Measurement of Corporate Social Responsibility of Financial Companies in the Indian Context

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Abstract

Purpose: This study aimed to measure the corporate social responsibility (CSR) activities of financial companies (banks and NBFCs) in India. This paper used content analysis to quantify the CSR performance of financial companies. Financial institutions loan money to businesses utilizing assets owned by saving bank account holders, thereby heightening their societal responsibility.

Methodology : Data from 63 financial companies listed on the National Stock Exchange from 2014–2015 to 2020–2021 were considered. Cronbach's alpha, descriptive statistics, and *z*-score test were used in this research to check the reliability and normality of the CSR scores.

Findings : The results showed that private sector banks proactively participated in social activities compared to public sector banks (PSB) and non-banking financial institutions (NBFCs). Scores of CSR improved during the study period.

Practical Implications : The study will allow future research because every issue and factor considered in the scale needs attention to benefit humankind's future generations. Calculated CSR scores could be used to measure the impact on the financial performance of companies.

Originality : Unlike prior research on corporate social responsibility, the current work built a model to measure the CSR of financial companies.

Keywords : corporate social responsibility, public sector banks, private banks, NBFCs, and content analysis

JEL Classification Codes : G24, G34, G38, G41

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Contribution to societal improvement by corporations is an idea that is gaining momentum across the globe. Corporate social responsibility (CSR) refers to actions and policies implemented by businesses that are

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intended to impact the world positively. As postulated by Carroll (1991), the challenge for everyone is to define the kinds of responsibilities management and businesses should have for the constituency groups with which they transact and interact most frequently, even though the concept of CSR may occasionally be replaced by various other focuses such as social responsiveness, social performance, public policy, ethics, or stakeholder management. Ali et al. (2017) claimed that well-known companies seem to respect social and environmental issues more. Embracing CSR improves the way people see your business, draws in top talent and investment opportunities, and has an impact on your bottom line. It also encourages employee involvement and customer loyalty. A nation's government is vital in motivating corporations to be socially responsible. The community's dire needs and expectations, along with the government's limited resources, make it imperative that businesses contribute to and care about society. The corporate sector is expected to support government efforts and resources (Kansal & Singh, 2012). There are limited resources that can be optimally utilized by society and business organizations that can help do the same. Optimal utilization of resources by business organizations leads to a healthy economic environment. To maintain consistency in the economy, business organizations shift their objective from wealth maximization to wealth distribution, leading to corporate social responsibility. It becomes necessary to have the practice of wealth distribution among stakeholders.

The community, the environment, regulatory bodies, and the organization's human resources are among its stakeholders (Hopkins, 2005). Studying the social contributions of corporations is crucial, given the uncertain social and economic conditions that exist globally. The most significant contributor to the GDP is the service sector. Therefore, it cannot afford to show a lack of interest in society's problems and difficulties. The growing demand for CSR practices in business has created vast business opportunities for corporations; consequently, adopting CSR practices has become imperative (Weber et al., 2014). The financial sector plays a significant role in the economy of any nation, and its ability to sustain development depends on it. For the past 20 years, the banking sector has actively addressed sustainability issues (Matuszak et al., 2019). Financial companies are involved in elevating financial inclusion, responsible lending, transparency with stakeholders, and loan recovery. It is contended that even while individual banks are free to accept or reject sustainable banking methods, doing so may significantly impact how banks operate by integrating environmental protection and social advancement. Patro and Pattanayak (2017) emphasized the need for non-financial reporting transparency and the approach to promote socially responsible investing (SRI) for environmental sustainability.

Many examinations have been conducted globally on CSR in banking, encompassing practices in both developed and developing countries. However, there is a dearth of research specifically focusing on CSR practices within financial companies, particularly within NBFCs (Sigurthorsson, 2012). There is little empirical study on the nature and scope of sustainable banking methods used by Indian financial companies and environmental banking challenges. The current study tries to bridge this knowledge gap. The motivation for doing this research is to calculate the CSR scores for financial companies. This paper evaluates dimensions of social performance in employees, services, community, and environment sectors. Also, this paper improves the existing model by incorporating environmental dimensions, including reducing carbon footprints and conserving natural habitats. In this particular setting, the study seeks to answer the following questions: How are the CSR practices of Indian financial corporations disclosed? Regarding CSR reporting, are PSBs, private sector banks, and NBFCs in India different from one another?

Literature Review

CSR is becoming an indispensable part of businesses (Camilleri, 2017). CSR performance measures a business's actions and reactions toward society (Gramlich & Finster, 2013). Stakeholder theory mentions the connection between internal and external stakeholders (Carroll, 1991; Herrera Madueño et al., 2016; Madsen &

Bingham, 2014). So, the relationship between stakeholders will get stronger when the business acts responsibly toward them. Companies have many benefits that can improve financial performance (Gangi et al., 2018; Rodriguez-Fernandez, 2016; Taşkın, 2015) and a stable risk profile (Houston et al., 2010; Neitzert & Petras, 2022). Researchers have empirically tested stakeholder theory for improved financial performance. Corporations that use society's resources are more responsible for stakeholders' returns. So, it becomes necessary for corporations to be involved in CSR activities.

Prior Research on CSR Reporting in India

In one study from the 20th century, Singh and Ahuja (1983) used content analysis to examine 33 social disclosure issues from the annual reports of 40 public sector enterprises in India. It was discovered that community engagement is an essential component in social reporting, and greater attention is placed on human resource development. Patro and Pattanayak (2017) investigated the CSR disclosure of India's top 100 IT businesses. They discovered that CSR disclosure was significantly low and that organizations could not leverage it in conveying CSR on their websites. Concern exists about both the volume and quality of CSR disclosure. Viet Ha et al. (2019) used text analysis to evaluate the annual reports of the top 16 Indian IT businesses. They concluded that community development activities were the most often disclosed practices in CSR reporting, followed by environmental initiatives. In India, sustainability reporting is still in its infancy, and the business community has not yet completely understood the value of CSR reporting for enhancing a company's reputation in a highly transparent market environment. In addition, Ghosh (2017) conducted empirical research on the CSR reporting of a few organizations from 2009 to 2014 and examined the CSR reporting methods before and after the mandate's introduction. The general disclosure of CSR activities within social reporting has risen, yet only a small number of companies issue standalone sustainability reports. Jain and Winner (2016), in their examination of India's top 200 public and private sector organizations, noted an improvement in CSR/sustainability reporting, although it remains insufficiently consistent. Kumar and Kidwai (2018) researched the top 100 companies' CSR disclosure. Only eight businesses were found to have high levels of openness in their CSR disclosure, and these businesses significantly emphasized social projects and activities that benefited people.

Along with Malaysia and Japan, India has become Asia's top CSR reporting nation. Following the adoption of the Indian Companies Act, 2013's CSR mandate, CSR reporting by businesses has improved. Spending on health and education has been the main emphasis of business CSR reporting. However, the quality of transparency in CSR reporting is still debatable and requires improvement. Despite an increase in CSR reporting by Indian businesses, the publication of sustainability reports is still in its infancy (Goel & Misra, 2017). Examining the state of sustainability reporting standards in the Indian banking sector is essential, given the banking industry's role in fostering sustainable development.

Theories of CSR

CSR has previously been conceptualized from opposing viewpoints. Social and environmental concerns are included in the phrase "business social responsibility." The three phrases "maximizing returns to shareholders" can be used to identify CSR (Zenisek, 1979). Corporate social responsibility, or CSR1, was defined by Frederick (1986) as "an evaluation of firms' commitment to acting for societal good." According to Frederick (1994), CSR is the development of "corporate social responsiveness" (also known as CSR2), which refers to a corporation's ability to respond to societal demands. This shows a shift from a philosophical perspective to a management decision.

The notion of multi-stakeholder engagement and corporate sustainability are now included in the CSR arena.

This is in contrast to business ethics, which consists of concepts and norms that serve as a guide for behavior in the business world (Behal & Uppal, 2023). Ramesh and Peswani (2017) described CSR as an organization's commitment to maximize its positive influence on stakeholders and to limit its negative impact. CSR includes all stakeholders and constituent groups that maintain an ongoing interest in the corporation's operations; it includes the relationship between corporations and the societies with which they interact, including the inherent responsibilities on both sides of these relationships and in society (Singh & Verma, 2017). Shareholders, employees, the public, the community, the climate, the environment, and resources are examples of stakeholders.

Measurement of CSR

Kansal and Singh (2012) discussed the measurement of corporate social responsibility. There are disclosure statements for stakeholders from a company to communicate information about CSR activities. Earlier, this disclosure was part of annual reports. Following Western corporate culture in India, these reports are available separately: CSR reports and business responsibility reports. There are multiple methods used to determine CSR performance, like KLD rating, Dow Jones index value scale, sustainability reports, and business responsibility reports (Godfrey et al., 2009; Herrera Madueño et al., 2016; Hopkins, 2005).

Nevertheless, all these approaches have one standard limitation: all scales are formed from a manufacturing point of view. CSR has a preconceived notion: CSR means constructing roads, providing sanitary services, education, and planting trees. So, from this perspective, it becomes the responsibility of manufacturing organizations to contribute to society since they directly pollute the environment. However, that is not the case for any business today. The service sector is also equally responsible for internal and external stakeholders. Financial companies, including banks and NBFCs, are more accountable to stakeholders because they lend corporations funds and services (Gangi et al., 2018; Taşkın, 2015). It becomes essential for financial companies to check where their funds are deployed, and if those funds cause harm to any of the stakeholders, then the financial companies become responsible. Therefore, CSR performance measurements cannot be the same due to differences in business operations. From stakeholders' and financial companies' points of view, this research divides the scale into four categories. All internal and external stakeholders have been considered while constructing the scale. So, in the following sections, the study bridges the gap between CSR measurement and financial companies. Also, the scale has been tested statistically to have reliability and validity.

Research Design

Sample

This study uses financial companies listed on the National Stock Exchange (NSE). Table 1 describes the sample selection process, and the study period is from 2014–2015 to 2020–2021. The selected period is after the mandate requirement of CSR contribution by The Companies Act, 2013. The appendix shows the names of the companies included in the sample.

Table 1. ***Sample of the Study***

Sample Selection Process	
Total registered financial companies from April 01, 2014	**865**
Less	
Mergers of banks	14

Missing information	788
Final Usable Sample	**63**
Composition of Sample	
Listed public-sector banks	12
Listed private-sector banks	21
Listed NBFCs	30
Total	**63**

Methodology

The primary objective of this study is to calculate the CSR score for financial companies using the content analysis scale developed by Mustafa et al. (2012). The existing scale is modified as per the requirement of the Indian financial companies' system. The second research objective is to measure the item-wise CSR score and its variation. The third objective is to measure social performance and find the significant statistical relation among all four themes: human relations, community relations, services, and environment.

The CSR score is initially determined through content analysis, which involves categorizing it into four main areas: human relations, community relations, services, and the environment. These categories are then subdivided into 42 specific subcategories. Content analysis is used to scan the annual reports and evaluate the social performance disclosures. This study also uses content analysis since it is a commonly used method to capture the disclosure elements (Kansal & Singh, 2012; Saleh et al., 2010). For analytical inferences, descriptive statistics, Cronbach's alpha, skewness, and kurtosis tests have been employed.

Along with annual reports, other disclosure reports like business responsibility reports, social responsibility reports, sustainability reports, ESG reports, etc., have also been considered while calculating the CSR scores. The components have been categorized into four groups: human resources, community relations, services, and the environment. These categories are collectively used to compute the CSR score. This research employs the CSR scale to assess 42 items according to specific patterns:

- The score will be 3 if the item has been disclosed quantitatively and with detail.
- The score will be 2 if a qualitative item is described in detail.
- The score will be 1 if an item is qualitative and briefly described.
- The score will be 0 if the item is not disclosed in the annual reports.

The total score has been calculated by using the below-mentioned formula:

$$CSR_{Score} = \sum_{i=1}^{42} X_i$$

After the CSR score calculation, the scale reliability is tested using the open-source platform PSPP. Cronbach's alpha test has been performed for calculating the reliability score. The reliability of banks and NBFCs has been tested separately due to the difference in their business operations. Alpha values are tabulated in Table 2. The CSR scale developed is statistically reliable because the calculated alpha is more significant than 0.70 (desirable weight). This statistically tested CSR scale can be used to measure the CSR performance of financial companies' social activities.

Table 2. ***Values of Cronbach's Alpha***

	P_Banks	PSBs	NBFCs
Overall CSR Scores	0.95	0.98	0.94
Employee Relations	0.95	0.97	0.93
Community Relations	0.94	0.97	0.91
Services	0.94	0.95	0.87
Environment	0.93	0.96	0.92

Analysis and Results

The CSR scores of all companies and the number of all items disclosed are tabulated in Table 3 for all companies. HDFC Bank, State Bank of India, and Manappuram Finance Limited scored highest in 2020–2021 in all the categories of private banks, PSBs, and NBFCs, respectively. The overall CSR score is on an upward trend from 2014–2015 to 2020–2021. Private sector banks disclosed more information on CSR activities than public sector banks and NBFCs. Out of 42 items, an average of 26 are disclosed by private banks, 27 in the case of PSBs and NBFCs. However, due to mandatory requirements, this disclosure increased to 36, 34, and 34 for private banks, PSBs, and NBFCs, respectively. Newly established financial firms such as AU Small Finance Bank, Suryodya

Table 3. ***Descriptive Statistics of Overall CSR Score***

Year	Financial Co.	Mean	Median	Std. Dev	Kurtosis	S.E. Kurt.	*z*-score	Skewness	S.E. Skew.
2014–2015	P_Banks	46.19	53.00	18.29	0.50	0.97	0.52	–1.07	0.78
	PSB	48.08	45.00	15.56	–0.28	1.23	–0.23	0.72	0.64
	NBFC	46.43	46.00	13.07	–0.62	0.83	–0.75	–0.30	0.43
2015–2016	P_Banks	51.29	57.00	15.52	0.27	0.97	0.28	–0.89	0.50
	PSB	52.58	46.00	16.62	–1.46	1.23	–1.19	0.57	0.64
	NBFC	51.83	54.00	12.78	–0.61	0.83	–0.73	–0.34	0.43
2016–2017	P_Banks	57.24	60.00	14.91	–0.20	0.97	–0.21	–0.64	0.50
	PSB	55.33	50.00	16.02	–1.23	1.23	–1.00	0.20	0.64
	NBFC	54.87	56.00	11.85	–0.89	0.83	–1.07	–0.10	0.43
2017–2018	P_Banks	61.62	64.00	13.29	–0.27	0.97	–0.28	–0.67	0.50
	PSB	58.33	55.00	15.25	–1.05	1.23	–0.85	0.20	0.64
	NBFC	59.40	60.00	11.75	–0.80	0.83	–0.96	–0.29	0.43
2018–2019	P_Banks	64.67	67.00	12.29	0.55	0.97	0.57	–0.93	0.50
	PSB	59.75	57.00	15.66	–0.60	1.23	–0.49	0.05	0.64
	NBFC	63.00	64.00	10.92	–0.23	0.83	–0.28	–0.39	0.43
2019–2020	P_Banks	67.90	68.00	11.76	2.25	1.23	1.83	–1.18	0.50
	PSB	60.75	61.50	15.24	–0.57	1.23	–0.46	–0.17	0.64
	NBFC	68.53	70.00	9.16	0.13	0.83	0.16	–0.81	0.43
2020–2021	P_Banks	74.38	72.00	10.70	–0.58	0.97	–0.60	0.02	0.50
	PSB	69.00	66.50	8.78	0.50	1.23	0.41	0.39	0.64
	NBFC	69.47	70.00	10.17	0.46	0.83	0.55	–0.46	0.43

Small Finance Bank, IDFC First Bank, Repco Home Finance Limited, and PNB Gilts Funds Limited have scores that fall below the average. Larger financial companies with higher scores than average include M&M Financial Services, Bajaj Finance, State Bank of India, Punjab National Bank, HDFC Limited, Axis Bank, ICICI Bank, HDFC Bank, and Kotak Mahindra Bank.

Table 4 shows the descriptive statistics of employee relations. The scores of the employee relations category are also higher for private-sector banks. A total of 80% of the financial companies disclosed all the items in the employee relations category in 2020–2021, which was 70% in 2014–2015. Private sector banks score higher than the PSBs and NBFCs concerning community relations, services, and the environment. On an average, out of seven items, 5, 4.83, and 4.33 are disclosed by private banks, PSBs, and NBFCs in 2020–2021, respectively. In environmental conservation, the scores of all financial companies are lower. Of the 11 elements, private banks, PSBs, and NBFCs declared just 5.05, 4.75, and 4.85 in 2014–2015. This number has gradually climbed between 2020 and 2021, indicating a rise in their awareness of CSR initiatives.

Descriptive statistics are tabulated to test the normality of overall CSR score and theme-wise. The overall mean score of all financial companies increased from 2014–2015 to 2020–2021. A *z*-score using skewness and kurtosis is calculated to check the normality of data. Maqbool and Zameer (2018) explained that the *z*-score value is calculated by dividing kurtosis and skewness by their respective standard error. For large, medium, and small samples, the *z*-score value should be between +/–3.29, +2.58, and +/–1.96, respectively. This research uses a small sample size of 63 financial companies, further divided into three categories. All the *z*-score values are between

Table 4. *Descriptive Statistics of Employee Relations*

Year	Financial Co.	Mean	Median	Std. Dev.	Kurtosis	S.E. Kurt.	*z*-score	Skewness	S.E. Skew.
2014–2015	P_Banks	12.67	14.00	4.79	–1.08	0.97	–1.11	–1.08	0.78
	PSB	15.67	15.50	3.63	–0.51	1.23	–0.41	0.39	0.64
	NBFC	13.93	15.00	4.27	–0.63	0.83	–0.76	–0.22	0.43
2015–2016	P_Banks	14.95	15.00	4.30	–0.10	0.97	–0.10	–0.52	0.50
	PSB	16.92	17.00	3.87	–1.55	1.23	–1.26	–0.17	0.64
	NBFC	15.93	17.00	4.13	–0.31	0.83	–0.37	–0.58	0.43
2016–2017	P_Banks	16.05	16.00	4.25	0.57	0.97	0.59	–0.71	0.50
	PSB	17.58	17.00	3.53	–1.41	1.23	–1.15	–0.11	0.64
	NBFC	17.33	18.00	4.11	0.71	0.83	0.86	–0.83	0.43
2017–2018	P_Banks	17.24	18.00	3.97	–0.11	0.97	–0.11	–0.52	0.50
	PSB	18.33	18.50	3.34	–1.32	1.23	–1.07	–0.14	0.64
	NBFC	18.67	19.00	3.72	1.96	1.24	1.58	–1.13	0.43
2018–2019	P_Banks	18.24	19.00	3.40	–.03	0.97	–1.06	–0.31	0.50
	PSB	18.50	19.00	3.55	–0.78	1.23	–0.63	–0.38	0.64
	NBFC	19.33	19.50	3.52	1.33	0.83	1.60	–1.05	0.73
2019–2020	P_Banks	19.57	20.00	2.91	1.20	0.97	1.24	–0.89	0.50
	PSB	18.75	19.00	3.36	–0.83	1.23	–0.67	–0.43	0.64
	NBFC	20.37	21.50	3.01	–0.40	0.83	–0.48	–0.83	0.43
2020–2021	P_Banks	20.29	21.00	2.63	0.13	0.97	0.13	0.24	0.50
	PSB	19.25	19.50	2.53	–0.70	1.23	–0.57	–0.34	0.64
	NBFC	19.53	21.00	3.50	0.11	0.83	0.13	–0.84	0.43

Table 5. *Descriptive Statistics of Community Relations*

Year	Financial Co.	Mean	Median	Std. Dev.	Kurtosis	S.E. Kurt.	*z*-score	Skewness	S.E. Skew.
2014–2015	P_Banks	10.05	12.00	4.77	–0.35	0.97	–0.36	–0.55	0.50
	PSB	7.67	6.50	5.23	–1.11	1.23	–0.90	0.31	0.64
	NBFC	9.07	9.00	5.01	–0.66	0.85	–0.78	0.42	0.43
2015–2016	P_Banks	10.33	12.00	4.80	–0.79	0.97	–0.81	–0.57	0.50
	PSB	8.83	8.50	5.22	–1.13	1.23	–0.92	–0.07	0.64
	NBFC	10.24	10.50	4.78	–0.64	0.85	–0.75	–0.12	0.43
2016–2017	P_Banks	11.76	12.00	4.22	–0.29	0.97	–0.30	–0.61	0.50
	PSB	8.58	9.00	5.00	–0.97	1.23	–0.79	–0.09	0.64
	NBFC	9.69	9.00	5.06	–0.90	0.85	–1.06	0.05	0.43
2017–2018	P_Banks	11.90	12.00	3.96	–0.06	0.97	–0.06	–0.60	0.50
	PSB	8.58	9.00	4.80	–0.54	1.23	–0.44	–0.08	0.64
	NBFC	10.83	12.00	4.99	–0.86	0.85	–1.01	0.12	0.43
2018–2019	P_Banks	12.24	12.00	3.73	0.73	0.97	0.75	–0.72	0.50
	PSB	8.83	9.00	4.67	–0.16	1.23	–0.13	–0.23	0.64
	NBFC	11.79	15.00	4.24	–0.46	0.85	–0.54	–0.52	0.43
2019–2020	P_Banks	11.95	12.00	4.67	1.03	0.97	1.06	–0.13	0.50
	PSB	8.58	9.00	4.91	–0.07	1.23	–0.06	–0.62	0.64
	NBFC	12.86	15.00	3.82	0.36	0.85	0.42	–0.82	0.43
2020–2021	P_Banks	12.43	13.00	4.25	1.29	0.97	1.33	–1.06	0.50
	PSB	11.08	10.50	3.23	0.26	1.23	0.21	0.14	0.64
	NBFC	12.00	12.00	3.54	1.44	0.85	1.69	–0.05	0.43

+/–1.96, confirming the data's normality. The minimum score of community relations is zero for two financial years, which shows much scope for PSBs to explore CSR activities. A minimum score of zero by NBFCs is due to losses in specific financial years.

Table 5 shows the descriptive statistics of community relations. Community relations contribute to societal development, sports, culture, health, and medical research. Only five companies are involved in contributing to medical research; 80% of the companies contributed to medical health camps in remote areas. It is observed that government banks are proactively participating in the promotion of culture and sports programs.

Customer services include transparency of services toward customers and society. It also includes handling customer complaints and providing timely solutions to customers. Diversity of services, whistleblower policy, protection of consumer rights, cybercrime awareness, and protection of consumers' data are also part of the services provided by financial companies. PSBs are scoring better than P_banks and NBFCs. Also, as depicted in Table 6, the mean score of every financial year for PSBs is better than what it is for P_banks and NBFCs. Deviation

Table 6. *Descriptive Statistics of Services*

Year	Financial Co.	Mean	Median	Std. Dev.	Kurtosis	S.E. Kurt.	*z*-score	Skewness	S.E. Skew.
2014–2015	P_Banks	6.71	19.00	4.92	0.53	0.97	0.55	0.84	0.50
	PSB	18.25	16.50	4.79	1.20	1.23	0.98	1.25	0.64

	NBFC	16.50	17.00	3.99	–0.02	0.83	–0.02	–0.63	0.43
2015–2016	P_Banks	7.86	19.00	5.01	1.73	0.97	1.78	0.92	0.50
	PSB	19.00	17.50	4.77	0.16	1.23	0.13	0.98	0.64
	NBFC	17.43	17.50	3.49	0.27	0.83	0.33	–0.70	0.43
2016–2017	P_Banks	9.05	22.00	5.04	1.22	0.97	1.26	0.87	0.50
	PSB	20.58	19.50	4.87	–0.07	1.23	–0.06	0.67	0.64
	NBFC	18.60	19.00	3.07	–0.37	0.83	–0.45	–0.55	0.43
201–2018	P_Banks	10.19	22.00	5.02	1.36	0.97	1.40	0.37	0.50
	PSB	22.00	21.50	4.37	–0.92	1.23	–0.75	0.37	0.64
	NBFC	19.93	20.50	3.23	0.29	0.83	0.35	–0.81	0.43
2018–2019	P_Banks	11.19	23.00	5.06	0.43	0.97	0.44	0.10	0.50
	PSB	22.50	21.50	4.30	–1.17	1.23	–0.95	0.28	0.64
	NBFC	21.07	22.00	2.69	–0.96	0.83	–1.16	–0.57	0.43
2019–2020	P_Banks	12.38	24.00	5.06	0.32	0.97	0.33	–0.29	0.50
	PSB	23.00	22.50	4.02	–1.28	1.23	–1.04	0.21	0.64
	NBFC	22.67	23.00	1.90	1.23	0.83	1.48	–0.65	0.43
2020–2021	P_Banks	15.24	26.00	5.06	–0.72	0.97	–0.74	–0.11	0.50
	PSB	26.42	27.00	2.71	1.54	1.23	1.25	–1.02	0.64
	NBFC	24.73	25.50	2.53	1.23	0.83	1.48	–0.75	0.43

from the mean score is reduced with every financial year. Financial companies are proactively participating in the disclosure of transparency of services to customers. The value of the *z*-score lies between +/–1.75, which indicates the normality of the data.

Table 7 shows the descriptive statistics of the environment variable. The environment is an unexplored area by financial companies. During the initial period of the study, the scores of environmental disclosures are less because there was no direct involvement of financial companies in this category. Private banks are actively involved in environmental disclosure. They have mean, minimum, and maximum scores that are comparatively higher than PSBs and NBFCs. The vitality of environmental contribution and disclosure is discussed by Kumar and Prakash (2019); before lending to any corporation, a financial company must check the environmental responsiveness of the borrowing company. It appears that the legitimacy theory, which states that corporations use social and environmental disclosures to maintain their legitimacy in society, seek to operate within the bounds and norms of society and use alternative strategies to gain, maintain, or repair the legitimacy, depending on the prevailing situation, is what explains or drives Indian CSR (Behal & Gupta, 2022; Kumar et al., 2021).

Table 7. *Descriptive Statistics of Environment*

Year	Financial Co.	Mean	Median	Std Dev.	Kurtosis	S.E. Kurt.	*z*-score	Skewness	S.E. Skew.
2014–2015	P_Banks	16.67	6.00	7.06	1.28	0.97	1.32	–0.95	0.50
	PSB	6.50	7.50	5.21	–1.51	1.23	–1.23	–0.11	0.64
	NBFC	7.17	7.50	4.56	0.97	0.83	1.17	0.75	0.43
2015–2016	P_Banks	18.14	8.00	5.26	–0.20	0.97	–0.21	–0.52	0.50
	PSB	7.83	8.00	5.69	–1.34	1.23	–1.09	0.10	0.64

	NBFC	8.07	8.00	4.23	–0.83	0.83	–1.00	0.04	0.43
2016–2017	P_Banks	20.38	9.00	4.57	–0.30	0.97	–0.31	–0.43	0.50
	PSB	8.58	9.00	5.25	–1.37	1.23	–1.11	0.02	0.64
	NBFC	9.17	9.50	4.32	–0.85	0.83	–1.02	–0.04	0.43
2017–2018	P_Banks	22.29	10.00	3.48	–0.51	0.97	–0.53	–0.07	0.50
	PSB	9.42	8.00	5.37	–0.75	1.23	–0.61	0.28	0.64
	NBFC	9.93	10.50	4.21	–0.64	0.83	–0.77	–0.31	0.43
2018–2019	P_Banks	23.00	12.00	3.33	–0.16	0.97	–0.16	0.11	0.50
	PSB	9.92	8.50	5.42	–0.52	1.23	–0.42	0.24	0.64
	NBFC	10.80	12.00	4.16	–0.27	0.83	–0.33	–0.22	0.43
2019–2020	P_Banks	24.00	12.00	3.32	0.79	0.97	0.81	–0.31	0.50
	PSB	10.42	10.50	5.09	–0.71	1.23	–0.58	0.25	0.64
	NBFC	12.67	13.00	3.71	1.11	0.83	1.34	–0.66	0.43
2020–2021	P_Banks	26.40	15.00	2.66	0.73	0.97	0.75	0.81	0.50
	PSB	12.25	12.50	3.31	–0.08	1.23	–0.07	–0.25	0.64
	NBFC	13.27	12.00	4.70	0.15	0.83	0.18	0.71	0.43

Discussion

This study offers significant new perspectives on CSR. Companies are expanding their understanding of the significance of CSR in emerging market economies. Financial firms have a crucial role in promoting social performance as they act as intermediaries in the economy. The Indian banking industry is still in the early phases of implementing sustainable practices. According to the study, no financial company in India has advanced to the sustainable banking stage. In contrast to PSBs and NBFCs in India, private sector banks have taken a more proactive approach to sustainability in most sustainable banking elements (such as environmental reporting, adhering to international sustainability rules and frameworks, and developing sustainable, innovative products). Some larger organizations like Axis Bank, HDFC Bank, ICICI Bank, State Bank of India, Bajaj Finance Limited, and HDFC Limited proactively participate in the disclosure of CSR activities. But still, there is a long way to go for Indian financial companies in terms of CSR disclosure.

Implications and Conclusion

This research computes a score for Indian financial businesses, giving information about each company's adoption of social performance. The results of this study can be beneficial in determining where firms fall short in adopting responsible lending for senior financial executives and regulators. To adopt the most acceptable sustainable practices, the Indian financial sector has to sign up for a worldwide sustainable code of conduct, particularly by PSBs and NBCSs. This study has also evaluated the effects of CSR activities on financial organizations across various dimensions. The RBI may strengthen laws to evaluate the value of its directives for fostering social responsibility in the financial industry. The formulation of a green/sustainable finance policy or any other similar policy for the Indian financial sector should be mandated by the Indian government.

This paper attempts to calculate the score of financial companies by adapting the scale developed by Mustafa et al. (2012). This scale supports the stakeholder theory of management reference, which considers internal and external stakeholders. In the HR and community development category, Indian financial companies emphasize "in-house training programs" and "sponsoring public health projects/medical camps." The stakeholder theory is the primary motivator of Indian CSR. Some urgent global challenges have not gotten enough attention, including water consumption, alternative energy sources, and innovation. Most publicly traded and capitalized Indian firms must be receptive to societal requirements and perform better to set the standard and lead other businesses. Fortunately, it has been discovered that social performance is improving after every financial year in India.

Limitations of the Study and the Way Forward

This study may have limitations of not applying to all nations as not all nations have mandated the requirement of CSR contribution. Environment, social, and governance (ESG) are emerging concepts in India. But still, ESG scores are in their naïve stage. Bringing more standardization and uniformity among organizations in reporting ESG can be one information point in the future.

Authors' Contribution

Sakshi Sachdeva did the conceptualization, data collection, analysis, and paper writing. Dr. Latha Ramesh identified the variables, finalized the methodology, verified data coding, and proofread the manuscript. Dr. Mareena Mathew contributed to the literature review. Dr. Manu K. S. did the manuscript review and editing.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial or non-financial interest in the subject matter or materials discussed in this manuscript.

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Appendix

Appendix. ***Name of Companies***

Sr. No.	Name of Companies	Category
1	AU Small Finance Bank Ltd.	Private Banks (P_Banks)
2	Axis Bank Ltd.	
3	Bandhan Bank Ltd.	
4	CSB Bank Ltd.	
5	City Union Bank Ltd.	
6	DCB Bank Ltd.	
7	Dhanlaxmi Bank Ltd.	
8	Equitas Small Finance Bank Ltd.	
9	Federal Bank Ltd.	
10	HDFC Bank Ltd.	
11	ICICI Bank Ltd.	
12	IDBI Bank Ltd.	
13	IDFC First Bank Ltd.	
14	Jammu & Kashmir Bank Ltd.	
15	Karnataka Bank Ltd.	
16	Karur Vysya Bank Ltd.	
17	Kotak Mahindra Bank Ltd.	
18	RBL Bank Ltd.	
19	South Indian Bank Ltd.	
20	Suryoday Small Finance Bank Ltd.	
21	Yes Bank Ltd.	
22	Bank of Baroda	Public Sector Banks (PSBS)
23	Bank of India	
24	Bank of Maharashtra	
25	Canara Bank	
26	Central Bank of India	
27	Indian Bank	
28	Indian Overseas Bank	
29	Punjab & Sind Bank	
30	Punjab National Bank	
31	State Bank of India	
32	UCO Bank	
33	Union Bank of India	
34	AAVAS Financiers Ltd.	NBFCs
35	Bajaj Finance Ltd.	
36	Can Fin Homes Ltd.	
37	Cholamandalam Investment and Finance Company Limited	

38	Crest Ventures Limited
39	Larsen and Toubro Financial Services Limited
40	IFCI Limited
41	GIC Housing Finance Ltd.
42	Edelweiss Financial Services Limited
43	Religare Financial Services
44	HDFC Ltd.
45	IVB-DHANI
46	Indiabulls Housing Finance Limited
47	Motilal Oswal Financial Service Limited
48	JM Financial Limited
49	LIC Housing Finance Limited
50	Poonawalla Fincorp Limited
51	Mahindra & Mahindra Financial Services Limited
52	Manappuram Finance Limited
53	MAX Financial Services Ltd.
54	Muthoot Finance Limited
55	PTC India Financial Services Limited
56	Power Finance Corporation Limited
57	REC Limited
58	REPCO Home Finance Limited
59	Shriram Transport Finance Company Limited
60	Sundaram Finance Limited
61	Tourism Finance Corporation of India Limited
62	IIFL Finance
63	PNB Gilts Limited

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