

# Establishment Corporate Social Responsibility (CSR) Practice in Ready-Made Garments Sector (RMG) in Bangladesh

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**Abstract:** A universally accepted definition of CSR is still absent. A lot of scholarly opinions exist about what CSR is and what it is not. It is often misunderstood by a lot of stakeholders as giving back to the society or considered as a synonym of philanthropy. Corporate social responsibility (CSR) is a concept whereby companies take responsibility voluntarily in order to provide a positive impact on social as well as physical environment to achieve sustainable development. The aim of the research to assess the effectiveness of corporate social responsibility (CSR) Practices of all local and foreign companies in Bangladesh. The research found the social and environmental positive impact by adopting CSR practice and sustainability in every aspect of life and companies. A company's business models should be socially responsible and environmentally sustainable. The company activates should not be harmful for the society and the environment. Through this research motivating multi stakeholders to practice CSR in companies and make sustainable and transparent business and ethical practice. The RMG sector in Bangladesh can create a better business and public image by implementing CSR in their business strategy, which will ultimately attract more buyers from the international market as well as help to ensure social and environmental sustainability vis-à-vis sustainable development. A multi-stakeholder involvement should work together to promote CSR in RMG sector in Bangladesh.

**Keywords:** CSR practice, Transparent Business, Sustainable, Environmental Responsibility, Ethical Value

## 1. Introduction

At present CSR is a buzzword used by academics and practitioners across the world. Although the idea of CSR is widely discussed in theory and practice, a generally accepted definition of CSR is yet to arise. Now a day's variety of terms such as, Corporate Citizenship, Corporate Sustainability, Corporate Social Investment, Socially Responsible Investment, Business Sustainability, Corporate Governance, Social Responsibility, Corporate Philanthropy, Global Citizenship, and Organizational Social Responsibility etc. are often used to clarify CSR. Corporate Social Responsibility (CSR) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. According to Maclagan, 'Corporate social responsibility may be viewed as a process in which managers take responsibility for identifying and accommodating the interests of those affected by the organization's actions' (Maclagan, 1998:147). In some models, a firm's implementation of CSR goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law. CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. The term "corporate social responsibility" became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed (Wikipedia, 2014a). Business dictionary defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through

their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources" (Business Dictionary, 2014). The World Business Council for Sustainable Development defines CSR as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the community and society at large.' (WBCSD, 2002). Traditionally, a corporation's function on the market focused only on financial performance and profitability. As a result of rising globalization and pressing ecological issues, stakeholders—shareholders, suppliers, employees, the community, and government—have redefined corporations' role on the market and in society, attributing them a broader responsibility and evaluating their ethical and socially responsible performance

Actually, I find CSR is a continually evolving concept that covers a variety of ideas and practices. But all those ideas bear similar meaning relating to take responsibilities of the society as a business entity from a traditional point of view of charity and volunteerism and to do business in a responsible way.

As my point of view main components of Corporate Social Responsibility:



There are three major components of CSR.

## 2. Community Involvement

No matter the size of an organization or the level of its involvement with Corporate Social Responsibility every contribution is important and provides a number of benefits to both the community and business. Contributing to and supporting Corporate Social Responsibility does not have to be costly or time consuming and more and more businesses active in their local communities are seeing significant benefits from their involvement. A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates called corporate social responsibility. Corporate social responsibility is not only an act for humanity but also to provide good working environment to an organization's employees, to pay just remuneration, to give regular leave, to care as a human being and to care environment of the society (The Daily ProthomAlo). Backman (1975) identified CSR activities as: "employment of minority groups, reduction of pollution, greater participation in programs to improve the community, improved medical care, improved industrial health and safety-these and other programs designed to improve the quality of life are covered by the broad umbrella of social responsibility". Different types of pressures are being exerted on all types of firms. Pressures from employees for better working conditions, others from local communities for a healthier environment... etc., are always maintained. The role of CSR in CD used in this paper is any direct and indirect benefits received by the community as results of social commitment of corporations to the overall community and social system. The common roles of CSR in CD are as follows:

- Improved relationships with the local community, partners and clients
- Employee volunteer program.
- Corporate involvement in community education, employment and homelessness program.
- Product safety and quality.

## 3. Economic Growth/Ethical Marketing

A number of serious and high-profile breaches of corporate ethics resulting in damage to employees, shareholders, communities or the environment—as well as share price—have contributed to elevated public mistrust of corporations. A CSR approach can help improve corporate governance, transparency, accountability and ethical standards. In order for management to be successful, the company has to know

what employees, consumers, government, competition and society as a whole expect from it. Trends and social values are changing rapidly so management has to adjust to the situation. Managers encounter a number of obstacles while making decisions, but ethics should be part of every business decision. It involves with the companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies that want to be viewed as ethical. Its span of values is not always good. Importance of Corporate Responsibility the most important aspects of CR to the company

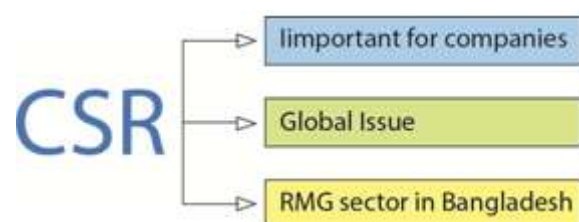
- Ethical behaviour on the part of all staff
- High standards of CR
- Transparency in corporate dealings
- Labour practices and employee rights
- Environmental practices
- Equitable pricing and remuneration policies
- Philanthropy and charitable giving
- Ethical investments
- Higher employee morale and commitment
- Enhancement of the brand with customers
- Better relations with governments, local communities
- Competitive advantage over rivals

## 4. Environmental Action/ Responsibility

Environment sustainability deals with the principles of “doing no harm” to the present and future natural environment (earth). It includes recycling, waste management, water management, renewable energy, no greenhouse gas emission, reusable materials, 'greener' supply chains, reducing paper use and adopting Leadership in Energy and Environmental Design (LEED) building standards (Wikipedia, 2014a)

## 5. Research Aim

The global environmental movement, recognizing this risk, highlights the rapid rate at which industry is depleting the environment and thus threatening the prosperity of business in the long-term, in an attempt to encourage companies to amend their current business practices and incorporate CSR. In my research, I focus on “Environmental Responsibility” is a part of CSR. I have selected this topic because environmental pollution is a major concern for Bangladesh as well as for the whole world. Irresponsibility to the environment might cause the air, water, and soil pollution, which might create the problem like global warming, food insecurity, depletion of natural resources, health crisis etc.



For this research, I try to focus on some points.

The integration of CSR into business will help make businesses globally aware of the issues and the needs of the environment, obliquely affecting every industrial decision and promoting the development of substitute energy sources. By incorporating business practices that thoughtfully consider the effect on the environment, finite natural resources will be stretched further. So what are the commercial benefits to integrating CSR into business, that would allow this obliquity in environmental goals to infuse even the most singularly profit focused businesses? In order to answer these research questions, I have conducted a documentary analysis. The availability of this secondary data sources make easy to conduct research. Therefore, in my research I have collected information from journals, online documents, reports from different organizations, and newspaper articles.

## 6. Literature Review

While the phenomenon of philanthropy has been a necessary part of Bangladeshi business culture for centuries, it seems that an emphasis on charitable contributions from CSR programs has enhanced the visibility of this practice. In this section, I have used ethical theory to sharpen the rational of environmental responsibility component of CSR. Ethical theory focuses on the right thing to achieve a good society. Ethical theory involves many approaches and concepts: Stakeholder normative theory, Universal rights, Sustainable development, and the common good (Garriga and Mele, 2004: 63-64; as cited in Ismail, 2009). Here, the concept of "sustainable development" helps me in this research to elaborate the environmental responsibility component of CSR and to answer the research questions.

Many studies have underlined the fact that human kind is using natural resources at a faster rate than they are being replaced. If this continues, future generations will not have the resources they need for their development. CSR is an entry point for understanding sustainable development issues and responding to them in a firm's business strategy. The concept of sustainable development started to evolve by the end of the 20th century, in response to a growing environmental crisis and inequalities in global development. The international community adopted sustainable development as a leading development model with action-guiding power that calls for particular orientations of actions (Reid, 2005). The United Nations World Commission on Environment and Development (WCED) in its 1987 report *Our Common Future* defines sustainable development: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Under the principles of the United Nations Charter the Millennium Declaration identified principles and treaties on sustainable development, including economic development, social development and environmental protection. Broadly defined, sustainable development is a system approach to growth and development and to manage natural, produced, and social capital for the welfare of their own and future generations (Wikipedia, 2014b). Also, in 1992, the UN Conference on Environment and Development published in 1992 the Earth Charter, which outlines the building of a just, sustainable, and peaceful global society in the 21st century. The action plan Agenda 21 for sustainable

development emphasized the need to change from old sector-centered ways of doing business to new approaches that involve cross-sectorial co-ordination and the integration of environmental and social concerns into all development processes.

From the above literature review, it is clear that there is a close relation between environmental protection and sustainable development. Therefore, environment responsibility of companies is an indispensable component of CSR towards achieving sustainable development.

## 7. Research Discussion

The concept of environmental protection was ignored for a long time. When people saw the environmental degradation as a result of industrial operation, then people became aware and debated about companies responsibility on environmental protection in late 1960s. Industrial Revolution has spared us from stoop labor and the hazards of the fields and brought us comfort, convenience, and mobility. However, the pollution due to industrial revolution has poisoned many among us, caused Climate change problem, sea level rising and depletion of natural resources (Goodell, 2006). Current time civil society does not allow for companies to simply be in business for the sake of making a profit anymore. While consumers may rely on corporations for goods and services, the level of competition allows customers to make decisions based on several factors, including how much good a corporation is also doing outside of the workplace. Furthermore, many individuals today are basing their corporate loyalties on how companies are positively impacting their environment.

Therefore, environmental responsibility is very important for companies, because the companies cannot harm to the environment by their activities and they must keep our environment livable for our future generations. Every company or organization should ensure that the activities of the organization do not harm the environment and also demonstrate the organization's sense of responsibility to protect the environment. By doing this, on the other hand, the companies might be benefited, firstly, by creating a better public image. Consumers feel good shopping at organizations/companies that help the community and environment. Secondly, by adopting the environmental responsibility, the companies can get better and more media coverage. It is important to note that if a company participates in production or activities that bring upon negative environmental impacts, the media would also pick this up (and unfortunately, bad news spreads quicker than good news). Media visibility is only so useful in that it sheds a positive light to your organization. Finally, by protecting environment, the companies could foster a positive workplace environment, because employees like working for a company that has a good public image and is constantly in the media for positive reasons. Happy employees almost always equals positive output (Double the Donation, 2014).

The major global environmental pollution issue at the moment is greenhouse gas emission in the atmosphere, which is causing the problem of global warming and subsequent climate change problems and sea level rising.

However, the main environmental issue, which derived from the RMG sector in Bangladesh are: Water pollution and soil pollution. There are 15 million people living right now in Dhaka which is going to be 25 million by 2025. There are 5000+ RMG factories in and around the Dhaka city. The RMG sector is the second major contributor of river pollution after tanneries. The RMG sector uses lots of chemicals for dyeing and washing. Often the companies do not treat that chemical mixing water before drain out to the nearby low-land or water body. This sector is discharging 2 million m<sup>3</sup> effluents every day. Almost, the scenario is same in the port city, Chittagong (Mazumder et al. 2013). These effluents are destroying the biodiversity of the canals and rivers for last two decades. In these rivers at the moment no fish species exist and the low-land in and around the Dhaka city is incapable to produce any agricultural production. Therefore, the people, whose livelihoods were based on this lands and rivers, certainly have fallen into poverty and ultimately changed their livelihoods. Also, this water and soil pollution may have negative impact on human health, because this water might contaminate the ground water, which may have catastrophic effect on human health.

The RMG sector in Bangladesh is export-oriented industry. When exporting garments and textile products to the EU and US, we notice that more and more buyers include sustainability issues in their purchasing policies. So, taking sustainability issues in mind in the RMG sector, the environmental aspects in the production process are increasingly gaining attention along with social issues. It is open secret that everybody knows in Bangladesh, RMG sector is killing biodiversity of our rivers and canals; they already created a bad public image, which might have a negative impact on exporting to the international markets in the long-run. Therefore, it is the high time for the RMG owners/associations to address the environmental sustainability issues in their business strategy.

There is a range of environmental responsibility that RMG sector may need to adopt in their business strategy:

- Reduce consumption of energy, water and other natural resources, and emissions of hazardous substances;
- Use or produce recycled and recyclable materials, increase the durability of products, and minimize packaging through effective design (—reduce, reuse and recycle!);
- Train and encourage staff to look for additional ways to reduce the firm's environmental footprint;
- Use —green! (i.e., renewable energy) power electricity suppliers and energy-efficient lighting;
- Join or start a local —green business! club that can help local firm's access conservation grants and expertise for reducing waste, water use and energy;
- Consider using video-conferencing to meet a potential supplier or customer rather than always physically travelling to meetings; and
- Establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices.
- Comply with international environmental compliance such as ISO 14001.
- Install effluent treatment plant in the factory compound.

## 8. Conclusion and Recommendations

CSR is becoming a leading principle of top management and of entrepreneurs. Organizations can reexamine their pattern of behaviors in their business framework and begin their journey toward a sustainable approach that is integrated into their business strategy

The environmental responsibility of RMG companies is a self-policing, self-regulation, or voluntary initiative to protecting the environment so that the community people and the future generation cannot harm by their activities. CSR is becoming a leading principle of top management and of entrepreneurs. Organizations can reexamine their pattern of behaviors in their business framework and begin their journey toward a sustainable approach that is integrated into their business strategy. It might sound that it is a lot of burden and lot of investment for the companies. However, if the companies adopt CSR, they might be benefited in the long-run by creating a better public image and attracting more buyers from EU and US in the very competitive international market. At the same time, their voluntary initiatives will help to solve big global issues, such as biodiversity loss, poverty, health crisis associated with industrial pollution. In summary, the participants are inclined to accept the view of the need for wider disclosure in terms of CSR information and that companies of Bangladesh should take account of social and environmental issues wherever possible. This may be ascribed to their view that such disclosure is socially, ethically and morally desirable, reflecting Bangladeshi's moral culture. Finally, the research identifies the following recommendations in order to promote CSR in RMG sector in Bangladesh:

- 1) Build capacity and create awareness of RMG sector staff by arranging trainings and supplying appropriate technology
- 2) A multi-stakeholder involving Government, RMG associations (BGMEA, BKMEA), international buyers association, and civil society should work together to promote environment sustainability in RMG sector.
- 3) Government, RMG associations (BGMEA, BKMEA) and international buyers association should fund the RMG companies to change their practice gradually.

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