



Relationship between CSR Expenditure and Financial Performance of Commercial Banks

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Abstract : *The present paper is an attempt to achieve relationship between CSR and financial performance of selected banks. Two public (State bank of India and Punjab national bank) and two Private (ICICI and Axis) banks has taken as sample for study on the basis of Net worth. To find out relation between CSR and financial performance Karl Pearson correlation model has used. To represent banking financial performance financial indicator (Profit, Deposit, Return on Assets (ROA), Return on Equity (ROE), Non-Performing Assets (NPA) and Turnover) has used Major Findings of the study is that relationship between CSR and overall banking financial performance is significantly positive but individually it's different. In Public sector banks (SBI, PNB) relation between CSR and financial indicators (profit, deposit, NPA and Total Turnover) is positive and financial Indicator (ROA and ROE) is negative whereas in private sector banks (ICICI, AXIS) relation between CSR and financial indicators (profit, deposit, NPA, Total Turnover, ROA and ROE) is positive accept in AXIS bank where relationship between CSR and ROE is negative.*

Keywords: CSR, Financial Performance and Commercial Banks

Introduction:

Business is basically a socio economic entity. Although business is fundamentally an economic activity. It cannot carry out in isolation of society. It is group endeavor and therefore number of responsibility towards difference stakeholder- management, workers, customers, shareholders, government and society. Realization and fulfillment of responsibility towards these stakeholders is termed as corporate social responsibility. Further business cannot function independently and depends on the society for supply of raw materials capital, labor and other requirements. Business is the part of society and have follow the rules regulation of government and society in which it operate and prospering. CSR is concept in which a company integrates social concern with their business operations. CSR is not new

concept it is done in ancient India in the form of donation, charity and religious works. The concept of CSR is changing with the passage of time. In ancient India it is performed by king, samrat for the development of society in the form of donation i.e. king harsh was the biggest example. today the CSR concern very vast activities. It is based on giving back to society because every company utilize resource like water, land, Money, people which are the part of society. A company utilize these resource in her business operation without help by society a company cannot run and never achieve their business objective mainly profit. So it is responsibility of company to develop the society's economic, social, cultural and environmental condition.

Literature review:

This section provides a review of the theoretical literature on CSR activities in



Indian banking sector. (Malte Kaunfmann and Marieta Olauro, 2012), "The impact of Corporate Social Responsibility on Business performance-Can it measured, and if so how?" found that influence of CSR on Business performance directly. (Aile and bausys, 2013,) submitted a master thesis on the topic "Corporate Social Responsibility and financial performance: the example of Estonia, lativia and Lithuania" and found that overall CSR activities have no significant impact on ROA. However certain individual CSR activities were found to affect CFP. (Ioannou and Serafeim, 2014), contributed study 'The impact of corporate social responsibility on Investment Recommendations' and found that positive relation between CSR and business investments. (Vijay .P and Divya .N, 2014.), conducted a study on the topic "Impact of Corporate Social Responsibility initiative of Indian Banking sector" and found that higher structural break between pre and post period of implementation of CSR in commercial banks. (Sharma and Gautam) 2015, conduct a research on "Corporate Social Responsibility and financial performance: Evidence from Four leading Banks in Indian banking Sector" and found that significant impact of CSR on Financial Performance of the Banks.

Objectives of the Study: the primary objective of the study is to find out relationship between CSR expenditure and financial performance.

Hypothesis of the study:

H0: There is no significant relationship between CSR and Financial Performances of the banks.

H1: There is significant relationship between CSR and Financial Performances of the banks.

Research methodology:

A. Data Sources and Type

The study is collected based on the secondary sources of data collected through annual report.

B. Sampling Units

For analyzing the impact of Corporate Social Responsibility on Banking financial performance a sample of 2 Public and 2 Private Banks has been taken from the population on the basis of net worth.

C. Data Collection & Classification

To meet the objective the data for the study is collected through annual report of Banks for the year 2009 to 2016

Limitations:

Like every study this study has also following limitations

1. Study has based secondary data therefore findings are also depends upon accuracy of data.
2. Data for this study has taken only eight years.
3. This study has done on only four banks.

Data analysis:

To find out relationship between CSR and Financial Performance of four banks (State bank of India, Punjab National bank, ICICI Bank and Axis Bank of India) Karl Pearson correlation model has used. To represent banking financial performance financial indicator (Profit, Deposit, ROA, ROE, NPA and Turnover) has used. The confidence level for the present study has been taken as 95%. The Statistical Package for Social Sciences (SPSS) version 20 and MS Excel 2010 were used to analyse the data.



Table.1: Financial Indicators of SBI(Amount in Rs. Crores)

Year	CSR	Profit	Deposit	ROA	ROE	NPA	Turn over
2009	19.72	9121	742073	1.04	15.07	16345.60	85432.86
2010	24.44	9166	804116	.88	14.04	17836.30	98540.45
2011	71.18	8265	933933	.71	12.84	23073.50	105480.43
2012	71	11707	1043647	.88	14.36	37156.00	120873.00
2013	127	14105	1202740	.91	15.94	51189.40	135692.00
2014	148.93	10891	1394409	.65	10.49	61605.40	154904.00
2015	115	13102	1576793	.68	11.17	56725.30	174972.96
2016	143.92	9951.00	1730722	.46	7.74	76821.68	191844.00

(Source SBI Annual Reports)

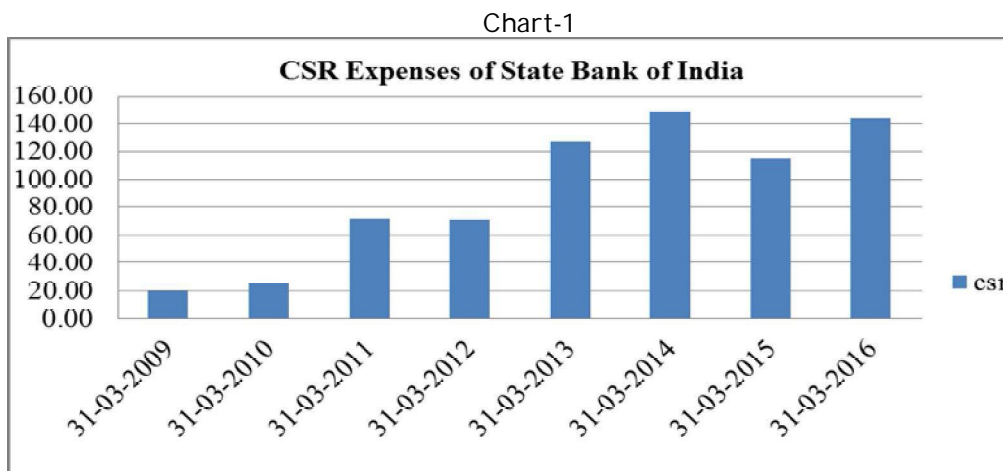


Table-1 and Chart -1 shows CSR spends amount in crores of SBI during year 2009 to 2016.

Testing of Hypothesis: The results obtain by above table the p values of Net Profit, Deposit, NPA Turnover, ROA, and ROE are 1.71, .003, .000, .004, .041 and .104. The p value of Deposit, Turnover, NPA and ROA are less than .05 so in these cases we reject the null hypothesis. And P value of Net Profit and ROE are greater than .05 therefore we accept the null hypothesis. Interpretation: The result

shows that highly positive significant relationship between CSR and Total Deposit at the 0.01 level. The relationship of CSR with Turnover, and NPA are also highly positive and significant. In the case of relation of CSR with Profit and ROE are insignificant. The table also present relationship of CSR and ROA is negative but significant.

Table 2: CSR and financial relationship

CSR and Financial Indicators Relationship:

CSR	Pearson Correlation	1						
	Sig. (2-tailed)							
Net Profit	Pearson Correlation	.536	1					
	Sig. (2-tailed)	.171						
Deposit	Pearson Correlation	.892**	.457	1				
	Sig. (2-tailed)	.003	.254					
NPA	Pearson Correlation	.943**	.503	.968**	1			
	Sig. (2-tailed)	.000	.204	.000				
Turnover	Pearson Correlation	.881**	.462	.998**	.966**	1		
	Sig. (2-tailed)	.004	.249	.000	.000			
ROA	Pearson Correlation	-.726*	.048	-.830*	-.766*	-.829*	1	
	Sig. (2-tailed)	.041	.911	.011	.027	.011		
ROE	Pearson Correlation	-.616	.156	-.797*	-.727*	-.796*	.948**	1
	Sig. (2-tailed)	.104	.711	.018	.041	.018	.000	
		CSR	Net Profit	Deposit	NPA	Turnover	ROA	ROE

** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

Punjab national bank of India:

(Amounts in Rs. Crore)

Table.3: PNB Financial Indicators.

Year	CSR	Profit	Deposit	ROA	ROE	NPA	Turn over
2009	2.35	3089.00	209761.00	1.39	23.52	27675.00	364464.00
2010	3.37	3905.00	249330.00	1.44	24.54	32144.00	435931.00
2011	4.36	4433.00	312899.00	1.34	22.13	43794.00	555005.00
2012	4.50	4884.00	379588.00	1.19	18.52	86899.00	673363.00
2013	4.00	4748.00	391560.00	1.00	15.19	134658.00	700356.00
2014	3.00	3343.00	451397.00	.64	9.69	188801.00	800666.00
2015	3.67	3062.00	501379.00	.53	8.12	256949.00	881913.00

(Source PNB Annual Reports)

Table-3 shows CSR spends amount in crores of PNB during year 2009 to 2015.



Relationship among CSR and Financial Indicators:

CSR	Pearson Correlation	1						
	Sig. (2-tailed)							
Net Profit	Pearson Correlation	.133	1					
	Sig. (2-tailed)	.777						
Total deposit	Pearson Correlation	.961**	-.054	1				
	Sig. (2-tailed)	.001	.908					
Total Turnover	Pearson Correlation	.963**	-.033	1.000**	1			
	Sig. (2-tailed)	.000	.943	.000				
NPA	Pearson Correlation	.885**	-.336	.945**	.939**	1		
	Sig. (2-tailed)	.008	.461	.001	.002			
ROA	Pearson Correlation	-.845**	.371	-.936**	-.931**	-.988**	1	
	Sig. (2-tailed)	.017	.413	.002	.002	.000		
ROE	Pearson Correlation	-.880**	.288	-.955**	-.953**	-.984**	.995**	1
	Sig. (2-tailed)	.009	.531	.001	.001	.000	.000	
		CSR	Net Profit	Total deposit	Total Turnover	NPA	ROA	ROE

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

Testing of Hypothesis: The above table shows that The P value of Net profit, Total Deposit, Total Turnover, NPA, ROA and ROA are .777, .001, .000, .008, .017, .009 respectively. Only p value of profit .133 is greater than .05 so here we accept the null hypothesis and all other p value are less than .05 so in all these cases we reject the null hypothesis.

Interpretation: The above table shows a great positive relationship among CSR and Deposit, NPA and total Turnover but relationship CSR among ROA and ROE significant negative. And there is also proof that no significant relation among CSR and Profit.

ICICI BANK:

Table.5: Financial Indicators of ICICI Bank (Amount in Rs. Crores)

Year	CSR	Profit	Deposit	ROA	ROE	NPA	Turn over
2009	9.40	3758.00	218348.00	.99	7.70	9649.30	28435.86
2010	10.79	4033.00	202017.00	1.10	7.90	9267.40	32621.95
2011	11.29	5151.00	225602.00	1.30	9.60	9816.00	33184.58
2012	27.50	6465.00	225500.00	1.44	11.10	9292.60	41045.41
2013	96.57	8325.00	292614.00	1.66	12.90	9607.80	48421.00
2014	192.27	9810.00	333914.00	1.76	13.70	10505.80	54606.00
2015	174.33	11175.00	361563.00	1.86	14.30	15094.70	61267.00
2016	172.00	9726.00	421426.00	1.49	11.30	16067.03	68062.00

(Source ICICI Annual Reports)

Table-5 shows CSR spends amount in crores of ICICI during year 2009 to 2016.



RELATIONSHIP BETWEEN CSR AND FINANCIAL INDICATORS OF ICCI BANK:

Table: 6 - Correlations

CSR	Pearson Correlation	1						
	Sig. (2-tailed)							
Net Profit	Pearson Correlation	.950**	1					
	Sig. (2-tailed)	.000						
Total Deposit	Pearson Correlation	.931**	.899**	1				
	Sig. (2-tailed)	.001	.002					
NPA	Pearson Correlation	.725*	.724*	.883**	1			
	Sig. (2-tailed)	.042	.042	.004				
Total Turnover	Pearson Correlation	.933**	.948**	.973**	.844**	1		
	Sig. (2-tailed)	.001	.000	.000	.008			
ROA	Pearson Correlation	.836**	.940**	.707	.478	.799*	1	
	Sig. (2-tailed)	.010	.001	.050	.230	.017		
ROE	Pearson Correlation	.836**	.936**	.702	.457	.789*	.996**	1
	Sig. (2-tailed)	.010	.001	.052	.254	.020	.000	
		CSR	Net Profit	Total Deposit	NPA	Total Turnover	ROA	ROE

** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

Testing of Hypothesis: The above table shows that The P value of Net profit, Total Deposit, NPA, Total Turnover, ROA and ROE are .000, .001, .042, .001, .010, .010 respectively. All p values are

less than .05 so in all these cases we reject the null hypothesis

Interpretation: Above result shows that relationship among CSR and financial indicator of ICICI Bank are positive significant.

AXIS BANK OF INDIA:

Table: 7 –Financial Indicators of Axis Bank (Amount in Rs. Crores)

Year	CSR	Profit	Deposit	ROA	ROE	NPA	Turn over
2009	18.15	1815.36	117374.11	1.44	19.93	890.50	15437.31
2010	25.15	2514.53	141300.22	1.67	19.89	1295.40	19478.75
2011	18.85	3388.49	189237.80	1.68	20.13	1587.00	23543.53
2012	42.42	4242.21	220104.30	1.68	21.22	1720.20	27421.97
2013	51.80	5179.43	252613.59	1.70	20.51	2371.40	32564.34
2014	62.17	6217.67	280944.56	1.78	18.23	3001.40	38046.38
2015	135.38	7357.82	322441.94	1.83	18.57	3866.90	43843.64
2016	138.96	8223.66	357968.00	1.72	17.49	4348.60	50359.50

(Source Axis Bank Annual Reports)

Table-7 shows CSR spends amount in crores of Axis bank during year 2009 to 2016



RELATIONSHIP AMONG CSR AND FINANCIAL INDICATORS OF AXIS BANK:

CSR	Pearson Correlation Sig. (2-tailed)	1						
Net Profit	Pearson Correlation	.933**	1					
	Sig. (2-tailed)	.001						
Total Deposit	Pearson Correlation	.918**	.997**	1				
	Sig. (2-tailed)	.001	.000					
NPA	Pearson Correlation	.964**	.988**	.977**	1			
	Sig. (2-tailed)	.000	.000	.000				
Total Turnover	Pearson Correlation	.939**	.998**	.994**	.992**	1		
	Sig. (2-tailed)	.001	.000	.000	.000			
ROA	Pearson Correlation	.642	.765*	.769*	.731*	.746*	1	
	Sig. (2-tailed)	.086	.027	.026	.040	.034		
ROE	Pearson Correlation	-.754*	-.723*	-.681	-.797*	-.745*	-.427	1
	Sig. (2-tailed)	.031	.043	.063	.018	.034	.291	
		CSR	Net Profit	Total Deposit	NPA	Total Turnover	ROA	RO E

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

Testing of Hypothesis: The above table shows that The P value of Net Profit, Total Deposit, NPA, Total Turnover, ROA and ROA are .001, .001, .000, .001, .086, and .031 respectively. Accept ROA (.086) All p values are less than .05 so in all these cases we reject the null and hypothesis is accept in case of ROA.

Interpretation: Above result shows that relationship among CSR and financial indicator of ICCI Bank (Net profit, Total

Deposit, NPA and Total Turnover) are positive significant. But relationships among CSR, ROA and ROE are insignificant Positive.

OVERALL ALL RELATIONSHIP OF CSR AND BANKS FINANCIAL INDICATORS:

Relationship CSR and Financial performance of Public and Private Banks:

Relationship CSR and Financial performance of Public and Private Banks:

CSR spends Public and Private Banks	Pearson Correlation Sig. (2-tailed)	1				
Profits of Public and Private Banks	Pearson Correlation	.766**	1			
	Sig. (2-tailed)	.000				
Deposits of Public and Private Banks	Pearson Correlation	.429*	.735**	1		
	Sig. (2-tailed)	.016	.000			
NPA of Public and Private Banks	Pearson Correlation	-.224	-.131	.237	1	
	Sig. (2-tailed)	.226	.481	.199		
Turnover of Public and Private Banks	Pearson Correlation	-.412*	-.311	.018	.880**	1
	Sig. (2-tailed)	.021	.088	.923	.000	
	CSR spends Public and Private Banks	Profits of Public and private sector banks	Deposits of Public and private sector banks	NPA of Public and Private Banks	Turnover of Public and private Banks	CSR spends Public and Private Banks

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).



Testing of Hypothesis: The above table shows that The P value of Net Profit, Total Deposit, NPA, and Total Turnover, .000, .016, .226, and .021, respectively. Accept NPA (.226) All p values are less than .05 so in all these cases we reject the null and hypothesis is accept in case of NPA.

Interpretation: Above result shows that relationship among CSR and financial indicators of selected public and Private Bank (Net profit, Total Deposit, and Total Turnover) are positive significant. But relationship between CSR and NPA is insignificant Positive.

Scope for further study:

1. The present study is based on secondary data so one can conduct study on primary data.
2. This study is done in banking sector so there is scope for research in other sector i.e. manufacturing, PSU and other service sector.
3. Sample for this study has only four banks therefore, One can also conduct research more than 4 banks.

Conclusion:

Relationship between CSR and overall banking financial performance is significantly positive except NPA and Total Turnover but individually it's different. In Public sector banks(SBI, PNB) relation between CSR and financial indicators (profit, deposit, NPA and Total Turnover) is positive and financial Indicator (ROA and ROE) is negative whereas in private sector banks(ICICI, AXIS) relation between CSR and financial indicators (profit, deposit, NPA ,Total Turnover, ROA and ROE) is positive except in AXIS bank where relationship between CSR and ROE is negative.

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