

## “Exploring the Role of State Bank of India in Promoting Sustainable Shared Value Creation in the Banking Sector”

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### Abstract:

The objective of this study is to explore the role of the State Bank of India in promoting sustainable shared value creation in the banking sector. The concept of shared value creation is to generate economic benefits while addressing societal and environmental problems at the same time. SBI has created various sustainability efforts, like as green banking, financial inclusion, and corporate social responsibility programs, to improve shared-value generation. This study investigates the impact of these operations on the bank's financial performance as well as social and environmental outcomes. The study is carried out to understand the role of SBI in promoting sustainable shared value creation in the banking sector. Secondary data from various books, journals, websites and sustainability reports were reviewed. According to the findings, SBI's sustainability activities have had a positive effect on its financial performance, customer happiness, and social and environmental effects. By integrating sustainability into financing decisions, investors and businesses can create long-term value, reduce negative impacts, and contribute to the development of a more sustainable global economy. According to the study's findings, SBI's approach to shared-value generation can serve as a model for other banks attempting to reconcile economic, social, and environmental goals.

**Key words: Sustainable financing, shared value creation, sustainable development goals, green bonds, Environmental, Social & Governance**

### Introduction:

Shared value creation and sustainability are two interrelated concepts that focus on integrating social and environmental factors into business strategy to drive long-term success and positive impact. The integration of shared value creation and sustainability involves taking a holistic approach to business operations and decision-making. It requires businesses to consider the environmental and social consequences of their actions, rather than short-term financial gains. By incorporating sustainability principles into their strategy, companies can reduce their environmental footprint, improve stakeholder relations, enhance brand reputation, attract and retain customers, and effectively manage risk.

India's largest public sector bank, SBI, has been actively involved in promoting shared value creation and sustainability initiatives. SBI has 22,266 domestic branches and 227 international branches. It has 46.77 million customers, 68,016 business correspondents, and over 65,000 ATMs, including 12,872 Automated Deposit & Withdrawal Machines (ADWMs) and 19,500 SWAYAMS (Bar code based Pass book printing Kiosks). Every day, around 1.32 crore transactions are processed by these ATMs / ADWMs.

SBI's net profit for the fiscal year 2021-22 is 31616 crore, up from 14,105 crore in 2012-13. Shared value creation focuses on increasing profitability while protecting environmental performance, nutrition, public health, financial security, and general social well-being, as well as finding and strengthening the links between societal and economic success. Its operations have an impact on society and the environment, and it believes in incorporating social, environmental, and economic factors into its business practices.

#### **Principles of Sustainable development with reference to SBI:**

1. **Integration of Environmental Considerations:** SBI demonstrates a commitment to environmental considerations by integrating sustainability into its operations and decision-making processes. The bank promotes and provides financial support to green practices, such as reducing its carbon footprint, adopting renewable energy sources, and implementing eco-friendly technologies.
2. **Social Inclusivity and Equity:** The bank actively works towards financial inclusion by providing banking services to marginalized communities and underserved areas, including rural regions. SBI offers customized financial products and initiatives targeting low-income individuals, small businesses, and farmers, thereby contributing to social equity and economic empowerment.
3. **Economic Efficiency and Resilience:** SBI's emphasis on responsible lending and investment decisions helps maintain a stable and resilient financial system, ensuring the long-term economic sustainability and growth of both the bank and its stakeholders.
4. **Inter-generational Responsibility:** SBI's lending policies and investment practices prioritize projects with positive environmental and social impacts, contributing to the overall well-being and quality of life for future generations.
5. **Stakeholder Engagement and Collaboration:** The bank actively engages with its stakeholders, including customers, employees, regulators, and communities, to understand their needs and concerns. SBI collaborates with various stakeholders to drive sustainable initiatives, such as partnering with government agencies, NGOs, and industry experts.

#### **Objectives of the Study:**

- i. To understand the principles of sustainable development and how SBI incorporates these principles into its operations and contributes to sustainable development.
- ii. To know the economic review of SBI for the year 2021-2022.
- iii. To find out new Initiatives of SBI for sustainable shared value creation
- iv. To understand the contribution of SBI in achieving Sustainable Development Goals.
- v. Explore the concept of shared value creation in the banking industry.
- vi. To identify the challenges faced by SBI in implementing its approach to sustainable financing and how it is addressed by them.

#### **Need of the Paper:**

Sustainable finance is essential to address the ecological and social challenges facing the world today. The need for sustainable financing arises from growing environmental issues such as climate change, natural resource depletion, and environmental pollution. Social issues such as poverty, inequality, and unequal access to resources require sustainable financing for long-term solutions. Sustainable finance is becoming increasingly important to address these issues. SBI has recognized this need and has adopted a shared value-creation approach to sustainable financing.

Shared value creation involves creating economic value while simultaneously creating value for society and the environment. SBI is creating sustainable business practices that are beneficial in the long run. The present paper will examine the role of State Bank of India in promoting Sustainable Shared-Value creation in Banking Industry.

#### **Research Methodology:**

The current paper is a specific case based study. The secondary data from the sustainability report of SBI has been reviewed. Other sources of data collection are research papers, annual reports, various articles and the websites of the banks.

#### **Data Analysis and Results and Discussion:**

#### **Economic Review of SBI for the year 2021-2022**

##### **1. Deposits**

Domestic deposits climbed by 9.80% to 39.20 lakh crore in FY2022, pushing SBI's total deposits past the 40 lakh crore mark by 10.06%. CASA deposits climbed from 7.78% to 17.75 lakh crore, mostly attributable to savings bank deposits, which grew at a continuous rate of 10.45%. Despite the low interest rate environment, the bank's CASA ratio was 45.28% in March FY2022. The bank opened 98.75 lakh new Savings Bank Accounts in the year 2021-22, 63% of which were opened through the YONO online or app.

##### **2. Credit**

SBI advances climbed by 11% to 28.18 lakh crore in FY2022, compared to 4.8% rise in FY2021. Foreign office advances climbed by 15.42%, exceeding domestic advances by 10.27%. Retail personal loans, which currently account for 41.6% of domestic advances, increased by 15.11%, propelling the domestic loan expansion. Agri and SME loans climbed by 6.57% and 9.52%, respectively, throughout the course of the year, totaling 2.28 lakh crore and 3.06 lakh crore. The amount of unsecured personal loans and home loans that have increased by 11.49% and 28.50%, respectively, during FY2022, have helped push the retail personal loan portfolio above the 10 trillion dollar milestone.

##### **3. Investments**

The stand-alone net profit increased by 55% from the previous year to reach 31,676 crores in FY2022. Provision coverage, NIM, and asset quality have all improved at SBI. Net interest revenue of the bank climbed by a commendable 9.03% year on year to 120,708 crore. The lending book has grown, and slippages have been reduced, resulting in greater interest income. Furthermore, credit costs were reduced by 57 basis points to 0.55% in FY2022.

- i. SBI's operational profit for fiscal year 2022 was 75,292 crore, a 5.22% increase over the previous year. Furthermore, the cost-to-income ratio fell marginally from 53.60% in FY2021, to 53.31% in FY2022.
- ii. Return on Assets increased by 19 basis points from 0.48% in FY2021 to 0.67% in FY2022. The return on equity has increased.

##### **4. Capital**

The bank's capital ratios increased during the previous fiscal year as a consequence of improved planning, internal accruals, and effective risk management of the banking book. The capital adequacy ratio (CAR) was 13.83% at the end of March 2022, up 9 basis points from the end of March 2021.

In addition, the Tier II capital base increased from 2.30% to 2.41% in March 2022.

##### **5. Dividend**

A dividend of 7.10 per equity share, or 710 percent, has been declared for the year 21-22.

##### **6. Customer Convenience**

CSP outlets now have the ability to request a new cheque book and a stop cheque request. CSP establishments now have the ability to block debit cards.

##### **7. Technology & Innovation**

- a) SBI tries to improve ATM connectivity by arranging for 4G access to off-site ATMs.
- b) Created an early warning and insight mechanism for cyber security threats in order to comply with the RBI Cyber Security Framework by implementing a honeypot solution.
- c) YONO provides cutting-edge digital services to millions of retail customers, farmers, corporate clients, and customers of chosen international offices. To improve penetration and encourage users to adopt technology, the YONO Lite app is now available in 12 Indian languages, while the YonoKrishi app is now available in 10 Indian languages.

- d) The bank implemented Trade Regulatory Reporting and Compliance Solution (TRRACS) apps, which resulted in a reduction in the number of pending EDPMS/IRMs/Export Advances entries over time.
- e) The bank has finished integrating with Singapore's real-time payment system, G3-FAST. This will allow for real-time payment processing, boosting the potential to create new and economically appealing goods while reducing settlement risk.

#### **Initiatives of SBI for sustainable shared value creation**

During FY2022, strategic initiatives were taken to achieve the long-term objectives set by the Bank. Some of the important initiatives are:

- i. **'Samarthya'**, an engagement program was launched for all employees below 35 years of age. The program has been offered through a unique – "Smart Classroom". Over 67000 employees are to be trained under the programme, and 72% have already been covered in FY2022.
- ii. The State Bank of India (SBI) has introduced the 'SBI Easy Ride' pre-approved 2-wheeler lending plan on its YONO platform. Eligible candidates can apply through YONO app. Applicants are not required to visit any branch. In the year 21-22, 21,898 crore were given digitally. Maximum tenure is 4 years at an interest rate of 10.5% per annum. The minimum specified amount of loan is Rs. 20000.
- iii. Project Utkarsha is a knowledge enhancement program launched by SBI to train the frontline staff and to enhance customer experience.
- iv. In the years 2021–2022, image-based processing was made available for quick and effective account opening for the majority of customer types (individual and non-individual). The ability to open an account via video KYC was introduced, for the benefit of customers. Through this option, 6.40 lakh accounts have been opened as of March 2022.
- v. The SMS alerts function has been activated in 13 languages, allowing users to register for SMS notifications in their preferred language. To reduce SMS delivery delays, multiple initiatives such as multi-streaming SMS outflow from CBS to Delivery Platform, infra upgrade for processing a higher number of SMS, and altering SMS creation and transmission operations in CBS to manage higher quantities have been implemented.
- vi. In order to make it easier for retirees to submit their life certificates via video calling, the functionality for video life certificates was introduced in November 2021.
- vii. In order to record follow-up calls to account holders who have fallen behind on payments, a new loan collection application was introduced in April 2021. 2.55 crore calls were placed this year with the help of this programme.
- viii. A mentoring program for new female employees was started during the year to enable their smooth integration into the company. Clients of the Bank are actively being onboarded into the FX-Retail platform launched by CCIL (Clearing Corporation of India Ltd.), which offers clients clear and aggressive pricing. Additionally, the bank offers its clients access to the FX-All and e-Forex trading platforms.
- ix. Environmental, Social & Governance (ESG) Practices.
  - a) The entire CSR expenditure for FY2022, was 204.10 crores (1% of the net profit of 20,410 crores for FY2021), included 102.56 crores for the SBI Foundation. Development of Rural and Slum Areas, Health Care and Sanitation, Education, Environment Sustainability, Tribal Welfare, Empowerment of Women and Senior Citizens, and Support for Sports and Athletes were the focal areas of the Bank's CSR initiatives for FY2022.
  - b) A total of 71 crore, or 35% of all CSR expenditures, have been made by SBI to combat COVID-19.
  - c) SBI's Green Bonds worth USD 650 million will be dual listed in FY2022 on the Luxembourg Stock Exchange and the India International Exchange. The SBI has additionally demonstrated its steadfast commitment to cooperating with communities and NGOs and adhering to national

policies in order to advance environmental sustainability initiatives. The Bank planted more than 6 lakh trees throughout the nation in FY2022.

### **Sustainability Initiatives of SBI in achieving Sustainable Development Goals:**

The efforts have been to align the Sustainability initiatives with the National priorities focusing on achieving much desired Sustainable Development Goals (SDGs). Some of the initiatives undertaken include:

1. Recognizing the concerns of Climate change as a Corporate Social obligation, Bank has charted a Carbon Neutrality strategy intending to achieve the status of a Carbon Neutral organization by the year 2030 in a phased manner.
2. Installation of solar systems at Bank's owned premises; Energy-efficient lighting and air conditioning systems at Bank's premises are being taken up continuously.
3. Windmills with a total capacity of 15 MW are installed for captive usage.
4. New loan offerings to help the cause of Climate Action and the already introduced unique loan products like E-Rickshaw Loan and Green Car Loan.
5. "Surya Shakti Solar Finance" and "Finance to Bio-Fuel Projects" have been made available. Recognizing Climate Change as one of the crucial risks the world faces today, Bank, has developed its Climate Change Risk Management Policy.
6. In line with the country's vision for scaling up Renewable Energy (RE) power generation, the Bank is also facilitating RE financing in a big way. SBI has obtained funding from international organizations such as the World Bank, among others, for forward lending to RE Power developers.
7. The FY 2021-22 saw the dual listing of SBI's Green Bonds worth USD 650 million on the India International Exchange and the Luxembourg Stock Exchange.
8. SBI offices, branches and other establishments are working towards adopting a green ecosystem. The Green Building Council has certified 18 of the bank's properties as platinum, gold or silver.
9. Nearly 500 Bank premises now have Solar power installations, and more than 3000 ATMs are backed by solar power. Additionally, 326 rainwater harvesting sites at the Bank's various premises have been set up.
10. SBI is also striving to shift the power requirements of its large establishments from existing fossil fuel-based to green sources. The Corporate Office Building in Mumbai and the Mumbai Metro Local Head Office has successfully switched to a green energy platform. SBI also has an Electronic Waste (e-Waste) Management Policy to handle such waste effectively.
11. During FY2022, more than six lakh trees were planted by SBI in the whole country..
12. SBI has also taken digitization in a big way by integrating its digital strategy with its overall business strategy.
13. Enhanced digitalization is poised to bring greater ease of business and strengthen the sustainability agenda by positively impacting the triple bottom line of Planet, People and Profit.
14. The digital app YONO has reduced paper waste while also greatly facilitating business activity and enriching client usage. During the fiscal year 2021-22, the YONO app saved around 383 lakh sheets of paper.
15. SBI is giving out Green Reward Points. These can be redeemed for credit to the SBI Green Fund, the revenues of which will be used for sustainable activities such as tree planting, water harvesting unit installation, Bio-toilet construction, and Covid care programs, among others.
16. For promoting sustainability, World Environment Day, International Yoga Day, World Soil Day are observed each year. "Joy of Giving Week-DaanUtsav" was observed throughout the



Bank, during which donation activities for marginalised sections of society were carried out. An online quiz was launched to raise awareness of ESG and SDG-related issues.

#### **Challenges in Implementing its Approach to Sustainable Financing:-**

- i. **Lack of awareness:** The awareness is conducted by organising campaigns, workshops, and training programs to educate its staff and customers about sustainable financing practices. They also leverage digital channels and social media platforms to disseminate information on sustainable finance initiatives.
- ii. **Limited availability of sustainable projects:** SBI addresses this by actively seeking and identifying potential sustainable projects through partnerships with industry associations, government bodies, and non-profit organizations. They engage with stakeholders to encourage the development of sustainable projects and provide financial incentives and support to promote such initiatives.
- iii. **Risk management:** Sustainable financing may involve environmental and social risks, regulatory changes, and reputational risks. SBI addresses this challenge by incorporating robust risk management practices specific to sustainable financing. They conduct due diligence to assess the environmental and social impacts of projects, implement risk mitigation strategies, and adhere to regulatory frameworks governing sustainable finance.
- iv. **Capacity building:** Implementing sustainable financing requires a shift in mindset and skill set for employees. SBI addresses this challenge by investing in capacity building programs and training initiatives for its employees. They provide specialized training on sustainable finance, environmental and social risk assessment, and sustainable investment strategies.
- v. **Measurement and reporting:** SBI addresses this challenge by developing robust reporting frameworks aligned with international standards, such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). They invest in data collection systems and engage with external stakeholders to ensure transparency and accountability in reporting their sustainable finance initiatives.
- vi. **Balancing profitability and sustainability:** SBI addresses this challenge by integrating environmental, social, and governance (ESG) factors into its risk assessment and lending decisions. They encourage sustainable practices by offering preferential interest rates, providing financial incentives for sustainable projects, and promoting responsible lending practices.

#### **Findings and Conclusion:**

- i. **Financial Inclusion:** SBI has been at the forefront of providing banking services to the unbanked and underprivileged sections of society. Through its extensive branch network and digital initiatives, SBI has made significant efforts to bring financial services to remote areas and marginalized communities, thereby promoting inclusive growth.
- ii. **Renewable Energy Financing:** It has provided loans and support to various renewable energy initiatives, including solar power, wind power, and other sustainable energy projects. This has helped in reducing the carbon footprint and promoting clean energy generation.
- iii. **Sustainable Financing and Policies:** SBI has adopted various policies and guidelines to promote sustainable financing. It has developed a framework for environmental and social risk assessment, ensuring that projects financed by the bank adhere to environmental and social sustainability standards. SBI also supports projects focused on sustainable agriculture, eco-friendly infrastructure, and sustainable development.
- iv. **Green Banking Initiatives:** SBI has implemented several green banking initiatives to promote environmental sustainability. It offers preferential interest rates and incentives for loans taken for green initiatives such as energy-efficient projects, sustainable buildings, and

clean technology. SBI has also introduced green products and services to encourage customers to adopt environmentally friendly practices.

- v. **Corporate Social Responsibility (CSR) Activities:** It focuses on initiatives related to education, healthcare, skill development, and women empowerment, among others. SBI's CSR initiatives align with the United Nations Sustainable Development Goals (SDGs).
- vi. **Digital Transformation:** It has introduced digital banking services, mobile applications, and online platforms to provide convenient and eco-friendly banking experiences for customers. By integrating shared value creation and sustainability into its operations, SBI aims to contribute to the overall well-being of society, protect the environment, and create long-term value for its stakeholder.

Overall, the State Bank of India has played a significant role in promoting sustainable shared-value creation in the banking industry. Its efforts have contributed to the development of a more sustainable and socially responsible banking sector.

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