

Corporate Social Responsibility (CSR) Practices in Financial Sector of Bangladesh: A Comparative Analysis between Banks and Non Bank Financial Institutions (NBFIs)

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Abstract—Corporate social responsibility (CSR) is a vital part of business especially for the developing countries' financial institutions. So the roles of banks are paramount significant in the economic and social development. Here in this report we have tried to exhibit a comparative study of performing the CSR of two different types of financial organizations; Banks & Non Banking Financial Institutions (NBFIs) in Bangladesh. There are 56 banks and 35 NBFIs in Bangladesh. Basically it is an exploratory research based on secondary data. Throughout the report we tried to highlight on CSR expenditure, dimensions of CSR expenditure such as Education, Humaterian, Art, sports, women empowerment, Gender issues, green banking etc. Here we find that banks have utilized \$ 63.81 million where as NBFIs expenses \$ 0.753 million as CSR. Banks are focusing on education sector while NBFIs are concentrating on Art and Cultural activities for their CSR dimension. Both types focus on women and gender issues seriously. But in case of green banking NBFIs are lagging far behind the banks in Bangladesh.

Keywords: CSR, banks, NBFIs, green banking, financial sector

1. INTRODUCTION

Business is an attached and entrenched part of the humanity. The underlying forces of business surpassed the limits set years back and strong ideas of being socially well have been introduced. Besides carrying out business actions and chasing economic profits, business firms also have many other responsibilities towards people. An essential role is being played by the corporate firms by sharing their profit under the heading of CSR. The profits shared are being used in the development of activities which are both caring and empathetic. Corporate Social Responsibility (CSR) has now become an essential part of banking sectors. It is now considered as a standard for viable banking practices. The impact of financial organizations in this sector is of supreme importance taking into account their vibrant role in bankrolling the monetary and evolving activities. Nevertheless, it is remorseful that although CSR is being

practiced at a huge rate internationally, Bangladesh is still a few steps behind at this particular sector. The difference between the standard of the whole world with our country Bangladesh, clearly shows a lacking and it also gives us a scope for development, where there is a greater scope in this sector to be developed.

In this corrupted environment in corporate culture, CSR cannot be considered as the only ethical quandary, faced by monetary institutions. CSR is followed by the organizations only for the sake of their own interests in Bangladesh currently. A desperate need for an in-depth study of the amount and the quality of CSR caused us to take the matter seriously and carry out the research. The banking system in Bangladesh is relatively under developed, particularly those that are run by the Government. An effort is being made by the private banks to replicate the structure of the banks of more developed countries. Banks are corporations which accept deposits, give out loans, pay the checks, and perform other interrelated services to the people. The banking system consists of 4 state-owned commercial banks, 5 specialized banks, 38 private commercial banks, 1 land development bank and 9 foreign commercial banks. Non-banking financial institutions (NBFI) embody one of the significant parts of an economic system. NBFIs are comparatively new compared to BFIs. Currently there are 35 institutions that are working, which falls under NBFI. In this report, a comparative study will be done between the contributions of banks and NBFIs in Corporate Social Responsibility (CSR).

2. LITERATURE REVIEW

CSR is a said to be something which is a concept of an organization not being only interested in earning profit, rather than being also interested in the social welfare and its stakeholders. Banks are playing a vital role in societal

development through sharing their profit under the heading of CSR. Backman (1975) identified the activities of CSR as "Minority group employment, reducing the pollution, being more participating in programs which intend to improve the society, improvement of medical care, improvement of health. Alam and Shafiul (2010) said that although banks are contributing more towards CSR, they are not contributing at the rate at which their profit has increased. Alleviation of poverty, education, enrichment of culture, development of youth, education, empowerment of women, patronization of music and sports, healthcare are the most common practices of CSR made by the different organizations. Some prescribed areas of CSR activities are recognized as framework in this study, and will identify how the banks are in compliance with this framework. Sharma (2011) in his study said that an organization's commitment in operating in a manner which is socially responsible can be recognized CSR. This being said, the activities of CSR in developing countries have not been so vibrant. Masud and Hossain (2012) conducted a survey among 10 banks and the findings were that almost 60% of the banks took part in the recommended CSR area as per the financial act. Azim et al. (2011) mentioned that in this corrupted environment of corporate culture, CSR cannot be considered as the only ethical quandary, faced by monetary institutions. There is also a difficulty faced by the organizations in keeping their commitment towards continuous and sustainable development as it cannot be always kept while participating in CSR. Azim et al. (2011) also said that CSR reporting of banks is increasing day by day, which shows that they are taking the matter more seriously and they are presenting their participation in the annual report timely. From the above mentioned previous findings, it can be seen that a lot of reports have been prepared regarding Corporate Social Responsibility (CSR) but the difference between the banking sector and non-banking financial institutes in respect of CSR have not yet clearly been found. Das, Dixon and Michael (2015) worked on the corporate social responsibility sector of Bangladesh. They worked on the CSR activities of banking sector. The aim of the report was to find out the condition of CSR in Bangladesh and how much the banks are participating in CSR. The research was conducted on all the listed banking companies of Dhaka Stock Exchange (DSE) as well as Chittagong Stock Exchange (CSE). It was found that the engagement of banks in CSR increased from 59.02% in 2007 to 76.87% in 2011 and the expenditures was seen to increase more than 10 times within this period. Hassan (2013) worked on the corporate social responsibility in banking sector of Bangladesh. The report mainly focused on the Private Commercial Banks (PCB) and State Owned Banks (SOB) of Bangladesh. The aim of the report was to understand the situation of corporate social responsibility of banking sectors in Bangladesh as well as to identify the areas where PCBs and SOBs are spending more for the purpose of CSR. It was found in the study that compared to their profit; the participation of the commercial banks was very low on CSR and suggested that a proper guideline from government regarding CSR can

help to overcome this problem. Masud and Hossain (2012), in a study named "Corporate Social Responsibility Reporting Practices in Bangladesh: A Study of Selected Private Commercial Banks", tried to find out the CSR reporting practices of selected Banks in consideration of finance act 2010 and 2011. The study revealed that 100% Banks reported their CSR activities but it is also a matter of concern that less than 60% Banks participated in prescribe CSR areas according to finance act. Miyan (2006) has worked on the dynamics of corporate social responsibility in Bangladesh. The aim of this report was to focus on implication of CSR activities in business and contribute a lot to community development in Bangladesh. CSR in Bangladesh would be useful, not only for improving corporate governance, labor rights, work place safety, fair treatment of workers, community development and environment management, but also for industrialization and ensuring global market access. CSR concentrates on benefits of all stakeholders rather than just the stockholders. At a Roundtable organized by CSR Center of Bangladesh Enterprise Institute, held on Thursday, 23 February, 2006, poor accountability and dearth on expertise has been identified by the speaker as major problems in CSR practicing in Bangladesh. Around 20 high-level executives from local and international corporate houses and donor agencies participated in the roundtable. Lentner, Szegadi & Tatay (2015) did a research on corporate social responsibility in banking sector where they not only cover the commercial banks but also covers CSR of central bank in various countries. Lentner et al. (2015) have said about the objectives of their research. The objective is to discuss corporate social responsibility an attitude putting ethical norms in the spotlight. They also introduce a CSR pyramid which distinguishes various layers of responsibilities in performing social responsibilities. Yeung (2011) works in bank, banking related industries and finance academics. She used primary and secondary data in her research. In primary data she used a questionnaire where there were about 25 questions and collect data from 65 respondents. The objective of her research was to (Yeung, S, 2011) explore the perception of respondents on corporate social responsibility (CSR) and banking practice of major banks in Hong Kong.

3. OBJECTIVES

The broad objective of this study is to show a comparative analysis of CSR practices in Banks and NBFIs in Bangladesh. Other specific objectives are-

- a. To find out the overall scenario of CSR in financial sector of Bangladesh.
- b. To find out the various dimensions of CSR in financial sectors.

4. METHODOLOGY

This paper is exclusively a descriptive research on corporate social responsibilities in banks and NBFIs in Bangladesh. Most of the data are collected from various published reports such as reports of Bangladesh bank, annual reports and periodicals of central bank, various commercial banks, NBFIs, Bureau of Statistics etc. Thorough literature review is done to get idea about the CSR practices in financial institutions of Bangladesh and other countries.

5. ANALYSIS AND DISCUSSION

5.1 Highlights of CSR Expenditure

There are 56 Banks in Bangladesh. Banks have been focusing more and more on the CSR activities which resulted \$ 7. 92 million increment of CSR expenditure in 2014 than 2013 . Although CSR initiatives involve direct expenditure ,all the banks have been participating in SMEs and agricultural financing as the main or typical focused areas of CSR activities. Other sectors such as education, health care, environment issues are also getting priorities recently. The farmers have been educated and trained about scientific method of cultivation and plant protection which would help them to enrich their cultivation.

On the contrary number of NBFIs are 31 in Bangladesh. Almost all of them are involved in CSR activities. The CSR expenditure level of these NBFIs may not be as high as of the banks, but they are quite consistent and focused. One of the main reasons of differences of CSR expenditure between banks and NBFIs are the number of banks are more than NBFIs. The total expenditure in this sector in the year of 2012 was \$ 0.133, but in 2014 it was \$ 0.753 which is almost 6 times more.

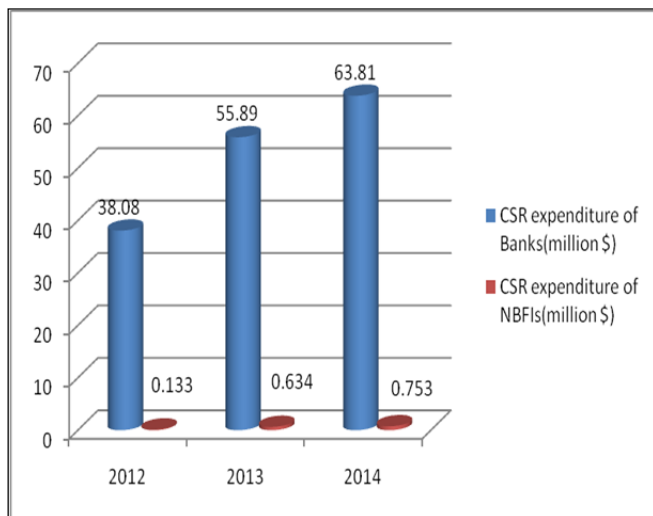


Chart 1: Highlights of expenditure of banks VS NBFIs

5.2. Direct CSR Expenditures

Table 1: Direct CSR expenditures reported by banks

Sectors	2012(%)	2013(%)	2014(%)
Education	32.29	28.97	29.54
Health	14.29	10.77	27.1
Humanitarian & disaster relief	25.88	30.99	18.6
Sports	6.03	8.59	4.06
Art & Culture	7	2.79	7.97
Environment	4.6	2.38	3.22
Others	9.91	15.51	9.5

Direct CSR means investing in education, health humanitarian issues, art, sports, environment etc. both banks and NBFIs have significant investment in education, health and humanitarian sector. But interestingly while banks' most contribution was in education sector, NBFIs contributed in arts and cultural sector in 2104. But last couple of year their prime contribution were in education and health sector. Banks' are contributing in sports but NBFIs are not interested in sports. But is noticeable that in both cases contribution in education, health and humanitarian sectors are reducing in comparison to previous years but others sectors are increasing due to the versatility of CSR natures.

Table 2: Direct CSR expenditure reported by NBFIs

Sectors	2012(%)	2013(%)	2014(%)
Education	28	31.13	11.31
Health	17.61	29.05	13.43
Humanitarian & disaster relief	15.89	26.78	18.11
Sports	1.83	0.67	0
Art & Culture	8.08	0.2	26.71
Environment	7.36	0.84	4.99
Others	21.22	11.33	25.44

5.3 Women Empowerment

Results of the study conducted by Bangladesh Bank shows that the female employment has a tendency to be concentrated in the entry and mid level both in banks and NBFIs. On the other hand, at the senior management level the amount is pretty low. In spite of having competency, the women are ignored in the senior management level. But it is a good sign that both banks and NBFIs selecting women in entry level significantly which is 13.7% and 18.65 respectively. Bangladesh Bank nowadays is closely monitoring this issue and trying to reduce it as much as possible. For this they are trying to introduce some new rules and regulations which are mandatorily followed by all financial institutions. The main purpose of this is to ensure equity in the workplace.

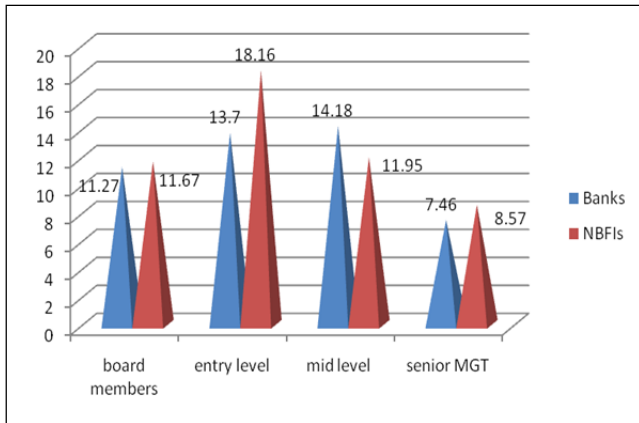


Chart 2: Women Empowerment in Banks and NBFIs

5.4 Gender Issues

As women are an integral part of society, so development is not possible by overlooking their contribution. And for this, the only thing we need to ensure equity and as well as security for them so that they can contribute as per their capabilities. From Chart 3 we find that at present 51 banks have provisions for 6 month maternity leave, which were 34 in 2013. Other banks allow 3-4 months leave. 6 banks have established crèche facilities for working mother but only 1 NBFIs provides this service. So a special care should be provided in this sector. Almost half of the banks have adopted women employee harassment policies but only one fourth NBFIs have these types of policies.

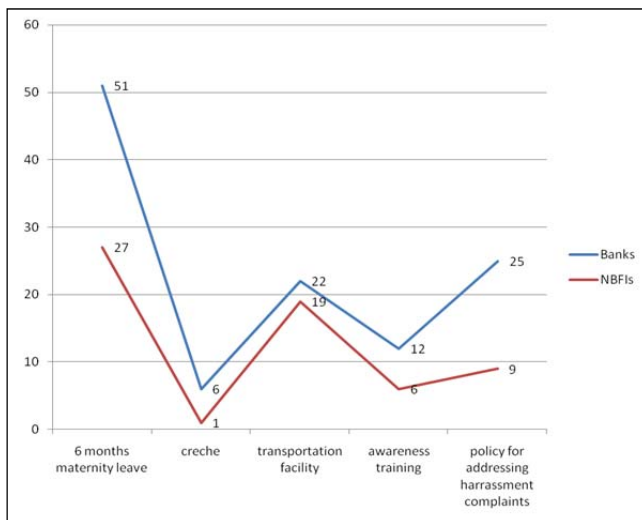


Chart 3: Gender issue in Banks & NBFIs

5.5 Green Banking & Finance Activities of Banks & NBFIs

Bangladesh bank has initiated a new horizon called Green banking which is considered a significant dimension of CSR. Since currently environment is considered with great importance so why Green banking can ensure the banks' and

NBFIs' social responsibilities comprehensively. From the table 3 it is apparent that almost all the banks and NBFIs have green banking units and office guides. They are significantly investing in environmental risk rated projects. But in case of operations we find significant differences between bank and NBFIs. Here we see that banks have 413 solar power run branches whereas NBFIs have only 15. Beside this banks have started using solar power in ATM/SME units where NBFIs yet to take this initiatives. More than 54% of banks' branches practicing online banking which is environment friendly reducing the use of paper. But NBFIs has no online banking facilities in Bangladesh. But to some extent NBFIs have positive signs such as percentage of loan disbursement in direct green finance which is 5.57% contrast to banks' 0.7% only. But banks are extensively investing in green marketing and training where NBFIs have lack of initiatives.

Table 3: Green Banking initiatives of Banks and NBFIs

Subject	Banks	NBFIs
Number of banks having green banking unit	55	29
Number of banks having green office guide	55	28
Number of environmental risk rated projects and financed	30435	2303
Amount disbursed against rated projects (in million TK)	1442420.70	77356.29
Number of solar power brunches	413	15
Solar power ATM / SME units	228	0
Online branches	54.29%	0%
Amount disbursed as green finance (in million TK)	435877.09	22430.56
Direct green finance as percentage of total funded load disbursement	0.7%	5.57%
Amount utilized from climate risk fund (in million TK)	501.82	103.62
Amount utilized for green marketing, training and development (in mill TK)	169.29	3.95

6. CONCLUSION AND RECOMMENDATIONS

Corporate Social Responsibility has become a criterion of socially lawful business endeavor and the acceptance of it is growing day by day. Countries of developed economy have taken the idea of "Social Responsibility" with that of "Achieving Highest Profit." Through CSR activities corporate organizations can carry out social and philanthropic activities for furthering equitable and sustainable social development. This study has found out that CSR activities so far are merely implemented for maintaining business policy without really nurturing social and generous intentions and social accountability. Most corporate organizations, including sample banks of this study, practice CSR because of their business enlargement or for promoting organizational image and recognition. Although CSR activities have a high potential

for societal contribution, so far there has been a very little contribution towards family, society and the nation.

In this study, all the banks and NBFIs have demonstrated good contribution to the education, health, art and culture, disaster management and sports sector. But we believe that there are ample scopes for improvement to practice CSR. As the dimension of CSR has changed in recent past it is quite difficult to adopt and implement. But the financial institutions of Bangladesh are doing a great job and the contribution has been exemplary. Government and Bangladesh Bank should build a proper guideline to enhance the CSR contribution by commercial banks. Finally, CSR contributions are increasing day by day by commercial banks of Bangladesh. Though SOBs are still lagging behind in CSR contribution, however if all the PCBs and the SOBs give proper attention to this important issue and contribute toward CSR activities it will play a significant role in mitigating of social obligations.

Some suggestions are provided to make the CSR activities more comprehensive.

- The contributions must be decentralized. The banks & NBFI's should try to focus in almost every possible sector of welfare.
- They should highly focus in the field of sports as this has been one of the brightest sector to represent our country.
- They should focus on the human psychology & try to sort out the reasons of dissatisfaction.
- Online branches, solar power ATM or SME units should be launched by NBFIs.

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