

Corporate Social Responsibility Practices and Private Commercial Banks: A Case Study on Bangladesh

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Abstract: *This paper attempts to represent the present scenario of CSR (Corporate Social Responsibility) practices in private commercial banks of Bangladesh. It also examines the banking personnel's perception regarding the importance of CSR. The researchers used a structured questionnaire, which aims to collect the respondent's opinion. For analyzing the data authors used statistical tools like hypotheses testing (Z-test) and descriptive analysis. The study reveals that CSR is important as a tool to gain competitive advantages and has positive impact on employees' behavior, customers' behavior and establishing a bank's image but CSR practices is not diversified rather than banks are only concerned with some specific areas of CSR.*

Key Words: Bangladesh, Private Commercial Banks, Corporate Social Responsibility, Practices, Hypothesis.

1. Introduction

The Corporate Social Responsibility (CSR) movement has assembled great thrust over the ancient integer of ages and today CSR is surfacing gradually and gaining its acceptance by businesses across the world. For being reason CSR is one of the most conversed topics to the government, by non-government and by business itself. The old proverb, "Everybody talks about society, but nobody does anything about it" is not valid in this century because Almona, C. P. (2005) alleged that 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 pollute and destroy environment and ecology with devastating impact on human health and biodiversity worldwide [1]. As earlier the researchers said that CSR practices are found in government, non-government and business sectors. Now the banking sectors are not out of the area of business world because it has direct or indirect relationship to the government, non-government and business sectors. The banking sector of Bangladesh involves of private commercial banks, public commercial banks and specialized banks. Where there are more than thirty private commercial banks; dominating Bangladesh's financial sectors. The research has emphasized on private commercial banks because the research topic covers CSR practices of private commercial banks in Bangladesh. Now the banking sectors especially private commercial banking sectors are very competitive. To get this competitive advantage from

their rival, CSR is one of the main instruments. CSR is now considered as an integral part of today's businesses. Sarker M.F.H (2012) also argued that in the contemporary globally competitive market companies must portray themselves as socially responsible companies. In their study, they also pointed out that; Corporate Social Responsibility (CSR) can increase both long term profitability and sustainability of the company as well as enhance the reputation of the organization [2]. Islam, S., (2012) mentioned CSR helps the banks to ensure more competitive and reduces the risk of sudden damage of reputation, as CSR is also helpful in building corporate reputation. Bangladesh Bank, the main regulatory authority of banking sector of Bangladesh has also taken some initiatives to formalize CSR in the banking industry. But still we are lagging behind in this regard, in compare to developed countries [3]. Private commercial banks are now practicing CSR as their routine work and are also performing very well. The amount that the banks are expending in this purpose is increasing gradually. In terms of direct monetary expenditure, engagements of banks in CSR initiatives are increasing. This research takes challenge to mention the CSR practices of bank especially private commercial banks in Bangladesh. Now a day Bangladesh Bank (Central bank of Bangladesh) is very concern toward CSR. There are some initiatives taken by Bangladesh bank for practicing CSR activities. Such as encourage private commercial banks in CSR activities for this NBR issued rules on tax rebate for CSR activities. There are challenges to implement CSR properly in Bangladesh. (Azim A & Islam, 2009) thought currently in Bangladesh, CSR is a matter of self-interest for the corporate sector [4]. Ultimately CSR practices should be better practiced in Bangladesh for better and enhanced performance.

2. Objectives of the Study

The fundamental objective of this research paper is to focus the CSR practices of different private commercial banks in Bangladesh. The researchers have identified some specific objectives to achieve this fundamental objective which are given as follows

- I. To acquire subjective perceptions about various CSR tasks of private commercial banks in Bangladesh.
- II. To find out the major areas where CSR activities are performing by private commercial banks in Bangladesh.
- III. To compare and analyze the contribution of CSR activities of private commercial banks in Bangladesh in different areas.

3. Literature Review:

Ali Abbaas Albdour (2012) the early writings on CSR began with Bowen who published "Social Responsibility of the Business Man" in 1953 [5]. Subsequently many researchers during the 60s have attempted to formalize or, more accurately, state what CSR means. Simply, corporate social responsibility means the responsibility or obligation of the firms or organization toward the society for society's benefits or like something. The World Business Council for Sustainable Development (WBCSD) (2002) defines CSR as the commitment of the company to contribute to the sustained economic development by working with employees, their families, the local community, and the entire society in order to improve life quality [6]. Adding on to the definition from the social perspectives, Baker (2003) maintained that CSR concerns the way companies manage their business processes which positively affect society aligned to the business [7]. Kok, et al. (2001: p. 287) defines CSR as the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large, and improving welfare of society at large independently of direct gains of the company [8]. Wood (1991: p. 693) has defined CSR as a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationship [9]. The goal of CSR is to provide the environment and society with a positive impact through the activities of the company. As every person has his own social responsibilities towards the society so does the business firms. Business is an inseparable and embedded part of the society (Alam et al. 2010) here; society includes stockholders, stakeholders, customers, investors, employees, suppliers, communities, regulators, special interest groups etc. Now a day's businesses are more concerned with its social responsibility. No doubt CSR actions are costly, but it ensures a company's long term sustainability, as it helps to build corporate image [10]. CSR activities of banks are now deepened and broadened substantially. It is a good sign for the country that now the banking sector of Bangladesh is engaged in various social businesses. Edi, I.I. and Etu, I.I., (2011). Now a day CSR is a common and important topic to all business corporations [11]. Every business organization tries to

practices CSR activities. As bank is also a business or financial organization so banks especially private commercial banks in Bangladesh tries to maintain the CSR. Azad et al, in their paper named "Assessment of CSR Performances in Some Selected Commercial Banks in Bangladesh" argued that, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society [12]. Trotta et al. in a conceptual paper; "Banking Reputation and CSR: a stakeholder value approach" pointed out that, CSR is an important reputational driver, able to create economic value over time. The authors found in their study that there is relationship between CSR and corporate reputation [13]. Similarly a World Bank (2002) described CSR as the businesses' obligations to provide renewable economic development through cooperation with employees, their families, the local community and society in a manner that enhances their livelihood and consequently leads to beneficial business and development [14].

Sarkar, M.F.H. (2012) argued that, corporate social responsibility is an inevitable matter which was adopted globally to ensure sound development of the world [15]. (Azim et al. 2011) said however, it is regretful that though internationally it is being practiced widely, Bangladesh is still lagging behind [16]. Sustainable development is not possible without evenhanded support of corporate world. The authors found importance of corporate social responsibility in relation to the development of the world. Some of the benefits which the banks seek to gain from involvement in CSR include the opportunity to improve reputation, effective risk management, enhanced employee performance and retention

4. Methodology

The researchers have used both primary and secondary sources for collecting the necessary data to conduct this study.

4.1. Primary Data

A structured questionnaire was designed to investigate the level of users understanding and their perception towards CSR. The sample of the study covers the banking employees from ten selected private commercial banks in Bangladesh.

4.2. Secondary Data

Banks' websites, periodicals, Bangladesh Bank's publications, newspapers are used as the secondary sources of the study. A list of related articles from various journals is also used to develop the basic idea about the particular topic and several international efforts and initiatives for developing and implementing CSR standards and guidelines were examined.

4.3. Hypothesis Testing

Data are analyzed through hypothesis testing including Z-test. After reviewing the literature the researchers have identified the following hypotheses.

Hypothesis 01=CSR is a tool to gain competitive advantages.

Hypothesis 02=CSR may influence the employees' behavior positively.

Hypothesis 03=CSR has a significant role in establishing a corporate image.

Hypothesis 04=CSR may influence the customers' behavior positively.

The Hypotheses of the study were formulated in terms of null hypothesis and alternative hypothesis. The data got from the questionnaire had responses supporting either H₀ (null hypotheses) or H₁ (alternative hypotheses). The researchers have also decided to use Z-test, because, the sample size is more than 30. The calculating formula of Z is given below

$$Z = \frac{\bar{X} - P}{\sigma_P}$$

The level of significance for the test is 95%. This makes the tabulated Z to be ±1.64.

5. Empirical Findings and Analysis of the Study

5.1. Descriptive Analysis

The respondents' were asked to give their opinion regarding the level of importance of some important sectors of CSR practices. For descriptive analysis, the researchers considered the mean and standard deviation of the sectors of CSR practices. On the basis of respondents significant opinion following table and graph are designed.

Table 1: Sectorial Patterns of CSR

No.	Sectorial Patterns of CSR	Mean	SD
1	Education	3.80	1.89
2	Health Care	3.67	1.80
3	Sports	3.48	1.17
4	Others	3.33	1.15
5	Humilities and disaster Relief	3.12	1.10
6	Arts and Culture	2.95	0.96
7	Environment	2.76	0.89

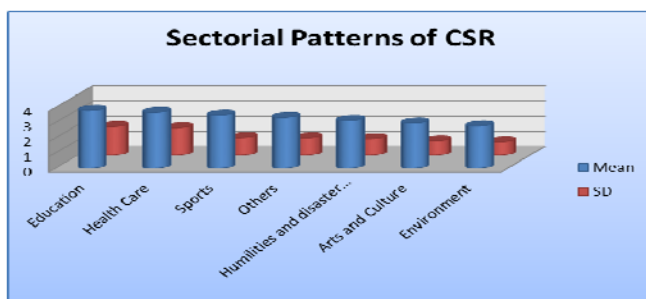


Figure 1: Sectorial Patterns of CSR

From the above table and graph indicate that the private commercial banks have given the more concentrations in the sector of education followed by healthcare, sports, humilities & disaster relief and others. The CSR initiatives has proved that the respondents opinion is accurate because in 2011 the sectorial pattern of CSR expenditure BDT (million) private commercial banks in Bangladesh is given below with a chart.

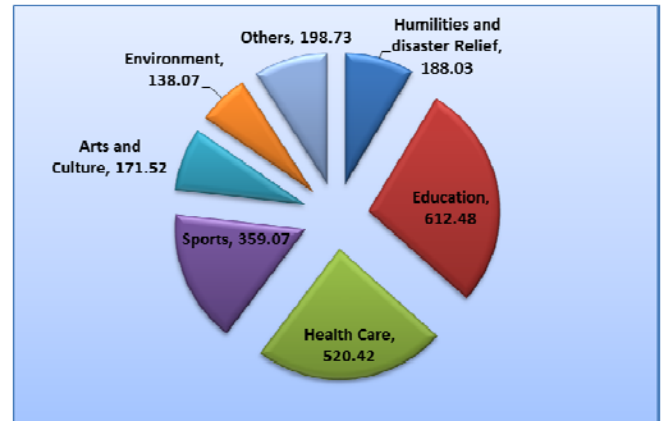


Figure 2: Sectorial Patterns of CSR Expenditure BDT (million)

(Source: "Review of CSR initiative of banks"; Bangladesh Bank 2011).

In the year 2011, the 'Education' and 'Health Care' sectors were getting more attention and appeared to be the most popular sectors for CSR activities as huge investments are being made by several banks in these segments. Besides these two important sectors large concentrations are found in the field of sports, humilities and disaster relief. As earlier the researchers mentioned, the banks are expending in CSR purpose is increasing gradually. The following table has proved the statement.

Table 2: CSR Expenditures by Banks

CSR expenditure by banks				
Year	2008	2009	2010	2011
BDT (Million)	410.7	553.8	2329.8	2188.33

(Source: "Review of CSR initiative of banks"; Bangladesh Bank 2011)

Corporate Social Responsibility (CSR) is a form of corporate self-regulation integrated into a business model. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, stakeholders, communities, public and employees as well. CSR activities of banks broadened substantially in last three years. As of December 2011 all 47 banks have adopted CSR as mainstream extending direct expenditure of total BDT 2188.33 million which is fourfold larger than in 2008 (BDT 410.7million).

5.2. A Comparative Analysis of CSR Practices by the Ten Selected Private Commercial Banks:

The banking sector of Bangladesh has a long history of involvement in benevolent activities like donations to different charitable organizations, to poor people and

religious institutions, city beautification and patronizing art & culture, etc. Recent trends of these engagements indicate that banks are gradually organizing these involvements in more structured CSR initiative. The researchers have selected ten special areas of CSR practices and made a comparison between the banks on the basis of respondents' significant opinion. For such comparison, the researchers assumed the selected areas of CSR to be 100% and it is shown following table.

Table 4: Comparison of Selected Private Commercial Banks of Bangladesh.

Name of the Banks	Beautification of Cities	Education of Rootless Children	Accommodation for slum dwellers	Publicity relating to women's right & anti dowry practices	Feeding & rehabilitation of rootless children	Grants to organizations engaged in treating cleft-lips,	Grant the organization engaged in treating acid victims	Technical and vocational training to labor for export of HR	Infrastructure of sports and training at national level	Providing relief during various natural disaster	100%
IBBL	0	1	1	1	0	0	0	0	0	1	40
Trus	1	1	0	0	0	1	1	0	1	1	60
SEBL	0	1	0	0	0	0	0	0	1	1	30
City	1	1	0	0	0	1	0	0	0	1	40
NCC	0	1	0	0	0	1	0	0	1	1	40
FSIBL	1	1	0	1	1	1	0	0	1	1	70
PBL	0	1	0	0	0	1	0	0	0	1	30
DBBL	1	1	1	1	1	1	1	0	1	1	90

NBL	0	1	0	1	0	0	0	0	1	1	40
EXIM	1	1	0	0	1	0	0	0	1	1	50

Here, 1=yes=10% and 0=No=0%.

From the above table, it is clear that DBBL (Dutch Bangla Bank Ltd), covers the more areas than the other private commercial banks and its percentage is 90% out of 100%. It also indicates, DBBL practices CSR in diversified areas of the society. The FSIBL, Trust bank and EXIM bank have also a good contribution to CSR and deal with different areas of CSR. The rest of the private commercial banks have also contribution to CSR which is less than 50%.

This makes a clear picture that the banks are not concerned with all the areas of CSR including technical and vocational training to labor for export of HR, accommodation for slum dwellers and feeding & clothing & rehabilitation of rootless children. They are very concerned only about three or four areas. Although, most of the banks are giving more priority on education, sports and natural digester, there are many important areas which should also be considered.

The review of CSR initiative of banks (2011) has mentioned the top five private commercial banks of Bangladesh on the basis of the contribution of CSR which is shown in the following chart.

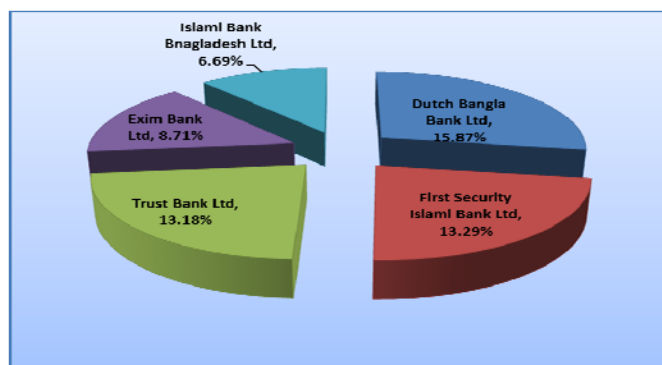


Figure 03: Top Five Private Commercial Banks. (Source: "Review of CSR initiative of banks"; Bangladesh Bank 2011)

This figure also proves that the respondents' opinion is accurate because if the table analyzed the top five banks DBBL (90%), FSIBL (70%), Trust bank Ltd (60%), EXIM (50%) and IBBL (40%) are same which has mentioned by CSR initiative of Bangladesh Bank, 2011.

5.3 Hypotheses Testing

Hypothesis-01

Q. Do you think, “CSR is a tool to gain competitive advantages”?

Table 05: Respondents Opinion

Nature of responses	No. of responses	Percentage
Agree	235	94%
Disagree	15	6.0%
Total collected data	250	100 %

From the table out of 250 respondents, 235 agreed that CSR is a tool to gain competitive advantages and only 15 respondents supported null hypothesis (H_0). So H_0 = CSR is not a tool to gain competitive advantages and alternative hypothesis (H_1) = CSR is a tool to gain competitive advantages.

The calculated value of Z is 1-5.901 and table value is 11.641. (By using the formula of- Z)

Here, calculated value of Z is greater than table value. So, it can reject the null hypotheses and accept the alternative hypothesis, CSR is tool to gain competitive advantages.

Hypothesis-02:

Q. Do you think, “CSR may influence the employees’ behavior positively”?

Table 05: Respondents Opinion

Nature of responses	No. of responses	Percentage
Agree	239	95.65%
Disagree	11	4.35%
Total collected data	250	100 %

From the table out of 250 respondents, 239 agreed that CSR may influence the employees’ behavior positively and only 11 respondents supported null hypothesis (H_0). So H_0 = CSR may not influence the employees’ behavior positively and alternative hypothesis (H_1) = CSR may influence the employees’ behavior positively.

The calculated value of Z is 1-6.1941 and table value is 11.641 (By using the formula of- Z)

Here, calculated value of Z is greater than table value. So, it can reject the null hypotheses and accept the alternative hypotheses (CSR may influence the employees’ behavior positively).

Hypothesis-03

Q. Do you think, “CSR has a significant role in establishing a Bank’s image”?

Table 05: Respondents Opinion

Nature of responses	No. of responses	Percentage
Agree	228	91.30%
Disagree	22	8.70%
Total collected data	250	100 %

From the table out of 250 respondents, 228 agreed that CSR has a significant role in establishing a Bank’s image and only 22 respondents supported null hypothesis (H_0). So H_0 = CSR has not a significant role in establishing a Bank’s image and alternative hypothesis (H_1) = CSR has a significant role in establishing a Bank’s image.

The calculated value of Z is 1-5.6041 and table value is 11.641. (By using the formula of- Z). Here, calculated value of Z is greater than table value. So, it can reject the null hypotheses and accept the alternative hypothesis, CSR has a significant role in establishing a Bank’s image.

Hypothesis-04

Q. Do you think, “CSR may influence the customers’ behavior positively”?

Table 05: Respondents Opinion

Nature of responses	No. of responses	Percentage
Agree	237	94.80%
Disagree	13	5.20%
Total collected data	250	100 %

From the table out of 250 respondents, 237 agreed that CSR may influence the customers’ behavior positively and only 13 respondents supported null hypothesis (H_0). So H_0 = CSR may not influence the customers’ behavior positively and alternative hypothesis (H_1) = CSR may influence the customers’ behavior positively.

The calculated value of Z is 1-6.211 and table value is 11.641. (By using the formula of- Z)

Here, calculated value of Z is greater than table value. So, it can reject the null hypotheses and accept the alternative hypotheses (CSR may influence the customers’ behavior positively).

6. Findings and Conclusion

The study reveals the importance of corporate social responsibility as a tool to gain competitive advantage, has positive impact on employees’ behavior, customers’ behavior and in establishing a bank’s image. These all may create reputation and long term interest by all the parties related to the bank. On the basis of the perception of the bank employees, the study identified the level of importance of some core areas of CSR performance. Among the selected

core seven sectors, the respondents have given more importance on the area 'Education'. Finally, the study attempted to find out the selected ten private commercial bank's performances of CSR in some selected important areas. In this case Dutch Bangla Bank (DBBL) is on the top most position and The FSIBL, Trust bank and EXIM bank have also a good contribution to CSR and deal with different areas of CSR. Therefore the most of the private commercial banks fall under the average rate. They consider only a few areas. The banks should diversify their CSR practices and considered the other important areas of the society, such as women empowerment, health care, rural development activities related to the poverty alleviation. This can ensure the overall development of the country. For this reason, the Bangladesh Bank can monitor the CSR adoption and performance of banks and also give some directions to the banks and provide some priority areas for CSR practice.

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