



CSR and Financial Inclusion in India: An Analytical Study

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Abstract— Financial inclusion has become a core pillar of inclusive growth strategies in India, aiming to provide equitable access to financial services for all segments of society. Corporate Social Responsibility (CSR), institutionalized under the Companies Act (2013), it has emerged as a significant complementary mechanism supporting financial inclusion initiatives. This study analytically examines the role of CSR in advancing financial inclusion in India, with a specific focus on recent trends and Tamil Nadu's performance. Using secondary data from government reports, RBI publications, and corporate disclosures, the study employs growth analysis and conceptual correlation frameworks. The findings reveal that CSR contributes significantly to financial literacy, digital adoption, and rural outreach, thereby strengthening the overall financial ecosystem. However, challenges such as lack of coordination, limited outreach, and measurement issues persist.

Keywords— CSR, Financial Inclusion, Digital Finance, SHGs, India, Tamil Nadu, Inclusive Growth

I. INTRODUCTION

Financial inclusion refers to the availability and accessibility of affordable financial services to all individuals, particularly the underprivileged and marginalized people. In India, despite strong economic growth, financial exclusion has historically persisted in rural and informal sectors.

Government initiatives such as Jan Dhan Yojana, Mudra Yojana, and digital payment systems have significantly improved access. Parallely, CSR has enabled corporate participation in bridging financial gaps through literacy programs, fintech initiatives, and microfinance support.

II. REVIEW OF LITERATURE

Existing literature highlights that:

Financial inclusion has been widely recognized as a key driver of poverty reduction and economic stability, as it enables individuals and households to access essential financial services such as savings, credit, and insurance. By integrating marginalized populations into the formal financial system, financial inclusion enhances income-generating opportunities, reduces vulnerability to economic shocks, and supports overall economic development (World Bank, 2021).

Corporate Social Responsibility (CSR) plays a significant role in enhancing social welfare by encouraging companies to invest in community development initiatives such as education, healthcare, and financial inclusion. It complements state-led development efforts by bridging resource gaps, promoting inclusive growth, and supporting sustainable development objectives, thereby strengthening the overall socio-economic framework (MCA, 2022).

Digital financial services play a crucial role in accelerating financial inclusion in emerging economies by enabling faster, more accessible, and cost-effective delivery of financial products. Technologies such as mobile banking, digital payments, and fintech platforms help overcome geographical and infrastructural barriers, thereby expanding outreach to underserved populations and enhancing overall financial participation (RBI, 2023).

However, limited studies integrate CSR and financial inclusion empirically, particularly at the regional level such as Tamil Nadu.

III. OBJECTIVES OF THE STUDY

1. To examine the role of CSR in promoting financial inclusion in India
2. To analyze trends using recent financial inclusion data
3. To assess Tamil Nadu's performance in inclusive finance

IV. RESEARCH METHODOLOGY

The study adopts an analytical and descriptive research design, relying exclusively on secondary data sources. The data has been collected from credible and authoritative sources, including reports published by the Reserve Bank of India (RBI), the Ministry of Corporate Affairs (MCA), the World Bank, and various corporate CSR reports. For the purpose of analysis, the study employs a combination of quantitative and qualitative tools, such as Compound Annual Growth Rate (CAGR) to measure growth trends, descriptive statistics to summarize key financial inclusion indicators, and conceptual correlation analysis to examine the relationships between CSR initiatives and financial inclusion outcomes.

V. CONCEPTUAL FRAMEWORK

CSR Mechanism

Corporate Social Responsibility (CSR) mandates that eligible companies allocate at least 2 per cent of their average net profits towards development-oriented activities. These initiatives typically focus on areas such as financial literacy, which enhances awareness and usage of banking services; rural development, aimed at improving livelihoods and infrastructure in underserved regions; and digital empowerment, which promotes access to digital technologies and financial services, thereby strengthening overall financial inclusion.

Financial Inclusion Dimensions

Financial inclusion can be understood through three key dimensions: access, usage, and quality. Access refers to the availability of basic financial services such as bank accounts and formal banking facilities. Usage goes a step further by examining how frequently and effectively these services are utilized, including transactions, savings, and deposit activities. Quality focuses on the affordability, reliability, and suitability of financial services, ensuring that they meet the needs of users in a secure and efficient manner.

VI. DATA ANALYSIS AND INTERPRETATION

Table 1
Financial Inclusion Trends In India

Indicator	2015	2020	2025
PMJDY Accounts (crore)	14.7	38.0	57.1
Deposits (₹ lakh crore)	0.15	1.3	2.7
Women Account Holders (%)	53	55	55.6
Rural Share (%)	60	64	66.6

Interpretation

The data indicates a significant expansion in account ownership over the years, reflecting the success of financial inclusion initiatives in broadening access to banking services. At the same time, the strong growth in deposits suggests increased and more active usage of these accounts, pointing toward deeper financial engagement among users.

Additionally, gender inclusion is notably high, highlighting the effective integration of women into the formal financial system.

Table 2
Digital Financial Inclusion

Indicator	2018–19	2023–24
Digital Transactions (crore)	2,338	16,443
Digital Coverage (%)	60	95

Interpretation

The data reveals that digital transactions have increased nearly seven-fold over the observed period, indicating a rapid shift toward a cashless economy. This substantial growth has been primarily driven by the widespread adoption of UPI and mobile banking, which have made financial transactions faster, more convenient, and accessible to a larger segment of the population.

Table 3
Tamil Nadu: Regional Analysis

Indicator	Value
SHG Linkages	High
Women Participation	Strong
Credit Access	Expanding

Interpretation

Tamil Nadu demonstrates strong performance in financial inclusion due to several key factors. The state has effectively implemented Self-Help Group (SHG)-bank linkage programs, which have significantly improved access to credit among rural households. Additionally, there is a high level of female participation in these initiatives, contributing to greater women empowerment and financial independence. Furthermore, active involvement of Corporate Social Responsibility (CSR) initiatives in rural finance has strengthened financial literacy, digital access, and credit availability, thereby enhancing overall inclusion outcomes in the state.



VII. STATISTICAL ANALYSIS

CAGR Analysis

The analysis of growth trends shows that PMJDY accounts have recorded a Compound Annual Growth Rate (CAGR) of approximately 14–15 per cent, while deposits have grown at a much higher CAGR of around 30 per cent. This indicates that deposit growth exceeds the rate of account expansion, suggesting a deepening of financial inclusion rather than mere numerical growth in account ownership. It reflects increased usage of banking services and a higher level of trust in the formal financial system among account holders.

Financial Inclusion Efficiency

The average deposit per account in 2025 is estimated to be approximately ₹4,700, which reflects a significant improvement in financial engagement among account holders. This indicates that individuals are not only opening bank accounts but are also actively using them for savings and transactions, highlighting a shift from mere financial access to meaningful financial participation.

Conceptual Correlation Model

Variable	Relationship
CSR Spending → Financial Literacy	Positive
Financial Literacy → Account Usage	Strong Positive
Digital Access → Inclusion	Very Strong

VIII. ROLE OF CSR IN FINANCIAL INCLUSION

Corporate Social Responsibility (CSR) contributes to financial inclusion through multiple channels, including financial literacy campaigns that improve awareness and understanding of banking services, digital infrastructure support that enhances access to modern financial technologies, microfinance and Self-Help Group (SHG) funding that expands credit availability in rural areas, and women empowerment initiatives that promote inclusive participation in the financial system.

Overall, CSR functions as a catalyst by strengthening and complementing government efforts, rather than substituting them, thereby accelerating the process of inclusive growth.

IX. CHALLENGES

Despite its contributions, CSR faces several challenges in effectively promoting financial inclusion. There is often a lack of coordination between CSR initiatives and government programs, leading to duplication of efforts and inefficiencies. Additionally, the reach of CSR activities remains limited in remote and underserved areas, restricting their overall impact. Digital illiteracy further hinders the effective use of financial services, particularly in rural regions. Moreover, the absence of standardized frameworks for measuring the impact of CSR initiatives makes it difficult to assess their effectiveness and long-term outcomes.

X. POLICY RECOMMENDATIONS

- Strengthen public-private partnerships
- Increase CSR investment in fintech and digital literacy
- Develop monitoring frameworks for CSR outcomes
- Promote region-specific strategies
- Enhance rural digital infrastructure

XI. CONCLUSION

Financial inclusion in India has evolved from basic access to active participation and digital integration. CSR has emerged as a vital contributor by improving awareness, accessibility, and efficiency. Tamil Nadu provides a successful regional model through its SHG-based approach. A coordinated strategy between corporates and the government is essential to sustain inclusive growth.

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