

Research Article

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## Corporate Social Responsibility: A case study of State Bank of India

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### Abstract

#### Keywords

CSR,  
Corporate Social  
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Business  
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Reporting.

Corporate Social Responsibility is considered as a new and an improved management tool for long-term success and sustainability of a business. Nowadays CSR has been assuming greater importance in the corporate world including financial institutions especially the banking sector. Many Indian commercial banks have created their individual brand image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives for societal welfare and community development. State Bank of India has designed many programs for social development. The main objective of this research article is to make a study on the CSR spending pattern of State Bank of India. The study concluded that RBI should be more stringent in issuing guidelines pertaining to setting apart of funds for CSR initiative.

### 1. Introduction

The primary objective of a business is to earn maximum profits for shareholders or owners in ethical way; it is also expected to operate in a way that fulfils social obligation. Social Responsibility of business refers to what a business does over and above the statutory requirement for the benefit of the society. Corporate Social Responsibility (CSR) also called corporate conscience or corporate citizenship or sustainable responsible business is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms.

The term "Corporate Social Responsibility"(CSR) came into normal usage in the late 1960s and early 1970s after numerous Trans National Corporations (TNCs) coined the term stakeholders, which means those on whom an organisation's activities have an impact. In spite of the fact that the idea of Corporate Social Responsibility (CSR) is in existence for more than a decade; a generally accepted definition of CSR is still unavailable to capture the elements and dimensions of CSR. According to the United Nations Industrial Development Organization (UNIDO), "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interaction with their stakeholders<sup>1</sup>".

CSR has assumed greater importance in the corporate world, including the banking sector. There is a noticeable trend in the financial sector by promoting environmental friendly and socially responsible lending and investment practices. Taking deposits, giving advances and providing complementary services is the core business of banks. Regardless of what kinds of countries, what kinds of culture, and what kinds of banking products and investors, banks need to be responsible for their customers in a social dependable way. As a socially responsible bank, it not only exercises legitimate banking practice, but also practices wisely and prudentially with close supervision of transactions for providing customer confidence under prosperous and glooming economic conditions. Almost all corporate websites/policies/brochures and report talks about their CSR endeavours which has become a way of ensuring that the company is fulfilling its obligations towards society at large.

In the context of Indian banking sector very little systematic documentation of CSR initiatives is available so far, however, a number of Indian Banks have taken initiatives to implement the concept of Corporate Social Responsibility. Commercial banks in India have taken up CSR activities seriously as the Reserve Bank of India has advised all the commercial banks operating in India to set aside at least one per cent of their profits for CSR activities. The scenario in respect of CSR is changing in India rapidly. With the introduction of new Companies Act' 2013 and stipulation of new guidelines by SEBI has given CSR activities and its reporting a new face lift by making it mandatory rather than a voluntary action.

## 2. CSR in India – Legality

**Companies Act' (2013)<sup>2</sup>** - The Ministry of Corporate Affairs (MCA) had introduced the Corporate Social Responsibility Voluntary Guidelines in 2009. These guidelines have now been incorporated within the 2013 Act and have obtained legal sanctity. Section 135 of the 2013 Act, seeks to provide that every company having a net worth of 500 crore INR, or more or a turnover of 1000 crore INR or more, or a net profit of 5 crore INR or more, during any financial year shall constitute the corporate social responsibility committee of the board. This committee needs to comprise of three or more directors, out of which, at least one director should be an independent director. The composition of the committee shall be included in the board's report. The committee shall formulate the

policy, including activities specified in *Schedule VII*, which are as follows: Eradicating hunger and poverty, Promotion of education, Promoting gender equality and empowering women, Reducing child mortality and improving maternal health, Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases, Ensuring environmental sustainability, Contribution to the Prime Minister's National Relief Fund or any other fund set-up by the central government or the state governments for socio-economic development and relief, and funds for the welfare of the scheduled castes and Tribes, other backward classes, minorities and women, Such other matters as may be prescribed

The 2013 Act mandates that these companies would be required to spend at least 2% of the average net-profits of the immediately preceding three years on CSR activities, and if not spent, explanation for the reasons thereof would need to be given in the director's report (section 135 of the 2013 Act). These rules will be applicable from F.Y.2014-15 onwards. The Company can implement its CSR activities through the following methods.

1. Directly on its own.
2. Through its own non-profit foundation set up so as to facilitate this initiative. (Eg. ICICI Foundation, ING Vysya Foundation, Axis Bank Foundation etc.)
3. Through independently registered non-profit organisations that have a track record of 3 years in similar activities.
4. Pooling resources with other companies.

**SEBI Requirements<sup>3</sup>** – The other reporting requirement is the one mandated by Securities and Exchange Board of India (SEBI) vide a circular on August 13<sup>th</sup> 2012. It requires that all listed companies and those companies which wish to get its shares listed shall report its CSR activities in the form of Business Responsibility Report (BRR) forming part of its annual report. SEBI has provided a template for filing BRR.

## 3. Review of Literature

The researcher has comprehensively gone through the available literature relating to CSR and few studies are listed below.

Ankita Patel (2016)<sup>4</sup>, in the research article entitled "Corporate Social Responsibility: A Comparative Study of SBI and ICICI in India" attempted to study the CSR activities of leading commercial banks in India and compare CSR spending from the year 2009-10 to 2015-16. The finding reveals that the percentage of Profit after tax spends for CSR by SBI is more compared to ICICI, but both the banks contributed highest in the financial year 2015-16. The estimated Spending for CSR for 2016-17 is also more in SBI as compared to ICICI. A lot many efforts are required towards CSR practices and banks must accept their responsibility in more justifiable manner.

Sharma and Agarwal (2016)<sup>5</sup> in their study "Comparative study of Corporate Social Responsibility in Selected Public and Private Sector Banks" analyze the CSR practices of selected public and private sector banks in India. The study concluded that selected banks are making efforts for the implementation of CSR, but are not spending their 2% share of profits on Corporate Social Responsibility.

Carolyn Juliya Pushpam .V., Dr. Karthi R., Asha Daisy B. (2015)<sup>6</sup> in their study "Corporate Social Responsibility of Banks in India" analyzed the corporate social responsibility (CSR) activities carried out by Indian commercial banks. The study found that the Indian banks are doing lot of CSR activities. Banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far from satisfaction. There are only a few banks which report their activities on triple bottom line principles. As a matter of fact, the standards for rating CSR practices are less uniform in comparison to that for financial rating. This leads to problem in comparison of corporate houses and determining the CSR rating.

#### 4. Statement of Problem

Banking industry have now no choice but to implement CSR since the passing of the new Companies Act' 2013 and to abide with the guidelines issued by the Reserve Bank of India (RBI) in this regard. Banks should try to maintain a good relationship with the society in which it operates and in which it is a citizen. The present work aims to make a study of the pattern of spending by State Bank of India with regard to CSR initiatives. The result of the study seems to be useful to the bankers, government,

policy makers, academicians and researchers and to the society at large.

#### 5. Objectives

Following are the specific objectives of the study

- a) To gather knowledge about the concept of CSR.
- b) To identify the CSR initiatives of State Bank of India.
- c) To show the pattern of CSR expenditure by State Bank of India.

#### 6. Research Methodology

The study is based on secondary data. Secondary data have been collected from different secondary sources i.e. annual report, review of CSR, journals, Bank's websites, Bank's Publications, newspapers and online databases. Selection of banks is based on the 2017 report published jointly by Futurescape and IIM-Udaipur<sup>7</sup> on the top 100 spenders with respect to CSR activities. In this list State Bank of India was at 80<sup>th</sup> position.

#### 7. Period of study

The study covers the financial year 2016-17 and 2017-18 Analytical, descriptive and comparative methodology has been adopted for the study.

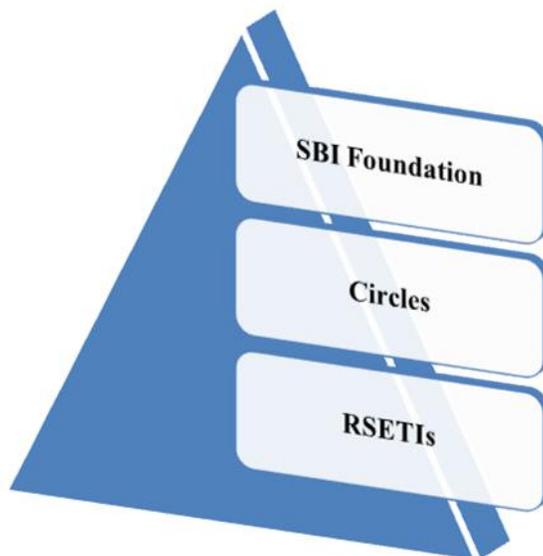
#### 8. CSR Spending by sample bank -an analysis

State Bank of India is the largest bank with more than 14,000 branches all over India. It has a major role in improving the livelihood of people in rural areas. The Bank has designed many programs for social development. They have been allocating 1% of total profit for CSR activities. State Bank of India's CSR activities are spread across three verticals of the bank, that is activities are implemented by the SBI Foundation, all its sixteen circles across India and through the vocational training institutes established by the bank<sup>8</sup> (Figure 1).

The very objective of the Foundation is to promote growth, equality and responsiveness to the relevant needs of communities in which it operates. SBI Foundation has identified several areas of intervention for the implementation of projects. These focus areas have been identified in line with and in alignment with the provisions of Schedule VII of Section 135 of the Companies Act, 2013. The key focus areas are;

- Healthcare and Sanitation
- Education
- Skills & Livelihood Development
- Women empowerment & care for senior citizens
- Rural Development
- Promotion of sports and arts
- Environmental Conservation

**Figure-1**



For maximum outreach and long term benefits created, a need-based approach has been adopted wherein SBI partners with reputed NGOs to assess the requirements of individual communities. The NGOs also assist in implementing the project at the grass root level and executing it in an effective and timely manner. The bank's CSR agenda focuses on the key areas like healthcare, sanitation, education, skill development and livelihood creation, environment protection, culture sports and others. State Bank of India's CSR budget was Rs. 99.51 Crores and Rs. 104.84 Crore for the financial years 2016-17 and 2017-18 respectively.

Table 1 and figure 2 disclose the actual expenditure for CSR activities by SBI during the period 2016-17 and 2017-18. The actual amount spent by the bank on CSR activities for the periods are Rs. 109.82 Crores and Rs.112.96 Crores respectively for the fiscal period 2016-17 and 2017-18.

From table 1 it is very clear that the bank has been constantly supporting the CSR initiatives. The bank has spent an amount that is more than its budgeted allocation on social initiatives. The major thrust by the bank has been on skill development thereby increasing the employability and revenue of rural youths, women and differently abled people. The bank has utilized Rs.56.55 Crores on skill development in the fiscal year 2017-18.

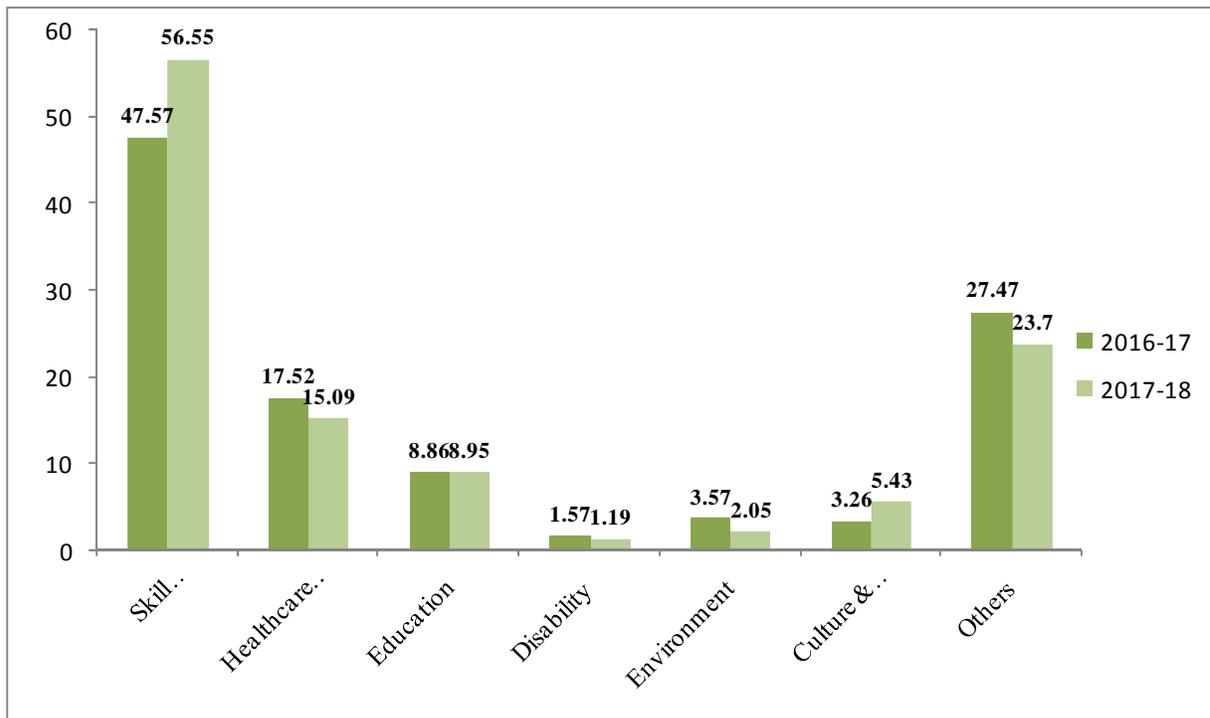
Table 1

FOCUS AREAS	Actual CSR Expenditure		(Rs. in Crore)
	F.Y 2016-17	F.Y 2017-18	Increase/Decrease
Skill Development	47.57	56.55	8.98
Healthcare & Sanitation	17.52	15.09	(2.43)
Education	8.86	8.95	0.09
Disability	1.57	1.19	(0.38)
Environment	3.57	2.05	(1.52)
Culture & Sports	3.26	5.43	2.17
Others	27.47	23.7	(3.77)

The focus area ‘Others’ includes various direct activities taken up by the circle such as national and state donations and also the fund given to foundation. The bank provides basic infrastructure to improve and deliver quality preventative and primary healthcare to

those belonging to under privileged and economically weaker sections of the society. It has supported a large number of hospitals and complements the National Health Policy, 2017. Bank has spent Rs.15.09 Crores during the F.Y 2017-18 on healthcare and sanitation.

Figure 2  
Actual CSR Expenditure



## 9. CSR spending as percentage of profit

Table 2 depicts the CSR expenditures the bank as a Percentage of total Profit after Tax for the financial years 2016-17 & 2017-18.

**Table 2**  
**CSR spending as Percentage of Net Profit**

Name of the Bank	2016-17 CSR Expenditure as a % of Profit after Tax	2017-18 CSR Expenditure as a % of Profit after Tax
State Bank of India	1.05%	LOSS

Source: Calculated

Table 2 shows the CSR expenditure as a percentage of PAT and during the financial year the expenditure was 1.05 per cent of the PAT for the corresponding period and during the F.Y. 2017-18 banks has registered a loss of Rs.6547 Crores yet the expenditure on CSR activities has been increased considering the previous fiscal period.

From F.Y 2014-15 onwards these banks will have to spend at least 2% of their average net profit of the immediately preceding three years and if not expended to the minimum cap set the bank will have to explain as to why the amount has not been spent.

## 10. Average net profit and CSR spending

The *Table 3 & Table 4* shows the mandatory spending requirement by a banking company on CSR initiatives as specified in *Schedule VII* of the Companies Act' 2013 against the actual expenditure on CSR initiatives. If a company fails to spend at least 2% of the average of last 3 years profit after tax then as per the requirement under Section 135 every company is obliged to report as to why they have not spent the stipulated amount on CSR projects.

**Table 3**  
**Average Net Profit and CSR Spending for the Financial year 2016-17**

Name of the Bank	Average Net Profits of Preceding 3 Years Financial year 2016-17 (2015-16, 2014-15, 2013- 14)	Amount to be Spent on CSR Activities as Per Sec. 135	Actual Spending Financial year 2016-17 (as a % of average profits of three preceding years)
State Bank of India	11,315 Crore	226 Crore	109.82 Crore (0.97%)

Source: Calculated

The tables (*Table 3 & Table 4*) shows the mandatory spending requirement by a company on CSR initiatives as specified in *Schedule VII* of the Companies Act' 2013 against the actual expenditure on CSR initiatives. For the F.Y 2016-17 (*Table 3*) SBI's expenditure amounts to Rs.109.82 Crore which is 0.97% of the average of three preceding financial

years of 2016-17 whereas the bank was supposed to spend Rs.226 Crore on CSR activities. In the F.Y. 2017-18 (*Table 4*) SBI's expenditure amounts to 1.01% of the average of three preceding financial years of 2017-18 which is Rs.112.96 Crore whereas the bank was supposed to spend Rs.224 Crore.

**Table 4**  
**Average Net Profit and CSR Spending for the Financial year 2017-18**

Name of the Bank	Average Net Profits of Preceding 3 Years Financial year 2017-18 (2016-17, 2015-16, 2014- 15)	Amount to be Spent on CSR Activities as Per Sec. 135	Actual Spending Financial year 2017-18 (as a % of average profit of three preceding years)
State Bank of India	11,179 Crore	224 Crore	112.96 Crore (1.01%)

Source: Calculated

The study concluded that the bank though is consistently and continuously spending on CSR initiatives it is yet to reach the minimum limit of 2% of net profit for CSR activities during the financial year 2016-17 & 2017-18. While considering this it is worthwhile to note that the bank has been spending on social activities during the period of 2017-18 even though it has registered a loss of Rs.6547 Crores.

## 11. Conclusion

The above analysis shows that though the bank is making efforts in CSR areas more emphasis is to be put on the initiatives. The bank is not even meeting the regulatory requirements. The current cap for annual donation of 1% (0.75% for Normal donations and 0.25% for National Donations) of previous year's published profit set by RBI on banks should be reconsidered to be in line with Section 135 of Companies Act, 2013. RBI should be more stringent in issuing guidelines pertaining to setting apart of funds for CSR initiatives by banks. This study might be useful for understanding the position of the bank in CSR activities are concerned.

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