

**STRATEGIC CORPORATE SOCIAL  
RESPONSIBILITY PRACTICE IN PRIVATE  
COMMERCIAL BANKS IN BANGLADESH**

**DOCTOR OF PHILOSOPHY IN MARKETING**

**MAY, 2015**

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*Submitted in completion of the requirements for the Degree of  
Doctor of Philosophy in the Department of Marketing at University of Dhaka, Bangladesh*

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MAY, 2015

*Declaration*

**STRATEGIC CORPORATE SOCIAL RESPONSIBILITY  
PRACTICE IN PRIVATE COMMERCIAL BANKS IN  
BANGLADESH**

I would like to proclaim that the work presented in this thesis is original and has not been submitted by me to any University or Institution for the award of any degree or diploma.

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**Ishrat Jahan Tania**

May, 2015

**STRATEGIC CORPORATE SOCIAL RESPONSIBILITY  
PRACTICE IN PRIVATE COMMERCIAL BANKS IN  
BANGLADESH**

*Dedicated to my dearly loved parents, my  
husband and my daughter.*

*Acknowledgment*

**STRATEGIC CORPORATE SOCIAL RESPONSIBILITY  
PRACTICE IN PRIVATE COMMERCIAL BANKS IN  
BANGLADESH**

I would like to express my gratitude to my research supervisors *Professor Dr. Haripada Bhattacharjee* for his help, guidance and patience. In addition, I would also like to express my thanks to my *colleagues, friends, local and foreign officials* and last, but not the least, *my family members* for their services, emotional supports and encouragements while I was struggling to finish my study.

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**Ishrat Jahan Tania**

May, 2015

**Abstract**

Corporate Social Responsibility (CSR) is a subject of much current interest within the managerial world. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner, and thereby establish better practices within the firm, create wealth and improve society. On the contrary, many scholars and management thinkers proclaimed that such type of CSR activities seemingly concerning each and every social problems were neither doing good to business nor was doing good to the society.

Strategic CSR, the latest emergent thought in CSR literature, means that CSR, apart from bettering the society, should make business sense. In light of the known positive effects, CSR strategies have been embraced by the international banking Community. Strategic CSR should help in attaining the CSR initiative that should lead to better effectiveness and efficient in business function activities by enhancing *reputation* and should *differentiate* the firms' products in the socially responsible features or environmentally friendly performance dimension.

Thus strategic CSR should help in attaining strategies for achieving *competitive advantage*. However, the implication of this study is to explore the business benefits of strategic CSR that has been seen as an intervention which can truly enhance company's business performance while attending to social causes, a sustainable win-win proposition for both business and society as in the long run.

# **STRATEGIC CORPORATE SOCIAL RESPONSIBILITY PRACTICE IN PRIVATE COMMERCIAL BANKS IN BANGLADESH**

This thesis by **Ishrat Jahan Tania** is accepted in its present form by the Department of Marketing as satisfying the thesis requirements for the degree of Doctor of Philosophy.

May, 2015

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Supervisor



## Glossary of Acronyms and Abbreviations

<b>BB</b>	Bangladesh Bank
<b>CSO</b>	Civil Society Organization
<b>CSR</b>	Corporate Social Responsibility
<b>FI</b>	Financial Institution
<b>FY</b>	Fiscal Year
<b>MFI</b>	Micro Finance Institutions
<b>NGO</b>	Non-Government Organization
<b>PCB</b>	Private Commercial Bank
<b>FCB</b>	Foreign Commercial Bank
<b>LEADS</b>	Livelihood Education and Development Services
<b>SoCB</b>	State owned Commercial Banks
<b>SME</b>	Small and Medium Enterprise
<b>TBL</b>	Triple Bottom Line

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# Chapter 1

## Introduction

*Chapter 1: Introduction***1.0 Prelude**

Corporate Social Responsibility (CSR) is a subject of much current interest within the managerial world. Management teams, board members and front-line employees, and industry association personnel who work with businesses from large corporations to small and medium-sized enterprises, banks, financial institutions as well as micro-businesses have considered Corporate Social Responsibilities (CSR) as inevitable and valuable. CSR is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization.

In contrast to debates over the last decade about whether organizations have a social responsibility and whether CSR performance predicts corporate financial performance, business leaders are increasingly concerned with how their organization can prosper from addressing social and environmental challenges. Recent theories of CSR (Baron (2001), McWilliams and Siegel (2001), Bagnoli and Watts (2003)) assert that firms engage in “profit-maximizing” CSR. That is, companies are assumed to be socially responsible because they anticipate a benefit from these actions. Examples of such benefits might include reputation enhancement, the ability to charge a premium price for its output, or the use of CSR to recruit and retain high quality workers. These benefits are presumed to offset the higher costs associated with CSR, since resources must be allocated to allow the firm to achieve CSR status. Furthermore, strategic CSR initiatives could be practiced as the mainstream business activities to the attainment of better competitive advantages and new business opportunities. Therefore, this research will find out the implications of strategic CSR in gaining worthy outcomes of business.

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CSR is an evolving concept that currently does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner, and thereby establish better practices within the firm, create wealth and improve society<sup>1</sup>. CSR is an “essentially contested concept,” being “appraisive” (or considered as valued), “internally complex,” and having relatively open rules of application (Moon, Crane, & Matten, 2005: 433–434). At the core of CSR is the idea that it reflects the social imperatives and the social consequences of business success. CSR involves commitment towards the employees of the organization, environment and society at large.

Even within the United States, understandings of CSR have varied and have developed over half a century since Bowen’s (1953) landmark book. Carroll (1979, 1991) systematized CSR, distinguishing economic, legal, ethical, and philanthropic responsibilities. Subsequently, concerns with corporate social performance, stakeholder relations, corporate citizenship, links with financial performance, and new applications of business ethics have extended CSR theory and practice, sometimes reflecting impacts of European thinking (Garriga & Mele’, 2004). Thus, CSR (and its synonyms) empirically consists of clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good. Yet the precise manifestation and direction of the responsibility lie at the discretion of the corporation.

CSR is about sensitivity to context—both societal and environmental—and related performance. It is about moving beyond declared intentions to effective and observable actions and measurable societal impacts. In the CSR context, firms can help build a sense of community and shared approach to common problems. Pani (1997) observed that with the growing educational level and awareness among the people there is growing acceptance of the plea that the business should be responsible for the society. This requires companies to improve on the

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<sup>1</sup> In its latest working definition of the scope of “social responsibility,” the ISO 26000 Working Group on Social Responsibility identifies organizational governance, environment, human rights, labor practices, fair operating practices, consumer issues and community involvement as core issues. Resolution 3, Sydney, 2 February 2007.



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economic satisfaction of the consumers and employees without impairing the environment, depleting natural resources, nor subjecting their employees to dehumanizing working conditions. CSR is an entry point for understanding sustainable development issues and responding to them in a firm's business strategy.

Broadly defined, CSR is an organization's commitment to operate in an economically and environmentally sustainable manner while recognizing the interest of all its stake holders (Carrol, 1991). The stakeholders' theory (social contracts) maintains that companies have social responsibility to all stakeholders for allowing their existence, Based on social contract (O'Brien, 1996). It has been shown that the success of CSR in any organizations is dependent on its corporate social orientation and values, and largely, on its ethical orientation (Logsdon and Yuthas, 1997).

### **1.1 Overview of CSR in Banking Industry**

Smart organizations know that long-term success is based on continued good relations with a wide range of individuals, groups and institutions. Importantly, the banking system is the fulcrum of socio-economic development in any country. As a result corporate social responsibility (CSR) issues have become increasingly integrated into modern banking practices. The decisions and activities of banking sectors have significant effect on employees, customers, communities, environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that banks can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions.

CSR is generic to all organizations. Relatively, however, in recent years it is observed that banking organizations seem to be the most sensitive to the impact of CSR. This is because an outstanding feature of the banking industry is that it is subject to a more diverse and complex publics than most other sectors of the economy. A bank has a corporate social obligation to satisfy all these complex publics.

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A bank undertakes to maximize profit for shareholders who contributed funds to set it up. It must maintain optimal liquidity to meet depositors demand. It is obliged to satisfy the legitimate deficit sector demand for credits. The bank must comply with regulators' requirements to continue in business. Above all, for the bank to be seen as a good corporate citizen, it has to contribute to the maximum development of the economy as well as satisfy its immediate community (Nwankwo, 1991, p. 26).

The benefits of CSR including increased profits, customer loyalty, trust, positive brand attitude and combating negative publicity for companies are well documented (e.g. Brown and Dacin, 1997; Drumwright, 1996; Maignan and Ferell, 2001; Sen and Bhattachariya, 2001; Sen et al.,2006). In light of the known positive effects, CSR strategies have been embraced by the international banking Community. A total of 30 major international private banks, including Citigroup, JPMorgan, Bank of America, ABN Amro, Barclays, HSBC and ING, have recently signed the Equator Principles agreement which supports socially –responsible development (Yeomans,2005).

Banks have always tried to satisfy the yearnings of their social environments through a multitude of forms, structures, schemes as well as relationships (Hamburg, 2004). One study by Luo and Bhattacharya (2006) on Fortune 500 companies identified a direct positive path between CSR and customer satisfaction. Given that satisfaction also mediated the impact of CSR on firm market value (Luo and Bhattacharya, 2006), there is a need to better understand the relationship between satisfaction and CSR, especially as this study also highlighted instances where firms are not always able to benefit from CSR actions.

Gonzalez, Torres and Izquierdo (2006) observed that some banks are developing CSR policies and management systems to reduce potential risks and improve their performance. In the Spanish financial system, half of the banking firms are saving banks, most of which have always used some CSR criteria in their management. Private Banks have only recently started to integrate social aspects in their performance. In view of the ever-increasing CSR activity funding by banks indicates the implications of strategic corporate social responsibilities.

## **1.2 Concept of Strategic CSR**

Many scholars and management thinkers proclaimed that such type of CSR activities seemingly concerning each and every social problems were neither doing good to business nor was doing good to the society (Levitt, 1958; Friedman, 1970; Lantos, 2001; Drucker, 2001; Porter and Kramer, 2006; 2002; Meehan et al., 2006). This school of thinking was loaded with the concern that business organizations, because of the very nature of their existential instincts and capabilities, didn't have the expertise to find effective and efficient solutions for social issues (Levitt, 1958). CSR initiatives, unrelated to firm functions, would provide ineffective and inefficient solutions in the social and environmental front (Drucker, 2001). Porter and Kramer (2006) felt that thus such wide range of unrelated CSR activities would not make any progress in alleviating social situation and hence firms would drain and waste the scarce and valuable shareholders resources (Levitt, 1958).

Strategic CSR, the latest emergent thought in CSR literature, means, that CSR, apart from bettering the society, should make business sense or strategic sense (Porter and Kramer, 2006; 2002; Crawford and Scaletta, 2005; Salzmann et al., 2005; Meehan et al., 2006; Friedman, 1970; Kotler and Lee, 2005 Windsor, 2006; Altman, 1998; Waddock, 2000; Ricks, 2005; Perrini, 2005; Stead and Stead, 2000; Jones, 2005; Lewis, 2003; Bhattacharya et al., 2004). Strategic CSR is defined as any "responsible" activity that allows a firm to achieve a sustainable competitive advantage, regardless of motive (McWilliams and Seigel, 2010). Strategic CSR or "strategic philanthropy" (Carroll, 2001, p. 200) is done to accomplish strategic business goals- good deed are believed to be good for business as well as for society. With strategic CSR, corporations give back to their constituencies because they believe it to be in their best financial interests to do so. This is "philanthropy aligned with profit motives: (Quester and Thompson, 2001) social goals might be profitable in the long run since market forces provide financial incentives for perceived for socially responsible behavior. Stakeholders outside the stockholder group are viewed as means to the ends of maximizing shareholders wealth (Goodpaster, 1996).

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One widely accepted guideline, advanced by Michael Porter and Mark Kramer, is to undertake CSR in a strategic manner by making social and environmental contributions only in ways that also enable tangible business benefits. Many now believe that strategic CSR is the answer to pitfalls of traditional CSR. A substantial section of thinkers in CSR (Carroll, 2001; Burke and Logsdon, 1996; Marsden, 2000; Lantos, 2001; Porter and Kramer, 2006; 2002) are of the view that strategic CSR would do the most good to the society as well as provide business with maximum benefits in the long run. Strategic CSR has been seen as an intervention which can truly enhance company's business performance while attending to social causes, a sustainable win-win proposition for both business and society as in the long run (Bruch, 2005).

### 1.3 Objectives of the Study

#### 1.3.1 Broad Objective:

- To examine the implications of Strategic corporate social responsibility in exploring business benefits

#### 1.3.2 Specific Objectives:

1. To investigate the impact of corporate social relationship activities on differentiation of the bank
2. To examine corporate social responsibility activities of banks enhance *reputation* of the banks
3. To investigate the relationship between corporate social responsibility activities and competitive advantage provided by the bank
4. To clarify the strategic corporate social relationship concept by offering a historical perspective
5. To identify the strategic role of corporate social responsibility
6. To summarize the corporate social responsibility disclosures reported by commercial banks.

### **1.4 Theoretical Underpinning**

Bhattacharyya et. al. (2008) proposed a conceptual model of strategic corporate social responsibility (CSR) in which a frame has been developed to design strategic corporate social responsibility in an organization. The concept of this model is that by identifying the salient stakeholders and the interested CSR activities a firm can obtain expected benefits to be achieved. Moreover, by carrying out strategic CSR initiatives value chain activities will become effective and efficient, context of competitiveness will be improved and the scope of creating new business opportunities will be expanded. According to this framework the interests of a business organization resides in three directions:

1. Design and integrate the CSR initiatives of the firm such that the firm value chain (set of activities internal to the firm done to produce and deliver finished goods and services to customers from raw material inputs) activities become more effective and efficient;
2. Plan such type of CSR interventions that will improve the context of competitiveness of the firm / industry (external factors influencing a firm); and
3. Undertake such CSR programs that can provide for new business opportunities (new product market combination) for the firm in future.

CSR initiatives could be done to influence and frame rules and regulations for healthy competition, better investment climate, protection of intellectual property etc so as to make inter firm rivalry situation favorable. Finally, CSR could be designed to build capacity of the weak related and supporting industries concerned or the raw material suppliers. In addition, if tangible and intangible resources are unique to the firm, valuable to the firm's customers, rare, inimitable or imperfectly substitutable for the competitors then such resources are strategic resources and can provide the firm competitive advantage (Barney, 1991; Wernerfelt, 1984; 1995; Venugopal, 1999).

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Certain CSR initiatives can start off as a micro enterprises or new business and can cater to satisfy certain needs of the society. Such new business activities can be a pilot project at the first place and done as a CSR initiative (Brugmann and Prahalad, 2007). Later, the CSR activity (pilot project) can graduate to become an independent business venture generating profit for the firm. Such CSR activities, which the top management team plans and undertakes with the intent to create potentially new standalone profit making business venture of future, are of strategic importance to a firm as there are enormous business opportunities to be availed in future. Thus, firm CSR activity done with the intention of creating new business opportunities is a strategic CSR initiative.

Based on the above discussion a conceptual framework and empirically testable research propositions have been proposed by the writer.

The conceptual framework is based on three foundational notions:

1. Strategic CSR activities lead to competitive advantage
2. Strategic CSR activities lead to differentiation
3. Strategic CSR activities lead to enhance reputation

Strategic CSR should help in attaining competitive advantage, i.e. the CSR initiative should lead to better effectiveness and efficient in business function activities by enhancing **reputation** and should **differentiate** the firms' products in the socially responsible features or environmentally friendly performance dimension. Thus strategic CSR should help in attaining one of the two generic firm strategies for achieving **competitive advantage** (Rumelt, 1980; Porter, 1985; Day and Wensley, 1988; Hunt, 2000; Miles and Covin, 2000; Karna et al., 2003; Crawford and Scaletta, 2005).

**1.5 Limitation**

The present study is an attempt to explore the basic extent of strategic gains by implementing CSR activities in the banking sector of Bangladesh. However, the study has some limitations.

First, the sample of the study was confined to the employees of private commercial banks only, which necessarily does not represent the banking sector completely.

Second, the study was conducted only in a metropolitan city of Bangladesh, though the banking sector is geographically concentrated in the rural areas as well.

Third, unavailability of some preceding and latest data hinders the research work.

Fourth, there was lack of cooperation from the respondents. Researcher had to depend on personal interview for collecting data but some of the respondents were too busy to give time to collect sufficient data. Therefore, data were also not sufficient to conduct the research effectively.

Fifth, no concept and analysis was given to build up a comprehensive framework of strategic corporate social responsibility.

Despite these few limitations the researcher believes that the study would work as a stepping stone for future research initiatives.

# **Chapter 2**

## **Literature review**



## **2 Literature Review**

Corporate social responsibility (CSR) is a generalized concept of what constitutes “good” or “desirable” business behavior. It relates to what can be judged “morally” or “ethically” good. CSR is, thereby, a standard of corporate behavior, which is broad and social in its scope rather than narrowly economic. There is no agreed definition. Yet there is a published history of the term’s evolution (Carroll, 1999), even though it is only one of several terms in use for the same purpose. Other commonly used terms include “corporate citizenship” and “corporate responsibility” (Logsdon and Wood, 2002). Regardless of terminology, the core idea is that business should accept that it must play more than just an economic role in society. This is interpreted to mean a willingness to accept more than responsibility for its business-driven actions and impacts but, in addition, a wider responsibility for impacts on society and the natural environment. That is, business should go beyond the call of its legislated duty of care, to give more to society. Put simply, business should accept a direct responsibility for making the world a better place.

CSR is an evolving concept that currently does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner, and thereby establish better practices within the firm, create wealth and improve society<sup>1</sup>. CSR is an “essentially contested concept,” being “appraisive” (or considered as valued), “internally complex,” and having relatively open rules of application (Moon, Crane, & Matten, 2005: 433–434). At the core of CSR is the idea that it reflects the social imperatives and the social consequences of business success. CSR involves commitment towards the employees of the organization, environment and society at large. The expansive concept of corporate social responsibility is not universally accepted. Nor is it anywhere required by legislation. Yet a growing number of voices in contemporary society, especially in

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<sup>1</sup> In its latest working definition of the scope of “social responsibility,” the ISO 26000 Working Group on Social Responsibility identifies organizational governance, environment, human rights, labor practices, fair operating practices, consumer issues and community involvement as core issues. Resolution 3, Sydney, 2 February 2007.

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the more prosperous economies of the world, are calling on business to contribute more than at present to general public and social welfare. Some of them propose the regulatory imposition of new corporate obligations. Citizens, consumers and employees, increasingly seem to “expect” a commitment from businesses to a concept of the corporate role in society which extends well beyond historically inherited norms and contemporary legal obligations. Public debate about “sustainability” and “responsibility” in business reflects this expectation. The open-ended nature of this rising tide of moral obligation is clear in the definition of CSR proposed by Carroll (1999, emphasis added):

The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.

Even within the United States, understandings of CSR have varied and have developed over half a century since Bowen’s (1953) landmark book. Carroll (1979, 1991) systematized CSR, distinguishing economic, legal, ethical, and philanthropic responsibilities. Subsequently, concerns with corporate social performance, stakeholder relations, corporate citizenship, links with financial performance, and new applications of business ethics have extended CSR theory and practice, sometimes reflecting impacts of European thinking (Garriga & Mele’, 2004). Thus, CSR (and its synonyms) empirically consists of clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good. Yet the precise manifestation and direction of the responsibility lie at the discretion of the corporation.

On the other hand, many take issue with the idea that business should play a prominent part across this broad spectrum of human existence. Economists, following in the intellectual footsteps of Adam Smith and Milton Friedman (1970), claim that the collective good is best served when business maximizes productivity and profit and leaves it at that. Managers, for the most part, find the demands of CSR enthusiasts vague, diffuse, and difficult to operationalize. The demands lack managerial credibility because they do not adequately represent the complex day-to-day realities managers face (Gioia, 1999). While it is sometimes said that “CSR

## Chapter 2: Literature Review

commands the attention of executives everywhere”, this does not necessarily mean that CSR is taken very seriously or accorded priority in business decision-making (Crook, 2005). Nevertheless, given the universal human and business desire to be seen in a positive light, we should not be surprised that 90 percent of Fortune 500 companies have explicit CSR initiatives (Kotler and Lee, 2004). This is consistent with an earlier indication from the World Economic Forum in 2002, which found a growing acceptance of CSR at the topmost business level. The common motivation, however, was found to have little to do with social or environmental objectives; unsurprisingly, it was undertaken in order to enhance company and brand reputation.

CSR is about sensitivity to context—both societal and environmental—and related performance. It is about moving beyond declared intentions to effective and observable actions and measurable societal impacts. In the CSR context, firms can help build a sense of community and shared approach to common problems. Pani (1997) observed that with the growing educational level and awareness among the people there is growing acceptance of the plea that the business should be responsible for the society. This requires companies to improve on the economic satisfaction of the consumers and employees without impairing the environment, depleting natural resources, nor subjecting their employees to dehumanizing working conditions. CSR is an entry point for understanding sustainable development issues and responding to them in a firm’s business strategy.

Broadly defined, CSR is an organization’s commitment to operate in an economically and environmentally sustainable manner while recognizing the interest of all its stake holders (Carrol, 1991). The stakeholders’ theory (social contracts) maintains that companies have social responsibility to all stakeholders for allowing their existence, Based on social contract (O’Brien, 1996). It has been shown that the success of CSR in any organizations is dependent on its corporate social orientation and values, and largely, on its ethical orientation (Logsdon and Yuthas, 1997).

Economic, social and environmental responsibilities, known as **triple bottom line**, are a systematic approach to managing a company’s responsibility. To simplify, the term is used as

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the measuring working frame and company's performance report on economic, social and environment parameters. In wider use, that term is applied to hold the entire value, problems and process done by the company to maximize positive influence of its activities and generate additional economic, social and environmental values (Elkington, 1999; cited in Jamali, 2006). The Global Reporting Initiative (2001) and Knoepfel (2003; both cited in Jamali, 2006) stated the key dimensions of CSR or triple bottom line.

The first is economy. In this dimension, CSR should delve into more than traditional financial accountancy by looking into new measurements of wealth, like HRD and the intellectual capital developed by the company. Examples would be reducing business costs through an appropriate business integrity policy, and increasing employees' productivity by conducting research and HRD development and also employee training.

The second dimension is the environment. This means that CSR should study the implications of resource and energy usage, and the company's effect on the integrity of the environment. Examples of this would include environmental policy and audit, and environmental responsibility management.

The third dimension is social. In this dimension CSR should maximize the positive influence of the company's operations to a wider community. Examples of this would include community health problems, social justice, and inter- and intra-organizational justice.

Social responsibility can be a "win-win" proposition; both society and the socially responsible organization can benefit in the long run (Kurschner, 1996). "The idea of social responsibility is that the decision-makers are obliged to take actions which protect and improve the welfare of society as a whole along with their own interests. It builds a better quality of life, thus harmonizing organizational actions with society's wants" (Davis and Blomstrom, 1975). The thought is that the businessman acts in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks. The initiative is that it becomes concerned with social outputs as well as economic outputs, and with the total effect of his economic and institutional actions on society.

Social responsibility is a relatively new concern of the business community. Like a child maturing through adolescence on the way to adulthood, the idea of corporate social

## Chapter 2: Literature Review

responsibility is evolving (Gaines, 1996). In the words of Bowen (1953), Social responsibility refers to 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 the objectives and values of our society. According to Koontz and O’Donnell (1977), the definition of social responsibility is: “The personal obligation of the people as they act in their own interests to assure that the rights and legitimate interests of others are not infringed.” Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources” (Kotler and Lee, 2005).

From the 1950s onward, business scholars have provided various definitions of CSR and of related notions such as corporate citizenship, corporate social responsiveness, or corporate social performance (Bowen, 1953; Wood and Jones, 1995). The differentiated terminology employed, along with the multiplicity of the conceptualizations proposed, underpins the complexity of the CSR concept. The discussion below draws from the extant literature to outline a definition of CSR that accommodates the intricacies of this concept while providing solid grounding for organizational and marketing implementation.

### 2.1 Theory: Shareholders, Stakeholders and Stewards

#### 2.1.1 Agency Theory

Since CSR is an activity of the firm, it might be reasonable to suppose that “the theory of the firm” would offer us some analytical understanding of the concept. The extent to which it does, however, is extremely limited. This is because the dominant theory of the firm, drawn from mainstream, neo-classical, economics, rests on the simplifying assumption that the firm plays a purely “economic” role in society. The best known proponent of this view was Nobel Prize winning economist Milton Friedman. He put it succinctly in a frequently quoted article published in the Sunday Magazine of The New York Times (Friedman, 1970): The business of business is to maximize profits, to earn a good return on capital invested and to be a good corporate citizen obeying the law – no more and no less.

Where the managers of the firm are viewed as hired professionals rather than owners of the firm, “*principal-agent theory*”, or, “*agency theory*” is relevant. The seminal paper in agency

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theory, which focused on the potentially divergent interests of owners and managers and highlighted the costs to the business owners of monitoring and motivating hired agents as a result, was written by Jensen and Meckling (1976). Agency theory allows for hired managers to pursue their own rather than shareholder interests, but there is still no room for discretionary expenditures which benefit neither shareholders nor managers. It follows that the dominant theory of the firm, so-called “shareholder theory” or “stockholder theory”, cannot help us understand, or justify, CSR.

### **2.1.2 Stakeholder Theory**

“*Organisation theory*” takes a broader view of the firm than mainstream economics (Woodand Bandura, 1989). Here, an organization’s success is viewed as dependent on how well it manages its relationships with a range of key groups, which include customers, employees, suppliers, financiers and, importantly, the communities within which the organisation operates. (Figure 2.1) Each of these groups, including those with no legally-based contractual relationship with the firm, is seen as having a “stake” in the activities of the organisation. However the identification of these various “stakeholder” groups remains a matter of continuing and inconclusive debate, with a considerable spread of opinion. *Stakeholder theory* offers no neat, finite, list of the “stakeholders” of a business. Yet the manager’s job, from this stakeholder perspective, is to keep the support of all these groups, carefully balancing their interests, while making the organisation a place where stakeholder interests can be collectively maximized over time (Freeman and Phillips, 2002). Yet it is silent on which stakeholder takes priority when interests clash. So stakeholder theory is unable to refine out thinking about CSR. There are two reasons for this failure. One is that stakeholder theory does not help managers identify who and which groups are, and are not, stakeholders. Even though Freeman published his landmark book on the stakeholder approach to management in 1984 Freeman (1984), no agreement has been reached on what Freeman (1994) himself, ten years later, called “the principle of who or what really counts”. In fact, stakeholder theory has over the years offered what has been called “a maddening variety of signals on how questions of stakeholder identification might be answered” (Mitchell et al., 1997), without actually offering any widely accepted solution.

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Heugens and van Oosterhout (2002) had no choice but to begin their research into buyer-supplier relationships by trying to identify the boundaries of the stakeholder management concept. They found that the concept failed altogether when the boundaries were not specified. This problem of fuzziness is all the more notable given the considerable involvement of consultants in CSR. It is common for stakeholders to be defined simply as (Kerr, 2006): Individuals and groups who may affect or be affected by the actions, decisions, policies, practices or goals of an enterprise. The second reason for the failure of stakeholder theory is that it does not specify how managers are supposed to make the necessary trade-offs among the competing interests of different stakeholder groups. As Donaldson, (2002) put it: Advocates of traditional stakeholder theory . . . hand managers a theory that makes purposeful decisions impossible. And, with no way to keep score, stakeholder theory forces managers to be unaccountable for the very actions through which they were to be evaluated.

Against this background it is hardly surprising that the attention managers give to those “stakeholders” which lack a contractual relationship with the firm, tends to be limited to the attention these stakeholders attract in terms of the firm’s completely self-interested “reputation risk” assessment. More fundamentally, CSR introduces non-profit objectives into the business purpose, alongside the profit motive.

Companies need to answer to two aspects of their operations.

1. The quality of their management - both in terms of people and processes (the inner circle).
2. The nature of, and quantity of their impact on society in the various areas.

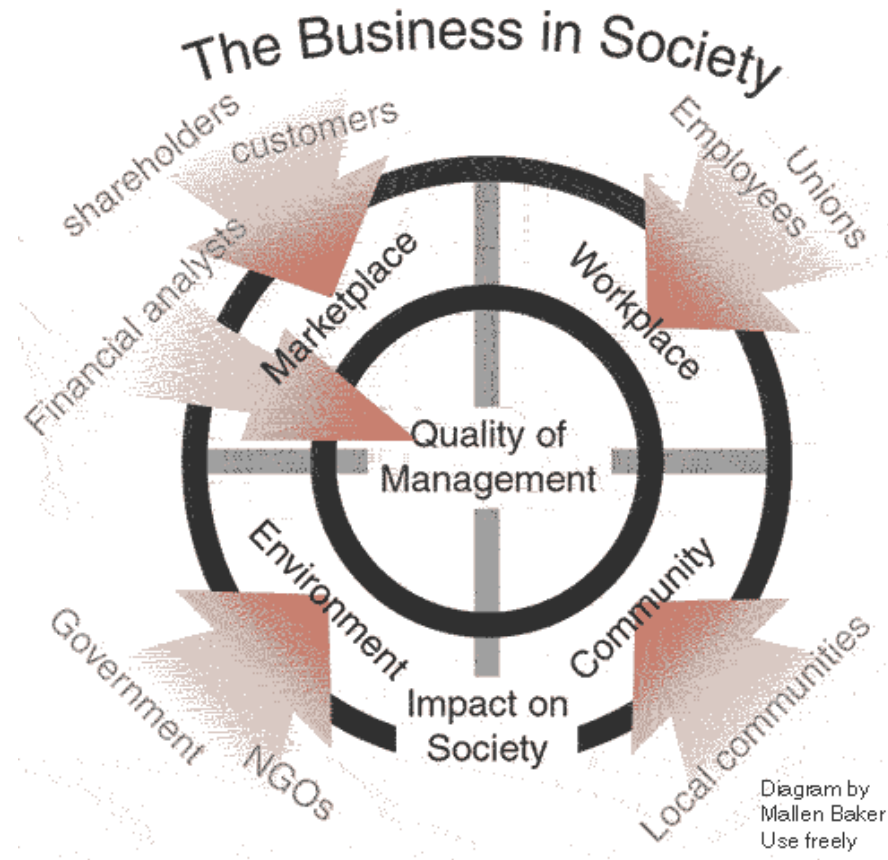


Figure 2.1: The interaction among Society, Business and Stakeholders

Outside stakeholders are taking an increasing interest in the activity of the company. Most look to the outer circle - what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused - as well as past financial performance - on quality of management as an indicator of likely future performance.



### 2.1.3 Stewardship Theory

There is another, somewhat different, theoretical approach to business management at times applied to the exploration of CSR. This is “*stewardship theory*”; as associated with Donaldson (1990) and Davis et al. (1997). The “*stewardship theory of management*” has been put forward, very largely, to deal with motivational uncertainties highlighted by “*agency theory*”. It departs from agency theory by hypothesizing that managers may be less individualistic, opportunistic and self-serving than usually supposed and, instead, more collectivist, pro-organisation and trustworthy. Stewardship hypothesizes that managers may achieve their own goals best by serving the interests of the organisation. Homo economicus is here replaced by a “*steward*” whose behaviour is pro organisation and collectivist rather than individualistic and self-serving. Both the differences between agency theory and stewardship theory and their common focus are explored in a recent paper by Vaisanen (2006) who concludes there is value in the explanations provided by both theories and that we may need both perspectives to explain the full range of documented managerial action. Anyway, stewardship theory is arguably relevant to CSR because it suggests:

A steward who successfully improves the performance of the organization generally satisfies most groups, because most stakeholder groups have interests that are well served by increasing organizational wealth (Vaisanen, 2006, emphasis added).

However, any easily identified alignment of stakeholder interests, with each other, or, with the commercial interests of managers and shareholders, is problematic at best. Realistically, alignment would only be achieved given a narrow, restrictive, definition of stakeholder of a kind unlikely to find broad acceptance among the majority of CSR enthusiasts (Freeman and Reed, 1983). As with stakeholder theory, once the overriding profit objective of business is replaced with plural objectives and a consequent need to trade-off between them, managers need to be offered practical guidance if the theory is to drive a business response.

## 2.2 CSRCategories and Approaches

**2.2.1 Categories:** Lantos (2001, 2002) suggests three archetypes of CSRs namely, ethical, altruistic and strategic. Ethical CSR constitutes a minimum level of responsibility to society, and implies that the company avoids harm or social injuries even to exceed the formal legal duties if necessary. Altruistic CSR corresponds with Carroll's (2000) philanthropic responsibilities and aims at contributing to the good of various social stakeholders, even if the cost of those activities sacrifices company profit. Strategic CSR implies fulfilling philanthropic responsibility, but with the company's benefit in terms of positive publicity and goodwill as core driver. Activities sustaining strategic CSR are assumed to improve corporate image and increase motivation and loyalty primarily among employees and customers, but also others such as suppliers and retailers (Lantos, 2002). In a marketing context, strategic CSR is particularly relevant because of its focus on company benefits in relation to stakeholder groups (e.g. customers).

Lantos (2001; cited in Wan-Jan (2006) put CSR into *three* categories:

1. **Ethical CSR.** Lantos (2001; cited in Wan-Jan, 2006) defined ethical CSR as all expectations of the company to be responsible morally in preventing loss and damage as a result to its activities. This CSR is expected from all companies and stands as the minimum requirement fulfilled by the company.
2. **Altruistic CSR,** defined as a caring form forfeited by the company.
3. **Strategic CSR,** which mean corporate care activity implemented to complete the company's business strategic objective.

The Commission of the European Communities (2001; cited in Jones et al., 2006) categorizes CSR into *two dimensional approaches*, i.e. internal activities and external activities. **Internal dimension** includes HRD management, health and safety at work, adaptation to changes, and environmental and natural resources effect management. The **external dimension** consists of a wider area, including investors, the local community, business partners, suppliers and consumers, human rights, and global environmental care. Moreover, Porter and Kramer (2006) divide CSR into two categories. The first is responsive CSR, where CSR has *two* elements:

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1. Acting as a good company citizen adjusting to the social care of stakeholders; and
2. Minimizing the existence of or anticipating disadvantageous effect from the business's activity.

The second category is strategic CSR. Porter and Kramer (2006) stated that strategic CSR transforms the value-chained activities of the company into community benefits as well as enhancing the company strategy. It is also the generous strategy that triggers the capability to mend key areas in the competitive context. Strategic CSR involves inside-out and outside-in dimensions. Inside-out means that the company influences the community through its business

**2.2.2 Approaches:** There are different types of approaches of CSR. Some commentators have identified a difference between the Canadian (Montreal school of CSR), the Continental European (also referred to as mainland Europe, particularly by the British, Balearic and Canary Spaniards, Icelanders and other European island nations plus peninsular Scandinavians) and the Anglo-Saxon approaches to CSR. And even within Europe the discussion about CSR is very heterogeneous.

A more common approach of CSR is **philanthropy**. This includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Some organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development.

Another approach to CSR is to incorporate the **CSR strategy** directly into the business strategy of an organization. For instance, procurement of Fair Trade tea and coffee has been adopted by various businesses including KPMG. Its CSR manager commented, "Fair trade fits very strongly into our commitment to our communities".

Another approach is garnering increasing **corporate responsibility interest**. This is called **Creating Shared Value (CSV)**. CSV is a concept first introduced in Harvard Business Review

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Article *Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility* and further expanded in the January 2011 follow-up piece entitled *Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society*. The article

provides insights and relevant examples of companies that have developed deep linkages between their business strategies and corporate social responsibility. Moreover the concept is remarkable in their last article "Creating Shared Value". The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated workforce, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy. Many approaches to CSR pit businesses against society, emphasizing the costs and limitations of compliance with externally imposed social and environmental standards. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy. After a comprehensive study of competitor strategy and an internal policy review performed, a comparison can be drawn and a strategy developed for competition with CSR initiatives.

### **2.3 Social Responsibility in Marketing**

The marketing literature supports a focus on customers and the development of superior solutions to their needs (Slater and Narver, 1999). Market orientation has been found to be a key variable in the successful implementation of marketing strategies (Homburg et al., 2004). But, a successful marketing strategy has not always been associated with meeting the needs and demands of all stakeholders (Miller and Lewis, 1991).

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There is evolving concern that organizations must focus not just on their customers, but also the important stakeholder groups that hold the firm accountable for its actions. A new emerging logic of marketing is that it exists to provide both social and economic processes, including a network of relationships to provide skills and knowledge to all stakeholders (Vargo And Lusch, 2004). This logic is captured in the new definition of marketing developed by the American Marketing Association (2004) which states that: Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. This definition signifies a move from transaction orientation to emphasis on value for the customer, which implies a focus on end-result instead of exchange. The new definition is also more focused in the sense that it targets the customer and highlights that marketing should be customer-centric rather than focus on brand/product or any of the other components of the marketing mix. This definition emphasizes the importance of delivering value and the responsibility of marketers to be able to create meaningful relationships that provide benefits to all relevant stakeholders. This new definition of marketing is the first definition to include “concern for stakeholders”. In addition, the introduction of stakeholders implies a shift from a dyadic perspective (i.e. organization and individual) to a triadic perspective (i.e. organization, customers and other external stakeholders). The complexity surrounding a determination of the effects of marketing transactions on all relevant stakeholders requires the identification of stakeholders in the exchange process (Fry and Polonsky, 2004).

Conceptualization of the marketing concept based on a long-term, multiple stakeholder approach has also been suggested as a prescriptive model for organizational responsibility in marketing (Kimery and Rinehart, 1998). For example, research indicates that strategic planning varies considerably based on the stakeholder profiles of organizations. It has been found that some companies focus on a specific stakeholder group, such as customers, shareholders, employees, or competitors (Greenley et al., 2004). Based on these developments, there is a need for marketing to develop more of a stakeholder orientation rather than a narrow

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customer orientation. Stakeholder orientation in marketing goes beyond markets, competitors, and channel members to understanding and addressing all stakeholder demands.

As a result, organizations are now under pressure to demonstrate initiatives that take a balanced perspective on stakeholder interests. Even though some leading businesses –including Shell, Beyond Petroleum, and Starbucks – have introduced innovative corporate social responsibility (CSR) initiatives, most companies have a tendency to adopt uncoordinated initiatives that address only specific stakeholder issues (e.g. policies against child labor, green marketing, equal opportunity programs). Corporate identity and reputation, both important to marketing, are created by business actions and communications with stakeholders (Christen and Askegaard, 2001; Bromley, 2001; Dowling, 2003). Over time the relevance of corporate identity will diminish without implementation of meaningful communications with stakeholders (Topalian, 2003). Interestingly, the academic and managerial literature has provided little guidance to help marketers integrate various initiatives into a sound program that can cover a wide range of corporate responsibilities.

Interestingly, the academic and managerial literature has provided little guidance to help marketers integrate various initiatives into a sound program that can cover a wide range of corporate responsibilities. For example, it has been suggested that meeting the needs of customers and motivating employees to serve customers will provide growth in shareholder value and help meet stakeholder interests (George, 2003). It has been suggested that one way to enhance socially responsible marketing is to enhance customer well-being without any harm to other stakeholders (Sirgy and Lee, 1996); much of the research on CSR has focused on its conceptualization (Carroll, 1979; Clarkson, 1995; Wood, 1991). Contemporary studies usually focus on the implementation of very limited aspects of CSR (Porter and Kramer, 2002). Little has been written about the concrete and systematic implementation of CSR in the organization (Smith, 2003) and the likely benefits to be expected from its implementation (Maignan et al., 1999).

The concept of CSR is blurred, fuzzy (Lantos, 2001) and characterized by three major challenges. Firstly, the definition and dimensions of CSR vary. In a marketing context there is still no clear definition of what social responsibility of marketing is (Carrigan and Attalla, 2001). Lack of

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definition implies that investigation of CSR in marketing easily holds a myopic view with a focus on limited dimensions of CSR (Maignan and Ferrell, 2004). The legitimacy of social responsibility is a second challenge when applying the marketing context. Its legitimacy is highly debatable when, for example, publicly held companies undertake “social responsible” activities that might restrict profits (Lantos, 2001), and disagreement in how social responsibility is actually achieved (Carrigan and Attalla, 2001). Crook (2005) argues that governments, which are accountable to all citizens, are the proper guardians of the public interest, while the proper business of business is business. His argument is that managers, acting in their professional capacity, are not competent to concern themselves with the public good. They lack the democratic credentials and their day jobs should leave them no time to even think about it. Finally, the corporate benefit of CSR can be questioned, which is both affected and affects the precision of the construct. Studies of CSR reveal little about implementation and likely benefits of CSR (Maignan et al., 2005). Some even claim that most customers pay little heed to ethical considerations in their purchase decision-making behavior (Carrigan and Attalla, 2001), and raise the dilemma that customers of today seem to reward unethical behavior and penalize ethical business behavior (Titus and Bradford, 1996; Carrigan and Attalla, 2001).

The vast majority of studies, however, apply corporate social responsibility (CSR) in addressing both responsibility and its negation. The CSR construct includes at least three aspects of the relationship between the company and the society: How the conduct of business reflects ethical considerations, how the business operations affect the environment, and finally, the extent to which the operations interfere with established social and human rights (Vaaland and Heide, 2005). It has been suggested that because both focus on the interaction between the firm (organization) and the society, marketing should take a leadership role in the exploration of CSR (Lantos, 2001). Several marketing related concepts overlap with different aspects of CSR. These concepts include societal marketing (Daub and Ergenzinger, 2005), cause related marketing (e.g. Polonsky and Wood, 2001), environmental marketing (e.g. van Dam and Apeldoorn, 1996), enviropreneural marketing (Menon and Menon, 1997), quality-of-life QOL (Sirgy and Lee, 1996), social responsible buying (Maignan and McAlister, 2003) and sustainable

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consumption (Leigh et al., 1988; Dolan, 2002). Some marketers claim that there is a need to develop a stakeholder orientation rather than a narrow customer orientation, and focus on expectations from actors far beyond customers and channel members (Maignan and Ferrell, 2004). This orientation goes beyond markets, competitors, and channel members in order to understand and address all demands.

In short, the way to enhance socially responsible marketing is to enhance customer wellbeing without causing harm to other stakeholders (Sirgy and Lee, 1996). The stakeholder obligation implies that the “social obligation” of the firm is limited to only those who affect or are affected by the firm’s activities (Maignan and Ferrell, 2004). Although it is recognized that the company has responsibility to the society at large, this view assumes that an individual business is only responsible towards the stakeholders with whom they interact (Freeman, 1984).

### **Overview of CSR in Banking Industry**

Smart organizations know that long-term success is based on continued good relations with a wide range of individuals, groups and institutions. Importantly, the banking system is the fulcrum of socio-economic development in any country. As a result corporate social responsibility (CSR) issues have become increasingly integrated into modern banking practices. The decisions and activities of banking sectors have significant effect on employees, customers, communities, environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that banks can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions.

CSR is generic to all organizations. Relatively, however, in recent years it is observed that banking organizations seem to be the most sensitive to the impact of CSR. This is because an outstanding feature of the banking industry is that it is subject to a more diverse and complex public than most other sectors of the economy. A bank has a corporate social obligation to satisfy all these complex publics.



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A bank undertakes to maximize profit for shareholders who contributed funds to set it up. It must maintain optimal liquidity to meet depositors demand. It is obliged to satisfy the legitimate deficit sector demand for credits. The bank must comply with regulators' requirements to continue in business. Above all, for the bank to be seen as a good corporate citizen, it has to contribute to the maximum development of the economy as well as satisfy its immediate community (Nwankwo, 1991, p. 26).

The benefits of CSR including increased profits, customer loyalty, trust, positive brand attitude and combating negative publicity for companies are well documented (e.g. Brown and Dacin, 1997; Drumwright, 1996; Maignan and Ferell, 2001; Sen and Bhattachariya, 2001; Sen et al.,2006). In light of the known positive effects, CSR strategies have been embraced by the international banking Community. A total of 30 major international private banks, including Citigroup, JPMorgan, Bank of America, ABN Amro, Barclays, HSBC and ING, have recently signed the Equator Principles agreement which supports socially –responsible development (Yeomans,2005).

Banks have always tried to satisfy the yearnings of their social environments through a multitude of forms, structures, schemes as well as relationships (Hamburg, 2004). One study by Luo and Bhattacharya (2006) on Fortune 500 companies identified a direct positive path between CSR and customer satisfaction. Given that satisfaction also mediated the impact of CSR on firm market value (Luo and Bhattacharya, 2006), there is a need to better understand the relationship between satisfaction and CSR, especially as this study also highlighted instances where firms are not always able to benefit from CSR actions.

Gonzalez, Torres and Izquierdo (2006) observed that some banks are developing CSR policies and management systems to reduce potential risks and improve their performance. In the Spanish financial system, half of the banking firms are saving banks, most of which have always used some CSR criteria in their management. Private Banks have only recently started to integrate social aspects in their performance. In view of the ever-increasing CSR activity funding by banks indicates the implications of strategic corporate social responsibilities.

## **2.4 What is Strategic CSR?**

Many scholars and management thinkers proclaimed that such type of CSR activities seemingly concerning each and every social problems were neither doing good to business nor was doing good to the society (Levitt, 1958; Friedman, 1970; Lantos, 2001; Drucker, 2001; Porter and Kramer, 2006; 2002; Meehan et al., 2006). This school of thinking was loaded with the concern that business organizations, because of the very nature of their existential instincts and capabilities, didn't have the expertise to find effective and efficient solutions for social issues (Levitt, 1958). CSR initiatives, unrelated to firm functions, would provide ineffective and inefficient solutions in the social and environmental front (Drucker, 2001). Porter and Kramer (2006) felt that thus such wide range of unrelated CSR activities would not make any progress in alleviating social situation and hence firms would drain and waste the scarce and valuable shareholders resources (Levitt, 1958).

Strategic CSR, the latest emergent thought in CSR literature, means, that CSR, apart from bettering the society, should make business sense or strategic sense (Porter and Kramer, 2006; 2002; Crawford and Scaletta, 2005; Salzmann et al., 2005; Meehan et al., 2006; Friedman, 1970; Kotler and Lee, 2005 Windsor, 2006; Altman, 1998; Waddock, 2000; Ricks, 2005; Perrini, 2005; Stead and Stead, 2000; Jones, 2005; Lewis, 2003; Bhattacharya et al., 2004). Porter and Kramer (2006), in the context of a sustainable CSR programs implemented by a company, suggested that CSR is more than a cost, an obstacle or charity – CSR can be an opportunity, an innovation and a competitive excellence. Furthermore, Porter and Kramer (2006) revealed that strategically, CSR can be the source of excellent social advancement, similar to a business whose application of resources, professionals and knowledge is suitable to be considered in beneficial activities for the community.

Strategic CSR is defined as any “responsible” activity that allows a firm to achieve a sustainable competitive advantage, regardless of motive (McWilliams and Seigel, 2010). Strategic CSR or

“strategic philanthropy” (Carroll, 2001, p. 200) is done to accomplish strategic business goals-good deed are believed to be good for business as well as for society. With strategic CSR, corporations give back to their constituencies because they believe it to be in their best financial interests to do so. This is “philanthropy aligned with profit motives: (Quester and Thompson, 2001) social goals might be profitable in the long run since market forces provide financial incentives for perceived for socially responsible behavior. Stakeholders outside the stockholder group are viewed as means to the ends of maximizing shareholders wealth (Goodpaster, 1996).

One widely accepted guideline, advanced by Michael Porter and Mark Kramer, is to undertake CSR in a strategic manner by making social and environmental contributions only in ways that also enable tangible business benefits. Many now believe that strategic CSR is the answer to pitfalls of traditional CSR. A substantial section of thinkers in CSR (Carroll, 2001; Burke and Logsdon, 1996; Marsden, 2000; Lantos, 2001; Porter and Kramer, 2006; 2002) are of the view that strategic CSR would do the most good to the society as well as provide business with maximum benefits in the long run. Strategic CSR has been seen as an intervention which can truly enhance company’s business performance while attending to social causes, a sustainable win-win proposition for both business and society as in the long run (Bruch, 2005). Companies should now invest in sustainable CSR programs as a part of their business strategy (Porter, 2003) and implement them accordingly (Lewis, 2003) to achieve further excellence.

## **2.5 Business Benefits by Implementing CSR Activities**

The topic of CSR has been the subject of much research over the past two decades. Researchers have identified the reasons why firms develop CSR strategies, such as reputation improvement, government regulations, competitive advantage, stakeholder pressures, critical events, and top management pressures (Hall and Vredenburg, 2004; Kassinis and Vafeas, 2006). Accordingly, a variety of CSR strategies have been introduced, including significant investments in innovative activities regarding products and management (Albino et al., 2009), investments in human and

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ecological capability (Griffiths, 2004), policies with integration of economic, natural, and social capital (Dyllick and Hockerts, 2002). Those studies show why corporations should undertake CSR initiatives as a strategy to flourish in a highly competitive environment.

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organization, or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or program.

**2.5.1 Corporate Citizenship (CC):** Fombrum (1996;2005) wrote that CSR and other such initiative like *Corporate Citizenship (CC)* is undertaken by firm management as a strategic intervention to manage reputational risks from stakeholders and thus to enrich and enhance business opportunities. Effectively managing governance, legal, social, environmental, economic and other risks in an increasingly complex market environment, with greater oversight and stakeholder scrutiny of corporate activities, can improve the security of supply and overall market stability. Considering the interests of parties concerned about a firm's impact is one way of better anticipating and managing risk. According to Bhattachariya et. al., (2008), CSR initiatives can reduce the possibility of the firm being subjected to government, quasi government administrative regulations and also protect the firm from suffering from

economic and financial losses (because of the firm business activities being affected) caused by socio-political unrest. Thus risk mitigation is another major benefit of strategic CSR.

**2.5.2 Financial Performance:** In terms of the business case for CSR, various researchers analyzed the relationship between CSR and its impact on the financial bottom line in theoretical (e.g. Schaltegger and Synnestvedt, 2002; Steger, 2006) and empirical research (e.g. Argenti, 2004; Margolis and Walsh, 2003; Salzmman et al., 2005; Wagner et al., 2001). Margolis and Walsh (2003) present a meta-analysis of 127 multiple regression studies investigating the relationship between corporate social performance and corporate financial performance between 1972 and 2002. Although they find mixed results, they conclude that a positive relationship predominates. Furthermore, while measuring business impact of CSR, Drews (2010) classified CSR business benefits into *monetary and non-monetary benefits*. Monetary benefits include direct financial effects such as revenue increases and cost decreases. They also include benefits that do not directly lead to cash flows but can nevertheless be measured in monetary terms such as reduction of CSR-induced risks or an increase in brand value. CSR initiatives enhance operational efficiencies and cost savings. These benefits flow in particular from improved efficiencies identified through a systematic approach to management that includes continuous improvement. For example, assessing the environmental and energy aspects of an operation can reveal opportunities for turning waste streams into revenue streams (wood chips into particle board, for example) and for system-wide reductions in energy use, and costs.

**2.5.3 Stakeholder Interests:** Organizations are now under pressure to demonstrate initiatives that take a balanced perspective on *stakeholder interests*. Some leading businesses –including Shell, Beyond Petroleum, and Starbucks – some organizations have introduced innovative corporate social responsibility (CSR) initiatives. Stakeholders designate the individuals or groups that can directly or indirectly affect, or be affected by, a firm’s activities (Freeman, 1984). Marketing stakeholders can be viewed as both internal and external. *Internal stakeholders*

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include functional departments, employees, and interested internal parties. *External stakeholders* include competitors, advertising agencies, and regulators (Miller and Lewis, 1991).

### 2.5.3.1 Human resources

A CSR program can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering. CSR has been found to encourage customer orientation among frontline employees.

While there are many definitions of CSR, Holmes and Watts (2000) of the World Business Council for Sustainable Development provide a reasonably representative definition as 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'.<sup>1</sup> Lying behind this definition is the belief that the firm's main objective as defined in the field of corporate finance – maximizing shareholder value – is not sustainable because it ignores a wide range of other actors (or 'stakeholders' such as creditors, customers, debtors, environmental interests and future generations). CSR initiatives have enhanced ability to *recruit, develop and retain staff*. Hohnen (2007) mentioned, This can be the direct result of pride in the company's products and practices, or of introducing improved human resources practices, such as "family-friendly" policies. It can also be the indirect result of programs and activities that improve employee morale and loyalty. Employees are not only front-line sources of ideas for improved performance, but are champions of a company for which they are proud to work.

Michael (2003) noticed the role of CSR as a market signal can also be seen in *labor markets* as well as in product markets. On the labor demand side, companies post their values on the employment web pages to encourage self-sorting of ethical employees. On the labor supply

side, CSR signalling is seen both to influence the decision to join the company and to affect human resource policies of employees once inside the company. A number of corporations include descriptions of their corporate responsibility to attract labor – such as AES Corporation (Energy) or, more prominently, the Body Shop<sup>ii</sup>. Once in the company, human resource management decisions become important in the effectiveness of a CSR program. Three issues relate to organizational structure, training and motivation. Organizational structure is important because, as Murray (2002) notes, many companies have decided to create executive CSR posts – elevating CSR to a corporate function, much like accounting or marketing. And just as any other corporate function, these posts must draw talent and reassign human resources toward monitoring to ensure compliance with ethical standards – the Gap being one example. Yet, these human resource decisions require training – which also is supplied and demanded along market principles. Management plays an important role in promoting the program and creating incentives for the program through motivation and example.<sup>iii</sup>

**2.5.3.2 Supply Chain Relationships:** Activities of sustaining strategic CSR are assumed to improve corporate image and increase motivation and loyalty primarily among employees and customers, but also others such as suppliers and retailers (Lantos, 2002). A firm is vulnerable to the weakest link in its supply chain. CSR activities improve the ability of a company to attract and build effective and efficient *supply chain relationships*. Like-minded companies can form profitable long-term business relationships by improving standards, and thereby reducing risks. Larger firms can stimulate smaller firms with whom they do business to implement a CSR approach. For example, some large apparel retailers require their suppliers to comply with worker codes and standards.

**2.5.3.3 Investors:** Drews (2010) noticed CSR can help to secure the acceptance of a company by the community or other important societal stakeholders. Qualitative benefits can also include the improvement of a company's access to capital by attracting or *retaining investors* that are sensitive to environmental and social concerns. Improved citizen and stakeholder understanding of the firm and its objectives and activities translate into improved stakeholder

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relations. This, in turn, may evolve into more robust and enduring public, private and civil society alliances (all of which relate closely to CSR reputation, discussed above). CSR can help build “social capital.” Qualitative benefits of CSR activities can also include the improvement of a company’s access to capital by attracting or retaining investors that are sensitive to environmental and social concerns.

Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management. A business plan incorporating a good CSR approach is often seen as a proxy for good management. Some empirical evidence suggests that CSR – and specifically another ambiguous label, ‘socially responsible investing’ – is important in attracting capital and promoting shareholder value in financial markets (Michael, 2003). Given the importance of socially responsible investment, several indices – such as the Dow-Jones Sustainability Group Index and the FTSE4Good UK Fund – have been established to measure responsible investment performance. According to Dowell *et al.* (2000), the adoption of environmental standards appears to increase firms’ market values.

### 2.5.3.4 Regulators:

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public that they are taking issues such as health and safety, diversity, or the environment seriously as good corporate citizens with respect to labor standards and impacts on the environment.

Apart from the access to capital CSR initiatives improves the relations with *regulators*. In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation. In some countries, governments use (or are considering using) CSR indicators in deciding on procurement or export assistance contracts. This is being done because governments recognize that without an increase in business sector engagement, government sustainability goals



cannot be reached. In effect, the reason most companies take CSR actions is either for the purpose of complying with regulations (Wagner, 2005) or as a response to external constraints (Jaffe et al., 1995).

**2.5.3.5 Risk Management:** Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

**2.5.4 Differentiation:** Strategic CSR should help in attaining competitive advantage, i.e. the CSR initiative should lead to better effectiveness and efficient in business function activities thus providing cost leadership or should *differentiate* the firm's products in the socially responsible features or environmentally friendly performance dimension (Bhattacharya et. al, 2008). Competitiveness plays a critical role that leads a company to sustainability. To be competitive, companies have to provide not only the quality of products or services, but also demonstrate the CSR management of business (Price and Newson, 2003). CSR is as much about seizing opportunity as avoiding risk. Drawing feedback from diverse stakeholders can be a rich source of ideas for new products, processes and markets, resulting in competitive advantages. For example, a firm may become certified to environmental and social standards so it can become a supplier to particular retailers. The history of good business has always been one of being alert to trends, innovation, and responding to markets. Increasingly, mainstream advertising features the environmental or social benefits of products (e.g., hybrid cars, unleaded petrol, ethically produced coffee, wind turbines, etc.).

In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as The Co-operative Group, The Body Shop and American Apparel are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

**2.5.5 Reputation:** Research has shown that top global companies reveal part of their effective management through comprehensive social and environmental policies (Snider et al., 2003). Throughout these mechanisms, companies can have greater prominence in the minds of stakeholders and therefore build up a strong reputation (Rindova et al., 2005). The social responsibility of a company is recognized as an aspect, an appeal and an activity that influences its *reputation* (Zyglidopoulos, 2001; Fombrun and Shanley, 1990; Carroll, 1979; all cited in Siltaoja, 2006). Deephouse (2000) and Fombrun (1996, 1998; all cited in Siltaoja, 2006) revealed that reputation is often defined as the most important competitive excellence a company can have. For Brown and Logsdon (1999; cited in Siltaoja, 2006), reputation is a long-term combination of an outsider's view of the organization, how well the organization executes its commitments and fulfills stakeholders' expectation, and how effective the organization's performance is according to its social-political environment.

Accountability and sustainability are certainly used in assessing the company's reputation. For business world and community, the concepts of accountability and sustainability can be developed consistently to the power and capacity of the company, to act according to the company's and the world's interest together (Freeman, 2006).

Organizational reputation is mainly built upon the dimension of collective responsiveness and recognition that a firm has long accumulated in its business field (Rindova et al., 2005). Stakeholders observe a firm's behaviors and accumulate perceptions overtime. Reputation therefore reduces stakeholder uncertainty, and the buyers can rely largely their trust on the sellers' reputations (Morgan and Hunt, 1994) to evaluate the cost and benefit (Barone et al., 2004). As competitiveness is enhanced, firms may experience improvement of financial performance (Sharma, 2005; Corbett et al., 2005).

**2.5.6 Customer Satisfaction:** In a marketing context, strategic CSR is particularly relevant because of its focus on company benefits in relation to stakeholder groups (e.g. customers). Many surveys suggest a positive correlation between a company's corporate social

performance (CSP) and consumer behaviour towards that company and its products (Smith 2003, Bhattacharya & Sen 2004, Pigott 2004). In particular, socially oriented companies should be able to distinguish themselves from competitors, enhance customer satisfaction and improve their reputation through positive stakeholder response to their actions.

**2.5.7 Corporate Image:** CSR builds up corporate image and thus can help get favorable treatments from government policy decisions, easy and favorable access to funding, favorable media attention, healthy social license to operate amongst local communities and enjoy favorable customer choice. Such Strategic CSR initiative can also mitigate negative corporate image caused by past corporate bad behaviour and hence help in protecting the firm reputation from being tarnished. Further it helps the firm to protect from more stringent government investigations and regulations. A good corporate image from CSR initiatives can reduce the nature and extent of risks and threats which a firm faces from the external environment.

Bhattacharyya et. al. (2008) proposed a conceptual model of strategic corporate social responsibility (CSR) in which a frame has been developed to design strategic corporate social responsibility in an organization. The concept of this model is that by identifying the salient stakeholders and the interested CSR activities a firm can obtain expected benefits to be achieved. Moreover, by carrying out strategic CSR initiatives value chain activities will become effective and efficient, context of competitiveness will be improved and the scope of creating new business opportunities will be expanded. According to this framework the interests of a business organization resides in three directions:

1. Design and integrate the CSR initiatives of the firm such that the firm value chain (set of activities internal to the firm done to produce and deliver finished goods and services to customers from raw material inputs) activities become more effective and efficient;
2. Plan such type of CSR interventions that will improve the context of competitiveness of the firm / industry (external factors influencing a firm); and

3. Undertake such CSR programs that can provide for new business opportunities (new product market combination) for the firm in future.

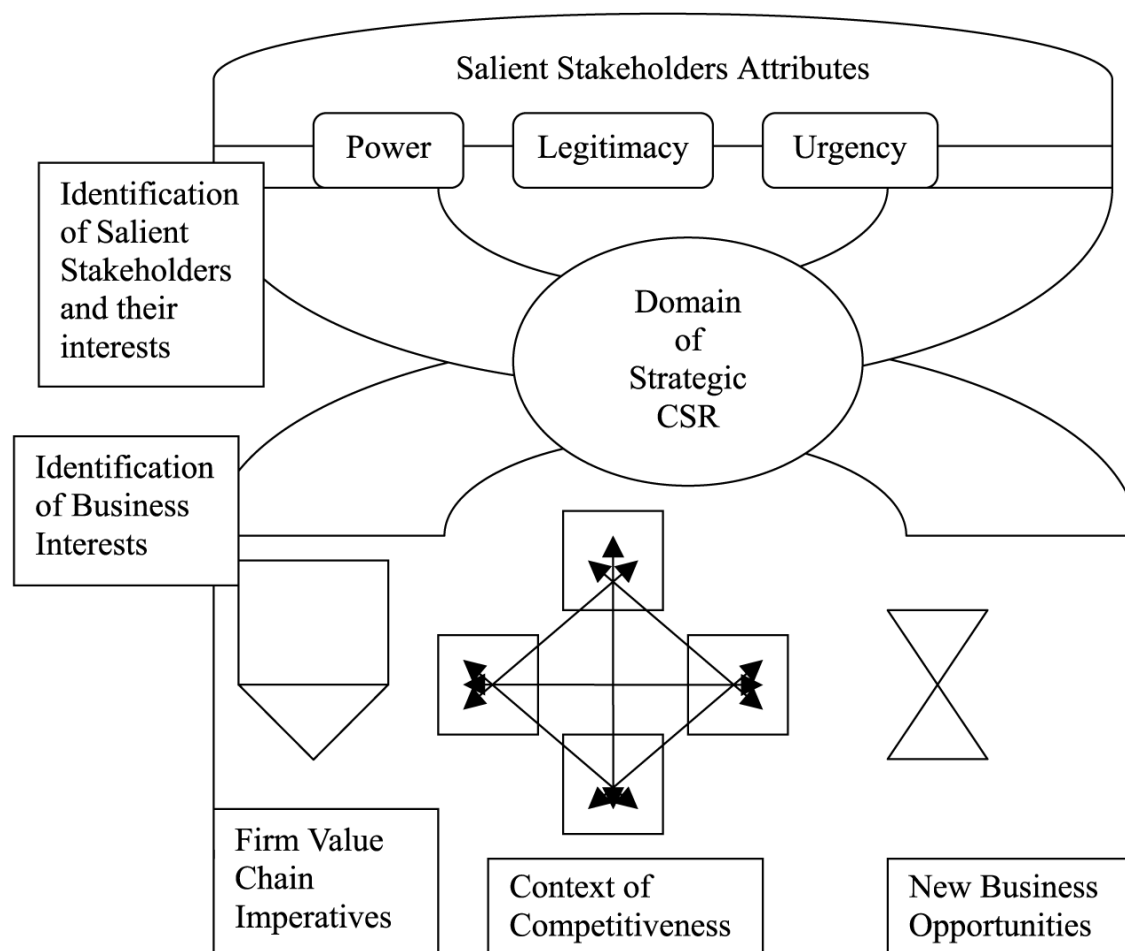
The framework starts by identifying the salient stakeholders of a firm, based on the three stakeholder attributes of power, legitimacy, and urgency. Mitchell et al. (1997, p. 858) proposed a very comprehensive criteria for the identification of stakeholders on the lines of Freeman's (1994) stakeholders who matter for a firm. Mitchell and his colleagues theorized to identify stakeholders based on their salience as they termed it. Stakeholder salience was a function of the stakeholder attributes of stakeholder power, legitimacy and urgency.

**Stakeholder Power** means that the stakeholder can harm, hurt and damage firm assets and functioning. Powerful stakeholders are often politically connected and thus, are the opinion leaders in the society and thus are very prominent in the society.

**Legitimate stakeholders** are harmed because of the firm business activities (Porter and Kramer, 2006; Mitchell et al., 1997). Also stakeholders have legitimacy when the firm management view the stakeholders' claims as appropriate and reasonable (Suchman, 1995). This legitimacy is derived from the moral values, norms or beliefs of the firm management (Suchman, 1995).

**Stakeholder urgency** represents the degree of quickness to which a stakeholder claims has to be attended to. It represents the time sensitivity and criticality of the firm stakeholder relationship.

Figure 2.2: Strategic CSR design model



Source: Bhattacharyya, Sahay, Arora and Chaturvedi (2008)

Once the salient stakeholders' interests are identified then the best strategic interests of a firm for doing CSR activities have to be found out. Porter and Kramer (2006) wrote that for CSR to be strategic, CSR should contribute to firm value chain (Porter, 1985) practices and/or improve the context of competitiveness (Porter, 1990). Porter and Kramer (2006) advocated that firm CSR programs could be so designed that the CSR activity forms part of the firm value chain by

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contributing either to the primary activities and/or the support activities. Such CSR initiatives help firms to secure purchased inputs, reduce operational costs, smooth logistics and/or contribute to the marketing and sales function of the value chain. Similarly, CSR activities could also be intelligently planned to contribute to the support activities like procurement, manpower development etc. of the firm value chain.

On similar line of thinking, Porter and Kramer (2006) advocated that when firm CSR activities improve the context of competitiveness of the firm. Porter and Kramer (2006) wrote that CSR activities could improve the input factors of production, such as skilled labor or necessary physical infrastructure required to compete. Demand conditions of products and services in a given industry could be influenced by CSR activities by setting higher standards for the quality of products and services (in terms of product safety features, environment friendliness and socially responsible performance features). CSR initiatives could also make the local demand conditions more refined and of substantial size.

CSR initiatives could be done to influence and frame rules and regulations for healthy competition, better investment climate, protection of intellectual property etc so as to make inter firm rivalry situation favorable. Finally, CSR could be designed to build capacity of the weak related and supporting industries concerned or the raw material suppliers. In addition, if tangible and intangible resources are unique to the firm, valuable to the firm's customers, rare, inimitable or imperfectly substitutable for the competitors then such resources are strategic resources and can provide the firm competitive advantage (Barney, 1991; Wernerfelt, 1984; 1995; Venugopal, 1999).

Certain CSR initiatives can start off as a micro enterprises or new business and can cater to satisfy certain needs of the society. Such new business activities can be a pilot project at the first place and done as a CSR initiative (Brugmann and Prahalad, 2007). Later, the CSR activity (pilot project) can graduate to become an independent business venture generating profit for the firm. Such CSR activities, which the top management team plans and undertakes with the

## Chapter 2: Literature Review

intent to create potentially new standalone profit making business venture of future, are of strategic importance to a firm as there are enormous business opportunities to be availed in future. Thus, firm CSR activity done with the intention of creating new business opportunities is a strategic CSR initiative.

Based on the above literature empirically testable research propositions have been proposed by the writer. Strategic CSR should help in attaining competitive advantage, i.e. the CSR initiative should lead to better effectiveness and efficient in business function activities by enhancing reputation, differentiation, cost leadership, competitive advantage and new business opportunity in the socially responsible features or environmentally friendly performance dimension. Thus strategic CSR should help in attaining firm strategies for achieving competitive advantage (Rumelt, 1980; Porter, 1985; Day and Wensley, 1988; Hunt, 2000; Miles and Covin, 2000; Karna et al., 2003; Crawford and Scaletta, 2005). The social responsibility of a company is recognized as an aspect, an appeal and an activity that influences its *reputation* (Zyglidopoulos, 2001; Fombrun and Shanley, 1990; Carroll, 1979; all cited in Siltaoja, 2006). Deephouse (2000) and Fombrun (1996, 1998; all cited in Siltaoja, 2006) revealed that reputation is often defined as the most important competitive excellence a company can have. Certain CSR initiatives can start off as a micro enterprises or new business and can cater to satisfy certain needs of the society. Such new business activities can be a pilot project at the first place and done as a CSR initiative (Brugmann and Prahalad, 2007). Later, the CSR activity (pilot project) can graduate to become an independent business venture generating profit for the firm.

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<sup>i</sup>A survey based attempt at defining CSR made by Corrado and Hines (2001) in Great Britain shows that responsibility to customers was the most important element of CSR (at 20%) and then responsibility toward the local community (17%).

<sup>ii</sup>Maister (1997), looking at service-firm labour markets in a non- CSR context, notes that a firm's reputation and image are often key factors in labour's decision to seek employment with that company.

<sup>iii</sup> In this way, local short-term market principles cannot completely drive the CSR program as one key argument for the existence of the firm is to correct for market failures (Williamson, 1985).

## 2.7 Summary of literature Review

No.	Year	Author	Findings	Gap Analysis
1	2011	Nur Diana Hidayati	<p>The case study shows high commitment from the four companies to the execution of CSR programs and business ethics.</p> <p>This case study found that two consumer goods companies and one manufacturing company conduct CSR programs that are both related and unrelated to their core businesses while a mining company tends to conduct CSR programs that are unrelated to its core business.</p> <p>Another finding from this case study is that both related and unrelated programs are forms of the companies' sustainable development.</p>	<p>The primary data in this case study were only collected from the publications of CSR programs and from company web sites or news coverage accessed via the internet, and so may be incomplete and not detailed.</p>
2	2011	Chih Hung Chen	<p>The results of confirmatory factor analysis indicated that the correlation among four latent variables was significant, and the second-order factor structure fit the observed data well.</p>	<p>The result supported the proposed model that four constructs played a dominant role toward CSR. Business leaders therefore could have clearer perspectives while facing challenges regarding CSR issues.</p>
3	2011	Yongqiang Gao	<p>The main findings of the study are as follows. Only 5.05 percent of listed companies published their CSRRs in China, and 4.42 percent of them issued a separate CSRR. Most companies (97.18 percent) use "CSRR" as the name of their stand-alone CSRRs; 79 percent of companies hold a positive attitude to taking on social responsibilities, while no company holds a negative attitude.</p> <p>Various social issues and stakeholders of companies are addressed in CSRRs. In general, state-owned enterprises (SOEs) have higher propensity to address most of social issues, which may reflect that SOEs are more politically sensitive than non-SOEs because most of the social issues are just "political slogans" proposed by the Chinese Government in recent years.</p> <p>However, non-SOEs have better performance than SOEs in addressing the interests of stakeholders. Meanwhile,</p>	<p>The results of this study indicate that CSR reporting practice is still at an early stage of development in China. Meanwhile, Chinese companies tend to follow the Chinese guidelines in issuing CSRRs rather than adopt international guidelines. In addition, Chinese companies are somewhat politically sensitive in addressing social issues. A major weakness of this study is that the sample only represents the best companies in assuming social responsibilities in China, thus some results cannot be generalized to all Chinese companies.</p>



## 2.7 Summary of literature Review

			industrial firms show higher propensity to address the interests of stakeholders than service firms.	
4	2010	Angela vander Heijden, Peter P.J. Driessen, and Jacqueline M. Cramer	<p>A conceptual framework is developed to analyze CSR sense making in practice.</p> <p>When the framework is used to analyze the experiences of 18 companies authors are able to characterize internal CSR sense making as a process that consists of a three-stage cycle with an important role for change agents.</p> <p>Further, authors conclude that the companies develop unique interpretations of the three-stage cycle. Grouping the processes, we discern two strategies of communicating and acting that stimulate the involvement of people and embed CSR values in the company.</p>	More research is needed on the attunement of CSR strategy to the method of working that is characteristic for an organization. Authors have discerned steps of action strategies, but there is no beaten path to determine and take the steps.
5	2010	Manuela Drews	<p>A framework is developed that applies methods of investment appraisal as well as qualitative evaluation approaches to individual CSR activities.</p> <p>An in-depth case study offers an easy-to-use evaluation tool that can be directly applied by business practice.</p>	Future research is needed to apply the proposed evaluation approach to other companies and provide more insights into the concrete measurement and isolation of individual indicators to support a quantitative assessment of the business effects. In addition to indicators to measure economic and socio-effectiveness, further research on indicators to assess the efficiency of CSR activities can also be fruitful in this respect.
6	2008	Min-Dong Paul Lee	The retrospection has revealed that the trend has been a progressive rationalization of the CSR concept with a particular focus on organizations' financial goals.	This study requires expansion of the focus of research to include smaller and medium-sized firms as well as CSR in the context of globalization.

## 2.7 Summary of literature Review

			Rationalization involves two broad shifts in the conceptualization of CSR. First, in terms of the level of analysis, researchers have moved from the discussion of the macro-social effects of CSR to organizational-level analysis of CSR's effect on profit. Next, in terms of theoretical orientation, researchers have moved from explicitly normative and ethics-oriented arguments to implicitly normative and performance-oriented	
7	2008	Armando Calabrese and Flavia Lancioni	<p>The CSR initiatives may be a sign of underlying rift between top managers and the front line employees within the company, which in turn might also damage the relationship between bank and its customers.</p> <p>The implications of the findings in this paper provide a managerial tool for use in the implementation of CSR.</p>	This tool dictates a specific path to be followed which also requires precise timing for its success.
8	2008	Guler Aras and David Crowther	This analysis found some strengths – and hence cause for optimism – and some weaknesses – and hence cause for concern. Areas where further work is needed are identified.	The paper has implications in enhancing the understanding of the necessary components of corporate governance, although it is necessarily limited by the size of the sample.
9	2008	Som Sekhar Bhattacharyya, Arunditya Sahay, Ashok Pratap Arora and Abha Chaturvedi	<p>Managers can design CSR initiatives in a number of ways. But the real challenge for managers is to design firm CSR strategy in such a manner that it helps address a social issue and also provides the organization with some business benefits.</p> <p>This study provides for such an integrated framework from the stage of identification of stakeholders, to the design of CSR, to the nature of strategic gains to be incurred.</p>	This study is not an empirical Positivistic case based research study which can provide insights into the process of designing the strategic CSR initiative.
10	2008	Dima Jamali, Yusuf Sidani	CSR continue to be salient in two different contexts, oscillating between the classical perspective which considers CSR as a burden on competitiveness and the modern perspective that views CSR as instrumental for business success. An empirical study of 119 Lebanese	Commonalities in CSR orientations have indeed been identified across four contexts (Bangladesh, Australia, Spain, and Lebanon) particularly with respect to the continued permeation of the classical perspective of CSR, along with the

## 2.7 Summary of literature Review

			managers reveals that the majority of respondents (83 percent) are favorably inclined toward CSR with about 20 percent adhering to the modern paradigm, more than 50 percent adhering to a philanthropic view and 18 percent fitting into the classical camp.	infiltration of some modern and philanthropic flavors. More research along these lines will be potentially very interesting in unearthing cross-cultural commonalities and differences and their potential implications.
11	2008	Rajasekhara Mouly Potluri and Zelalem Temesgen	<p>Ethiopian companies expressed 100 percent positive attitude in implementing CSR towards customers, creditors and suppliers, general public and government. However, only 40 percent of companies' were positive on periodical disclosure of information to its shareholders, 80 percent believed in fair wages and security of employment, and 10 percent of companies were negative on meaningful freedom, job satisfaction and humane treatment.</p> <p>Related to the cross validate section, overall 69 percent employees were not happy with companies' policies, 71 percent customers thought they were manipulated and another 75 percent general public were not pleased with CSR from the Ethiopian corporate sector.</p>	<p>This research paper serves as a basis for Ethiopian managers to understand the key interest groups and their expectations from the corporate sector and also to be acquainted with the opinions of employees, customers, and general public to assess the social performance of their organizations.</p> <p>Hence, it is better to recognize the expectations of the interest groups while designing CSR programmes for enjoying the long-run benefits like retention of highly skilled employees, attracting financially sound and socially conscious investors, building strong repetitive customer base and boost in public image etc.</p>
12	2008	Terje I. Vaaland and Morten Heide and Kjell Grønhaug	Recommendations include a broadened perspective in empirical research to address CSR in its entirety, expand the focus beyond consumers, include a broader range of samples and conduct more inductive, exploratory empirical studies. These steps will contribute to a multidimensional view of the future customer.	The number and specific choice of journals was subject to a compromise between comprehensiveness and the availability of space for a review.
13	2008	Joseph K. Achua	The paper identifies self-induced vices, regulatory laxity, inauspicious macro-economic environment, and endemic corruption in the economy as the major constraints to the discharge of CSR in the Nigerian banking system.	It is imperative that external regulation should be blended with conscious self-regulations by the banking institutions for the reforms to effectively include the delivery of CSR. This should be anchored on effective corporate governance in the banking institutions in the system.

## 2.7 Summary of literature Review

14	2007	Lynette McDonald and Sharyn Rundle-Thiele	A series of propositions is put forward to guide future research endeavors. An understanding of how to best allocate company resources to increase the proportion of satisfied customers will allow bank marketers to reduce customer churn and hence increase market share and profits.	Researchers have not previously conducted a comparative analysis of the effects of different CSR initiatives on customer satisfaction, nor considered whether more customer-centric initiatives are likely to be more effective in increasing the proportion of satisfied customers.
15	2007	Gianna Zappi	The paper presents the modular approach given to CSR and the need for integrating CSR into the “fundamental strategic orientation” of a bank, in order to mainstream CSR into the heart of business theory and practice.	The paper contains a brief reflection on stakeholder engagement, its main challenges and open questions. This is a complex issue. The debate is open and rests on recognition that the CSR approach requires a new perspective, including in consideration of the very nature of the relations established by stakeholders with the enterprise. The very nature of CSR, indeed, urges stakeholders to interplay with the enterprise on a ground that is not only related to the legal sphere.
16	2007	Mahabir Narwal	<p>The findings suggest that banks have an objective viewpoint about CSR activities. They are concentrating mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their core CSR activities.</p> <p>The Indian banking industry is found to be adopting an integrated approach by combining CSR with the ultimate customer satisfaction. Irrespective of location, the nature of CSR activities undertaken by banks is found to be similar.</p>	The study was conducted on 33 banks. As the banks are undertaking CSR activities under the guidance of their respective head office, this perhaps generalizes its usefulness elsewhere.
17	2007	David P. Baron	The paper presents a theory of corporate social responsibility (CSR) and shows that CSR is costly when it is an imperfect substitute.	There is no model shown how to implement CSR program strategically.

## 2.7 Summary of literature Review

			Firms can undertake strategic CSR activities that increase profits, and a social entrepreneur carries strategic CSR beyond profit maximization and market value maximization.	
18	2007	Fred Robins	<p>CSR has costs which may go unrecognized;</p> <p>It draws managers into decisions which may lie outside their competence; and,</p> <p>If it were widely adopted on a major scale, CSR would have implications for government and civil society which we have scarcely begun to think about.</p>	This author's assessment is non-ideological and wholly pragmatic. It is also open to criticism for failing to offer categorical, generalized, guidance to managers.
19	2006	Jose Mario B. Maximiano	The study reveals that value based leadership (VBL) is the most important component in the integration of CSR into core business and personal values of managers appear to be significantly related to managerial decisions.	The study provided evidence that leadership plays a crucial role in institutionalizing and sustaining CSR. It might be good to know further the similarities and difference among transformational or transformative, transactional, value based management and value based leadership.
20	2005	Isabelle Maignan, O.C. Ferrell, and Linda Ferrell	The findings provide a grounded framework based on previous research that provides a step-by-step approach for implementing corporate social responsibility from a marketing perspective.	The framework developed in this paper provides an opportunity to examine to what extent the step-by-step methodology has been implemented in organizations as well as alternative approaches for implementation.
21	2001	Ataur Rahman Belal	This study reports the results of a survey of CSR practices in Bangladesh. The main contribution of this paper is that in addition to measuring the extent and volume of disclosures by using content analysis, it explores the socio-political and economic context in which these disclosures take place.	The study is based on Bangladeshi annual reports only and focused on the industrial sector. Hence, the conclusions arrived at should not be generalized to the non-industrial sector and other developing countries.

# **Chapter 3**

## **Research Methodology**

### **3.0 Research Methodology**

#### **3.1 Nature of the Study**

The research design adopted for this study will be Exploratory and Causal in nature. The research objectives require describe research design to describe the characteristics of business gains by using CSR initiatives in a strategic manner.

#### **3.2 Questionnaire Design**

Based on the intensive literature review, researcher has listed a pool of items as the determinants of service quality. There were 23 statements to get relevant information about CSR outcomes from the perception of bank employees. A five point *likert scale* ranging from (1) = strongly disagree to (5) = strongly agree, was used for all items. To ensure content validity a though review of relevant literature was made by the researcher. A pre-test was also conducted to eliminate the bugs from the research instrument.

#### **3.3 Data Collection**

The population defined for this study is the 48 private commercial banks (Appendix 3-A) in Dhaka city. To conduct the study both primary and secondary data has been used. Primary data has been collected by conducting a survey through administering structural questionnaires. 130 respondents were interviewed using a structured and self-administered questionnaire on the basis of nonprobability sampling namely convenience sampling technique to get an insight into the underlying dimensions of business benefits from CSR activities. For the purpose of the study, data have been be collected from 10 sample (8 local and 2 foreign) banks initiating CSR activities (Appendix 3-B). From each bank 13 employees were interviewed. The list of the bank will be enclosed in appendix. To avoid biasness all the respondents were contacted while they were outside their office, with a prior agreement by using a field force.

Secondary sources such as review of scholarly journals, conference papers, news papers and relevant reading materials have been used for theoretical part of the thesis. 22 private commercial banks' Annual reports of the year 2013 have been studied. Apart from these

sources data has been collected from websites of different private commercial banks, brochures, manuals and publications of Bangladesh Banks.

### **3.4 Data Analysis**

In the first phase of the study content analysis has been performed based on the CSR disclosures of twenty two commercial banks in annual reports of 2013.

An exploratory factor analysis was conducted to determine the underlying dimensions of business benefits from the CSR activities. For the purpose of facilitating the interpretation and to accomplish the objectives factor analysis is used. In factor analysis, factor matrices are rotated by using *Varimax Rotation* technique. A statistical package of social sciences (SPSS) version 16.0 was used to analyze data from the questionnaire.

Initially eight dimensions (factors) were identified from the extant literature on service quality. Eight factors were retained after conducting an exploratory factor analysis by maintaining the nomological consistency of the factors.

Multiple regression analysis has been conducted for the purpose of clarifying the affects of underlying factors of benefits from CSR activities on the differentiation, competitive advantage and reputation of commercial banks. The relative contribution of each factor has also been explored in influencing the differentiation, competitive advantage and reputation of the banks.



# **Chapter 4**

## **Historical Account**

#### **4.0 Historical Account**

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

The term "**Corporate Social Responsibility**" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. It was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, *Strategic management: a stakeholder approach* in 1984. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Others argue CSR is merely window-dressing, or an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations.

CSR is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. The UN has developed the Principles for Responsible Investment as guidelines for investing entities.

Different organizations have framed different definitions - although there is considerable common ground between them. My own definition is that CSR is about how companies manage the business processes to produce an overall positive impact on society.

#### *Chapter 4: Historical Account*

Companies need to answer to two aspects of their operations. 1. The quality of their management - both in terms of people and processes (the inner circle). 2. The nature of, and quantity of their impact on society in the various areas.

Outside stakeholders are taking an increasing interest in the activity of the company. Most look to the outer circle - what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused - as well as past financial performance - on quality of management as an indicator of likely future performance.

#### **4.1 Approaches to CSR**

Some commentators have identified a difference between the Canadian (Montreal school of CSR), the Continental European and the Anglo-Saxon approaches to CSR. And even within Europe the discussion about CSR is very heterogeneous.

A more common approach of CSR is philanthropy. This includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Some organizations do not like this approach as it does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development.

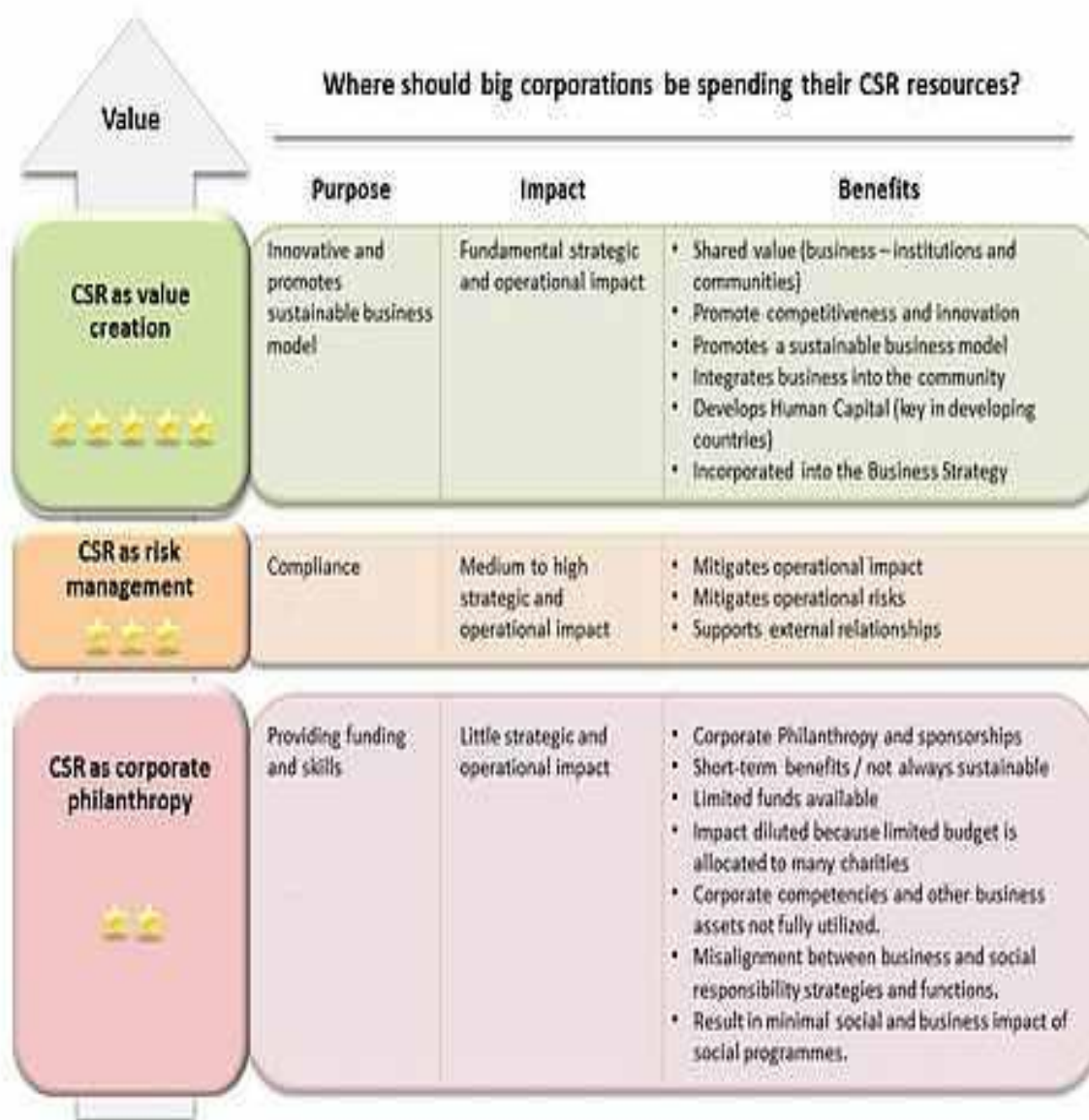
Another approach to CSR is to incorporate the CSR strategy directly into the business strategy of an organization. For instance, procurement of Fair Trade tea and coffee has been adopted by various businesses including KPMG. Its CSR manager commented, "Fair trade fits very strongly into our commitment to our communities".

Another approach is garnering increasing corporate responsibility interest. This is called Creating Shared Value, or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent. A business needs a healthy, educated

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work force, sustainable resources and adept government to compete effectively. For society to thrive, profitable and competitive businesses must be developed and supported to create income, wealth, tax revenues, and opportunities for philanthropy. CSV received global attention in the Harvard Business Review article *Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility* by Michael E. Porter, a leading authority on competitive strategy and head of the Institute for Strategy and Competitiveness at Harvard Business School; and Mark R. Kramer, Senior Fellow at the Kennedy School at Harvard University and co-founder of FSG Social Impact Advisors. The article provides insights and relevant examples of companies that have developed deep linkages between their business strategies and corporate social responsibility. Many approaches to CSR pit businesses against society, emphasizing the costs and limitations of compliance with externally imposed social and environmental standards. CSV acknowledges trade-offs between short-term profitability and social or environmental goals, but focuses more on the opportunities for competitive advantage from building a social value proposition into corporate strategy.

Many companies use the strategy of benchmarking to compete within their respective industries in CSR policy, implementation, and effectiveness. Benchmarking involves reviewing competitor CSR initiatives, as well as measuring and evaluating the impact that those policies have on society and the environment, and how customers perceive competitor CSR strategy. After a comprehensive study of competitor strategy and an internal policy review performed, a comparison can be drawn and a strategy developed for competition with CSR initiatives.



**Figure 4.1: Outcomes of CSR Expenditures**

### **CSR an Ethical Way to Boost Earnings**

Corporate social responsibility (CSR) practices by companies will help exporters increase their earnings. At the function, organized by Dhaka Chamber of Commerce and Industry (DCCI), they also urged the businesses to adopt CSR in businesses to build reputation and reduce risks. "If

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'we can start CSR in our organizations, our products will get more acceptability on the international market, which means export earnings will increase,' said Aftabul Islam, former DCCI president. CSR plays a vital role in exporting products to the rest of the world, Islam said in his speech to a seminar at the DCCI auditorium as chief guest. DCCI and German Technical Co-operation (GTZ) co-organized the seminar on how CSR can be a profitable, yet ethical way of doing business. If small businesses strive to grow, they must reach out to a wider global market, the discussants said. In today's world CSR has become a global necessity for taking a leap forward and attaining a larger share of the market, they said. Speaking on the issue, they viewed that every business organization has some social responsibility. DCCI President Zafar Osman said a CSR strategy should be developed in the country, which he said would help alleviate business risks and minimize social disputes. Osman urged all to attach importance to establishing a socially-compliant business environment. "A socially responsible company should arrange training for the staffs and adopt several cost-saving methods," he said. DCCI plans to establish a CSR centre on its premises. Consultant Mohiuddin Babar and Director of Centre for Management Development AMM Khairul Bashar made presentations on CSR at the seminar. CSR encourages businessmen to make profit ethically, said Dietrich Stotz, program coordinator of GTZ-progress. "CSR is important to business nowadays as it advises the businessmen to profit abiding by the ethics of business."

#### **4.2 Environmental, Social, and Ethical Reporting of CSR**

CSR reporting may be defined as the external reporting of social, ethical and environmental aspects of a business organization. It essentially concerns the process of communicating the social, ethical and environmental effects of business organizations' economic actions to particular interest groups within society and to society at large. It involves extending the accountability of firms beyond the traditional role of providing a financial account to the owners of capital or shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply make money for their shareholders. This article presents partial findings of an extensive research on CSR practices in Bangladesh. Based

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on a systematic qualitative survey of 87 business firms, representing such sectors as bank, insurance, textiles, pharmaceuticals, fuel, food, engineering, service, jute and miscellaneous, the study aimed to explore the emerging practice of CSR reporting in developing countries with particular reference to Bangladesh by examining the corporate attitudes towards social, ethical and environmental issues as represented in the text of corporate reports in the public domain. Out of the 87 surveyed companies, only a meager 18% of them disclosed on environmental issues. Even then, the disclosure was very general and superficial. Here are some examples of the environmental disclosures: “The Company is always active to keep its environment pollution free. In addition to the implementation of a forestation programs in all mill areas steps have been taken to keep the internal environment of the factory pollution free by installing modern equipment. We have taken adequate measures to control dust, which is generated during the process of manufacturing cement. The corporate attitude, as evident from the above disclosure statements, suggests a rhetorically loaded but practically cautious and unsubstantial approach. The companies are saying that they have taken environmental issues seriously but their sincerity may be questioned in the absence of the development of an appropriate long-term corporate environmental policy and quantitative indicators to measure performance against the policy.

The above ad hoc disclosures can, at best, be taken as a list of mere intentions without evidence of any appropriate action. The environment of Bangladesh is degrading rapidly. The untreated disposal of industrial wastes, gases and fumes is considered as one of the reasons for this. In spite of this, a large majority of companies (82%) included in this study did not make any environmental disclosure. There is a growing consensus amongst both the academics and development activists regarding the crucial significance and topicality of rendering business organizations to act in a more socially and environmentally responsive manner. As voluntary reporting initiatives often fail to generate the required responses amongst the companies, one cogent view is to argue in favor of mandatory reporting of social, ethical and environmental information as the way forward. Research and practical demonstration on the possible ways and means of ensuring more effective social and environmental disclosures remain generally limited in Bangladesh.

**Ten Percent Tax Waiver on CSR Spending**

The government has approved the long-awaited proposal for tax exemption facility at the rate of 10 percent on a part of the corporate income to be spent on complying with corporate social responsibility (CSR). The exemption facility is aimed at encouraging private companies to be involved more in CSR practices. Finance Adviser Mirza Azizul Islam last week gave go-ahead to the tax exemption proposal, which is expected to be published soon as gazette notification. "The government will lose a very insignificant amount of money for giving the tax exemption facility, but the move will encourage many local business groups to launch CSR activities," said a high official of National Board of Revenue (NBR). According to the tax exemption plan, economic, environmental and social development activities will be brought within CSR purview. Agricultural production and processing, crop diversification, employment generation, education and training will be considered as CSR areas under economic sector, while global warming, ecological balance, pure water management, carbon emission, sea water level, forestry, city beautification and waste management will be environmental activities. Under social development, companies investing for women rights issues, extending donations to HIV-AIDS campaign agencies, welfare activities for disabled, donations for public universities, relief activities after natural calamities, welfare activities for grassroots children and acid victims will get the tax waiver facility. In order to enjoy the facility, companies will have to follow labor compliant issues and be environmentally conscious. The private sector businesses had long been requesting the government to offer tax waiver on CSR expenditure as they have to pay corporate tax at a rate of 45 percent. Last year the government raised tax exemption limit for donation to charity to Tk. 5 lacs from Tk. 2.5 lacs in a bid to encourage welfare activities.

**CSR Key to Sustainable Development**

Former President Iajuddin Ahmed said corporate houses to make contribution to economic development by improving the quality of life of their workforce. "Corporate social responsibility (CSR) is a crucial need for promoting sustainable development and long-term advancement of business," the president said at the Standard Chartered-Financial Express Corporate Social Responsibility Award 2005 ceremony in Dhaka. Unilever Bangladesh Ltd and Dhaka Bank Ltd



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have been adjudged this year's winners in manufacturing and services sector categories. Economist Wahiduddin Mahmud, chairman of the Standard Chartered-Financial Express Corporate Social Responsibility Award Trust, chaired the program. Osman Morad, chief executive officer of Standard Chartered Bank Bangladesh, and Moazzem Hossain, editor of The Financial Express, also spoke. The president also said as CSR is a growing demand; businesses competing in the global economy can no longer afford to ignore the issue. Iajuddin said Bangladesh has been making relentless efforts to adopt operational principles of corporate governance in line with the international best practices. "The regulatory agencies have incorporate many of the relevant issues into their respective operational framework and the process is still on," he added Wahiduddin Mahmud said companies worldwide are increasingly paying attention to CSR in their business approaches by attempting to address social issues and engaging themselves in not-for-profit community welfare activities. Sanjiv Mehta, chairman and managing director of Unilever Bangladesh Ltd, and Shahed Noman, managing director of Dhaka Bank, received the awards.

#### **4.3 Potential business benefits**

The scale and nature of the benefits of CSR for an organization can vary depending on the nature of the enterprise, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones (e.g., Deming's Fourteen Points, balanced scorecards). Orlitzky, Schmidt, and Rynes found a correlation between social/environmental performance and financial performance. However, businesses may not be looking at short-run financial returns when developing their CSR strategy.

The definition of CSR used within an organization can vary from the strict "stakeholder impacts" definition used by many CSR advocates and will often include charitable efforts and volunteering. CSR may be based within the human resources, business development or public relations departments of an organization, or may be given a separate unit reporting to the CEO or in some cases directly to the board. Some companies may implement CSR-type values without a clearly defined team or programme.

The business case for CSR within a company will likely rest on one or more of these arguments:

**Human resources**

A CSR program can be an aid to recruitment and retention, particularly within the competitive graduate student market. Potential recruits often ask about a firm's CSR policy during an interview, and having a comprehensive policy can give an advantage. CSR can also help improve the perception of a company among its staff, particularly when staff can become involved through payroll giving, fundraising activities or community volunteering. CSR has been found to encourage customer orientation among frontline employees.

**Risk management**

Managing risk is a central part of many corporate strategies. Reputations that take decades to build up can be ruined in hours through incidents such as corruption scandals or environmental accidents. These can also draw unwanted attention from regulators, courts, governments and media. Building a genuine culture of 'doing the right thing' within a corporation can offset these risks.

**Brand differentiation**

In crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values. Several major brands, such as The Co-operative Group, The Body Shop and American Apparel are built on ethical values. Business service organizations can benefit too from building a reputation for integrity and best practice.

**License to operate**

Corporations are keen to avoid interference in their business through taxation or regulations. By taking substantive voluntary steps, they can persuade governments and the wider public

that they are taking issues such as health and safety, diversity, or the environment seriously as good corporate citizens with respect to labor standards and impacts on the environment.

### **Arguments for Including Disability in CSR**

In recent years CSR is increasingly becoming a part of a large number of companies. It is becoming an important activity for businesses throughout the globe.

Basically, CSR means that a company's business model should be socially responsible and environmentally sustainable. By socially responsible, it means that the company's activities should benefit the society and by environmentally sustainable it means that the activities of the company should not harm the environment.

But nowadays what we can see is that there is an outburst of enthusiasm for environmental causes only. For eg. controlling pollution, global warming, deforestation, mitigate carbon emissions etc. Whereas it can be said that the same enthusiasm is not seen for social welfare. This is because most of the social welfare activities of the companies contribute to the welfare of us able bodied people but do not take into account the disabled people who are also a part of the society in which the company exists and who amount to at least 10% of the population. Therefore, disability must be made a part of CSR policies of the companies and people with disabilities must be allowed to become stakeholders.

There should be non-discrimination or diversity management awareness-raising and training for employees in the companies that include disability treatment. They should include the disability factor in employment/HR indicators (age distribution, gender, contract type, professional categories and/or activity areas, rotation) so that the situation of people with disabilities can be compared with that of other employees. The companies should take into account the characteristics of people with disabilities when managing human resources (recruitment, selection, contracting and induction, promotion, training, prevention of risks at work). Customer care staff training should be carried out by the companies aimed at guaranteeing appropriate treatment of people with disabilities. They should have a policy or directive aimed

at considering or favouring suppliers and subcontractors that employ people with disabilities, including Sheltered Workshops.

Thus, carrying out business practice which includes disabled people will help improve the company's reputation and image in an increasingly competitive environment.

Finally, disability is one of the factors that can contribute to "Diversity" and Diversity is a rising value within companies' management. However, disability is often pushed behind in favor of other diversity criteria, thus disability needs to be specifically included within the CSR.

#### **4.4 Criticisms and Concerns**

Critics of CSR as well as proponents debate a number of concerns related to it. These include CSR's relationship to the fundamental purpose and nature of business and questionable motives for engaging in CSR, including concerns about insincerity and hypocrisy.

##### **Nature of business**

Milton Friedman and others have argued that a corporation's purpose is to maximize returns to its shareholders, and that since only people can have social responsibilities, corporations are only responsible to their shareholders and not to society as a whole. Although they accept that corporations should obey the laws of the countries within which they work, they assert that corporations have no other obligation to society. Some people perceive CSR as in-congruent with the very nature and purpose of business, and indeed a hindrance to free trade. Those who assert that CSR is contrasting with capitalism and are in favor of the free market argue that improvements in health, longevity and/or infant mortality have been created by economic growth attributed to free enterprise.

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Critics of this argument perceive the free market as opposed to the well-being of society and a hindrance to human freedom. They claim that the type of capitalism practiced in many developing countries is a form of economic and cultural imperialism, noting that these countries usually have fewer labor protections, and thus their citizens are at a higher risk of exploitation by multinational corporations.

A wide variety of individuals and organizations operate in between these poles. For example, the REAL leadership Alliance asserts that the business of leadership (be it corporate or otherwise) is to change the world for the better. Many religious and cultural traditions hold that the economy exists to serve human beings, so all economic entities have an obligation to society (see for example Economic Justice for All). Moreover, as discussed above, many CSR proponents point out that CSR can significantly improve long-term corporate profitability because it reduces risks and inefficiencies while offering a host of potential benefits such as enhanced brand reputation and employee engagement.

#### **Motives**

Some critics believe that CSR programs are undertaken by companies such as British American Tobacco (BAT), the petroleum giant BP (well known for its high-profile advertising campaigns on environmental aspects of its operations), and McDonald's (see below) to distract the public from ethical questions posed by their core operations. They argue that some corporations start CSR programs for the commercial benefit they enjoy through raising their reputation with the public or with government. They suggest that corporations which exist solely to maximize profits are unable to advance the interests of society as a whole.

Another concern is that sometimes companies claim to promote CSR and be committed to sustainable development but simultaneously engage in harmful business practices. For example, since the 1970s, the McDonald's Corporation's association with Ronald McDonald House has been viewed as CSR and relationship marketing. More recently, as CSR has become main stream, the company has beefed up its CSR programs related to its labor, environmental

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and other practices. All the same, in *McDonald's Restaurants v Morris & Steel*, Lord Justices Pill, May and Keane ruled that it was fair comment to say that McDonald's employees worldwide

'do badly in terms of pay and conditions' and true that 'if one eats enough McDonald's food, one's diet may well become high in fat etc., with the very real risk of heart disease.

Royal Dutch Shell has a much-publicized CSR policy and was a pioneer in triple bottom line reporting, but this did not prevent the 2004 scandal concerning its misreporting of oil reserves, which seriously damaged its reputation and led to charges of hypocrisy. Since then, the Shell Foundation has become involved in many projects across the world, including a partnership with Marks and Spencer (UK) in three flower and fruit growing communities across Africa.

Critics concerned with corporate hypocrisy and insincerity generally suggest that better governmental and international regulation and enforcement, rather than voluntary measures, are necessary to ensure that companies behave in a socially responsible manner. A major area of necessary international regulation is the reduction of the capacity of corporations to sue states under investor state dispute settlement provisions in trade or investment treaties if otherwise necessary public health or environment protection legislation has impeded corporate investments. Others, such as Patricia Werhane, argue that CSR should be considered more as a corporate moral responsibility, and limit the reach of CSR by focusing more on direct impacts of the organization as viewed through a systems perspective to identify stakeholders. For a commonly overlooked motive for CSR, see also *Corporate Social Entrepreneurship*, whereby CSR can also be driven by employees' personal values, in addition to the more obvious economic and governmental drivers.

#### **Ethical consumerism**

The rise in popularity of ethical consumerism over the last two decades can be linked to the rise of CSR. As global population increases, so does the pressure on limited natural resources required to meet rising consumer demand (Grace and Cohen 2005, 147). Industrialization, in many developing countries, is booming as a result of both technology and globalization.

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Consumers are becoming more aware of the environmental and social implications of their day-to-day consumer decisions and are therefore beginning to make purchasing decisions related to their environmental and ethical concerns. However, this practice is far from consistent or universal.

#### **Globalization and market forces**

As corporations pursue growth through globalization, they have encountered new challenges that impose limits to their growth and potential profits. Government regulations, tariffs, environmental restrictions and varying standards of what constitutes "labor exploitation" are problems that can cost organizations millions of dollars. Some view ethical issues as simply a costly hindrance, while some companies use CSR methodologies as a strategic tactic to gain public support for their presence in global markets, helping them sustain a competitive advantage by using their social contributions to provide a subconscious level of advertising. (Fry, Keim, Meiners 1986, 105) Global competition places a particular pressure on multinational corporations to examine not only their own labor practices, but those of their entire supply chain, from a CSR perspective.

#### **Social awareness and education**

The role among corporate stakeholders is to work collectively to pressure corporations that are changing. Shareholders and investors themselves, through socially responsible investing are exerting pressure on corporations to behave responsibly. Non-governmental organizations are also taking an increasing role, leveraging the power of the media and the Internet to increase their scrutiny and collective activism around corporate behavior. Through education and dialogue, the development of community awareness in holding businesses responsible for their actions is growing. In recent years, the traditional conception of CSR is being challenged by the more community-conscious Creating Shared Value concept (CSV), and several companies are refining their collaboration with stakeholders accordingly.

**Ethics training**

The rise of ethics training inside corporations, some of it required by government regulation, is another driver credited with changing the behavior and culture of corporations. The aim of such training is to help employees make ethical decisions when the answers are unclear. Tullberg believes that humans are built with the capacity to cheat and manipulate, a view taken from (Trivers 1971, 1985), hence the need for learning normative values and rules in human behavior. The most direct benefit is reducing the likelihood of "dirty hands" (Grace and Cohen 2005), fines and damaged reputations for breaching laws or moral norms. Organizations also see secondary benefit in increasing employee loyalty and pride in the organization. Caterpillar and Best Buy are examples of organizations that have taken such steps.

Increasingly, companies are becoming interested in processes that can add visibility to their CSR policies and activities. One method that is gaining increasing popularity is the use of well-grounded training programs, where CSR is a major issue, and business simulations can play a part in this.

One relevant documentary is *The Corporation*, the history of organizations and their growth in power is discussed. Corporate social responsibility, what a company does in trying to benefit society, versus corporate moral responsibility (CMR), what a company should morally do, are both important topics to consider when looking at ethics in CSR. For example, Ray Anderson, in *The Corporation*, takes a CMR perspective in order to do what is moral and he begins to shift his company's focus towards the biosphere by utilizing carpets in sections so that they will sustain for longer periods. This is Anderson thinking in terms of Garret Hardin's "The Tragedy of the Commons," where if people do not pay attention to the private ways in which we use public resources, people will eventually lose those public resources.

**Laws and regulation**

Another driver of CSR is the role of independent mediators, particularly the government, in ensuring that corporations are prevented from harming the broader social good, including



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people and the environment. CSR critics such as Robert Reich argue that governments should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves responsibly.

The issues surrounding government regulation pose several problems. Regulation in itself is unable to cover every aspect in detail of a corporation's operations. This leads to burdensome legal processes bogged down in interpretations of the law and debatable grey areas (Sacconi 2004). For example, General Electric failed to clean up the Hudson River after contaminating it with organic pollutants. The company continues to argue via the legal process on assignment of liability, while the cleanup remains stagnant. (Sullivan & Schiafo 2005).

The second issue is the financial burden that regulation can place on a nation's economy. This view shared by Bulkeley, who cites the Australian federal government's actions to avoid compliance with the Kyoto Protocol in 1997, on the concerns of economic loss and national interest. The Australian government took the position that signing the Kyoto Pact would have caused more significant economic losses for Australia than for any other OECD nation (Bulkeley 2001, pg 436). On the change of government following the election in November 2007, Prime Minister Kevin Rudd signed the ratification immediately after assuming office on 3 December 2007, just before the meeting of the UN Framework Convention on Climate Change. Critics of CSR also point out that organizations pay taxes to government to ensure that society and the environment are not adversely affected by business activities.

Denmark has a law on CSR. On 16 December 2008, the Danish parliament adopted a bill making it mandatory for the 1100 largest Danish companies, investors and state-owned companies to include information on corporate social responsibility (CSR) in their annual financial reports. The reporting requirements became effective on 1 January 2009. The required information includes:

- information on the companies' policies for CSR or socially responsible investments (SRI)
- information on how such policies are implemented in practice, and

- information on what results have been obtained so far and management's expectations for the future with regard to CSR/SRI.

CSR/SRI is still voluntary in Denmark, but if a company has no policy on this it must state its positioning on CSR in their annual financial report. More on the Danish law can be found at [CSRgov.dk](http://CSRgov.dk)

#### **4.4 Crises and their Consequences**

Often it takes a crisis to precipitate attention to CSR. One of the most active stands against environmental management is the CERES Principles that resulted after the Exxon Valdez incident in Alaska in 1989 (Grace and Cohen 2006). Other examples include the lead poisoning paint used by toy giant Mattel, which required a recall of millions of toys globally and caused the company to initiate new risk management and quality control processes. In another example, Magellan Metals in the West Australian town of Esperance was responsible for lead contamination killing thousands of birds in the area. The company had to cease business immediately and work with independent regulatory bodies to execute a cleanup. Odwalla also experienced a crisis with sales dropping 90%, and the company's stock price dropping 34% due to several cases of E. coli spread through Odwalla apple juice. The company ordered a recall of all apple or carrot juice products and introduced a new process called "flash pasteurization" as well as maintaining lines of communication constantly open with customers.

#### **Stakeholder priorities**

Increasingly, corporations are motivated to become more socially responsible because their most important stakeholders expect them to understand and address the social and community issues that are relevant to them. Understanding what causes are important to employees is usually the first priority because of the many interrelated business benefits that can be derived from increased employee engagement (i.e. more loyalty, improved recruitment, increased

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retention, higher productivity, and so on). Key external stakeholders include customers, consumers, investors (particularly institutional investors), communities in the areas where the corporation operates its facilities, regulators, academics, and the media.

Branco and Rodrigues (2007) describe the stakeholder perspective of CSR as the inclusion of all groups or constituents (rather than just shareholders) in managerial decision making related to the organization's portfolio of socially responsible activities. This normative model implies that the CSR collaborations are positively accepted when they are in the interests of stakeholders and may have no effect or be detrimental to the organization if they are not directly related to stakeholder interests. The stakeholder perspective suffers from a wheel and spoke network metaphor that does not acknowledge the complexity of network interactions that can occur in cross sector partnerships. It also relegates communication to a maintenance function, similar to the exchange perspective.

The modern concept of Corporate Social Responsibility (CSR) is evolving gradually despite several hindrances. Driving forces behind this evolution is pressure from various stakeholders (Importers, Environmentalists) while slow progress is attributed to lack of Good Governance, absence of strong labor unions, consumer forums and above all lack of understanding by business houses, specifically non-exporting ones, that CSR is not charity but is rather an instrumental PR investment. Corporate Social Responsibility (CSR) is gaining fast global acceptance as a standard to assume environmentally sustainable and socially equitable business practices. The role of business world-wide and specifically in the developed economies has evolved from classical 'profit maximizing' approach to a 'social responsibly' approach, where businesses are not only responsible to its stockholders but also to all of its stakeholders in a broader inclusive sense. With increased globalization, local businesses are being integrated with the global economy than ever hence pressure is mounting on local businesses to converge on international standards of socially responsible business.

As a member of the global economy, Bangladesh is also aware of the need to take positive initiative to establish an image of environmentally and socially responsible businesses. CSR as a concept is being gradually interwoven into the psyche of local business, however, the process is

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slow and only in its infancy. In most of the cases, CSR practices are not particularly framed in the context of seeing in that the money being given as corporate donations had been part of a sustaining community development effort. The banking sector of Bangladesh has been actively participating in various social activities. However, these efforts were hardly recognized and labeled as CSR activities since most of the financial institutions have not integrated CSR in their routine operation; rather these were in the form of occasional charity or promotional activities. Bangladesh Bank has taken initiatives in respect of formalizing CSR in the banking sector of Bangladesh and issued a directive to the banks and, financial institutions on June 01, 2008 in this regard. It defined the strategic objective for CSR engagement, provided some priority areas with a suggestion to foster CSR in their client businesses, and suggested a first time CSR program indicating some likely action plans. Bangladesh Bank will monitor CSR adoption and CSR performance of banks and financial institutions, as an additional dimension of their management performance. Bangladesh Bank also had the opportunity to provide a sense of direction to the CSR agenda of the banking sector when it suggested that, banks which are taking measures for rehabilitating, agriculture, fisheries, livestock, and protecting environment, will be considered as more compliant of Corporate Social Responsibility besides providing relief to the people affected in natural calamities like 'Sidr' and 'Aila'. The banking community has responded sensibly to the call for CSR and sustainable social development. We are also observing a gradual but qualitative change in the CSR action programs undertaken by banks.

#### **4.5 Historical Background of Banking Industry in Bangladesh**

The banking system at independence consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Virtually all banking services were concentrated in urban areas. The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it the Bangladesh Bank. The bank was responsible for regulating currency, controlling credit and monetary policy, and administering exchange control

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and the official foreign exchange reserves. The Bangladesh government initially nationalized the entire domestic banking system and proceeded to reorganize and rename the various banks. Foreign-owned banks were permitted to continue doing business in Bangladesh. The insurance business was also nationalized and became a source of potential investment funds. Cooperative credit systems and postal savings offices handled service to small individual and rural accounts. The new banking system succeeded in establishing reasonably efficient procedures for managing credit and foreign exchange. The primary function of the credit system throughout the 1970s was to finance trade and the public sector, which together absorbed 75 percent of total advances. The government's encouragement during the late 1970s and early 1980s of agricultural development and private industry brought changes in lending strategies. Managed by the Bangladesh Krishi Bank, a specialized agricultural banking institution, lending to farmers and fishermen dramatically expanded. The number of rural bank branches doubled between 1977 and 1985, to more than 3,330. Denationalization and private industrial growth led the Bangladesh Bank and the World Bank to focus their lending on the emerging private manufacturing sector. Scheduled bank advances to private agriculture, as a percentage of sectoral GDP, rose from 2 percent in FY 1979 to 11 percent in FY 1987, while advances to private manufacturing rose from 13 percent to 53 percent. The transformation of finance priorities has brought with it problems in administration. No sound project-appraisal system was in place to identify viable borrowers and projects. Lending institutions did not have adequate autonomy to choose borrowers and projects and were often instructed by the political authorities. In addition, the incentive system for the banks stressed disbursements rather than recoveries, and the accounting and debt collection systems were inadequate to deal with the problems of loan recovery. It became more common for borrowers to default on loans than to repay them; the lending system was simply disbursing grant assistance to private individuals who qualified for loans more for political than for economic reasons. The rate of recovery on agricultural loans was only 27 percent in FY 1986, and the rate on industrial loans was even worse. As a result of this poor showing, major donors applied pressure to induce the government and banks to take firmer action to strengthen internal bank management and credit discipline. As a consequence, recovery rates began to improve in 1987. The National Commission on Money, Credit, and

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Banking recommended broad structural changes in Bangladesh's system of financial intermediation early in 1987, many of which were built into a three-year compensatory financing facility signed by Bangladesh with the IMF in February 1987. One major exception to the management problems of Bangladeshi banks was the Grameen Bank, begun as a government project in 1976 and established in 1983 as an independent bank. In the late 1980s, the bank continued to provide financial resources to the poor on reasonable terms and to generate productive self-employment without external assistance. Its customers were landless people who took small loans for all types of economic activities, including housing. About 70 percent of the borrowers were women, who were otherwise not much represented in institutional finance. Collective rural enterprises also could borrow from the Grameen Bank for investments in tube wells, rice and oil mills, and power looms and for leasing land for joint cultivation. The average loan by the Grameen Bank in the mid-1980s was around Tk2, 000 (US\$65), and the maximum was just Tk18,000 (for construction of a tin-roof house). Repayment terms were 4 percent for rural housing and 8.5 percent for normal lending operations. The Grameen Bank extended collateral-free loans to 200,000 landless people in its first 10 years. Most of its customers had never dealt with formal lending institutions before. The most remarkable accomplishment was the phenomenal recovery rate; amid the prevailing pattern of bad debts throughout the Bangladeshi banking system, only 4 percent of Grameen Bank loans were overdue. The bank had from the out set applied a specialized system of intensive credit supervision that set it apart from others. Its success, though still on a rather small scale, provided hope that it could continue to grow and that it could be replicated or adapted to other development-related priorities. The Grameen Bank was expanding rapidly, planning to have 500 branches throughout the country by the late 1980s. Beginning in late 1985, the government pursued a tight monetary policy aimed at limiting the growth of domestic private credit and government borrowing from the banking system. The policy was largely successful in reducing the growth of the money supply and total domestic credit. Net credit to the government actually declined in FY 1986. The problem of credit recovery remained at heart to monetary stability, responsible for serious resource misallocation and harsh inequities. Although the government had begun effective measures to improve financial discipline, the

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draconian contraction of credit availability contained the risk of inadvertently discouraging new economic activity. Foreign exchange reserves at the end of FY 1986 were US\$476 million, equivalent to slightly more than 2 months' worth of imports. This represented a 20-percent increase of reserves over the previous year, large lithe result of higher remittances by Bangladeshi workers abroad. The country also reduces dim ports by about 10 percent to US\$2.4 billion. Because of Bangladesh's status as a least developed country receiving concession loans, private creditors accounted for only about 6 percent of outstanding public debt. The external public debt was US\$6.4 billion, and annual debt service payments were US\$467 million at the end of FY 1986.

#### **Money and Banking-Currency Fluctuation**

At independence the value of the taka, Bangladesh's unit of currency, was set between 7.5 and 8.0 to US\$1. With the exception of FY 1978, the taka's value relative to the dollar declined every year from 1971 through the end of 1987. To help offset this phenomenon, Bangladesh first used the compensatory financing facility of the International Monetary Fund (IMF--see Glossary) in FY 1974. Despite the increasing need for assistance, the Mujib government was initially unwilling to meet the IMF's conditions on monetary and fiscal policy. By FY 1975, however, the government revised its stance; declaring a devaluation of the taka by 56 percent and agreeing to the establishment by the World Bank of the Bangladesh Aid Group (see Foreign Assistance, this ch.). Between 1980 and 1983, the taka sustained a decline of some 50 percent because of deterioration in Bangladesh's balance of payments. Between 1985 and 1987, the taka was adjusted infrequent incremental steps, stabilizing again around 12 percent lower in real terms against the United States dollar, but at the same time narrowing the difference between the official rate and the preferential secondary rate from 15 percent to 7.5 percent. Accompanying this structural adjustment was an expansion in the amount of trade conducted at the secondary rate, to 53 percent of total exports and 28 percent of total imports. In mid-1987, the official rate was relatively stable, approaching Tk31 to US\$1.

**4.6 List of Commercial Banks in Bangladesh**

Private commercial banks are the highest growth sector due to the dismal performances of government banks. They tend to offer better service and products.

- **There are 30 commercial banks operating in the banking sector. The list is given below-**

1. AB Bank Limited
2. Bangladesh Commerce Bank Limited
3. Bank Asia Limited
4. BRAC Bank Limited
5. Dhaka Bank Limited
6. Dutch Bangla Bank Limited
7. Eastern Bank Limited
8. Farmers Bank Limited
9. IFIC Bank Limited
10. Jamuna Bank Limited
11. Meghna Bank Limited
12. Mercantile Bank Limited
13. Midland Bank Limited
14. Modhumoti Bank Limited
15. Mutual Trust Bank Limited
16. National Bank Limited
17. NCC Bank Limited
18. NRB Commercial Bank Limited
19. NRB Global Bank Ltd
20. One Bank Limited
21. Prime Bank Limited



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22. Pubali Bank Limited

23. South Bangla Agriculture and Commerce Bank Ltd

24. Southeast Bank Limited

25. Standard Bank Limited

26. The City Bank Limited

27. The Premier Bank Limited

28. Trust Bank Limited

29. United Commercial Bank Ltd

30. Uttara Bank Limited

- **There are 8 Islamic Commercial Banks:**

1. Al-Arafah Islami Bank Limited
2. Export Import Bank of Bangladesh Limited
3. First Security Islami Bank Limited
4. ICB Islamic Bank
5. Islami Bank Bangladesh Limited
6. Shahjalal islami bank Limited
7. Social Islami Bank Limited
8. Union Bank Limited

- **10 foreign commercial banks are operating in Bangladesh. These are:**

1. Bank Alfalah
2. Citibank NA
3. Commercial Bank of Ceylon
4. Habib Bank Limited
5. HSBC (The Hong Kong and Shanghai Banking Corporation Ltd. )

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6. National Bank of Pakistan
7. Standard Chartered Bank
  
8. State Bank of India
9. Woori Bank
10. ICICI Bank

**The Functions of Banking:**

The most important functions of banking may be classified as follows:

- To assemble capital and make it effective
- To receive deposits and make collections
- To check out and transfer funds
- To discount or lend
- To exercise fiduciary or trust powers
- To issue circulating notes
- To be succeeded bank must first of all prove its value to the community
- The services which a bank performs are so generally taken for granted that the public is unaware of the real extent of the facilities offered
- Banks are equipped to utilize funds, for either a short or long period of time, safely, and with some profit
- By receiving deposits and making collections the bank saves the depositor much personal effort
- To convert check in a relatively short time into cash available for the depositor's use, and all this with no direct assistance from the customer and at a very slight expense to him or none at all, is indeed service
- It is the willingness of the bank to collect promissory notes, drafts and other negotiable paper in a similar way

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- In addition to taking care of funds without charge and making collections, the bank provides the means of withdrawing and transferring funds readily by giving its customer a book of blank checks.
- By lending money the bank benefits the community to the extent that it supplies funds to assist worthy business. Temporary working capital to assist in the commercial, agricultural or industrial life of a community is very important.

#### **4.7 Recent Engagements of Banks in CSR Practice**

The banking sector of Bangladesh has been actively participating in various social activities. However, these efforts were hardly recognized and labeled as CSR activities since most of the financial institutions have not integrated CSR in their routine operation; rather these were in the form of occasional charity or promotional activities. Bangladesh Bank has taken initiatives in respect of formalizing CSR in the banking sector of Bangladesh and issued a directive to the banks and, financial institutions on June 01, 2008 in this regard. It defined the strategic objective for CSR engagement, provided some priority areas with a suggestion to foster CSR in their client businesses, and suggested a first time CSR program indicating some likely action plans. Bangladesh Bank will monitor CSR adoption and CSR performance of banks and financial institutions, as an additional dimension of their management performance. Bangladesh Bank also had the opportunity to provide a sense of direction to the CSR agenda of the banking sector when it suggested that, banks which are taking measures for rehabilitating, agriculture, fisheries, livestock, and protecting environment, will be considered as more compliant of Corporate Social Responsibility besides providing relief to the people affected in natural calamities like 'Sidr' and 'Aila'. The banking community has responded sensibly to the call for CSR and sustainable social development. It has been also observed that a gradual but qualitative change in the CSR action programs undertaken by banks.

The banking sector of Bangladesh has a long history of involvement in benevolent activities like donations to different charitable organizations, to poor people and religious institutions, city

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beautification and patronizing art & culture, etc. Recent trends of these engagement indicates that banks are gradually organizing these involvements in more structured CSR initiative format, in line with BB Guidance in DOS circular no. 01 of 2008.

The June 2008 BB Guidance circular suggested that banks could begin reporting their CSR initiatives in a modest way as supplements to usual annual financial reports, eventually to develop into full blown comprehensive reports in GRI format.

#### **Highlights of Recent Engagements**

- Out of forty eight scheduled banks in Bangladesh, forty six had engagement in CSR practices in some form or other in 2009.
- Apart from one-off grants and giveaways, some banks have engagements in longer term continuing support commitments, in areas of education and healthcare.
- Besides the passive engagements by way of grants/donations banks are now getting actively engaged in socially responsible business operations, by way of increased lending to under-served economic sectors like agriculture and SMEs, towards fuller financial inclusion and faster poverty eradication.
- Banks are yet to adopt practices of prior stakeholder consultations (an important element indicated in BB's guidance circular) in drawing up their CSR programs.
- Some banks have reported embracing commitment for environmental sustainability in own and client businesses. Their actions have not however gone beyond compliance with relevant government laws and regulations. Proactive initiatives of helping arrest environmental degradation, like adoption of more energy efficient, and harmful emission/effluence reducing internal practices and processes have been largely absent in the CSR initiatives, even of branches of foreign banks with such practices in their home offices.
- Banks are yet to adopt separate reporting of their CSR activities in comprehensive formats such as the GRI.

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- All banks reported implementation of ongoing CSR programs in 2011 adopted with decision at the highest (board of directors) level. *For the first time thus far in our banking sector, four of these banks reported having held stakeholder consultations before drawing up of their CSR programs.*
- As in preceding years, CSR initiatives of banks in 2011 continued focus on
  - i) financial inclusion of less privileged population segments and underserved economic sectors, ii) emergency relief in humanitarian distresses, ii) promotion of health, education and cultural/recreational activities for advancement and wellbeing of underprivileged population segments, iii) financing and promotion of environment friendly projects, iv) adoption of energy efficient, carbon footprint reducing internal processes and practices in own offices and establishments. Besides continuation and expansion of previous engagements in these areas, interesting newer directions/newer thrusts seen in the 2011 CSR reports of banks included:
    1. Construction of 144 feet long bridge connecting 18 villages of Rowmari, Kurigram with economic activities in the rest of the district; a physical infrastructure installation with far reaching impact on livelihoods of the villagers.
    2. Grant support for construction of sweepers' colony at Shahjalal Science and Technology University in Sylhet, grant supports for Old Peoples' Home in Dinajpur; both physical infrastructures, for benefit of the poor and elderly.
    3. Funding of safe drinking water provision initiatives, by installation of arsenic free deep tube wells and rainwater harvesting plants.
    4. Funding holding of workshops/training courses for English teachers and Head teachers of some schools.
    5. In financial inclusion, cluster based support initiatives for people in specific economic activities, like dairy, handloom, light engineering, poultry, fishery etc.; interest free lending in pilot projects for landless marginal farmers.
    6. Beginning phased implementation by banks of the Environmental Risk Management Guidelines issued by BB, introducing environmental risk scrutiny of projects prior to financing decisions. Many of the banks have reported increasing engagement in financing of solar as well as organic waste based energy (biogas) generation.
    7. Carbon footprint reduction initiatives in internal practices of banks, like introduction of a paperless 'no print day' and formation of 'no print team' in a bank. Besides such sporadic environmentally beneficial initiatives reported by some of the banks, *for the first time in CSR reporting in Bangladesh's banking sector a (foreign) bank reported in 2011 of incorporating environmental sustainability measures in internal decision*

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*making; actively managing their direct environmental impacts by reducing energy and water use, waste and carbon dioxide emission.*

# **Chapter 5**

## **CSR Activities in Commercial Banks**

## **5.0 Review of CSR Activities in the Banking Sector of Bangladesh**

The banking sector of Bangladesh has been actively participating in various social activities (see Table-5.1). However, these efforts were hardly recognized and labeled as CSR activities since most of the financial institutions have not integrated CSR in their routine operation; rather these were in the form of occasional charity or promotional activities. Bangladesh Bank has taken initiatives in respect of formalizing CSR in the banking sector of Bangladesh and issued a directive to the banks and, financial institutions on June 01, 2008 in this regard. It defined the strategic objective for CSR engagement, provided some priority areas with a suggestion to foster CSR in their client businesses, and suggested a first time CSR program indicating some likely action plans. Bangladesh Bank will monitor CSR adoption and CSR performance of banks and financial institutions, as an additional dimension of their management performance. Bangladesh Bank also had the opportunity to provide a sense of direction to the CSR agenda of the banking sector when it suggested that, banks which are taking measures for rehabilitating, agriculture, fisheries, livestock, and protecting environment, will be considered as more compliant of Corporate Social Responsibility besides providing relief to the people affected in natural calamities like 'Sidr' and 'Aila'. The banking community has responded sensibly to the call for CSR and sustainable social development. It has been also observed that a gradual but qualitative change in the CSR action programs undertaken by banks.

### **5.1 Highlights of Recent Engagements in CSR Practice**

This part of the thesis is exploratory in nature with the aim of determining the nature and extent of corporate social responsibility reporting in the banking sector in Bangladesh, and to assess the need to improve corporate social responsibility by such firms. Corporate social responsibility is associated with corporate governance and ethical business procedure. Good corporate governance is expected to underpin



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effective and efficient corporate social responsibility within firms. We observe, from our content analysis of the annual reports of the Bangladesh banking industry, that the corporate social responsibility disclosures focus on initiatives undertaken to support two critical two sectors within Bangladesh's economy, agriculture and the SME sector. Further disclosures address contributions and donations made by the banks to support underprivileged sections of Bangladesh society including destitute youth and women.

- All Banks and FIs supported the victims and volunteers of Savar Tragedy by collecting one day salary of the employees of the said institutions, by forming a fund of Taka 1.9 billion by the BAB, ABB & BLFCA, and donating the aggregate collection to 'Prime Minister's Relief Fund.
  
- Because of Savar Rana Plaza Tragedy, unlike in preceding years, CSR initiatives of banks in 2013 mainly focused on emergency relief in humanitarian distresses. Besides, focus on
  - i) Financial inclusion of less privileged population segments and underserved economic sectors,
  - ii) Promotion of health, education and cultural/recreational activities for advancement and well being of underprivileged population segments,
  - iii) Promotion of environment friendly projects,
  - iv) Adoption of energy efficient, carbon footprint reducing internal processes and practices in own offices and establishments were going on.

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Besides continuation and expansion of previous activities in these areas, some newer drives seen in the 2013 CSR reports of different banks included:

- Undertaking projects in a village called Southkhali, under Shoronkhola thana of Bagerhat district, for poor individuals and farmers to provide motivational session towards Palm Plantation and distribution of 5,000 Palm Trees free of cost.
- Construction of extension road at both ends of the bridge connecting 18 villages and stretching more than 6 kilometers from Chatlakanda to Tura via Shoulmari at Roumari upazila under Kurigram district for smooth traffic movement.
- Providing legal assistance to helpless prisoners and persons who do not have financial resources to conduct cases filed against them.
- Organizing a book fair program for underprivileged children at Boi Mela in Bangla Academy premises.
- Introducing special credit facility for the farmers to buy agricultural machineries and equipments.
- Supporting Research & Development (R&D) activities in archaeological survey, bio-technology etc.
- Besides CSR initiatives involving direct expenditure, all banks participated actively in promoting SMEs and agricultural financing. PCBs were particularly active in these areas. Banks proceeded ahead on multiple fronts including increased rural bank branch presence for broader & deeper financial inclusion,

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mobile phone banking and opening of bank accounts with Taka 10 as initial deposit for farmers/poor/ultra poor and thereby increasing transactions in these bank accounts.

- Besides CSR initiatives involving direct expenditure, financial inclusion initiatives of banks proceeded apace in 2011. All banks participated actively in promotion of lending to SMEs and agricultural; PCBs were particularly active in these areas. FCB lending for agriculture declined rather sharply however, against general trend. For broader, deeper financial inclusion, banks proceeded ahead on multiple fronts including increased rural bank branch presence, mobile phone banking, and opening of bank accounts for low income population free of charge with nominal Taka 10 initial deposit.
- Total annual direct CSR expenditure of banks increased by Tk. 1424.80 million than the previous year.

Year	2007	2008	2009	2010	2011	2012	2013
CSR expenditure (million Taka)	226.40	410.70	553.80	2329.80	2188.33	3046.69	4471.49

Table 5.1: Total annual direct CSR expenditure.

The modest decline in direct CSR expenditure in 2011 compared to the preceding year is mainly on count of humanitarian and disaster relief, because of fewer distress episodes calling for such relief.

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Total annual direct CSR expenditure of banks increased by Tk. 1424.80 million than the previous year (Table 1).

#### **5.2 Trends of Sectoral Pattern of Direct CSR Expenditure Reported by Banks:**

Among all specific categories of CSR expenditure as shown in Table 5.2, all banks donated additional financial assistance for the victims of Savar Rana Plaza tragedy in 2013.

That is why CSR expenditure in humanitarian & disaster relief sector increased from the previous year but the banks continued to maintain major share in education, health and humanitarian & disaster relief.

Education, health, humanitarian and disaster relief contributed to 28.97%, 10.77% and 30.99% share respectively. i.e. 70.73% out of total CSR expenditure.

Expenditure on sports (8.59%) increased but on Art and culture (2.79%) and environment (2.38%) decreased in 2013.

Notable specific share of expenditure in CSR programs of banks in 2013 are as follows:

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	2009		2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Humanitarian &amp; Disaster relief</b>	125.10	22.59	460.41	19.76	188.03	8.59	788.37	25.88	1385.83	30.99
<b>Education</b>	94.80	17.12	400.79	17.20	612.48	27.99	983.69	32.29	1295.18	28.97
<b>Health</b>	245.50	44.33	689.07	29.58	520.42	23.78	435.43	14.29	481.68	10.77
<b>Sports</b>	1.20	0.22	265.23	11.38	359.07	16.41	183.85	6.03	384.02	8.59
<b>Art &amp; culture</b>	0.30	0.05	328.91	14.12	171.52	7.84	213.31	7.00	124.75	2.79
<b>Environment</b>	-	-	59.78	2.57	138.07	6.31	140.23	4.60	106.59	2.38
<b>Others</b>	86.90	15.69	125.58	5.39	198.73	9.08	301.81	9.91	693.41	15.51
<b>Total</b>	<b>553.80</b>	<b>100</b>	<b>2329.80</b>	<b>100</b>	<b>2188.33</b>	<b>100</b>	<b>3046.69</b>	<b>100</b>	<b>4471.49</b>	<b>100</b>

**Table 5.2: Trends of Sectoral pattern of CSR Expenditure Reported by Banks (Taka in million)**

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- Education sector (28.97%) got the second highest weightage as percentage of total CSR expenditure in 2013 unlike previous years.
- CSR expenditures of banks in the health sector continued to contribute in establishing hospitals, clinics etc. as well as arranging free health treatment camp, blood donation program etc. in 2013.
- Banks are paying due attention to gender fairness issues in their internal work environment, recruitment, maternity leave policies etc. and are reporting to BB on gender issues like the previous year.
- CSR expenditures of banks as percentage of their after tax profit range from 0.14% to 57.12% (Annexure 3). The percentages are in double digits for 12 PCBs and 1 SoCB, which were for 6 PCBs in 2012.

**5.3 Trends of CSR Initiatives Not Involving Direct Expenditure:**

**Promotion of Financial Inclusion**

In its developmental role initiatives, BB is concentrating hard on flows to output and employment generating SMEs and to green initiatives like renewable (solar/biomass based) energy generation, effluent treatment, adoption of new emission minimizing output practices and so forth; besides promoting adoption of energy efficient, banks are exercising emission minimizing in house practices and processes by themselves.

20 PCBs and 7 FCBs reported substantial engagement in 2013 in credit programs promoting financial inclusion of socially disadvantaged rural and urban population segments. Besides agricultural credit programs pursued by all banks (with FCBs lending mostly through locally active MFIs), the financial inclusion programs of banks comprised:

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- a) Self-employment Credit and Small and Medium Enterprise (SME) lending programs of 20 PCBs and 7 FCBs, taken up solo or in association with locally active Micro Finance Institutions (MFIs).
- b) Financial program for installation of biomass processing plants generating biogas fuel and organic manure, for Effluent Treatment Plants (ETPs) in manufacturing establishments and for solar energy units in households in off grid rural areas including char lands, by 16 PCBs and 1 FCB.
- c) Financing program for rural craftsmen and folk/music/drama groups holding cultural events in tourism sites, taken up by 15 PCBs.
- d) Initiatives aimed at prompt delivery of remittances of migrant workers to recipients in remote rural households, in programs of card based/mobile phone based delivery of 20 PCBs.
- e) The landless sharecroppers who were otherwise deprived of institutional credit are now financed by banks. Under this scheme, Tk. 275.45 crore was disbursed to 1.28 lac farmers in 2013.
- f) Savings accounts of 13.25 million farmers have been opened accepting Taka 10 only as an initial deposit. Scenario of agricultural credit distribution, savings, inward remittance and outward remittance in last and current fiscal year is as follows:

**Table 5.3: Transaction amount in farmers A/C**

Subject	FY 2011-12 (In million)	FY 2012-13 (In million)
Agricultural credit disbursement to farmers A/C	2,235.4	2,941.2
Savings amount	1,145.0	1,056.3
Foreign remittance	388.0	478.1
Internal remittance	222.5	194.9

g) 28 banks obtained mobile banking licenses; 20 among them have started operation. They are offering basic banking and financial services such as payment of inward and local remittances, withdrawal and deposit of cash from bank branches, payments of utility bills, payments for purchasing goods and services, payments of salaries of corporate officials, industries and factories and other offices, payments of allowances and pensions, fund transfers, immediate mobile balance recharging and so forth.

h) In order to include large number of micro women entrepreneurs in the SME credit facilities, a policy of group based lending of up to BDT 50,000 or above has



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- been instigated. During the last one year, banking sector have financed BDT 395 crore to 3317 new women entrepreneurs which is 5% of the total new SME borrowers.
- i) A refinance scheme with funds from BB, IDA, ADB and JICA is available at BB at reduced rate of interest; 15% of the total fund is reserved for women entrepreneurs only. By now, Tk. 778 crore has been financed to 10,000 women entrepreneurs under this refinance scheme.
  - j) Disbursement of agricultural credit stood respectively at Tk. 92.84 billion (USD1=BDT80 approx.), Tk. 111.17 billion, Tk. 121.84 billion, Tk. 131.37 billion and Tk. 144.67 billion during the last five fiscal years (2009-13). In FY2012-13, disbursed agricultural credit was 4% more than the target. The target set for agricultural credit disbursement for the current FY (2013-14) is Tk. 145.95 billion which is the highest ever.
  - k) Along with the active banks of past FYs, newly licensed private commercial banks will also participate in agricultural credit disbursement in the current FY. In the new Agricultural Credit Policy, credit limits for different crops have been increased as required. Financing in several fields like coastal fishery, preservation and marketing of agricultural goods, production of organic (Vermicompost) manure, environment-friendly agricultural initiatives etc. has been included in the agricultural credit. Credit rules were issued for cultivation of some new fruits and oil-palm and incorporated in the agricultural credit activities.
  - l) BB has given special attention on financial inclusive programs along with financing in agriculture and SME. In large measure by virtue of early attention to financial inclusion aiming at financing needs of farm and non-farm SMEs and

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agriculture, growth in Bangladesh economy has been impacted only mildly by global financial crisis and its aftermath

- Banks are disbursing credit at 4 percent concessional rate of interest to promote cultivation of different varieties of pulses, oil seeds, spices especially ginger, turmeric, onion, chilly, cumin and maize. Banks are being compensated against the low lending rate with 6 percent govt. subsidy. Under this scheme, BB disbursed Tk. 72.41 crore as subsidy up to May 2014.

**5.4 Gender issues in Banks:**

Table 5.4 below shows that female employment continues to be concentrated at the entry and mid level: around 16.88% of women work at entry level and (16.66%) at mid level but less at senior management level (10.91%) in the banking industry. There are a larger share of women employees in the below 30 age group relative to the older age groups. The percentage of female Board Members totaled 13.73% in 2013, which was 14.17% in 2012. The 'turnover ratio' in table 4 shows that the share of departing males is higher than that of females for both PCBs and FCBs, with SoCBs showing the most ability to retain female staff as was in previous years. Table 5 presents a picture of important gender equality issues.

**Table 5.4: Present scenario of female personnel**

Banks	Board Members	Entry level	Mid-level	Senior Management	<30 years	30-50 years	>50 years	Turnover ratio
PCBs	12.31	18.88	17.95	5.26	25.21	14.08	6.74	1.07
FCBs	27.27	28.71	23.42	22.61	28.30	26.14	16.06	1.12

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Note: Turnover ratio is the share of departing male staff among total male staff divided by the share of departing female staff among female staff.

**Table 5.5: Gender Issues**

Banks	6 month maternity Leave	Crèche	Transport facility for females working beyond usual working hour	Awareness training on gender issues	Policy for addressing harassment complaints	No. of complaint during 2011
PCBs	21	1	13	3	11	5
FCBs	6	0	3	4	7	0

Notable issues as displayed in Table 5.5 includes:

- 34 banks have provisions for 6-month maternity leave, which was 29 in 2012; others allow 3/4 months leave. 21 PCBs have 6 month maternity leave policy.
- No other bank other than BRAC Bank Limited has established crèche facilities.
- 23 banks reported having policies of handling gender related harassment complaints.
- One of the banks has reported 5 complaints in 2013.
- 3 PCBs and 4 FCBs reported having awareness training on gender issues in 2013.
- 22 banks have safe transport policies for female workers.

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**5.5 Progress in Deepening of CSR Practices in Banks:**

**Institutionalizing CSR at corporate level:**

All banks have embraced CSR in 2013 with decision at the highest corporate level. 16 PCBs and 1 FCB have formed separate Foundations or Trusts as non-profitable institutions solely devoted to the cause of charity, social welfare and other benevolent activities towards the promotion of CSR objectives. These banks have committed to specified percentages of their pre- tax profit/net profit each year towards CSR activities.

**Ingraining CSR practices within the organization & client businesses**

CSR Objectives	PCBs	FCBs
<i>Adopting socially and environmentally responsible practices in own internal operations</i>	37	9
Providing a modern, healthy and safe workplace and creating a learning and development environment	33	7
Reduce the bank's environmental impact as a result of its operation and business activity	31	7
<i>Fostering CSR in their client businesses assessing the social and environmental impacts of the projects seeking finance.</i>	29	6
Ensuring compliance of regulatory environmental and social requirements	28	6
Engaging with clients in assessing project's social and environmental impacts beyond the regulatory requirements	11	3

**Table 5.6: Number of banks ingraining CSR practices within own establishment and in their client businesses**

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- 53 out of 56 banks (3 SoCBs, 4 SDBs, 37 PCBs and 9 FCBs) have taken steps for adoption of socially and environmentally responsible practices in their own internal operations (Table 5.6) in 2013.
- 33 PCBs and 7 FCBs reported have taken actions towards providing a healthy and safe workplace and creating an environment conducive to learning and development. 31 PCBs and 7 FCBs reported having taken steps to reduce the adverse environmental impacts of their operations and business activities, including use of recycled materials, minimizing generation of wastes etc.
- 29 PCBs and 6 FCBs have taken steps in 2013 to foster CSR in their client businesses in various economic sectors, assessing the social and environmental impacts of the enterprises/projects seeking finance (Table 5.6). They have mentioned their practices of discouraging projects that are likely to have adverse impact on environment. Some banks have also reported introducing guidelines for assessment of environmental and social impacts of the projects

#### **5.6 CSR engagement through donations to CSOs, NGOs**

- Banks reported significant community investments in 2013 by way of donations to initiatives of Civil Society Organizations (CSOs), NGOs and institutions involved in health, education and culture; for social and environmental improvement including nutrition, health and education in the disadvantaged population segments (Table 6).

CSR Objectives	PCBs	FCBs
Community investment by donating CSOs and NGOs	33	7
1. Education	33	7
2. Health	29	6
3. disaster Relief	28	4
4. Sports	20	2
5. Art and Culture	22	4
6. Environment	9	4

**Table 5.7: Community investment for social & environmental improvement**

- The large majority of banks are seen to have gone for CSR engagements through contributions to CSOs, NGOs active in the respective fields; across the entire sector spectrum for CSR expenditures appearing at Table 5.7. These include hospitals, schools, various training institutes, IT/computer learning centers etc. run through separate trusts/foundations established by banks.

### 5.7 CSR initiatives undertaken directly by banks themselves

Direct involvement of banks in conducting their CSR programs would be seen from table 10 to be substantial. These include grants/donations/scholarships etc. to individuals and other beneficiary institutions. Most of the grants/ donations are one-off, but some programs like scholarship schemes/free medical camp/vaccination program of some banks are continued over the years.

**Table 5.8: Direct social & environmental interventions**

CSR Objectives	PCBs	FCBs
<b>Banks conducting direct social interventions (both as occasional measures or sustainable projects)</b>	30	9
<b>1. Education</b>	30	9
<b>2. Health</b>	27	5
<b>3. disaster Relief</b>	21	4
<b>4. Sports</b>	14	1
<b>5. Art and Culture</b>	19	5
<b>6. Environment</b>	9	3

**Reporting of CSR initiatives**

- All 30 PCBs have reported their CSR initiatives as supplements to usual annual financial reports. New 9 PCBs are yet to publish their annual reports.
- 26 PCBs have reported the CSR activities in separate chapters of their annual reports. Most of them have provided details of their programs including expenditure outlays in these reports.
- BRAC Bank Ltd. issued a separate report of their CSR activities in 2013.
- 23 PCBs have included plans in these chapters on CSR activities.
- HSBC issued a separate report of their CSR activities in Bangladesh in 2013.

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- None of the banks operating in Bangladesh have thus far issued separate reports of their CSR programs and activities in comprehensive standard formats such as the GRI.

### **5.8 Environmental Friendly CSR Activities**

Persistent and diverse efforts have been pursued by Bangladesh Bank to integrate investment for environmental and social sustainability as a part of its strategic regulatory move towards socially and environmentally responsible financing. BB is committed to practice digital, nearly paperless, sustainable, green banking operations by making best use of the information technology and related professional skills. Different initiatives particularly IT based green banking activities through online banking, e-banking, e-commerce, online CIB, automated clearing house, e-tendering, e-recruitment etc. are moving ahead in full swing.

#### **5.8.1 In-house environment friendly activities:**

Some common In-house environment friendly activities reported by banks/FIs are as follows:

- Use of paper on both sides for internal consumption
- Introduction of e-statement for customers instead of paper statements
- Using more daylight instead of electric light and proper ventilation in lieu of using air conditioning
- Using energy saving bulbs and ensuring maximum utilization of day-light
- Use of Eco Font for printing light impression in both sides of the paper
- Video/Tele conference instead of physical travel



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- Efficient use of printer cartridges, photocopy toner, office stationary etc.
- Sharing electronic files, voice mail and e-mail instead of paper memos
- Use of solar energy/renewable energy sources.

#### **5.8.2 Environmental friendly CSR activities:**

- Together with Manusher Jonno Foundation, MRDI and Green World Communications,
- HSBC has implemented the model village in Dakop upazila in Khulna. Under this programme, 360 families received eco-friendly ovens and built a training centre for women on stitching.
- Prime Bank Limited through the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) recently donated a Formalin Dehydrate Machine at the Banani Kitchen Market to detect the use of formalin in the food products.
- Bank Al Falah had initiated a project in Southkhali, a village under Shoronkhola thana of Bagerhat district, under which poor individuals and farmers of that area will be provided with motivational session towards Palm Plantation and then the interested farmers will be provided with Palm Trees, free of cost for plantation.
- Bangladesh Krishi Bank distributed 2000 Oil Palm Plants free of cost among the Farmers of Comilla and Madaripur district.
- Citibank, N.A. Bangladesh launched "Citi Solar Project for Rural Microenterprises", a project which is being implemented second year in a row in Bangladesh. Through this program, low-cost solar lantern will be distributed to the low-income segment of the population in the Bogra region who do not have access to the national electricity grid.
- The HSBC Water Program (HWP) is a five year global program. This is a \$100 million program in partnership with three NGOs which rank amongst the world's most respected environmental and development organizations. In Bangladesh,

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WaterAid plans to implement two projects in the first year - one in Sylhet and the other in Kurigram district. In 2012-13 which will help 36,375 people to gain access to safe water and 71,662 people with sanitation. In next five years, under HWP, WaterAid in Bangladesh will reach 219,375 people with safe water and 383,662 people with sanitation with a cost of \$3.12 million.

- An orientation session was conducted by IDLC for 50 farmers for skills development of the farmers to prepare organic fertilizer and use that for vegetable and crop cultivation. Four permanent waste bins have been constructed at the local markets of Khordomuradpur and Sadarpur model villages, while youth club members are working to raise awareness among the local people to use the bins and keep the market place clean and hygienic. IDLC has joined hand with LEADS to conduct "Environmental Awareness Campaign" with school children, focusing on issues such as environmental pollution and mitigation measures; responsible resource consumption; adoption of the principles of reduce, reuse and recycle etc.

#### **5.8.3 Green banking/finance activities of banks**

To promote banks in financing green and environment friendly ventures, BB has created refinancing windows. Bangladesh Bank is enthusing the banks and financial institutions to a new horizon of Green banking, where 6 green products were offered for refinancing initially. Now 44 green products are open under BB refinancing scheme in 2014. A glimpse of green banking/financing activities undertaken by banks/FIs in 2013 is given below (Table 5.9):

**Table 5.9: Summary of Green financing/banking activities**

<b>Subject</b>	<b>Banks</b>
<b>No. of branches powered by solar energy</b>	<b>312</b>
<b>No. of ATM/SME unit offices powered by solar energy</b>	<b>190</b>
<b>No. of Online branches</b>	<b>4559</b>
<b>Utilization of Green Finance (Taka in million)</b>	<b>348,125.49</b>
<b>Utilization of Climate Risk Fund (Taka in million)</b>	<b>315.42</b>
<b>Utilization of Green Marketing, Training and Development (Taka in million)</b>	<b>167.03</b>
<b>Direct Green Finance (Taka in million)</b>	<b>29,682</b>
<b>Indirect Green Finance (Taka in million)</b>	<b>318,442.86</b>

### 5.9 Incentives for CSR from Bangladesh Bank

Bangladesh Bank (BB) has adopted several remedial measures to bridge the gaps in financial inclusion like-

- 6 percent interest subsidy for banks against their concessional lending to pulse/spice growers, corn/oil seed harvesters, salt cultivators etc. paid by BB on behalf of GoB.

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- A special refinance scheme for sharecroppers has been continued in 2011, which BB undertook in agricultural credit program in 2010. Under this refinance scheme BB has been refinanced Taka 2.66 billion to more than 1.40 lac share croppers up to 2011.
- For promoting small and medium scale industrial enterprises under some special schemes and programs, BB has some own as well as donor financed SME refinance lines for banks.
- Banks have access to another BB refinance lines against their lending for agro processing projects.
- Under BB refinance line for financing solar energy, bio-gas plant, ETP and Hybrid Hoffman Kiln (HHK) in brick field, banks had received Taka 25 crore refinance and in the meantime, they disbursed around Tk. 50.70 crore on their own.

### 5.10 Salient CSR Activities Reported by Commercial Banks

#### 5.10.1 AB Bank Limited

##### Health

AB Bank as part of Corporate Social Responsibility contributes for the disabled/autistic people of the society. As part of their contribution AB Bank is working with Autism Welfare Foundation (AWF) for couple of years. AWF is dedicated for the development of autism, arranges training and education for autistic children to enable them to be self-supporting. AB Bank joins hand with AWF for the following initiatives:

- Free Saturday Training to Poor Autistic Children
- Employment of Psychologist & Occupational Therapist

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- Weekly early stimulation program for Autistic Children below the age of 3 years
- Subsidy on House Rent

**5.10.2 Bank AlFalah****Education**

In aid of children belonging to the financially under privileged segment of the society through scholarship, the bank had initiated a new CSR program during this period, in collaboration with Neo Star Innovation and Square InformatiX, targeting students of higher secondary school level and belonging to financially underprivileged family. The objective of this project is to nurture the potentials of these students through honing their basic IT skills through a carefully designed IT Capacity building training course curriculum, which understandably will be a pre-requisite for their self development and advancement in their future life / career besides their academic acumen. The main motto of this project is to breach this gap and aid their development. The bank had provided full financial support from its CSR Fund, covering full cost of 3 Nos. of batches of 10 students each. Each batch of students under this project will undergo a carefully designed two month long training program covering the required basic IT knowledge set.

**Financial Inclusion/Environment**

The bank had initiated a project in Southkhali, a village under Shoronkhola thana of Bagerhath district, under which poor individuals and farmers of that area will be provided with motivational session towards Palm Plantation and then the interested farmers will be provided with Palm Trees, free of cost for plantation. The interested farmers will also be trained for Palm Plantation under this project scope and their progress in Palm Plantation will be monitored over time till the trees start yielding.

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Under this project, interested farmers had already been trained in Palm Plantation and 5000 Palm Trees had been distributed amongst them. Bank is also ensuring periodic monitoring and reviewing of the status of palm cultivation, so that the targeted farmers can end up producing palm products successfully towards the end of the project period and can benefit financially through commercial trading of the same over period.

#### **5.10.3 Bank Asia Limited**

##### Education

As a part of corporate social responsibility Bank Asia is extending financial support for construction of four-storied with basement of a nine-storied 'Nurses Hostel' at Bangabandhu Sheikh Mujib Medical University (BSMMU) to mitigate acute accommodation problem of graduate nursing students. Total cost of the project has been earmarked Tk. 7.00 crore. Earlier the Bank introduced scholarship and food grants for 1st batch students from 2011 for helping them lead a healthy life and continue their studies peacefully.

##### Health

Bank Asia is providing Tk. 5.50 crore for construction of four-storied with foundation of a ninestoried Outdoor Patient Department (OPD) building for Holy Family Red Crescent Medical College & Hospital (HFRCMCH) at the compound of the hospital at New Eskaton Garden Road in the capital city Dhaka. With completion of the construction work by two years, it will help outdoor patients enjoy medical support smoothly.

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**5.10.4 BRAC Bank Limited**

Education

"PJD Trust - BRAC Bank Scholarship" is a unique and the first such scholarship program designed for meritorious children of journalist community. Under the program a total of 40 school-going children of as many newsmen get Tk. 10,000 each in a year as scholarship to continue their studies. The program began in 2010 and will run for five years.

Humanitarian & disaster relief

BRAC Bank has come forward to stand beside the victims and families of Savar incident. It has donated Tk. 1 crore to Prime Minister's Relief Fund for rehabilitation of Savar victims. It has also undertaken a number of initiatives to help the Savar victims that included blood donation by employees, donation of one day salary by all employees, medicines for emergency treatment, on spot financial assistance to families where the deceased was the only bread earner, financial assistance for emergency surgery to help critically injured etc. BRAC Bank has stood beside tornado affected people in Brahmanbaria. The bank officials distributed CI Sheet, rice and flour among 50 families in the worst affected Chandi, Chinair, Ursiura and Pathirhata villages.

Other

BRAC Bank organized an exceptional program for underprivileged children at Boi Mela in Bangla Academy premises. The neglected children have never got chance to visit Boi Mela. They spent some time with eminent writers and poets. This year BRAC Bank and Channel i are partners of Bangla Academy in organizing the book fair. This is the fourth year of BRAC Bank's association with Boi Mela.

BRAC Bank organized the program in association with Anando Alo, a fortnightly magazine of Channel i Group, also a partner of this year's Boi Mela. The officials handed

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over books to 30 children from Aparajeya Bangladesh, an NGO working for excluded children of the society. The employees of BRAC Bank and its subsidiaries formed a human chain on February 14, 2013 in Dhaka to protest violence against women in solidarity with global campaign 'One Billion Rising'. At 01:00pm, some 600 Head Office-based officials of BRAC Bank, BRAC EPL Stock Brokerage, BRAC EPL Investments, bKash, bKash, BITS came out of their desks and formed a human chain from Gulshan 1 Circle to 33BRAC Bank Head Office at 1 Gulshan Avenue. They held banners and placards in hands with awareness message for 30 minutes on the walkway besides the road as a silent protest to violence against women.

#### **5.10.5 Citibank N.A**

##### Humanitarian & disaster relief

Citibank, N.A. Bangladesh handed a cheque of BDT 1,637,720 to the Centre for Rehabilitation of the Paralyzed (CRP) in response to the Savar Rana Plaza tragedy. The bank made a contribution of BDT 1,000,000 under corporate citizenship and rest BDT 637,720/- is from the employees of Citi Bangladesh, who have donated one day salary for the cause. The full amount will be used for medical and rehabilitation of the survivors of Rana Plaza tragedy. Till date, 53 survivors have received medical services at CRP.

##### Financial Inclusion

Citibank, N.A., Bangladesh signed an agreement with TMSS, a leading microfinance institution to disburse special agricultural loans to selected farmers in the country. Through this program, Citi Bangladesh will provide approximately BDT 10,000,000/- to TMSS at a very low interest rate of only 1.00% to support farmers in Bangladesh. TMSS



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will disburse these loans to the farmers at 4.00% to cultivate special crops which include maize, lentils, oilseeds, spices, etc.

#### **5.10.6 Dhaka Bank Limited**

Other

"Anowara-Nasimuddin Memorial Foundation" a non-profit charitable organization has been organizing important activities relating human resource development, human rights and woman empowerment since 1998. Recently, they have introduced a number of skill development programs. Computer literacy program is one of those. Dhaka Bank donated for their Computer Training Program. The bank also donated to Centre for Women & Child Health (CWCH) who works on woman and child nutrition sector. The activity of this institution also includes different research initiatives and programs under the nutrition program.

#### **5.10.7 Dutch Bangla Bank Limited**

Education

In 2013 at 7th phase another 4,071 students of HSC level who passed SSC in 2013 were awarded scholarship. Apart from this, the existing scholarships were continuing as per rule. Besides scholarships, the bank continuously working for the development of educational Infrastructure of different school/college such as-

- Support to Uttaran Degree College, Kaliganj, Lalmonirhat for purchasing equipment for science laboratory, essential books for library and goods for sports/game

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- Support to Kabi Nazrul High school, Manikgonj for constructing academic building
- Donation to Narayanganj Bar Academy, Narayanganj for repairing the roof of academic building and doing other development works.

Health

The authority of Welfare & Rehabilitation Directorate, Army Head Quarters, Dhaka Cantonment, Approached DBBL that to provide better and modern medical facilities, they have undertaken extensive modernization and refurbishing of the existing Combined Military Hospital at Dhaka Cantonment.

Other

DBBL constructed a bridge at a cost of Taka 67.05 lac in the year of 2011 on an important road connecting 18 villages and stretching more than 6 kilometers from Chatlakanda to Tura via Shoulmari at Roumari upazila under Kurigram district. In the year of 2013 DBBL donated Taka

11.9 lac for extension of both ends of the bridge for smooth traffic movement. Legal Assistance to Helpless Prisoners (LAHP) is a non-profitable, non government organization which provides legal assistance to helpless prisoners and persons who do not have financial resources to conduct cases filed against them. Since it started its work legal assistance was provided to 192 prisoners who were languishing in jail for a long period as they were unable to pursue their cases due to lack of monetary resource. LAHP also has the objective to educate people for prevention of crime by organizing seminars and group meeting. It also has the objective to conduct research and train people to assist in the modernization of law and to build social awareness by publicizing relevant laws. Considering the importance of activities of the organization, Dutch-Bangla Bank donated Taka 1,000,000/- (Taka one million) only to 'Legal

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Assistance to Helpless Prisoners (LAHP)' to remove the sufferings of the helpless prisoners through legal assistance. DBBL has been engaging in creating awareness through electronic and print media since long on different social issues like - Son or daughter- One good child is enough, Hope and love make us lovely, Stop acid violence, Willpower is enough to do a good job, Stop demand for dowry, Uphold justice, Good behaviour with mentally retarded persons - a moral duty, Human for humanity, Combat AIDS, Drug addiction- a menace to destroy life, Plant tree- save environment etc.

#### **5.10.8 Eastern Bank Limited**

##### Education

EBL has donated five computers and a cheque for TK. 100,000 for the education of the blind students of Blind Education and Rehabilitation Development Organisation (BERDO) as part of its CSR activities. BERDO has been working for the development and protection of the disabled community in Bangladesh. Founded in July 1991 and run by individuals living with blindness themselves.

##### Financial Inclusion

Eastern Bank Ltd. launches EBL Projukti for the farmers to buy agricultural machineries and equipments. EBL Projukti is designed to extend credit facility to the farmers who intended to buy agricultural equipment and machineries. This facility is only for the end user.

An individual farmer can avail the quarterly installment-based term loan ranging from BDT 10,000 to BDT 1,50,000 for maximum two years to purchase agricultural machinery and irrigation equipment. Maximum 70 per cent of machinery price will be provided as loan. No collateral will be required.

*Chapter 5: CSR Activities in Commercial Banks***5.10.9 EXIM Bank Limited**

## Education

In 2013 643 poor but meritorious students of University of Dhaka, Jahangirnagar University, BUET and different medical colleges were awarded scholarship by EXIM Bank Limited.

**5.10.10 First Security Islami Bank Limited**

## Other

As a part of Corporate Social Responsibility (CSR) Program First Security Islami Bank Ltd. sponsored the Main Gate of Agrani School & College, Azimpur, Dhaka.

**5.10.11 HSBC**

## Education

HSBC invests in the community by joining up with notable organisations to provide educational support to students. In 2013, educational support was provided to:

- Education Scholarship provided to 217 disadvantaged meritorious students of TMSS schools
- Supported to 200 underprivileged children from YPSA Primary Schools at Sitakundo, Chittagong
- Supported SEID Trust to provide education materials to 200 underprivileged children
- First dose of Vaccination given to 200 children on October 2013 and rest 290 will be given 4th week of Dec 2013
- Computer training provided among 26 blind people by BERDO

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- Supported 238 students to provide education material and to cover administrative cost (repairing furnisher from class rooms) for the disadvantaged children by Shishu Palli Plus
- Scholarship provided to 80 meritorious students through Retired Police Welfare Association

Health

HSBC supported to provide hepatitis B vaccination to 390 underprivileged children at Bogra through its long-term partner Liver Foundation Bangladesh. HSBC and Liver foundation Bangladesh has been partnering since 2007 and provided vaccination to more than 6000 underprivileged children in 6 districts.

Environment

Together with Manusher Jonno Foundation, MRDI and Green World Communications, HSBC has implemented the model village in Dakop upazila in Khulna. The programme contributed in addressing the threat of destruction of the Sundarbans, the largest mangrove forest of the world. Under this programme, 360 families received eco-friendly ovens and built a training centre for women on stitching.

**5.10.12 IFIC Bank Limited**

Art & Culture

IFIC Bank authorities contributed Tk. 25.00 Lac to Rangpur Cantonment authorities for making a docu-fiction titled "Jago Baahe" and a publication on the role of greater Rangpur & Dinajpur in Liberation War in 1971.

**5.10.13 Islami Bank Bangladesh Limited**

## Research &amp; Development

Extended support for establishment of Committee for Action Research and Extension Services (CARES) a biotechnological research organization, 1st of its kind in Bangladesh for action research on biotechnology utilizing the expertise of Bangladeshi researchers both at home and abroad.

## Environment

The bank provided financial aid to Birmuktijoddha Amanullah Khan Primary School (Freedom Fighter Amanullah Khan Primary School) for running the school administration. The school situated at Kolatia area of Keraniganj a suburb of Dhaka, which is providing education for the poor and underprivileged children.

## Health

IBBL takes several initiatives in individual and organizational level for developing health sector of Bangladesh. IBBL is pursuing some sustainable initiatives for developing Medicare system of the country as under:

1. IBBL established 7 (seven) fully owned hospitals and 7 (seven) community hospitals of total 1032 beds creating employment of 353 doctors, 582 nurses and 2932 other employees.
2. A number of Charitable Dispensaries, Arsenic Mitigation Program, Circumcision Camp, Mobile Eye Camp and Midwifery Training Program also operated by IBBL for developing health sector of the country.

*Chapter 5: CSR Activities in Commercial Banks***5.10.14 Jamuna Bank Limited****Health**

A Voluntary Blood Donation Program and Free Eye Camp, Gynae and General Treatment was held at Lauchara, Sreemongol, Moulvibazar under the auspices and finance of Jamuna Bank Foundation. 23 bag blood was donated by the employees of Sylhet zone of Jamuna Bank and 566 patient were treated in the camp also 52 nos eye patients were selected for operation.

A Plastic Surgery Camp inaugurated at Barisal for 13 days at the initiative and finance of Jamuna Bank Foundation in collaboration with Dokters Van De Wereld (MdM, Netherlands) and the assistance of Sher-E-Bangla Medical College Hospital & Barisal Metropolitan Chamber of Commerce and Industry.

Jamuna Bank Foundation inaugurated a Free Medical Service Centre at Biswa Istema to serve the Musulle like previous yerars.

**Art & Culture**

Jamuna Bank Foundation organized an Art Competition at Bangladesh Shishu Academy, Dhaka on the occasion of Victory day 2013. 280 students of 25 schools of Dhaka city participated at the competition. A Seminar on "Severity of Narcotics and our Responsibilities for Combating it" was organized by Jamuna Bank Foundation at Jamuna Bank Limited, Feni Branch, Feni.

*Chapter 5: CSR Activities in Commercial Banks***5.10.15 Mutual Trust Bank Limited**

Humanitarian & disaster relief

Mutual Trust Bank Ltd. (MTB) contributed Taka 1 crore to the Prime Minister's Relief Fund to support and rehabilitate the families affected by the Savar tragedy. Earlier, employees of the bank contributed one day's basic salary amounting of Taka 10,93,000/- (Ten lakhs ninety three thousand) to the Prime Minister's relief fund. In addition, on the second day after the Rana Plaza building collapse, MTB provided over 5000 bottles of mineral water for the rescue operators and volunteers.

**5.10.16 NCC Bank Limited**

Education

NCC Bank donated about four hundred different types of books worth Taka one lac to Feni Government College as part of Bank's Corporate Social Responsibility.

**5.10.17 One Bank Limited**

Education

In continuation of its CSR activities, ONE Bank Limited recently financed a newly built school building of Fulbari Model High School at Natore.

**5.10.18 Prime Bank Limited**

Health

Prime Bank Eye Hospital, an initiative of Prime Bank Foundation, a concern of Prime Bank Limited has launched a free eye care camp on 30 November at the premises of Qazi Salima Huq Mohila Degree College at Mohammadpur Upazila of Magura. Through



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this eye camp specialist doctors prescribe and advise people with eye diseases, and provide free medicines & glasses to poor eye patients, operate ultra poor patients for removing cataract and replacing lens free of cost.

Prime Bank Nursing Institute, an initiative of Prime Bank Foundation, a concern of Prime Bank Limited was formally inaugurated on 13<sup>th</sup> April. Prime Bank Nursing Institute is an international standard academic institution for nursing profession, the charges of which are within the affordability of the common people. This nursing institute will produce trained nurses who will be able to equip with the growing demands of the local and international markets. With an aim to provide high standard medicare services to all classes of people of the society, Prime Bank Foundation established the Prime Bank Nursing Institute.

#### Environment

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) recently donated a Formalin Dehydrate Machine at the Banani Kitchen Market financed by Prime Bank Limited to detect the use of formalin in the food products.

#### **5.10.19 Southeast Bank Limited**

#### Education

The rising need of urban population in educating their children is to prepare them for the future. To cater for such need in a modest form, the Southeast Bank Foundation has undertaken its next project to establish quality English medium schools at strategic locations of Dhaka Metropolitan City. Considering the dwelling pattern of Dhaka City, areas identified for such schools are: Mohammadpur, Mirpur, Rampura/ Khilgaon and Uttara. The Foundation has started its first school: the Southeast Bank Green School at Mohammadpur Pisci culture area in a six-storey rented building. To extend its facilities to house a full-fledged O level school, Foundation has rented another building bordering to it. For establishing Southeast Bank Green School at Uttara, one building in Sector-13

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is selected where activities will begin soon. The Southeast Bank Green School at Rampura / Khilgaon area will be taken up as soon as a suitable building in this location is available.

**5.10.20 Standard Chartered Bank**

Health

Through the 'Living with HIV' programme, Standard Chartered helps educate not only the staff but the youth in the communities about HIV/AIDS and its prevention. Under this project the bank have organized Living with HIV seminars for their clients in the RMG Sector. In 2013 the bank has developed an infomercial on HIV/AIDS - starring Partha Pratim Majumder, world renowned Bangladeshi Mime artist, to raise awareness about this important issue.

Other

Women's empowerment is central to the values of Standard Chartered Bank and critical to economic development. With this in mind, Standard Chartered Bank, Bangladesh have partnered with BRAC and Women Win to launch Goal in Bangladesh. Goal is a unique community program that aims to empower young women for personal and economic development using sport and education as vehicles for change. Within the first year of launch the number of beneficiaries already reached is 2725 in 3 districts. Already 250 goal champions came out of the project.

Research & Development

Recently, the bank commissioned a study to assess the social and economic impact of Standard Chartered in Bangladesh. This study was done by Professor Ethan Kapstein

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from INSEAD. The report assesses the direct, indirect and induced impact of Standard Chartered on Bangladesh and how it positively impacts country's GDP, employment, trade, various business sectors and the community at large. The Bank has also focused its efforts in the areas of history, culture and art, seeking to make a difference and surface little known events and artwork. Recent works have included publications of books 'Coins from Bangladesh' - a special compilation of the history of coins found in this region from Ancient period, medieval period, and Colonial to Modern period. They have also published English version of "Bandhon Hara" by the National Poet of Bangladesh Kazi Nazrul Islam.

**5.10.21 The City Bank Limited**

Financial Inclusion

Shatkania Lohagora Somity is an organization that has been working for the betterment of the underprivileged people from Shatkania and Lohagara Upazilas situated in Chittagong district 2007. This organization approached The City Bank limited with a plan of rehabilitation. The plan was as follows:

- Distributing 52 rickshaw vans among 52 unemployed youth of the area
- Providing 21 extremely poor families with roof tins for rehabilitation
- Distributing 118 sewing machines to 118 widowed women in order to provide them a self dependent livelihood.

The bank sponsored the CSR program by Lohagora-Satkania Society- through this program, the society distributed Rickshaw and Sewing machine among more than 200 deprived men and women.

Health

City Bank is working towards a healthy society, creating job opportunities by providing specialized, vocational trainings as part of Bank's CSR.

### *Chapter 5: CSR Activities in Commercial Banks*

The City Bank sponsored Cancer Screening Training for Nurses. As a part of this project an initiative was taken to provide cancer screening training to 50 nurses. This day long training covered the following issues:

- Breast Cancer Screening and Diagnosis using Low Cost Materials
- Cervical Cancer Screening and Diagnosis using Low Cost Materials
- Palliative Counseling for cancer patients

The bank also supported Eminence and Bangladesh Cancer Support Groups regular activities Cancer Screening for Slum Women to screen 100 eligible women from Mohammadpur Beribadh slum. They were taken to the BSMMU where they provided VIA test for cervical cancer and clinical examination and mammography of breast cancer.

#### Other

The City Bank sewing training centre is situated near the entrance of the Bashatpur village. The program runs two training programs simultaneously, one for sewing and one for embroidery. The centre is currently being managed by an advisory committee involving the local influential people who have created the Shapla Mohila Shamity. This Shamity is the owner of this project and takes care of the operations and finances of the program. The profit that comes from sale of the products of this program is being managed by them, and this money will be reused over and over again for the sustainability of the program. The Plan is to complete training of total 200 women. The project has been structured in such a way with the women's committee that in the near future the community itself can take over the ownership and management of the project and become a self-sustaining program to provide livelihood for the women of that particular area.

**5.10.22 Uttara Bank Limited**

Research & Development The Bank funded 'Agrashar Vikrampur Foundation' for archaeological survey and research at Raghurampur, Bikrampur, Munsigonj at a cost of Tk. 10.00 lac.

**Financial Inclusion**

Uttara Bank Limited donated Tk.1.00 lac among some distressed & land-less poor women in Jessore area in the year 2013 for 'Fish Culturing in Iron made Cage'. Besides, the Bank continued to assist some orange planters in Sylhet area and to disburse loans for income generating activities and poverty alleviation.

# **Chapter 6**

## **Analysis and Findings**

## 6.0 Analysis and Findings

This study attempts to find out the factors that are the underlying dimensions of benefits acquired from corporate social responsibility activities. The factor analysis of the 20 statements (Appendix 1) suggests that eight factors are chosen in terms of Eigen value of larger than 1.0. These eight factors namely benefits from better risk management, benefits from marketing perspective, benefits from employee policy, benefits from stakeholders, benefits from media, benefits from regulator, benefits from retention, benefits from positioning can explain 70.115 % of the total variability. The statistics of Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity is used to clarify the appropriateness of factor analysis. High values of KMO (between 0.5 and 1.00) indicate factor analysis is appropriate (Malhotra, Naresh K., 2003). The KMO measure of sampling adequacy has a value of 0.654 which means factor analysis is suitable. At the same time Bartlett's test of sphericity is highly significant indicating high correlation between variables and the null hypothesis that the variables are uncorrelated in the population is rejected (see Table 6.1).

Table 6.1: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.654
Bartlett's Test of Sphericity	Approx. Chi-Square	832.654
	df	190
	Sig.	.000

The first factor can be called **benefits from better risk management** with the highest loading relate to four items namely, *Improve cost savings, Get better anticipation of risk, Increase operational efficiencies of the bank, Manage the risk in a better way through CSR activities*. This factor alone explains 17.634% of the total variability. (see Table: 6.2)

## Chapter 6: Analysis and Findings

Variables	Factors							
	Benefits from better Risk Management	Benefits from Marketing Perspective	Benefits from Employee Policy	Benefits from Stakeholders	Benefits from Media	Benefits from Regulator	Benefits from Retention	Benefits from Positioning
Improve cost savings	.928							
Get better anticipation of risk	.902							
Increase operational efficiencies of the bank	.876							
Manage the risk in a better way through CSR activities	.863							
Improve competitiveness		.755						
Enhance growth in market share		.505						
Increase in the number of customers		.447						
Element in a branding strategy		.432						
Ability to recruit quality staff			.548					
Enhance ability to retain staff			.485					
Ability to develop staffs' skill			.453					
Build efficient supply chain relationships				.585				
Positive investor relationships				.436				
Positive media relations					.609			
Improved relations with regulators						.564		
Improves customers retention							.543	
Improved market positioning								.477
% of Variance Explained	17.634	8.753	7.935	7.790	7.446	7.359	6.614	6.585
Cumulative %	17.634	26.387	34.322	42.112	49.558	56.917	63.531	70.115

Extraction Method: Principal Component Analysis. Note: 8 components extracted.

Table 6.2: Factor Analysis

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*Chapter 6: Analysis and Findings*

The second factor exhibits large loadings for four variables which are *improve competitiveness, enhance growth in market share, increase in the number of customers and element in a branding strategy*. All these three items can be considered as **Benefits from Marketing Perspective**. This factor alone explains 8.753% of the total variability.

The first and second factor together can explain 26.387 % of the total variability. The third factor exhibits large loading for three items relating to **Benefits from Employee Policy** and it can explain 7.935% of the total variability. The items clubbed in this factor are *ability to recruit quality staff, enhance ability to retain staff, ability to develop staffs' skill*.

The fourth factor can be called **Benefits from Stakeholders** has the loading relate to two items namely, *build efficient supply chain relationships and positive investor relationships*. This factor alone explains 7.790% of the total variability. The fifth factor exhibits loadings for only one variable which is Positive investor relationships. This variable can be considered as Positive media relations. This factor alone explains 7.446% of the total variability.

The sixth factor is defined by one variable relating to **Benefits from Regulator**. This item is *improved relations with regulators* which can explain 6.614% of the total variability. The seventh factor can be called **Benefits from customer retention** which explains 6.614% of the total variability.

The eighth factor, **Benefits from Positioning** has the lowest loading relate to one item specifically, *improved market positioning*. This factor only explains 6.585% of the total variability.

Only the loading above 0.4 are presented in the component. All 20 items are clubbed under 8 factors which explain the variance of 70.115%. Hence it can be easily noticed that the first factor explains most of the total variance (17.634%), followed by the second factor (8.753%), third factor (7.935%), fourth

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factor (7.790%), the Fifth factor (5.471%), sixth factor (7.359%), seventh factor (6.614%) and eighth factor (6.858%). Eight factors extracted in combination explain 70.115% of the total variability.

The study employed a multiple regression of differentiation on the various identified dimensions of the benefits of corporate social responsibility (benefits from better risk management, benefits from marketing perspective, benefits from employee policy, benefits from stakeholders, benefits from media, benefits from regulator, benefits from retention, benefits from positioning). The following table summarizes the results (the unstandardized estimates *b*, the corresponding *t*-values, the significance levels, and the associated beta values):

Predictors	B	T	$\beta$ (beta)	p
Constant	4.782	3.554	N. A.	.001
Benefits from Better Risk Management	.018	-.977	-.085	.330
Benefits from Marketing Perspective	-.014	-.281	-.026	.779
Benefits from Employee Policy	.069	1.032	.087	.304
Benefits from Stakeholders	-.350	-3.258	-.290	.001
Benefits from Media	-.212	-1.857	-.159	.066
Benefits from Regulator	-.038	-.298	-.027	.766
Benefits from Customer Retention	.275	2.257	.197	.026
Benefits from Positioning	.226	1.628	.158	.106
Adjusted $R^2 = .103$ , F-Value = 2.842 ( $p < .001$ )				
* $p \leq .01$ Notes: Bank can successfully differentiate itself to CSR activities serves as the dependent variable. N.A. = not applicable				

Table 6.3: Measurement items and other Coefficients values

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The overall model presented a good fit ( $F=2.842$ ,  $p < .001$ ) and explained 10.3% of the differentiation (See Table 6.3). However only two dimensions, Benefits from Stakeholders and Benefits from Customer Retention, are found to significantly affect the differentiation.

Although both dimensions are found to be significant at the 99 percent level of confidence, benefits from stakeholders ( $b=-.350$ ,  $p < .001$ ,  $\beta=-.290$ ) is found to have more relative contribution in the variance of differentiation than benefits from customer retention ( $b=.275$ ,  $p < .001$ ,  $\beta=.197$ ) due to higher beta value observed.

The study further employed a multiple regression of competitive advantage on the various identified dimensions of the benefits of corporate social responsibility (benefits from better risk management, benefits from marketing perspective, benefits from employee policy, benefits from stakeholders, benefits from media, benefits from regulator, benefits from retention, benefits from positioning).

The following table summarizes the results (the unstandardized estimates  $b$ , the corresponding  $t$ -values, the significance levels, and the associated beta values):

Table 6.4: Measurement items and other Coefficients values

Predictors	B	T	$\beta$ (beta)	p
Constant	-.467	-.566	N. A.	.573
Benefits from Better Risk Management	.008	.665	.049	.508
Benefits from Marketing Perspective	.246	8.138	.627	.000
Benefits from Employee Policy	.020	.488	.035	.627
Benefits from Stakeholders	.041	.630	.047	.530
Benefits from Media	.059	.844	.060	.400
Benefits from Regulator	-.118	-1.499	-.114	.136
Benefits from Customer Retention	.079	1.058	.077	.292
Benefits from Positioning	.307	-.088	-.007	.930
Adjusted R <sup>2</sup> = .373, F-Value = 10.601 ( $p < .001$ )				
* $p \leq .01$ Notes: CSR activities allows bank to gain competitive advantage serves as the dependent variable. N.A. = not applicable				

In Table 6.4, the overall model presented a good fit ( $F=10.601$ ,  $p < .001$ ) and explained 37.3% of the overall competitive advantage. However only two dimensions, Benefits from Marketing Perspective and Benefits from Customer Retention, are found to significantly affect the overall competitive advantage. Although both dimensions are found to be significant at the 99 percent level of confidence,

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benefits from marketing Perspective ( $b=.246$ ,  $p<.001$ ,  $\beta=.627$ ) is found to have more relative contribution in the variance of competitive advantage than benefits from customer retention( $b=.079$ ,  $p<.001$ , $\beta=.077$ )due to higher beta value observed.

The study employed a multiple regression of reputation on the various identified dimensions of The benefits of corporate social responsibility (benefits from better risk management, benefits from marketing perspective, benefits from employee policy, benefits from stakeholders, benefits from media, benefits from regulator, benefits from retention, benefits from positioning). The following table summarizes the results (the unstandardized estimates  $b$ , the corresponding  $t$ -values, the significance levels, and the associated beta values):

Table 6.5: Measurement items and other Coefficients values

<b>Predictors</b>	<b>B</b>	<b>T</b>	<b><math>\beta</math> (beta)</b>	<b>p</b>
Constant	.460	.537	N. A.	.592
Benefits from Better Risk Management	-.001	-.087	-.007	.931
Benefits from Marketing Perspective	.254	8.088	.643	.000
Benefits from Employee Policy	.008	.181	.013	.857
Benefits from Stakeholders	.029	.573	.044	.526
Benefits from Media	.157	2.155	.159	.033
Benefits from Regulator	-.066	-.805	-.063	.422
Benefits from Customer Retention	-.089	-1.141	-.086	.256
Benefits from Positioning	-.157	-1.783	-.150	.077
Adjusted $R^2 = .334$ , F-Value = 9.070 ( $p < .001$ )				
* $p \leq .01$ Notes: CSR activities allows bank to gain reputation serves as the dependent variable. N.A. = not applicable				

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Table 6.5 shows the overall model presented a good fit ( $F=9.070$ ,  $p < .001$ ) and explained 33.4% of the overall reputation variance. However only two dimensions, Benefits from Marketing Perspective and Benefits from Media, are found to significantly affect the overall reputation. Although both dimensions are found to be significant at the 99 percent level of confidence, benefits from marketing Perspective ( $b=.254$ ,  $p < .001$ ,  $\beta=.643$ ) is found to have more relative contribution in the variance of reputation than benefits from Media ( $b=.157$ ,  $p < .001$ ,  $\beta=.159$ ) due to higher beta value observed.

The findings support the model discussed earlier. Eight independent variables are positively related to the reputation of the bank. Approximately 33% of the variance in intention to gain reputation is accounted for by the independent variables used in this model ( $R^2 = 33.4\%$ ). According to this model, perceived benefit of CSR expenditures is making a unique contribution to the prediction of the reputation by showing significant value of less than 0.001. Thus the model is a good fit.

# **Chapter 7**

## **Summary of the Thesis**

## **7.0 Summary**

This Thesis paper is an attempt to explore business benefits that will help managers to practice corporate social responsibility (CSR) initiatives which can be of strategic interest for any organization. The paper reviews the concepts from the domain of CSR literature. It starts by identifying the outcomes to be achieved by carrying out CSR initiatives. Factor analysis is used to explore the underlying dimensions of outcomes of CSR initiatives. At present, managers are not aware of the strategic gains of implementing CSR activities. Finally, multiple regression is used to measure what extend these benefit dimensions are explaining the variations of differentiation, reputation and competitive advantage as a strategic tool for commercial banks.

Corporate social responsibility (CSR) issues have become increasingly integrated into modern banking practices. The decisions and activities of banking sectors have significant effect on employees, customers, communities, environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that banks can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions.

This study provides for such an opportunity from exploring and measuring the aspect of financial benefits, to the benefits from internal and external stakeholders, to the nature of strategic gains from marketing perspective to be incurred by planning and implementing CSR activities strategically.

The findings of the study have been presented in six chapters as follows. Introductory issues are discussed in chapter one, chapter two gives the theoretical underpinnings of the study and chapter three contains research methodology. Then chapter four explores the historical perspective of banking industry and corporate social responsibility and chapter five focuses on the CSR disclosures reported by commercial banks of Bangladesh. Finally chapter six draws the conclusion along with the conclusive pointers. The summary of these chapters follow.

**Chapter One.** This chapter includes a general overview of corporate social responsibility, research problem definition, justification of selecting the study area along with the



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methodology used in conducting the study, and some pitfalls, as every research outcome may face, have been described to create a practical, comprehensive, reader-friendly and complimentary vision about CSR practice in the banking industry in Bangladesh.

**Chapter Two.** CSR has been theoretically positioned in this chapter within the framework of dominant relevant definitions and development theories as a vehicle for economic and social and environmental development with an aim to get business benefits. Based on the literature empirically testable research propositions have been proposed by the writer. Strategic CSR should help in attaining competitive advantage, i.e. the CSR initiative should lead to better effectiveness and efficient in business function activities by enhancing reputation, differentiation, cost leadership, competitive advantage and new business opportunity in the socially responsible features or environmentally friendly performance dimension.

**Chapter Three.** Based on the intensive literature review 23 statements have found relevant information about CSR outcomes from the perception of bank employees. To conduct the study both primary and secondary data has been used. Primary data has been collected by conducting a survey through administering structural questionnaires. For the purpose of the study, data have been be collected from 10 sample (8 local and 2 foreign) banks initiating CSR activities. Secondary sources such as review of scholarly journals, conference papers, news papers and relevant reading materials have been used for theoretical part of the thesis. 22 private commercial banks' Annual reports of the year 2013 have been studied. Data have also been collected from websites of different private commercial banks, brochures, manuals and publications of Bangladesh Banks.

In the first phase of the study content analysis has been performed. Then an exploratory factor analysis was conducted to determine the underlying dimensions of business benefits from the CSR activities. After that multiple regression analysis has been conducted for the purpose of clarifying the affects of underlying factors of benefits from CSR activities on the differentiation,

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competitive advantage and reputation of commercial banks. The relative contribution of each factor has also been explored in influencing the differentiation, competitive advantage and reputation of the banks.

**Chapter four.** The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. CSR is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR. Public sector organizations (the United Nations for example) adhere to the triple bottom line (TBL). It is widely accepted that CSR adheres to similar principles but with no formal act of legislation. The UN has developed the Principles for Responsible Investment as guidelines for investing entities.

Some commentators have identified a difference between the Canadian (Montreal school of CSR), the Continental European and the Anglo-Saxon approaches to CSR. And even within Europe the discussion about CSR is very heterogeneous. A more common approach of CSR is philanthropy. This includes monetary donations and aid given to local organizations and impoverished communities in developing countries. Another approach to CSR is to incorporate the CSR strategy directly into the business strategy of an organization. Another approach is garnering increasing corporate responsibility interest. This is called Creating Shared Value, or CSV. The shared value model is based on the idea that corporate success and social welfare are interdependent.

**Chapter five.** This chapter reviews CSR Activities in the Banking Sector of Bangladesh. This part of the thesis is exploratory in nature with the aim of determining the nature and extent of corporate social responsibility reporting in the banking sector in Bangladesh, and to assess the need to improve corporate social responsibility by such firms. Five trends of CSR activities have been reviewed here. Namely, trends of Sectoral Pattern of *Direct CSR Expenditure* Reported by banks, trends of CSR Initiatives Not Involving Direct Expenditure: *Promotion of Financial*

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*Inclusion by banks, trends of Gender Issues in banks, trends of Progress in deepening of CSR practices in banks and trends of Environment friendly CSR activities.* Direct CSR activities have been categorized as education, health, humanitarian and disaster relief, sports, art and culture, environment and others. The trends of CSR Initiatives Not Involving Direct Expenditure have been also reviewed. Gender discrimination remains a core problem in many countries and is a key constraint to economic growth and improvements in social indicators. All banks have embraced CSR in 2013 with decision at the highest corporate level. 16 PCBs and 1 FCB have formed separate Foundations or Trusts as Non-profitable institutions solely devoted to the cause of charity, social welfare and other benevolent activities towards the promotion of CSR objectives.

**Chapter six.** Finally, a quantitative analysis has explained that strategic CSR should help in attaining competitive advantage, i.e. the CSR initiative should lead to better effectiveness and efficient in business function activities by enhancing *reputation* and should *differentiate* the firms' products in the socially responsible features or environmentally friendly performance dimension. Thus strategic CSR should help in attaining one of the two generic firm strategies for achieving *competitive advantage* (Rumelt, 1980; Porter, 1985; Day and Wensley, 1988; Hunt, 2000; Miles and Covin, 2000; Karna et al., 2003; Crawford and Scaletta, 2005).

The factor analysis of the 20 statements suggests that seven factors are chosen. These eight factors are namely benefits from better risk management, benefits from marketing perspective, benefits from employee policy, benefits from stakeholders, benefits from media, benefits from regulator, benefits from retention, benefits from positioning.

The study employed a multiple regression of differentiation, competitive advantage and reputation on the various identified dimensions of the benefits of corporate social responsibility and the overall model presented a good fit.

# **Chapter 8**

## **Conclusion and Recommendations**

## 8.1 Conclusion

At present private commercial banks are considering CSR activities as a strategy to flourish in a highly competitive environment. From the above study it is clear that there are eight dimensions influencing the outcomes of CSR initiatives. The most important dimensions are benefits from better risk management, benefits from marketing perspective, benefits from employee policy, benefits from stakeholders, benefits from media, benefits from regulator, benefits from retention, benefits from positioning. The significant issues in this study has been revealed such as CSR activities helps bank to get better anticipation of risk, It is possible to manage the risk in a better way through CSR activities, CSR activities enhance organization's ability to recruit quality staff, CSR activities improve competitiveness, CSR activities achieve improved market positioning, Enhance growth in market share is a consequence of practicing CSR activities, Increase in the number of customers is possible through CSR activities, CSR activities can be seen as one element in a branding strategy, CSR activities improves customers retention and Improved relations with regulators is a outcome of CSR activities. Various identified dimensions of the benefits of corporate social responsibility has profound impact on differentiation, reputation and competitive advantage of the banks, therefore corporate social responsibility can be practiced as a strategic tool of the organizations.

## 8.2 Recommendation

Based on the findings of the study following recommendations are suggested to maximize the benefits incurred from practicing CSR activities:

- Improved citizen and stakeholder understanding of the bank may evolve into more robust and enduring public, private and civil society alliances .Banks must implement CSR initiatives to improve the relations with regulators, investors, business partners, shareholders, customers and communities.
- Banks must practice CSR activities to improve innovation, competitiveness and market positioning. Drawing feedback from diverse stakeholders can be a rich source of ideas for new products, processes and markets, resulting in competitive advantages.
- To introduce effective human resource practices banks may take initiatives of different programs and policies as a part of CSR activities which will lead to improved employee morale and loyalty. Moreover, these will enhance bank's ability to recruit, develop and retain staff.
- Banks can stimulate its various suppliers, distributors with whom they do business to implement a CSR approach to achieve improved ability to attract and build effective and efficient supply chain relationships.
- Banks may consider the interests of parties that are concerned about a bank's impact. This is one way of better anticipating and managing risk.
- Government can pressure commercial banks to undertake coherent CSR program based on integrity, sound values and a long-term approach which offer clear business benefits and contributes to the well-being of society.

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## Appendix 1

The outcomes of corporate social responsibility activities that have been identified in this study are:

1. CSR activities helps bank to get better anticipation of risk
2. It is possible to manage the risk in a better way through CSR activities
3. CSR activities increase operational efficiencies of the bank
4. CSR activities improve cost savings
5. CSR activities enhance ability to retain staff
6. CSR activities enhance organization's ability to recruit quality staff
7. CSR activities improve ability to develop staffs' skill
8. CSR activities enhance the ability to address the change
9. CSR activities improve the ability to build efficient supply chain relationships
10. Building trust with community is possible through CSR activities
11. CSR activities provides positive investor relationships
12. Improved relations with regulators is a outcome of CSR activities
13. CSR activities provides positive media relations
14. CSR activities improve competitiveness
15. CSR activities achieve improved market positioning
16. Enhance growth in market share is a consequence of practicing CSR activities
17. Increase in the number of customers is possible through CSR activities
18. CSR activities can be seen as one element in a branding strategy
19. There is a direct link between CSR activities and customer satisfaction
20. CSR activities improves customers retention



## Appendix 2: Component Matrix of Exploratory Factor Analysis

Component Matrix <sup>a</sup>								
	Component							
	1	2	3	4	5	6	7	8
CSR activities helps bank to get better anticipation of risk	.902							
It is possible to manage the risk in a better way through CSR activities	.863							
CSR activities increase operational efficiencies of the bank	.876							
CSR activities improve cost savings	.928							
CSR activities enhance ability to retain staff			-.455	.447				.485
CSR activities enhance organization's ability to recruit quality staff					.606			.548
CSR activities improve ability to develop staffs' skill								.453
CSR activities enhance the ability to address the change				.405	.404			
CSR activities improve the ability to build efficient supply chain relationships							.585	
Building trust with community is possible through CSR activities								
CSR activities provides positive investor relationships							.436	
Improved relations with regulators is a outcome of CSR activities				.564				
CSR activities provides positive media relations			-.609					
CSR activities improve competitiveness		.755						
CSR activities achieve improved market positioning		.548				-.477		
Enhance growth in market share is a consequence of practicing CSR activities		.505						
Increase in the number of customers is possible through CSR activities		.447						

CSR activities can be seen as one element in a branding strategy		.432	.501					
There is a direct link between CSR activities and customer satisfaction								
CSR activities improves customers retention								
<b>Note:</b> Only the loading above 0.4 are presented in the component. 8 components extracted.								
<b>Rotation Method:</b> Varimax with Kaiser Normalization.								
<b>Extraction Method:</b> Principal Component Analysis.								

### Appendix 3-A

#### List of Commercial Banks

1. AB Bank Limited
2. Bangladesh Commerce Bank Limited
3. Bank Asia Limited
4. BRAC Bank Limited
5. Dhaka Bank Limited
6. Dutch Bangla Bank Limited
7. Eastern Bank Limited
8. Farmers Bank Limited
9. IFIC Bank Limited
10. Jamuna Bank Limited
11. Meghna Bank Limited
12. Mercantile Bank Limited
13. Midland Bank Limited
14. Modhumoti Bank Limited
15. Mutual Trust Bank Limited
16. National Bank Limited

17. NCC Bank Limited
18. NRB Commercial Bank Limited
19. NRB Global Bank Ltd
20. One Bank Limited
21. Prime Bank Limited
22. Pubali Bank Limited
23. South Bangla Agriculture and Commerce Bank Ltd
24. Southeast Bank Limited
25. Standard Bank Limited
26. The City Bank Limited
27. The Premier Bank Limited
28. Trust Bank Limited
29. United Commercial Bank Ltd
30. Uttara Bank Limited

**Islamic Commercial Banks:**

1. Al-Arafah Islami Bank Limited
2. Export Import Bank of Bangladesh Limited
3. First Security Islami Bank Limited
4. ICB Islamic Bank
5. Islami Bank Bangladesh Limited
6. Shahjalal islami bank Limited
7. Social Islami Bank Limited
8. Union Bank Limited

**Foreign Commercial Banks**

1. Bank Alfalah
2. Citibank NA

3. Commercial Bank of Ceylon
4. Habib Bank Limited
5. HSBC ( The Hong Kong and Shanghai Banking Corporation Ltd. )
6. National Bank of Pakistan
7. Standard Chartered Bank
8. State Bank of India
9. Woori Bank
10. ICICI Bank

**Appendix 3-B:**

**List of Sample Commercial Banks**

1. BRAC Bank Limited
2. Bank Asia Limited
3. Dhaka Bank Limited
4. Dutch Bangla Bank Limited
5. Eastern Bank Limited Southeast Bank Limited
6. Standard Bank Limited
7. The City Bank Limited
8. Prime Bank Limited
9. HSBC (The Hong Kong and Shanghai Banking Corporation Ltd. )
10. Standard Chartered Bank

#### Appendix 4: Direct CSR expenditures reported by banks (In Taka)

Note: '-' = No CSR expenditure

Name of Bank	2010	2011	2012	2013
Sonali Bank Limited	59,90,000	18,200,000	26,300,000	49,100,000.00
Rupali Bank Limited	16,700,000	61,274,808	3,663,000	52,379,250.00
Janata Bank Limited	141,405,000	57,028,000	137,584,894	426,800,000.00
Agrani Bank Limited	51,350,000	57,100,000	104,100,000	7,180,000.00
Bangladesh Krishi Bank	-	100,000	4,400,000	4,200,000.00
Bangladesh Development Bank Limited	3,975,000	500,000	4,381,000	13,488,000.00
Rajshahi Krishi Unnayan Bank	1,452,000	1,056,000	2,183,956	3,587,000.00
BASIC Bank Limited	23,700,000	31,600,000	32,800,000	55,800,000.00
Eastern Bank Limited	31,317,000	11,900,000	21,037,610	6,115,600
Bank Asia Limited	40,550,000	33,444,180	95,814,369	207,203,000
Dutch Bangla Bank Limited	168,860,000	341,830,000	527,670,000	785,400,000
IFIC Bank Limited	11,750,000	17,700,000	43,139,895	48,731,000
Mutual Trust Bank Limited	18,865,000	2,900,000	15,787,140	38,332,000
Jamuna Bank Limited	17,000,000	55,200,000	29,020,000	66,300,000
BRAC Bank Limited	38,551,000	35,900,000	36,000,000	54,828,800
Pubali Bank Limited	49,510,000	72,771,135	35,481,000	45,200,000
Premier Bank Limited	57,300,000	22,000,000	62,630,000	104,150,000
Uttara bank Limited	60,000,000	14,100,000	15,600,000	60,500,000
South East Bank Limited	38,400,000	15,100,000	14,100,000	48,150,000
NCC Bank Limited	17,700,000	8,500,000	17,400,000	41,241,000
National Bank Limited	142,350,000	36,822,000	53,612,000	153,031,000
Trust bank Limited	48,100,000	81,200,000	130,200,000	76,400,000
Bangladesh Commerce Bank Ltd.	1,000,000	3,687,000	4,464,000	2,383,400
Mercantile Bank Limited	92,530,000	49,400,000	85,900,000	143,470,000
Dhaka Bank Limited	36,041,000	36,300,000	9,710,000	27,256,000
AB Bank Limited	50,200,000	29,836,000	34,086,000	35,679,000
The City Bank Limited	11,703,000	1,351,500	5,676,734	43,807,000
Prime Bank Limited	291,420,000	172,090,000	295,650,000	257,200,000
One Bank Limited	15,920,000	4,370,000	12,011,000	34,560,000
United Commercial Bank Limited	16,059,000	46,500,000	41,438,000	28,895,000
Standard Bank Limited	38,800,000	11,800,000	42,100,000	84,830,000
Social Islami Bank Limited	24,689,080	24,484,990	52,918,600	53,180,700
First Security Islami Bank Limited	43,630,000	80,850,500	90,409,070	126,857,200

EXIM Bank Limited	231,825,000	180,900,000	399,000,000	392,620,000
Islami Bank Bangladesh Limited	232,631,000	410,700,000	309,100,000	476,400,000
Al-Arafah Islami Bank Limited	70,400,000	20,900,000	31,300,000	84,090,000
Shahjalal Islami Bank Limited	24,033,300	10,700,000	79,157,186	46,969,000
ICB Islamic Bank Limited	2,518,000	562,500	1,054,600	460,000
Standard Chartered Bank	41,550,000	70,100,000	63,210,000	101,209,000
CITI Bank NA	11,003,000	12,700,000	31,944,000	22,483,500
HSBC	47,160,000	31,800,000	37,600,000	133,760,000
Habib Bank Limited	900,000	150,000	2,150,000	1,800,000
Commercial Bank of Ceylon	1,560,750	6,580,000	1,503,250	1,160,000
Woori Bank	420,000	300,000	848,000	2,479,000
Bank Al-Falah Limited	4,100,000	2,786,000	1,576,000	3,388,000
National Bank of Pakistan	550,000	400,000	100,000	200,000
State Bank of India	400,000	2,917,630	874,573	4,114,000
Farmers Bank Limited				-
Meghna Bank Limited				10,000,000
Midland Bank Limited				-
South Bangla Agriculture and Commerce Bank Ltd.				1,000,000
Union Bank Limited				470,000
NRB Bank Ltd.				-
Modhumoti Bank Ltd.				100,000
NRB Global Bank Ltd.				1,350,000
N.R.B. Commercial Bank Ltd.				1,200,000
<b>Total</b>	<b>2,329,778,000</b>	<b>2,188,329,743</b>	<b>3,046,685,877</b>	<b>4,422,387,450</b>

## Appendix 5: Sample Questionnaire

### QUESTIONNAIRE

This is a survey to explore and analyze the outcomes of **Corporate Social Responsibility (CSR)** activities practiced by different **private commercial banks** in Dhaka city. *I would expect your honest and impartial participation to achieve an exclusive unbiased result. All the information will be used for academic purpose and kept under strict confidence.*

Please go through the following text to know what the questionnaire is about and answer the following questions.

Sample No: \_\_\_\_\_

Name of my Bank is: \_\_\_\_\_

Designation: \_\_\_\_\_

Department: \_\_\_\_\_

I am an employee of the Bank for:

1. 0-1 year	2. 1 year to less than 2 years	3. 2 year to less than 3 years
4. 3 year to less than 4years	5. 4 year to less than 5 years	6. More than 5 years

Approximate Monthly Income [in BDT]:

1. Below 20000	2. 20000-29000	3. 30000-39000
4. 40000-49000	5. 50000-59000	6. 60000 and Above

Gender:

1. Male	2. Female
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Age:

1. Below 25 years	2. 25-29 years	3. 30-34 years
4. 35-39 years	5. 40-44 years	6. 45 years and above

Please put **tick mark** for each statement in appropriate box where 1- Strongly disagree, 2- Disagree, 3-Neither agree nor disagree, 4- Agree, 5- Strongly Agree.

SL	Statements	1	2	3	4	5
1	Corporate social responsibility (CSR) activities helps the bank to get <i>better anticipation of risk</i>					
2	It is possible to <i>manage the risk in a better way</i> through CSR activities					
3	CSR activities <i>increase operational efficiencies of the bank</i>					
4	CSR activities <i>improve cost savings</i>					
5	CSR activities <i>enhance ability to retain staff</i>					
6	CSR activities <i>enhance organization's ability to recruit quality staff</i>					
7	CSR activities <i>improve ability to develop staffs' skill</i>					
8	Banks using CSR activities can <i>enhance the ability to address change by detecting the changing</i> regulatory, economic, social and environmental trends in the market					
9	CSR activities <i>improve ability to build efficient supply chain relationships (for example Banks can stimulate their suppliers to improve standards that will require Banks' suppliers to comply with worker codes and standards)</i>					
10	<i>Building trust with community</i> is possible through CSR activities					



11	CSR activities provides <i>positive investor relationships</i>					
12	<i>Improved relations with regulators</i> is a outcome of CSR activities					
13	CSR activities provides <i>positive media relations</i>					
14	CSR activities <i>improve competitiveness</i>					
15	<i>Improved market positioning</i> can be achieved through CSR activities					
16	<i>Enhance growth in market share</i> is a consequence of practicing CSR activities					
17	<i>Increase in the number of customers</i> is possible through CSR activities					
18	CSR activities can be seen as <i>one element in a branding strategy</i>					
19	There is a direct link between CSR activities and <i>customer satisfaction</i>					
20	CSR activities improve <i>customer retention</i>					
21	A bank can successfully <i>differentiate</i> itself through CSR activities					
22	CSR activities of banks enhance <i>reputation</i> of the banks					
23	CSR activities allow banks to gain <i>competitive advantage</i>					

**Thank you for cooperation**