CORPORATE SOCIAL PERFORMANCE OF FINANCIAL SERVICES SECTOR IN LIGHT OF RECENT CSR DEVELOPMENTS IN INDIA

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Recently, India became the first country in the world to give due recognition to CSR concept in the company law through enactment of the New Companies Act, 2013. The present study analyzes the CSR performance of the topmost listed banking and finance companies in India in the light of recent CSR developments, with special reference to the New Companies Act, 2013. The key research techniques adopted are Content Analysis, Multiple Linear Regression Analysis and t-test. The study makes use of secondary data and encompasses three different regression models. The assumptions of multiple linear regression analysis have been duly tested. The paper investigates the relationship between CSR and various financial performance variables – Size, Profitability, Leverage and Growth. The sector-wise analysis across public and private sectors has also been carried out. The results propose that financial services companies with higher profitability have higher CSR spending but they confine their CSR activities to a limited domain. Also the study highlights the CSR areas which have not been focused upon by the Indian financial services companies and suggests companies to make concerted efforts in all dimensions of CSR.

Key words: Business Responsibility Reporting; Companies Act, 2013; Corporate Social Responsibility (CSR); Financial Performance; Banking and Finance Companies; Sustainable Development, Corporate Social Performance; Financial Services Sector.

INTRODUCTION

The regulatory bodies in India like the MCA, ICAI, ICSI, SEBI, RBI, etc. are on their toes to propagate and expand the horizons of the concept of Corporate Social Responsibility (CSR). Various reforms have been alighted in recent years and the most prominent and significant among them is the New Companies Act, 2013. India is the first

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country in the world to have recognized CSR through company law along with mandatory CSR spending and mandatory business responsibility reporting (BRR) for specified companies. The activities of financial sector are always under scrutiny particularly with respect to discharge of social responsibility towards the less privileged and disadvantaged sections of society and to contribute towards the goal of financial inclusion. The role of financial sector in attaining sustainable development is of utmost importance since they pump funds into the pipeline for socio-economic development of economy and their role becomes even more crucial in case of developing countries like India. The European Federation of Financial Analysts Societies (EFFAS) Commission on Intellectual Capital (2008) argued that the intangible assets have become the primary and most significant contributor to the value of firm. It is proposed by various researchers that CSR acts as an instrument of paramount importance in enhancing company's reputation and public image and hence strengthens the competitiveness and profitability of sustainable firms (Orlitzky et al., 2011; Saes et al., 2003). Thus, this study endeavors to examine the association and cause and effect relationship between CSR and financial performance, particularly in context of banking and finance companies.

OBJECTIVES OF STUDY

The following are the objectives of this study:

- To analyze the CSR activities undertaken by the topmost listed banking and finance companies in India in the light of recent developments in the area of CSR, sustainability and business responsibility reporting, with special reference to the New Companies Act, 2013.
- To investigate the relationship between CSR Index Score and financial characteristics (i.e. Size, Leverage, Profitability and Growth) of Indian banking and finance companies.
- To evaluate the CSR Spending of banking and finance companies in amount and as proportion of Profit after Tax and their relationship with financial performance.
- To compare the CSR practices of banking and finance companies across public and private sectors.

CORPORATE SOCIAL RESPONSIBILITY (CSR): MEANING AND EVOLUTION

According to the United Nations Industrial Developmental Organization (UNIDO) - "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders" (UNIDO, n.d.). The concept of CSR started to gain significance in early 1970s. Carroll (1979) defined CSR as conducting business in such a manner that it is economically profitable, law abiding, ethical and socially supportive. Freeman brought a revolution in the area of CSR and business ethics when he proposed Stakeholder Theory in 1984. According to Freeman (1984), organizations have responsibility towards a wide spectrum of stakeholders including shareholders, customers, suppliers, employees, government, public community, media and environment. An organization should give due regard to the interests of these stakeholder groups in order to have a favorable public image. Carroll (1991) categorized a firm's social responsibilities in the form of a pyramid comprising of economic, legal, ethical and philanthropic responsibilities from bottom to top. Clarkson (1995) also supported stakeholders' view and aligned the corporate social performance of a firm with the needs and expectations of stakeholders. He further differentiated between primary and secondary stakeholders and emphasized the predisposition of organizations to concentrate on primary stakeholders group which comprises of shareholders & investors, employees, customers, suppliers, governments and communities. According to Dhingra and Mittal (2014), the evolution of CSR can be divided into 4 phases. The first phase ranges from 1850-1910 wherein the organization is accountable only to owners and managers. In the second phase from the period 1910-1960, the accountability of organizations expanded to employees as well. The period from 1960-1990 is taken as third phase wherein environment gained importance. The period 1990 onwards is the fourth and current phase which lays emphasis on Triple Bottom Line (TBL) concept. Thus, CSR has evolved over time from mere philanthropic activity to stakeholder engagement to corporate sustainability. To summarize, it is essentially the way through which a company accomplishes its triple bottom line goals and maintains a healthy balance between economic, social and environmental concerns and simultaneously caters to the interests of all the stakeholders.

RECENT CSR DEVELOPMENTS IN INDIA

New Companies Act, 2013

As per Section 135 of the Act, every company having net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more, or a net profit of Rs. 5 crore or more, shall spend at least 2% of the average net profits made during the 3 immediately preceding years, or in case of failure, specify the reasons thereof. The average profits are to be calculated in accordance with Section 198 of the Companies Act, 2013. The provisions are applicable w.e.f. April 1, 2014.

Activities Eligible for CSR Expenditure: The Ministry of Corporate Affairs (MCA) notified the CSR activities which may be undertaken by the companies, including promotion of education, health care, environmental sustainability, protection of natural heritage, sports, contribution to Prime Minister's National Relief Fund, technology incubators, rural development projects, etc. But this does not include any amount spent solely for the benefit of employees of the company (MCA, 2014, February 28). The activities mentioned in Schedule VII should be interpreted liberally and cover a broad range of activities capturing the true spirit of the regulation.

Securities and Exchange Board of India (SEBI)

The SEBI requires specified listed companies to submit Business Responsibility Reports (BRRs) as a part of their Annual Reports mentioning the activities undertaken by them in the environmental, social and governance spheres. The said provision is mandatory for the top 100 listed companies at BSE or NSE based on market capitalization. In case similar sustainability reports are being submitted to foreign entities as per internationally recognized framework, a separate report need not be prepared but it has to be mapped with the principles of the National Voluntary Guidelines (NVG) on Social, Environmental & Economic Responsibilities of Business which were issued by the MCA in July 2011. The said provisions have been made applicable with effect from financial year ending on or after December 31, 2012 (SEBI, 2012, August 13).

Reserve Bank of India (RBI)

The Reserve Bank of India issued a circular dated December 20, 2007 to all the scheduled commercial banks (excluding Regional Rural banks – RRBs) emphasizing on the role of banks in CSR, Sustainable Development and Non-Financial Reporting. In the light of global warming, climate change and lack of adequate awareness in the developing countries like India, the RBI advised the banks to prepare a pertinent action plan in consultation with the Board and to make concerted efforts towards attaining the goals of sustainable development. The RBI also suggested banks to disclose the details about the sustainability goals and targets achieved till date to the stakeholders and public along with their annual reports (RBI, 2007, December 20).

CSR IN FINANCIAL SERVICES SECTOR: LITERATURE REVIEW

In recent years, financial services sector has drawn the interest of researchers, particularly in the context of CSR and sustainability due to the ongoing reforms taking place in Indian legal and regulatory framework and rise in the awareness levels of investors, customers and stakeholders. The banks and finance companies in India are specifically targeting at financial inclusion and promotion of financial literacy. Some important studies in this sphere have been discussed below.

Indian Studies

The study by Sethi (2013) investigated the impact of financial performance of banks in India on their CSR reporting by analyzing the annual reports of banks for the year 2009-10 and using three financial performance variables, namely profitability, gearing and size. For Indian banks, the study found that profitability and size have a significant impact on CSR reporting, while gearing was found to have no significant association with CSR. But all three financial measures were found to be significant for the foreign banks. Chaudhury et al. (2011) adopted case study method to assess the CSR practices of banking sector in India. The sample comprised 12 banking and financial institutions and the study period ranged from 2007 to 2010. They observed that all the financial and banking institutions in India are directly engaged in social banking and developing banking activities as part of CSR, both fund-based and non-fund based. Das (2012) observed that only few Indian banks report their triple-bottom line performance. Sharma and Mani (2013) concluded that Indian commercial banks in public sector are contributing more towards CSR activities as compared to the private sector banks and foreign banks. Moharana (2013) suggested that government and media should expand their contribution in the area of CSR. They should act as a watchdog and monitor the corporate CSR activities. Katara (2014) analyzed and compared the CSR practices of Bank of Baroda and State Bank of India and observed that these banks have restricted their CSR practices in some areas and need to expand the horizon of CSR activities.

International Studies

Kvasničková Stanislavská (2013) explored the association between CSR, corporate donations, financial crisis and financial performance of banks in Czech Republic and found medium level of association between the amount of funds donated by banks and profit before tax. Pomering and Dolnicar (2006) studied the customer's sensitivity to CSR in the Australian banking sector and observed that if banks report their CSR activities to the customers, a significant segment of customers view them with a favorable perspective. Cornett et al. (2014) found significant and positive relationship between CSR and profitability of banks in U.S. during the times of financial crisis. Yi and Yu (2010) conducted a research on listed companies of Hong Kong and observed that companies in the financial services sector outperformed their counterparts in sustainability reporting. Ahmed et al. (2012) observed that financial performance of CSR banks in Bangladesh was better than Non-CSR banks but this could not be proved statistically. Soana (2011) also examined the relationship between corporate social performance and corporate financial performance in Italian context but did not find any significant relationship. Similar results were observed in the study by Ramasamy et al. (2007) in Malayasian context.

Thus, it is observed from the review of literature that no consistent and significant relationship between CSR and financial performance has been established for the banking and finance companies so far and further research is required to be conducted in this sphere, especially in the context of developing countries like India.

RESEARCH DESIGN

Hypotheses Development

This paper primarily aims at analyzing the CSR activities undertaken by companies and investigating the relationship between CSR and financial performance of companies in Indian financial services sector. In this regard, ten hypotheses have been formulated which have been stated below in the form of alternate hypotheses:

Hypothesis 1: Company's Size has a significant impact on the range of CSR activities undertaken by banking and finance companies.

Hypothesis 2: Company's Profitability has a significant impact on the range of CSR activities undertaken by banking and finance companies.

Hypothesis 3: Company's Leverage has a significant impact on the range of CSR activities undertaken by banking and finance companies.

Hypothesis 4: Company's Growth has a significant impact on the range of CSR activities undertaken by banking and finance companies.

Hypothesis 5: Company's Size has a significant impact on the extent of CSR expenditure incurred by banking and finance companies.

Hypothesis 6: Company's Profitability has a significant impact on the extent of CSR expenditure incurred by banking and finance companies.

Hypothesis 7: Company's Leverage has a significant impact on the extent of CSR expenditure incurred by banking and finance companies.

Hypothesis 8: Company's Growth has a significant impact on the extent of CSR expenditure incurred by banking and finance companies.

Hypothesis 9: CSR Expenditure incurred by banking and finance companies significantly influences its profitability.

Hypothesis 10: CSR Spending of Public Sector banking and finance companies is significantly different from the CSR Spending of Private Sector banking and finance companies.

Research Methodology

The key research techniques adopted in this study are Content Analysis, Multiple Linear Regression Analysis and t-test. The study makes use of secondary data. The required financial data has been extracted from the annual reports of companies. The Content Analysis has been applied to analyze the annual reports, CSR reports, BRRs, sustainability reports and websites of companies to calculate the CSR score of selected companies. The t-test is used to test whether the CSR Spending of banking and finance companies significantly differs across public sector and private sector. The IBM SPSS Statistics software has been used to perform statistical tests.

Sample and Test Period

The financial years 2012-13 and 2013-14, following the release of NVG on Social, Environmental & Economic Responsibilities of Business by MCA in July 2011, have been chosen for study in this paper. Further, all the companies of financial services sector forming part of top 100 listed companies on NSE as on 31st March, 2014 have been selected. Thus, the sample comprises of 18 banking and finance companies, out of which 6 belong to public sector and 12 to private sector. However, the sample reduces to 17 companies while testing 5th to 10th hypotheses, since CSR expenditure data is not available for one of the companies (i.e. Bajaj Finserv Ltd.).

CSR Measures

One of the objectives of this study is to analyze the CSR activities carried out by the selected banking and finance companies. The activities mentioned under amended Schedule VII of the Companies Act, 2013 have been extracted, modified and compiled in the form of an index comprising of 11 main heads which have been further sub-divided into 20 items. The Content Analysis has been applied to analyze the annual reports, BRRs, CSR reports, sustainability reports and websites of companies with regard to CSR information disclosed in public domain by the banks and finance companies. A score of '0' is given if a company has made 'no disclosure' on a given item; a score of '1' is given for 'general disclosure'; while a score of '2' is given for 'specific disclosure'. In this context, general disclosure is one which lacks proper details, while specific disclosure is one which contains concrete information (such as name of the school supported by company to promote education) or may be supported by quantitative data. The maximum possible score for a company is 40. The total index score so obtained by a company is then converted into percentage form. Another CSR measure used in this study is the CSR spending of selected companies in amount and as percentage of current year's profit after tax. The CSR index as adapted from the Schedule VII of the Act has been shown in Table 1.

Table 1: CSR Index

S. No.	Broad Areas	Sub-Areas
1	**Health**	1.1. Eradicating hunger and malnutrition.
		1.2. Promoting preventive health care and sanitation; and making available safe drinking water.
2	**Education and Skills Development**	2.1. Promoting education, including special education.
		2.2. Employment enhancing vocation skills development and training; and livelihood enhancement projects.
3	**Equitable Development**	3.1. Promoting gender equality, empowering women, and setting up homes and hostels for women.
		3.2. Setting up old age homes, orphanages, day care centres and such other facilities for senior citizens and differently abled.
		3.3. Poverty eradication and other measures for reducing inequalities faced by socially and economically backward groups.
4	**Environmental Sustainability & Ecological Balance**	4.1. Conservation of natural resources.
		4.2. Agroforestry (agriculture, farming and afforestation)
		4.3. Protection of flora & fauna; and animal welfare.
		4.4. Maintaining quality of soil, air and water (Pollution control, emission reduction, waste management).
5	**National Heritage, Art & Culture**	5.1. Protection of national heritage, including restoration of buildings and sites of historical importance.
		5.2. Setting up public libraries.
		5.3. Protection, promotion and development of culture and traditional arts & handicrafts.
6	**Sports**	Promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports.
7	**Contribution To Relief Funds**	Contribution to the Prime Minister's National Relief Fund or any other funds 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.
8	**Technological Innovation**	Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
9	**Rural Development**	Rural development projects and Slum Area Development
10	**Support Armed Forces Veterans, War Widows & Their Dependents**	Measures for the benefit of armed forces veterans, war widows and their dependents.
11	**Other CSR Initiatives**	Any other CSR activity undertaken by company which is not included in the above categories.
TOTAL		**20 ITEMS**

Financial Performance Measures

The study has used accounting-based financial performance measures since they are more stable and less affected by speculations and market changes in comparison to the market-based measures. Firm Size has been measured by Total Assets, Profitability by Return on Assets (ROA), Leverage by Debt to Total Assets Ratio, and Firm's Growth by Growth in Total Assets (GTA). These financial measures have been calculated by taking an average of data for 2012-13 and 2013-14. Also, the study uses average Profit after Tax (PAT) as a measure of profitability in one of the regression models as discussed in the following section.

Regression Models

The assumptions of multiple linear regression analysis, i.e. normality, linearity, no multi-collinearity, no auto-correlation and homoscedasticity have been duly tested before applying regression. The following three regression models have been adopted to test the stated hypotheses –

- Regression Model 1

This regression model aims at testing the first hour hypotheses. It investigates the impact of financial characteristics of companies on their CSR scores calculated using content analysis. The regression equation used in this model is described below.

$$\text{CSR Score} = \beta_0 + \beta_1 \text{ Size} + \beta_2 \text{ Leverage} + \beta_3 \text{ GTA} + \beta_4 \text{ ROA} + e \text{..............................} \quad (1)$$

Here, CSR Score is the CSR Index Score; Size is the Total Assets; Leverage is the Debt to Total Assets Ratio; GTA is the Growth in Total Assets; ROA is the Return on Assets; and e is the error term.

- Regression Model 2

This regression model aims at testing the hypotheses from 5^{th} to 8^{th} hypotheses. It investigates the impact of financial characteristics of companies on their CSR expenditure. The regression equation used in this model is described below.

$$\text{CSR Exp} = \beta_0 + \beta_1 \text{ Size} + \beta_2 \text{ Leverage} + \beta_3 \text{GTA} + \beta_4 \text{ PAT} + e \text{..............................} \quad (2)$$

Here, CSR Exp is the average amount of CSR expenditure incurred during the financial years 2012-13 and 2013-14; Size is the Total Assets; Leverage is the Debt to Total Assets Ratio; GTA is the Growth in Total Assets; PAT is the average Profit after Tax; and e is the error term.

- Regression Model 3

This model is used to test the hypothesis 9. It investigates the impact of CSR expenditure incurred by company on its profitability, while controlling for company's size, leverage and growth. The regression equation used in this model is described below.

$$\text{ROA} = \beta_0 + \beta_1 \text{ Size} + \beta_2 \text{ Leverage} + \beta_3 \text{ GTA} + \beta_4 \text{ CSRPAT} + e \text{..............................} \quad (3)$$

Here, ROA is the Return on Assets; Size is the Total Assets; Leverage is the Debt to Total Assets ratio; GTA is the Growth in Total Assets; CSRPAT is the CSR expenditure incurred expressed as a percentage of average PAT.

RESULTS AND FINDINGS

This section presents the empirical results of the various statistical tests applied in this study. Firstly, the descriptive statistics of the various variables used while conducting this research have been shown in Table 2 below.

Table 2: Descriptive Statistics

Variable	Mean	Std. Deviation	N
CSR Score (in %)	43.96	10.50	18
Size (in Cr.)	314556.05	399374.48	18
Leverage (in %)	69.25	25.24	18
GTA (in %)	15.41	9.30	18
ROA (in %)	2.23	1.24	18
CSR Expenditure (in Cr.)	31.75	43.04	17
PAT (in Cr.)	4046.20	3303.36	17
CSRPAT (in %)	0.71	0.46	17

The analysis of descriptive statistics provides important information about the study variables. The mean CSR score is 43.96% indicating that banking and finance companies in India are working towards less than half of the CSR activities specified in the amended Schedule VII of the Companies Act, 2013. The average CSR expenditure incurred by an Indian financial services company is Rs. 31.75 crores in amount and 0.71% of profit after tax.

Model Summary

For all three regression models, the relevant statistics to check model fit, i.e. Correlation (R), Coefficient of Determination (R Square), Adjusted R Square, and Durbin-Watson (DW) to test auto-correlation have been shown in Table 3.

Table 3: Model Summary

Regression Model	R	R Square	Adjusted R Square	Durbin-Watson (DW)
Model 1	0.794	0.630	0.516	1.62
Model 2	0.899	0.808	0.744	1.97
Model 3	0.923	0.852	0.803	2.57

It is observed from the above table that R Square is sufficiently high (more than 60%) in all three regression models indicating that the variation in dependent variable can be explained significantly by the variation in independent variables. Moreover, according to thumb rule, values of 1.5 < DW < 2.5 show that there is no auto-correlation in the multiple linear regression data. In model 3, the DW statistic is slightly more than 2.5 indicating little auto-correlation, however, it is less likely to affect the results, since Adjusted R Square is very high (80.3%).

Results of Regression Model 1

This model aims at investigating the impact of financial characteristics of companies on the range of CSR activities undertaken by banking and finance companies. The Pearson Correlation Matrix has been shown in Table 4 below.

Table 4: Correlation Matrix for Model 1

		CSR Score	Size	Leverage	GTA	ROA
(Pearson Correlation)	CSR Score	1.000	-.112	**.430***	**.546***	**-.435***
	Size	-.112	1.000	**.482***	.081	**-.610****
	Leverage	**.430***	**.482***	1.000	.248	**-.895****
	GTA	**.546***	.081	.248	1.000	-.185
	ROA	**-.435***	**-.610***	**-.895****	-.185	1.000

Note:

*: Correlation is significant @ 5% level of significance.

**: Correlation is significant @ 1% level of significance.

The detailed regression results of Model 1 have been described in Table 5.

Table 5: Results of Regression Model 1

Model	B	Std. Error	t	Sig.	VIF
(Constant)	62.928	19.257	3.268	.006	
Size	-1.570E-5	.000	-2.757	**.016****	1.650
Leverage	-.081	.163	-.495	.629	5.410
GTA	**.541**	.197	2.742	**.017****	1.074
ROA	-7.510	3.629	-2.070	**.059***	6.431

Note: Dependent Variable – CSR Score
**: Significant @ 5% level of significance
*: Significant @ 10% level of significance

From Table 5, it is found that Variance Inflation Factor (VIF) is less than 10 for all variables indicating absence of multicollinearity in the data. The results indicate that Size and Profitability of financial services companies have a significant negative impact on the CSR Score. This suggests that financial services companies with larger size and higher profits undertake CSR activities along limited spheres, while financial services companies having smaller size and lower profitability undertake more diversified CSR activities. Further, a significant positive impact of growth of firm on the CSR Score has been observed.

Results of Regression Model 2

This model investigates the impact of financial characteristics of companies in financial services sector on the amount of CSR expenditure incurred by them. The Pearson Correlation Matrix has been shown in Table 6 below.

Table 6: Correlation Matrix for Model 2

		CSR Score	Size	Leverage	GTA	PAT
(Pearson Correlation)	CSR Exp	1.000	**.711****	.277	-.003	**.874****
	Size	**.711****	1.000	**.457***	.248	**.847****
	Leverage	.277	**.457***	1.000	**.532***	**.414***
	GTA	-.003	.248	**.532***	1.000	.227
	PAT	**.874****	**.847****	**.414***	.227	1.000

Note:
*: Correlation is significant @ 5% level of significance.
**: Correlation is significant @ 1% level of significance.

The detailed regression results of Model 2 have been described in Table 7.

Table 7: Results of Regression Model 2

Model	B	Std. Error	t	Sig.	VIF
(Constant)	-2.377	17.276	-.138	.893	
Size	-7.493E-6	.000	-.288	.778	3.725
Leverage	.039	.279	.140	.891	1.659
GTA	-1.243	.847	-1.468	.168	1.395
PAT	**.013**	.003	4.079	**.002***	3.555

Note:

Dependent Variable – CSR Expenditure
*: Significant @ 1% level of significance

From analysis of Table 6 and Table 7, it is found that VIF is less than 10 for all variables indicating absence of multicollinearity in the data. There exists highly significant positive correlation of CSR expenditure with firm size (71.1%) and PAT (87.4%). The regression results also indicate significant positive impact of profit after tax on CSR expenditure incurred by banks and financial companies during the financial year. However, size, leverage and growth are found to have no significant impact on CSR expenditure.

Results of Regression Model 3

This model examines the impact of CSR on financial performance of banks and finance companies by treating CSR expenditure as % of PAT (CSRPAT) as the independent variable and ROA as the dependent variable, while controlling for firm size, growth and leverage. The results are presented in Table 8.

Table 8: Results of Regression Model 3

Model	B	Std. Error	t	Sig.	VIF
(Constant)	4.680	.516	9.075	.000	
Size	-7.940E-7	.000	-2.075	.060	1.299
Leverage	**-.038**	.007	-5.391	**.000***	1.663
GTA	.008	.022	.370	.718	1.482
CSRPAT	**.401**	.311	1.288	.222	1.114

Note: Dependent Variable – ROA

*: Significant @ 1% level of significance

It is observed from the above table that VIF is less than 10 for all variables indicating absence of multicollinearity in the data. The results indicate positive but insignificant impact of proportion of profits spent on CSR activities on the profitability of banks and finance companies. Also, level of leverage has significant negative impact on ROA of banks and finance companies.

Sector-wise Analysis

Finally, the study analyzed the level of CSR spending in amount and as proportion of PAT separately for banks and finance companies belonging to public sector and private sector. The t-test was performed and the results are presented below in Table 9.

Table 9: Sector-wise Analysis (Results of t-test)

	CSR Spending in Private Sector (in Cr.)	CSR Spending in Public Sector (in Cr.)	CSR Spending in Private Sector (as % of PAT)	CSR Spending in Public Sector (as % of PAT)
Mean	29.44	35.98	0.83	0.48
Observations	11	6	11	6
Hypothesized Mean Difference	0		0	
p-value	**0.79**		**0.13**	
t	2.26		2.18	

The sector-wise analysis provides important and interesting insights about the financial services sector in India. The results indicate that average CSR spending in amount is higher for banks and finance companies belonging to public sector, while CSR spending as % of PAT is higher for the private sector. However, the findings could not be proved statistically, since p-values indicate no significant difference between the two.

Other Findings

- In the context of non-financial reporting, five sample companies (HDFC Bank, Yes bank, M&M Financial Services Ltd., IDFC Ltd. and IndusInd Bank) publish separate sustainability report based on Global Reporting Initiative (GRI) guidelines. But the reports of IDFC Ltd. and IndusInd Bank were not externally assured. Further the Business Responsibility Report (BRR) of two sample companies (L&T Finance Holdings Ltd. and Bajaj Finserv Ltd.) could not be traced.
- The study also identified the CSR areas mentioned in Schedule VII of Companies Act, 2013 which have not been focused upon adequately by the Indian banking and finance companies. These are as follows:

- Eradicating hunger and malnutrition.
- Protection of flora and fauna; and animal welfare.
- Protection of national heritage
- Setting up public libraries.
- Promotion of culture, traditional arts and handicrafts.
- Promotion of sports, especially rural sports.
- Contributions to technology incubators approved by Central Government.
- Slum Area Development
- Measures for the benefit of armed forces veterans, war widows and their dependents.

RESULTS OF HYPOTHESIS TESTING

In this section, decision on acceptance or rejection of hypotheses has been taken based on the empirical results shown in the previous section. The decision on each hypothesis is shown below in Table 10.

Table 10: Results of Hypothesis Testing

Hypothesis (Alternate)	**Decision – Accept/Reject**
Hypothesis 1	**Accept**
Hypothesis 2	**Accept**
Hypothesis 3	Reject
Hypothesis 4	**Accept**
Hypothesis 5	Reject
Hypothesis 6	**Accept**
Hypothesis 7	Reject
Hypothesis 8	Reject
Hypothesis 9	Reject
Hypothesis 10	Reject

DISCUSSION

The study finds that financial companies with larger size and higher profits undertake CSR activities in a limited domain. This result is similar to the observations made by

Katara (2014). Further, a significant positive impact of firm's growth on CSR has been observed and this result is in consonance with Ameer and Othman (2012) which found that sustainable companies have higher growth and profitability than the non-sustainable companies. The regression model 2 results suggest significant positive impact of company's profitability on CSR spending. Many previous studies also established positive relationship between CSR and corporate financial performance like Ngwakwe (2009); Guindry and Patten (2010). However, size, leverage and growth are found to have no significant impact on firm's CSR spending. Moreover, the results indicate positive but insignificant impact of CSR spending on the company's profitability. These results are in harmony with the findings of previous studies - Ahmed et al. (2012); Soana (2011); and Ramasamy et al. (2007) which found no significant association between CSR and financial performance of banks and financial companies. The study also found that CSR expenditure is higher for public sector banks and financial companies. This result is supported by Sharma and Mani (2013) which also had the similar observations. To sum up, positive relationship was observed between firm's Growth and range of firm's CSR activities; firm's Leverage and CSR Spending; and firm's Profitability and CSR Spending. These results can be supported by the stakeholder theory which upholds that better involvement of firm with the diverse stakeholder groups like community, environment, customers, employees, etc. resulting into better CSR performance will provide strategic benefits to the firm in long run like enhanced reputation, easier access to capital, customer loyalty, strong license to operate, etc. Such benefits will then lead to better financial performance of CSR-oriented firms.

CONCLUSIONS

This research focuses on the CSR practices of banking and finance companies in India. The recent reforms in CSR domain have been highlighted and discussed. These entail New Companies Act, 2013, SEBI guidelines and RBI guidelines. Special emphasis has been laid on investigation of the relationship between various financial characteristics of firms and their CSR performance. The results suggest that financial services companies with larger size and higher profits confine their CSR activities to a limited domain; while companies having smaller size and lower profitability have a broad horizon of CSR activities. With regard to CSR spending, it is propounded that banks and finance companies with higher profits spend more towards CSR initiatives. However, CSR spending by banks and NBFCs is not significantly influenced by firm's size, leverage and growth. While testing the relationship other way round the study finds positive but insignificant impact of proportion of profits spent on CSR activities on the profitability of financial services companies. The sector-wise analysis provides stimulating revelations. The CSR spending in amount is higher for public sector banks and NBFCs, while CSR spending as % of PAT is higher for the private sector. However, these results could not be proved statistically. Thus, no significant difference was observed between public and private sector companies with regard to their CSR Spending. The research findings of present study provide useful insights into the financial as well as non-financial performance of banking and finance industry in India which has a great role to play in the socio-economic development of country.

RECOMMENDATIONS

The paper would like to draw attention of banks and finance companies towards the CSR areas which have not been deliberated upon adequately, including eradication of hunger & malnutrition, protection of national heritage, protection of flora & fauna, promotion of sports, arts and culture, technology incubators and others. Besides this it is observed that certain companies have not been disclosing their BR information as part of annual report. This should be dealt with in a solemn manner to avoid grave consequences like delisting, since it has been mandated by SEBI for top 100 listed companies w.e.f. 31st December, 2012. Moreover, the study advises the banks and finance companies to come up with separate sustainability reports based on recognized framework like GRI to provide detailed information on its triple bottom line performance to the stakeholders, including economic, social, environmental, governance, human rights and other concerns.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

Although the present study has tried to capture all possible dimensions, the research is subject to some limitations. The CSR score measured using content analysis of annual report and CSR report may be affected by subjectivity of the researcher. With regard to financial performance, only accounting-based measures have been encompassed in this study. The market based measures like market price, market-to-book value ratio, stock returns, etc. may be appraised by future researchers. Besides this, the sample has been restricted to top listed companies at NSE in the financial services sector on which the SEBI circular dated August 13, 2012 is applicable and the period after issuance of NVG by MCA in July 2011 has been chosen for study, i.e. 2012-14. This might have affected the empirical results. Better results may be observed over time when a large number of companies begin to disclose their CSR performance information in public domain.

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