
A Study of CSR In Selected Public Banks In India: With Reference to the Post Mandate Period

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ABSTRACT

Corporate Social Responsibility (CSR) was legally mandated in India from April 1, 2014 and it requires the eligible companies to spend at least 2 % of the average net profit of the past 3 years on CSR activities like promoting education, healthcare, employability and others. Banks in India also contribute towards CSR. However, it is not mandatory for public sector banks to contribute on CSR since they are not incorporated under the Companies Act. This paper aims to highlight the CSR spending and practices of selected public banks in India in the post mandate period. The findings show that most of the selected banks have spent more at least 1% or more of their previous year's profit on CSR during the time period of the study, thereby abiding by the RBI guideline on the same (though it is not mandatory). However, the overall contribution of the selected banks towards CSR is not satisfactory since they have no obligation to mandatorily spend on CSR in India.

1. Introduction

All business entities have a responsibility to the community and the environment in which they operate. Many business concerns have attempted to discharge some of their responsibilities towards the society in



the past by indulging in philanthropic activities. However engaging in philanthropy is not the solution. Businesses need to realize that they have other obligations apart from earning profits.

Corporate Social Responsibility (CSR) got momentum in India after Section 135 of the Companies Act, 2013 made it mandatory for companies fulfilling some specified criteria to spend at least 2% of their average net profit of the preceding three financial years on CSR activities. The Act also requires the eligible companies to set up a Board level CSR committee to formulate and monitor CSR policy and recommend CSR spending. It is the duty of the Board to approve and disclose in public the CSR policy of the company and prepare a report on the CSR spending in a prescribed format in the company's Annual Report.

Private sector banks in India mandatorily contribute towards CSR. But CSR is not mandatory for public sector banks, co-operative banks, regional rural banks in our country since they are not incorporated under the Companies Act.

In its circular in 2005, Reserve Bank of India (RBI) stated that profit making banks can donate up to 1 % of its previous year's profit while banks incurring loss can donate up to 5 lac in a year if approved by the Board. In another circular issued in 2007, RBI advised banks to engage in CSR activities. However, the banks have no obligation to mandatorily spend on CSR. (Source-pib.gov.in)

2. Literature Review

The concept of sustainability or sustainable development caught the attention of business entities in the early 2000s and it became an essential part of CSR (**Carroll, 2008**).

From early 2000s, Indian CEOs started paying greater attention to CSR activities of their entities than they did earlier (**Sood and Arora, 2006**).

The paper titled 'CSR and Performance: The Story of Banks in India' tries to highlight the CSR practices of some banks in the Indian banking sector and also tries to find the impact of CSR practices on the performance and image of such banks (**Bihari and Pradhan, 2011**). The findings reveal that there has been an increase in the CSR activities of the banks which also affects the banks' performance in a positive manner.

In the paper titled 'Practices of Corporate Social Responsibility (CSR) in Banking Sector in India: An Assessment', twelve banks and financial institutions were chosen and it was found that most of the banks



had contributed on activities like education, community/rural development, environmental sustainability etc. However, it was observed that the banks required to be more accountable towards their CSR obligations (**Chaudhury, Das, & Sahoo, 2012**).

The paper titled 'CSR Practices and CSR Reporting in the Indian Banking Sector' reveals the CSR initiatives of the Indian banking sector with their CSR reporting along with their future scope (**Singh, Srivastava, & Rastogi, 2013**).

The study titled 'CSR Practices in Indian banking Sector' highlights the CSR initiatives of India's public and private banks. (**Dhingra and Mittal, 2014**).

The study titled 'Corporate social responsibility and financial performance: An empirical analysis of Indian banks' discusses the relationship between CSR and financial performance of 28 commercial banks (**Maqbool and Zameer, 2018**). Panel regression has been used and the results show that CSR has a positive impact on the financial performance of the banks.

The paper titled 'Corporate Social Responsibility – A Case Study on Strategies of Indian Private and Public Sector Banks' highlights the CSR programmes of selected public and private sector banks in India. The findings reveal that the CSR activities of private banks are mostly focused on support of customer services directly while public banks are interested in improving their brand value. Both aim at satisfying their customers as well promoting their service to the marginalised and weaker strata of the society (Aithal, 2021).

3. Objectives

1. To briefly study the CSR initiatives of the selected public sector banks in the post mandate period.
2. To compare the actual CSR spending of the selected public sector banks with their prescribed CSR budget in the post mandate period.

4. Theoretical Framework

Corporate social responsibility has been defined as the "*continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large* (World Business Council, 1998)."



CSR is based on the Triple Bottom Line (TBL) Approach in which companies strive to strike a balance between fulfilling their economic, social and environmental objectives and addressing the needs of the stakeholders. There are 3Ps in the TBL approach, namely, People or the social bottom line, Planet or the ecological bottom line and Profit or the economic bottom line. This concept encourages the business entities to think more objectively about their impacts on people and the planet instead of focusing only on profit.

4.1 Legislative framework of CSR in India

The Companies Act of 1956 was replaced by the Companies Act, 2013. This new Act introduced significant changes or reforms affecting company formation, governance and administration. It also comprised section 135 which contains the clause on CSR for companies that were listed in India. India is the first country to legislate the need of companies to engage in CSR activities and also made it mandatory to report their CSR activities, thus ushering in a new era of CSR in the country. The Ministry of Corporate Affairs had notified Section 135 and Schedule VII of the Companies Act along with the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which came into effect from 1 April 2014 followed by certain amendments in May 2016.

Section 135 of the Companies Act 2013 is applicable for companies with either of the following:

- (a) net worth of the company should be ₹ 500 crore or more;
- or
- (b) turnover of the company should be ₹ 1000 crore or more;
- or
- (c) net profit of the company to be ₹ 5 crore or more.

Moreover, the provisions of CSR are applicable both to Indian companies, as well as branch and project offices of foreign companies in India.

It is also to be noted that the expenditure on CSR does not form a part of business expenditure. Every qualifying company is required to spend at least 2% of its average net profit of the immediately preceding 3 financial years on CSR activities in India.



Each qualifying company is also required to form a CSR Committee of the Board of Directors (Board) comprising 3 or more directors. It is duty of the CSR Committee:

- a) To formulate and recommend the CSR policy, comprising the activities which the company shall undertake, to the Board.
- b) To recommend the amount of expenditure to be incurred on the activities referred in the policy.
- c) To monitor the CSR Policy of the company.

It is the Board's responsibility to consider the recommendations made by the CSR Committee and approve the CSR Policy of the company.

4.2 Activities under CSR

The activities of CSR are specified in **Schedule VII of the Companies Act, 2013**. These include:

- (i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the 'Swachh Bharat Kosh' set up by the Central Government for the promotion of sanitation and making available safe drinking water:
- (ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- (iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the 'Clean Ganga fund' set up by the Central Government for rejuvenation of river Ganga ;
- (v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts:



- vi) Measures for the benefit of armed forces veterans, war widows and their dependents;
- (vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports;
- (viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- (x) Rural development projects.
- (xi) Slum area development.

It has been further notified in the Amendment Bill of 2016 that the company shall not limit itself to the local areas in and around which it operates but shall undertake CSR activities across the country.

5. Methodology

1. Sample selection – The sample of the study comprises 6 private sector banks of India which are:
 - i. State Bank of India (SBI)
 - ii. Canara Bank
 - iii. Punjab National Bank
 - iv. Indian Bank
 - v. City Union Bank
2. Data source – Data for the study has been collected only from secondary sources which include annual reports, journal and newspaper articles.
3. Time period of study- The study covers the post mandate period of CSR from 2014-15 to 2018-19.
4. Data analysis – Logical and statistical derivations have been used to assess the data. Paired samples t test in SPSS software will also be used to test the following null hypothesis:

H_0 : There is no significant difference between actual and prescribed
CSR spending of the selected banks.



6. Findings and Results

The CSR activities undertaken by the banks between 2014-15 and 2018-19 are as follows:

i. SBI

- a. Contribution to Swachh Vidyalaya campaign by constructing toilets for girls in schools.
- b. Providing micro credit finance to Self Help groups centering women.
- c. Contribution to Chief Minister's Relief Fund in Jammu & Kashmir and Andhra Pradesh.
- d. Procuring ambulances, medical vans, surgical equipments and other instruments essential for hospitals pan India.
- e. Providing support to persons with disabilities (PwD) and senior citizens.
- f. Setting up digital classrooms and providing scholarships to meritorious students from economically backward families.
- g. Setting up Rural Self-employment Training Institutes for providing vocational training and developing skills in the youth.

(Source: SBI Annual & Business Sustainability Report)

ii. Canara Bank

- a. Financial Literacy centres have been formed in several areas.
- b. Self-employment training institutes have trained youth across 17 Indian states.
- c. Canara Vidya Jyothi Scholarship scheme have been given to meritorious girl students from SC/ST families.
- d. Reverse Osmosis (RO) drinking water plants have been set up in several districts of Karnataka.
- e. Donating for Kerala floods.

(Source: Canara Bank Annual & Business Sustainability Report)

iii. Punjab National Bank (PNB)

- a. PNB Asha Kiran scheme launched for economically empowering women.
- b. PNB Ladli has been launched for the well-being of girl children
- c. Farmers Training Centres have been set up in several areas across India.
- d. Construction of rehabilitation centres for the disabled in Mumbai.
- e. Providing solar lights and hand pumps to villages in Uttar Pradesh.
- f. Setting up hockey academy for training junior hockey players.

(Source: PNB Annual & Business Sustainability Report)

**iv. Indian Bank**

- a. Providing sanitary napkin vending machines and incinerators to a women's college in Chennai.
- b. Contribution for Jal Shakti Abhiyan – a water conservation programme of the Government.
- c. Setting up rural self-employment training institutes in several districts of Tamil Nadu.
- d. Donating for infrastructure development at old age homes in Chennai.

(Source: Indian Bank Annual & Business Sustainability Report)

v. City Union Bank

- a. Special initiatives for girl students by a programme named 'I Support a Girl'.
- b. Protection of national heritage sites and monuments located at Thanjavur and Tiruchirapalli.
- c. Donating for flood in Kerala.
- d. Renovation of ancient temples and other monuments in Tamil Nadu.
- e. Providing safe drinking water, construction of toilets and water tanks in several districts of Tamil Nadu.
- f. Support to the widows of war veterans and their children.

(Source: City Union Bank Annual & Business Sustainability Report)

Table 1.1 Summarised report of the core CSR activities of the banks

Main CSR activities	SBI	Canara Bank	PNB	Indian Bank	City Union Bank
1. Education, employability and livelihood.	✓	✓	✓	✓	✓
2. Health and hygiene.	✓	✓	✓	✓	✓
3. Poverty alleviation, eradication of hunger.	✓	✓			
4. Environmental sustainability.	✓	✓	✓	✓	✓
5. Promoting sports.	✓		✓		✓



6. Protecting national heritage, art and culture.	✓				✓
7. Rural/community development.	✓	✓	✓	✓	✓
8. Women empowerment and gender equality.	✓	✓	✓	✓	✓
9. Support to persons with disabilities (PwD) and senior citizens.	✓	✓	✓	✓	✓
10. Contribution to Chief Minister's Relief Fund.	✓			✓	✓
11. Armed forces Veteran welfare.					✓
12. Disaster relief.	✓	✓	✓	✓	✓

Source: Annual & Business sustainability reports of different banks

From table 1.1, we can conclude that the most common activities of CSR for the selected banks of the study are Education, employability and livelihood, Healthcare and hygiene, Rural and community development, Environmental sustainability, Women empowerment and Support to persons with disabilities and aged.

Table 1.2 CSR spending as a % of last 3 years' average profit

Name of bank	2014-15	2015-16	2016-17	2017-18	2018-19
1. SBI	0.95	1.03	0.97	0.93	0.16
2. Canara Bank	1.06	1.23	1.27	1.49	2.10
3. PNB	0.09	0.18	0.95	1.30	2.23
4. Indian Bank	0.08	0.24	0.28	0.55	0.22

5. City Union Bank	1.12	2.27	2.59	2.68	2.71
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Author's estimation

Table 1.3 CSR spending as a % of previous year's profit (RBI guideline)

Name of bank	2014-15	2015-16	2016-17	2017-18	2018-19
1. SBI	1.06	0.91	1.10	0.92	-
2. Canara Bank	1.25	1.21	-	2.54	-
3. PNB	0.11	0.22	-	2.16	-
4. Indian Bank	0.10	0.29	0.37	0.41	0.19
5. City Union Bank	1.02	2.04	1.83	2.12	2.28

Author's estimation

Table 1.3 shows that most of the banks except Indian Bank had spent 1% or above of the previous year's profit on CSR. In case of the bank incurring loss in the previous year, it has not been calculated.

Table 1.4 Actual (A) and Prescribed (P) CSR spending of the banks (in INR Crores)

Name of bank	2014-15		2015-16		2016-17		2017-18		2018-19	
	A	P	A	P	A	P	A	P	A	P
1. SBI	115.80 (106.24 %)	109	131 (91.02 %)	143.9 2	109.82 (110.36 %)	99.51	104.14 (92.19 %)	112.9 6	16.46	-
2. Canara Bank	30.39 (124.65 %)	24.38	32.78 (121.2 7%)	27.03	32.68	-	28.53 (254.50 %)	11.21	23.62	-
3. PNB	3.76 (11.24	33.43	6.76 (22.08	30.62	30.41	-	28.62 (216%)	13.25	29.54	-

	%)		%)							
4. Indian Bank	1.18 (10.18 %)	11.59	2.96 (29.45 %)	10.05	2.65 (37.27 %)	7.11	5.72 (40.68 %)	14.06	2.42 (19.22 %)	12.59
5. City Union Bank	3.54 (102.02 %)	3.47	8.05 (203.7 9%)	3.95	8.16 (183.37 %)	4.45	10.68 (212.33 %)	5.03	13.49 (227.87 %)	5.92

Source: Various reports of different banks

(Note: *The figures in brackets represent the % of actual CSR spending over prescribed spending CSR spending.

*The prescribed CSR spending is equal to 1% of previous year’s profit as per RBI guideline.)

Table 1.5 Annual Growth Rate (AGR) and Compound Annual Growth Rate (CAGR) of actual CSR spending (in %)

Name of bank	AGR (2015-16)	AGR (2016-17)	AGR (2017-18)	AGR (2018-19)	CAGR
1. SBI	(+) 13.13	(-) 16.17	(-) 5.17	(-) 84.19	(-) 32.31
2. Canara Bank	(+) 7.86	(-) 0.31	(-) 12.70	(-) 17.21	(-) 4.92
3. PNB	(+) 79.79	(+) 349.85	(-) 5.89	(+) 3.24	(+) 51.02
4. Indian Bank	(+) 150.85	(-) 10.47	(+) 115.85	(-) 57.69	(+) 15.45
5. City Union Bank	(+) 127.40	(+) 1.37	(+) 30.88	(+) 26.31	(+) 30.68

Author’s estimation

Table 1.6 Increase/Decrease in actual CSR spending over prescribed CSR spending (in %)

Name of bank	2014-15	2015-16	2016-17	2017-18	2018-19
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1. SBI	(+) 6.24	(-) 8.98	(+) 10.36	(+) 7.81	-
2. Canara Bank	(+) 24.65	(+) 21.27	-	(+) 154.50	-
3. PNB	(-) 88.76	(-) 77.92	-	(+) 116.00	-
4. Indian Bank	(-) 89.82	(-) 70.55	(-) 62.73	(-) 59.32	(-) 80.78
5. City Union Bank	(+) 2.02	(+) 103.79	(+) 83.37	(+) 112.33	(+) 127.87

Author's estimation

The table above reveals that City Union Bank shows a consistently high increase in actual CSR spending over prescribed CSR spending over the period of the study.

Null hypothesis

H_0 : There is no significant difference between actual and prescribed CSR spending of the selected banks.

Table 1.7 Descriptive statistics & p value using Paired samples t test

Name of bank	Mean		Standard deviation (S.D)		p value
	Actual	Prescribed	Actual	Prescribed	
1. SBI	115.19	116.35	11.57	19.23	0.852
2. Canara Bank	30.57	20.87	2.13	8.47	0.126
3. PNB	13.04	25.76	13.57	10.93	0.464
4. ICICI Bank	2.98	11.08	1.67	2.65	0.002
5. City Union Bank	8.78	4.56	3.68	0.95	0.027

Author's estimation



We can conclude from the above table that for SBI, Canara Bank and PNB, the null hypothesis is accepted ($p > 0.05$), that is, there is no significant difference between the actual and prescribed CSR spending for the time period of the study. However, for the rest of the banks ($p < 0.05$), we can say that the actual CSR spending differs significantly from the prescribed CSR spending for the five years of the study.

6. Conclusion

Banks are instrumental in bringing about socio-economic development and economic growth of any nation. It is not mandatory for public sector banks in India to spend on CSR. However, the RBI has recommended the banks to spend up to 1% of the previous year's profit on CSR. We can see from the results that most of the banks have spent 1% or above of the previous year's profit on CSR. But the overall CSR contributions of these public sector banks is very minimal. Except City Union Bank, almost no other bank could exceed the recommended 2% spending as per the legal mandate. As far as the CSR activities are concerned, the selected banks are mostly concerned in the areas of Education, Employment, Livelihood, Environment, Rural development, Healthcare, Women empowerment, Support to persons with disabilities and aged people.

7.1 Limitations of the study

- a. Due to time constraint and unavailability of adequate information, other public sector banks could not be included in the study.
- b. The time period of the study spans from 2014-15 to 2018-19. The financial years after 2018-19 have not been included due to the onset of the Covid-19 pandemic which may greatly distort results.
- c. Aspects such as composition of CSR committee, proper CSR disclosure could not be covered in the above study.

7.2 Future scope

The Government is considering to introduce a proposal to make CSR mandatory for public sector banks. This can be possible only if amendments are made in existing laws and regulations.



If public sector banks are brought within the legal mandate of CSR, it would definitely give a huge boost to the CSR of our country. It would also give abundant scope of conducting vast researches on this area in future.

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