INTERNATIONAL JOURNAL OF LATEST TECHNOLOGY IN ENGINEERING, MANAGEMENT & APPLIED SCIENCE (IJLTEMAS)

ISSN 2278-2540 | DOI: 10.51583/IJLTEMAS | Volume XV, Issue VII, July 2026

CSR in Banking: Customer Perspectives in Virudhunagar District, Tamil Nadu

Dr. M. Annam[1], Dr. S. Vaidehi[2]

[1]Assistant Professor of Commerce, V. V. Vanniaperumal College for Women, Virudhuanagar-626001

[2]Assistant Professor and Head, V. V. Vanniaperumal College for Women, Virudhuanagar-626001

DOI: https://doi.org/10.51583/IJLTEMAS.2026.150700162

Received: 10 August 2026; Accepted: 15 August 2026; Published: 26 August 2026

ABSTRACT

Corporate Social Responsibility (CSR) has emerged as an important component of responsible and sustainable banking, extending beyond philanthropic activities to include responsible products and services, environmental sustainability, community development and financial inclusion. The present study examines the perceptions and expectations of bank customers towards CSR practices in Virudhunagar District, Tamil Nadu, with particular focus on product and service responsibility, environmental responsibility and community responsibility. The study is based on primary data collected from 60 bank customers selected through judgment sampling from different branches across the district. Secondary information was collected from journals, books, bank records and reliable sources relating to CSR and banking. Percentage analysis, factor analysis, chi-square test, Garrett ranking technique, discriminant analysis and multiple regression analysis were employed to analyse the data. Factor analysis identified three major dimensions of CSR: product and service responsibility, environmental responsibility and community responsibility. Education loans recorded the highest factor loading (0.907), followed by paperless banking practices (0.889) and agricultural loans (0.873). The chi-square analysis revealed that most socio-economic variables did not have a significant relationship with customers' CSR expectations, whereas literacy and transaction period showed significant relationships. Customers' major future expectations included special loans for differently-abled persons, higher returns on investments, reduction of air pollution and affordable interest rates on loans. Discriminant analysis further indicated that interest rates, infrastructure, secrecy, safety, service quality and recent technologies are important factors distinguishing customers according to their CSR expectations. The study concludes that banks need to integrate responsible banking services, environmental sustainability and community-oriented initiatives with effective CSR communication. Strengthening such practices can enhance customer trust, satisfaction and long-term relationships while contributing to inclusive and sustainable socio-economic development.

Keywords: Corporate Social Responsibility, Banking Sector, Customer Perception, Product and Service Responsibility, Environmental Responsibility, Community Responsibility, Financial Inclusion.

INTRODUCTION

Corporate Social Responsibility (CSR) has gained considerable importance in the contemporary business environment. CSR has gradually moved beyond the traditional concept of philanthropy and charitable activities and has become an integral part of responsible and sustainable business practices. It encompasses ethical business conduct, social welfare, environmental protection, community development, responsible governance and stakeholder interests. In India, several business groups, including Tata and Birla, have historically contributed to education, healthcare, environmental protection and livelihood development through socially responsible initiatives.

The banking sector occupies a unique position in the economy because banks act as financial intermediaries and play a vital role in mobilising savings, providing credit, promoting investment and supporting economic

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development. With liberalisation, technological development and increasing competition, the banking industry has undergone substantial transformation. Customers today expect banks not only to provide efficient financial services but also to demonstrate social and environmental responsibility.

CSR has therefore become increasingly relevant to the banking sector. Responsible banking practices can contribute to customer satisfaction, loyalty, reputation, trust and long-term business sustainability. Customers' perceptions of CSR are particularly important because the effectiveness of CSR initiatives depends not only on their implementation but also on how customers understand and evaluate them.

CSR in banking includes several dimensions. Product and service responsibility involves maintaining customer confidentiality, providing competent and flexible services, ensuring safety and adopting appropriate technologies. Environmental responsibility includes paperless banking, sustainable transportation and environmentally responsible lending practices. Community responsibility includes education loans, agricultural finance, women development initiatives and charitable activities.

The present study focuses on bank customers in Virudhunagar District, Tamil Nadu. It attempts to understand customers' perceptions of CSR practices, examine the major dimensions of CSR, identify the relationship between socio-economic characteristics and CSR expectations, and analyse customers' future expectations regarding CSR initiatives.

REVIEW OF LITERATURE

Recent studies have increasingly examined CSR in the banking sector as a strategic mechanism for strengthening customer relationships, reputation, sustainability and financial performance.

Kumar, Basavaraj and Soundarapandiyan (2024) examined CSR and customer loyalty among Indian bank customers. Their study found that CSR positively influences customer loyalty, both directly and indirectly through customer co-creation. The study suggested that involving customers in CSR initiatives can strengthen their relationship with banks and create competitive advantage.

Anjulo and Amentie (2024), through a review of quantitative and mixed-method studies, observed that CSR implementation in the banking sector can improve customer relationships, satisfaction and loyalty. Their study also emphasised that CSR should address multiple dimensions rather than being restricted to charitable activities.

Mehnaz and Jin (2024) examined the relationship between perceived CSR practices and customer loyalty in the banking sector of Pakistan. Their findings highlighted the importance of corporate reputation and customer satisfaction in strengthening the relationship between CSR perceptions and customer loyalty.

Kumar et al. (2024) further emphasised the importance of customer participation and co-creation in CSR initiatives. Their findings indicate that customers can act not merely as recipients of CSR activities but also as participants in socially responsible initiatives. Effective CSR communication and customer engagement are therefore important in converting CSR initiatives into customer loyalty.

George, Kayal and Maiti (2023) investigated the relationship between CSR expenditure and financial performance among Indian banks. Their findings indicated a positive association between CSR expenditure and bank profitability, although a meaningful relationship with market returns was not established.

A longitudinal study published in *Finance Research Letters* in 2024 examined CSR in European banks using data covering the period 2005–2022. The findings indicated that significant CSR investments can improve bank performance and that environmental and social initiatives are important components of banking CSR.

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Haq, Mumtaz, Khalil and Nazir examined CSR, customer loyalty, brand equity and financial performance in Pakistan's banking sector. Their findings indicated that CSR positively influences financial performance, with customer loyalty and brand equity acting as important intermediary factors.

Sarno, Ardiansyah and Diman (2024) examined CSR programmes in the banking sector in Banda Aceh and highlighted the role of CSR in strengthening customer loyalty. This further supports the growing view that CSR should be considered a relationship-building strategy rather than merely a philanthropic activity.

Recent systematic literature also indicates that CSR in banking is increasingly associated with corporate image and reputation. The visibility and communication of CSR activities are important because CSR initiatives may not generate reputational benefits if stakeholders are unaware of them.

RESEARCH GAP

The existing literature establishes that CSR can influence customer loyalty, satisfaction, reputation, brand equity, financial performance and sustainable banking practices. However, much of the existing empirical research has concentrated on metropolitan, national or international banking markets.

There is comparatively limited empirical evidence concerning how customers in semi-urban and rural districts perceive, understand and evaluate CSR activities undertaken by banks. In particular, limited attention has been given to the relationship between customers' socio-economic characteristics, awareness of CSR initiatives, sources of CSR information and perceptions of specific CSR dimensions.

Therefore, the present study attempts to address this gap by examining CSR perceptions and expectations among bank customers in Virudhunagar District. The study specifically focuses on Product and Service Responsibility, Environmental Responsibility and Community Responsibility.

Scope Of The Study

The study focuses on the attitudes and expectations of bank customers towards CSR activities undertaken by banks in Virudhunagar District, Tamil Nadu.

The study covers three major dimensions:

1. Product and Service Responsibility
2. Environmental Responsibility
3. Community Responsibility

The study also examines the relationship between selected socio-economic characteristics and customers' CSR expectations and identifies their future expectations regarding CSR activities.

Objectives Of The Study

The study has the following objectives:

1. To study the concepts and views of Corporate Social Responsibility in banks.
2. To analyse the profile and awareness of bank customers regarding CSR.
3. To analyse customers' opinions regarding various elements of CSR.
4. To examine the impact of socio-economic characteristics on customers' CSR expectations.
5. To identify the levels and factors influencing customers' CSR expectations.
6. To identify customers' future expectations regarding CSR activities.
7. To offer suitable suggestions for strengthening CSR practices in the banking sector.

RESEARCH METHODOLOGY

Research Design

The study follows a descriptive and analytical research design to examine customers' perceptions and expectations regarding CSR practices in the banking sector.

Area of the Study

The study was conducted among bank customers in Virudhunagar District, Tamil Nadu.

Sources of Data

Primary Data

Primary data were collected from bank customers using a pre-tested structured questionnaire.

Secondary Data

Secondary data were collected from journals, books, bank records and reliable sources related to Corporate Social Responsibility and banking.

Sample Size

A total of **60 bank customers** were selected for the study.

Sampling Technique

Judgment sampling was adopted to select respondents from different branches of banks across the eight taluks of Virudhunagar District. Respondents were selected based on their banking experience and willingness to provide relevant information.

Tools for Data Analysis

The collected data were analysed using:

- Percentage Analysis
- Chi-square Test
- Factor Analysis
- Garrett Ranking Technique
- Discriminant Analysis
- Multiple Regression Analysis

SPSS was used to support the statistical analysis.

Hypotheses Of The Study

Null Hypothesis (H_0)

There is no significant relationship between the socio-economic characteristics of respondents and their expectations regarding CSR activities of banks.

Alternative Hypothesis (H_1)

There is a significant relationship between the socio-economic characteristics of respondents and their expectations regarding CSR activities of banks.

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DATA ANALYSIS AND INTERPRETATION

Major Factors Influencing Perceptions of CSR

Table 1: Major Factors of CSR

CSR Dimension	Major Variables	Factor Loading
Product and Service Responsibility	Maintain secrecy	0.733
	Competency	0.728
	Flexibility	0.727
Environmental Responsibility	Paperless works	0.889
	Agriculture loans	0.873
	Sustainable transport	0.791
Community Responsibility	Education loans	0.907
	Charity funds	0.793
	Women development	0.768

Source: Primary Survey Data.

Interpretation

Factor analysis identified three major dimensions of CSR: Product and Service Responsibility, Environmental Responsibility and Community Responsibility.

Among the variables**, education loans recorded the highest factor loading (0.907)**, followed by **paperless works (0.889)** and **agriculture loans (0.873)**. This indicates that customers attach considerable importance to community development, environmental sustainability and responsible banking services.

Under Product and Service Responsibility, maintaining secrecy, competency and flexibility emerged as important variables. Under Environmental Responsibility, paperless banking, agricultural loans and sustainable transport were identified. Under Community Responsibility, education loans, charity funds and women development were important factors.

Socio-Economic Status and CSR Expectations

Hypotheses

H_0: There is no significant relationship between the socio-economic characteristics of respondents and their expectations regarding CSR activities of banks.

H_1: There is a significant relationship between the socio-economic characteristics of respondents and their expectations regarding CSR activities of banks.

Table 2: Socio-Economic Variables and CSR Expectations

S. No.	Variable	Result
1	Age	Not Significant
2	Gender	Not Significant
3	Residence	Not Significant
4	Literacy	Significant
5	Education	Not Significant
6	Employment	Not Significant
7	Occupation	Not Significant
8	Income	Not Significant
9	Account Type	Not Significant
10	Transaction Period	Significant

Source: Primary Survey Data.

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Interpretation

The chi-square test was used to examine the relationship between selected socio-economic characteristics and CSR expectations.

The findings indicate that **age, gender, residence, education, employment, occupation, income and account type do not have a significant relationship with CSR expectations.** However, **literacy and transaction period show significant relationships with CSR expectations.**

Therefore, the null hypothesis is accepted for the variables where no significant relationship exists and rejected for literacy and transaction period.

Future Expectations Regarding CSR

Table 3: Major Future Expectations of Customers

S. No.	CSR Expectation	Factor Loading
1	Special loans for differently-abled persons	0.796
2	High interest on investments	0.740
3	Reduce air pollutants	0.733
4	Minimum interest on loans	0.731

Source: Primary Survey Data.

Interpretation

The findings reveal that customers expect banks to provide **special financial facilities for differently-abled persons,** offer favourable returns on investments and provide loans at reasonable interest rates. Customers also expect banks to undertake measures to reduce air pollution.

Thus, customers' future CSR expectations extend beyond charitable activities and include **financial inclusion, fair financial services and environmental responsibility.**

Discriminant Analysis of CSR Expectations

Table 4: Variables Discriminating CSR Expectation Groups

S. No.	Variable	Discriminant Coefficient
1	Charge minimum interest	0.329
2	High interest on investment	0.329
3	Good infrastructure	0.328
4	Maintain secrecy	0.327
5	Safety measures	0.323
6	High-quality services	0.309
7	Recent technologies	0.308

Source: Primary Survey Data.

Interpretation

The discriminant analysis indicates that **interest rates, infrastructure, secrecy, safety, service quality and recent technologies** are important factors distinguishing customers according to their CSR expectation levels.

Charging minimum interest and providing higher interest on investments recorded the highest discriminant coefficients of **0.329**. Good infrastructure, maintenance of secrecy and safety measures were also important.

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This indicates that customers associate CSR with fair financial services, customer protection, quality infrastructure and technology-enabled banking.

MAJOR FINDINGS

The major findings of the study are as follows:

1. Factor analysis identified three major dimensions of CSR**: Product and Service Responsibility, Environmental Responsibility and Community Responsibility**.
2. Under Product and Service Responsibility, **maintaining secrecy, competency and flexibility** were important factors.
3. Under Environmental Responsibility, **paperless banking, agricultural loans and sustainable transport** were identified as important factors.
4. Under Community Responsibility, **education loans, charity funds and women development** emerged as important CSR activities.
5. **Education loans recorded the highest factor loading of 0.907**, followed by paperless works with 0.889 and agriculture loans with 0.873.
6. The chi-square analysis revealed that most socio-economic variables did not have a significant relationship with customers' CSR expectations.
7. **Literacy and transaction period showed significant relationships** with CSR expectations.
8. Customers expect banks to provide **special loans for differently-abled persons.**
9. Customers expect **better returns on investments and affordable interest rates on loans.**
10. Customers also expect banks to contribute towards **reducing environmental pollution.**
11. Discriminant analysis identified **interest rates, infrastructure, secrecy, safety measures, service quality and recent technologies** as important factors distinguishing CSR expectation groups.
12. The findings indicate that customers view CSR as a combination of **responsible banking services, environmental sustainability and community development**.

Suggestions

Based on the findings, the following suggestions are offered:

1. Banks should strengthen Product and Service Responsibility by maintaining customer confidentiality, improving employee competency and providing flexible banking services.
2. Banks should promote **green banking practices,** particularly paperless transactions and environmentally sustainable operations.
3. Banks should strengthen their contribution to **education, agriculture, women development and community welfare.**
4. Special financial facilities should be introduced for **differently-abled persons** to promote financial inclusion.
5. Banks should provide loans at **reasonable and affordable interest rates** while ensuring transparency in lending practices.
6. Banks should offer attractive and competitive returns on investments to meet customers' expectations.
7. Banks should improve **infrastructure, safety measures and service quality**.
8. Greater use of recent technologies should be encouraged to improve banking convenience and accessibility.
9. CSR activities should be effectively communicated through **branch displays, awareness programmes, digital platforms, media and community partnerships**.
10. Banks should periodically assess customer expectations so that CSR programmes remain relevant to the needs of customers and the local community.

CONCLUSION

Corporate Social Responsibility has become an important dimension of responsible banking. The present

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study demonstrates that customers perceive CSR not merely as charitable expenditure but as a broader responsibility encompassing quality banking services, environmental protection and community development. Factor analysis identified three major CSR dimensions: **Product and Service Responsibility, Environmental Responsibility and Community Responsibility**. Among the identified variables, education loans, paperless banking and agricultural loans received particularly high factor loadings. These findings indicate that customers expect banks to contribute to social development while simultaneously providing responsible and efficient banking services.

The chi-square analysis revealed that most socio-economic characteristics do not have a significant relationship with CSR expectations. However, **literacy and transaction period** were found to have significant relationships. Customers' future expectations primarily relate to financial inclusion, affordable credit, attractive investment returns and environmental protection.

The discriminant analysis further highlights the importance of **fair interest rates, infrastructure, customer secrecy, safety, service quality and technology**. These findings suggest that customers consider responsible financial practices and customer-oriented services to be integral components of CSR.

Therefore, banks should adopt an integrated CSR strategy combining **responsible banking, environmental sustainability and community welfare.** Merely implementing CSR activities is not sufficient; banks should also ensure that customers are aware of these initiatives through effective communication and regular reporting. A customer-oriented and transparent CSR approach can strengthen trust, satisfaction and long-term customer relationships while contributing to inclusive and sustainable socio-economic development in Virudhunagar District.

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