

Authenticity in Corporate Social Responsibility: Conceptualizing Employee Perceptions of CSR and Greenwashing in Indian Banking

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Abstract

The present paper develops a conceptual framework to analyze employee perception toward Corporate Social Responsibility (CSR), with a specialized emphasis on distinguishing genuine CSR from greenwashing practices within the Indian banking sector. As global and domestic pressures mount for financial institutions to demonstrate ethical and sustainable operations, CSR has transitioned from a peripheral philanthropic activity to a core strategic tool for reputation building and the cultivation of stakeholder trust. However, the proliferation of greenwashing—the act of making false, exaggerated, or misleading claims regarding environmental and social impact—poses a significant threat to organizational integrity. This study synthesizes literature alongside empirical observations to propose a model explaining how CSR authenticity serves as a primary driver of employee trust, motivation, job satisfaction, and organizational loyalty. Through a mixed-methods approach utilizing descriptive and exploratory research designs, the study identifies critical predictors of employee perception, including transparency, environmental commitment, ethical governance, and employee involvement. The findings underscore that while authentic CSR fosters positive workplace behaviors and enhances retention, greenwashing triggers skepticism, work alienation, and disengagement.

Keywords: CSR, Greenwashing, Employee Perception, Banking Sector, Transparency, Ethical Responsibility.

Introduction

Corporate Social Responsibility (CSR) has evolved into a critical organizational priority within the modern global economy, transitioning from a voluntary ethical gesture to a mandatory structural requirement for large-scale enterprises. Within the Indian banking sector, CSR plays an instrumental role in shaping institutional credibility and contributing toward the nation's sustainable development goals. Banks, acting as the primary intermediaries of capital, possess the unique capacity to drive social change through directed lending, financial inclusion, and community-centric investments.

However, the rapid "financialization" of sustainability has led to the emergence of greenwashing, where organizations may exaggerate or fabricate their environmental contributions to secure a competitive advantage or meet regulatory appearances without achieving substantive impact. Employees, as internal stakeholders, are uniquely positioned to evaluate the consistency between a bank's external CSR rhetoric and its internal operational realities. The authenticity of these initiatives significantly influences employee-related outcomes, including engagement and retention. This research constructs a conceptual framework that integrates CSR authenticity, greenwashing, and employee perception to provide actionable insights for the banking industry.

Banking Industry Analysis: Global and National Context

The banking industry constitutes a sophisticated system of financial institutions providing essential services to individuals, businesses, and governments. Beyond mere storage of funds, banks facilitate the efficient allocation of resources, acting as a catalyst for broader economic activity. The industry has evolved significantly from the credit systems of 14th-century European goldsmiths to the modern digital-first era.

World Market Dynamics

The global banking market was valued at USD 30.98 billion in 2022 and is projected to experience a compound annual growth rate (CAGR) of 4.55% through 2032, eventually reaching USD 48.32 billion. Key drivers of this growth include the rising penetration of smartphones, which has fueled a surge in digital banking, and the integration of Artificial Intelligence (AI) and Machine Learning (ML) to automate risk management and personalize customer experiences. Traditional banking models are increasingly challenged by non-traditional fintech players and payment providers, forcing a shift toward collaborative innovation.

Market Segment	2023 Revenue (USD)	2032 Projected Revenue (USD)
Retail Banking	12.56 Billion	16.35 Billion
Corporate Banking	9.78 Billion	12.89 Billion
Investment Banking	7.34 Billion	9.67 Billion
Private Banking	6.87 Billion	9.12 Billion

Data synthesized from global banking trends.

The Indian Banking Landscape

In India, the banking system is characterized by a well-established regulatory environment led by the Reserve Bank of India (RBI). The ecosystem includes 137 scheduled commercial banks, including public sector, private sector, and foreign entities, as well as over 9,500 Non-Banking Financial Companies (NBFCs). The sector has demonstrated remarkable progress in financial inclusion, with 99.97% of inhabited villages now having access to a banking outlet within five kilometers.

Recent performance parameters highlight the sector's robustness. As of March 2022, gross loans and advances reached ₹127.5 trillion, while deposits stood at ₹171.7 trillion. The Capital to Risk Weighted Assets Ratio (CRAR) of 16.7% indicates a healthy buffer against financial shocks. India's digital economy has also surged, with the country accounting for 46% of global digital transactions by 2024.

Regional Scenario: Gujarat

Gujarat possesses one of India's premier banking networks, bolstered by its status as an industrial hub. By late 2018, the state had over 9,500 branches and 11,000 ATMs. The State Bank of India (SBI) leads the public sector, while HDFC and ICICI dominate the private segment in the region. Despite a slight decline in deposits in early 2024 due to a shift in investor preference toward mutual

funds and real estate, the credit-deposit ratio in Gujarat improved to 81.87% by September 2023.

Review of Literature

CSR is increasingly recognized as a multidimensional construct encompassing ethical, social, and environmental responsibilities. Authentic CSR is defined by its transparency, long-term commitment, and the presence of measurable impacts that align with organizational values.

Typology of Greenwashing and Consumer Evaluation

The phenomenon of greenwashing has been scrutinized extensively. Pham et al. (2024) investigated how consumers develop "green skepticism" in response to vague environmental advertisements, finding that consumers with weaker existing environmental attitudes are more susceptible to persuasion, whereas those with strong attitudes are more likely to identify and reject deceptive claims. Seele and Dooling (2017) developed a typology of greenwashing that categorizes institutional behavior into four quadrants: greenwashing, false greenwashing, potential greenwashing, and no greenwashing, emphasizing that these categories are often co-constructed through external allegations and legitimacy strategies.

Organizational and Human Resource Impact

Green Human Resource Management (GHRM) has emerged as a vital bridge between CSR and employee outcomes. Shaaban and Safaa (2024) identified that GHRM practices positively influence employee green attitudes and overall organizational performance. Furthermore, Zihan et al. (2024) found that an organization's "green readiness" is a primary predictor of its ability to successfully institutionalize sustainable change.

Employee-oriented CSR initiatives have a direct impact on internal metrics. Lee (2022) observed that CSR actions focused on employee welfare mediate job satisfaction and organizational identification, leading to higher retention rates. Conversely, greenwashing has been shown to erode the "person-organization values fit." Robertson and Montgomery (2023) concluded that when employees perceive their organization is engaging in greenwashing, they experience decreased job satisfaction and increased turnover intentions. Mu et al. (2023) further noted that greenwashing in primary stakeholder-oriented CSR (focused on employees) significantly damages trust, whereas greenwashing in secondary stakeholder areas (focused on external charity) impacts organizational identification.

Strategic Profiles of Major Banks

To understand the practical application of CSR and the risks of greenwashing, it is essential to analyze the strategic positioning of major players in the Indian market.

State Bank of India (SBI)

As the nation's largest public sector bank, SBI enjoys a massive reach of over 450 million customers. Its CSR strategy is traditionally rooted in broad-based community welfare. In FY 2024-25, SBI dedicated ₹610.77 crore to CSR, reaching 65 lakh beneficiaries across 20,000 villages. Its spending priorities reflect its public mandate: Healthcare and Sanitation (35%), Education (27%), and Environment/Rural Development (11% each).

HDFC Bank

HDFC Bank has consistently emerged as the top CSR spender among Indian corporates. Its flagship program, "Parivartan," has impacted over 10.5 crore lives over the last decade. In FY 2024-25, its CSR outlay reached ₹1,068.03 crore, focusing on six core areas including rural development, healthcare, and natural resource management. HDFC's strategy is highly integrated with the UN Sustainable Development Goals.

ICICI Bank

ICICI Bank leverages its technological leadership to drive CSR, with a focus on digital literacy and women's empowerment. While it allocated ₹801 crore for CSR in FY 2025, actual expenditure was approximately ₹527 crore due to statutory approval delays.

Conceptual Framework

The proposed conceptual framework positions **CSR Authenticity** as the independent core construct influencing the perception of internal stakeholders. This model is grounded in **Social Identity Theory** and **Person-Organization (P-O) Fit Theory**, suggesting that employees identify more strongly with organizations whose values (demonstrated through authentic CSR) align with their own.

1. Antecedents of CSR Authenticity

The framework identifies four primary predictors that employees use to gauge the authenticity of their organization's social responsibility:

- **Transparency:** The clarity and frequency of organizational reporting. The empirical study found that 48% of respondents believe regular, detailed CSR reports would significantly increase their trust.
- **Ethical Governance:** The alignment of corporate decisions with ethical standards. This includes adherence to the RBI's Responsible Business Conduct directions (2025).
- **Environmental Commitment:** The depth of actual sustainable practices. Employees rate "implementation of genuine sustainable practices" as a top priority for avoiding greenwashing.
- **Employee Involvement:** The extent to which staff are integrated into the CSR process. This is a critical predictor of perceived organizational commitment.

2. The Mediator: Employee Perception

Perception acts as a bridge between organizational action and behavioral outcome.

- **Positive Perception (Genuine CSR):** Leads to "Organizational Pride" and "Loyalty".
- **Negative Perception (Greenwashing):** Triggers **Cognitive Dissonance** (moral unease) and **Work Alienation** (a sense of disconnection from the work environment).

3. Behavioral and Organizational Outcomes

- **Engagement and Performance:** Authentic CSR facilitates higher morale (90% agreement in survey) and enhanced collaboration (96%).
- **Retention:** Positive perception strengthens the sense of loyalty (68%) and job satisfaction (60%), directly impacting employee retention.
- **Turnover Intentions:** When greenwashing is perceived, it results in "cynicism" and a

higher intent to leave the organization.

Problem Statement and Objectives

The central problem addressed by this study is the increasing difficulty for employees to distinguish between authentic CSR efforts and greenwashing within the banking sector.

Objectives of the Study

1. To analyze the distinction between greenwashing and genuine CSR efforts in the banking industry.
2. To understand employee perceptions toward current CSR practices.
3. To study the impact of employee CSR perception on organizational retention and loyalty.
4. To analyze the relationship between CSR authenticity and internal trust.
5. To develop a conceptual framework linking greenwashing to behavioral outcomes.

Hypotheses of the Study

- **H01:** There is no significant relationship between CSR authenticity and employee trust.
- **H11:** There is a significant relationship between CSR authenticity and employee trust.
- **H02:** Greenwashing does not significantly influence employee motivation.
- **H12:** Greenwashing significantly influences employee motivation.
- **H03:** CSR transparency has no significant association with employee job satisfaction.
- **H13:** CSR transparency has a significant association with employee job satisfaction.
- **H04:** Employee involvement in CSR does not significantly influence their perception of organizational commitment.
- **H14:** Employee involvement in CSR significantly influences their perception of organizational commitment.

Research Methodology

This study utilizes a conceptual and empirical approach. The conceptual framework is synthesized from a systematic review of secondary sources, while the empirical component is based on primary data collected from 175 respondents in Ahmedabad, Gujarat.

Sampling and Data Collection

A non-probability convenience sampling method targeted employees across various levels (Top, Middle, Bottom) in the banking and financial services sector. Data was collected via a structured questionnaire.

Demographic Profile of Respondents

The gender distribution indicates 72% male and 28% female respondents. The age composition is dominated by the 36–45 years category (60.6%). In terms of designation, 87.4% of respondents belong to middle-level management. Experience analysis reveals that the majority of employees have 4–6 years of industry experience.

Data Analysis and Interpretation: Empirical Findings

The empirical results provide a detailed look at how these conceptual constructs manifest in the

current banking environment.

1. Awareness of Greenwashing

Public and employee awareness of greenwashing is remarkably high, with 84.6% of respondents indicating familiarity with the term.

Definition of Greenwashing	Level of Respondent Agreement
Misleading claims about environmental practices	61% Disagree (High Skepticism)
Exaggerating environmental benefits	175/200 Agree
False information about sustainability efforts	175/200 Agree
Selective disclosure (hiding negative impacts)	90/200 Agree

Data from.

2. Perceived Impact on Organizational Behavior

The survey data confirms a strong correlation between CSR and positive internal outcomes.

Impact Variable	Perception Trend
Employee Morale	90% believe CSR boosts morale. ¹
Teamwork/Collaboration	96% agree participation increases teamwork. ¹
Work Environment	72% agree it improves the overall atmosphere. ¹
Sense of Loyalty	68% feel stronger loyalty due to CSR initiatives. ¹
Job Satisfaction	60% report increased satisfaction through involvement. ¹

3. Sincerity vs. Symbolic Reporting

76% of respondents believe their own company's CSR activities are genuine and not just "for show". However, this internal optimism contrasts with statistical evidence of "greenwashing" among Indian Public Sector Banks (PSBs), which tend to increase reported ESG scores following years of lower profitability to signal symbolic commitment.

Inferential Analysis: Statistical Testing

Chi-Square Tests

- **Test 1 (Age vs. Support After Greenwashing):** p-value = 0.001 (Significant association). The 36–45 age group is the most sensitive to greenwashing, showing the highest likelihood of ceasing support for a deceptive company.
- **Test 2 (Experience vs. Productivity):** p-value = 0.000 (Significant association). Employees with more than 10 years of experience are significantly more likely to report that CSR participation increases their productivity.

ANOVA Tests

- **Test 3 (Importance of CSR in Purchasing):** p-value = 0.023 (Significant difference). Different demographic groups assign varying weights to CSR when making purchasing decisions, suggesting communication should be tailored.
- **Test 4 (Effect of CSR on Productivity):** p-value = 0.000 (Significant difference). Experience levels significantly influence how employees perceive the productivity boost from CSR.

Reliability and Validity

The measurement tools demonstrated high internal consistency. The **Greenwashing scale** achieved a Cronbach's Alpha of **0.872** (Excellent), and the **Environmental Performance scale** reached **0.727** (Acceptable).

The Regulatory and Legal Environment: 2024–2025

The findings must be viewed against a tightening regulatory landscape. In FY 2024-25, the RBI imposed 353 penalties totaling ₹54.78 crore across the banking and NBFC sectors.

Key Penalties and Enforcement

- **Yes Bank:** Fined ₹29.6 lakh in May 2025 for inaccurate disclosures regarding customer complaints.
- **Deutsche Bank:** Penalized ₹50 lakh for failing to report credit information to the Central Repository of Information on Large Credits (CRILC).
- **Co-operative Sector:** A top cooperative bank received a penalty of ₹5.93 crore for governance failures, including board-linked trust donations—a violation of CSR ethics.

New Standards for 2025

- **CCPA Guidelines (Oct 2024):** Prohibit misleading visuals (e.g., green colors/tree icons) and mandate scientific substantiation for all environmental claims.
- **SEBI BRSR Core:** Mandates the top 1,000 listed entities to disclose Key Performance Indicators (KPIs) and introduces "Assurance" or "Assessment" for sustainability reports.

Recommendations

1. **Mandatory Impact Assessments:** All CSR projects with budgets over ₹1 crore should undergo formal assessments, as seen in HDFC's practice.
2. **Digital Verification:** Implement QR codes in marketing to provide stakeholder access to verifiable evidence of "green" claims.
3. **Integrating GHRM:** Move beyond mandatory 2% spending by integrating sustainability

into performance appraisals and recruitment.

4. **Value Chain Audits:** Prepare for 2025 requirements by auditing upstream and downstream partners for ESG compliance.

Conclusion

The distinction between greenwashing and genuine Corporate Social Responsibility serves as a fundamental determinant of institutional longevity and employee loyalty. This study established that CSR authenticity significantly shapes organizational culture, acting as a catalyst for employee trust, morale, and productivity. While internal perceptions remain largely positive, the rise of regulatory penalties and the trust deficit among consumers indicate that "symbolic sustainability" is a high-risk strategy. The future of banking lies in managing a "green reality" where transparency is the bedrock of organizational performance.

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