

CORPORATE SOCIAL RESPONSIBILITY IN BANGLADESH: THE ROLE OF ISLAMI BANK BANGLADESH LIMITED

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Abstract

Purpose - This paper analyses the CSR Role of Islami Bank Bangladesh Limited targeted to contribute in the economic, social and environmental betterment of Bangladesh as well as for its citizens.

Methodology - For the purpose of this study, Content Analysis has been considered as the most appropriate research method. To understand the role of IBBL in CSR activities in Bangladesh, a content analysis has been conducted utilizing relevant articles, books, periodicals, annual reports and websites.

Findings - The study reveals that IBBL is making significant contribution towards Bangladesh society through its CSR activities. It is evident that IBBL effectively addresses the social, environmental and economic concerns of Bangladesh within its limits.

Research limitations - This study is based on content analysis, which requires the access to all relevant information, which is limited in case of IBBL, except the Annual Reports, websites and a few journal articles on the CSR activities of this bank.

Practical implications: This study will be a useful tool for future researchers. This study will also

be a good source of information for different users like government, NGOs and civil society members.

Originality - The number scholarly work on CSR in Bangladesh from Islamic perspective is very limited. Moreover, there has been no prior work on IBBL's CSR performance except a study on IBBL's CSR by in healthcare. So, a study on the CSR role of IBBL is an original contribution to literature.

Paper contribution - Research paper.

Keywords: CSR, Role of IBBL, Bangladesh.

Introduction

Bangladesh is a developing country with huge social, economical and environmental problems. However, this is evident that the increasing practice of Corporate Social Responsibility (hereon CSR) is contributing to improvement in the lives of its citizens (Werner 2009). As defined by the World Business Council for Sustainable Development, 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” (World Business Council for Sustainable Development 2008).

However, CSR is a relatively new idea in Bangladesh, especially to its banking sector, which emerged during 1980s. A number of banks are active in initiating, promoting and maintaining CSR activities and Islami Bank Bangladesh Limited (IBBL) is in the forefront among them. This paper explores the role, contribution and achievement of IBBL through its CSR activities in the Bangladesh society.

Limitations

This study is based on content analysis, which requires the access to all relevant information, which is limited in case of IBBL, except the Annual Reports, websites and a few journal articles on the CSR activities of this bank. For example, the annual reports only explain the direct employment of IBBL, but do not express the number of employment generated and social contributions made by the organizations, which are financed by the bank. However, a future study with access to advanced data in this regard may bring better results in the coming days.

Key concepts

Defining CSR

The above a definition of CSR has been given by the World Business Council for Sustainable Development. This definition has been chosen because of its comprehensiveness and relevance

to the context of the proposed research. It has three components: a) continuing commitment by business to behave ethically; b) contribute to the economic development while improving the quality of life of the workforce and their families; c) as well as of the local community and society at large; the above definition completely conforms to the practices and norms of IBBL.

Closely associated with CSR is the notion of ‘stakeholder’, defined by Freeman (1984) as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. This research will also investigate the role of the Key Stakeholders of IBBL and their involvement in promoting CSR in Bangladesh.

Theoretical frameworks

For a better understanding of the bank’s relationship with CSR Garriga and Mele’s typology can be referred, which suggests that the most relevant CSR approaches are focused on one of the following aspects of social reality: economics (Instrumental theories), political (Political theories), social integration (Integrative theories) and ethics (Ethical theories). IBBL’s CSR activities falls under all four theories of Garriga and Mele, as described below:

Instrumental theories

In this group of theories, CSR is seen only as a strategic tool to achieve economic objectives and, ultimately wealth creation. Representative of this approach is the well-known Friedman (1970) views that “the only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and the ethical custom of the country.”

Political theories

A group of CSR theories and approaches focus on interactions and connections between business and society and on the power and position of business and its inherent responsibility. They include both political considerations and political analysis in the CSR debate.

Integrative theories

This group of theories looks at how business integrates social demands, arguing that business depends on society for its existence, continuity and growth. Social demands are generally considered to be the way in which society interacts with business and gives it a certain

legitimacy and prestige.

Ethical theories

There is a fourth group of theories or approaches focus on the ethical requirements that cement the relationship between business and society. They are based on principles that express the right thing to do or the necessity to achieve a good society.

Preliminary Literature Review

CSR literature has been in existence for more than three decades and this issue has been in discussion from many angles. de Bakker et. el. (2005) believes that there has not been any consensus about the question of whether any progress has been made in academic literature on these responsibilities regarding CSR. Though there has been abundance of work on CSR, the amount of literature on the CSR in Bangladesh and its banking sector, especially on Islamic banking CSR is very limited. Below, a preliminary literature review is provided on the core themes and concepts of the proposed research, including the historical background of the CSR concept, definitional ambiguities associated with the concept and major theories of CSR.

The Historical Background of CSR Concept

While exploring, it is found that CSR concepts have long rooted historical background. The need for companies to undertake some activities that are regarded as beneficial to the society is discussed extensively in the literature and has been in the academic study for many years (Heald, 1957, cited in Ullmann, 1985). Carroll, a great scholar in this field has expressed his knowledge of the history. According to Carroll (2008), CSR began to take shape in the 1950s, though some developmental work took place before this period. He notices that the 1960s marked a momentous growth in attempts to formalize or more precisely brief, what CSR meant. He also expresses that in 1970, it was found that reference increasingly being made to corporate social responsiveness, corporate social performance as well as corporate social responsibility. According to him, the focus on developing new or refined definitions of CSR gave way to research on CSR and a splintering of writings on alternative or complementary concepts and themes, during 1980s. He also observed that very few unique contributions to the concept of

CSR occurred in the 1990s; however, the CSR concept served as a base point for other complementary concepts and themes including corporate social performance (CSP), stakeholder theory, business ethics, sustainability and corporate citizenship. According to Carroll (2008), the 21st century has been experiencing refinements, research, alternative themes, management practice and global expansion of CSR.

CSR in Bangladesh

There is few research studies on CSR conducted in South Asia, in particular to Bangladesh. Considering the socio economic and environmental conditions of Bangladesh, its citizens are suffering in multiple sectors. Moreover, increased global competition in trade and commerce has put Bangladesh in a very much challenging situation (World Bank 2009). Competitiveness of corporate entities of Bangladesh could be improved by involving more on promising concerns of CSR issues (Mamun & Ahmad 2009).

Imam (2000) carried out a more detailed study on CSR in Bangladesh, looking into social and environmental performance reporting in the annual reports. The study finds that out of 40 sampled companies, only 9 disclosed environment related information, but does express the nature of environment related information. It concludes that comparing to the financial reporting, social and environmental reporting is poor in terms of both quality and quantity.

Imam (1999) and Belal (2000 b) conducted two other studies that dealt with the environmental disclosures of companies, in their annual reports, in Bangladesh. Imam (1999) expresses that only 11.76% and 20.58% of sampled companies listed on Dhaka Stock Exchange disclosed environmental issues in 1992-93 and 1996-97 respectively and the rest of the companies did not disclosed any such information. Belal (2000 b) scrutinizes the annual reports of 30 sampled companies and expresses that 90% of the companies hardly made environmental disclosures.

Quazi and O'Brien (2000) carried out a study on cross national model of CSR, where they discover that two distinct groups of managers represent two different views (classical view and wider view) of CSR in their businesses.

Momin (2006) expresses that subsidiaries of MNCs and large corporations voluntarily disclose social and environmental information in Bangladesh. Interestingly, there is an increase in the level of information that was voluntarily disclosed by these companies in the years 1999 and 2000.

A recent study was conducted by Mamun and Ahmed (2009) on the managers' vision on CSR. The study concludes that a paradigm shift has occurred in the business arena as well as in the CSR field. According to these researchers, such a shift is direct response to the number of pressures created by different stakeholders of the business. They also express that with the pressure emerging from the stakeholders, gives a new shape to the Social Responsibility, in Bangladesh.

However, the number scholarly work on CSR in Bangladesh from Islamic perspective is very limited. Moreover, there has been no prior work on IBBL's CSR performance except 'CSR by Islami Bank in healthcare – stakeholders' perception', which is a partial view of total CSR activities of IBBL. So, the choice of 'Corporate Social Responsibility in Bangladesh – The Role of Islami Bank Bangladesh Limited' has been considered at an appropriate and timely manner.

Islamic Perspectives of CSR

The Islamic view of CSR takes a rather holistic approach, contrary to the Western theories. It offers an integrated spiritual view based on the teachings of the *Qur'an* and the *Sunnah* providing a better alternative philosophical framework for human being's interaction with nature as well as with other human beings (Ahmad 2002). The moral and ethical principles derived from divine revelations are more stable, eternal, and absolute (Ahmad 2002), therefore may serve as better guidelines for corporations when exercising their business and social responsibilities simultaneously.

Considering the prime importance of the *Shar'iah* in the Islamic paradigm, a religious bond assumes a crucial role than mere social contract. Islam requires human beings to submit to the *Shar'iah* by committing themselves to the contractual obligation and leading life in accordance with high virtue and moral consciousness as stipulated by the guidelines of *Shar'iah*. This means that human beings are not expected to conduct economic, social and other worldly activities as a self-centered economic agent, rather is expected to balance between the rights and responsibilities of the individuals and that of society (Chapra 1992). Therefore, the notion of

social responsibility is firmly engraved within the religious/Islamic bond. The CSR activities and services by IBBL conform to the norms and practices of Islamic *Shar`iah*. Moreover, the Islamic religious spirit has been reflected in the CSR initiatives of this bank.

Statement of Purpose

CSR is a comparatively new phenomenon in Bangladesh business sector. However, IBBL have been engaged in CSR activities for over two decades. This study contributes in the field of CSR and explores the role of IBBL in Bangladesh society through its CSR activities. The specific objective of this research is:

What CSR role is being performed by IBBL and its key stakeholders that directly contributed in the economic, social and environmental betterment of Bangladesh as well as for its citizens?

Methodology

For the purpose of this study, Content Analysis has been considered as the most appropriate research method. Content analysis was applied to determine the presence of certain words, sentences or concepts within texts or sets of texts. It is a standard methodology in the social sciences for studying the content of communication. It refers to any technique for making inferences by objectively and systematically identifying specified characteristics of messages. As defined by Weber (1988), content analysis is a method of codifying the text (or content) of a piece of writing into various groups (or categories) depending on selected criteria. To understand the role of IBBL in CSR activities in Bangladesh, a content analysis has been conducted utilizing relevant articles, books, periodicals, annual reports and websites.

Overview of Islami Bank Bangladesh Limited (IBBL)

Islami Bank Bangladesh Limited, a bank based on Islamic principles and *Shar`iah* (Islamic law) started its journey with an authorized capital of TK. 500 million (12.5 million US dollars) in 1983. This is one of the first interest free banks in South Asia. The opening of an Islamic bank brought a new era in the history of the country's financial market. The long cherished desire of many Muslims in the country was realized. Currently this bank has over 10,068 employees, 256

branches with a deposit of taka US \$4.4 billion (IBBL 2011). With the implementation of the expansion program in the year 1997, almost all-important commercial places of the country came under the operational activities of the bank.

IBBL is a joint venture multinational bank with equity contributed by the Islamic Development Bank and financial institutions like Al-Raji Company, Kuwait Finance House, Jordan Islamic Bank, Islamic Investment and Exchange Corporation of Qatar, Bahrain Islamic Bank, Islamic Banking System International Holding, S.A, Dubai Islamic Bank and Kuwait Ministry of Awqaf and Islamic Affairs. Two eminent personalities of Saudi Arabia namely Fuad Abdul Hameed Al-Khateeb and Ahmed Salah Jamjoom, were also the sponsors of the Islami Bank Bangladesh Limited. The responsibility for management and formulating policy of the IBBL is vested in the board of directors. As a rule in the Article of Association, a Bangladeshi director is to be elected as the chairman of the company. There is a Management Committee consisting of the most senior executives of the bank. In addition to these committees, a *Shar'iah* Council comprising famous Islamic scholars, economists and bankers, supervise the day to day affairs of IBBL from the viewpoint of the Islamic *Shar'iah* (IBBL 2010).

Role of IBBL in Performing CSR Activities

A study by Rahman, Jahan and McDonald (2010) observe that it is a general belief in Bangladesh community that the contribution of IBBL in CSR is very significant among the financial institutions in Bangladesh. IBBL being one of the best corporate citizens of the country, has been discharging its responsibilities to the society directly through its banking activities and through its fully owned subsidiary, Islami Bank Foundation, since its inception. The theme of such responsibility has been envisaged in the mission of the Bank since the day of establishment. IBBL renders responsibility towards Shareholders, Employees, borrowers, depositors, chambers, communities and the environment. The Content Analysis reveals that IBBL's CSR towards the society is huge and contributing towards the society in a significant manner. A small briefing of such CSR activities have been summarized below:

Healthcare Program

IBBL has huge contribution in the healthcare sector of Bangladesh. It provides health care through six fully owned hospitals, seven community hospitals consisting of 1,021 beds, 561 doctors and 411 staffs. In addition to these hospitals, it has been organizing mobile eye camps and charitable dispensaries. Thousands of patients, especially middle class and lower middle class families take benefits of these hospitals every year. A recent study reveals that,

the perception of stakeholders towards the social contribution of Islami Bank Central Hospital, an Institution for CSR in healthcare by IBBL. The stakeholders believe that this hospital is proactive in providing healthcare support to the community through its highly standard human resources, world class medical equipment, outstanding management team and superb customer care support. These stakeholders (beneficiaries, Islami Bank employees, social scientists, environmentalists, community members and journalists) express their extreme satisfaction and positive attitude regarding IBBL's CSR activities in healthcare. (Rahman, Jahan & McDonald 2010, p. 214)

Educational Programs

IBBL's contribution towards the promotion of education is also enormous (IBBL 2011). The bank established one Medical College, one Health Technology Institute and one Nursing Training Institute. IBBL has been operating six Technical Institutes- two in Dhaka, one each in Bogra, Sylhet, Khulna and Chittagong. This bank has been operating one English medium school, one Bangla medium school and one girls' madrasa in Dhaka with a total number of 2,521 students employing 106 teachers and 49 staffs. IBBL also provides assistance to other educational institutions, time to time, as a part of its CSR activities.

Scholarship Programs

IBBL provides Scholarship and lump-sum financial assistance for education purpose to the meritorious but poor students under its Scholarship Program (IBBL 2011). Since inception of the Program 6,459 students received such scholarships grants amounting Tk. 60.14 million till 2010. The bank has been providing scholarships to the very poor students secured GPA 5 in SSC and HSC examinations from the year 2010 under its direct scholarship program as well. Many graduates, who could pursue their education due to IBBL scholarship, are mostly well placed and contributing to the socio-economic development of Bangladesh.

Sports, Art, Literature & Cultural Programs

IBBL sponsors various sports & cultural events every year. During the year 2010, Tk. 10.00 million was donated to Bangladesh Olympic Association for organizing South Asian Olympiad in Dhaka. The bank contributed Tk. 2.00 million to Bangladesh Association of Banks (BAB) for taking initiatives to encourage the members of Bangladesh National Cricket Team for winning against New Zealand. IBBL also time to time, invites countrywide literature competition to motivate the youths towards national culture and heritage.

Humanitarian Assistance Program

IBBL always comes forward to assist the victims of natural or social disasters (IBBL, 2011). During the year 2010, the Bank contributed an amount of Tk. 2.5 million to the Prime Ministers' Relief Fund for the victims of *Nimtoly* fire tragedy. Apart from it, consequence upon the tornado, tidal surge and river erosion during the period between September-October 2010 in the coastal areas, the bank extended relief work directly in the effected areas under the districts *Noakhali* and *Cox's Bazar* for an amount of Tk. 3.00 million.

Consideration of the environmental issues while financing

The industrial clients of the bank are being motivated on a regular basis in scrutinizing the environmental and social impact of their projects. IBBL is also undertakes mitigating measures for negative impacts, if any and supports measures for favorable impacts. Besides, it observes 'Plantation Week' every year during the rainy season to encourage the people planting more by providing saplings free of cost to the beneficiaries of Rural Development Scheme (RDS), the Islamic microfinance scheme of the bank. These initiatives contribute in developing an enviroment friendly atmospare and generate awareness in the Bangladesh society.

Microfinance for the socially excluded people

In 1995, IBBL initiated rural poverty elevation programme under its Rural Development Scheme (RDS) to make the rural poor people self-relient. During FY 2010, RDS performance became

better than ever, which is operating in around 12,000 villages among more than 500,000 members of around 21,000 centres of the country and planning to expand this program to all over the Bangladesh in the coming years (IBBL 2011). Under this scheme, the bank invested towards income generating activities such as poultry, dairy, vegetable cultivation, etc. based on either maharaja or musharakh mode of finance.

CSR practices within the organisation

IBBL is committed towards rendering CSR activities for its internal stakeholders as well (employees). A few such examples are given below:

- a) The recruitment process of the bank strictly maintains transparency in all stages to protect the right of the eligible candidates and the interest of the bank without discriminating gender, race or socio-economic background (IBBL 2010).
- b) IBBL established a 'Benevolent Fund' for providing emergency financial assistance to the employees. Lumpsum financial grant is provided on a case by case basis on critical and costly medical treatment ground.
- c) IBBL also established a 'Super Annuation Fund' for ensuring economic security to the family of the employees in case of death in harness, disability and retirement.
- d) To develop professional knowledge, skills and attitudes of the employees, the bank has established its own Training Academy where training courses are conducted round the year. The employees are also sent abroad for higher training.
- e) The meritorious children of the employees are also awarded with stipends/grants on a regular basis.
- f) IBBL also organizes annual get together, sports & cultural competitions for the employees and their family members every year for their recreation and to encourage their socio-cultural involvements.

Summary and Conclusion

IBBL is one of the fastest growing and best performing banks and most recognized institution for its excellent roles in rendering CSR services. This study reveals that the bank implements most of its CSR projects and programs through IBBL Foundation and expanding its horizon every year for the welfare of Bangladesh society as well as its citizens. IBBL successfully engaged its stakeholders through a team work for the effective execution the CSR projects. Its rural development programs have changed the lives of numerous citizens both directly and indirectly; the CSR initiatives towards its internal stakeholders, especially for the staffs have clearly exhibited its commitment towards staff welfare; last not the least, its support towards the education, healthcare, humanitarian assistance programs during natural disasters and protection of environment are really significant. The above study has portrayed a picture of IBBL's CSR roles and if this trend remains continued, IBBL's contribution will magnificently impact upon the social and environmental sectors, in addition to the economic well being of the country. The CSR projects and programs have been working as a public relation tool and helping this bank to increase its image, increasing productivity and profitability as well. This can be inferred from this study that these CSR activities by IBBL are benefiting citizens as well as their future generations to live a better lifestyle.

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