

Corporate Social Responsibility (CSR) Initiatives and Customer Satisfaction in Banking Sector: Insights from Indian Banks

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Abstract: The study explores the relationship between Corporate Social responsibility (CSR) initiatives and customer satisfaction in the banking sector in India. As banking continues to expand, understanding the factors that inspire customer satisfaction is crucial for financial institutions. An online survey was developed and distributed through social media platforms, banking apps, and email to reach a diverse audience. A random sample of 200 respondents was selected to ensure representation across diverse demographics. The quantitative data was analysed using statistical methods to establish correlations, while qualitative insights provided deeper context to customer perceptions. The results show a significant positive correlation between awareness of CSR initiatives and customer satisfaction. Respondents who participated in their bank's CSR initiatives reported higher satisfaction and loyalty levels. Notably, the most impactful CSR initiatives were found to be environment sustainability initiatives and community development programs. This research contributes to the literature on CSR in banking sector by highlighting the significance of incorporating social responsibility into banking strategies. The ramifications for bank management emphasize the need for impactful communication for CSR efforts to boost customer trust and satisfaction. Ultimately, the study offers practical insights for banks aiming to strengthen their digital offerings while promoting positive societal effects.

Keywords: Corporate social responsibility (CSR), Banking services, Customer satisfaction, CSR dimensions

Introduction:

In recent years, the banking industry has undergone a significant transformation, driven by rapid advancements in digital technology and a growing emphasis on Corporate Social Responsibility (CSR). Digital banking services once considered a luxury, have now become an essential part of modern banking. Within the banking sector, CSR initiatives can play a critical role in shaping customer perception and satisfaction. As bank move towards digital

transformation, customer expectation around transparency, ethical behavior and contributions to society are rising alongside their expectations for efficiency, convenience and security in digital services. The banking industry traditionally viewed as profit-driven, is now witnessing a shift toward a customer centric-approach, with CSR initiatives serving as important bridge. Banking services, encompassing online banking platforms, mobile applications and virtual assistance are particularly susceptible to customer perceptions regarding a bank's social responsibility practices. The alignment of CSR activities with customer values can directly impact satisfaction levels, as customers tend to engage more and demonstrate greater loyalty toward an organization to perceive as socially responsible.

Indian Banks and CSR

On December 20, 2007, the RBI sent out a notice titled "Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks" to all scheduled commercial banks, highlighting the importance of banks in corporate social responsibility. In order to achieve sustainable development, the Reserve Bank of India (RBI) recommended in 2011 that banks give a particular emphasis to integrating social and environmental considerations into their economic operations. Corporate Social Responsibility (CSR) has been a major aspect of Indian banks' operations, especially after the Companies Act of 2014 mandated that some businesses spend 2% of their average net earnings to it. CSR initiatives in the banking industry cover a wide range of actions meant to enhance communities' social, environmental, and financial well-being.

CSR impact on advancement of banking services in India

Corporate Social Responsibility (CSR) has had a deep effect on the advancement of banking services in India. Through CSR-driven initiatives, banks have expanded financial inclusion and improved digital literacy, particularly in underserved rural areas, allowing a large population to access banking services digitally. By focusing on digital literacy, banks strengthen customers to confidently adopt and use digital tools, fostering a tech-savvy and financially aware customer base. CSR also plays a key role in building trust and loyalty. Moreover, CSR activities often encourage banks to innovate in the digital space by developing user-friendly platforms, robust cybersecurity, and inclusive products tailored to diverse communities. Additionally, CSR initiatives focused on sustainable practices align with paperless banking, reducing the environmental impact and appealing to customers who

prioritize eco-friendly options. Through partnership with government programs, CSR efforts further help banks comply with financial inclusion mandates, as seen in digital solutions for Jan Dhan accounts and Direct Benefit Transfer (DBT) initiatives. CSR activities have also enhanced the reach and efficiency of social support, especially during crises like COVID-19, where digital banking enabled fast and secure relief fund disbursement. Overall, CSR has accelerated digital adoption in Indian banking, enhancing customer satisfaction brand trust, and creating a more inclusive digital banking ecosystem.

Literature review:

Sharma, D., & Kumar, R. (2025). Antecedents and customer-related outcomes of perceived CSR authenticity of Indian banks: developing an integrated model.

The study found that extrinsic and intrinsic motives, CSR impact, and corporate reputation significantly influence CSR authenticity, while CSR fit has no effect. Mediation analysis revealed that CSR authenticity does not directly impact customer loyalty but influences it indirectly through customer trust.

Dawar, G., & Bhatia, S. (2025). Examining Board Characteristics as Moderators in the Relationship Between CSR Practices and Financial Performance: Insights from Indian ESG Firms.

This study analysed 93 Nifty 100 companies to assess the impact of ESG scores on financial performance, moderated by independent and women directors. The results showed no significant relationship, indicating that higher CSR spending does not guarantee financial gains. However, independent directors played a role in promoting sustainable practices. The findings offer insights for corporate leaders and policymakers on governance, sustainability, and business valuation.

Kumar, T. P., Basavaraj, S., & Soundarapandiyam, K. (2024). Can co-creating in CSR initiatives influence loyal customers? Evidence from the banking industry.

This study explores how CSR influences consumer loyalty, with co-creation as a mediator. Grounded in social identity and Social Exchange Theories, it examines CSR's direct and indirect impact on loyalty. Findings highlight CSR's strategic role in banking, emphasizing the need for co-creation to enhance competitive advantage.

Naisa, S. (2023) A Review of Corporate spending on social responsibility in the banking industry.

This study examines the CSR practices of selected public and private sector banks in India, highlighting their role in economic growth and social responsibility. With advancements in technology and evolving stakeholder expectations, Indian banks actively engage in CSR initiatives. The study explores the changing approach to CSR and its effect on the banking sector and the broader economy.

Pratihari, S. K., & Uzma, S. H. (2020). A survey on bankers' perception of corporate social responsibility in India.

The study found that bankers view CSR as a moral obligation beyond regular operations, benefiting society. CSR initiatives help enhance the bank's image, brand, and reputation while strengthening trust between employees and management. Additionally, CSR activities improve customer service quality, fostering a better corporate culture and providing a competitive advantage.

Research gap:

Existing research on CSR and customer satisfaction in banking largely focuses on traditional banking, with limited exploration in digital banking context. Empirical studies specific to Indian digital banking remain scarce, particularly in understanding customer perceptions of CSR initiatives. Most existing studies are descriptive, with the little use of statistical techniques such as regression to measure the extent of impact of CSR. In addition, while Carroll's CSR dimensions are broadly studied, there is less evidence on which dimensions-legal, economic, ethical or philanthropic contribute utmost to customer satisfaction in banking. Additionally, the role of mediators like co-creation, trust, and digital service quality in the CSR-satisfaction relationship is underexplored. This study addresses these gaps by empirically examining CSR-satisfaction, quantifying the influence of CSR, identifying the highly effective CSR dimensions, and proposing strategic practices designed for Indian banks.

The Research Aims:

- 1) To examine the relationship between CSR initiatives and customer satisfaction with banking services in Indian banks.
- 2) To analyze the extent to which CSR initiatives influence customer satisfaction in banking services using regression analysis
- 3) To identify the key CSR dimensions that contribute most to enhancing customer satisfaction in banking services.
- 4) To suggest strategic CSR practices that can improve customer satisfaction and loyalty in banking services.

Hypothesis of the study:

H1: There is a positive correlation between CSR initiatives and customer satisfaction with banking services

H2: CSR initiatives significantly predict customer satisfaction with banking services, as determined by regression analysis.

Research design and methodology:

The study gathered data in two phases, utilizing both primary and secondary sources to examine consumer perception of corporate social responsibility (CSR) and its impact on consumer satisfaction with banking services in Indian banks. A survey method was adopted using a structured questionnaire designed to gather general information about the respondents, identify factors that influence CSR activities, and access various metrics related to the research focus. Respondents provided their ratings on a 5-point Likert scale. Secondary data was obtained from various sources such as Banks annual reports, websites, newspaper, journals, online databases, books etc.

For the data collection, web-based survey was conducted through e-mail and social works in the Lucknow region. The Respondents were asked to respond to the survey questionnaires based on their recent experiences. The questionnaire was divided into two sections. Under first section the demographic information of the respondent was collected, whereas in other sections the questions relevant to the objectives of the study were asked.

For data analysis, a multiple linear regression technique was applied. Multiple linear regression is a statistical method used to test and estimate causal relationships by combining statistical data. This regression analysis assessed the sensitivity of changes in CSR

dimensions (independent variable) and their effect on customer satisfaction (dependent variable). Additionally, a two-tailed test was conducted to further examine the causal relationship between CSR and customer satisfaction, confirming the significance of the association between the two variables.

Findings and analysis:

Demographic profile of respondents

A sample of 200 respondents was selected. The sample includes various age groups, different qualification groups and different occupation groups. The table shows that 60% of the respondents were male group and 40% were female group. The highest percentage is of the respondents of age group 21-30.

CSR dimensions in the measurement construct based on Carroll 1991

- a) Philanthropic CSR
- b) Legal CSR
- c) Ethical CSR
- d) Economic CSR
- e) Consumer satisfaction

Descriptive Statistics

	Mean	Std. Deviation	N
Philanthropic	19.83	2.638	200
Legal	19.80	2.582	200
Ethical	19.74	2.649	200
Economic	19.74	2.622	200
Customer satisfaction	19.77	2.621	200

The table above presents the statistical mean and standard deviation for each dimension of CSR in the measurement construct. The average mean value of the five dimensions ranged from 19.74 to 19.83 suggesting that the Indian banks are implementing strong CSR practices. The Philanthropic CSR scored the highest mean of 19.83. The perceived customer satisfaction scored the mean of 19.77 with standard deviation of 2.621 followed by the ethical and economic CSR with the mean 19.74 and standard deviations 2.649 and 2.622.

Correlation and regression analysis of Indian banks

A. Correlations analysis

Dimensions		Philanthropic	Legal	Ethical	economic	Customer satisfaction
Philanthropic	Pearson Correlation	1	.929**	.935**	.927**	.961**
	Sig. (2-tailed)		.000	.000	.000	.000
Legal	Pearson Correlation	.929**	1	.936**	.935**	.966**
	Sig. (2-tailed)	.000		.000	.000	.000
Ethical	Pearson Correlation	.935**	.936**	1	.940**	.965**
	Sig. (2-tailed)	.000	.000		.000	.000
Economic	Pearson Correlation	.927**	.935**	.940**	1	.961**
	Sig. (2-tailed)	.000	.000	.000		.000
Customer satisfaction	Pearson Correlation	.961**	.966**	.965**	.961**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

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

The table above shows the correlation of all the factors representing the strength and direction of interrelationship between these factors. To know the correlation between the factors necessary for the research. This study shows that all the factors are correlated with each other with the correlation coefficient range from

CSR dimensions	Correlation with Customer Satisfaction	Strength of relationship
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Philanthropic CSR	0.961	Very strong Positive
Legal CSR	0.966	Very strong Positive
Ethical CSR	0.965	Very strong Positive
Economic CSR	0.961	Very strong Positive

From above table that the **hypothesis 1 (H1) is true**. There is a strong positive correlation between CSR initiatives and customer satisfaction with banking services in Indian banks. All CSR dimensions have strong positive correlations ($r > 0.90$) with customer satisfaction.

B. Regression analysis:

Table 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.989 ^a	.977	.977	.39975

a. Predictors: (Constant), economic, Philanthropic, legal, Ethical

From table 1, we can see that that R^2 value is 0.977 (or 97.7%) means that 97.7 % of the change in customer satisfaction is explained by CSR initiatives. Only 2.3% of customer satisfaction is affected by other factors which are not included in this model. This indicates that CSR plays a significant role on customer satisfaction. **So H2 is supported here. CSR initiatives significantly predict customer satisfaction.**

Table 2 (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1336.259	4	334.065	2090.501	.000 ^b
Residual	31.161	195	.160		
Total	1367.420	199			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), economic, Philanthropic, legal, Ethical

The table 2, Anova result shows that P-value is 0.000 which is less than 0.05. This confirms that the regression model is highly significant at 99% confidence level. This means that CSR dimensions (Philanthropic, legal, Ethical and Economic)have a substantial impact on customer satisfaction.

Table 3 (Coefficients)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.295	.222		-1.328	.186
Philanthropic	.259	.035	.261	7.483	.000
legal	.307	.037	.303	8.336	.000
Ethical	.242	.038	.244	6.342	.000
economic	.207	.037	.207	5.618	.000

a. Dependent Variable: Customer satisfaction

From table 3, it is concluded that the intercept is not statistically significant (-0.295, P=0.186), meaning that without CSR initiatives, customer satisfaction cannot be predicted reliably. Legal CSR has the strongest impact on customer satisfaction (B = 0.307, P = 0.000). This means that a 1-unit increase in legal CSR leads to a 0.307 increase in customer satisfaction. The second most influential factor is Philanthropic CSR as 1-unit increase leads to a 0.259 increase in customer satisfaction. Ethical CSR also significantly affects customer satisfaction. Economic CSR has a positive but relatively lower impact (B = 0.207, P = 0.000) compared to other CSR factors.

Final conclusion:

Overall, the study confirms a strong positive relationship between CSR initiatives and customer satisfaction in banking services. Regression analysis (R2 = 97.7%) indicates that

CSR dimensions (Philanthropic, Legal, Ethical and Economic CSR) explain nearly all variations in customer satisfaction. Among them, legal CSR has the strongest impact (Beta = 0.307, $p = 0.000$). The ANOVA results ($F = 2090.501$, $P < 0.001$) confirm that the model is highly significant, meaning CSR initiatives strongly influence customer satisfaction. Overall, Banks should prioritize Legal and Philanthropic CSR to maximize customer trust and satisfaction, ensuring compliance while contributing to social causes. These findings support the hypothesis that CSR significantly predict customer satisfaction in banking services.

Suggestions based on findings

Improve Economic CSR offerings – Affordable banking solutions, financial inclusion programs, and better interest rates can strengthen economic CSR. Providing small business loans, rural banking services, and financial education can help underserved customers.

Increase Customer Awareness of CSR initiatives – Banks should communicate their CSR efforts through digital platforms, social media, and personalized customer interactions. Transparency in CSR policies can enhance brand loyalty and customer trust.

Leverage Digital banking innovations for CSR – Implement AI-driven financial assistance for better customer service. Use blockchain for secure and transparent CSR fund allocation.

Strengthen Legal CSR initiatives – Banks should focus on compliance, transparency, and regulatory adherence to build trust. Clear communication of consumer rights, fair lending practices, and robust fraud protection can enhance satisfaction.

Prioritize Ethical Business Practices – Ethical banking policies, fair treatment of customers, and responsible investment strategies should be promoted.

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