

# Corporate Social Responsibility: A Comparative Study of SBI and ICICI in India

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**Abstract:** At present Banking sector plays a significant role in the development of the nation, not only as a pillar of the financial system of the nation but also by contributing toward the society. Corporate Social Responsibility (CSR) becomes the integral part of the corporate strategy.

This paper considers the data of one Public Sector Bank – State Bank of India (SBI) and one Private Sector Bank - Industrial Credit and Investment Corporation of India (ICICI). It is an attempt to study the CSR activities of leading banks in India and compare CSR spending from the year 2009-10 to 2015-16. The present study is based on descriptive research design and secondary data collected from annual report of respective bank from website and different literatures are reviewed. Least Square Method is used for estimating CSR spending for the financial year 2016-17. The finding reveals that the percentage of Profit after tax spends for CSR by SBI is more compare 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.

**Key Words:** Corporate Social Responsibility (CSR); State Bank of India (SBI); Industrial Credit and Investment Corporation of India (ICICI).

## 1. INTRODUCTION:

The concept of Corporate Social Responsibility is not new for India. The concept is known as social duty and charity but with time it change in broader way. In older days, Corporate world seeking for profit and survival but now due to the globalization and social development, management emphasis on financial as well as non financial goals.

Banking Sector is one of the important pillar of the Indian economy which plays significant role in the development of the economy. The performance of bank should be judged beyond the financial parameters. The authorities need not only focus on the financial performance but to examine into the CSR performance of the banks. To highlight the role of banks in corporate social responsibility the RBI circulated a notice on December 20, 2007 for all the scheduled commercial banks, with title “Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting-Role of Banks”.(Moharana, 2013).

With the introduction of new Company act 2013, India became the first country in the world to have legislation for compulsory CSR spending. The new legislation of Banks Act 2013 requires certain class of banks to spend at least 2 % of their three year average annual net profit towards CSR activities.

## 2. CORPORATE SOCIAL RESPONSIBILITY:

A widely cited definition of CSR in the business and social context has been given by the European Union (EU). It describes CSR 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.”(Khan and Saxena, 2014).

In simple words, CSR means any extra efforts made by management of an organization for the betterment of the society and stakeholders other than their basic functions.

### 3. LITERATURE REVIEW:

Many studies related to Corporate Social Responsibility has been done, which give very useful literature. Apart from conceptual papers, some studies are also been conducted by gathering primary data. Some of accessible related studies are being reviewed here:

**Dhingra and Mittal (2014)** In their paper “CSR Practices in Indian Banking Sector” they provide a glimpse on CSR concept and evolution of CSR in Indian banking sector on the basis of secondary data available from web sites. They concluded that CSR reporting practices are far from satisfaction, only few banks are reported their activities on triple bottom line principles. They also mention that the standards for rating CSR practices are less uniform in comparison to that for financial rating and that leads to problem in comparison of corporate houses and determining the CSR rating.

**Hossain and Khan (2016)** In their paper “Corporate Social Responsibility (CSR) in Banking Sector: An Empirical Study on the Hong Kong and Shanghai Banking Corporation (HSBC) Limited” they inspect people’s comprehension, desires and appraisal of the corporate social obligation (CSR) of HSBC Bank. Primary data was collected through direct personal interview by means of the questionnaire; respondents from five branches of HSBC are randomly selected and secondary data from different reports and magazines, newspapers, different books, publications, journals and internet. They concluded that the sum contributed by HSBC for CSR activities is expanding but the development rate is slow.

**Katara (2014)** attempt to analyze CSR activities carried out by State bank of India and bank of Baroda. He was of the opinion that banks are making efforts for the implementation of CSR, but are restricted within certain fields. There was a need for better CSR activities by the banks, which was possible by adding more and more social development issues within then CSR policy of banks.

**Sharma and Agarwal (2016)** analyze CSR practices of selected public and private sector banks in India. With the help of analysis, they concluded that selected banks are making efforts for the implementation of CSR, but are not spending their 2% share of profits on CSR.

**Sharma and Mani (2013)** analyze the corporate social responsibility (CSR) activities carried out by Indian commercial banks based on the secondary data taken from the annual reports of the banks for the year 2009-10 to 2011-12. The analysis shows that some banks are not even meeting the regulatory requirements. Private sector banks and foreign banks are still lagging in this area.

**Singh, Srivastava and Rastogi (2015)** evaluate the role of Indian Banking Sector in the development of the nation through the CSR initiatives conducted by the State Bank Of India, Punjab National Bank, HDFC & ICICI towards the education. Secondary data are collected from the annual reports of the respective bank’s web site and from various journals. They concluded that banks are also facing tough competition and challenges, if they want to be the winner of this competitive race they have to do something extra for their customers and that is Corporate Social Responsibility.

### 4. OBJECTIVE OF THE STUDY:

- To study the CSR activities of the leading Public Sector bank - SBI and leading Private Sector bank – ICICI in India.
- To Compare the amount spent by the State Bank of India (SBI) and Industrial Credit and Investment Corporation of India (ICICI) on CSR activities.

### 5. RESEARCH METHODOLOGY:

#### 5.1 Research Design

Descriptive research design is used for the study.

#### 5.2 Data Collection

Data use in this paper is secondary, which is compiled from the annual report & website of the leading Indian Public sector bank – SBI and Leading Private Sector bank - ICICI. Various review of literature is also referred for the study.

#### 5.3 Data Analysis Tools

Tools include Percentage, Chart and Least square method

**5.4 Time- Period:**

7 years from 2009-10 to 2015-16 is used for the study.

**6. CSR Practices by SBI & ICICI:**

The most of the banks are mainly focuses for CSR initiatives in the areas are education, community development and Health Care. (Patra and De, 2014).

Since 1973, SBI had social responsibility as a key and integrated aspect of its corporate strategy. Every year 1% of its previous year’s net profit are kept aside for the CSR initiatives. The focus areas of SBI’s CSR activities are supporting Health, Education and Persons with Disabilities, Skill Development and Livelihood Creation, Environment Protection. Bank donates wheel chair, Stretcher trolley, medical equipments to large number of hospitals and support surgeries for poor, supporting old age homes, conducting awareness & free health check-up camps for women, donating note books, computers, School buses/Vehicles, support reputed NGOs engaged in skill development & development work in rural areas, also donate for animal ambulance & set up operation theater for injured animals and many more.

In 2008, ICICI group set up ICICI Foundation for inclusive growth which focuses on key areas: Skill development and sustainable livelihood, financial inclusion, education and health care. As of march 31, 2016, ICICI Foundation had trained over 60,000 youth through skill development initiatives and separate toilets for boys and girls in 100 schools in Chhattisgarh to increase enrollment, attendance and health.

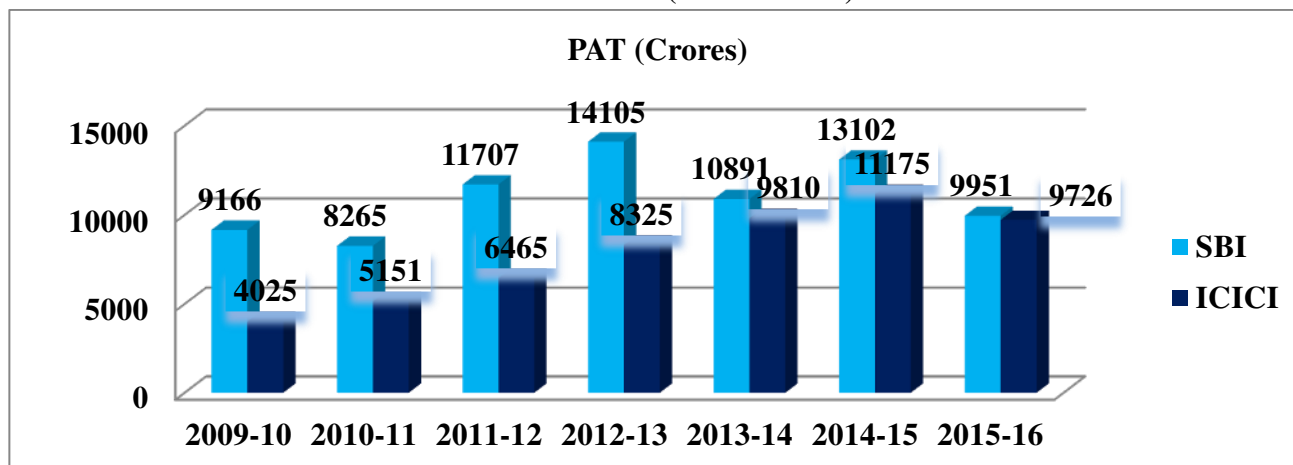
**1. Analysis and Interpretation:**

**Table: 1 - PAT and CSR Expenditure (Rs. In Crores) as on 31<sup>st</sup> March**

STATE BANK OF INDIA				ICICI Bank		
Year	PAT	Amount spent on CSR	% of PAT spent on CSR	PAT	Amount spent on CSR	% of PAT spent on CSR
2009-10	9166	19.72	0.22	4025	10.79	0.27
2010-11	8265	24.44	0.30	5151	11.29	0.22
2011-12	11707	71.18	0.61	6465	7.59	0.12
2012-13	14105	123	0.87	8325	20.21	0.24
2013-14	10891	148.93	1.37	9810	27.43	0.28
2014-15	13102	115.8	0.88	11175	52.33	0.47
2015-16	9951	143.92	1.45	9726	74.39	0.76

(Source: Annual Report of respective Banks)

**Chart: 1 – PAT (Rs. In Crores)**

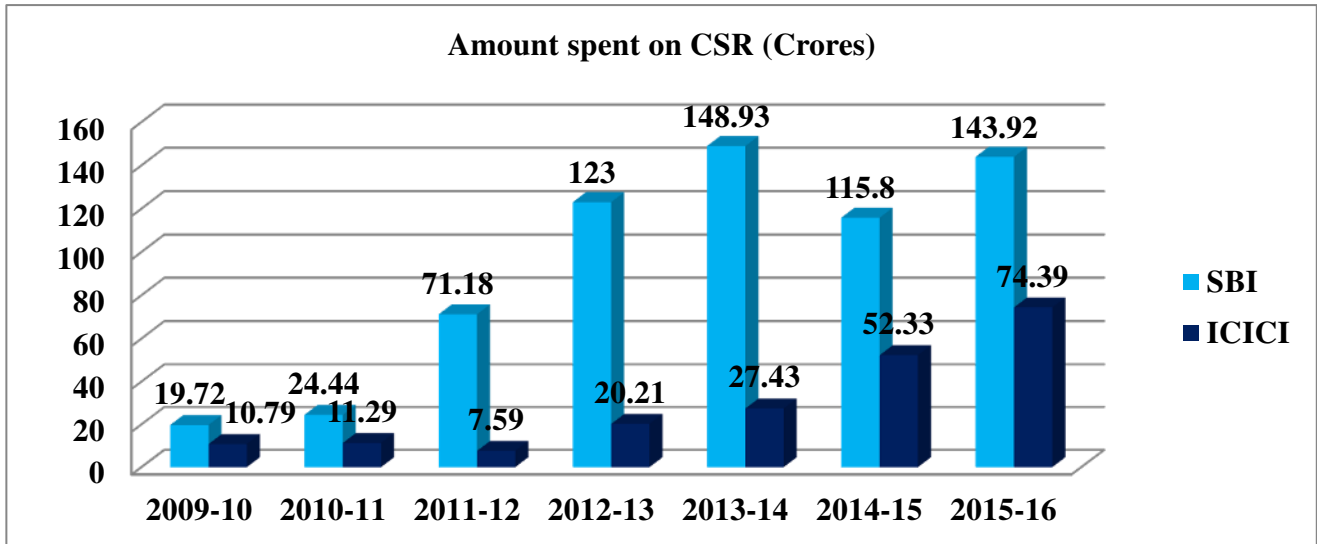


Source: Table: 1

**Interpretation:**

The Profit after Tax (PAT) of SBI is fluctuating and ICICI is increasing, while it is observed that State Bank of India has more PAT compared to ICICI Bank. In 2015-16, It can be seen from the chart that the PAT was decreases in both the banks.

**Chart: 2 – Amount spent on CSR (Crores)**

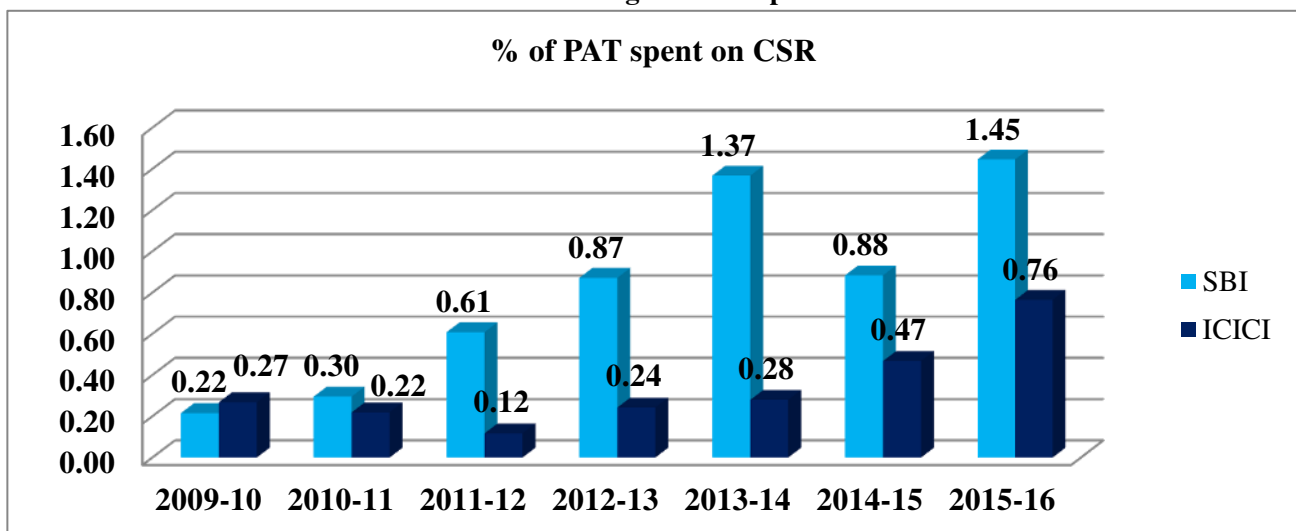


Source: Table: 1

**Interpretation:**

The amount spent on CSR is showing increasing trend in both the banks. It is observed that in the financial year 2013 and 2014 both the leading banks having huge difference in their CSR expenditure towards society.

**Chart: 3 – Percentage of PAT spent on CSR**



Source: Table: 1

**Interpretation:**

The percentage of Profit after tax spends for CSR by SBI is more compared to ICICI. But it is observed that both the banks Percentage PAT spent on CSR contributed highest in the financial year 2015-16 comparatively in last seven financial years.

**7.1 LEAST SQUARE METHOD:**

Use of Least Square Method for predicting amount spend on CSR for 2016-17

**Table: 2 - SBI**

	Y	X	XY	X <sup>2</sup>
Year	Amount spent on CSR (Crores)	(Year= 2012-13)		
2009-10	19.72	-3	-59.2	9.00
2010-11	24.44	-2	-48.9	4.00
2011-12	71.18	-1	-71.2	1.00
2012-13	123	0	0	0.00
2013-14	148.93	1	148.9	1.00
2014-15	115.8	2	231.6	4.00
2015-16	143.92	3	431.8	9.00
	<b>646.99</b>		<b>633.1</b>	<b>28</b>

$$n = 7$$

Straight line Equation

$$y = a + b x$$

$$b = \frac{\sum XY}{\sum X^2} = 22.610$$

$$a = \frac{\sum y}{n} = 92.427$$

$$y = a + b x$$

$$y = 92.427 + 22.610 x$$

$$y(2016-17) = 92.427 + 22.610 (4)$$

$$y(2016-17) = \text{Rs. } 182.867 \text{ crores}$$

**Interpretation:**

From the use of least square method the amount spend on CSR of SBI will rise by Rs.182.867 crores for the year 2016-17, which was Rs.143.92 crores for the year 2015-16.

**Table: 3 - ICICI**

	Y	X	XY	X <sup>2</sup>
Year	Amount spent on CSR (Crores)	(Year= 2012-13)		
2009-10	10.79	-3	-32.4	9.00
2010-11	11.29	-2	-22.6	4.00
2011-12	7.59	-1	-7.59	1.00
2012-13	20.21	0	0	0.00
2013-14	27.43	1	27.43	1.00
2014-15	52.33	2	104.7	4.00
2015-16	74.39	3	223.2	9.00
	<b>204.03</b>		<b>292.7</b>	<b>28</b>

$$n = 7$$

Straight line Equation

$$y = a + b x$$

$$b = \frac{\sum XY}{\sum X^2} = 10.454$$

$$a = \sum y / n = 29.147$$

$$y = a + b x$$

$$y = 29.147 + 10.454 x$$

$$y(2016-17) = 29.147 + 10.454 (4)$$

$$y(2016-17) = \text{Rs. 70.963 crores}$$

### Interpretation:

From the use of least square method the amount spend on CSR of ICICI will fall by Rs. 70.963 crores for the year 2016-17, which was Rs.74.39 crores for the year 2015-16.

### 8. FINDINGS:

1. The difference in PAT amount of the SBI and ICICI is decreasing and in 2015-16, ICICI bank shows much effort in increasing their Net Profit.
2. The amount spend by SBI is much more compare to ICICI in last seven years.
3. The percentage of Profit after tax spends for CSR by ICICI is continuously increasing but it is lesser compare the SBI for the respective financial year.
4. From the Least Square Method, the estimated amount spent on CSR for the year 2016-17 is Rs.182.867 crores by SBI and Rs. 70.963 crores by ICICI. The highest contribution for CSR is predicted by SBI for the year 2016-17.

### 9. CONCLUSION:

The analysis of the leading banks show that both the banks are contributing for CSR practices but this is not yet satisfactory. From the analysis, it is obvious that after introduction of the new Company Act 2013, banks have positively contributed and participated in the CSR Practices.

The Public Sector bank –SBI has higher contribution compare to Private sector bank – ICICI. But it has also been noticed that out of the total contribution toward CSR practices majority proportion emphases on education, community and health care, so it is suggested to allow the CSR contributions pie to be cut into more pieces and the goodwill extended among more beneficiaries. A lot many efforts are required towards CSR practices and banks must accept their responsibility in more justifiable manner. It is concluded with the suggestion that banks should set CSR practices and policy as an integrated part of their operations and activities.

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