

CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS PRACTICES IN INDIA: A STUDY OF STATE BANK OF INDIA

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ABSTRACT

The concept of 'Corporate Social Responsibility' (CSR) has today become a peculiar aspect of business philosophy and practice in the world economy. CSR has been part of Indian business for long time. There have been efforts both on the part of business community and government to make responsible business practices on part of our business ethics. The changing factors such as globalization of economy, environmental concern and social issues have contributed to an enhanced level of concern and commitment to the idea of corporate social responsibility. As far as the government's initiatives are concerned, these are reflected in the new Companies Amendment Act passed in 2013, efforts are in tune with the global practices to make CSR as a part of the corporate strategy and a tool for attaining and sustaining competitive edge in the market place. The proposed paper attempts to analyze the impact of net profit on CSR contribution, to throw light on CSR initiatives of SBI, to make CSR a part of corporate functioning in the country and the emerging trends in Indian business sector which look CSR as a tool for competitive strategy. The study was found that insignificant correlation between Profit after Tax (PAT) and CSR with the correlation coefficient being 0.038. Further this was found that PAT has not affected the CSR contribution. Keeping the findings of the study it has been suggested that there are many other variables responsible to CSR contribution. Further, it has been recommended that banks ought to follow increasingly compulsory consistence of Companies Amendment Act and SEBI listing rules.

Keywords: CSR, Compliance, Governance, Legal, PAT, SEBI.

Introduction

The term CSR in modern era first emerged in late 1960s and early 70s in the US when few MNCs coined the term 'stakeholders' over and above 'shareholders' and in stakeholders list they included public as one of the stakeholders. The issue of corporate social responsibility (CSR) as considered by economists like Adam Smith and Milton Friedman opined that only responsibility of business was to perform its economic function efficiently and to provide goods and services to society to earn profit. They further opined that it was better to leave social functions to other institutions of the society like- the government. In late 80s there were unethical and questionable business practices due to lack of transparency and accountability which resulted in corporate failures and marking the beginning of codes and standards on Corporate Governance, Ethics and CSR. There are various strategic approaches to Corporate Social Responsibility-some emphasizing risk management and emphasizing proactive approach, i.e., through reputation management it serves to its internal interests such as employees welfare by reducing workplace accidents, providing trainings, by proactive approach to find solutions to social problems becoming a part of the company's business strategy apart from the company's contribution to society through job creation, taxation, economic spillover effects to the company and business practices that promote development. Corporate Social Responsibility involves the legal, ethical, commercial and other expectations of society from the business and taking decisions that fairly balance the claims of all key stakeholders.

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Meaning and Definition of Corporate Social Responsibility

The concept of social responsibilities was formally coined in 1953 by Howard Bowen in his publication "*Social Responsibilities of Businessmen*." The voluntary compliance of social and environmental responsibility of companies is called Corporate Social Responsibility (CSR). Corporate social responsibility is basically a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment. Corporate social responsibility is represented by the contributions undertaken by companies to society through its business activities and its social investment for sustainable development to the company. The development in information technology and the effectiveness of knowledge-based economies have led to the creation of a new model of corporate governance. Business leaders are now concerned about the responses of the community and the sustainability of the environment.

- **Carrol (1991)** defines "CSR as the economic, legal moral and philanthropic actions of firm that influence the quality of life of relevant stakeholders".
- **The European Union defines Corporate Social Responsibility as** "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large"
- **The World Bank defines Corporate Social Responsibility as,** "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for development".
- **Mahatma Gandhi,** "Wealth created from society has to be ploughed back into society."
- **Dr. Manmohan Singh Prime Minister of India (2004),** "Corporate Social Responsibility is no philanthropy. It is not charity. It is an investment in our collective future"

Literature Review

- **Ankita Patel (2016),** in her 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 during the year from 2009-10 to 2015-16. The findings revealed that percentage of profit after tax spends on CSR by SBI is more compared to ICICI, but both banks contributed highest amount of CSR in the year 2015-16. The overall findings showed that SBI contribution is greater than ICICI
- **Sharma and Agarwal (2016),** in their study titled "Comparative study of Corporate Social Responsibility in Selected Public and Private Sector Banks." analyzed 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% of Profit after tax on Corporate Social Responsibilities.
- **Paul and Onyema (2012),** in their study on "Impact of Corporate Social Responsibility on Banking Performance in Nigeria." investigated the effect of CSR on banking performance in Nigeria. The study aimed to determine the relationship between dimensions of CSR and Organizational performance based on survey with particular reference to United Bank of Africa, Lagos. The study revealed that dimensions of CSR have an effect on organizational performance. The study also disclosed that there was significant difference between economic CSR and Organizational performance but no effect of ethical CSR on performance
- **Debabrata Chatterjee (2010),** in his research article "Corporate Governance and Corporate Social Responsibility: The Case of Three Indian Companies" he analyzed the corporate governance (CG) practices of three prominent Indian firms, namely ITC Ltd., Reliance Industries Ltd, and Infosys Technologies Ltd., based on four parameters namely, Approach to Corporate Governance, Governance Structure and Practices, Board Committees and Corporate Social Responsibility Activities. It was concluded that all the three companies are doing well both on the CG and the CSR fronts although Infosys seems to be doing much better than the other two.
- **Khan and Atkinson (1987)** conducted a comparative study on the managerial attitude to social responsibility in India and Britain. The study found that most of the Indian executives agreed

CSR as relevant to business and felt that business has responsibilities not only to the shareholders and employees but also to customers, suppliers, society and to the state.

Objective of Study

- To study and understand the CSR initiatives being taken by State Bank of India.
- To analyze CSR contribution by State Bank of India as per Banking Regulation Act and Government mandate.
- To study the impact of net profit on CSR contribution by SBI.

Hypothesis

H₀: There is no significant impact of net profit on CSR contribution by SBI.

H_a: There is significant impact of net profit on CSR contribution by SBI.

Research Methodology

Ñ Period of Study

The present study comprised of ten financial years of data, which covers period from March, 2008 to April, 2018.

Ñ Type of Study

The present study is empirical and descriptive in nature and exploratory approach has been adopted.

Ñ Type of Data and Sources

The study pertains to use secondary data relating to CSR. The data collected through Annual Reports of SBI, RBI Compliance Reports, Ministry of Corporate Affairs Reports and related Journals and researches.

Ñ Statistical Tools and Techniques

The analysis is based on secondary data which have been collected from review of literature, web based researches and annual reports of concerned bank's website along with RBI Compliance Reports which is from 2008 to 2018. The State Bank of India has been selected as a unit and study is descriptive in nature. The simple Linear Regression, Karl Pearson's coefficient of Correlation, descriptive Statistics (Mean & Standard Deviation) and Trend Percentage are tools for analysis with the help of SPSS.

Analysis and Interpretation

Ñ Corporate Social Responsibility in India: Legality

India has traditionally been seen as a philanthropic activity. And in keeping with the Indian tradition, it was an activity that was performed but not deliberated. In 2014, India became the first country in the world to have a mandatory CSR contribution legislation. In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The CSR provisions within the Act is applicable to companies with an annual turnover of:

Ñ 1,000 crore INR or more,

Ñ or a net worth of 500 crore INR or more,

Ñ Or a net profit of 5 crore INR or more.

The new rules, which will be applicable from the fiscal year 2014-15 onwards, also require companies to set-up a CSR committee consisting of their board members, including at least one independent director. The Act encourages companies to spend at least 2% of their average net profit in the previous three years on CSR activities.

• CSR in State Bank of India

Corporate Social Responsibility aims to integrate economic and social objectives with organization operation and growth. It is social investment to help sustainability of society. CSR is not merely compliance; it is commitment to support initiatives that measurably improve the lives of underprivileged by addressing their needs. State Bank of India has been pioneer in CSR in the Indian Banking Ecosystem. The concept of CSR was introduced in the bank in 1973 under the name of 'Innovative Banking' with emphasis on assisting groups belonging to the weaker sections of the society

by providing avenue for improvement of their economic conditions. It involved participation in community activities such as blood donation, health camp, adult literacy and tree planting etc. Now bank classified these activities as 'Community Services Banking'. The companies Act, 2013 has brought the idea of Corporate Social Responsibility to the forefront by mandating companies to set aside 2% of their net profit solely for social activities. The government also framed the definition of CSR and guidelines of CSR spend. State Bank of India however is required to spend 1% of its profits on CSR as per RBI Regulations. SBI has been managing its CSR activities through the One Corporate Centre with support of 16 circle Administrative offices, Apex Training Institutes and 2 SBI Foundation.

SBI Foundation has established as per section 8 of Companies Act, 2013 and it has been envisioned to carry large CSR project in tune with the activities mentioned in schedule VII of the Companies Act, 2013 which require substantial funding and investment. Also SBI Foundation is subject to audit of Comptroller of Auditor General (CAG) and SBI Foundation has its own independent Board for CSR Policy and approval.

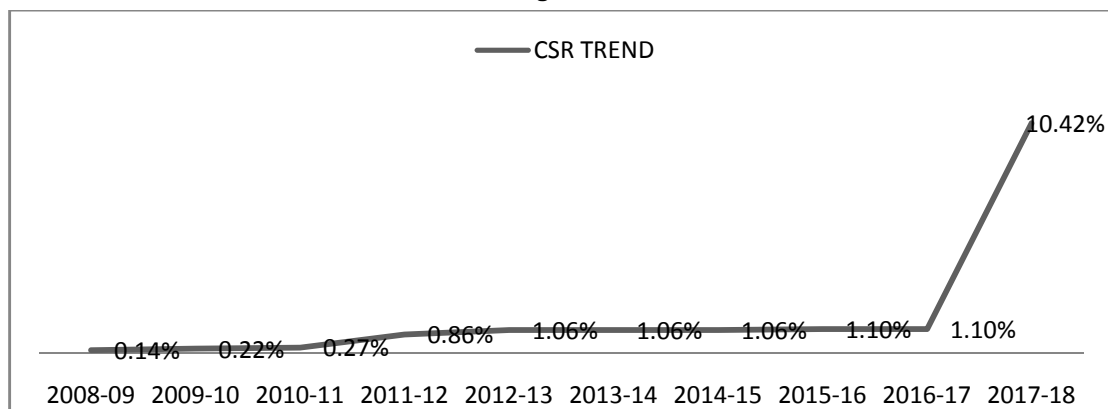
Table 1: Amount contributed in CSR by SBI during period from 2008-09 to 2017-18

Year	Total Income	Profit After Tax	CSR	CSR Trend
2007-08	-	6729.12	-	-
2008-09	76479.00	9121.23	9.74	0.14%
2009-10	85962.07	9166.05	19.72	0.22%
2010-11	97218.96	8264.52	24.44	0.27%
2011-12	120872.90	11707.29	71.18	0.86%
2012-13	135692.00	14105.00	124.14	1.06%
2013-14	154904.00	10891.17	148.93	1.06%
2014-15	174972.96	13101.57	115.80	1.06%
2015-16	191843.66	9950.65	143.92	1.10%
2016-17	210979.16	1084.10	109.82	1.10%
2017-18	265100.00	-6547.45	112.96	10.42%

Source: Annual Report and Business Responsibility of SBI (2008-09 to 2017-18)

From the above table, it is observed that the total income is increasing while profit after tax (PAT) also increasing but not proportionally increase from the period 2008-09 to 2012-13. Again from the year 2013-14 to 2017-18 total income is increasing but in PAT there is steady decline and fluctuations found. The table also shows that before the year 2012, the total amount of CSR contribution in all heads is below Rs.100 crore and after the 2012 the total amount of CSR contribution is above Rs.100 crore.

Figure: 1



Source: Author computation

From the above table and graph it is observed that there is an overall increasing trend of CSR contribution. The percentage CSR trend calculated for the year 2008-09 by taking previous profit after tax (PAT) which is 6729.12 Cr. In the year from 2008-09 to 2011-12 there is an increasing trend while in the year 2012-13 to 2014-15 there is constant rate of CSR contribution which is 1.06 percent of previous PAT. Again slightly increase in CSR in the year from 2015-16 to 2016-17. It is also observed that for the year 2013-14 highest amount of CSR contribution made amount to Rs 148.93 Cr and lowest in the year 2008-09 amount to 9.74 Cr. Moreover the table and graph shows that SBI not contributing minimum

mandatory contribution of CSR of one percent of its previous PAT for the first four years from 2008-09 to 2011- 12. Than after mandatory contribution achieved for the period of 2012-13 to 2017-18.

Table 2: Amount allocated and spent by SBI during period of (2008-09 to 2017-18)

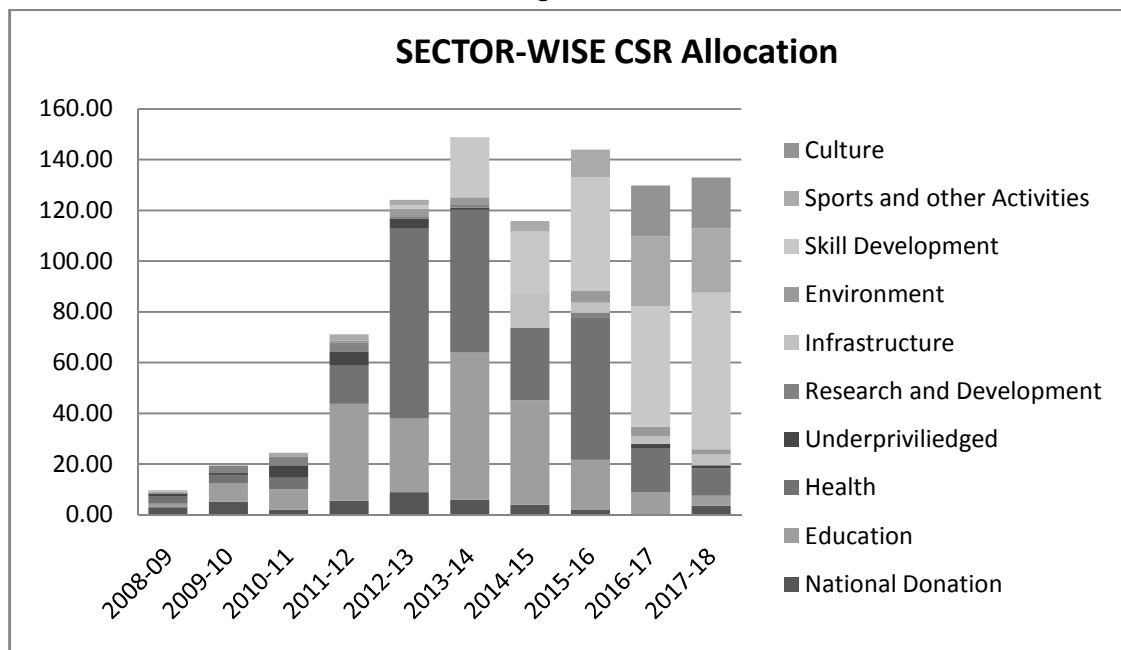
In companies Act, 2013 under schedule VII ten broad areas of CSR activities has been identified. The amount allocated and spent on those activities by State Bank of India is given in the following table.

(₹ in Crore)

CSR Spend	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
National Donation	3.00	5.15	2.00	5.50	9.00	6.00	4.00	2.16	0.00	3.70	40.51
Education	1.43	7.20	8.04	38.33	28.94	57.95	41.20	19.50	8.86	3.88	215.33
Health	3.00	3.42	4.64	15.03	74.89	56.33	28.56	56.00	17.52	10.81	270.20
Under privileged	0.86	0.82	4.89	5.37	4.02	0.89	0.00	0.00	1.57	1.19	19.61
Research and Development	0.73	2.73	3.21	3.75	0.87	1.03	0.00	1.98	0.00	0.00	14.30
Infrastructure	0.00	0.00	0.00	0.00	0.00	0.00	13.64	4.04	3.12	4.28	25.08
Environment	0.00	0.00	0.00	0.67	2.85	2.93	0.00	4.78	3.57	2.05	16.85
Skill Development	0.38	0.22	0.00	0.00	1.51	23.59	24.24	44.66	47.57	61.62	203.79
Sports and other Activities	0.34	0.18	1.66	2.53	2.06	0.21	4.16	10.80	27.61	25.43	74.98
Culture	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00	20.00	40.00

Source: Annual Report of SBI (2008-09 to 2017-18)

Figure 2



Sources: Author Compilation

From the above table and graph It is observed that during the period of ten years from (2008-2018) in CSR contribution top priority is given to health, education and skill development. It is also observed that lowest CSR contribution made in the research and development during said period.

However the table also showed that no CSR contribution made in infrastructure during the period from 2008-09 to 2013-14, in environment from 2008-09 to 2010-11 as well as in 2014-15 and in culture from 2008-09 to 2015-16. It is also revealed from table that no allocation made for national donation in 2016-17, no allocation for under privileged from 2014-15 to 2015-16, in research and development during period of 2014-15 and 2016-17 to 2017-18 and in skill development from 2010-11 to 2011-12.

- **Impact of PAT on Corporate Social Responsibility**

To study the impact of PAT on CSR contribution during the period of the study. PAT is taken as Independent Variables and CSR are taken as Dependent Variables. For analysis purpose Simple linear Regression (Enter method) has been applied using SPSS.

Model Building $Y = a + bX$
 $CSR = a + bPAT$

Where a =intercept b=slope Y= Dependent Variable X= Independent Variable

The results of Regression Analysis are depicted in the tables below:

Regression Analysis

Table: 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.038 ^a	.001	-.123	56.00313

a. Dependent Variable: CSR
 Source: Author Computation

The table 3 is modal summary revealed the strength of the relationship between the modal and dependent variable i.e. the Karl Pearson's Correlation Coefficients(R) .The relation between Profit after tax (PAT) and Corporate Social Responsibility (CSR) is .038. It showed that the two variables are in no correlation or very less correlation between them (CSR & PAT).Which was not found significant at 5 percent level of significance. R square, the coefficient of determination showed that the percent of variation in the dependent variable as explained by the model (independent variable).The above table indicated that only one percent of the variation in CSR explained by the model only which is not statistically sufficient explained variation.

Table: 4 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.287	1	36.287	.012	.917 ^b
	Residual	25090.808	8	3136.351		
	Total	25127.095	9			

a. Dependent Variable: CSR

b. Predictors: (Constant), PAT

In table 4 ANOVA, shows test for the acceptability of the model statistically. The regression row shows the information about the variation accounted by the model i.e., explained variance. The residual row tells information about the variation not accounted by the model i.e., unexplained variance. The value of F statistic is found insignificant since p values is 0.917 which is greater than 0.05, so null hypothesis H₀ is accepted. Thus there is no linear relationship between the model (CSR and PAT). It has been found that movement in profit has no significant impact on CSR movements.

Table : 5 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	90.663	29.953		3.027	.016
	PAT	.000	.003	-.038	-.108	.917*

Source: Author computation

In table 5 the Unstandardized coefficient B = Beta value gives the slope of the regression value model and also explained the how much the dependent variable(CSR) is dependent upon independent variable(PAT).In above table the b-value for PAT is .000,it means that if PAT change by 1percent no change in CSR.

- **Hypothesis Testing**

H₀: There is no significant impact of net profit on CSR contribution of SBI.

H_a: There is significant impact of net profit on CSR contribution of SBI.

The p-value related to Profit After Tax (PAT) and Corporate Social Responsibility (CSR) is 0.917 which is greater than 0.05.Since p –value is greater than 0.05,there is sufficient evidence to accept the null hypothesis. Therefore it concluded that Increase/decrease in PAT has no significant impact on CSR contribution of SBI.

Findings of the Study

- The overall CSR trend has shown an increasing trend during the period of the study.

- There has been no direct linear relationship between PAT and CSR.
- There has been no or very less degree of +ve correlation between PAT and CSR.
- There has been no significant impact of PAT and CSR contribution by SBI.

Conclusion

The findings of the study revealed that there has been no or less likely correlation and direct linear relationship between PAT and CSR contribution. The results of regression residual analysis has been found that PAT has no measures to predict the CSR contribution in SBI. Keeping in view of the findings of the study, this has been suggested that the government of India, Reserve bank of India along with it other regulatory agencies should make further effort to attract the attention of the companies to contribute more or mandatory CSR compliance for the smooth and sustain development of companies, society and the economy at large.

Limitation of Study

- The study is based on secondary data published in annual reports which has been to be assumed reliable.
- The study is limited to the time period of ten years only. Further if we increases the time frame it will give more clear insights of the study. Hence this will be scope for further study in tune with CSR.
- The study has taken only one variable but there are many other variable which could be explored further.

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