

AFAANZ Grant Report

(1) Name, Position, Contact Details for each applicant

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(2) Project Title

The impacts of mandated CSR expenditure and financial inclusion on banking performance

(3) Updated Project Summary (500 words) including any variations between the project undertaken and the original application

In emerging countries, poverty, poor working conditions, and abuse of human rights are critical issues. In 2013, the Indian government introduced mandated Corporate Social Responsibility (CSR) expenditure. This study examines the impact of this initiative on the level of financial inclusion of banks and on their financial performances. The mandating of CSR spending enables businesses to contribute to sustainable economic development and the establishment of an equitable society. For banks, this can be achieved through financial inclusion activities that will reduce social inequality and poverty. Prior research on financial inclusion has not addressed firm-level engagement that contributes to country-level measurement.

(4) Funds Granted:

AUD 5,000.00

(5) Detailed Report on Expenditure of Funds against Budget Items, with variations explained

There was no variation in the budget items. The fund is utilised for access and collection of data.

Expenditure related to data collection:

Subscription of PROWESS database for our data costs USD 2146 Equivalent to AUD 2,983.00.
Research assistance cost in data collection and coding AUD 1,767.00.
Professional editing cost AUD 250.00

(6) Outcomes, for example, working papers, presentations and publications (give full details, including abstracts)

Final paper has been submitted to the Accounting and Finance journal for publication in October 2018.

Abstract:

Purpose: Motivated by legislation mandating CSR expenditure to improve social equality and economic development in India, we examine the association of CSR expenditure and financial inclusion with performance of banking firms in the period after introduction of the legislation.

Design/methodology/approach: We study whether mandated CSR expenditure and/or financial inclusion measures are associated with better financial performance, using both accounting and stock market measures of performance, for Indian banks during 2015 to 2017.

Findings: Our results demonstrate that level of CSR expenditure and degree of financial inclusion is not associated with banks' financial performance when performance is measured in accounting terms. However, a significant negative association is found when performance is measured by stock market return. These results suggest that the current design of the legislation is unlikely to achieve its purpose.

Originality/Value: This is the first study to present clear evidence on the associations of mandatory CSR spending and firm-level financial inclusion with accounting-based and market-based bank performance.

(7) Future Intentions for this Project (give full details)

The paper will be submitted to any one of the following ABDC ranked A Journal in future if not accepted by the Accounting and Finance journal.

- ABACUS,
- Journal of Banking and Finance - Law and Practice
- Journal of International Financial Markets, Institutions and Money.

(8) Summary of Outcomes and Benefits

The project yielded one conference paper and one journal article.

Our findings is beneficial by demonstrating potential performance improvements and gains in market share by firms that are considering investing in financial inclusion activities and CSR activities. The findings of our study also contribute to the wider debate on voluntary and mandatory CSR and provide reasons why banks should consider incorporating financial inclusion initiatives in their operational activities. The results of our study is valuable to country-level regulators and various international organisations (e.g. the International Monetary Fund, the Alliance for Financial Inclusion, and World Bank) promoting mandated CSR and financial inclusion activities.