
Policies and Practices of Corporate Social Responsibilities in State Bank of India

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ABSTRACT

The world's biggest nest is society as it gives shelter for all kinds of animals including human being. Human being is the only animal which has thinking power, as a result of these human beings is clever animals, which are responsible for protecting and developing the society. A business is also legal entity which has responsibilities towards society. The companies act 2013 section 135 made practices of CSR as mandatory for all sectors including banking sector. State Bank of India (SBI) is the largest bank in India which has shown its concern towards society. The CSR practice in SBI is rewarded with several awards but none of the year SBI spend equal to or more than 2% of its average profits of last three years. In this background, this study was undertaken to know the policies and practices of CSR in SBI. This study is based on secondary data and descriptive in nature. It is concluded from the study that SBI compiled almost all the provisions of companies act 2013 related to CSR and has concentrated more on prime areas such as education, health care and skill development activities to undertake CSR projects. The researchers felt that there is need of uniformity, consistency and completeness in disclosing the information related to CSR in their annual reports and website, which not only increases the image of the bank but also creates a loyal stakeholder force for it.

Keywords: Policies, Practices, CSR, SBI.

1. INTRODUCTION: The world's biggest nest is society as it gives shelter for all kinds of animals including human being. Human being is the only animal which has thinking power, as a result of these human beings is clever animal that are only responsible for protecting and developing the society. A business is also legal entity which has responsibilities towards society. The emerging trends in corporate and business has given more focus to CSR, but it gained more attention when the companies act 2013 section 135 made practices of CSR as mandatory for all sectors including banking sector. SBI is the largest bank in India which has shown its concern towards society. The CSR practices in SBI are rewarded with several awards.

2. STATEMENT OF THE PROBLEM: The Corporate Social Responsibility has brought up as a prominent character of business philosophy and ethics by taking greater importance in the entire corporate activities including banking sector also. Reserve Bank of India (RBI)

suggested the banks to pay special attention towards CSR activities and issued several guidelines to its banks regarding practices of CSR, Sustainable Development (SD) and Non Finance Reporting (NFR). As a result of the above steps, there is a noticeable trend of CSR practices in banking sectors. It is very interesting to note that India's largest bank SBI was not found in the top 100 places in the study conducted by The Economic Times partnered Futurescape and IIM Udaipur about CSR. SBI had record of spending nearly 1.19% to 1.37% of PAT of previous year on CSR activities (but section 135 of companies' Act 2013 measures the CSR expenditures as percentage on average of last three year net profits as per section 198), where over all less than 0.60% of average three year profits were utilised by the PSU banks (where as 0.81% by over all banking sector) for CSR. No doubt, there is a noticeable trend of CSR practices in SBI, but it is much popular like other corporate sectors. In this background, the researchers felt that there is need of a study which throws light on the CSR policies and practices of SBI in connection with the CSR provisions of companies' act 2013. Hence this study is undertaken and entitled as "**Policies and Practices of Corporate Social Responsibilities in State Bank of India**".

3. RESEARCH METHODOLOGY: In order to attain the objectives of the study, systematic research methodology has been adopted. The present study is based on secondary data, which was collected from books, published reports, news papers, journals and websites. A case study – descriptive approach has been adopted for conducting this study. Comparative technique and simple percentage tool has been used for analyzing the data.

4. SCOPE OF THE STUDY: Initially, CSR was treated as philanthropic and charity activity, so no one questions the performance of CSR with respect to disclosure of information related to CSR activities. Now CSR become prominent characteristic of corporate. Low performance of CSR, no performance of CSR or not disclosing the CSR information in proper manner results in degrading the image of the corporate and also leads to legal complication. The study focuses on the legal provisions which are directly or indirectly related CSR viz., Section 135, Schedule VII, Companies (Corporate Social Responsibility Policy) Rules, 2014: CSR Rules and Notifications and Circulars issued by the Ministry of Corporate Affairs from time to time.

5. AN OVERVIEW OF SBI: SBI is the largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. The origin of SBI can be traced before 200 years when Bank of Calcutta established in 1806; later Bank of Calcutta was renamed as Bank of Bengal. In 1921, Imperial Bank of India was formed by amalgamating the Bank of Bengal, Bank of Madras and Bank of Bombay. In 1955, the Reserve Bank of India acquired the controlling interests of the Imperial Bank of India and SBI was formed by an act of Parliament. The present position of SBI is floated on following table.

Table 1: SBI at Glance

Performance Indicators	2011-12	2012-13	2013-14	2014-15	2015-16
CAPITAL (in Cr)	671	684	747	747	776
Reserve (in Cr)	83,280	98,200	1,17,536	1,27,692	1,43,498
Net worth (in Cr)	83,951	98,884	1,18,283	1,28,439	1,44,274
Total Assets(in Cr)	13,35,519	15,66,211	17,92,748	20,48,080	22,59,063
Net interest income (in Cr)	43,291	44,329	49,282	55,015	56,882
Provision for NPA (in Cr)	11,546	11,368	14,224	17,908	26,984
Operating result (in Cr)	31,574	31,082	32,109	39,537	43,258
PBT (in Cr)	18,483	19,951	16,174	19,314	13,774
PAT (in Cr)	11,707	14,105	10,891	13,102	9,951
Net profit per employee (in 1000)	531	645	485	602	470
EPS (In Rs)	184.31	210.06	156.76	17.55	12.98
DPS (In Rs)	35	41.5	30	3.5	2.6
DPR (in %)	2.06	20.12	2.56	20.21	20.28
Number of domestic branches	14,097	14,816	15,869	16,333	16,784
Number of foreign branches	173	186	190	191	198

Source: Annual report of SBI for the year 2015-16 p.16

From the above table 1, it is understood that every factor has positive increase except PBT and PAT. PBT and PAT has random trend may be because of effects of NPA. In Indian banking sector, SBI is the biggest bank which is considered as synonyms for bank. It is number one in terms of several aspects because of its financial performance and the non financial contribution towards development of economy as well as to the society.

6. ANALYSIS AND INTERPRETATION:

6.1 Polices and Provisions of CSR as per Companies act 2013: India is the first country in the world which introduced the statutory guidelines to certain specified companies which enforces the undertaking of CSR activities. The relevant provisions under Companies Act, 2013 with respect to CSR includes, Section 135, Schedule VII, Companies (Corporate Social Responsibility Policy) Rules, 2014, CSR Rules, Notifications and Circulars issued by the Ministry of Corporate Affairs from time to time.

6.2 Applicability of CSR: Section 135(1) prescribes the meaning of a company or corporate for which practices of CSR is mandatory. Here company refers to every company; it may be holding or subsidiary company, or domestic company or a foreign company having a branch or project office in India and also which individually satisfy any one of the three criteria viz,

1. A company having net worth of rupees five hundred crores or more,
2. A company having turnover of rupees one thousand crores or more,
3. A company having net profit of rupees five crores or more during any financial year

Table 2: CSR applicability for SBI

Year	PAT (Amount in crs)	Turnover (Amount in crs)	Net worth (Amount in crs)	Satisfactions of condition
2015-16	9,951	1,91,843.67	1,44,274	All three conditions are satisfied for last five previous years
2014-15	13,102	1,74,972.96	1,28,439	
2013-14	10,891	1,54,903.72	1,18,283	
2012-13	14,105	1,35,691.94	98,884	
2011-12	11,707	1,20,872.90	83,951	

Source: compiled from annual reports of SBI for the years 2011-12 to 2015-16, p.10, 12&16.

It is found from the above table 2 that, net worth and turnover of SBI in last five years has increasing trend but PAT shown fluctuating trend. Normally, it is expected that when there is an increasing trend in turnover, net worth, operating income, income from interest and number of branches, then it leads to increase in profit before tax. In reference with table number 1 & 2, it is very interesting to note that, profit before tax of SBI shows decreasing trend. SBI is one of the large entities which had mandatory of performing CSR activities and satisfies all the above three conditions.

6.3 Formation of CSR committees (CSRC): section 135(1) states that every company for which practices of CSR is mandatory shall form a CSR Committee of the board consisting of three or more directors, out of which at least one director shall be an independent director. As regarded to this provision SBI formed CSRC committee on 24 September 2014 with 7 members and further it reconstituted its CSRC on 30 March 2016 with 6 members. Following table discloses the meeting activities of CSRC of SBI.

From the table 3, it is found that, only two meeting were organized in the year 2014-15 and has doubled in the year 2015-16. The attendance of the members at the meeting is 70.37% in 2015-16 as against 71.42% in the year 2014-15. It shows the negligence of attending the CSR meetings by the members

Table 3: Corporate Social Responsibility Committee of SBI

Year	2014-15	2015-16
Number of directors	07	06
Number of meeting conducted in a year	02	04
Total Number of seatings in a year	14	27
Number of members attended the meetings in a year	10	19
% attendance	71.42%	70.37%

Source: Annual reports of SBI.

Table 4: Compliance of responsibilities of CSRC in SBI

Responsibilities	Status												
CSR policy formulation: The CSR Policy shall be formulated by considering the activities which are best suited and benefited for society as well as corporate. Specific issues adhering to the activities and broad principles set out in Schedule VII;	Yes, SBI formed the CSR policy												
Recommend the amount of expenditure that the company shall incur on CSR activities;	<table border="1"> <thead> <tr> <th>Year</th> <th>2016</th> <th>2015</th> <th>2014</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Exps (in crs)</td> <td>143.92</td> <td>115.80</td> <td>148.93</td> <td>123</td> <td>71</td> </tr> </tbody> </table>	Year	2016	2015	2014	2013	2012	Exps (in crs)	143.92	115.80	148.93	123	71
Year	2016	2015	2014	2013	2012								
Exps (in crs)	143.92	115.80	148.93	123	71								
Approval of the CSR Policy of the company;	CSR policy has been approved by the board of directors.												
Disclosing the content of the Policy in the report of the Board of Directors;	Yes												
Placing the Policy on the company's website in such a manner as prescribed under Section 135 of The Companies Act, 2013	Yes, policy is placed with the following link http://www.sbi.co.in or http://statebankofindia.com under the link corporate governance / CSR / BR Report												
Ensuring that the CSR Policy is implemented and the activities undertaken by the company are carried out;	Yes CSR committee head by the chairman take care of implementing the CSR projects as per policies												
Ensuring that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years; if the earmarked amount is not spent, the same is specified in its report;	It is noticed in the annual report of the SBI that, it sets the 1% of previous year net profit as CSR Spend budget for the year. And every year its actual CSR spending crossed the budgeted CSR. It nothing disclosed about the net profit as per section -198 of last three years and its average.												
Monitor the CSR Policy of the company from time to time.	Yes												

Source: Compiled from Annual reports of SBI, Business Sustainability and Ministry of Corporate Affairs

6.4 Modalities of CSR practices: The Company may undertake CSR activities in any one of the modes via directly itself, through registered trust or society, through Section 8 of the companies Act, 2013 (Section 8 Company or Section 25 Company is a company registered under the Companies Act, 2013 for charitable or not-for-profit purposes) and through collaborations of companies. SBI established SBI foundation to take care of its CSR activities as per Section 8 of the companies Act, 2013.

Table 5: Modalities of CSR practices in SBI through SBI foundation

SBI has formed SBI Foundation, a Not-for-Profit company (subsidiary), registered under Section 8 of the companies Act, 2013. SBI Foundation would support pooling of the CSR dedicated funds of the entire State Bank Group under one umbrella and direct these resources towards comprehensive CSR activities aligned with the Group's Vision. Following is list of companies who are the members of SBI and Foundation.	
State Bank of Bikaner and Jaipur (SBBJ)	SBI Pension Funds Pvt. Ltd.
State Bank of Hyderabad (SBH)	SBICAP Securities Ltd.
State Bank of Mysore (SBM)	SBICAP Trustee Company Ltd.
State Bank of Patiala (SBP)	SBICAP Ventures Ltd.
State Bank of Travancore (SBT)	SBI Mutual Fund Trustee Co. Pvt.Ltd.
SBI Capital Markets Ltd.	SBI-SG Global Securities Services Pvt. Ltd.
SBI Funds Management Pvt. Ltd.	SBI Payment Services Pvt. Ltd.
SBI Global Factors Ltd.	SBI Life Insurance Company Ltd
SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)	SBI DFHI Ltd.
	SBI General Insurance Company Ltd.

Source: www.sbifoundation.com accessed on 01.03.2017

6.5 Activities Qualifying under CSR Practices under schedule VII: Activities which may be included by companies in their Corporate Social Responsibility Policies relating to:—

1. Eradicating extreme hunger and poverty;
2. Promotion of education;
3. Promoting gender equality and empowering women;
4. Reducing child mortality and improving maternal health;
5. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
6. Ensuring environmental sustainability;
7. Employment enhancing vocational skills;
8. Social business projects;
9. 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, the scheduled tribes, other backward classes, minorities and women; and
10. Such other matters as may be prescribed.

It is observed that, educational institutions, healthcare centers, NGO and Self Help Groups (SHG), Rural self employment training institutes (RSETIs), adopting villages and national funds are treated as best avenues for conducting CSR practices. It is very interesting to know that a single project may fall in multiple areas for example providing scholarship to female students may fall in promotion of education as well as promoting gender equality and women empowerment. Projects may be in the form of financing the facilities, establishment of facilities or donation for specific purposes. CSR activities undertaken by the SBI are discussed under the following tables.

Table 6: CSR activities undertaken by SBI as per schedule VII

Area	2015-2016		2014-2015		Total	
	Rs	%	Rs	%	Rs	%
Healthcare	56	38.91	28.56	24.66	84.56	32.56
Education	19.5	13.55	41.2	35.58	60.7	23.37
Skill development	44.66	31.03	24.24	20.93	68.9	26.53
Sanitation	4.04	2.81	13.64	11.78	17.68	6.81
Disability	5.41	3.76	0	0.00	5.41	2.08
Environment	4.78	3.32	0	0.00	4.78	1.84
Sports	2.21	1.54	0	0.00	2.21	0.85
Culture	1.2	0.83	0	0.00	1.2	0.46
Natural calamities	2.16	1.50	4	3.45	6.16	2.37
R & D Fund	1.98	1.38	0	0.00	1.98	0.76
Others	1.98	1.38	4.15	3.58	6.13	2.36
Total	143.92	100.00	115.8	100.00	259.72	100.00

Source: Compiled from Annual Report of SBI 2015-16, p.90 and Annual Report of SBI 2014-15, p.71.

It is evident from table 6 that, in the last two financial years Rs.259.72 crores were spent by SBI on various CSR activities. Out of that major portion that is 32.56% were spent for the health care sector. Skill development and Education stands next to healthcare sector by spending 26.53% and 23.37% of the total respectively. Nearly 82.46% of the total expenditure is incurred on only health care, skill development and education but remaining areas are highly ignored by allocating only 17.54% of the available funds. Environment, sports, culture and research & development are prime areas in which there is lot of scope and opportunity in conducting CSR projects but completely ignored the areas.

7. FINDINGS OF THE STUDY: The following are the important findings of the study

- ◆ PAT, Turnover and net worth of SBI evidenced that it is the large entity which had mandatory obligation of performing CSR activities and it satisfies all the three conditions.
- ◆ SBI formed its CSR committee on 24 September 2014 with 7 members and further it reconstituted its CSRC on 30 March 2016 with 6 members.
- ◆ There are only 02 and 04 CSR committee meeting were conducted in 2014-15 and 2015-16 respectively. Average 71.42% and 70.37% of attendance was noticed in these meetings.
- ◆ CSRC framed the CSR projects as per schedule VII and also gets approvals for it from board.
- ◆ CSRC recommend the amount of expenditure that the company shall incur on CSR activities to the percentage PAT of previous year not the average profit of last three years.
- ◆ Business responsibility policy / CSR Policy is disclosed under the heading of directors report in annual report and also it is placed with the following link <http://www.sbi.co.in> or <http://statebankofindia.com> under the link corporate governance / CSR / BR Report.
- ◆ CSR committee headed by the chairman would take care of implementing the CSR projects as per policies.
- ◆ It is noticed in the annual report of the SBI that, it sets 1% of previous year's net profit as CSR spending budget for the year. And every year its actual CSR spending crossed the budgeted CSR. It has disclosed nothing about the net profit as per section -198 of last three years and its average.
- ◆ SBI has formed SBI Foundation (a Not-for-Profit company (subsidiary), registered under Section 8 of the companies Act, 2013) to undertake CSR practices.

- ♦ In last two financial years Rs. 259.72 crores were spent by the SBI on various CSR activities. Out of that major portion that is 32.56% were spent for the health care sector. Skill development and Education stands next to healthcare sector by allocating 26.53% and 23.37% respectively of the available funds.

8. CONCLUSION: The study is concluded that SBI compiled the almost all provisions of companies act 2013 related to CSR. It considered the education, health care and skill development as prime areas on which it concentrated more. Decentralized CSR practices gives more wings to publicity than the centralized ones, therefore branch level CSR practices are to be considered. The researcher has felt that there is need of uniformity, consistency and completeness in disclosing the information related to CSR in their annual reports and website, which not only increases the image of the bank but helps to create a loyal stakeholder force.

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