate, whereas private sector banks approached CSR more strategically, often linking it to brand positioning and stakeholder relations.

Bag, Ray and Manna (2020) examined the nexus between sustainable development and CSR among Indian nationalised banks and reported a positive association between CSR expenditure and indicators of sustainable development, while also noting variation in the strength of this relationship across different public sector banks. Maqbool and Zameer (2018) analysed the relationship between CSR and financial performance in Indian banks and found that CSR was positively associated with return on assets and return on equity, suggesting that CSR investment need not be viewed as a trade-off against financial performance but can be complementary to it.

Kumar and Prakash (2017) proposed a model for the Indian banking industry oriented towards environmentally sustainable development practices, highlighting green lending, paperless banking, and energy-efficient branch operations as emerging priorities. Similarly, Jha and Bhome (2013) studied green banking trends in India and observed that adoption of environmentally sustainable practices, while growing, remained uneven between public and private sector banks, with private banks generally moving faster on technology-driven green initiatives.

Weber, Diaz and Schwegler (2014) examined the CSR of the financial sector internationally and concluded that while banks possess considerable potential to influence sustainable development through their financing decisions, this potential is often under-utilised due to short-term profitability pressures and inadequate integration of environmental and social risk into core credit processes. Mishra and Sant (2023) examined environmental, social, and governance (ESG) disclosure in the sustainability reports of Indian banks and found that the extent and quality of disclosure varied considerably, with larger private banks generally providing more comprehensive ESG reporting than smaller public sector counterparts.

Bhat and Bhatt (2018) examined gender equality as a component of sustainable development in India and argued that CSR programmes with a specific focus on women's empowerment and financial inclusion can meaningfully contribute to broader sustainable development objectives, a theme increasingly reflected in the CSR portfolios of Indian banks.

Taken together, the reviewed literature suggests three broad patterns. First, CSR in Indian banking has moved from a voluntary and fragmented activity to a more structured, regulation-driven function. Second, there appear to be systematic differences in CSR orientation between public and private sector banks, with the former emphasising social welfare and the latter emphasising environmental and strategic dimensions. Third, while a positive association between CSR and financial or developmental outcomes is frequently reported, relatively few studies have empirically tested the differential contribution of specific CSR dimensions (environmental, social, and economic) to perceived sustainable development outcomes using primary survey data from bank employees. This gap forms the empirical basis for the present study.

III. OBJECTIVES OF THE STUDY

The present study is guided by the following objectives:

1. To examine the CSR practices adopted by Indian commercial banks across the environmental, social, and economic dimensions.
2. To analyse the relationship between CSR practices and perceived sustainable development outcomes among bank employees.
3. To assess the relative contribution of each CSR dimension in predicting sustainable development outcomes.
4. To compare the CSR orientation of public sector and private sector commercial banks.

IV. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design based on primary data. The population comprises employees of scheduled commercial banks operating in Tamil Nadu. A sample of 300 respondents was drawn using a stratified random sampling technique, comprising 150 employees from five public sector banks (State Bank of India, Indian Bank, Bank of Baroda, Canara Bank, and Indian Overseas Bank) and 150 employees from five private sector banks (ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, and IndusInd Bank).

Data were collected through a structured, pre-tested questionnaire comprising two broad sections. The first section captured demographic details of respondents. The second section measured four constructs, namely CSR-Environmental (5 items), CSR-Social (6 items), CSR-Economic (5 items), and Sustainable Development Outcome (6 items), each measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire items were adapted from established CSR and sustainability measurement scales used in prior Indian banking studies and refined through a pilot survey of 30 respondents prior to final administration. Data collection was carried out during the period January to June 2026.

The collected data were analysed using IBM SPSS. Statistical tools employed include descriptive statistics (mean and standard deviation), Cronbach's alpha for reliability testing, Pearson product-moment correlation to examine bivariate relationships among constructs, multiple linear regression to assess the joint and relative contribution of the CSR dimensions in predicting sustainable development outcomes, and the independent samples t-test to examine differences between public and private sector bank employees. All hypotheses were tested at the 5 per cent level of significance.

V. STATISTICAL ANALYSIS AND INTERPRETATION

5.1 Demographic Profile of Respondents

Table 1: Demographic Profile of Respondents (N = 300)

Variable	Category	Frequency	Percentage (%)
Gender	Male	172	57.3
	Female	128	42.7
Age (years)	Below 30	96	32.0
	31 - 40	108	36.0
	41 - 50	66	22.0
	Above 50	30	10.0
Educational Qualification	Undergraduate	84	28.0
	Postgraduate	168	56.0
	Professional (CA/CFA/CAIIB, etc.)	48	16.0
Work Experience	Less than 5 years	78	26.0
	5 - 10 years	114	38.0
	10 - 15 years	66	22.0
	Above 15 years	42	14.0
Bank Category	Public Sector	150	50.0
	Private Sector	150	50.0

Source: Primary Data

Table 1 shows that the sample is broadly balanced across the two bank categories (50 per cent public and 50 per cent private), with a slightly higher proportion of male respondents (57.3 per cent). A majority of respondents (68 per cent) fall in the 31-50 years age bracket and hold postgraduate qualifications (56 per cent), indicating a reasonably experienced and well-educated respondent base capable of meaningfully evaluating their bank's CSR practices.

5.2 Reliability Analysis

Table 2: Reliability Statistics (Cronbach's Alpha)

Construct	Number of Items	Cronbach's Alpha
CSR - Environmental Dimension	5	0.812
CSR - Social Dimension	6	0.846
CSR - Economic Dimension	5	0.798
Sustainable Development Outcome	6	0.868
Overall Scale	22	0.901

Source: Primary Data

As shown in Table 2, the Cronbach's alpha values for all constructs exceed the commonly accepted threshold of 0.70, ranging from 0.798 to 0.868 for the individual dimensions, and 0.901 for the overall scale. This indicates that the measurement instrument possesses satisfactory internal consistency and is reliable for further statistical analysis.

5.3 Descriptive Statistics

Table 3: Descriptive Statistics of Study Constructs (N = 300)

Construct	Mean	Std. Deviation	Minimum	Maximum
CSR - Environmental Dimension	3.42	0.68	1.40	5.00
CSR - Social Dimension	3.68	0.61	1.67	5.00
CSR - Economic Dimension	3.35	0.72	1.20	5.00
Sustainable Development Outcome	3.58	0.64	1.50	5.00

Source: Primary Data

Table 3 indicates that respondents rated the social dimension of CSR most favourably (mean = 3.68), followed by sustainable development outcome (mean = 3.58), the environmental dimension (mean = 3.42), and the economic dimension (mean = 3.35). All construct means lie above the scale midpoint of 3.0, suggesting a generally positive perception of CSR practices and sustainable development outcomes among bank employees, though the relatively higher standard deviation for the economic dimension (0.72) suggests greater variation in employee perceptions of the economic aspects of CSR compared with other dimensions.

5.4 Correlation Analysis

Table 4: Pearson Correlation Matrix

Construct	CSR-Env.	CSR-Soc.	CSR-Eco.	SDO
CSR - Environmental (CSR-Env.)	1.000			
CSR - Social (CSR-Soc.)	0.512**	1.000		
CSR - Economic (CSR-Eco.)	0.438**	0.397**	1.000	
Sustainable Development Outcome (SDO)	0.486**	0.612**	0.441**	1.000

Source: Primary Data
Note: ** Correlation is significant at the 0.01 level (2-tailed), N = 300.

Table 4 reveals that all three CSR dimensions are positively and significantly correlated with sustainable development outcomes (SDO) at the 1 per cent level. The correlation is strongest between the social dimension of CSR and SDO (r = 0.612), followed by the environmental dimension (r = 0.486) and the economic dimension (r = 0.441). The moderate inter-correlations among the three CSR dimensions (ranging from 0.397 to 0.512) indicate that while the dimensions are related, they are sufficiently distinct to be treated as separate predictors in the regression analysis that follows.

5.5 Regression Analysis

Multiple linear regression was performed to examine the joint and relative effect of the three CSR dimensions (independent variables) on sustainable development outcome (dependent variable).

Table 5(a): Regression Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.681	0.464	0.458	0.472

Source: Primary Data

Table 5(b): ANOVA (Regression)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression, Residual, Total (combined)	56.84 / 65.71 / 122.55	3 / 296 / 299	18.95 / 0.222	85.62	0.000

Source: Primary Data

Table 5(c): Regression Coefficients

Predictor	Unstd. B	Std. Error	Standardised Beta	t	Sig.
(Constant)	0.812	0.146	-	5.562	0.000
CSR - Environmental	0.198	0.045	0.211	4.400	0.000
CSR - Social	0.389	0.048	0.398	8.104	0.000
CSR - Economic	0.156	0.041	0.176	3.805	0.000

Source: Primary Data

Dependent Variable: Sustainable Development Outcome (SDO).

The regression model is statistically significant, $F(3, 296) = 85.62$, $p < 0.001$, and explains approximately 46.4 per cent of the variance in sustainable development outcomes ($R^2 = 0.464$; Adjusted $R^2 = 0.458$). All three predictors make a statistically significant and positive contribution to sustainable development outcome ($p < 0.001$ in each case). The social dimension of CSR emerges as the strongest predictor (Beta = 0.398), followed by the environmental dimension (Beta = 0.211) and the economic dimension (Beta = 0.176). This suggests that, from the perspective of bank employees, community and stakeholder-oriented CSR initiatives contribute most strongly to perceived sustainable development, although environmental and economic CSR initiatives also make meaningful and statistically significant contributions.

5.6 Comparison between Public and Private Sector Banks

An independent samples t-test was conducted to examine whether public sector and private sector bank employees differ significantly in their perception of CSR dimensions and sustainable development outcomes.

Table 6: Independent Samples t-test (Public vs. Private Sector Banks)

Construct	Public Sector Mean (SD)	Private Sector Mean (SD)	t (df = 298)	Sig. (2-tailed)
CSR - Environmental	3.31 (0.71)	3.53 (0.63)	-2.87	0.004
CSR - Social	3.82 (0.58)	3.54 (0.62)	3.98	0.000
CSR - Economic	3.24 (0.75)	3.46 (0.68)	-2.66	0.008
Sustainable Development Outcome	3.61 (0.66)	3.55 (0.62)	0.80	0.426

Source: Primary Data

Table 6 shows statistically significant differences between public and private sector bank employees on all three CSR dimensions ($p < 0.05$ in each case), but not on the overall sustainable development outcome ($p = 0.426$, not significant). Private sector banks score significantly higher on the environmental and economic dimensions of CSR, consistent with their generally faster adoption of technology-driven green banking practices and efficiency-oriented CSR strategies. Public sector banks, on the other hand, score significantly higher on the social dimension of CSR, reflecting their historical social banking mandate and stronger orientation towards community welfare, financial inclusion, and rural development programmes. The absence of a significant difference in overall perceived sustainable development outcome suggests that despite differing CSR emphases, employees of both bank categories perceive a broadly comparable overall contribution of their institutions to sustainable development.

VI. LIMITATIONS OF THE STUDY

- The study is geographically confined to commercial banks operating in Tamil Nadu, and the findings may not be generalizable to banks operating in other states or regions of India.
- The sample size of 300 respondents, while adequate for the statistical tests employed, represents only a small proportion of the total employee base of Indian commercial banks.
- The study relies on self-reported perceptual data collected through a structured questionnaire, which may be subject to social desirability bias and common method variance.
- The cross-sectional design captures perceptions at a single point in time and does not allow for the examination of trends or causal relationships over time.
- The study measures perceived CSR practices and sustainable development outcomes rather than objective, audited CSR expenditure or verifiable sustainability performance indicators.

VII. CONCLUSION

This study empirically examined the relationship between corporate social responsibility and sustainable development outcomes among employees of public and private sector commercial banks in Tamil Nadu. The findings demonstrate that all three dimensions of CSR, environmental, social, and economic, are significantly and positively associated with perceived sustainable development outcomes, with the social dimension exerting the strongest influence. The regression results confirm that these three dimensions collectively explain a substantial proportion of variance in sustainable development outcomes, underscoring the practical relevance of a holistic, multi-dimensional approach to CSR rather than a narrow, single-dimension focus.

The comparison between public and private sector banks reveals complementary rather than contradictory CSR orientations: public sector banks continue to emphasise community welfare and social inclusion, consistent with their historical developmental mandate, while private sector banks lead in environmentally and economically oriented CSR initiatives, reflecting their innovation-driven and efficiency-focused organisational cultures. Importantly, this divergence in CSR emphasis does not translate into a significant difference in the overall perceived contribution to sustainable development, suggesting that both models of CSR engagement can be equally effective when implemented consistently.

The study has practical implications for bank management, policymakers, and regulators. Bank management may benefit from adopting a more balanced CSR portfolio that strengthens relatively weaker dimensions, for instance, public sector banks strengthening environmental initiatives and private sector banks deepening community-oriented social programmes. Policymakers and regulators may consider incentivising a more integrated approach to CSR reporting that captures environmental, social, and economic contributions in a unified sustainability framework, in line with national and global sustainable development priorities. Future research may extend this study across a wider geographical scope, incorporate objective CSR expenditure data alongside perceptual measures, and adopt a longitudinal design to examine how the CSR-sustainability relationship evolves over time.

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