

# Corporate Social Responsibility Practices of Private Commercial Banks in Bangladesh

Md. Ahsan Ahamed

## Abstract

One of the top priorities for any business firm is corporate social responsibility. The sheer number of initiatives that business companies have taken shows how widely they have adopted CSR. In order to examine corporate social responsibility actions carried out by private commercial banks in Bangladesh, this study will do so. The study's secondary data came from annual report of banks, website, Bangladesh Bank publications published between 2018 and 2021. From this study, it can be inferred that practically all private commercial banks participate in CSR initiatives. The results of this study also show that private commercial banks in Bangladesh primarily engages in CSR activities by making contributions to the fields of environment protection, disaster relief, infrastructure development in remote areas, income generation for the underprivileged, and others. The survey also found that Bangladesh's PCBs mostly support the sectors of healthcare, education, and disaster assistance. Environment, infrastructure development, income-generating initiatives for underprivileged populations, and cultural welfare sectors are not given much weight by CSR. So, emphasis should be given to the environment, the development of infrastructure, and technological innovation, activities that generate cash in order to help development of socio-economic development of Bangladesh.

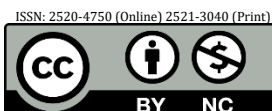


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## 1. Introduction

The business is a vital and integrated component of society. As a result, its social obligation extends beyond simply generating profits for capital owners, notably shareholders. In essence, corporate social responsibility is the idea that businesses can be chosen voluntarily to make contributions to a better world and a cleaner environment (European Commission, 2001). CSR is defined as “the obligation of a 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 independent of direct gains of the company” (Kok et al., 2001). CSR is defined by Kotler and Lee (2008) as a allegiance to improve community well-being through autonomous business exercise and contributions of company resources. CSR is the process of balancing an organization's financial operations with broader social and environmental implications (Islam, 2023). Actually, the purpose of CSR is to use corporate initiatives to positively impact society and the environment. In Bangladesh, CSR is a comparatively recent concept. Various agencies now expect more from businesses in terms of responsible behavior and accountability for their effects on the social, ecological and political settings in which they operate. Companies are also expected to help address societal issues including infrastructure and poverty in a larger community (Kok et al., 2001). There are two fundamental reasons why CSR is important for all businesses. First, the stakeholders group is putting more pressure on you to accomplish it. Companies who do not create and communicate their CSR policies to all of their stakeholders will see increasing risks to their brand. Second, it makes good financial sense, builds brand recognition, attracts new clients, and increases stakeholder return (Kabir, 2003). Businesses are becoming more focused on their social duty. Although CSR initiatives are undoubtedly expensive, they ensure a company's long-term viability by enhancing the company's reputation (Alam et al. 2010). A crucial component of the capitalist economy is the bank. Worldwide, banks play a crucial role in facilitating the efficient exchange of money between savers and investors. Banks operate on the basis of trust and use other people's money. Due to these characteristics, they stand out from other companies and have a greater social responsibility (Kaytaz and Gul, 2013). In fact, a social development is accelerated only when the banks of the country engage themselves in the field of corporate social responsibility (Sarker et al. (2020). As a result, banks place a strong emphasis on conducting business in a socially, ethically, and environmentally responsible manner. Additionally, stakeholders, international regulatory bodies, consumers, and shareholders create excessive influence on the banking sector to incorporate their social responsibility into their business operations (Azim et al. 2009). That is why CSR is currently considered a mainstream and important area of research in the academic literature (Kabir, 2022). The banking industry has integrated CSR into its operations and corporate strategy as a result of its expanding trend and significance (Szegedi et al., 2020). Additionally, banks examine the project's environmental impact as part of the loan approval procedure, and no environmentally detrimental projects are approved (Islam, 2023). The banking industry incorporates CSR in two ways, first is the pursuit of social and environmental responsibility through social and environmental responsibility programs. The second is to include social and environmental factors into a bank's core business of sustainability by incorporating them into product design, mission policies, and business strategies. The incorporation of environmental parameters into lending and investing strategies is a prominent illustration of this. Bangladesh's banking industry is making an effort to coexist with this element. For the purpose of long-term national development, they also feel compelled to make donations through CSR.

The primary goal of this study is to examine the CSR activities of private commercial banks in Bangladesh. In this regard, the study assesses the value of CSR efforts and also highlights the key regions in which Commercial Bank(s) in Bangladesh are engaging in CSR initiatives.

## 2. Literature review

Corporate social responsibility (CSR) has been defined by Azad et al. (2013) as the process by which businesses integrate social, economic and environmental concerns into their cultures, values, decision-making processes, and operations in a transparent and accountable manner to establish better practices within the firm, create wealth, and improve society. Rahman et al. (2010); Samina (2012); Rashid and Rashid (2014) conducted study on Islami Bank Bangladesh Limited (IBBL), a prominent commercial bank and found that IBBL donates a significant amount of money through CSR. In a study of 5 private commercial banks undertaken by Masud (2011), it was discovered that the focus of PCBs is on profit rather than CSR. The survey found that PCBs are attempting to enhance their contribution in accordance with the appropriate Bangladesh Bank requirements. According to the poll, the majority of banks are attempting to position themselves as world-class organizations in terms of CSR efforts. In their study, Rana et al. (2012) focused on Dutch-Bangla Bank Limited. Ahmed (2013) used Southeast Bank Ltd. for his research and it was discovered that banks spent the most money on the education sector through the Bangladeshi scholarship program, which covered all of the costs associated with a student's school, college, or university education. Rahman et al. (2013) conducted research on National Bank Limited and established that the company's participation in various CSR initiatives is modest yet commendable. In a study including 37 banks, Islam (2012) found that Bangladeshi banks are launching more CSR projects on a daily basis. Additionally, the survey found that the amount of CSR contribution differ from bank to bank and is based on the size of the company and return on equity. In a study published in 2013, Rahman and Iqbal (2013) sought to determine the CSR performance of ten private commercial banks. Five of the ten selected banks' CSR contributions are sufficient, but the sums contributed by the other four banks fall short of the industry standard. From 2015 to 2017, Hasan et al. (2019) conducted this investigation on 10 Bangladeshi private commercial banks out of 40 PCBs using a convenience sample technique. According to this study, PCB's CSR initiatives and profitability are strongly positively correlated. Based on the literature mentioned above, it is clear that there have been many studies focusing on CSR practices of private commercial banks. However, most of the studies have focused on some selected PCBs or only on the CSR practices of specific private commercial banks. In other words, not much research has been done on PCBs as a whole. By examining many literatures, the present study aims to close this gap i.e. the purpose of this study is to present a status of CSR practices of all PCBs operating in Bangladesh.

## 3. Methodology of the study

This research is descriptive in nature. The research is supported by secondary data. The information was gathered from magazines, newspapers, and Bangladesh Bank publications as well as the bank's website. To increase general knowledge on certain subjects and explore multiple international initiatives and inventiveness to uphold and execute CSR policies and guidelines, a number of books and related articles from various publications are employed. All scheduled commercial banks functioning in Bangladesh makes up the study's population. Bangladesh now has 60 banks in operation (BB, 2021). Private Commercial Bank (PCBs) is one of the other 42. The study has chosen to use all Private Commercial Banks (PCBs) due to the potential accuracy of the data. For this study, data from the last four years (2018–2021) were taken into account. Microsoft Excel was used to examine the data. Data is presented using tables, graphs, and charts.

## 4. Analysis of CSR Practices Private Commercial Bank (PCBs)

Bangladesh Bank issued a DOS circular to all scheduled commercial banks on June 1, 2008 to encourage banks to participate in CSR activities (BB, 2008). The main goal of this study is to

see the amount allocated by commercial banks towards CSR every year since the issuance of this circular. The CSR practices of Private Commercial Banks (PCB) are discussed below

#### 4.1 Number of Banks engaged in CSR

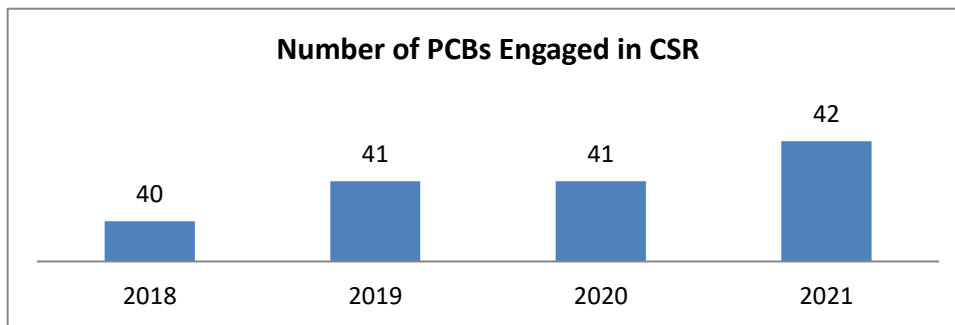
This study was done to find out how much the Bangladeshi banking industry participated in CSR activities. Table 1 below lists the number of private commercial banks involved in CSR.

**Table 1: Number of Private Commercial Bank (PCBs) engaged in CSR**

Nature of Bank	2018	2019	2020	2021
Private Commercial Bank (PCBs)	40	41	41	42

(Source: Compilation of Bangladesh Bank Report: 2018 to 2021)

Table 1 show that two banks have newly engaged in CSR activities in 2021 as compared to 2018.



**Figure 1: Number of Banks Engaged in CSR**

From Figure 1, it can be seen that in 2019 compared to 2018, a bank has newly engaged in CSR activities. The number of banks engaged in CSR remained the same in 2019 and 2020. Again in 2021 compared to 2020, a bank is newly engaged in CSR activities.

#### 4.2 Total CSR Expenditure of Private Commercial Bank

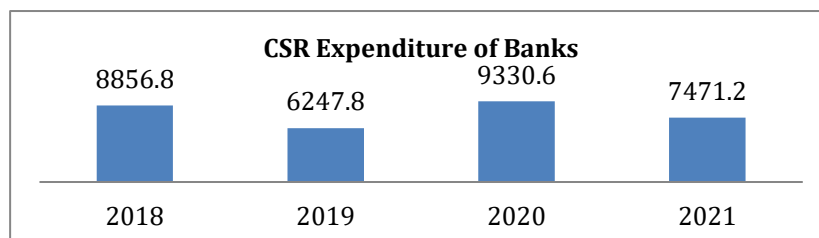
The amount of CSR expenditure in the banking sector of Bangladesh is mentioned in the table below:

**Table 2: Total CSR Expenditure of Private Commercial Bank (PCBs)**

Nature of Bank	2018	2019	2020	2021
PCBs	885.68	624.78	933.06	747.12

(Source: Compilation of Bangladesh Bank Report: 2018 to 2021)

Table 2 shows that from 2018-2021, PCBs disbursed Tk. 8856.8, 6247.8, 9330.6 and 7471.2 million respectively from 2018-2021.



**Figure 2: CSR Expenditure of Banks**

From this graph, it can be seen that PCB allocated the highest amount of CSR during the study period in 2020, which is 9330.6 million. In terms of expenditure, it is behind 2018 where the allocation was 8856.8. The allocation in 2019 was the lowest. While 2021 ranks third in terms

of CSR allocations, 2021's contribution is significantly lower than 2020's. This shows that there is no consistency in PCB allocation i.e. sometimes increasing and sometimes decreasing.

#### 4.3 Sector wise Contributions of Private Commercial Bank

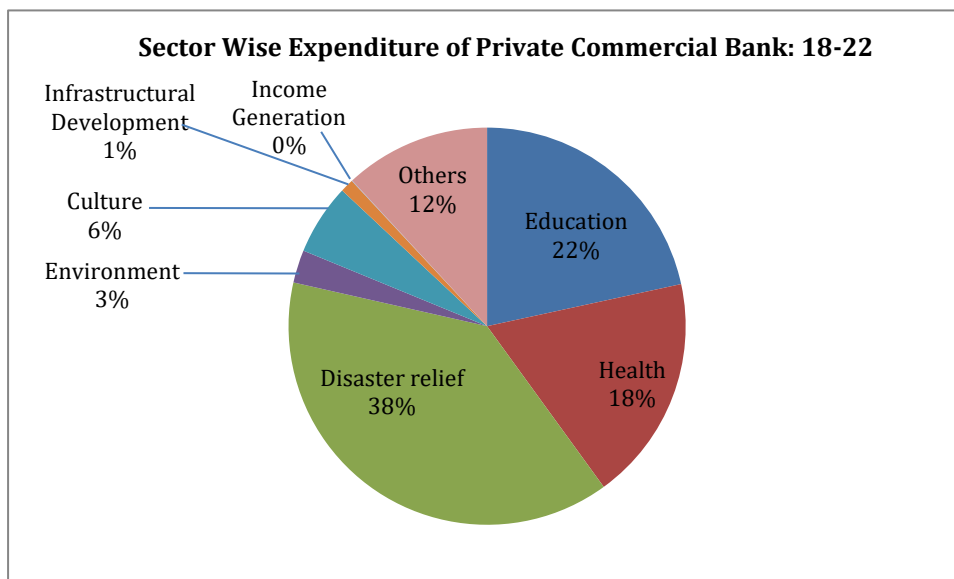
The following areas of CSR have been highlighted to analyze the current status of PCB's corporate social responsibility practices in line with the objectives.

**Table 3: Sector Wise Expenditure of Private Commercial Bank: 2018-2022**

Areas of Expenditure	2018 (Tk. in million)	2019 (Tk. in million)	2020 (Tk. in million)	2021 (Tk. in million)	Total (Tk. in million)
Disaster relief	3291.0	2391.8	3982.9	2627.4	12293.1
Education	3748.4	1721.3	900.2	521.4	6891.3
Health	457.2	660.1	1655.8	3099.5	5872.6
Others	890.9	875.9	1579.0	447.6	3793.4
Culture	425.3	261.3	892.3	261.2	1840.1
Environment	22.9	324.3	232.8	273.3	853.3
Infrastructural Development	14.9	12.3	84.6	235.3	347.1
Income Generation	7.9	0.9	0.5	5.2	14.5
<b>Total</b>	<b>8856.8</b>	<b>6247.8</b>	<b>9328.0</b>	<b>7471.2</b>	

(Source: Compilation of Bangladesh Bank Report: 2018 to 2021)

Table 3 shows that PCBs spent the most Tk. 12293.1 million on the disaster relief sector from 2018 to 2021. Again PCBs allocated Tk. 6891.3 million to education sector, Tk. 5872.6 million to healthcare sector and Tk. 3793.4 million to other sectors. It has engaged itself in CSR activities by allocating Tk. 1840.1 million to cultural welfare, Tk. 853.3 million to infrastructure development and Tk. 14.5 million to income generating activities. Table No. 3 shows that private commercial banks are involved in CSR activities by contributing to disaster relief, education, health, infrastructure development, environment, culture and other sectors (Roy et al., 2017).



**Figure: Sector Wise Expenditure of Private Commercial Bank**

According to Figure 3, almost 38% of the cash allocated to the disaster relief sectors over the last four years (2018 to 2021) came from the private commercial bank. The health industry comes in third at 18%, followed by the education sector at 22%, and other sectors at 12%. Therefore, the disaster relief, educational, and healthcare sectors all benefit most from PCB

(Ndiweni, 2018). Nominal attention was paid to the income-generating, environmental, cultural, or infrastructure development sectors (Ferdous, 2015; Roy et al., 2017).

## **5. Findings and Recommendations**

Private commercial banks make considerable contributions to CSR. The PCBs in Bangladesh mostly support the sectors of healthcare, education, and disaster assistance. CSR has little emphasis on the environment, infrastructure development, income-generating activities for underprivileged individuals, or cultural welfare sectors. According to the survey, the banking industry has recently increased its CSR contributions to the humanitarian and disaster relief sectors. It is also evident from this research that, even though the education sector gets importance for CSR expenditure, as education works as the basis of socio-economic development, the education sector should be given the highest priority in the field of CSR. Infrastructural Development and Income Generation for the backward people are needed for economic development so CSR expenditure should be increased in these two sectors. Also economic growth is significantly influenced by technological innovation, so CSR funds should be raised for the creation and diffusion of necessary technologies.

## **6. Conclusion**

This study is conducted to examine the effectiveness of PCB's CSR practices. Although it is not a new thing to contribute to the CSR activities of different business organizations, this research is done to know how much the private commercial banks of Bangladesh are engaging themselves in CSR activities. PCBs seem to continue to work towards integrating the concept of social practices with economic performance. Basically PCBs in Bangladesh strive to contribute to a wide range of areas through CSR in an effort to positively impact the industry in particular and society at large. The research findings show that PCBs are making a significant contribution to CSR, in compliance with Bangladesh Bank regulations. PCBs assist in disaster response, as well as in activities such as education, health, cultural welfare, environment, infrastructure development and employment generation for the poor. The study also shows that PCB contributed a total of Rs.8856.8 million in 2018, Rs.6247.8 million in 2019, Rs.9330.6 million in 2020 and Rs.7471.2 million in 2021. However, PCBs should not be complacent about the extent to which they have contributed to CSR activities. Rather there is a need to focus more on the contribution of CSR. Even commercial banks may find this study helpful in understanding their position within the larger banking industry and it is crucial for policy makers to assess banking performance in the light of corporate social responsibility. If PCBs contribute more to CSR, it can be claimed that they are acting in accordance with their legal obligations to society.

## **7. Applications, Limitations and Future Research Direction**

PCB consists of a large number of banks within the overall banking sector of Bangladesh. That's why the research seems significant. Through such research, Bangladesh Bank will know about PCB's recent contribution towards CSR. And knowing the real situation, Bangladesh Bank will be able to formulate up-to-date policy guidelines for the entire banking sector of Bangladesh. Thus by formulating the policy guidelines Bangladesh Bank will be able to ensure greater or desired CSR contribution. However, the limitations of this study can be identified - the study is limited only to private commercial banks in Bangladesh. And the data was collected only for the years 2018-2021 and hence the study cannot be assumed to be based on much longer period of data. Although the banking sector of Bangladesh consists of State-owned commercial bank(s), State-owned development bank(s), and Foreign commercial bank(s). So, future research can be conducted to know the CSR activities of State-owned commercial bank(s), State-owned development bank(s), and Foreign commercial bank(s) in Bangladesh.

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