

Donation by banks

Ref.DBOD.No.Dir.BC.15/13.01.01/2002-03

August 6, 2002

All Scheduled Commercial Banks
(excluding RRBs and LABs)

Dear Sir,

Donation by banks

Please refer to our circular DBOD No.Dir. BC. 1 / 13.01.10 / 2000 dated 06 July 2000 in terms of which banks have been advised that they may make donations during a financial year, aggregating upto 1 per cent of their published profit for the previous year.

2. In terms of the extant instructions the donations made for various purposes should be within this prescribed limit and there is no exempted category or separate limit in respect of donations made for specific purposes like the National and other relief fund. Banks are, therefore, prohibited from making donations in excess of the limit prescribed. The banks' boards shall lay down the policy in this regard and the donations shall not be linked to the deposit mobilization. No bank can carry forward the unutilized amount of the permissible limit of any year for use in subsequent years. The loss making banks can make donations totaling Rs.5 lakhs only in a financial year.

3. We have since received representations from IBA / banks, for exempting donations made by banks to the Prime Minister's Relief Fund for the reason that, at times, the banks find the above ceiling inadequate to contribute to relief measures for people affected by natural calamities and other disaster. On a review, it has been decided that the donations made by banks to the Prime Minister's Relief Fund will, hereafter, be exempted from the above ceiling. Any proposal for donation to the Prime Minister's Relief Fund shall have the approval of the Board of the bank, and the amount of the donation should be reasonable as compared to the published profit of the bank for the previous year. However, the restriction on the overall limit on donations upto maximum of Rs. 5 lakhs for loss making banks will apply in this case also.

4. Please acknowledge receipt.

Yours faithfully,

(M.R. Srinivasan)
Chief General Manager-in-Charge