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CSR practices of private commercial bank's in Bangladesh: A comparative study

Md. Abdul Kaium Masud[†]

Abstract:

CSR movement has gathered great momentum over the past number of years and is now regarded as being at this most prevalent. CSR is presently one of the most discussed topics by government, by non-government and by business itself. The purpose of the study is to provide deep understanding of the practices of CSR of PCBs in Bangladesh. The study has been taken to observe different regulatory framework (CSR areas) of CSR of PCBs and its contribution. This study found CSR practices of PCBs are quite scant rather than profit. The study reveals that PCBs are trying to swell their contribution in accordance with Bangladesh Bank proper guidelines.

Key Words: Corporate Social Responsibility, Private Commercial Bank, Profit, Sustainability.

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Preamble:

The old proverb, “Everybody talks about society, but nobody does anything about it” is not valid in this century. The role of business worldwide and specifically in the developed economies has evolved over the last few decades from classical ‘profit maximizing’ approach to a social responsibly approach, where businesses are not only responsible to its stockholders but also to all of its stakeholders in a broader inclusive sense. One can identify so many reasons for shifting the role of business from classical concept to a responsible business concept, but negative impression of stakeholders on the enterprise would get a higher priority among others. In one hand, enterprises create wealth and job opportunities for the society and on the other; they are pollute and destroy environment and ecology with devastating impact on human health and biodiversity worldwide (Alimullah (2006). To address the social problems or the problems of the stakeholders, the business community evolved a new approach in their business strategies named CSR and through CSR enterprises are intent to strike a balance between economic and social goals, where resources are used in a rational manner and social needs are be addressed responsibly. CSR can be viewed as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply chains, and decision making processes throughout the company and include responsibilities for current and past actions as well as adequate attention to future impacts. CSR focuses vary by business, by size, by sector and even by geographic region. The area of CSR is quite big and it includes all the good practices that increase the business profitability and can preserve interest of all stakeholders. Bangladesh is a developing country. Because of global competitiveness and demand, the CSR practices and standards are being implemented in Bangladesh (Alimullah, 2006). But we are yet go a long way. However, it is regretful that though internationally it is being practiced widely, Bangladesh

is still lagging behind (Azim et al. 2011). There are challenges to implement CSR properly in Bangladesh. Ultimately CSR practices should be better practiced in Bangladesh for better and enhanced performance. Currently in Bangladesh, CSR is a matter of self interest for the corporate sector (Azim A & Islam, 2009). The study has taken an attempt to observe the CSR activities and practices of Private Commercial Banks in Bangladesh. Bangladesh Bank is the main regulatory authority of banking sector of the country. Now a day Bangladesh Bank is very concern of the matter. Bangladesh bank has taken initiative to encourage private commercial banks in CSR activities for this NBR issued rules on tax rebate for CSR activities.

Objectives of the study:

- To gather the knowledge about CSR activities of private CBs of Bangladesh.
- To identify the major areas where CSR activities are performing by private CBs.
- To compare and analyze the contribution of CSR activities of private CBs in different areas.

Methodology & Sampling:

The study is exclusively a descriptive research and thus it is purely based on the information from secondary data sources. The data collected for the purpose of the study involves the examination of annual reports for the year 2009-2010 of private commercial banks listed on the Dhaka Stock Exchange (DSE). The linkage between the firm's size and the amount of CSR information is evidenced in earlier CSR literature (Khan Ahmed et al. 2010, Zeghal and Ahmed: 1990). The banking companies considered in the study include top five private commercial banks. The samples of top five commercial banks are Dutch Bangla Bank

Ltd, Mercantile Bank Ltd, Prime Bank Ltd, Southeast bank Ltd and Bank Asia Ltd. The sample population considered for the study has a noteworthy illustration of firms representing the banking sectors listed on the DSE. Additionally, it is documented that annual report is the most widespread and accepted document (Belal, 2000, Khan et al., 2009; Khan, 2010) for corporate communication in Bangladesh.

Literatures Review

Alam S.M.S, et. al (2010) in a paper entitled “Corporate Social Responsibility of Multi National Corporations in Bangladesh: A Case study on Grameenphone” pointed out that CSR is still an evolving concept that enables corporate executives to create and apply self determined policies to best meet the needs and demands of its stakeholders. The peculiar nature of CSR practices makes their cross-border management difficult. Achieving consistent CSR practices across global operations involves not only the transfer of the CSR practice, but also the transfer of its underlying value and meaning.

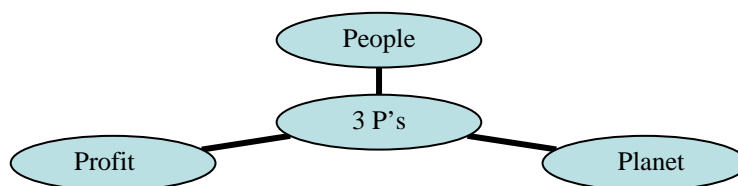
Azim et al. (2011) in a study named “Corporate Social Disclosure in Bangladesh: A Study of the Financial Sector”, Corporate social responsibility is not the only ethical dilemma that financial institutions face in an atmosphere of corrupt corporate practice. These institutions are also concerned with commitment for sustainable development. A well-functioning finance sector in any country can contribute directly to a healthy economy. This sector plays an important role in a country’s economic development.

The literature recognizes that CSR practices differ from country to country (Adams, Hill & Roberts, 1998b) and between developed and developing countries (Imam, 2000). Furthermore the nature and patterns of CSR vary between types of industry (Gray, Javad, Power & Sinclair,

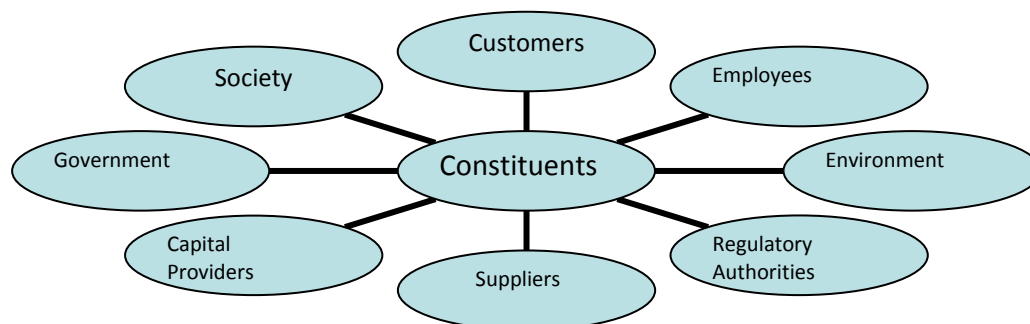
2001). Surveys of CSR practices in western countries reveal that companies place the greatest emphasis on disclosing human resource information such as employee numbers and remuneration, equal opportunities, employee share ownership, disability policies, and employee training (Gray et al., 2001). Due to geographical, economic, environmental, political, regulatory, social and cultural differences it would not be appropriate to generalize the results of studies of developed nations to developing countries. This is because the stage of economic development is likely to be an important factor affecting CSR practices. In the context of emerging economies, a few studies have focused on companies in countries such as Malaysia, Thailand and China (specifically, Hong Kong). A study of 100 public companies in Malaysia showed that 66% of companies performed some kind of social reporting (Kin, 1990). Of these, 64 companies reported human resource issues and 22 companies disclosed community involvement issues.

CSR and Constituents:

Corporate social Responsibility (CSR) is the responsibilities of an organization to proactively promote the public interest by encouraging community growth and voluntarily eliminating practices that harm the public interests. It is the deliberate inclusion of public interest into corporate decision-making. Broadly, CSR activities of an organization should embrace to honoring the three P's-People, Planet and Profit. CSR policy would function as a self-regulating mechanism, where business would ensure the adherence to laws & ethical norms.



Profit making should not be the only objective of an organization; rather it should embrace the interests of all stakeholders & the community people at large for the long-term sustainability & growth. In decision making, an organization should consider the impact of its activities on the environment & all other stakeholders.



It is intended to portray that the total CSR of business comprises distinct components that, taken together, constitute the whole. The most critical tensions, of course, would be between economic and legal, economic and ethical, and economic and philanthropic. In summary, the total corporate social responsibility of business entails the simultaneous fulfillment of the firm's economic, legal, ethical, and philanthropic responsibilities.

Corporate Social responsibility and stakeholders' concern within banking sector:

Banks across the globe have received the considerable amount of pressure from its diverse stakeholders including shareholders, investors, media, NGOs and customers (Bhattacharya et al., 2004; Ogrizek, 2001; Frenz , 2005; Jeucken, 2001; 2004; Coupland, 2005) to carry out business in a responsible and ethical manner. As a result, increased consciousnesses with regards to sustainability issues for financial institutions have been observed across the globe during the last decade. Researchers (Hopkin and Cowe, 2003; Ian, 2005) contend that socially irresponsible operation can have a negative impact on share prices and

brand reputation of a bank and more customers now a days increasingly inquire on the bank's Social responsibility position. In effect, socially responsible investors (see Carbon Disclosure Project on its own website: www.cdpproject.net) collectively have voiced concern on corporations to take into account contemporary global issues such as corporate responsibility on climate change in recent years. Similarly, the other powerful stakeholders that have significantly shaped the issues and brought these to public sentiment are the state regulatory bodies, media's, NGOs in addressing social responsibility issues in banking sector (Jeucken, 2001; Bouma et al, 2001; Baron, 2000; Bhattacharya, 2004; Decker, 2004 Wilmschurst & Frost, 2000; Patten, 2002) and these stakeholders' strong engagement have the likely impact to be a main driver to revolutionize in CSR and CSR reporting practice. The traditionalist might see this as a conflict between a firm's "concerns for profits" versus its "concern for society," but it is suggested here that this is an oversimplification.

Regulatory Framework: CSR areas

Under the SRO No. 270-Ain/2010, dated 01.07.2010 is given 22 areas of CSR activities for enjoying 10% tax rebate. The areas (1) Donation to organizations engaged in clean water management (2) Donations to organization engaged in afforestation; (3) Donations to organization engaged in beautifications of cities; (4) Donations to organization engaged in waste management; (5) Donations for redressing the hardships caused by natural calamities such as cyclone, earthquake, tidal wave and flood challenged through Government organizations; (6) Donations to organizations engaged in establishment and management and management of old persons homes; (7) Donations to organizations engaged in the welfare of mentally or physically handicapped; (8) Donations to educational institutions run for the purpose of education of rootless children; (9) Donations to organizations engaged in projects on accommodation for the

slum dwellers; (10) Donations to social organizations engaged in publicity of movements relating to women's rights and anti-dowry practices; (11) Donations to organizations engaged in feeding and clothing and sheltering and rehabilitation of orphan/rootless children; (12) Donations to organizations engaged in research on independence war, regaining and expansion of the consciousness of the independence war and the act of honorable living of the freedom fighters; (13) Donations to organizations engaged in health some situation in Chittagong Hill Tracts, char areas and areas surrounding breaking up of bank of river; (14) Grants to organizations engaged in treating cleft lips, cataract, cancer, and leprosy; (15) Grants the organizations engaged in treating acid victims; (16) Donations to hospitals engaged in providing free medical treatment to poor patients and specialized for developing the quality of treatment, such as cancer, liver, kidney, thalassemia, eye and cardio; (17) Donations to organizations distributing freely at the level of use of birth –control products with a view to solving the population problem and to conduct camps for voluntary sterilization; (18) Grants to Public Universities; (19) Expenditure incurred through educational institutions recognized by Government for providing technical and vocational education for meritorious poor students; (20) Money invested in establishing lab for providing training on computer or information technology and in establishing infrastructure or in purchasing educational materials for implementing English education in public /private educational institutions (under Monthly Pay Order or MPO); (21) Donations to organizations engaged in providing technical and vocational training to unskilled or semi-skilled labor for export of human resources; and (22) Donations to organizations involved with infrastructure of sports and provision of training at national level.

Table 01: Major CSR activities of Sample banks at a glance

DBBL	MBL	PBL	SBL	BAL
Education	Education	Education	Education	Education
Health	Health	Health	Health-Care	Health
Disaster	Disaster	Disaster -	Environment	Dhaka City
Culture&	management	management	Sports	Beautification
Sports	Sports	Sports	Art & culture	Environment
Miscellaneous	Art & culture	Others	Community development	Culture and Heritage
	Others		Others	Sports
				Disaster management
				Others

Comparative Analysis:

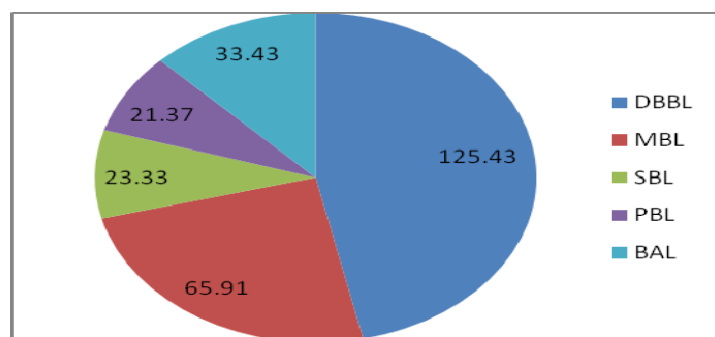
Table 02: Compliance with regulatory framework of five banks

SN	CSR areas	DBBL	MBL	PBL	SBL	BAL	%
1	Engaged in clean water management	-	-	-	-	-	0
2	Engaged in afforestation	-	-	-	-	-	0
3	Beautifications of cities	-	-	✓	✓	✓	
4	Waste management	-	-	-	-	-	0
5	Natural calamities	✓	✓	✓	✓	✓	100
6	Old persons homes	-	-	-	-	-	0
7	Mentally or physically handicapped	✓	✓	-	-	-	40
8	Education of rootless children	✓	✓	✓	✓	✓	100
9	Accommodation for the slum dwellers	-	-	-	-	-	0
10	Women's rights and anti-dowry practices	-	-	-	-	-	0
11	Rehabilitation of orphan/rootless children	✓	✓	✓	✓	✓	100
12	In research on independence war, regaining and expansion of the consciousness of the independence war and the act of honorable living of the freedom fighters	✓	✓	✓	✓	✓	100
13	Health some sanitation in Chittagong Hill Tracts, char areas and areas surrounding breaking up of bank of river	-	-	-	-	-	0
14	Engaged in treating cleft lips, cataract, cancer, and leprosy	✓	-	-	-	✓	40
15	Engaged in treating acid victims	✓	-	-	-		20
16	Hospitals engaged in providing free medical treatment to poor patients	✓	✓	✓	✓	✓	100
17	Birth control products with a view to solving the population problem and to conduct camps for voluntary sterilization	-	-	-	-	-	0
18	Grants to Public Universities	✓	✓	-	-	-	40
19	Technical and vocational education for meritorious poor	✓	-	-	-	✓	40

	students						
20	Training on computer or information technology and in establishing infrastructure or in purchasing educational materials for implementing English education in public /private educational institutions (under Monthly Pay Order or MPO)	✓	-	✓	✓	✓	80
21	Technical and vocational training to unskilled or semi-skilled labor for export of human resources	-	-	-	-	-	0
22	Sports and provision of training at national level	✓	✓	✓	✓	✓	100
	Total	12	08	08	08	10	13

Table 02 tries to verify contribution of banks in different areas of CSR. There are 22 prescribed areas of CSR but only 13 areas are participated by five banks (59%). So it is clear that 9 areas (41%) there is no contribution from any banks. There are only 6 areas (100%) where each bank has participation and the lowest participation is 3 areas (40%). Among the 5 banks DBBL has the highest participation areas (12) and then bank Asia Ltd (10). It is clear that participation of CSR areas of different bank is considerably limited because many areas where the bank has no CSR contribution that is very concerning issue.

Table 3: Total Contribution of CSR of five banks (million)

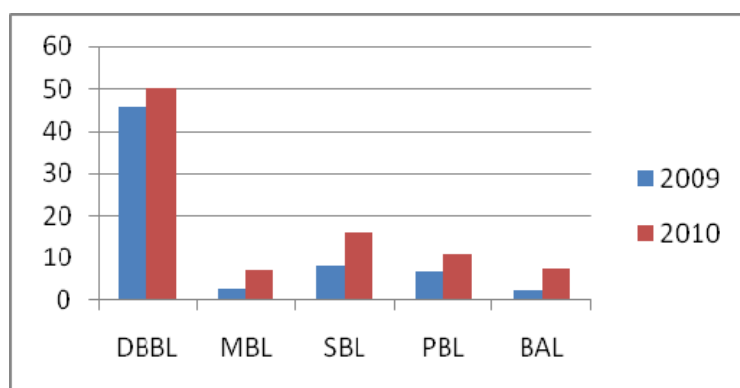


Name of Banks	Total Amount
DBBL	125.43
MBL	65.91
SBL	23.33
PBL	21.37
BAL	33.43
Total	269.47

Table 3 shows total contribution of five banks in CSR in the year 2010. Among the five banks DBBL is clearly ahead then others. Most of the banks contribution is less then 50% of DBBL.

Lowest contribution is Prime bank where Mercantile bank in second position among the five banks.

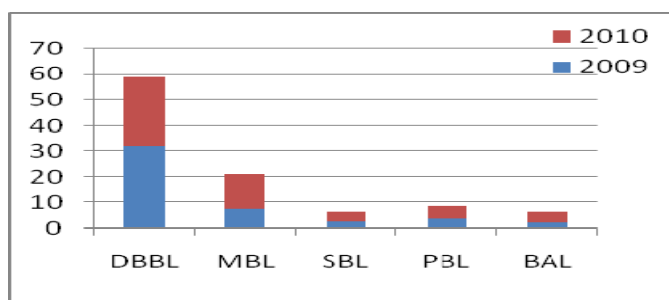
Table 4: Contribution to Education (million)



Name of Banks	2009	2010
DBBL	45.75	50.16
MBL	2.70	7.19
SBL	8.18	16.21
PBL	6.76	11.15
BAL	2.54	7.31
Total	65.93	92.02

Table 4 indicates contribution of education areas of 5 banks where DBBL shows a strong contribution then other banks. Total contribution of education in the year 2009 to 2010 is increased about 40%. Incase of growth Bank Asia is highest (188%) where DBBL is lowest (9.62%) but in amount not a single bank is nearer to DBBL where DBBL contributes more than 50% of total contribution. Southeast bank is in the second position both 2009 and 2010.

Table 5: Contribution to Health (million)



Bank Name	2009	2010
DBBL	32.02	27.02
MBL	7.95	13.15
SBL	2.71	3.75
PBL	3.76	5.25
BAL	2.23	4.55
Total	48.67	53.72

Table 5 presents health areas contribution of 5 banks. DBBL also in the top ranking but its participation is decreasing (16%) where Bank Asia increasing its participation (104%). On the other hand DBBL has the highest contribution amount (27.02) then other banks.

Table 6: Contribution to Art and Culture (million)

Bank Name	2009	2010
DBBL	3.75	4.5
MBL	5.61	14.42
SBL	0.10	0.10
PBL	0	0
BAL	0	10.20
Total	9.46	29.22

Source: Annual report of DBBL, MBL, SBL, PBL and BAL 2009-10.

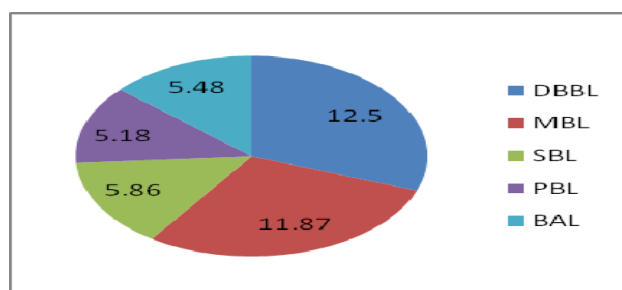
Table 6 shows CSR contribution of five banks in art and culture. Here information is not available all banks but MBL has a good contribution, they have both (growth and amount) highest participation in the areas. In 2010 Bank Asia has a good contribution where DBBL earned third position.

Table 07: Contribution to Sports (million)

Bank Name	2009	2010
DBBL	3.45	5.00
MBL	0.93	7.88
SBL	5.00	7.76
PBL	0	0
BAL	3.25	7.50
Total	12.63	28.14

Table 7 shows contribution of sport of different banks in the year of 2009 and 2010. In the area MBL has highest participation in 2010 but comparatively Southeast bank participation is better than other banks in the year 2009 and 2010.

Table 8: Contribution to Natural Disaster (million)



Bank Name	2010
DBBL	12.5
MBL	11.87
SBL	5.86
PBL	5.18
BAL	5.48
Total	40.89

Table 8 presents CSR contribution of different banks in the area of natural disaster in the year 2010. In the area every bank has participation. DBBL (31%) is comparatively ahead than others. MBL also shown a good participation where total participation is 40.89 and its attainment is 29%.

Table 8 Profit and CSR expense relationship of five banks

Name of Banks	Profit (2010)	Expenses (% of profit)
DBBL	2005.3	6.25
MBL	1425.33	0.22
SBL	2763.14	0.85
PBL	745.76	2.87
BAL	1929.58	1.73

The table shows total profit and their contribution in relationship of profit.

Concluding Remarks

This is true that banks are paying more to their CSR activities but not so much as their earning increases. Common CSR practices in Bangladesh by different organization are centered on mainly poverty alleviation, healthcare, education, charity activities, cultural enrichment, youth development, women empowerment, patronizing sports and music etc. (Alam Shafiul, et. al 2010). If we compare their profits that will be clear. DBBL contributes (6.25%) of profits to CSR activities on the other hand MBL (0.22%), PBL (2.87%), SBL (0.85%), BAL (1.73%). It is very concerning that all banks contributes a little amount of profits to CSR. From the study it is clear that participation of different areas of CSR activities of different banks is limited. A prescription has given where there are 22 areas of CSR are identified but most of the banks participation is limited to around 10 to 13 areas. DBBL shows the highest areas (11) of contribution, where MBL (8), PBL (8), SBL (8) and BAL (10) areas respectively. It is a matter of thinking that banks aren't uses their maximum in CSR areas. There are many areas like engaged in clean water management, engaged in afforestation, waste management, and old person's homes, accommodation for the slum dwellers, women's rights and anti-dowry practices, birth control products etc. no participation of any banks. That is very alarming for every bank.

Another think noticed from the study that every bank has good attention and consideration to education and health areas. Every bank of the study contributed highest amount in education and the next area is health. Another important matter, banks are very concern to contribute natural disaster and disaster management specially cyclones (Aila)^{*}, flood effected areas etc. Every bank contributed to our prime minister Relief fund especially for flood affected people, BDR munity[†].

Now CSR is a demand of the people to the organization. But CSR contribution of our private CB's is not only corporate responsibility but also tax rebate benefits. The argument is clear when Bangladesh Bank requested all banks to help flood affected people and their contribution will be treated as CSR activities[†]. CSR disclosure isn't mandatory in our country but it's the part of financial statement that is shown in annual report.

During the study period it was very difficult to collect each and every types of information of CSR from annual report. The main limitation was no specific information about CSR, where there is information but no strict information like amount, areas etc. A few banks mentioned amount in different areas. Most of the banks used other activities but what are the areas and how much amount used no such information. Interestingly a few banks use some information like milad, annual picnic, concert, branch opening, anniversary activates are their CSR activities.

From the study it is easily like to say that our private CB's are very aware about CSR performance and their contribution are increasing year to year. As a result banks should declare how much amount of their profit would be used to CSR. Banks should use a good portion of their profit to CSR functions. They should increase their contribution areas because 45% areas no participation at all. Through they are contributed highest amount in education and health but this is not enough. Every bank should make a good attention to the technical education as well as English learning programs. In the study a common picture is shown that is contribution of DBBL. Its contribution is about half (47%) of total contribution. So every bank should follow the practices of DBBL. Finally we like to say our private CB's CSR practices aren't good enough but it is increasing that will be enlighten our society as well as banks growth.

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* As of 27 May 2009, 330 people have been killed by Aila and at least 8,208 more are missing, while about 1 million are homeless in the coastal area of Bangladesh.

† The 2009 Bangladesh Rifles revolt was a mutiny staged on 25 and 26 February 2009 in Dhaka by a section of the Bangladesh Rifles (BDR), a Bangladeshi paramilitary force mainly associated with guarding the borders of the country.

‡ DOS circular no. 02, June 02, 2009, Subject: Mainstreaming Corporate Social Responsibility (CSR) in banks and financial institutions in Bangladesh.