

Role of Government in the Promotion of Corporate Social Responsibility (CSR): The Case of Bangladesh Banking Sector

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Abstract

CSR initiatives are increasing in the context of Bangladesh like many other developing countries. Here, both the government and the private sector are contributing in CSR. Especially government is playing significant role in the promotion of CSR. The main purpose of this study is to identify how government policies, guidelines and regulations influence CSR initiatives in Bangladesh banking sector. Qualitative content analysis has been used to analyse Bangladesh central bank's annual CSR reports, commercial banks' annual reports, websites and relevant publications. CSR data and information of all 48 commercial banks, including the private, government and foreign banks were considered to analyse CSR expenditures during the period 2007-2010. Some western countries provide examples of governments acting as drivers of CSR to ensure social wellbeing. Previous studies of banking CSR in Bangladesh have primarily explored the nature of CSR disclosures, corporate governance, corporate sustainability reporting and corporate social reporting. However, studies of the roles of government or regulatory authorities in the promotion of CSR are very limited, especially in the context of Bangladesh. The study identified that the notion of increased CSR activities in Bangladesh banking sector is consistent with government influence in this area through regulatory mechanism. This study presents a new model in the context of a developing country, where government influences in the promotion of CSR. It appears that Bangladesh government promoted CSR through regulatory mechanism. With this experience in the banking sector, government can take such initiatives for other business sectors as well. CSR expenditure increased ten folds in four years after the government intervention. This increased CSR expenditure helped reduced unemployment, alleviate poverty, supported education and healthcare and ultimately improved the quality of life of the citizens of Bangladesh. This study precisely identified that government influence can increase CSR initiatives as well as benefit the

society in an incremental way. It is an original contribution as such studies are limited in the context of Bangladesh.

Keywords: Corporate Social Responsibility (CSR), bank, role of government, influence, regulation, Bangladesh.

1. Introduction

Bangladesh is one of the least developed countries in the world and faces huge social, economic and environmental challenges that adversely affect the lives of its citizens in many ways. Corporate Social Responsibility (CSR) can be a useful tool in improving citizens' quality of life. The term „CSR“ has been defined from different perspectives by different scholars/institutions. Although there is no agreed-upon, unique definition of CSR, the definition provided by the World Business Council for Sustainable Development is preferred for the purposes of this study: “Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD, 1999). In Bangladesh, both multinationals and local companies are engaged in CSR activities. However, banking companies also contribute significantly to CSR initiatives as they have substantial financial resources, and the banking sector plays a vital role in improving economic and social conditions in Bangladesh (Ahmad and Khanal, 2007).

Some western countries provide examples of governments acting as drivers of CSR to ensure social wellbeing in addition to their roles of collecting taxes, enacting laws, developing infrastructure, creating jobs and providing security to citizens (Moon, 2004). Previous studies of banking CSR in Bangladesh have primarily explored the nature of CSR disclosures (Azim, 2010; Sobhani *et al.*, 2009), corporate governance (Khan *et al.*, 2010), corporate sustainability reporting (Khan *et al.*, 2010) and corporate social reporting (Khan *et al.*, 2009). However, studies of the roles of government or regulatory authorities in the promotion of CSR are very limited, especially in the context of Bangladesh. The present study explores how the central bank of Bangladesh has influenced CSR initiatives and expenditures in Bangladesh.

The paper is organized into nine sections. Section two presents a brief literature review, section three provides an outline of Stakeholder Theory and the roles of banking stakeholders, section four provides a brief overview of Bangladesh's banking sector, section five discusses the Bangladesh central bank's initiatives with respect to CSR, section six describes the research design of this

study, section seven presents discussion and analysis, section eight presents recommendations, section nine presents limitations and future research, followed by a discussion of the study's summary and conclusion.

2.0 Literature review

2.1 CSR concepts, practices and relevant studies

CSR has been practiced in western countries for many years and has recently become important for developing countries as well. Although a unique definition of CSR still does not exist, an early definition, provided by Bowen (1953), is "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society" (p. 6). According to Carroll (1999), the evolution of the CSR construct began in the 1950s, marking the modern age of CSR, and the definition expanded during the 1960s and 1970s. In addition to new definitions of the concept, new themes of CSR emerged in the 1980s, including corporate social performance (CSP), the Stakeholder Theory and the business ethics theory. In the 1990s, previous CSR theories again took centre stage, and Carroll (1991) developed his CSR pyramid that started with economic categories as a baseline and built up through legal, ethical and philanthropic categories. A modern definition of CSR, developed by the World Business Council for Sustainable Development, states that "Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large" Watts and Holme (2000, p. 3).

In the 21st century, companies began moving toward strategic CSR, shifting from corporate philanthropy. Porter and Kramer (2006) argued that when approached strategically, CSR generates opportunities, innovations and competitive advantages for corporations in addition to solving pressing social problems. According to these authors, every company can identify a particular set of societal problems that it is best equipped to resolve and from which it can gain the greatest competitive benefit. Later, Seigel and Vitaliano (2007), in an empirical study, found that CSR activities are likely to be integrated into companies' business-level, product-differentiation strategies. For example, a "hybrid" version of the Honda Accord generates less pollution and is considered superior to the standard model; in addition, customers are willing to pay a premium price for this vehicle, benefiting both society and the company. Another longitudinal study, by Lamberti and Lettieri (2009), provided evidence of business excellence through strategic CSR. A company

examined in the authors' empirical case study launched different CSR business practices to enhance the company's image as socially and environmentally responsible, eventually winning over its stakeholders, including the customers who helped the company become financially successful.

2.2 Previous studies of CSR in Bangladesh

Although the CSR literature in Bangladesh dates back only a little over a decade, Aatur Rahman Belal has conducted extensive CSR research in the Bangladeshi context. The author's first study, on environmental reporting, examined the annual reports of 30 public limited companies and evaluated the companies' environmental disclosure efforts (Belal, 2000). The study found that in most cases, the quantity and quality of environmental disclosures were poor compared with disclosures in developed countries.

Khan *et al.* (2009) studied CSR reporting in 20 selected commercial banks in Bangladesh. Their study had two major outcomes. First, the authors confirmed that the selected banking companies did some CSR reporting on a voluntary basis. Second, the key stakeholders of these banking companies favoured CSR reporting and wanted more disclosures. However, the examined banking companies' disclosures were insufficient to assess the social responsiveness of the companies, although the banks did emphasize human resources disclosures. Half of the banks reported that they had directly participated in social engagements, while others had created separate foundations to support social engagement activities in the community.

Khan *et al.* (2010) studied the corporate sustainability reporting, relative to Global Reporting Initiative (GRI) standards, of 12 of the top performing banks in Bangladesh. The authors reached a number of conclusions in their in-depth study. First, although the sample banks' reporting was not at the GRI level, they had all established foundations to conduct CSR activities, which indicated the banks' good intentions with respect to social causes. Second, the study compared the reporting behaviour of banking companies in a developing country context with global sustainability indicators. Finally, the authors developed a set of hierarchical codes in light of the GRI guidelines for the banking sector; they suggested that the coding might be useful to the central bank for policy purposes and in providing guidelines for commercial banks' reporting.

2.3 Evolution of CSR practices in Bangladesh and in the banking sector

The concept of modern CSR has much in common with traditional philanthropic

practices in Bangladesh, which are deeply rooted in the country's heritage. Bangladesh's culture of philanthropy was influenced over many years by religious values of Hinduism, Islam, Buddhism and Christianity (Khair and Khan, 2007). Religion has an enormous influence on Bangladeshi citizens, and many people have become involved in philanthropic work in the hope of living in heaven in the life hereafter. According to Bangladeshi history, both Hindu and Muslim *Zaminders* (kings of small estates and rich citizens) established temples, mosques, schools, colleges, medical centres, water tanks, etc. Devoted Muslims in Bangladesh are also influenced by the Islamic culture of charity (Sadeq, 2002). There are three types of charities in Islam: compulsory, such as *Zakat* (religious tax) and *Fitra* (both are obligatory donations); optional, such as *Sadaqah* (general donations); and perpetual (*Waqf*).

At independence in 1971, the banking system in Bangladesh began functioning with 12 banks inherited from the Pakistani period. Eventually, these banks were nationalized (while four foreign banks remained private) and renamed after being merged into six banks (Islam, 2006). However, after a change in government in 1976, financial sector reform began with the licensing of new banks under private ownership (Ahmad and Khanal, 2007). During the 1980s, more private banks received operating licenses, and senior executives of the public banks sometimes initiated CSR activities. For example, Lutfar Rahman Sarkar, Managing Director of Sonali Bank, undertook a noteworthy project called BIKALPA in 1983 to provide work to unemployed university graduates without any collateral (Islam, 2010).

During the 1990s, many NGOs, such as the *Bangladesh Poribesh Andolon* (BAPA), the Bangladesh Environmental Lawyers Association (BELA), the *Poribesh Rokkha Songsod* (Poros) and the Forum of Environmental Journalists of Bangladesh (FEJB) played active roles in various initiatives for the protection of the environment (Belal, 2008). Such activities indicate that several stakeholder groups, for example, environmentalists, civil society members, the media, lawyers and employees, actively supported the CSR agenda during this period.

In the beginning of 21st century, Werner (2009) found that CSR practices among Bangladeshi companies and the subsidiaries of foreign companies in Bangladesh became much more visible. The CSR practices of these companies also positively affected the social status, earnings potential and access to services and resources of socially excluded populations of Bangladesh. According to a directive of the Bangladesh Bank (the central bank), while the adoption of CSR initiatives by Bangladeshi banks is voluntary, the Bangladesh Bank will monitor CSR adoption and performance

of banks and financial institutions as an additional dimension of their management performance (Chowdhury *et al.*, 2010).

3.0 Stakeholder Theory and the role of banking stakeholders

Several theories have evolved in this field, predominantly the Stakeholder Theory, the Social Contracts Theory, the Legitimacy Theory, the Instrumental Theory, the Political Theory and the Ethical Theory. However, the Stakeholder Theory is the most relevant (Carroll, 1999) to issues related to CSR, and this theory is discussed in detail below.

A great scholar and proponent of the Stakeholder Theory, Freeman (1984) reported that the word “stakeholder” first emerged in the management literature in an internal memorandum at the Stanford Research Institute (now SRI International, Inc.) in 1963. Freeman was the first academic to present a “theory” following an evaluation of the role of actors in the firm environment. Freeman’s work added to the scholarship that suggested that other internal and external actors, in addition to stockholders, affect firms’ behaviour (Key, 1999). Abrams (1951) identified four corporate claimants—employees, stockholders, customers and the public—who could also be identified as stakeholders.

Stakeholders are typically of two types: primary and secondary. A primary stakeholder is “one without whose continuing participation the corporation cannot survive as a going concern” (Clarkson, 1995). Primary stakeholders may include shareholders, investors, employees, customers, suppliers, communities that provide markets and governments that provide infrastructure and markets, whose laws and regulations must be followed and to whom taxes and obligations are owed (Clarkson, 1995). Secondary groups are defined as those that influence or are influenced by the corporation but are not involved in transactions with the corporation and are not critical to its survival (Clarkson, 1995).

Freeman’s (1984) definition of stakeholders has dominated the CSR literature for many years. In the context of Bangladesh’s banking sector, primary stakeholders include banks’ shareholders, customers (depositors, borrowers and other service users), employees, management, the Bangladesh community and the Bangladesh government. The secondary stakeholders in the Bangladesh banking sector are journalists, environmentalists, social scientists, civil society members, academics, NGOs, bank unions, etc.

Shareholders: Shareholders are important stakeholders in businesses in that they can play a crucial role in orienting a business toward social responsibility (Naeem, 2007).

Shareholders have a financial stake in businesses in the form of stocks and bonds, and they expect financial returns. In Bangladesh's banking sector, shareholders play a vital role in the operations of businesses through the selection of directors (mainly in privatized banks) and in expressing their opinions regarding management's future direction in annual meetings (Singh and Ahuja, 1983). Thus, the voices of shareholders can spur management to implement CSR programs.

Customers: Customers play a very significant role as stakeholders in any business operation. Customers can take action to reward or punish a company for its activities in an attempt to change or reinforce those activities (Moon, 2007). Many companies are especially attentive to environmental and social issues due to their substantial reputational vulnerability among customers. US consumer groups often boycott multinationals that manufacture their products in third-world countries or through third-world subsidiaries that abuse human rights or maintain poor working conditions. Customers can play a vital role in promoting CSR by favouring products and services from socially responsible companies. A bank's major customers and principal stakeholders are depositors, borrowers and users of other services (Kane, 1995). In Bangladesh, these customers carefully observe these businesses' contributions to society in addition to their economic performance. Support from banks' customers in Bangladesh may provide CSR department's greater encouragement to engage in CSR activities.

Employees: Employees are considered some of the most important stakeholders in any organization (Hasan, 2009). They are known as an organization's internal stakeholders. Employees, under the direction of management, work hard to achieve an organization's goals. Employees also participate in different decision-making committees. In addition to financial benefits, organizations may also provide better working conditions beyond employment contracts to promote increased job satisfaction. As a result, when satisfied employees participate in CSR activities, they often produce superior outcomes because their productivity is influenced by their attitudes and motivations. Compensation and benefits in the banking sector are better than in most other business sectors in Bangladesh (Hossain, 2000), which results in high satisfaction among banking staff, the key stakeholders in the banking sector. As a result, CSR performance in the banking sector is comparatively superior and more organized than in other business sectors in Bangladesh.

Management: Management plays a special role and has an obvious stake in modern corporations (Freeman, 1984). Bank management has a duty to promote the wellbeing of the

banking corporation. Top management, in particular, must attend to the health of the organization, which can involve balancing multiple claims of conflicting stakeholders.

Management's role in banking CSR is also important. CSR refers to management's obligations to set policies, make decisions and follow courses of action beyond the requirements of the law to further the values and objectives of the society (Mosley *et al.*, 1997). In Bangladesh, shareholders desire higher financial returns, customers desire efficient customer service, employees desire higher salaries and benefits and the local community desires improved community support and welfare. It is the responsibility of the bank management to maintain a balanced relationship with all of the stakeholders of the individual bank. Bank boards (management) in Bangladesh may develop necessary CSR policies for their individual institutions in light of their philosophies and continue to monitor the implementation of such policies to achieve their overall goals.

Community/society: Another powerful stakeholder is the local community/society that gives an organization its legitimacy to operate its business and in turn benefits from the organization's tax proceeds and economic and social contributions. In the context of Bangladesh, banks receive supplies of human resources, electricity/water, roads/highways and an abundance of consumers (borrowers/depositors) from the community. Maintaining good relationships with local communities is beneficial to both the banks and the communities. A recent empirical study of 20 selected banks identified 10 banks that reported their community involvement in the form of giving "donations for the causes of humanity and society" and four banks that granted funds for the society's disabled and destitute (Zaman *et al.*, 2009).

The government: The government is another primary stakeholder (Clarkson, 1995). The government provides infrastructure, enacts laws, regulates the tax system and plays the most significant role in business and society. The government of Bangladesh develops policies to protect local businesses while complying with WTO regulations to provide access to foreign goods (Bangladesh Government, 2009) and fashions fiscal and monetary policies to encourage local and foreign investors. Increased investment ultimately benefits society through the generation of employment and increased taxes. Moreover, the Bangladesh Bank has taken various initiatives to recognize the efforts of banks to further encourage banks in CSR activities (Rahman, 2011).

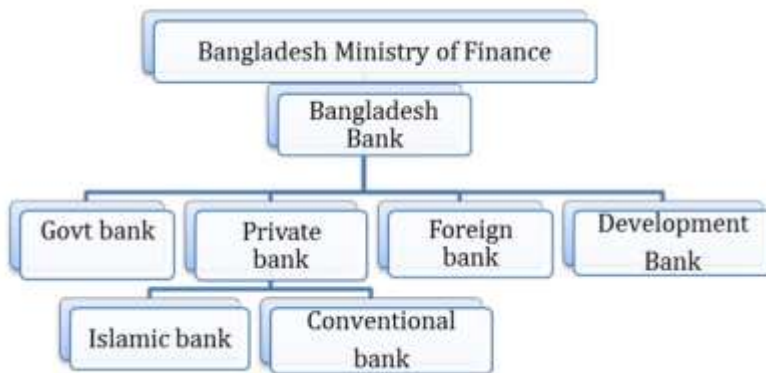
Among all the stakeholders, bank management appears to be the most important because management is directly involved in the planning, funding and monitoring of banks' CSR activities. Most early researchers focused primarily on the managerial perceptions of CSR (Belal and Owen, 2007; Duarte and Rahman, 2010) and revealed that organizations use CSR as a public relations

tool to enhance their economic gains (Deegan and Unerman, 2006). Several primary stakeholders are involved in CSR processes and programs in the Bangladesh banking sector. The roles of secondary stakeholders (journalists, environmentalists, social scientists, civil society members, academics, NGOs, bank unions, etc.) in the Bangladesh banking sector are also quite visible.

4.0 A brief overview of the banking sector in Bangladesh

4.1 The Ministry of Finance

The Ministry of Finance is responsible for overseeing the functioning of financial institutions in Bangladesh. In addition, it plans, implements and controls public expenditure policies and programs of the Government.



The Ministry of Finance is comprised of four divisions: the Internal Resources Division, which raises the necessary domestic revenue for the government, including customs duties, income taxes and the VAT; the Economic Relations Division, which mobilizes external resources for the country's socioeconomic development; the Banking and Financial Institutions Division, which manages law and policy issues related to banks, non-bank financial institutions, capital markets, the insurance sector and the microcredit sector and coordinates activities for the formulation of policies on capital adequacy for related policies and programs; and the Finance Division, which oversees administrative affairs, coordination, monitoring and preparation and implementation of the national budget.

4.2 Role of the Bangladesh Bank, the country's central bank

The Bangladesh Bank, the central bank and main regulatory body of Bangladesh's monetary and financial system, was established in the country's capital on 16 December 1971.

The central bank currently has 10 offices located in different parts of the country, with 4,951 employees as of November 2012 (Bangladesh Bank, 2013). Under the leadership of the Governor, the Bangladesh Bank performs a wide range of functions, including the formation and implementation of monetary and credit policies, regulation and supervision of banks and nonbank financial institutions, promotion and development of domestic financial markets, management of the country's international reserves, issuance of currency, regulation and supervision of payment systems, banker to the government, money laundering prevention, collection and provision of credit information, implementation of foreign exchange regulations, management of deposit insurance, offsite supervision and monitoring and regulation of CSR reporting of Bangladeshi banks.

5.0 Bangladesh Bank's initiatives for CSR

The Bangladesh Bank is a powerful stakeholder in the banking sector, and it closely monitors, controls and ensures the accountability of banking and financial institutions. As a result of the Bank's activities, the banking sector has performed better than many other sectors in the economy. In a 2008 memorandum, the Bangladesh Bank instructed banks and financial institutions to a) address key sustainable development challenges, b) follow the Sustainability Reporting Guidelines developed by the Global Reporting Initiative and c) initiate CSR programs (Chowdhury *et al.*, 2010). While the adoption of these initiatives was voluntary, the reporting and disclosure of information on CSR activities was mandatory. In addition, the Bangladesh Bank continues to monitor CSR adoption and performance of banks and financial institutions as an additional measure of banks' management performance. This memorandum stimulated banks and financial institutions to undertake CSR activities.

5.1 Promotion of CSR through publications and seminars

The central bank has published an annual report called the „Review of CSR Initiatives in Banks“ since 2010. This report contains highlights of banks' CSR practices, analyses of these activities and information on CSR expenditures of banks relative to their annual revenues in recent years. The report is the only CSR-related government publication in Bangladesh that provides a detailed sectoral overview of CSR activities. The publication additionally provides an opportunity for stakeholders to gain access to relevant information on banks' CSR activities, and it clearly demonstrates the Bangladesh Bank's commitment to the promotion of CSR in the country.

The central bank promotes CSR through seminars, workshops and roundtables, presenting itself as an exemplary model for the banking sector to follow. For example, during a lunch meeting with members of the American Chamber of Commerce in Bangladesh in July 2009, the central bank Governor emphasized that financial inclusion should be a high priority in banks' CSR programs and that banks should initiate measurement and tracking of their ecological footprints and contribute to carbon neutrality (Rahman, 2009). In addition, in a seminar held in 2012 with the Bangladesh Association of Banks (BAB) and the Association of Bankers, the Governor recommended that banks collectively facilitate and hasten the cost-effective acquisition of necessary technical knowhow based on expertise available in corresponding banks abroad by pursuing well-established and advanced CSR observance practices (Rahman, 2012).

5.2 Ranking of banks, taking CSR performance into consideration

Since 2011, the Bangladesh Bank has awarded extra marks for banks' CSR performance in addition to its CAMELS rating (Capital adequacy, Asset quality, Management soundness, Earnings, Liquidity, and Sensitivity to market risk), enabling banks to raise their performance ratings (Chowdhury *et al.*, 2012). The central bank also considers CSR performance when approving the opening of new bank branches and gives priority to banks that have commendable CSR records. This new benchmark set by the Bangladesh Bank to measure the performance of banks may stimulate greater competition among these institutions for better rankings in the banking sector. Historically, banks in Bangladesh have competed against each other based on the CAMELS rating system, which mainly graded banks' financial performance (Bangladesh Bank, 2011). In 2010, the top three banks with respect to CSR activities were Islami Bank Bangladesh Limited (IBBL), Exim Bank and Dutch Bangla Bank Limited.

5.3 Adaptation of CSR as a key strategy

In November 2009, the Bangladesh Bank introduced 17 key strategies for the next five years (2010-2014) to pursue its mission and vision and to address needed developments and changes (Kazemi, 2009). The Bank promoted CSR activities as one of the key strategies to implement environmentally responsible and socially equitable business practices for the sustainable development of Bangladesh. As part of its CSR strategy, the Bank decided to make CSR a mainstream practice of banks and financial institutions in Bangladesh. To achieve this objective, the Bank undertook four action plans: a) monitoring the CSR efforts of banks and financial

institutions, ii) adopting energy efficient, environmentally friendly and harmless emissions in Bangladesh Bank installations, iii) initiating steps to attain the skills and knowledge needed to measure the carbon footprint of the Bank's organizational practices and processes and iv) exploring new areas for CSR activities and identifying the need and scope for policy support.

5.4 Directive for establishment of CSR desks by banks

In December 2010, the Bangladesh Bank requested that all of the country's banks establish a CSR desk as a point of contact for communications between the central bank and individual commercial banks (Sufian, 2012). These desks can also coordinate with relevant stakeholders, maintain records of banks' CSR projects and act as liaisons with the central bank when required. In response to this request, most banks have established CSR desks and appointed CSR managers.

This directive improved the coordination of banks' CSR activities. For example, BRAC Bank immediately created a „CSR Desk“ and issued a press release informing its stakeholders of the initiative. In the press release, the bank stated that it has a responsibility to the society and people with whom it works. The bank stated that it hoped that the „CSR Desk“ would help the bank carry out its CSR responsibilities in an organized manner. The BRAC Bank's CSR programs focus on the environment, education, healthcare, youth leadership, culture and heritage and community development. In addition, the bank has declared itself ready to share information related to CSR with its stakeholders through its CSR Desk (Sufian, 2012).

6.0 Research design

6.1 The research question

The central research question for this study is:

What role Bangladesh central bank is playing to promote CSR in the banking sector?

Initially, the above research question can be explored under the four themes, based on the directives, guidelines and practices by the Bangladesh central bank. Firstly, considering the efforts of publishing annual CSR report and participation in the seminars/workshops by the central bank governor, an examination will be made to identify whether *these initiatives are contributing in the promotion of CSR*. Secondly, given the situation that Bangladesh central bank considers CSR as one of the criterion for *ranking of banks*, an examination will be made whether such consideration has any impact on the banking sector or not. Thirdly, as Bangladesh central bank has adapted *CSR as one of the key strategies*, an examination will be made whether such a key strategy can help

contribute in the promotion of CSR or not. Finally, an initiative will be taken to examine whether the central bank directive for the *establishment of CSR desks in banks* will have any scope to play role in CSR promotion.

Conducting a content analysis in the current study involved several important steps: a) choosing the documents containing the CSR initiatives of the Bangladesh banking sector; b) closely examining the annual reports, websites and other printed materials of the sample banks as well as of the Bangladesh central bank; c) identifying the statistics, categories and types of CSR activities of those banks and analysing the data, content and information; and d) presenting the findings and recommendations to the audience.

6.2 Content analysis Method

Answering the research question examined in this study involves textual analysis of ***Annual CSR Reports*** of Bangladesh central bank, *Annual Reports* by individual banks, different directives and guidelines of Bangladesh central bank pertaining to CSR and other relevant documents as applied by Bennington (1999). To examine corporate attitudes represented in the texts of annual reports and also to ascertain the current pattern of social reporting practices of Bangladeshi companies a textual analysis of corporate annual reports (1999/2000) is undertaken. Textual analysis, according to Silverman (1993), is an analysis of texts and documents. It can be described as the art of science of interpretation of „texts“, which also takes into account the „contexts“, which have generated those „texts“. Bennington (1999) suggests that a variety of research methods may be applied in order to understand the meaning embedded in a text. One such method is content analysis, which may be quantitative as well as qualitative (Unerman, 2002).

Content analysis is most suitable method for this study. This study requires examination of the contents (data and information) in the annual CSR reports, related regulations, guidelines and policies. The findings are discussed and analysed in the following section.

7. Discussion and analysis

The tables below clearly show that CSR expenditures, both in total amounts and relative terms, steadily increased after the 2008 intervention by the Bangladesh Bank, the regulatory authority for all banks in Bangladesh. The number of banks participating in CSR increased from 15 in 2007 to 30 in 2011, and the mean volume of expenditures increased from 17 million taka in 2007 to 62 million taka in 2011. The government played the role of „driver of

CSR". The government's influence as a driver of CSR clearly caused CSR initiatives and activities to increase in terms of financial volume, a finding supported by Moon (2004). **Table 1: CSR Expenditures (in million taka)**

Categories	2007	2008	2009	2010
Humanitarian	127.7	58.6	125.1	460.41
Education	14.3	30.5	94.8	400.79
Health	68.6	112.1	245.5	689.07
Sports	2.7	49.8	1.2	263.23
Art & culture	-	0.8	0.3	328.91
Environment	-	-	-	59.78
Others	13.1	158.9	86.9	125.58
<i>Total</i>	<i>226.4</i>	<i>410.7</i>	<i>553.8</i>	<i>2329.8</i>

Source: „Review of CSR initiatives in banks (2010)“

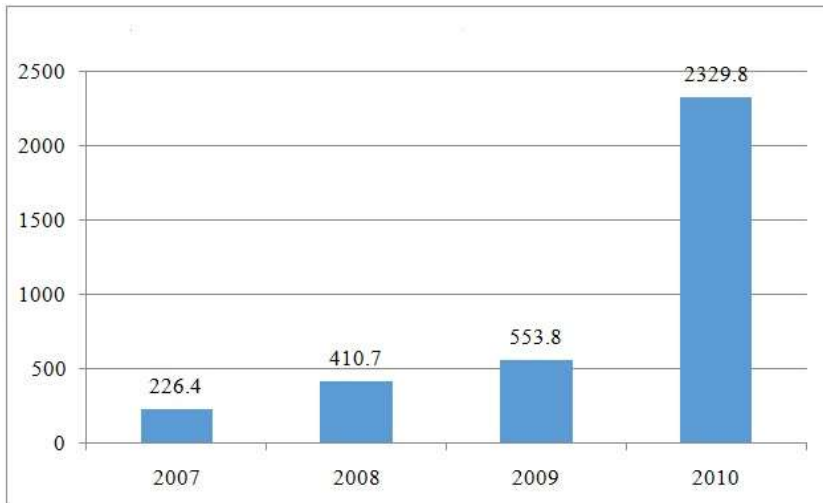
According to Moon, governments encourage CSR through ministerial leadership, stimulating new and existing business associations to engage in CSR activities and subsidizing banks in their conduct of CSR initiatives. The present study shows that this phenomenon is equally evident in Bangladesh.

Table 2: CSR expenditure of Bangladesh banking sector (in million taka)

	2007	2008	2009	2010
Total CSR expenditure	226.40	410.70	553.8	2329.8
Mean CSR expenditure	4.92	9.92	13.85	50.65
Number of banks participation in CSR	17	27	24	46

The Bangladesh Bank provides leadership and influences the banking sector by enacting regulations/guidelines. In addition, it stimulates new and existing business associations to engage in CSR activities by organizing joint seminars, workshops and presentations.

Figure 1: Total CSR Expenditure (in million Taka)

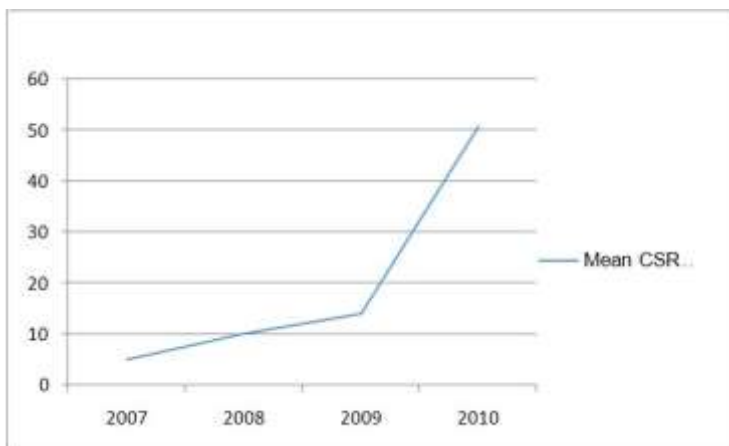


Source: „Review of CSR initiatives in banks (2010)“

Finally, it offers loans at subsidized rates for solar power projects and deploys soft regulations to expand and promote CSR.

Moreover, the Bangladesh Bank’s treatment of CSR as an additional performance dimension, beyond the traditional CAMELS rating system, has made CSR a matter of prestige for banks. Achieving a higher ranking gives banks greater credibility and a more humane image in Bangladesh. The influence of this Bank initiative may have already accelerated CSR programs, and it can be inferred that it will continue to stimulate banks’ CSR activities in the future.

Figure 2: Mean CSR expenditure of banks in Bangladesh (in million taka)



Our results show that CSR expenditures in Bangladesh’s banking sector increased significantly during a period when the government encouraged CSR activities through central bank regulations,

especially compared with the previous period when the government made no such efforts. This observation is consistent with the view that the government has strong influence over Bangladesh's banking sector. As the regulatory authority for the country's banks, the central bank is empowered to improve the country's banking environment. The Bank made a timely intervention in promoting CSR, thus improving the wellbeing of Bangladeshi citizens. In particular, the growth in CSR initiatives in the banking sector has benefitted underprivileged segments of Bangladeshi society.

Although Bangladesh is a poor country that struggles economically, socially and environmentally, the intervention/influence of the government has evidently benefitted Bangladeshi society. It is also apparent that government influence with respect to CSR can assist the country's socially excluded population in many ways. For example, thousands of scholarships have been awarded by banks to help students, who would otherwise be forced to drop out for financial reasons, continue their studies.

The content analysis identified the following themes, which are needed to be address for expansion, and growth of CSR initiatives in Bangladesh as discussed below:

7.1 Lack of a CSR forum at the national level

The examination of relevant documents and reports does not indicate only CSR related policies and guidance at the national level, except central bank's policies and guidance. As a result, the CSR initiative is only effective in the banking sector in Bangladesh, not another sector, which is a common picture in the developing countries. In the developing countries there is a lack of coordination among the public sectors' relevant institutes to promote CSR (Nasrullah & Rahim, 2014, P. 200).

7.2 Absence of a CSR Network among the banks of Bangladesh

The banking sector in Bangladesh is highly organized and this sector is actively engaged CSR activities and having an excellent growth potential. However, this study has shown that there is no network among these banks to coordinate their CSR activities (Ullah, 2014).

7.3 Need for a public-private partnership for CSR

A public-private partnership (PPP) initiative could be used to advance CSR efforts, maximize the impact of CSR programs and minimize operating costs, which is absent in case of Bangladesh and other developing countries. The current study sensed the lack of public private partnership initiatives to promote CSR in Bangladesh. Rather the term “public-privatepartnership” is being used mainly for green washing in the developing countries like Bangladesh (Alves, 2009).

7.4 Role of governmental media to promote CSR

Next to the government, the media is most likely the largest, most powerful institution in any society. TV, radio, newspapers, magazines, journalists and press clubs have an enormous impact on businesses and on society. Consequently, media has a good role to play to promote CSR in the society (Islam, 2015). Though government of Bangladesh own a number of media like Bangladesh Television and Bangladesh Sangbad Sanstha, but they hardly take any initiative to promote CSR in the country.

7.5 Lack of academic curriculum of CSR issues

The study identified that there is a necessity for CSR education in Bangladesh in terms of the levels of National Educational Policy (NEP), university and college, banking industry and other corporate firms (Raihan, Hoque, Azad & Zohra, 2013). However, there is no visible initiative to develop a curriculum to promote to enhance CSR education and awareness.

8. Recommendations

The above presentation and discussion provide an overview of the government’s influence on CSR activities, especially through Bangladesh’s central bank. We now present recommendations that may advance current CSR initiatives, thereby improving the wellbeing of the citizens of Bangladesh.

8.1 Launching of a National CSR Forum

At present, CSR initiatives are influenced and supported by several governmental and non-governmental agencies in Bangladesh. Healthcare initiatives by banks involve the Ministry of Health in various ways. For example, some banks operate free medical camps for distressed people in remote villages in collaboration with local medical facilities. In these cases, local

doctors, nurses and midwives are instrumental in diagnosing patients and distributing medicine. Similarly, banks run various environmental protection programs with the assistance of the Ministry of Environment, coordinating with the Ministry in the implementation their CSR agendas. Other CSR issues are coordinated with other ministries and government agencies that provide stand-alone support when needed. However, a visible, coordinated effort among these organizations might produce better results in the implementation of CSR programs. To improve the effectiveness of banking CSR initiatives, a national CSR forum could be established under the umbrella of the government of Bangladesh with representation from relevant organizations and ministries such as the Ministries of Finance, Health, Commerce, Labour and Employment, Education, Environment and Forest and Social Welfare, in addition to the Chamber of Commerce, the media, NGOs, trade unions, environmentalists, academics and other relevant stakeholders. Such a forum could be used to formulate a national CSR strategy or a uniform CSR code that accords with internationally recognized best practices.

8.2 Establishing a CSR Network among the banks of Bangladesh

The banking sector in Bangladesh is highly organized and is involved in CSR activities that have excellent growth potential. However, this study has shown that there is no network mechanism among banks to coordinate banks' CSR activities. The banks plan, direct, control and monitor their own CSR activities based on broad guidelines from the government. However, pursuing a CSR agenda in isolation may be problematic. For example, when distributing food and medicine to victims of natural disasters, there is always the possibility of overlapping relief efforts in the same geographic area, while other areas might be short of food, medicine or shelter. The same situation can arise when pursuing CSR agendas in other sectors.

Therefore, the establishment of a „Banking CSR Network“ for the effective coordination of CSR initiatives would be beneficial. This network could provide banks with the opportunity to share information and learn from each other's expertise and experiences in CSR engagements. In addition, banks could launch joint CSR programs that would utilize resources optimally while benefitting ordinary Bangladeshi citizens.

8.3 Public-private partnerships (PPP) to enhance CSR activities

Banks and other corporations in Bangladesh have come forward to implement CSR agendas for the social good. On the one hand, business organizations and NGOs have financial

and other resources to help advance CSR agendas; on the other hand, certain governmental agencies, including the Bangladesh Bank, the National Board of Revenue, the Ministry of Education, the Ministry of Environment and the Department of Labour, are also supportive of such CSR initiatives. These governmental agencies have huge underutilized resources that can be used to support CSR programs and projects. For example, public transportation support can be instrumental in relief distribution among disaster victims. Similarly, public community halls or primary schools under the control of local governments can be utilized to coordinate disaster preparedness or provide shelter to victims. A public-private partnership (PPP) initiative could be used to advance CSR efforts, maximize the impact of CSR programs and minimize operating costs while involving larger numbers of people, especially from the government agencies, in such altruistic initiatives.

8.4 Media campaign to promote CSR and governmental support

Next to the government, the media is most likely the largest, most powerful institution in Bangladeshi society. TV, radio, newspapers, magazines, journalists and press clubs have an enormous impact on people's lives, on businesses and on society. Similarly to businesses, the media have an obligation to be socially responsible. The media can expose anti-social elements, drawing the attention of law enforcement agencies, and raise awareness of social issues by providing relevant news and information.

However, the government can play an additional role by utilizing its powerful resources to further the influence of CSR campaigns. The government runs a TV station, Bangladesh Television, which has the widest coverage of any TV network in Bangladesh and can be used to generate awareness of CSR initiatives among citizens. The government-run news agency, Bangladesh Shangbad Shanstha, can also play an effective role in serving the same purpose.

8.5 Developing academic curricula on CSR issues

Bangladeshi business school curricula, with few exceptions, do not cover CSR. If future managers do not understand their social responsibilities and their value to society, they may not pursue CSR initiatives enthusiastically when they are engaged in corporate jobs, which would be a tragedy. Moreover, many academics who studied in the west and are pursuing careers in Bangladesh understand the basic concept of CSR but are underutilized.

Several universities in Bangladesh have collaborative partnerships with universities in western countries—including the USA, Europe and Australia—that have detailed CSR curricula for classroom teaching. Bangladeshi universities can adopt these curricula from their overseas partners and modify them to suit local contexts and needs. The adoption of CSR curricula with a qualified teaching staff would instil in future graduates recognition of the social responsibilities of business. In particular, students at business schools could learn how to implement CSR knowledge and ideas in their jobs to benefit both businesses and society.

In view of the situation, governmental agencies and businesses should jointly identify the major impediments to the promotion and expansion of CSR. With the assistance of suitable experts, the two groups could formulate recommendations to coordinate Bangladeshi laws with international standards so that businesses can operate their CSR programs smoothly, ensuring that the society as a whole benefits.

9. Limitations and future research

For convenience, data and information related to private commercial banks in Bangladesh were used in this study because data for all banks were not readily available. In addition, this research covers a period of only four years. Obtaining data for all banks in Bangladesh covering a longer time period may provide a better understanding of CSR in the banking industry. Similar studies could also be conducted in other business sectors in Bangladesh.

10. Summary and conclusion

This study has provided a historical overview of the evolution of CSR in Bangladesh and its banking sector. The study has also briefly presented relevant CSR theories and the contributions of major CSR scholars and other scholars with respect to CSR in Bangladesh. Specifically, the Stakeholder Theory, its relevance to the current study and the roles of different stakeholders in the banking sector have been discussed in detail. In addition, the role and influence of the government as a powerful stakeholder have been thoroughly discussed and analysed.

The major functions and roles of Bangladesh's central bank have been critically examined, and special initiatives by the Bank in advancing the CSR agenda have been explored. Such initiatives play a key role in the banking sector in generating momentum for CSR and can serve as examples for other business sectors in Bangladesh.

This study has also presented some statistics on banking sector CSR expenditures from 2007 to 2010. Mean CSR expenditures increased significantly over the period. The increased CSR expenditures are consistent with the increased revenues of the banks. The statistics also show that nearly all banks operating in Bangladesh eventually became engaged in CSR initiatives, which nearly doubled over the four years.

The increase in CSR activities in the banking sector has impacted the lives of the citizens of Bangladesh. Currently, the central bank is focusing on the promotion of CSR, advancing the CSR agenda through publications and seminars. However, several recommendations made by the authors could help overcome existing challenges and increase current CSR momentum.

The study has also identified some limitations, overcoming which would enable current CSR efforts to advance further. The authors' recommended initiatives include launching a national CSR Forum, establishing a CSR Network among banks, using public-private partnerships, promoting a media campaign by the government and developing an academic curriculum to generate awareness and encourage future managers to engage in CSR activities. In addition, the recommendations shed light on how other government agencies can work together and support CSR initiatives in Bangladesh.

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