



**Title of the Thesis**

**A Comparative Study on Corporate Social Responsibility Activities  
Between Islami Bank Bangladesh Limited and Sonali Bank Limited**

**Submitted To**

**Dr. Md. Akhteruzzaman**  
Professor & Supervisor  
Department of Islamic Studies  
University of Dhaka, Bangladesh.

**Submitted By**

**Md. Main Uddin**  
M. Phil. Research Fellow  
Registration No. 193, Session: 2015-2016  
Department of Islamic Studies  
University of Dhaka, Bangladesh.

**February 2018**



## **Declaration**

I would like to declare that this thesis entitled “**A Comparative Study on Corporate Social Responsibility Activities Between Islami Bank Bangladesh Limited and Sonali Bank Limited**” has been prepared by me under the direct supervision of Professor Dr. Md. Akhteruzzaman, Department of Islamic Studies, University of Dhaka, Dhaka, Bangladesh. No such work has been done earlier in home or abroad for the award of the Degree of Master of Philosophy or any other academic degree. This is a unique research work has been done by me.

**Md. Main Uddin**

M. Phil. Research Fellow

Registration No. 193

Session: 2015-2016

Department of Islamic Studies

University of Dhaka, Bangladesh

**Dedicated**

**To**

**The people who helped me to complete this Research**

### **Certificate of Supervisor**

I would like to certify that this thesis titled “**A Comparative Study on Corporate Social Responsibility Activities Between Islami Bank Bangladesh Limited and Sonali Bank Limited**” has been submitted by Md. Main Uddin, M. Phil. Research Fellow, Registration No. 193, Session: 2015-2016, Department of Islamic Studies, University of Dhaka, Dhaka, Bangladesh for awarding the Degree of Master of Philosophy (M. Phil.). This original and unique work has been done by him under my direct supervision. No such work has been done earlier in home or abroad for awarding such kind of degree.

**Dr. Md. Akhteruzzaman**  
Professor & Supervisor  
Department of Islamic Studies  
University of Dhaka, Bangladesh

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### **Abstract**

Corporate Social Responsibility (CSR) has been gaining favorable grounds during last few years in Bangladesh and today it is undoubtedly seen as an integral part of doing business globally. The banking sector has already emerged as the most important player in practicing Corporate Social Responsibility in Bangladesh. It is inspiring to note that Corporate Social Responsibility is being mainstreaming in Bangladesh. In the recent years, there has been a strong emphasis on corporate social responsibility.

Corporate Social Responsibility is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Companies also integrate social and environmental concerns in their business operations and interaction with their stakeholders on a voluntary basis.

Social responsibility is a concept of giving back to the society what business gets from it. Corporate Social Responsibility (CSR) promotes a vision of business accountability & transparency to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both present and in the future. Banks have no exception to this golden principle. Because the duty of the bank is in the nature of trust and they are custodian of public funds.

Islamic society not only keeps away the people from acquisition and greediness but also promote generosity and charity as part of their duties. The explicit teaching of Islam is to create brotherhood, love and affection among human beings, cooperation, and a sense of accountability and responsibility for all members of the society.

There are a lot of verses in the Holy Quran by which spending of the wealthy people are encouraged for others who are needy. Allah states that the wealth of the rich people should be given to kindred, wayfarers, orphans and the needy so that “it may not (merely) make a circuit between the wealthy among you.”

The Prophet (peace be upon him) says “The generous man is near Allah, near Paradise, near men and far from Hell, but the miserly man is far from Allah, far from Paradise, far from men and near Hell. Indeed, an ignorant man who is generous is dearer to Allah than a worshipper who is miserly.”



In Islam rendering an account to discharge accountability is identified as part of ibadah (Servitude to Allah) and amal saleh (virtuous deeds) in attaining al-Falah (benefit for the people in this world and the hereafter).

According the Holy Quran, Allah will test the solvent people/entity about their Corporate Social Responsibility. So the banking companies which are the super most class of the society based on financial strength must have to perform their corporate social responsibility to change the fate of the disadvantaged class of the society. That's why the research title '**A Comparative Study on Corporate Social Responsibility Activities Between Islami Bank Bangladesh Limited and Sonali Bank Limited**' is very much rational.

The research thesis has been prepared by dividing it into five chapters. In chapter one, the subject matters regarding research reality has been discussed. The subject matters regarding research reality includes Introduction, Research Proposal, Rationality, Objectives, Methodology, Scope, Time Frame and Limitations of the Research, sources & analysis of data and Literature Review.

In chapter two, the history & basic concepts of corporate social responsibilities i.e. United Nations initiatives, development era, key milestones of CSR, initiatives, applications, realities and prospects of CSR in Bangladesh, logic for & arguments against CSR, stakeholders, categories and benefits of CSR have been discussed.

In chapter three, the history of establishment & development of Islamic banking in Bangladesh & in the World, basic issues of Islamic banking i.e. definition, types, characteristics and impacts of riba and an overview on Islami Bank Bangladesh Limited, Sonali Bank Limited including other full-fledged Islamic banks operating in Bangladesh.

In chapter four, the corporate social responsibility activities of Islami Bank Bangladesh Limited and Sonali Bank Limited have been discussed based on six dimensions i.e. Human Resources Development Dimension, Medicare Services Dimension, Environmental and Social Safety Dimension, Humanitarian and Philanthropic Dimension, Financial Inclusion Dimension and Other Dimensions. The CSR expenditure status of IBBL and SBL as per Bangladesh half yearly CSR report has also been presented in this chapter.

In chapter five, the collected data have been scrutinized, analyzed and processed to get the findings. To conduct the research, data has been collected from the primary and secondary sources. The primary data has been collected from the beneficiaries, bank officials and experts/scholars etc. through the direct interview and questionnaire method. Therefore, four groups of stakeholders (beneficiaries & employees of IBBL & SBL) have been covered to compare the corporate social responsibility activities of Islami Bank Bangladesh Limited & Sonali Bank Limited. Considering the findings of the research, necessary suggestions and recommendations have been made to improve the CSR performance of Islami Bank Bangladesh Limited & Sonali Bank Limited. Finally, conclusion, survey questionnaires and bibliography have been inserted in this chapter.

The banking sector of Bangladesh has been playing a vital role for fostering Corporate Social Responsibility and widening the hands of cooperation for the distressed people of the country. Banking industry is considered as the nucleus of the financial system of any country. As the root of Bangladesh economy, the banking sector of Bangladesh has been playing corporate social responsibility role side by side of its operational roles to be established as a developed economy of the world.

Lastly, I do believe that all the concerned groups including the researchers, academicians, policy makers, government, regulators, students and the respective banks will be benefited from this research.

**List of used Abbreviation**

ADB	Asian Development Bank
ATMs	Automated Teller Machines
BBS	Bangladesh Bureau of Statistics
BIBM	Bangladesh Institute of Bank Management
BOD	Board of Directors
BSR	Business for Social Responsibility
CAMELS	Capital, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
CDCS	Certified Documentary Credit Specialist
CED	Community Economic Development
CII	Council of Islamic Ideology
CIR	Corporate Impact Reporting
CSOs	Civil Society Organizations
CSR	Corporate Social Responsibility
DAIBB'	Diplomaed Associates of the Institutes of Bankers Bangladesh
DMD	Deputy Managing Director
DMI	Dar-al-mal-al-Islami
DOS	Department of Off-site Supervision
EHS	Environmental Health and Safety
EST	Environmentally Sustainable Transportation
ETPs	Effluent Treatment Plants
EU	European Union
GBCSRD	Green Banking and Corporate Social Responsibility Department
GDP	Gross Domestic Product
GPA	Grade Point Average
GRI	Global Reporting Initiative
HIV	/ The Human Immune deficiency Virus/ Acquired Immune Deficiency
AIDS	Syndrome
HRD	Human Resources Division
HSC	Higher Secondary School Certificate
IBBL	Islami Bank Bangladesh Limited
IBID	Same as Mentioned Above

IBTRA	Islami Bank Training & Research Academy
IDB	Islamic Development Bank
IMF	International Monetary Fund
IPCC	Inter-governmental Panel on Climate Change
IT	Information Technology
JAIBB	Junior Associates of the Institutes of Bankers Bangladesh
JICA	Japan International Corporation Agency
KFH	Kuwait Finance House
M. Phil	Master of Philosophy
MCG	Messenger-Cum-Guard
MFIs	Micro Finance Institutions
MGDs	Millennium Development Goals
MNCs	Multi-National Companies
NBFI	Non-Bank Financial Institution
NEPA	National Environmental Policy Act
NGOs	Non-Government Organizations
NSD	National Savings Directorate
Ph.D	Doctor of Philosophy
PP	Page to Page
PKSF	Palli Karma Sahayak Foundation
RA	Rahmatullahi Alai
RDS	Rural Development Scheme
RMG	Ready Made Garments
RTA	Radiallahu Ta'la Anhu/Anha
SAW	Sallallahu Alaihi Wasllam
SBL	Sonali Bank Limited
SDGs	Sustainable Development Goals
SME	Small and Medium Enterprise
SRI	Socially Responsible Investing
SSC	Secondary School Certificate
STN	SWIFT Transport Network
SWIFT	Society for Worldwide Inter-Bank Financial Telecommunications
SWT	Sobhanao Wa Ta'la

UAE	United Arab Emirates
UK	United Kingdom
UNEP	United Nations Environment Program
UPDS	Urban Poor Development Scheme
US	United States
USA	United States of America
WBCSD	The World Business Council for Sustainable Development
WHO	World Health Organization
WWF	World Wildlife Fund

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## Chapter One

### Subject Matters Regarding Research Reality

#### 1.1 Introduction

Social responsibility is an ethical framework which suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large. Social responsibility is a duty where every individual has to perform to maintain a balance between the economy and the ecosystems. Social responsibility means sustaining the equilibrium between these two. It is pertinent not only to business organizations but also to everyone who's any action impacts the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals.

The responsibility of an organization for the impacts of its decisions and activities on the society and environment, through transparent and ethical behavior that:

- Contributes to sustainable development, including health and the welfare of society
- Takes into account the expectations of the stakeholders
- Compatible with applicable laws and international norms of behavior
- Integrates throughout the organization

The Holy Quran encourages the people to be responsible to others of the society. That means the haves must perform their role to the haves not. The Holy Quran says: "In their (the rich) wealth, the needy and deprived have right."<sup>1</sup> From this verse it is clear that the needy people have right on the wealth of the riches. The zakah is not the kindness of the riches. In another chapter the Holy Quran encouraged the people to provide good loans (Quard-e hasana) to the actual needy by the following way:

"Perform Salah (Iqamat-as-Salah), and give Zakah, and give good loans (Quard-e hasana) for Allah."<sup>2</sup> So it is our duty to be responsible towards others.

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<sup>1</sup> *Al-Quran*, 51:19

<sup>2</sup> *Al-Quran*, 73:20

Muhammad (SAW) also encourages the people to be socially responsible. He says that, “Whoever removes the hardship of a Muslim in the world, Allah will remove his hardship on the Day of Judgment”<sup>3</sup>. That means if we play our Corporate Social Responsibility then we will be awarded by Allah in the Day of Judgment.

## 1.2 Research Proposal

The notion of Corporate Social Responsibility is fast gaining acceptance since the corporate world plays a vital role and makes significant voluntarily contribution towards environmentally sustainable and socially equitable development. Besides, the usual financial reporting, ‘non-financial’ or ‘sustainability’ reporting is also gaining fast usages accordingly.<sup>4</sup>

Considering the significance of Corporate Social Responsibility, Bangladesh Bank has been taking several initiatives to mainstreaming Corporate Social Responsibility in banks and financial institutions in Bangladesh.

Because of the ethical and public interest of Corporate Social Responsibility, the social and environmental practices are compulsory mandated by laws and regulations. Such as:

- Safe and healthy work environment
- Equal opportunity and fair treatment in respect of gender and ethnicity in hiring and career advancement
- Avoidance of forced labor or child labor etc.

As per Bangladesh Bank circular the banks and financial institutions in Bangladesh should embrace Corporate Social Responsibility in their management approaches and operations beyond such mandatory compliances for ensuring ‘sustainable development’<sup>5</sup>.

Besides adoption of socially and environmentally responsible practices in own internal operations, bank and financial institutions can make major Corporate Social Responsibility contributions by spreading up financial inclusion for the large

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<sup>3</sup> Al-Hadith, Abu Dawud (B.3), V-2, p.584

<sup>4</sup> Bangladesh Bank, *DOS Circular No. 01*, Dated 1 June, 2008, p.1

<sup>5</sup> Meeting the needs of the present generation without impairing the ability of future generations.

socially disadvantaged rural and urban population segments, offering appropriate financial services packages and financing programs that innovatively designed to generate new employment, output and income.

On the other hand, bank and financial institutions are also well positioned to foster Corporate Social Responsibility in their client businesses in various economic sectors, engaging them in assessing the social and environmental impacts of the enterprises/ projects seeking finance. With a view to assess the risk of smaller enterprises, the PKSF has developed a set of guidelines in the name of Revised and Updated Guideline for Management of Microenterprise Environmental Health and Safety (EHS) Risk in August 2004. For larger projects (valued at USD10 million or higher), the Equator Principles, a set of guidelines developed under the guidance of IFC, are being used by a large number of leading international banks.<sup>6</sup>

Corporate Social Responsibility includes the followings<sup>7</sup>:

- Taking stock of the economic, social and environmental impacts of a business
- Mitigating the negative impacts and bolstering the benign impacts
- Taking up action programs and community investments to reduce social exclusion and inequality and to address the key sustainable development challenges

Corporate Social Responsibility activities benefiting the business through the followings<sup>8</sup>:

- Building brand reputation, value, customer loyalty, employee motivation and retention
- Mitigating risks in own operations and in assessing customers and vendors
- Cutting down wastage (of energy, raw materials etc.), driving up efficiency
- Gaining new markets for products and services and the communities/social groups become benefited by the CSR actions

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<sup>6</sup> Bangladesh Bank, *DOS Circular No. 01*, Dated 1 June, 2008, p.2

<sup>7</sup> Ibid, p.1

<sup>8</sup> Ibid, p.1

### **Priority areas of Corporate Social Responsibility initiatives**

The central bank of Bangladesh circulated the following heads as priority initiatives through its DOS Circular-1, dated June 1, 2008<sup>9</sup>:

- Self-employment credit program and Small & Medium Enterprise (SME) lending programs, taken up solo or in association with locally active Micro Finance Institutions (MFIs), designed to create productive new on-farm/ off-farm employment, such initiatives are of particular urgency for regions with endemic high seasonal unemployment (e.g. the Manga afflicted Northern Districts)
- Financing programs for installation of biogas processing plants, solar panels in rural households, for waste recycling plants in locations populated by urban poor and for Effluent Treatment Plants (ETPs) in manufacturing establishments
- Credit programs for diversified production of crops, oilseeds, spices, vegetables, fruits etc. by rural households, financing the growers directly or through suitable intermediaries in the value chain. Credit support for combination of farming activities (like co-production of a minor crop with a major crop, fish/duck farming with aman rice of deepwater variety in low lying fields), may also be well worthwhile
- Mobile phone based/ local MFIs outlet supported programs promptly delivering remittances from migrant workers to recipients in remote rural households; programs for card based/mobile phone based delivery of financial services to such households
- Financing programs supporting folk crafts, folk musical and performing arts, aimed at promoting domestic tourism and markets in cultural products/events besides income and employment for the population groups involved

With the employment and new income generated by successfully executed programs the targeted population segments can eventually constitute big new client bases for financial products and services.

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<sup>9</sup> Ibid, p.2

## **Initiating Corporate Social Responsibility programs in Banks/Financial Institutions**

Embracing CSR has to begin with decision at the highest corporate level (Board of Directors), and adoption of action programs and performance targets chosen in consultative processes involving the internal and external concerned stakeholders. For the first time CSR program of a bank of financial institution would be likely to include action plans for<sup>10</sup>:

- Ingraining environmentally and socially responsible practices within the organization
- Engaging with borrowers in scrutiny of the environmental and social impacts of their proposed undertaking (along the PKSF 2004 or Equator Principles 2006 guidelines<sup>11</sup>, as relevant)
- Reaching out with financial services to the less well off production segments of the community and
- Community investment 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

Each and every man and woman have opportunity to do and achieve those things which are essential for the development of his or her ideas, aims of life and interests, for the development of mind, character and personality. To develop the personality and individuality one needs social, legal and political conditions through which he can achieve his purpose with consent and if needed he may take the aid and support of others. These conditions are called rights<sup>12</sup>.

Without getting formal definition, it can be said that human rights are some basic needs, autonomy and freedoms which are very essential for the promotion of life, dignity, status, equality, prosperity and happiness of every human being, all over the

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<sup>10</sup> Ibid, p.3

<sup>11</sup> The Equator Principles, July 2006 ([www.equator-principles.com](http://www.equator-principles.com)).

<sup>12</sup> Malik, 'Fundamental Rights In Islam', *Muslim International*, July 1969, p.31



world irrespective of race, color, sex, language, religion, political or ideological differences, social or national origin, property, birth or other status<sup>13</sup>.

Muhammad (SAW) emphasizes on human rights in Al-Hadith by uttering the following verse: “He does not have faith who loves not for his brother what he loves for himself”.<sup>14</sup> From this Hadith we can know that the believer must be conscious about the right of others of the society.

Muhammad (SAW) says in another Hadith that “He is not a man of faith who eats his fill when his neighbor is hungry”.<sup>15</sup> If the above Hadith is followed by the people of the society, no one will remain hungry in the world. As a result, they will be conscious about their social responsibility.

As the superior class in the society the business should be attentive in Corporate Social Responsibility. Because Allah does not creates everyone in the world by giving same wealth and strength. In the Holy Quran Allah says, “He has exalted some of you in rank above others that He may try by the test of that which He has given you”<sup>16</sup>.

As per the above verse of The Holy Quran, Allah will test the solvent people/entity about their Corporate Social Responsibility. So the banking companies which are the super most class of the society based on financial strength must have to perform their Corporate Social Responsibility to change the fate of the disadvantaged class of the society. That’s why the research proposal ‘**A Comparative Study on Corporate Social Responsibility Activities Between Islami Bank Bangladesh Limited and Sonali Bank Limited**’ is very much rational. Through this research the actual performance of these two banks will be discovered and the impacts of the same will also be analyzed. Finally, fruitful recommendations will be given to boost up the Corporate Social Responsibility performance of these banks.

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<sup>13</sup> Henkin, *The International Bill of Rights* (New York: Columbia University Press, 1981), pp.1-21

<sup>14</sup> Al-Hadith, Bukhari (B.1), V-1, p.11

<sup>15</sup> Al-Hadith, Bukhari (B.9), p.112

<sup>16</sup> Al-Quran, 102:08

### 1.3 Rationality of the Research

In Islamic Economy the accumulation of wealth is only permitted for the purpose of spending this wealth in the prescribed heads of Allah<sup>17</sup>.

How Islam inspires the people about sacrifice and devotion to the cause of Allah's creation explained clearly by the great Islamic scholar Muhammad Nurul Karim, "Islam stresses the need for absolute faith in the existence and unity of the supreme power and submission to the all pervading will of the omnipotent Allah. This submission may also be construed as 'striving after righteousness'. Faith in Allah and the realization of his existence, power and unity only can inculcate in man a spirit of sacrifice and devotion to the cause of his creation. The submission to his will, will therefore, ensure, pursuit of truth and of right thinking, right efforts for self and for his creation in man's sojourn here in this world with benefits for hereafter."<sup>18</sup>

"They who hoard up gold and silver and spend it not in the way of Allah, unto them give tidings (O Muhammad) of a painful doom."<sup>19</sup> "Those who spend their possessions (for the sake of Allah) by night and by day, secretly and openly, shall have their reward with their sustainer; and no fear need they have, and neither shall they grieve."<sup>20</sup>

Islam always discourages miserliness in spending of wealth and hoarding in acquiring of wealth. Islam is strongly opposed in accumulation of wealth in a few hands<sup>21</sup>.

There are a lot of verses in the Holy Quran by which spending of the wealthy people are encouraged to others who are needy. Allah states that the wealth of the rich

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<sup>17</sup> Zaman, Asad, 'Building Genuine Islamic Financial Institutions', *Journal of Islamic Economics, Banking and Finance*, V-11, Number 2, April-June 2015, p.13

<sup>18</sup> Karim, Muhammad Nurul, *Islam : A Religion of Truth* (Dhaka: Islamic Foundation Bangladesh, 1<sup>st</sup> edition, 1982), p.1

<sup>19</sup> Al-Quran, 09:34

<sup>20</sup> Al-Quran, 02:274

<sup>21</sup> Zaman, Asad, 'Building Genuine Islamic Financial Institutions', *Journal of Islamic Economics, Banking and Finance*, V-11, Number 2, April-June 2015, p.14

people should be given to kindred, wayfarers, orphans and the needy so that “it may not (merely) make a circuit between the wealthy among you.”<sup>22</sup>

In the Standard Economic Model of consumer behavior there are three sorts of human beings such as Cold, Callous and Calculating. The Cold consumers- are utility maximizers and not susceptible to emotional decision making and impulse purchase. The Callous consumers- are seeking personal benefits even if it harms others and they are not caring about feeling of others.

The Calculating consumers-are not just satisfied with making a profit, they always calculate it to the last penny and seek to maximize it. At the individual level to fulfill the worldly desires they maximize the freedom of all spheres of their life specially economic, political and social etc.

In case of group level the competition and the survival of the fittest is promoted as the key to efficiency. The Cold, Callous and Calculating individuals who do not concern for an afterlife (Aakhirat) this philosophy is suited for them.

The Holy Quran clearly explains that human being is acquisitive and greedy. Allah Ta’la says “Alluring unto man is the enjoyment of worldly desires through women, and children and heaped-up treasures of gold and silver and horses of high mark and cattle and lands. All these may be enjoyed in the worldly life-but the most beautiful of all goods is with Allah.”<sup>23</sup>

Al Quran also sets out the functions of an Islamic society/state as follows: “(Allah will help) those who, if We give them power in the land, establish regular prayer and give regular charity, enjoin the right and forbid wrong.”<sup>24</sup>

Islamic society not only keeps away the people from acquisition and greediness but also promote generosity and charity as part of their duties. The explicit teaching of

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<sup>22</sup> Al-Quran, 59:07

<sup>23</sup> Al-Quran, 03:14

<sup>24</sup> Al-Quran, 22:41

Islam is to create brotherhood, love and affection among human beings, cooperation, and a sense of accountability and responsibility for all members of the society.<sup>25</sup>

The Prophet (peace be upon him) says “The generous man is near Allah, near Paradise, near men and far from Hell, but the miserly man is far from Allah, far from Paradise, far from men and near Hell. Indeed, an ignorant man who is generous is dearer to Allah than a worshipper who is miserly.”

In the Holy Quran Allah explains more verses to be generous than the number of verses devoted to the four central pillars of Islam i.e. salah, zakah, fasting and hajj. As typical example: “Spend your wealth for the cause of Allah, and be not cast by your own hands to ruin; and do well. Lo! Allah loves the beneficent.”<sup>26</sup>

To allocate the public resources to the private companies government use different methods. A few of them are auctions, beauty contests, first-come-first-served, grandfather rights, and lotteries etc.<sup>1</sup>

Whichever is the method of public resource allocation to the private companies, they need to pay the consideration to the society through their activities<sup>27</sup>.

“The spirit of sharing and not monopoly enjoyment is a dominant human value. It is more pronounced among brothers. The eldest brother is delighted at the smile of the younger. He prefers sacrificing his comforts for him. He spares his food for him, bears his burden on his back arms and shoulder. Through these his brotherly instinct develops. If he does not love his brother, he is deprived of the parental love without which his existence is become meaningless. No child is more wretched

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<sup>25</sup>Zaman, Asad, ‘Building Genuine Islamic Financial Institutions’, *Journal of Islamic Economics, Banking and Finance*, V-11, Number 2, April-June 2015, p.18

<sup>26</sup> Al-Quran, 02:195

<sup>27</sup>Jilani, Syed Atif and Prof Valeed Ahmad Ansari, ‘Studying Spectrum Allocation Methods: Applicability for Bangladesh’, *Thoughts on Banking and Finance*, V- 3, Issue 1, January-June 2014, p.35

than the one whose parents are alive but he is abandoned by them.<sup>28</sup>

Irrespective of person, nation and state man is the agent of Allah. The essential aspects of the agentship are the unity and brotherhood among them.<sup>29</sup>

If any woman lost her husband or got talak from her husband, during the time of Iddot (3 months or until the child is born if pregnant in case of talak, 4 months and 10 days in case of demise of husband) it is the responsibility of the male members of her parent's family to look after her. If the male members of her family are not able to do so, the Muslim society or the state will bear her responsibility unless she can be given in marriage to someone else or is ineligible to do halal work.<sup>30</sup>

To enrich the knowledge of Muslim community more and more research on Islamic economics is needed. It is evident that much of the research undertakings are being focused on the development of the Islamic financial services industry. Because Muslims have no option but to learn Islamic economics and to apply in their everyday personal finances and their investment portfolios in order to abide by the principles of Shariah.<sup>31</sup>

In inner London, Muslim students perform less well than non-Muslim students. 37% of 16 to 24 year old Muslims have no qualifications. In the university level education Muslims have half as likely to have degree level or above qualifications than other inner London young people under the age level 16 to 24. So, to encourage

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<sup>28</sup> Alam, Shamsul; *Islamic Thought* (Dhaka : Islamic Foundation Bangladesh, 1<sup>st</sup> edition, August 1986) p.17

<sup>29</sup> Chapra, Dr. M. Omar, Translation: Ahmed, Dr. Mahmood and M. Jahurul Islam, *Islam and Economic Development* (Dhaka: Bangladesh Institute of Islamic Thought, 1<sup>st</sup> publication, 2000)

<sup>30</sup> Khaled, Sarwar Md. Saifullah, 'Economic and Socio-Political Rights and Status of Men and Women in Islam', *Thoughts on Economics, The Quarterly Journal of Islamic Economics Research Bureau*, V-23, No. 02, April-June 2013, p.10

<sup>31</sup> Kayed, Dr. Rasem N., 'Appraisal of the Status on Research on Labor Economics in the Islamic Framework', *Thoughts on Economics, The Quarterly Journal of Islamic Economics Research Bureau*, V-24, No. 01, January-March 2014, p.45

the Muslims, Corporate Social Responsibility activities of the large scale organizations is a must.<sup>32</sup>

For any organization irrespective of size Corporate Governance is one of the most important and significant pillars. It is hypothesized that when corporations are governed well, it will positively affect the market.<sup>33</sup> Investors are always looking for good Corporate Governance to extend and ensure their investment and boost sustainable growth<sup>34</sup>.

In Islam rendering an account to discharge accountability is identified as part of ibadah (Servitude to Allah) and amal saleh (virtuous deeds) in attaining al-Falah (benefit for the people in this world and the hereafter<sup>35</sup>).

Famous scholar Lewdrosh says the most vulnerable two problems that affected the whole world; I have got these solutions in Islam. The first one is that Allah declares all Muslims are brother and it is the declaration of social unity. The second one is Zakah farz (Compulsory) on each and every wealthy (who has nisab amount of wealth) people and at the same time if any rich people does not willing to pay zakah, then the poor are empowered to take their portion from the rich persons by force. This is the policy of social justice.<sup>36</sup>

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<sup>32</sup> Khaled, Sarwar Md. Saifullah, 'The Glory of Islam will remain unblemished in the Future World despite the Clash of Civilizations', *Thoughts on Economics, The Quarterly Journal of Islamic Economics Research Bureau*, V-24, No. 01, January-March 2014, p.71

<sup>33</sup> Altwijry, Othman Ibrahim, 'The role of Corporate Governance and Ownership in Unconventional Bond Rating: Empirical Evidence from Companies Listed on Bursa Malaysia', *Journal of Islamic Economics, Banking and Finance*, V-11, Number-2, April-June 2015, pp.115-116

<sup>34</sup> Allen, F., 'Corporate Governance in Emerging Economies', *Oxford Review of Economic Policy*, 21(2), 2005. pp.164-177

<sup>35</sup> Haniffa, Ros, 'Social Responsibility Disclosure: an Islamic Perspective', *Indonesian Management & Accounting Research Journal*, V-1, Issue-2 (2002), pp.128-146

<sup>36</sup> Karjavi, Dr. Yusuf Al, Translation: Moulana Muhammad Abdur Rahim, *Zakah in Islam* (Dhaka: Islamic Foundation Bangladesh, 2008), p.699

Islamic Shariah is constituted to ensure the welfare of humanity. Ensuring the welfare of personal life, state as well as international arena is the objective of Islamic Shariah<sup>37</sup>.

#### **1.4 Objectives of the Research**

Discovering the answer of the desired questions through using scientific method is the work of the research. The main objective of the research is to find out/ discover the hidden truth that has not discovered yet<sup>38</sup>.

The central bank of Bangladesh has taken several initiatives to foster Corporate Social Responsibility in the banks and financial institutions of the country. Bangladesh Bank expects that each and every banks and financial institutions will come forward to embrace Corporate Social Responsibility willingly.

From the previous reports and publications of Bangladesh Bank it is known that the banks operating in Bangladesh is very much responsive to their Corporate Social Responsibility performance. But the actual position of their Corporate Social Responsibility initiatives and how these can contribute to the overall economy of Bangladesh not discovered yet.

So the main objective of this research is to discover the actual position of the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited and Sonali Bank Limited and comparing the performance of one bank with another to find out which one is more responsible to the society.

Besides the above mentioned objective the remarkable objectives of the research are discovering the followings:

- The impacts of the Corporate Social Responsibility initiatives of these two banks
- The feelings of the actual beneficiaries on the Corporate Social Responsibility activities of these banks
- The history of Corporate Social Responsibility in Bangladesh and world

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<sup>37</sup> Khondkar, Muhammad Rahmatullah, *Maqasid-Ash-Shariah and Beauty of Islam* (Dhaka: Muktalesh Prokashon, 1<sup>st</sup> edition, January 2015), p.129

<sup>38</sup> Topon, Dr. Md. Shahjahan, *Thesis and Assignment Writing Procedure and Techniques* (Dhaka: Protiva Publication, 2<sup>nd</sup> edition, April 1993), p.13

- The head wise Corporate Social Responsibility performance of the banks
- The priority areas of Corporate Social Responsibility initiatives
- The limitations of the banking sector to foster Corporate Social Responsibility
- The guidelines of the regulatory body about Corporate Social Responsibility initiatives

This research will help the bankers as well as mass people to explore the impacts of the Corporate Social Responsibility Activities of Islami Bank Bangladesh Limited and Sonali Bank Limited. If it is found that the Corporate Social Responsibility Activities of Islami Bank Bangladesh Limited and Sonali Bank Limited has positive impacts on the stakeholders and it is actually recognized and accepted by the beneficiaries then the donors will be encouraged as well as motivated to take more and more innovative initiatives contributing to the society. So from this research the impact of Corporate Social Responsibility Activities of Islami Bank Bangladesh Limited and Sonali Bank Limited will be investigated based on the following dimensions:

- Human Resource Development Dimension
- Health/ Medicare Services Dimension
- Social and Environmental Safety Dimension
- Humanitarian/Philanthropic Dimension
- Financial Inclusion Dimension and
- Others Dimension

### **1.5 Research Methodology**

Research means discovering the hidden truth. Basically research means discovering the unknown knowledge with the help of rational way and scientific method.<sup>39</sup>

Research always supplements the new and acquired knowledge with the existing knowledge. First of all the subject matters of the research has been designed after setting the research objective. Then the structure of the research has been set, the data and information have been collected, scrutinized and presented. To collect information about the Corporate Social Responsibility practices of Islami Bank

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<sup>39</sup> Ibid, p.9



Bangladesh Limited and Sonali Bank Limited the international standard and suitable research methodologies have been used. Such as-

- Historical Method
- Descriptive Method
- Analytical Method
- Indepth Direct Interview Method and
- Participative Observational Method etc.

To scrutinize, process and present data the following presentation methods have been used:

- Textual Presentation
- Tabular Presentation and
- Graphical Presentation etc.

The language of this research is English. But to collect, scrutinize and process data, the help of the books, journals, publications, newspapers and magazines of home and abroad written in various languages have been taken. Besides, necessary help has been taken from different reports, circulars, guidelines, internet and websites of the banks.

The references of the Holy Quran and the Holy Hadith have been given in direct or indirect (translated) form and the sources have been indicated very meticulously.

### **1.6 Scope of the Research**

The scopes of this research are the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited and Sonali Bank Limited. The actual performance of Islami Bank Bangladesh Limited and Sonali Bank Limited regarding Corporate Social Responsibility is the centre point of this research. As banking industry is solely regulated by the circulars, guidelines and regulations of Bangladesh Bank, the regulatory directions of the central bank of Bangladesh regarding Corporate Social Responsibility are also the scope of this research. The history and gradual development of Islamic Banking in Bangladesh and around the world is also pertinently the relevant scope of this research.

The history and basic issues of Corporate Social Responsibility in Bangladesh and globe is also the relevant scope of this research. Besides, the position and contribution of these two largest commercial banks of Bangladesh (one from the government bank and another from private bank) regarding Corporate Social Responsibility to the economy of Bangladesh is also the scope of this research.

The actual affect of the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited and Sonali Bank Limited i.e. whether the beneficiaries become benefited or not is also the scope of the research. The Corporate Social Responsibility performance of Islami Bank Bangladesh Limited and Sonali Bank Limited is compared with one another and the better performer between these two will be discovered through this research.

### **1.7 Sources of Data**

The main objective of the Corporate Social Responsibility activities of the banks is to help the poor and disadvantaged people regarding education, health, sports, philanthropic activities, financial inclusion and environmental & social safety etc. There is a rich source of data regarding Corporate Social Responsibility activities. So, to conduct the research, the primary and secondary both category data have been collected, scrutinized and processed.

#### **Primary Data**

To conduct the research data has been collected from the primary sources and the reference of the sources is put meticulously. As primary sources data has been collected from the beneficiaries, bank officials and experts/scholars etc. through the direct interview and questionnaire method.

#### **Secondary Data**

To conduct this research the help of secondary source is also taken. The secondary sources are – Al-Quran, Al-Hadith, Islamic Fiqh, the Islamic banking books, journals, publications of home and abroad, newspapers, essays of different seminars, symposiums, conference, meeting, internet, website, Bangladesh Bank reports, bulletins and journal etc., economic research reports of Bangladesh, review series and journal of BIBM and other publications of home and abroad.

## 1.8 Data Analysis

The collected data, information and other materials have been analyzed properly and carefully. Comparative analysis between the data of Islami Bank Bangladesh Limited and Sonali Bank Limited has been done effectively and efficiently.

## 1.9 Research Time Frame

The time period of conducting this research is two years. The total time period has been divided into several phases for completing the tasks easily.

At first the available information and data have been collected from the books, publications, journals, newspapers, magazines, reports, periodicals of home & abroad and website etc. regarding Corporate Social Responsibility activities. Besides, the relevant information has been collected from other relevant sources.

At the 2<sup>nd</sup> phase, the information of Islami Bank Bangladesh Limited and Sonali Bank Limited relating to Corporate Social Responsibility activities has been collected from reports, circulars, periodicals and other sources. The beneficiaries, bankers and scholars/experts have been covered to conduct the research through participative questionnaires.

After collecting the data in the 1<sup>st</sup> and 2<sup>nd</sup> phases these data are scrutinized and evaluated meticulously to ensure proper authentication of the research. To collect data from the primary and secondary sources, preparing the drafts, completing 1<sup>st</sup> time & 2<sup>nd</sup> time review from the supervisor and completing 1<sup>st</sup> time, 2<sup>nd</sup> time & the final print of the thesis about two years time period has been used.

### Table 1: The Research Time Frame

The research time frame used to complete this research is given in the following table:

Nature of Work	Time Period
Data collection at first phase	4 months
Data collection at second phase	4 months
Coordination between the information collected from 1 <sup>st</sup> & 2 <sup>nd</sup> phases	3 months

Preparing Questionnaire and editing	2 months
Conducting Survey	3 months
Data Presentation and Analysis	3 months
Computer Compose	2 months
1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> Proof	2 months
Final Print, editing and Binding	1 month

**Source:** Researcher's Estimation

### **1.10 Limitations of the Research**

There are some limitations that have been faced by the researcher during conducting the research. The limitations of the research have been mentioned below:

#### **i. Insufficient Data and Information**

Although the teaching of Islam always directs people towards Corporate Social Responsibility, but people do not want to comply without hard approach of the regulator. Bangladesh Bank, the regulator of banking industry of Bangladesh, provided circular in 2008 to foster Corporate Social Responsibility. Only Islami Bank Bangladesh Limited has been fostering Corporate Social Responsibility since its inception. But Sonali Bank Limited has just started its Corporate Social Responsibility activities after the hard action of Bangladesh Bank regarding Corporate Social Responsibility in 2010. So, the Corporate Social Responsibility activities related information is not affluent.

#### **ii. Time Factor**

Another limitation of conducting the research is time factor allowed by the University for completing the research. To conduct the research in a indepth manner a researcher need sufficient time. But the university allows a definite time period to conduct the research.

#### **iii. Unwillingness to Disclose Data**

Another important limitation of research is that the bank authority does want to disclose the banking related data to others. As a result, the researcher is facing great problem in collection of data from the bankers.

### **1.11 Literature Review**

An endeavor is made to review the literature related to the study. It is believed that a critical review of various empirical studies regarding the research work would provide a background for explanation and understanding of the concept, history, necessity and other relevant information about Corporate Social Responsibility. The researcher has endeavored to review the related literature meticulously. Although during the past few decades some research works have been conducted on Corporate Social Responsibility but comprehensive literature on Corporate Social Responsibility is too limited to work as a rich review. Some articles, books and publications are available to review the literature. Depending on the relevant literature the following review has been made:

Majumdar, Nazmul Amin, '*Corporate Social Responsibility Practices in Emerging Economies- The Case of Bangladesh*' (Dhaka: The University Press Limited, First Published, May 2016. In this book he discussed the concept, definition, theory and practice of Corporate Social Responsibility, the Corporate Social Responsibility practices in the pharmaceuticals companies of Bangladesh, a comparative analysis of the perceptions of both external and internal stakeholders' etc. This book has helped to develop the conceptual knowledge regarding Corporate Social Responsibility. In addition to this book the practices of Corporate Social Responsibility activities in Islami Bank Bangladesh Limited and Sonali Bank Limited and its impacts on the beneficiaries also covered in this research thesis.

Janata, Renu and David Crowther (ed.) '*Corporate Social Responsibility Theory and Practice with Case Studies*' (New Delhi: Deep & Deep Publications Pvt. Ltd., 2007). In their book they edited several important writings of some contributors. These writings are regarding Corporate Social Responsibility, Social Responsibility & Marketing, Corporate Social Responsibility in the banking, insurance, power generator and IT sector. The ways and means for developing corporate governance and the practical issues of Corporate Social Responsibility in India are also covered. As an enriched book, it helped me a lot to complete the research thesis.

Qaradawi, Dr. Yousuf Al, Translation: Rahman, Mohammad Mizanur and Muhammad Saifullah, '*Poverty Alleviation in Islam*' (Dhaka: Central Shariah Board for Islamic Banks of Bangladesh, April 2008). In this Dr. Qaradawi explained the

different concept of zakah, the philosophy of Islam regarding poverty, the ways and means for alleviation of poverty in Islam, the reason why zakah has been compulsory/forz, other financial heads besides zakah, additional sadaqah and donation, waqf and the victory of Islam over poverty. In addition to his book, the ways of ensuring corporate social responsibility through zakah will be searched in this research.

Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016). In this book the writer discussed the Islamic Microfinance RDS Model of Islami Bank Bangladesh Limited including the social welfare activates, Corporate Social Responsibility initiatives regarding education, health care, humanitarian, financial inclusion, social and environmental safety etc. This book helped the researcher as an enriched source of relevant information.

Iahia, Al Fatah Mohammad, *Islami Arthonitir Adunic Rupayon* (Dhaka: Janata Publication, 2<sup>nd</sup> Publication, March 2003). In his book Al Fatah Mohammad Iahia discussed about basic concept of economics, wealth and its kinds, fundamental concept of Islam regarding wealth, ownership of wealth and its types, some economic terminologies, want, utility, production, elements of production (land, labor, capital & organization), bazaar, trade, currency, bank, insurance, economy of the country. It is the responsibility of all to ensure equality in ownership. So, this book will be beneficial for this research to perform corporate social responsibility creating a caring society.

Mannan, Muhammad Abdul, *Islami Bankbabostha* (In Bangla) (Dhaka: Central Shariah Board for Islamic Banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012). In this book the writer discussed about the banking and economic thought of Islamic civilization, concept, meaning and types of riba, gradual development of Islami banking in Bangladesh and in the world, concept, superiority, operational procedures, problems & prospects of Islami banking. This book has helped as the background of the research to collect the data relating to history & development of Islami banking.

Islam, Dr. Muhammad Nurul, *Microfinance and Islam* (Dhaka: Nazifa-Sakina-Bari Foundation, 1<sup>st</sup> edition, July 2012). In this book the writer discussed the basic concepts i.e. Definitions, characteristics, prospects and challenges of Micro Credit & Microfinance. The historical development of micro credit, the role of micro credit in alleviating poverty and the products and service of micro and rural financing are also discussed. The basic discussion is made on Islamic microfinance, role of microfinance institutions in rural finance and poverty alleviation. The role of Islami Bank Bangladesh Limited in microfinance is also discussed in this book. As a result, this book has helped the researcher to gather knowledge about the role of Micro Credit, Microfinance and Islamic microfinance in financial inclusion.

Hussain, Prof. Muhammad Sharif, *Sud Shamaj Aurthoniti* (Dhaka: Islamic Economics Research Bureau, 2<sup>nd</sup> edition, December 2012). Famous Islamic scholar Prof. Muhammad Sharif Hussain wrote this book to flourish the beauty and role of Islamic Economics for the wellbeing of human being. In his book he tried to explain the impacts of interest/riba in all sphere of life. It is the Islamic Economics that strictly prohibited interest/riba in every transaction. As interest/riba is the source as well as weapon of all sorts of oppressions, it is the Corporate Social Responsibility to save human being from such kind of evil tasks. As a result the Islamic banks have been playing this Corporate Social Responsibility through keeping the human being away from the impacts of interest/riba. So, this book has helped the researcher to get relevant information about the research.

Hussain, Muhammad Mubarak, *Islamic Banking: Policy and Application* (Dhaka: Saptapadi Publication, 2<sup>nd</sup> edition, July 25 2007). In his book Muhammad Mubarak Hussain discussed about the overall issues of Islamic banking including the background of establishment of Islamic bank, important features, superiority of Islamic banking over conventional banking and the welfare oriented mechanisms of Islamic banking. This book has worked as the source of information of Islamic banking for this research.

Rahman, Atiur, *Inclusive Finance and Sustainable Development* (Dhaka: Bangladesh Institute of Bank Management, First Published 2013 (Reprint 2014). In this book the occasional speeches of Bangladesh Bank Governor for the period 2009-2013 has been edited by Dr. Toufic Ahmad Choudhury, Director General,

Bangladesh Institute of Bank Management and Ziaul Karim. In this book the overall issues relating to Inclusive Finance and Sustainable Development has been explained including the Corporate Social Responsibility priorities, importance of Corporate Social Responsibility initiatives for social and sustainable development, environmental, social, disaster management and other risks management etc. This book is the core book of Corporate Social Responsibility practices in Bangladesh perspective. So it helps the researcher to gather valuable data about Corporate Social Responsibility and Inclusive Finance and Sustainable Development.

Islam, Dr. Muhammad Nurul, *Islamic Economics* (Dhaka: Nazifa-Sakina-Bari Foundation, 1<sup>st</sup> edition, July 2012). In this book the writer discussed the definition, forms, scope, sources, philosophical foundation, characteristics, aims and objectives of Islamic Economics. The relationship between Baitulmal, Islamic Economics and Banking, human wellbeing in Islamic Economics, comparison between Islamic Economics and other man made Economic Systems, the factors of production and their price determination, want-utility versus need-Maslahah in islam, Agrarian policy in Islam, development in Islamic Economics, Monetary policy in Islamic Economics, role of zakah in Islamic Economics, Acquisition of property in Islamic Economics, Islamic Insurance (Takaful), a detailed discussion on riba, its types, social, economic, political, ethical, financial and international impacts of riba, differences of riba with profit, business and rent etc. and the role of Islamic Economics in poverty eradication is also discussed in this book.

This book has helped the researcher to get a clear picture of human well-being in Islamic Economics and the inbuilt Corporate Social Responsibility activities of Islamic Economics. How Islamic Economics emphasizes on the social welfare and human wellbeing is presented in this book with a great look.



## 1.12 Conclusion

Corporate Social Responsibility has been gaining grounds during last few years in Bangladesh and today it is undoubtedly seen as an integral part of doing business globally<sup>40</sup>. The banking sector has already emerged as the most important player in practicing Corporate Social Responsibility in Bangladesh. It is inspiring to note that Corporate Social Responsibility is being mainstreaming in Bangladesh.<sup>41</sup> In the recent years there has been a strong emphasis on Corporate Social Responsibility. This development effort of Corporate Social Responsibility must benefit to all the social groups on a stable basis. Corporate Social Responsibility programs of banks must be pervasive lessening deprivation and widening the access of the disadvantaged segment to essential social and financial services healthy, progressive and productive life. So, I think this research work will help all the concerned groups including the researchers, academicians, policy makers, students a clear picture about the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited and Sonali Bank Limited as well as the impacts of these Corporate Social Responsibility activities for the betterment of the world.

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<sup>40</sup> Rahman, Dr. Atiur, 'Evolution of CSR in Bangladesh and Future Challenges', *CSR REVIEW*, V-10, March 2013, p.1

<sup>41</sup> Ibid, p.4

**Chapter Two**  
**Corporate Social Responsibilities**  
**Part-I**  
**History of Corporate Social Responsibilities**

**2.1.1 Introduction**

Corporate Social Responsibility is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. Companies also integrate social and environmental concerns in their business operations and interaction with their stakeholders on a voluntary basis.

The idea of corporate social responsibility is neither new nor radical. The core principle that the business or corporate world has responsibility to society beyond the profit maximization has long historical roots. Corporate social responsibility issues in classical economics came to light in the United States of America (USA)<sup>1</sup>.

The early roots of corporate social responsibility can be found in the actual business practices of successful companies in the eighteenth century. A notable example is the Cadbury chocolate makers in the UK that prospered in the 1870s and moved 1879 to a 'Greenfield' site which was called Bournville<sup>2</sup>. By 1899, the Bournville factory had trebled in size with more than 2,600 employees and was managed scientifically with analytical laboratories, advertising and cost offices, a sales department, works committee, medical department, pension funds, education and training for employees. To promote housing reform and green environment and demonstrating CSR message "successful business in success communities" George Cadbury established the Bournville Village in 1900.

In 1916 J. M. Clark, wrote in the journal of political economy that "if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not". In 1931 professor Theodore Kreps introduced the subject Business

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<sup>1</sup> Majumdar, Nazmul Amin, *Corporate Social Responsibility Practices in Emerging Economies- The Case of Bangladesh* (Dhaka: The University Press Limited, First Published, May 2016), p.2

<sup>2</sup> [www.geocities.com/napavalley/6454/cadbury.html](http://www.geocities.com/napavalley/6454/cadbury.html)

and Social Welfare to Stanford and used the term “Social Audit” for the first time in relation to companies reporting on their social responsibilities.

In 1940 Johnson & Johnson published its Credo<sup>3</sup> announcing that its primary stakeholders were its customers, employees and the communities where it operated its business and explicitly ahead of its stockholders.

A little later Peter Drucker argued that companies have a social dimension as well as economic purpose in his second book, *The Future of Industrial Man*, in 1942.

### **2.1.2 United Nations Initiatives to uphold the CSR**

To uphold the corporate social responsibility practices United Nations has taken the following initiatives:

- In 1940s United Nations System of National Accounts developed-comparable GDPs
- Universal Declaration of Human Rights adopted on 10 December 1948
- United Nations Freedom of Association and Protection of the Right to Organize Convention established in the year 1948
- World Health Organization established in the year 1948
- United Nations Right to Organize and Collective Bargaining Convention established in 1949
- United Nations Equal Remuneration Convention established in the year 1951
- United Nations Abolition of Forced Labor Convention established in the year 1957 (No. 105)
- United Nations Discrimination (Employment and Occupation) Convention established in the year 1958

### **2.1.3 Development era of CSR**

The development era of CSR can be explained as the following three phases:

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<sup>3</sup> [www.jnj.com](http://www.jnj.com)

## **1. Phase 1- CSR Initiation Phase (1960 to 1990)**

The term CSR was in use in the 1960s starting with Goyder's Responsible Company. The term 'stakeholders' was also used to describe corporate owners beyond shareholders

From the early 1960s environmental issues received importance throughout this phase triggering numerous national environmental protection agencies and the United Nations Environment Program (UNEP). Climate change and the associated global warming was attributed to emissions of carbon dioxide and other greenhouse gases from manmade disaster including industrial processes, burning fossil fuels and changes in land cover due to deforestation.

In the early 1980s the emerging issues were poverty, population pressure, social inequality as the critical characteristics in the proper functioning of the planetary ecosystem. In the late 1980s the principles of sustainable development were established by the Brundtland report and important key concept associated with the natural capital and measuring sustainability began to develop. During 1975 to 1987 some authors proposed the conceptual models for social responsibility accounting including Ramanathan whose work is regarded influential but provides limited assistance in determining the guidelines of social accounting reports.

### **Adoption and Reporting Practices on CSR**

During this period adoption and reporting were primarily associated with environmental issues. A number of countries of the world promoted environmental and social reporting during the 1970s in France, law (the Bilan Social) mandated companies employed more than 300 employees to produce an employee report. Germany engaged in the social model of corporate management during this period. In the United States of America (USA) Council on Economic Priorities and others began to rate companies publicly on their social and environmental performance. In the United Kingdom (UK), Social Audit Limited was set up in 1978 to undertake external audits on socially responsible activities of the companies. In India, the largest integrated private sector steel company engaged in social audit in 1979.

In 1980s many companies of different countries of the world considered the necessity of introduction of quality systems and environmental management

systems. The Abt & Associates (USA based research & consulting firm) was the pioneer of the Social Responsibility Reporting, but its concept of social responsibility was strictly related to air and water pollution. In the USA the Social Responsibility Reporting started to grow, in response to the increasing volume of emissions data put into the public domain by the USA 1987 based on the ‘right to know’ legislation which established the Toxic Releases Inventory<sup>4</sup> expanded by the Pollution Prevention Act 1990.

### **Corporate Persuasion through Socially Responsible Investing (SRI)**

The early development of Socially Responsible Investing (SRI) was also established during this period. In 1970s the Christian church adopted policies for financial investment promoting corporate responsibility. The essence of that policy was “Investors should seek the best investment opportunities of financial grounds and then work from within to alter corporate practices that are at variance with social concerns of the church.” The objective was the “corporate persuasion” which is most effective to improve the social impact of a corporation through collective efforts to influence the behavior and actions of a company.

### **2. Phase 2- CSR Momentum Building Phase (1990 to 2000)**

In 1990s CSR related expectations of citizens, consumers, public authorities and investors were increased as the increased transparency of business activities through the media and modern information and communication technologies.

Sustainable development is recognized as the most important issue and therefore related Sustainable Development Goals (SDGs) should be addressed by coherent and integrated strategies by governments and companies.

The 1990s were dominated continuous development of sustainability concepts which gained popularity, especially following the ‘Earth Summit’ held in 1992 in Rio de Janeiro<sup>5</sup>.

Both in Europe and USA many membership organizations were established following the UK based ‘Business in the community’. The Business for Social

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<sup>4</sup> <http://www.epa.gov/tri/index.htm>

<sup>5</sup> <http://www.un.org/geninfo/bp/enviro.html>

Responsibility, CSR Europe and the World Business Council for Sustainable Development (WBCSD) created the momentum for early adoption of CSR principles and practices.

A number of reporting initiatives were established during this phase including the following:

- The Global Reporting Initiative (GRI) is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines<sup>6</sup>
- The Corporate Impact Reporting (CIR)<sup>7</sup> is a framework of BITC which supports their members with measuring and communicating their key impacts
- The AA1000 Framework<sup>8</sup> consists of planning, accounting, auditing and reporting, which is designed to improve accountability and performance by learning through stakeholder engagement

During the year 2000 the corporate responsibility reports were at the level of 1% and sustainability reports at 5%

### **3. Phase 3- CSR Mainstreaming Initiation Phase (2000 to Onwards)**

During the last few years the CSR movement has continues to mature stage as expected. The emphasis has turned to mainstream following the achievement of “Rio+10” Summit on Sustainable Development in Johannesburg, South Africa in 2002.

In July 2001 the Green paper was published entitled ‘Promoting a European Framework for Corporate Social Responsibility’. The objectives of this document were to launch a public debate about the concept of CSR and to identify how to build a partnership for the development of a European framework for the promotion of CSR. As a result sustainability reports increased from 5% to 15% and corporate responsibility reports increased from 1% to 7% in 2000 to 2002.

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<sup>6</sup> <http://www.globalreporting.org>

<sup>7</sup> [http://www.bitc.org.uk/programmes/key\\_initiatives/corporate\\_impact\\_reporting\\_initiative/](http://www.bitc.org.uk/programmes/key_initiatives/corporate_impact_reporting_initiative/)

<sup>8</sup> <http://www.accountability.org.uk/aa1000>

### **2.1.4 The Key Milestones of CSR**

The historical development in the field of Corporate Social Responsibilities is the result of several initiatives of the responsible body of the world. The key Corporate Social Responsibilities Milestones are as follows:

- In early 1960s George Goyder wrote the term ‘The Responsible Company’ in his book in relation to social auditing. In the mid and late 1950s he proposed that a social audit can act as both a useful management tool and offer stakeholders a platform for challenging and influencing companies to be socially responsible
- As a symbol social responsibility in 1961 the World Wildlife Fund (WWF) was created at Morges, Switzerland; which is renamed now as World Wide Fund for nature
- As a new wave of environmentalism Rachel Carson publishes ‘Silent Spring’ in 1962, in bringing together research on toxicology, ecology and epidemiology to suggest that agricultural pesticides are building to catastrophic levels
- In 1962 to save consumers rights United States of America (USA) initiated the ‘Consumer Bill of Rights’ for the first time
- To ensure the economic, social and cultural rights United Nations International Covenant on Civil and Political Rights adopted the International Covenant on Economic, Social and Cultural Rights in 1966
- The intergovernmental (UNESCO) provides a forum conference for Rational Use and Conservation of Biosphere for early discussions of the concept of ecologically sustainable development in 1968
- In 1969 the United States Congress passes the National Environmental Policy Act (NEPA) creating the first national agency for environmental protection the EPA
- Commonwealth Arbitration Commission adopts the principle of equal pay for equal work regardless of gender in 1969
- In 1970 the first Earth Day was held all across the United States America (USA) as a national awareness campaign on the environment. It was estimated that about twenty million people participated in peaceful demonstration in USA
- The Man and the Biosphere MAB program were funded by UNESCO in 1971 to promote international scientific cooperation on environmental problems

- In 1970s Germany engaged in the social model of corporate management. Council on Economic Priorities and others in USA began to rate companies publicly on their social and environmental performance. In UK Social Audit Limited was set up in 1978 to undertake external audits
- The United Nation's Code of Practice for Transnational Corporations was an early attempt in the early 1970s to define CSR businesses principles in terms of ethics, product standard, competition, marketing and disclosure of information
- The United Nations Conference on the Human Environment held in Stockholm in 1972 considers the need for a common outlook and for common principles to inspire and guide the peoples of the world in the preservation and enhancement of the human environment
- In 1979 the Chair of Tara Steel Company (India's largest integrated private sector steel company) asks audit committee to report on "weather, and the extent to which the company has fulfilled the objectives...regarding the social and moral responsibility"
- In 1980 "The Global 2000 Report to the President" was submitted to the USA President Jimmy Carter providing comprehensive projection of global environmental impacts and resource supply issues over the next 20 years
- Business in the Community was funded by UK based business organizations focused on corporate social responsibility in 1982
- CSR become the part of mainstream management theory since 1984 after publication of Edward Freeman's important book "Strategic Management: A Stakeholder Approach"
- An Inter-governmental Panel on Climate Change (IPCC) was established with three working groups to assess the most up-to-date scientific, technical and socio-economic research in the field of climate change in 1988
- IUCN/UNEP/WWF publish 'caring for the earth: 2<sup>nd</sup> World Conservation Strategy' focusing on 'sustainable society', 'sustainable living' and 'sustainability' itself in 1991
- In the year 1992 the 'Earth Summit' in Rio de Janeiro with 180 countries delegations addressed ways to stop the progress of the destruction of irreplaceable natural resources and pollution of the planet



- Business for Social Responsibility (BSR) a USA based business led membership organization was also founded in 1992
- The Fair Trade was founded with the mission to improve the position of the disadvantaged producers of the developing countries, by setting the Fairtrade standard and supporting their interests in 1992
- For the period of 1993-2000 the European Union (EU) announced a framework of environmental policies applicable to the EU and its member states.
- In 20<sup>th</sup> October 1993 US President Bill Clinton announces an ambitious plan to combat global warming through over 50 initiatives affecting all sectors of the economy
- The World Business Council for Sustainable Development (WBCSD) sets a permanent base in Geneva to provide business leadership as a catalyst for change toward sustainable development, and to promote the role of eco-efficiency, innovation and corporate social responsibility
- The OECD introduced the concept of Environmentally Sustainable Transportation (EST), 'Pollution Prevention and Control, Environmental Criteria for sustainable report' in 1996
- In January 1996 CSR Europe was established by a group of 57 companies to help companies to achieve profitability, sustainability growth and human progress by placing corporate social responsibility in the mainstream of business practice
- In 1999 the UK Government launched its new strategy, a better quality of life - A strategy for sustainable development for the UK
- In an address to the World Economic Forum on 31 January 1999, the Secretary General of United Nations Kofi Annan challenged business leaders to join an international initiative- the Global Compact- that would bring companies together with United Nations agencies, labor and civil society to support ten principles in the areas of human rights, labor and the environment
- Business in the community celebrates its 20<sup>th</sup> anniversary with a 2 day 'A Better Way of Doing Business' conference on corporate responsibility-July 2002
- The UK parliament has two all-party groups on corporate citizenship: the All-Party Parliamentary Group on Corporate Social Responsibility and the All-Party Parliamentary Group on Social Responsible Investment in mid 2004

### **2.1.5 Initiatives for fostering CSR in Bangladesh**

For fostering Corporate Social Responsibility by the banks/financial institutions of Bangladesh, effective initiatives have been taken by Bangladesh bank through its DOS Circular No. 01, dated 1 June, 2008; DOS Circular Letter No. 07, dated 15 July, 2010; DOS Circular Letter No. 16, dated 20 December, 2010 and GBCSRD Circular No. 07, dated December 22, 2014 respectively.

Through the DOS Circular No. 01, dated 1 June, 2008 Bangladesh bank has given the overall guidelines on the policy, ways of drawing up Corporate Social Responsibility programs and initiating Corporate Social Responsibility programs in banks/financial institutions and monitoring of Corporate Social Responsibility performance for mainstreaming the Corporate Social Responsibility in the banks/financial institutions. Other circulars of Bangladesh bank also provide indicative guidelines for Corporate Social Responsibility expenditure allocation, end use oversight to ensure optimum utilization of these expenditures.

The initiatives of Bangladesh bank regarding Corporate Social Responsibility introduced in 2008 for the Corporate Social Responsibility mainstreaming campaign in Bangladesh's financial sector.

The initiative of Bangladesh bank has entrusted all banks and financial institutions into a broad range of direct and indirect Corporate Social Responsibility engagements including humanitarian relief and disaster response; widening of advancement opportunities for disadvantaged population segments with support in areas of healthcare, education and training, green banking initiatives arresting environmental degradation etc.<sup>9</sup>

The indicative guidelines are intended to cover only the Corporate Social Responsibility support initiatives in the communities outside the banks and financial institutions; not for upgrading of working conditions, health and safety measures, gender fairness etc. for own employees that are covered by relevant labor and regulations<sup>10</sup>.

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<sup>9</sup> Bangladesh Bank GBCSRD Circular No. 07, dated December 22, 2014, p.1

<sup>10</sup> Ibid, p.1

The Corporate Social Responsibility programs approved by the Board of Directors (BOD), Corporate Social Responsibility policies of a bank/financial institution will be drawn up and implemented by a dedicated Corporate Social Responsibility unit set up at its head office; or in case of larger programs, by a foundation set up specifically for this purpose. The activities of the dedicated Corporate Social Responsibility unit /foundations will be under oversight of Bangladesh Bank's Corporate Social Responsibility and supervision departments, besides that of the bank's/financial institution's own internal audit and internal controls.

The dedicated Corporate Social Responsibility unit /foundations will propose budgetary allocation for Corporate Social Responsibility programs annually for approval of the board of the bank/financial institution; the board will approve allocations by appropriations from the annual post tax net profit of the previous year. The proposal of the board approval must meticulously avoid any entity directly or indirectly connected with directors, senior management members of the bank/financial institution or with the trustees of its Corporate Social Responsibility foundation<sup>11</sup>.

Corporate Social Responsibility engagements in priority sector lending i.e. agriculture, SME and green banking should also remain undiminished scale although the bank/financial institution has no post-tax net profit surplus<sup>12</sup>.

CSR Bangladesh was established in 2008 to facilitate, expand and encourage CSR practice in Bangladesh. The CSR Bangladesh is a non-profit organization and its objective is to become the source of information, resources and advisory services on CSR in Bangladesh<sup>13</sup>.

#### **2.1.6 CSR Applications and Realities in Bangladesh**

Corporate Social Responsibility concepts and practices in Bangladesh have a long history of philanthropic activities from the time immemorial. These philanthropic activities included donations to different charitable organizations, poor people and religious institutions. Till now, most of the businesses in Bangladesh are family

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<sup>11</sup> Ibid, p.2

<sup>12</sup> Ibid, p.2

<sup>13</sup> <http://www.csrbangladesh.org/index.php>

owned and first generation businesses. They are involved in the community development work in the form of charity without having any definite policy regarding the expenses or any concrete motive regarding financial gains in many instances. Moreover, most of the SMEs fall under the informal sector having low management structure and resources to address the social and environmental issues. These limitations drive the top management of local companies to think only about the profit maximization rather than doing business considering the triple bottom line: profit, planet and people (CSR definition of Lotus Holdings).

The discussions on CSR practices in Bangladesh in its modern global terms, are relatively new, but not so for the concept itself. Because, being a part of the global market, it is difficult to ignore CSR standard specifically in the export sector. In general, it is true that in Bangladesh, the status of labor rights practices, environmental management and transparency in corporate governance are not satisfactory, largely due to poor enforcement of existing laws and inadequate pressure from civil society and interest groups like Consumer Forums. Globally, as CSR practices are gradually being integrated into international business practices and hence is becoming one of the determining factors for market accesses, it is becoming equally instrumental for local acceptability. By now, many CSR dimensions are practiced in Bangladesh.

In the article “Good Governance and Market-Based Reforms: A Study of Bangladesh, Fara Azmat and Ken Coghill relates Good Governance with Corporate Social Responsibility by discussing the good governance indicators of regulatory quality, rule of law and control of corruption in the context of Bangladesh and analyses how lack of good governance indicators affects the success and sustainability of reforms and contributes to the lack of business ethics and Corporate Social Responsibility in Bangladesh.

Bangladesh is a developing country. Because of extreme global competitiveness and demand, the Corporate Social Responsibility practices and standards are being implemented in Bangladesh. But we are yet to go a long way. There are many challenges to implement Corporate Social Responsibility properly in Bangladesh.

For enhancing better performance proper Corporate Social Responsibility practices should be ensured.

### **2.1.7 Prospects of CSR in Bangladesh**

For fostering Corporate Social Responsibility in Bangladesh the Government of the People's Republic of Bangladesh, the regulatory bodies specially Bangladesh Bank have been taking several initiatives. To encourage the donors the regulatory body declares tax rebate on the expenditure of Corporate Social Responsibility activities. The prospect of Corporate Social Responsibility is enhancing day by day as the corporations operating businesses in Bangladesh are very much responsive to the Corporate Social Responsibility related appeals. The banking sector of Bangladesh has been contributing remarkably to embrace Corporate Social Responsibility initiatives and implementing the same with great care. It is also more encouraging that to face any kind of natural/manmade disaster all the hands of the country come together. For example- to support the Rana Plaza Disaster the Officials of all the banking industry has donated their one day salary instantly responding to the appeal of Bangladesh Bank. All the banks and other companies of Bangladesh are providing their support to the underprivileged people to change their fate. These supports are giving in a planned way. So, from the above information it can be easily said that the prospects of Corporate Social Responsibility in Bangladesh is overwhelming.

### **2.1.8 Conclusion**

Direct and indirect budgetary commitments of banks and financial institutions have increased several-fold since 2008<sup>14</sup>. Apart from the benevolent social services by some business firms, more and more new concepts of Corporate Social Responsibility are emerging. Businesses are driven by government, labor unions, consumer groups all are considering Corporate Social Responsibility as a long time investment in public relations. In the context of Bangladesh, it is more relevant for the export-oriented industry. Globalization has made Corporate Social Responsibility practice an imperative for Bangladesh business. Corporate Social Responsibility concentrates on benefits of all stakeholders rather than just the stockholders.

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<sup>14</sup> Bangladesh Bank GBCSRD Circular No. 07, dated December 22, 2014, p.1

## **Chapter Two**

### **Corporate Social Responsibilities**

#### **Part-II**

### **Basic Concept of Corporate Social Responsibilities**

#### **2.2.1 Introduction**

Corporate social responsibility (CSR) promotes a vision of business accountability & transparency to a wide range of stakeholders, besides shareholders and investors. Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.

Social responsibility is a concept of giving back to the society what it gets from it. Banks have no exception to this golden principle. Because the duty of the bank is in the nature of trust and they are custodian of public funds. Social responsibility aims at improving the quality of life. Due to their role in the economy banks and banking professions are obliged to be socially responsible.

#### **2.2.2 Corporate Social Responsibility (CSR)**

##### **Corporate Social Responsibility**

Corporate social responsibility, often abbreviated "CSR", is a corporation's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing. The term generally applies to efforts that go beyond what may be required by regulators or environmental protection groups.

CSR may also be referred to as corporate conscience, corporate citizenship or responsible business that involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

Al-Quran says, “And gives full measure when you measure, and weight with a just balance. That is good and better in the end”<sup>1</sup> The Prophet (SAW) also said “The

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<sup>1</sup> Al-Quran, 17:35

truthful merchants (is rewarded by being ranked) on the Day of Resurrection with Prophets, Veracious souls, Martyrs and Pious people.”<sup>2</sup>

The changing scenario in the national and international arena justified that socially responsible organization alone would survive. Because the historical thought of profit maximization is no more relevant<sup>3</sup>.

Social responsibility becomes an integral part of the wealth creation process - which if managed properly should enhance the competitiveness of business and maximize the value of wealth creation to society. When times get hard, there is the incentive to practice CSR more and better - if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.

Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international standard practices. With some models, a firm's implementation of CSR goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law. The aim is to increase long-term profits and shareholder trust through positive public relations and high ethical standards to reduce business and legal risk by taking responsibility for corporate actions. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, communities etc.

Today, stakeholders expect companies to perform well in nonfinancial areas that involve human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance, diversity, and workplace issues. Social and environmental performances are considered side by side with financial performance. From local economic development concerns to international human rights policies, companies are being held accountable for their actions and their impact.

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<sup>2</sup> Al-Hadith, Tirmidhi, No. 1130

<sup>3</sup> Janata, Renu and David Crowther (edited), Corporate Social Responsibility Theory and Practice with Case Studies (New Delhi: Deep & Deep Publications Pvt. Ltd., 2007), pp.420-421



Companies are also expected to disclose and communicate their policies and practices that have an impact on employees, communities, and the environment. In the global economy, companies that are responsive to the demands of all of their stakeholders are arguably better positioned to achieve long-term financial success. Stakeholders, regulators, and NGOs demand information about a company's social and environmental impact, and corporate communication about these issues has become critical for sustainable business growth.

Many companies are making significant efforts to decrease their environmental footprint and better serve their various stakeholder constituencies. Investors, consumers, and employees are more sophisticated than ever before also in the IT industry. While they understand that every company can do more to be more socially and environmentally accountable, stakeholders are rewarding companies who make strides to improve their performance in these areas.

In the early days of CSR reporting, most non-financial reports were either exclusively environmental in focus or dealt only with philanthropy. Today, however, CSR reports are seen as increasingly strategic documents that should offer a balanced, objective and reasonable assessment of almost every aspect of a firm's non-financial performance.

CSR is titled to aid an organization's mission and act as a guide to serve its consumers confidently. Business ethics is the part of applied ethics that helps to develop ethical and moral principles of business. It is widely accepted that CSR adheres to similar principles, but with no formal act of legislation.

Corporations can have extremely harmful effects on the environment. Oil spills are some of the most noticeable examples, but industries as varied as chemical manufacturing, mining, agriculture and fishing can do permanent damage to local ecosystems. Climate change can also be attributed in large part to corporations. In many cases, harm to the environment and harm to vulnerable communities go hand-in-hand. In light of this often dark legacy, some areas of corporate culture have begun to embrace a philosophy that balances the pursuit of profit with a commitment to ethical conduct.

Google Incorporation's slogan sums up the idea of corporate social responsibility nicely: "Don't be evil."

The same money and influence that enable large companies to impose damage on people and the environment allows them to effect positive change. At its simplest, a corporation can give money to charity. Companies can also use their influence to pressure governments and other companies to treat people and resources more ethically. When Martin Luther King Jr. won the Nobel Peace Prize in 1964, Atlanta's business leaders initially refused to attend a dinner celebrating the Atlanta native's achievement.

Companies can invest in local communities in order to offset the possible negative impact of their operations. A natural resources firm that begins to operate in a poor community might build a school, offer medical facility or improve irrigation system and sanitation condition of that community. Similarly, a company might invest in research and development in sustainable technologies, even though the project might not immediately lead to increased profitability.

In order to account for the importance of social and ecological considerations in business, some organizations advocate the concept of the "triple bottom line": social, environmental and economic – or "people, planet, profit."

Corporate Social Responsibility (CSR) aligns business operations with social values. CSR integrates the interests of stakeholders—all of those affected by a company's conduct—into the company's business policies and actions. CSR focuses on the social, environmental, and financial success of a company—the triple bottom line, with the goal being to positively impact society while achieving business success.

In the past, a company's merit was solely based on its financial performance. Stakeholders are now beginning to better understand how corporate behavior affects social, political, and natural environment. With this increase in understanding comes an increased pressure from investors, consumers, and employees for companies to consider social and environmental criteria when making business decisions. This has created momentum for using a "triple bottom line" or "sustainable" approach—i.e., looking at social, environmental, and financial data when evaluating business

operations. Increasingly, stakeholders are concerned that any companies they support have business practices that positively impact society while achieving financial success.

Some think corporate social responsibility is an oxymoron. Others see corporate social responsibility as an interruption of a different sort, that is, from the lawful pursuit of profits. A corporation's sole responsibility is to generate returns for its shareholders, not to try to save the world or to be worried about its own impact. Laws and regulations must be followed in all jurisdictions in which the company operates, but management should not go beyond that, as that could hurt its bottom line and violate its duties to the owners. Some counter that this concern is misplaced, since responsible initiatives can increase brand loyalty and therefore profits. This may become increasingly true as ethical consumer culture gains wider acceptance.

In 2010, the International Organization for Standardization released ISO 26000, a set of voluntary standards meant to help companies implement corporate social responsibility.

### **Some definitions of Corporate Social Responsibility (CSR)**

There is no unique definition of Corporate Social Responsibility. The universal definition of Corporate Social Responsibility is yet to emerge. There are several definitions of Corporate Social Responsibility. This suggests that definitional ambiguity broadens the research opportunity for Corporate Social Responsibility. The definitional differences of Corporate Social Responsibility are prominent in the literature because it is hard to find two corporations that have exactly same responsibilities due to their product range, differentiations, business policies and strategies<sup>4</sup>.

"CSR is defined as operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. CSR is seen by leadership companies as more than a collection of discrete practices or

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<sup>4</sup> Majumdar, Nazmul Amin, 'Corporate Social Responsibility Practices in Emerging Economies- The Case of Bangladesh' (Dhaka: The University Press Limited, First Published, May 2016), p.5

occasional gestures, or initiatives motivated by marketing, public relations or other business benefits. Rather, it is viewed as a comprehensive set of policies, practices and programs that are integrated throughout business operations, and decision-making processes that are supported and rewarded by top management."<sup>5</sup>

The World Business Council for Sustainable Development in its publication *Making Good Business Sense* by Lord Holme and Richard Watts used the following definition which was developed in 1998 for the first WBCSD CSR dialogue in The Netherlands:

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

The World Business Council for Sustainable Development (WBCSD) explains Corporate Social Responsibility as ‘the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life<sup>6</sup>. This definition focuses on ethical sustainability in the workplace and argues that economic performance and Corporate Social Responsibility are linked in ways that go beyond philanthropy.

"CSR is a public movement, which has gained more momentum as citizens demand corporations to be accountable for their impacts. Consumers, investors and employees alike are recognizing the power held by corporations and efforts are being made on several levels to create global change with the hope that earth will become a better place."<sup>7</sup>

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<sup>5</sup> Business for Social Responsibility (<http://www.bsr.org>)

<sup>6</sup> Majumdar, Nazmul Amin, 'Corporate Social Responsibility Practices in Emerging Economies- The Case of Bangladesh' (Dhaka: The University Press Limited, First Published, May 2016), p.7

<sup>7</sup> <http://www.csrwire.com/reports>

CSR is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

According to European Union (EU) –

“Corporation being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing “more” into human capital, the environment and the relations with stakeholders”<sup>8</sup>.

CSR is a term describing a company's obligation to be accountable to all of its stakeholders in all its operations and activities. Socially responsible companies consider the full scope of their impact on communities and the environment when making decisions, balancing the needs of stakeholders with their need to make a profit.

“CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.”<sup>9</sup>

McWilliams and Siegel defined Corporate Social Responsibility as ‘actions that appear to further some social good, beyond the interest of the firm and that which is required by law’<sup>10</sup>.

"More practically, CSR often represents the policies, practices and initiatives a company commit to in order to govern themselves with

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<sup>8</sup> Majumdar, Nazmul Amin, 'Corporate Social Responsibility Practices in Emerging Economies- The Case of Bangladesh' (Dhaka: The University Press Limited, First Published, May 2016), p.7

<sup>9</sup> Hopkins, Michael, *A Planetary Bargain: CSR Comes of Age* (Macmillan, UK, 1998)

<sup>10</sup> Majumdar, Nazmul Amin, 'Corporate Social Responsibility Practices in Emerging Economies- The Case of Bangladesh' (Dhaka: The University Press Limited, First Published, May 2016), p.7

honesty and transparency and have a positive impact on social and environmental wellbeing,"<sup>11</sup>

On the other hand, the European Commission hedges its bets with two definitions wrapped into one:

A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.<sup>12</sup>

According to Kotler and Lee, Corporate Social Responsibility is a commitment to improve community wellbeing through discretionary business practices and contributions of corporate resources<sup>13</sup>.

### **2.2.3 Logic for fostering CSR**

The simplest argument for social responsibility is that it is the right thing to do. Some of the society's problems have been created by corporations such as pollution and poverty-level wages. It is the ethical responsibility of business to correct these wrongs.

Another point is that businesses have many of the resources needed for solving society's problems and they should use them to do so. As a result the developed country like Australia encourages the corporations to voluntarily initiative Corporate Social Responsibility<sup>14</sup>.

Another reason for companies to be socially responsible is that if businesses are not, then the government will create new regulations and establish fines against corporations. This has especially been the case for the pollution issue.

If businesses police themselves, they can avoid government intervention. It is possible for companies to prosper and build shareholder value by working to solve

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<sup>11</sup> Susan Hunt Stevens, founder and CEO of employee engagement platform [WeSpire](http://www.csrwire.com/reports) (<http://www.csrwire.com/reports>)

<sup>12</sup> [http://ec.europa.eu/growth/industry/corporate-social-responsibility\\_en](http://ec.europa.eu/growth/industry/corporate-social-responsibility_en)

<sup>13</sup> Majumdar, Nazmul Amin, 'Corporate Social Responsibility Practices in Emerging Economies- The Case of Bangladesh' (Dhaka: The University Press Limited, First Published, May 2016), p.8

<sup>14</sup> Ibid, p.3

social problems. It can be a great way for a company to build positive public relations and attract top talent in the industry so that social responsibility may ensure more profitability. Because it is evident that consumers consider buying from a socially responsible corporations<sup>15</sup>.

Ethical and discretionary responsibilities of a business firm are listed in the order of priority. First, a firm has to satisfy its economic responsibilities, followed by fulfilling legal responsibilities in order to survive in the market. Only then, it can think about or focus on purely voluntary actions pertaining to ethical consideration. In this competitive market situation, a business unit has to concentrate on profit making, the primary motive behind any business activity. However; it is easier said than done. You cannot hit the bull's eye at the very first attempt. A firm has to become economically stable first; only then, it integrates social commitments in its agenda.

The idea of corporate social responsibility (CSR), allows us to rethink the relationship which has established between business and society, making them more constructive. The concept of "corporate social responsibility" came into use almost in all major companies of the world, because it improves their competitiveness in the market.

In the holy Quran Allah inspires human being to spend in the way of Him from their wealth. The holy Quran says, "The parable of those who spend their substance in the way of Allah is that of a grain of corn: it growth seven ears and each ear hath a hundred to whom he pleased. And Allah earth for all and he knows all things."<sup>16</sup>

**The following arguments will support the involvement of business in social activities:**

#### **Public Require CSR**

If business fulfills the needs of the society only then it will be able to exist or survive in the market. Without getting public support no business can survive in long run. One of main arguments for social responsibility is that public expectations

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<sup>15</sup>Ibid, p.8

<sup>16</sup> *Al-Quran*, 02:261

from business have changed. Therefore if business wishes to remain in existence for a long term it must respond to society's needs and give society what society wants.

The business must come up to expectations of public for its survival since the demand for products or services arises from customers who are a part of society. Since business is a part and parcel of society, it must think of its responsibilities.

Social expectations of business have increased dramatically since the 1960s. Public opinion in support of business pursuing social as well as economic goals is now well solidified.

### **CSR Favors Business**

Performance of social obligation by business will not only be in the interest of society but in its own interest also. The firm which is more responsive to improvement of community quality of life will as a result have better community in which it conducts its business.

People with healthy environment, good health and education will make them good customers and employees. Recruitment of manpower will be of higher quality. Turnover and absenteeism will be reduced. The society may reject an enterprise which does not care for social welfare. Crime rate will also decrease as a result of social improvements.

### **CSR Discourages Multiple Increase of Wealth**

The holy Quran declares that if any one becomes socially responsible and spends in the ways of Allah, Allah will give manifold increase in his/her wealth. This is presented in the holy Quran as, "And that which you give in gift (to others), in order that it may increase (your wealth by expecting to get a better one in return) from other people's property, has no increase with Allah, but that which give you in zakah seeking Allah's countenance then those, they shall have manifold increase."<sup>17</sup>

### **CSR Ensures Moral Justification**

Nowadays modern industrial society faces many serious social problems as a result of emergence of large companies. Therefore these large corporations have a moral

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<sup>17</sup> *Al-Quran*, 30:39



responsibility to solve these problems. As business organizations are using the resources of the economy, it is the responsibility of these business organizations to devote some of these resources in overall development of the society.

Corporations are already involved in the broad social world and the ethical dilemmas defining it. For example, factories producing toxic waste are making a statement about the safety and well-being of those living nearby every time they dispose of the poison. If they follow the cheapest and least safe route in order to maximize profits, they are not avoiding the entire question of social responsibility; they are saying with their actions that the well-being of town's people does not matter too much. That is an ethical stance. It may be good or bad, it may be justifiable or not, but it is definitely moral principle. So companies are unavoidably linked to the ethical issues surrounding them, they are involved with some form of corporate social responsibility whether they like it or not.

The well-established, successful, and powerful corporations can be involved in the effective resolution of broad social problems as an implied obligation. The possession of wealth and power is also a duty to ensure balance of maximization of return with fewer resources. It is an accepted argument that individuals who are extraordinarily rich have an obligation to give some back by to others. For example, establishing an educational institution for the poor and underprivileged people of the society. That is why it is often said that, "To whom much is given, much is expected." The above criterion is also applicable for the business organizations also.

Corporations need suppliers who provide materials, employees who supply labor, a place where the workplace may be located, consumers who buy the products, air to breathe, water to drink, and almost everything for the smooth operation of the business. Because a business relies on all these things and to some extent it is automatically responsible for the welfare and protection of those things.

Since businesses cause problems in the larger world, they are obligated to participate in the problems' resolution considering the nature of problems. Taking the example of an industrial chemical factory, toxic waste is produced. Even though it may be disposed of carefully, that doesn't erase the fact that barrels of poison are buried

somewhere and a threat remains, no matter how small or large. Similarly, companies that fire workers create social tensions. The dismissal may have been necessary or fully justified, but that doesn't change the fact that problems are produced, and with them comes a responsibility to participate in alleviating the negative effects from the society.

### **CSR Promotes Socio-Cultural Norms**

In a country like Bangladesh where social and cultural values have long and rich heritage, a business promoting social equalities, healthy employer-employee relations and consumer service will enjoy better social position. A business working against traditional values will face criticism from all the stakeholders.

### **Business can play Social Responsibility**

Many people who feel frustrated with failure of other institutions in handling social problems are turning to the business for their solution to social problems. In such a situation, it is the duty as well as responsibility of business to come forward to fulfill expectations of public and its responsibilities towards society.

### **Business can Balance Responsibility with Power**

Business enjoys social power to a great extent, so an equally large amount of responsibility is required to balance it. As a result they are trying to solve the economic, social i.e. minorities and other problems of the society. Business should perform equal amount of social responsibility to match their social power. If they do not perform their duty then it will reflect their irresponsible behavior, which will ultimately affect the natural growth of their business.

### **CSR Enhance Public Image**

The business organization which supports social goals can enjoy better public image. Each firm seeks an enhanced public image so that it may gain more customers, better employees, more responsive money markets and other benefits etc. It is possible only if business performs its responsibilities towards society wholeheartedly which will result in raising the level of market shares by giving competitive advantage over its rivals.

### **Government Regulates Business to Perform CSR**

If business does not respond positively to the needs of society, then it may be obligated to do so through government laws and regulations. Before government stretches its long arms, the business should discharge its obligations to society. As government regulation adds economic costs and restricts management's decision flexibility by becoming socially responsible, business can expect less government regulation by taking proactive decisions.

### **Business shows gratefulness to Society through performing CSR**

Business always gains benefit from the society. In return it also has certain debts that it owes to society. Business uses vast pool of resources in terms of men, machines, talents, materials, expertise and money. Business is in a position to work for social goals with the help of these available resources. Business corporations like the citizens of the society have certain civic duties and responsibilities to the society.

### **CSR Secures Long run profits**

Socially responsible businesses tend to have more and secure long run profits. This is the normal result of the better community relations and improved business image.

Companies are successfully integrated with a mission, values, products, or services of the company. For example, Levi Strauss was one of the first to cooperate with people of San Francisco. It has organized a campaign to prevent the spread of HIV / AIDS (The Human Immune deficiency Virus/ Acquired Immune Deficiency Syndrome).

Another example is that the AT & T Wireless has developed a mission and announced that wireless connections bring people together and give them access to information. Based on this announcement, the AT & T Wireless has been giving wireless phones to the employees of American Red Cross as the long-standing partner which ensures long run profits for them.

### **Ethical obligation of Business**

A business firm must have a sense of right and wrong. Business operations should be socially responsible. Because responsible action always brings positive result for the concerned parties.

### **Obligation of Zakah**

When people become greedy, they rush behind wealth and try how to earn more and more. To get the desired things they do not care about the legality. As a result they do not think to deprive other people of the society.<sup>18</sup>

In Islam zakah is the right of poor people on the rich. Here the rich have to pay zakah, the rate is also fixed, the giver and the receiver of zakah both are known about that. Allah has ascertained and fixed that.<sup>19</sup>

About the payment of zakah to the payee Al-Quran says, “Perform Salat (Iqamat-as-salat), and give Zakah.”<sup>20</sup>

### **CSR Ensures Better Environment**

By achieving their business goals, companies make significant contribution to saving the environment. Establishing a better quality of life and a more desirable community business can solve difficult social problems. It is the responsibility of the business firms to save the environment where it is running its operations.

### **CSR Promotes Stockholder interests**

Social responsibility will improve the price of a business’s stock in the long run. The stock market will view the socially responsible company as less risky and attract the public to be the part of that socially responsible company. Therefore, it will award its stock a higher price earnings ratio.

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<sup>18</sup> Jahia, Al Fatah Mohammad, Islami Arthonitir Adunic Rupayon (Dhaka: Janata Publication, 2<sup>nd</sup> Publication, March 2003), p.73

<sup>19</sup> Qaradawi, Dr. Yousuf Al, Translation: Rahman, Mohammad Mizanur and Muhammad Saifullah, *Poverty Alleviation in Islam* (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, April 2008), p.105

<sup>20</sup> *Al-Quran*, 02:43

Companies represent a constant interest for the employees, current and potential customers and investors. For example, potential customers of Islami Bank Bangladesh Limited may be encouraged to conduct business with Islami Bank Bangladesh Limited because it is a socially responsible banking company of Bangladesh that contributes to the overall economy of the country.

### **Discouraging Holding of plentiful Resources**

Business organization has the financial resources, technical experts, and managerial talent to provide support to customers and it also donate remarkable amount to charitable projects and other public whose need assistance with a pool of these resources. Business is in a better position to tackle social problems and work for social goals.

### **Superiority of prevention over cures**

Social problems must be dealt with at today or tomorrow. Business should act on them before they become serious and costly to deal.

### **Forming a "business-government-society" triangle**

Formation of a "business-government-society" triangle is an important argument for Social responsibility. For example: to help the victims and/or dependents of Rana Plaza Disaster and BDR Bidroho Government sought help from the businesses that connected the government, business and society. This initiative of the government still working successfully for attracting more companies to responsible business operation strengthening a new model of cooperation for solving the social problems.

### **The Externality Argument**

Another argument favoring corporate social responsibility revolves around externalities. These attach corporations to social responsibilities not morally but operationally. An externality in the economic world is a cost of a good or service that isn't accounted for in the price (when that price is established through basic laws of supply and demand). For example, if a corporation's factory emits significant air pollution, and that result in a high incidence of upper respiratory infections in the nearby town, then a disproportionately high number of people become sick on regular basis. These patients are to be taken for medical treatment

and that cost will be borne by everyone in town. The corporation owning the pollution-belching factory and gets the full amount of money from the sale of its products but doesn't pay the full cost of producing them since the broader public is shouldering part of the medical treatment costs caused due to the air pollution.

Another example might be a company underfunding its pension accounts. The business may eventually shut its doors, deliver final profits to shareholders, and leave retired workers without the monthly checks they would be counting on. Then the government may have to step in with food stamps, welfare payments, and similar to make up for the shortfall, and in the final tabulation, the general public ends up paying labor costs that should have been borne by shareholders.

Whether an externality is negative or positive, whether a company's bottom line rises or falls with it, a strong argument remains for broad corporate responsibility wherever an externality exists. Because these parts of corporate interaction with the world are not accounted for in dollars and cents, a broad ethical discussion must be introduced to determine if any obligations or benefits arise. As large corporations have huge reserves of human and financial capital, they should devote at least some of their resources to addressing social issues.

### **The Enlightened Self-interest Argument for the Business**

Another argument in favor of corporate social responsibility is that the span of social responsibility grows from the notion of enlightened self-interest. Enlightened self-interest means businesses take on broad responsibilities and this results public generosity which ultimately benefits the company.

To enlighten the self-interest companies may perform their corporate social responsibility as following ways:

- Corporations perceived as socially engaged may be rewarded with more and more satisfied customers. TOMS shoes<sup>21</sup> is an excellent example. For every pair

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<sup>21</sup> **Toms** (stylized as **TOMS**) is a for-profit company based in Playa Del Rey, California. The company was founded in 2006 by Blake Mycoskie, an entrepreneur from Arlington, Texas. The company designs and sells shoes based on the Argentine alpargata design as well as eyewear. When Toms sells a pair of shoes, a new pair of shoes is given to an impoverished child and when Toms sells

of shoes they sell, they give a pair away to needy children. No one doubts that this is a noble action, one displaying corporate vision as going beyond the bottom line, but it is also quite lucrative. Many people buy from TOMS because of the anti poverty donations, and those customers feel good about their footwear knowing that a child somewhere is better off

- Organizations positively engaged with society or the environment may find it easier to hire top-notch employees. All workers seek job satisfaction, and given that you spend eight hours a day on the job, the ingredients of satisfaction go beyond salary level. Consequently, workers who select from multiple job offers may find themselves attracted to an enterprise that does some good in the world

Enlightened self-interest starts with the belief that there are many opportunities for corporations to do well or earn more money in the world by doing good or being ethically responsible.

### **Reward from Allah (SWT)**

The organization or individual can perform social responsibilities through Payment of

zakah to the payee of zakah. Regarding Al-Quran says, “Truly those who believe, and do deed of righteousness, and perform As-Salat (Iqamat-as-Salat), and give Zakah, they will have their reward with their Lord. On them shall be no fear, nor shall they grieve.”<sup>22</sup>

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a pair of eyewear, part of the profit is used to save or restore the eyesight for people in developing countries. Similarly, the company launched TOMS Roasting Co. in 2014. With each purchase of TOMS Roasting Co. coffee, the company works with other organizations that they refer to as "giving partners" to provide 140 liters of safe water (a one-week supply) to a person in need. In 2015, TOMS Bag Collection was launched to help address the need for advancements in maternal health. Purchases of TOMS Bags help provide training for skilled birth attendants and distribute birth kits containing items that help a woman safely deliver her baby.

<sup>22</sup> *Al-Quran*, 02:277

#### **2.2.4 Arguments against fostering CSR**

Disbeliever of social responsibilities often claims that businesses should focus on profits and let the government or nonprofit organizations deal with social and environmental issues.

The economic argument against CSR is perhaps most closely associated with the American economist Milton Friedman, who has argued that the primary responsibility of business is to make a profit for its owners, even though while complying with the law. According to this view, the self-interested actions of millions of participants in free markets will from a utilitarian perspective, lead to positive outcomes for society. If the operation of the free market cannot solve a social problem, it becomes the responsibility of government, not business, to address the issue.

Milton Friedman claimed that free markets, rather than companies, should decide what is best for the world. He believes that Adam Smith's 'invisible hand' will do all the work to make everything better.

Another argument is that companies are meant to create products or provide services rather than handle welfare activities. They do not have the expertise or knowledge necessary for handling social problems. Also, if managers are concentrating on social responsibilities, they are not performing their primary duties for the company at full capacity.

Finally, being socially responsible damage a company in the global marketplace. Cleaning up the environment, ensuring product safety, and donating money or time for welfare issues all raise company costs. In the end, this cost will be passed on to the consumer through the final prices of the product or service. While some customers may be willing to pay more for a product from a company that is socially responsible, others might not be. This can place a company at an economic disadvantage.



## **The major arguments against social responsibilities by business are:**

### **Violation of profit maximization**

Taking on social and moral issues is not economically feasible. This is the essence of the classical viewpoint. Business is most socially responsible when it attends strictly to its economic interests, so corporations should focus on earning a profit for their shareholders and leave social issues to others. Since business operates in a world of poverty and hunger, the economic efficiency of business is a matter of priority and should be the sole mission of business.

### **Dilution of purpose**

The primary purpose of business is to ensure economic productivity. Society may suffer as both economic and social goals are poorly accomplished.

### **Society has to Pay the Cost of CSR**

Many socially responsible activities do not pay the cost from their own pocket. Someone has to pay these costs. Business must absorb these costs or pass them on consumers through charging higher prices.

### **CSR provides Imbalanced Power to Business**

Business is already one of the most powerful institutions in our society. If it pursued social goals, it would have even more power. Society has given business enough power.

### **Corporations are not Skilled enough to Solve Social Problems**

The outlook and abilities of business leaders are primarily toward economies oriented. Those who are most capable should address social issues. Those in the corporate world are not equipped to deal with social problems so they are poorly qualified to cope with social issues.

Critics argue that those in business are ill-equipped to address social problems. This capability argument suggests that business executives and managers are typically well trained in the ways of finance, marketing, and operations management, but not well versed in dealing with complex societal problems. Thus, they do not have the

knowledge or skills needed to deal with social issues. This view suggests that corporate involvement in social issues may actually make the situation worse.

### **Businesses are not accountable to the Society**

Political representatives pursue social goals and are held accountable for their actions. Such is not the case with business leaders. There are no direct lines of social accountability from the business sector to the public for pursuing social goals.

### **Lack of broad public support to Business**

There is no broad mandate from society for business to become involved in socially responsible issues. The public is divided on the issue. In fact, it is a topic that usually generates a heated debate. Actions taken under such divided support are likely to fail.

### **CSR Creates Competitive Disadvantages**

The ‘competitive’ argument recognizes the fact that addressing social issues comes at a cost to business. To the extent that businesses internalize the costs of socially responsible actions, they hurt their competitive position relative to other businesses. This argument is particularly relevant in a globally competitive environment if businesses in one country expend assets to address social issues, but those in another country do not.

Critics questioned the ‘lofty’ and sometimes ‘unrealistic expectations’ in CSR or that CSR is merely window-dressing, or an attempt to obstruct the role of governments as a regulator over powerful multinational corporations.<sup>23</sup>

### **2.2.5 Scholars opinion on CSR**

“Social responsibility is neither a fad nor an optional extra. The interest in it is reflective of a deeper change in the relationship between companies and their stakeholders, including consumers. Faith in the benefits of profits to consumers has halved since the Seventies, as a viable basis of a relationship, that faith has been replaced by a desire to see companies acting as active and responsible citizens.

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<sup>23</sup> [www.citeman.com/7667-arguments-for-and-against-social-responsibility.html#ixzz4FspPciqT](http://www.citeman.com/7667-arguments-for-and-against-social-responsibility.html#ixzz4FspPciqT)

Healthy business requires a healthy community, and should be contributing to its creation and maintenance.”<sup>24</sup>

“Global corporate social responsibility entails managing effectively the company’s actual and potential environmental and social impact on the communities in which the firm operates and on society as a whole.”

“The principles for global corporate responsibility call on companies to base their corporate policies on a vision of themselves as one of many stakeholders in the global community and to set high standards of conduct in relation to their employees, the environment, and the communities in which they operate.”

### **International Organizations’ opinion on Corporate Social Responsibility (CSR)**

“Companies are realizing that it is in their business interest to ‘do the right thing’ everywhere they operate. Global firms are keenly aware that their long-term investment goals can only be achieved within a stable, healthy and free of social and financial environment. But companies alone cannot solve the challenges associated with social responsibility. They must work in cooperation with governments, civil society groups, development institutions, and citizens.”<sup>25</sup>

“Corporations have a social responsibility and moral duty to use the power of markets to make globalization a positive force for all”<sup>26</sup>

“View on corporate responsibility has contributed to mounting pressure on business to demonstrate its social accountability, especially those multinationals which operate in politically and environmentally sensitive regions of the world”<sup>27</sup>

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<sup>24</sup> Lewis, Steward, *Measuring Corporate Reputation*, 1999

<sup>25</sup> <http://www.worldbank.org/en/about/what-we-do/crinfo>

<sup>26</sup> <http://www.csrwire.com/members/12044-united-nations-global-compact>

<sup>27</sup> <http://www.wbcsd.org/>

## **Media opinion on CSR**

“Our position as the world’s leading media and Entertainment Company could not have been reached- and could not have been sustained-solely from business success. It rests equally on our tradition of social responsibility and community involvement. At the core of this enterprise is the determination to make a difference as well as a profit.”<sup>28</sup>

### **2.2.6 The Stakeholders of CSR**

According to Post, Lawrence, and Weber, stakeholders are individuals and groups that are affected by an organization's policies, procedures, and actions. A "stake" implies that one has an interest or share in the organization and its operations, according to Carroll and Buchholtz. Some stakeholders, such as employees and owners, may have specific legal rights and expectations in regard to the organization's operations. Other stakeholders may not have specific rights granted by law, but may perceive that they have moral rights related to the organization's operations.

For example, an environmental group may not have a legal right in regard to a company's use of natural resources, but may believe that they have a moral right to question the firm's environmental policies and to lobby the organization to develop environmentally friendly policies.

All companies, especially large corporations, have multiple stakeholders. One way of classifying stakeholder groups is to classify them as primary or secondary stakeholders. Primary stakeholders have some direct interest or stake in the organization. Secondary stakeholders, in contrast, are public or special interest groups that do not have a direct stake in the organization but are still affected by its operations. Some major stakeholder groups of primary and secondary categories mentioned below Through Exhibit 1:

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<sup>28</sup> <http://www.timewarner.com/>(Gerald Levin, Chairman and CEO)

## **Exhibit 1**

Table based on Carroll and Buchholtz, 2003: p. 71

### **Primary Stakeholders**

- Shareholders (Owners)
- Employees
- Customers
- Business Partners
- Communities
- Future Generations
- The Nature
- Environment
- Vendors

### **Secondary Stakeholders**

- Government
- Regulatory Bodies
- Civic Institutions
- Civic Groups
- Special Interest Groups
- Trade and Industry
- Media
- Competitors

The owners of a firm are among the primary stakeholders of the firm. An organization has legal and moral obligations to its owners. These obligations include, but are not limited to, attempting to ensure that owners receive an adequate return on their investment. Employees are also primary stakeholders who have both legal and moral claims on the organization. Organizations also have specific responsibilities to their customers in terms of producing and marketing goods and services that offer functionality, safety, and value; to local communities, which can be greatly affected by the actions of resident organizations and thus have a direct stake in their operations; and to the other companies with whom they do business. Many social commentators also suggest that companies have a direct responsibility

to future generations, natural environment and to the vendors who are supplying the required raw materials and finished goods for the organization.

An organization's responsibilities are not limited to primary stakeholders. Although governmental bodies and regulatory agencies do not usually have ownership stakes in companies in free-market economies, they do play an active role in trying to ensure that organizations accept and meet their responsibilities to primary stakeholder groups. Organizations are accountable to these secondary stakeholders. Organizations must also contend with civic and special interest groups that purport to act on behalf of a wide variety of constituencies. Trade associations and industry groups are also affected by an organization's actions and its reputation. The media reports on and investigates the actions of many companies, particularly large organizations, and most companies accept that they must contend with and effectively manage their relationship with the media. Finally, even an organization's competitors can be considered secondary stakeholders, as they are obviously affected by organizational actions. For example, one might argue that organizations have a social responsibility to compete in the marketplace in a manner that is consistent with the law and with the best practices of their industry, so that all competitors will have a fair chance to succeed.<sup>29</sup>

### **2.2.7 Drivers pushing business towards CSR**

**The following factors are driving the business community towards Corporate Social Responsibility (CSR):**

#### **1. The shrinking role of government**

In the past, governments have relied on legislation and regulation to ensure social and environmental objectives of the business sector. But the scenario has been changed. Without taking help from all the stakeholders of the society government cannot ensure social development alone. So corporations must cooperate with the government to build up the environment and society where it operates its business.

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<sup>29</sup> <https://figures.boundless-cdn.com/24565/full/picture-2032.jpg>

## **2. Demands for greater disclosure by stakeholders**

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations etc.

## **3. Enlarged customer interest**

It is proved that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported that they either rewarded or punished companies based on their perceived social performance.

## **4. Increasing investor pressure**

The way of assessing the performance of the companies has been changed, because the investors are making their decisions based on ethical concerns criteria. The Social Investment Forum reports that in the US in 1999, there was more than \$2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. A separate survey by Environics International revealed that more than a quarter of share-owning Americans took into account ethical considerations when buying and selling stocks.

## **5. Competitive labor markets**

Employees are increasingly looking beyond payments and benefits, and seeking out employers whose philosophies and operating practices match with their own principles. In order to hire and retain skilled employees, companies are being forced to improve and ensure hygienic working environment.

## **6. Supplier relations**

As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers also, to ensure that other company' policies or practices do not discolor their reputation.

## **2.2.8 Categories of CSR**

### **Categories of corporate social responsibility that many of today's businesses are practicing:**

The scope of CSR is conceptually quite boundless at the present time. The debate between the private sector, civil society and governments focuses on a few key issues. As there is No single, commonly accepted definition of CSR, there is also no commonly accepted classification of the main components of CSR. Often, CSR is related to:

#### **Environmental protection**

The focus is on finding sustainable solutions for natural resources use to reduce company's impact on the environment. Over the past several years, environmental responsibility has expanded to involve substantially more than compliance with all applicable government regulations or even a few initiatives such as recycling or energy efficiency. Many citizens, environmental organizations and leadership companies now define environmental responsibility as involving a comprehensive approach to a company's operations, products and facilities that includes assessing business products, processes and services; eliminating waste and emissions; maximizing the efficiency and productivity of all assets and resources; and minimizing practices that might adversely affect the enjoyment of the planet's resources by future generations.<sup>30</sup>

#### **Moral labor practices**

It includes freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor; the effective abolition of child labor; and the elimination of discrimination in respect of employment and occupation.<sup>31</sup>

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<sup>30</sup> <https://www.bsr.org/en/>, <http://www.csrwire.com/reports>, <http://www.egyptcsrforum.com/>

<sup>31</sup> <https://www.bsr.org/en/>, <http://www.csrwire.com/reports>, <http://www.egyptcsrforum.com/>



### **Corporate Governance**

Within the territory of corporate governance, major issues are the accountability, transparency and conduct in conformity with the laws. Good corporate governance policy would enable the company to realize its corporate objectives, protect shareholder rights, meet legal requirements and create transparency for all stakeholders.

### **Promotes Business Ethics**

‘Business ethics defines how a company integrates core values – such as honesty, trust, respect, and fairness – into its policies, practices, and decision making. Business ethics also involves a company’s compliance with legal standards and adherence to internal rules and regulations.’

### **Establish Human rights**

Business practices can profoundly affect the rights and dignity of employees and communities. The main focus is on developing workplaces free from discrimination where creativity and learning can flourish decent codes of professional, conduct, and where a proper balance can be maintained between work and other aspects of our lives. Behaving irresponsibly on the issue of human rights could be costly because their reputation and bottom line is at stake. This is also related to globalization and increasing international trade and the challenge of findings ways of doing business world-wide that respect human rights and social justice and facilitate the appropriate development of the emerging economies. Countries are expected to support and respect the protection of international human rights within their sphere of influence; and sure their own corporations are not complicit in human rights abuses. Paying workers a living wage and protecting them from harassment may cost a little more in the short run, but if it improves morale and reduces turnover then it may still be good for profits after a few years. So socially responsible management practices may contributes directly to profits.

### **Ensures Community involvement**

Corporate community involvement refers to a wide range of actions taken by companies to maximize the impact of their donated money, time, products, services, influence, management knowledge and other resources on the communities in which

they operate. When strategically designed and executed, these initiatives not only bring value to recipients, but also enhance the reputation of companies and their brands, products and values in local communities where they have significant commercial interests -- as well as around the world.<sup>32</sup>

### **Market place**

Market place includes distribution, ethical marketing, pricing, billing, consumer's privacy, product disclosure, product quality and safety, etc. Marketplace issues, as they relate to corporate social responsibility, extend across a wide range of business activities that define a company's relationship with its customers. These activities may be grouped into six categories:

- Product manufacturing and integrity
- Disclosure, labeling and packaging
- Marketing and advertising
- Selling practices
- Pricing and
- Distribution

### **Customers**

The products and services of a company are ultimately aimed at the customers. The cost and quality of products may be of greatest concern to the customers but these are not the only aspects that the customers are concerned with. With increased awareness and means of communication, customer satisfaction and loyalty would depend on how the company has produced the goods and services, considering the social, environmental, supply-chain and other such aspects.

### **Enterprise and economic development**

The drive of entrepreneurs in developing countries can provide the catalyst to lift an economy onto an upward growth spiral. In many cases, however, the lack of an enabling business framework and a scarcity of support structures for new businesses can work to undermine and defeat entrepreneurial endeavor. Increasingly, multi-

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<sup>32</sup> Module 5: CSR and the Poor & BSR, CSR Wire (<http://www.csrwire.com/reports>)

national companies (MNCs), with their wealth of financial, technical and managerial expertise, are being called upon to provide a focal point of support for local businesses. At the same time, MNCs can work to help governments understand the ways in which an enabling business framework can be developed to fuel domestic entrepreneurial efforts. Business involvement in community economic development (CED) is the application of a company's core business functions, as well as foundation and contribution dollars, to business endeavors in low-income and underserved communities for the mutual economic benefit of community and company.<sup>33</sup>

### **Health Facility**

The workplace is now recognized as an important setting for health promotion in industrialized countries, and interest is growing in the wider role that business can play as a partner in health development. Private sector business plays a dominant role as the driver of current global economic development, and globalization is bringing new social and economic challenges. For those concerned with promoting well-being, it is essential that policies and programs are adjusted to address this new reality and that the business community is, as far as possible, engaged as a partner in the promotion of well-being. WHO Director General to the 51st World Health Assembly in 1998, Gro Harlem Brundtland indicated a significant shift in WHO policy towards engaging the private sector when she said: "We must reach out to the private sector... the private sector has an important role to play both in technology development and the provision of services. We need open and constructive relations with the private sector and industry, knowing where our roles differ and where they may complement each other. I invite industry to join in a dialogue on the key issues facing us".

### **Education and Leadership Development**

As education is one of the key elements of sustainable development and pro poor growth, businesses, working together with public sector and civil society, can make an important contribution to providing an access to quality education for all. Companies can also make more critical impact on the development process by

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<sup>33</sup><http://www.egyptcsrforum.com/>, <https://www.csreurope.org/>

raising standards in corporate education and leadership development, and bringing best practices to their partners in developing and transitional economies.

### **Human Disaster Relief**

Companies, in cooperation with public sector, civil society, and international organizations, have played an important role in supporting humanitarian relief operations. Due to the rising cost, threat and complexity of the consequences of major disasters on society, the key challenge is to go beyond ‘proactive response’ and to focus on prevention where CSR framework can help the key players to utilize more development oriented approach.

### **2.2.9 Benefits of CSR**

Some of the positive outcomes that can arise when businesses adopt a policy of social responsibility include:

#### **Company benefits:**

- Improved financial performance
- Lower operating costs
- Enhanced brand image and reputation
- Increased sales and customer loyalty
- Greater productivity and quality
- More ability to attract and retain employees
- Reduced regulatory oversight
- Access to capital
- Workforce diversity
- Product safety and decreased liability

#### **Benefits to the community and the general public:**

- Charitable contributions
- Employee volunteer programs
- Corporate involvement in community education, employment and homelessness programs
- Product safety and quality

**Environmental benefits:**

- Greater material recyclability
- Better product durability and functionality
- Greater use of renewable resources
- Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and eco-labeling

**Business Benefits**

The recent study by Business Impact Task Force in the UK reports that:

- The cost or benefit of a company's goods and services, how it treats its own employees and the environment, its record in respecting human rights, its investment in local communities – and even its record in prompt payment of bills, can all be significant factors affecting its reputation
- A company's approach to managing supplier and customer relationships, workforce diversity and work/life balance as well as its efficient management of environmental issues are central to competitiveness
- The wide range of risks to which a business is exposed, whether financial, regulatory, environmental or from consumer attitudes, demands a complex process of managing relationships and establishing values. In December 2000 recommendations 4 on corporate governance came into force, requiring companies to include environmental, reputation and business integrity issues in their business risk management

**Ethical Companies Do Better Financially**

A 1997 DePaul University study found that companies with a defined corporate commitment to ethical principles do better financially (based on annual sale/revenue) than companies that do not.

A recent longitudinal Harvard University study found that stakeholder-balanced companies showed four times the growth rate and eight times the employment growth when compared to companies that are shareholder-only focused.

A study by the University of Southwestern Louisiana, “The effect of published reports of unethical conduct on stock prices” showed that publicity about unethical corporate behavior lowers stock prices for a minimum of six months.<sup>34</sup>

### **CSR ensures Loyalty of Employees**

73% of surveyed citizen (25,000 citizens across 23 countries on six continents) agreed that they would be more loyal to an employer that supports the local community.

### **Improved Efficiency in Energy**

Improved efficiency in the use of energy and natural resources has been shown consistently by government programs to save 10% of waste at no cost as well as improve impact on the environment. This could potentially save UK industry £2.6 billion a year as well as reduce the use of natural resources.

### **Improved Efficiency and Reduced Waste**

Efficient operations can lead to costs savings and better management of waste. According to Survey-Mastering Management, Financial Times, October 30, 2000 : “Waster products are often inputs for which a company has paid and is not using; reducing them can save costs, at least partially offsetting the costs of waste management. In many cases, materials savings have more than offset the cost of waste reduction and profits have increased. Dow Chemical’s US operations in Louisiana averaged a return of 204% on investments in energy saving projects between 1981 and 1993. Other investments in waste management and energy efficiency have yielded returns in excess of 100%, far above the usual returns on investments”<sup>35</sup>

### **Consumers are Ready to Pay Premium for Environmentally and Socially Responsible Products**

The MORI survey in the UK shows that 70% of respondents regard a company's commitment to social responsibility very important to them when buying a product

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<sup>34</sup> <https://www.bsr.org/en/>

<sup>35</sup> <https://www.bsr.org/en/>

or service. Around half said that they would be willing to pay more for products that are environmentally and socially responsible.

### **Market Behavior on CSR**

For example, Kleinwort Benson, the well-known London city firm, found that the share price portfolio of 32 companies, who practiced an inclusive approach to their business, increased by 90% between December 1992 and June 1996, while the FTSE All-Share index increased by 35%. A recent study of the 300 largest public companies in the US by ICF Kaiser found that companies which ‘greened’ their corporate practices could make shareholders up to 5% richer. A 10-year investment in America’s 10 most admired companies would have yielded nearly tripled the shareholder return of the S&P 500 stocks.

The Social Investment Forum reports that, in the US in 1999, there was more than \$2 trillion in assets under management in portfolios that use screens linked to ethics, the environment, and corporate social responsibility. This figure has grown from \$639 billion in 1995, to \$1.185 trillion in 1997, to \$2.16 trillion in 1999. The 1999 portfolio amount accounts for nearly 13 percent of the \$16.3 trillion in investment assets under professional management in the USA. In 2001, the figure is around \$3 trillion. Given these numbers, it is clear that companies addressing ethical, social, and environmental responsibilities have rapidly growing access to capital that might not otherwise have been available.<sup>36</sup>

### **Making Eco-Efficiency Pay is the Strategy of Unilever**

For multinational Unilever, eco-efficiency means making more from less - measuring performance to ensure the environment doesn’t suffer and saving millions on production costs.

- Between 1995 and 1999, Unilever substantially reduced its overall impact on the environment while increasing output.
- Each site or Business Group can make cost savings by reducing any of the six eco-efficiency parameters.

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<sup>36</sup> <https://www.bsr.org/en/>

- Over the next five years, manufacturing efficiency will be increased and the process is forecast to save around £100m.

### **Companies Discover a Competitive Advantage in Fighting Against AIDS**

“Companies have discovered a competitive advantage in fighting the spread of AIDS. AIDS devastates individuals, families and communities. In addition, AIDS adds to health and insurance bills, employee absences and forces companies to recruit and train workers to replace employees who die of AIDS. In Thailand GRAND HYATT ERAWAN and the PAN PACIFIC, both large Bangkok based hotels, have been leaders in the business efforts to fight HIV/AIDS. Both companies have extensive worker education and training programs and free Medicare items distribution for staff members.<sup>37</sup>

### **2.2.10 Conclusion**

The today’s organizations not only aim at maximizing their own wealth but also social wealth. Considering the need of sustainability and growth, the banks have to ensure effective and efficient functioning of the deposit and credit system. Banks have to avoid and prevent transactions and practices that could cause damage to economy, consider protecting public benefits, interest and environment as well<sup>38</sup>.

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<sup>37</sup> IFC– A Community Development Resource Guide For Companies, December 2000, chapter-I, p.5

<sup>38</sup> Janata, Renu and David Crowther (edited), Corporate Social Responsibility Theory and Practice with Case Studies (New Delhi: Deep & Deep Publications Pvt. Ltd., 2007), p.421



## Chapter Three

### Islami Bank Bangladesh Limited and Sonali Bank Limited

#### Part-I

#### History & Basic Issues of Islamic Banking

##### 3.1.1 Introduction

A Bank is an Institution for the Custody & Investment of money<sup>1</sup>.

A bank is a government approved financial institution which collects/receives fund from surplus units, repayable on demand or otherwise and deploys the same to the deficit units by observing some rules and regulations.<sup>2</sup>

“Banking” means the accepting, for the purpose of lending or investment, of deposit money from the public, repayable on demand or otherwise and withdrawable by Cheque, Draft and Payment Order or otherwise.<sup>3</sup>

Islam is a vast religion where, Muslims are united in their belief in the one superlative, immanent Allah of pure singularity.<sup>4</sup>

Removing the curse of interest from the society was one of the objectives of Fakir Bidroho, Krishak Bidroho, Farayezi Andolon and Andolon of Sher-e-Bangla's Krishak-Praja Party of Bangladesh.<sup>5</sup>

##### 3.1.2 Islamic Banking - Concepts & Definitions

Islamic banking is defined in a number of ways. The General Secretariat of the Organization of Islamic Cooperation (OIC) in its Foreign Ministers Conference held

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<sup>1</sup> Khan, Dr. A R, *Higher Fundamental Banking* (Dhaka: M S Publication, 1<sup>st</sup> Publication, November 1999), p.7

<sup>2</sup> Miah, Dr. Mohammed Haider Ali, *A Way to Islamic Banking: Custom & Practice*, Volume – I (Dhaka: fifth edition, March, 2014), p.1

<sup>3</sup> The Banking Companies Act 1991, Section 5

<sup>4</sup> Khaled, Sarwar Md. Saifullah, ‘The Glory of Islam will remain unblemished in the Future World despite the Clash of Civilizations’, *Thoughts on Economics*, The Quarterly Journal of Islamic Economics Research Bureau, Vol. 24, No. 01, January-March 2014, p.51

<sup>5</sup> Mannan, Muhammad Abdul, *Islami Bankbabostha* (In Bangla) (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012), p.72

in Dakar, Senegal in 1978 approved the definition of Islamic bank as follows- ‘Islamic bank is a financial institution whose statutes, rules and procedures expressly state its commitment to the principles of Islamic Shariah and to the banning of receipt and payment of interest on any of its operations.’<sup>6</sup>

According to the Islamic Banking Act, 1983 of Malaysia ‘an Islamic bank is a company which carries on Islamic banking business . . . . ., Islamic banking business means banking business whose aims and operations do not involve any element which is not approved by the religion Islam.’<sup>7</sup>

Bangladesh Bank defines ‘Islamic bank means such a banking company or an Islamic bank branch(es) of a banking company licensed by Bangladesh Bank, which follows the Islamic Shariah in all its principles and modes of operations and avoids receiving and paying of interest at all levels.’<sup>8</sup>

It appears from the above definitions that Islamic banking is a system of financial intermediation that avoids receipt and payment of interest in its transactions and conducts its operations in a way that it helps to achieve the objectives of Islamic Shariah (Maqasid-al-Shariah). Alternatively, this is a banking system whose operation is based on Islamic Shariah principles in which profit and loss sharing (PLS) is a major feature, ensuring justice and equity in the economy. That is why Islamic banks are often known as PLS-banks.

### **Principles of Islamic Banking**

The followings are the core principles of Islamic banking:

- The absence of interest-based (riba) transactions
- The avoidance of economic activities involving oppression (zulm)
- The avoidance of economic activities involving speculation (gharar)

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<sup>6</sup>Ali, M and A. A Sarkar (1995). ‘Islamic Banking: Principles and Operational Methodology’, *Thoughts on Economics*, Vol. 5 No. 3 & 4. July-December 1995. Dhaka: Islamic Economics Research Bureau, pp.20-25

<sup>7</sup> Mannan, Muhammad Abdul, *Islami Bankbabostha* (In Bangla) (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012), p.81

<sup>8</sup> Bangladesh Bank Guidelines for Islamic Banking, November-2009, p.2

- The introduction of an Islamic tax, zakah
- The discouragement of the production of goods and services which contradict the Islamic value (haram)
- Operated based on Islamic Shariah. The Annual report of an Islamic bank cannot be published without taking the clearance certificate from the Shariah Council. The Shariah Council examines all the operations of Islamic banking and after that they will give clearance certificate<sup>9</sup>

### Islamic banking Versus Conventional Banking

S/N	Islamic bank	Conventional Bank
1.	The functions and operations of Islami banks are based on the principles of Islamic Shariah.	The functions and operations of conventional banks are based on the man-made principles.
2.	It promotes risk sharing between provider of capital (investor) and the user of capital (entrepreneur).	The provider is assured of predetermined rate of interest irrespective of taking risk of capital.
3.	Maximizing profit should not be objective of an Islamic Bank.	It aims at maximization of profit without any restrictions like haram activities in Islam.
4.	Participation in partnership business i.e. Profit Loss Sharing (PLS) is the fundamental function of Islamic Banks.	Lending money and getting it back with interest is the fundamental function of conventional banks.
5.	Its scope of activities is wider than conventional bank. It is, in effect, a multipurpose institution.	Its scope of activities is narrower when compared with an Islamic bank.
6.	The Islamic banks have no provision to charge any extra money from the defaulters.	It can charge additional money (compound rate of interest) in case of defaulters.
7.	In funding, Islamic banks pay greater	Since income from funding is fixed

<sup>9</sup> Hussain, Muhammad Mubarak, *Islami Banking : Principle & Practice* (Dhaka: Saptapodi Prokashoni, 2nd Publication, July 25, 2007), p.28

	attention to determine the viability and profitability of the project since it shares profit and loss.	interest so there is a chance to give less attention to viability and profitability of the project.
8.	Islamic banks give greater emphasis on the Shariah dictums of project.	Conventional banks give greater emphasis on credit-worthiness of the client.
9.	The status of Islamic bank in relation to its clients/depositors is that of partners, investors and trader.	The status of a conventional bank in relation to its clients/depositors is that of creditors and debtors.
10.	One of the service oriented functions of Islamic bank is to pay Zakah.	It does not deal with Zakah payment.
11.	Islami Banking is the integral part of Islamic Economy System.	Conventional Banking is the by-product of Capitalist Economic System.
12.	Through islami banking operations wealth flows to the deprived and helpless people from the wealthy people.	Through conventional banking wealth flows among the capitalists only.
13.	There is a Shariah Board in each islami bank to supervise whether the operations are conducted as per Islamic shariah.	There is no existence or need of Shariah Board in conventional bank.
14.	To discourage the defaulters Islamic banks charge penalties as compensation and the amount charged as compensation is used in the Corporate Social Responsibility activities not included in profit.	To discourage the defaulters conventional banks charge penalties as compensation and the amount charged as compensation is included in profit.
15.	Collection of deposit on the basis of profit sharing.	Collection of deposit on the basis of interest
16.	There is no guarantee for deposit (Islamic banks can give guarantee only Al-wadiah deposit).	A conventional bank has to guarantee all its deposits.
17.	It is comparatively difficult to borrow money from the money market.	Borrowing from the money market is relatively easier.

### **3.1.3 Definition, Types, Characteristics and Impact of Riba**

#### **Meaning of Riba**

The word 'Riba' has been used in the Holy Quran on several occasions. So it is necessary to know what it means or what it really stands for. 'Riba' has been extracted from 'Raba'. It means addition, increase, etc. So Riba, which literally means to increase, to grow, to rise, to add, to enlarge etc. It is, however, not every increase or growth which has been prohibited by Islam. In the Shari'ah, "Riba" technically refers to the premium that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in its maturity. The Arabic word 'Riba' is commonly translated in English as 'Interest' and interest and usury both are taken as synonymous of Riba. Shah Waliullah Dehlvi, a great scholar, has given very concise definition of Riba. He says, "Riba is loan with the condition that the borrower will return to the lender more than the amount borrowed." Any amount, earning or income that is taken over and above to principal amount without any risk, effort, activity, without loss sharing and the return is guaranteed with a specified time is called Riba. Riba is increase which has no wealth (mal) corresponding to it', or as 'reward for waiting' or 'that increase which accrues to the lenders on account of deferred payment due to an extension in the actual period of loan'.

Malik Bin Anas (RA) narrated 'If one of you have advanced a loan and the debtor offers the creditor a bowl (of food), he should not accept it, or if the debtor offers him a ride on his animal (cattle) the debtor must not take the ride unless this type of gift has been a usual practice between them before advancing the loan.'

Thus, every loan that drives a conditional benefit (to the creditor) is Riba. The lending of beneficial use of an asset but with stipulated benefits in return also involves Riba. For example, 'A' lends his property to 'B' with a condition that 'B' will obligate to assist 'A' in his work. This is also considered as Riba.

Prophet Muhammad (SAW) rebuked the interest giver, taker, witness and writer all. He also says they all are equaled guilty.<sup>10</sup>

A Hadith narrated by Hazrat Jabir Ibn Abdullah (RTA). “Giving a report on the Prophet’s (SAW) Farewell Pilgrimage said: The Prophet’s (SAW), addressed the people and said “All of the riba of Jahiliyyah is annulled. The first riba that I annulled is our riba, that accruing to ‘Abbas Ibn Abdul Muttalib (the prophet’s uncle); it is being cancelled completely.”

### **Definition of Riba**

According to Allama Abu Bakar Al Jassas, “Riba is the loan given for a specified period on condition that on the expiry of the period, the borrower will repay it with some excess”<sup>11</sup>. According to Hanafi Majhab, “Riba is the excess which lacks a counter value in sale”<sup>12</sup>. According to Imam Sarakhsy, “Riba in Shariah stipulated excess in one of the two counter values without counter value in transaction of exchange”<sup>13</sup>.

World famous Islamic Scholar Dr. M. Umar Chapra defines Riba as “In the Shariah, Riba technically refers to the ‘premium’ that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or for an extension in its maturity”<sup>14</sup>. Prominent Islamic Scholar Justice Mufti Muhammad Taqi Usmani defines Riba as “Any additional amount over the principal in a contract of loan is the riba prohibited by the Holy Quran”<sup>15</sup>.

### **Characteristics of Riba**

- It is positive and fixed
- It is tied to the time period

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<sup>10</sup> Al-Hadith, Sahih Muslim, part 5, p.50

<sup>11</sup> Jassas, Allama Abu Bakar Al, *Ahkamul Quran*, Part-I (Istambul: 1335 Hijri), p.469

<sup>12</sup> Sarakhsy, Al, *Al Masbut*, Part-XII, p.100

<sup>13</sup> Sarakhsy, Al, *Al Masbut*, Part-XII, p.109

<sup>14</sup> Chapra, Dr. M. Umar, *Towards A Just Monetary System* (UK: The Islamic Foundation, Leicester, 1985), pp.56-57

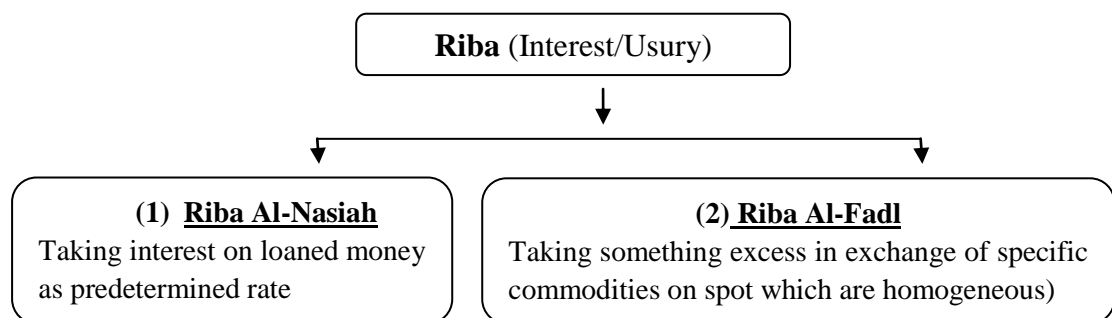
<sup>15</sup> Shamsuddoha, M, *Concept of Riba, Bai, Musharaka, Mudaraba, Ijara, Profit, Rent as Islamic Banking Perspective (Essay)*, p.03.

- Its payment is guaranteed regardless of the outcome or the purposes for which the principal was borrowed

### Types of Riba

The majority of Islamic School of Thoughts categorizes Riba into two forms such as-

1. Riba Al-Nasiah and
2. Riba Al-Fadl.



**Riba Al-Nasiah (Riba of Delay):** The word ‘Nasiah’ comes from Arabic vocabulary. The term ‘Nasa’a’ is the root of the word ‘Al-Nasiah’ which means to postpone or to wait and it refers to the time period that is allowed to the borrower to repay the loan in return for the additional premium and this additional amount is considered to be Riba Al-Nasiah.<sup>16</sup> Hence it refers to the interest on loans. The prohibition of Riba Al-Nasi’ah essentially implies that the fixing in advance of a positive return on a loan as a reward for waiting is not permitted by the Shari’ah.

Riba al-Nasiah also has different meanings in Arabic customs like ‘Riba al-Jahiliyyah’ or ‘Riba al-Mubashir’ or ‘Riba al-Duyun’ or ‘Riba al-Jali’. If the amount of money or quantity of goods received back after some period of time and which is more than the amount of similar goods or money given earlier, the excess shall be treated as Riba al-Nasiah. Thus Riba al-Nasiah is nothing but the excess received for the deferred period. It may be termed as the price for the ‘Nasa’a’ or ‘period’ allowed for repayment.

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<sup>16</sup> Mannan, Muhammad Abdul, Islami Bankbabostha (In Bangla) (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012), p.51

**Riba Al-Fadl (Riba of Surplus):** On the contrary, the trading or exchanging of two fungible items of the same kind with a different weight (if being sold by weight) or quantity (if being sold by quantity) is termed as Riba al-Fadl. It is also called ‘Riba Al-Hadith’ or ‘Riba Al-Bai’. For example, exchanging or selling 5 kg of kataribog rice with 10 kg of aman rice is prohibited because both the items should weigh 10 kg. Since there are differences in weight, this transaction falls into the Riba al-Fadl category.

There are two essential conditions that must be observed in order to avoid Riba al-Fadl, which are:

- a. The weights must be equal (although may differ in quality and value); and
- b. The transaction must be concluded on the spot (both seller and buyer cannot depart until they deliver/receive the respective items).

However, the Prophet (SAW) discouraged barter transactions and asked commodity be exchanged first against cash and proceed may be used to purchase the desired commodity. Abu Saeed Khudri mentioned the Prophet Muhammad (SAW) said: “Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, and salt by salt, like for like and equal for equal, payment being made hand-to-hand. If these classes differ, then sell as you wish if payment is made hand-to-hand.”

#### **Difference between Riba Al-Nasiah and Riba Al-Fadl**

<b>Point of Difference</b>	<b>Riba Al-Nasiah</b>	<b>Riba Al-Fadl</b>
Origin/Basis	Arises out of Loan/Debt	Arises out of Barter Transaction
Consideration	Time factor	Distinct quality of goods
Object of Transaction	Cash and kinds	Goods and Currency
Nature of increase	Both simple and compound	No scope for compounding
Mode of Transaction	Deferred	Spot
Prohibition	By the Holy Qur’an	By the Hadith
Definition	It refers to the time that is allowed to the borrower to repay the loan in return of additional or the premium.	It is encountered hand to hand transaction of commodities.



## Barter of Commodity & Exchange of Currency to avoid Riba

Type		Currency				Staple Food			
		Gold	Silver	USD	Taka	Wheat	Barley	Dates	Salt
Currency	Gold	■	■	■	■				
	Silver	■	■	■	■				
	USD	■	■	■	■				
	Taka	■	■	■	■				
Staple Food	Wheat					■	■	■	■
	Barley					■	■	■	■
	Dates					■	■	■	■
	Salt					■	■	■	■

■ Condition: Must be delivered and accepted in one event

■ Condition: Must be delivered and accepted in one event with Equal weight/quantity

□ No condition

### Phases of Prohibition of Riba

There are 12 verses regarding Riba in the Holy Qur'an under 4 Sura, these are:

1. Sura Rum (1 verse No.39): Moral criticism of Riba
2. Sura Nisa (2 verses No.160-61): Riba in the Jews
3. Sura Ale Imran (2 verses No.130-31): Legal prohibition of Riba
4. Sura Al-Baqarah (7 verses No.275-81): Al-Bai as the alternative of Riba

#### 1. First Revelation

That which you give as Riba (interest) the people wealth increases not with Allah, but that which you give in Charity, seeking the goodwill of Allah multiplies manifold.<sup>17</sup>

<sup>17</sup> *Al-Quran*, 30:39

## **2. Second Revelation**

And for their taking interest even though it was forbidden for them, and their wrongful appropriation of other people's property, we have prepared those among them who reject faith a grievous punishment.<sup>18</sup>

## **3. Third Revelation**

O believers take not double and redouble interest and fear Allah so that you prosper. Fear the fire which has been prepared for those who reject faith, and obey Allah and the Prophet so that you may receive mercy.<sup>19</sup>

## **4. Forth Revelation**

People who indulge in Riba shall be raised like those who have been driven to madness by the touch of devil. That is because they say "Trade is just like Riba". While Allah has permitted trade and prohibited Riba.<sup>20</sup>

O believers! Fear Allah and give up interest that remains outstanding if you are true believers.<sup>21</sup> Besides, there are numbers of Hadiths about Riba. Prophet Mohammed (SAW) said at the last Pilgrimage "All Riba Al-Jahilliya is null and void". Prophet Mohammed (SAW) cursed all those – who take Riba, who give Riba, who write a Riba contract and the two witnesses of Riba contract. They all alike (in fault)."

## **Reasons of Prohibition of Riba**

There are various reasons behind the prohibition of Riba in Islam. Some of them are as follows:

1. Riba Corrupts Society<sup>22</sup>.
2. Riba implies improper appropriation of other people's property.
3. Riba's ultimate effect is negative growth.
4. Riba demeans and diminishes humanity and personality.
5. Riba is unjust<sup>23</sup>.

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<sup>18</sup> *Al-Quran*, 04:161

<sup>19</sup> *Al-Quran*, 03:130-132

<sup>20</sup> *Al-Quran*, 02:275-276

<sup>21</sup> *Al-Quran*, 02:278

<sup>22</sup>Islam, Dr. Muhammad Nurul, *Islamic Economics* (Dhaka: Nazifa-Sakina-Bari Foundation, 1<sup>st</sup> edition, July 2012), p.349

Hazrat Abu Hurayrah narrated, “The Prophet (SAW) said, riba has seventy segments, the least serious being equivalent to a man committing adultery with his own mother.”

### **Difference between Riba and Profit**

<b>Riba (Interest)</b>	<b>Profit</b>
Riba is excess over the principal in a loan transaction.	Profit is positive end result of business operation.
Riba is unearned income.	Profit is earned by investing labor and capital.
Return of principal with additional amount (interest) is ensured.	No such surety is ensured.
Rate of return is certain.	Rate of return is provisional.
Interest may repetitively be earned on a single transaction.	Profit may be earned once from a single deal/ transaction.
Prefixed cost of goods and services and creates inflation.	Profit is found after deduction of all expenses from total income. So it has no relation with inflation.
Interest increases money supply in the market.	There is no opportunity of increasing money supply in the market.
There is the opportunity of compounding.	There is no opportunity of compounding.
There is no risk of erosion of capital.	There is risk of erosion of capital.
No chance of negative end result i.e., loss.	This is every possibility of negative end result.
Declared as Haram (prohibited) in the Holy Quran.	Declared as halal (permitted) in the Holy Quran.
Transfers assets from poor to rich.	Ensure equitable distribution.
Ownership is retained with the creditor.	Ownership is transferred to the customer.
Practiced in capitalist economics.	Practiced in Islamic economics.
Sale and purchase of goods is not required.	Sale and purchase of goods is required.

<sup>23</sup> Siddique, Muhammad Najatullah, ‘Riba, Bank Interest and the Rationale of its Prohibition’, *Visiting Scholars Research Series No. 2*, IDB & IRTI, Jeddah, 2004, p.41.

## **Impacts of Riba**

Riba has multi-dimensional impacts. The impacts of riba are mentioned below:

### **a. Social and Moral Impacts of Riba**

- Riba nurtures greed selfishness and misery among human beings
- Riba enhances hatred and enmity in society
- Riba creates idleness among the depositors
- Riba creates moral disaster
- Riba is an active medium of social exploitation
- The poor become poorer and rich become richer in a Riba based economy
- Riba destroying and polluting the environment

### **b. Economic Impacts of Riba**

- Riba is the machine of capitalist growth
- Riba creates unemployment problem in the society
- Riba decreases deposits/savings<sup>24</sup>
- Riba lessens long-term investment
- Riba prevents production
- Riba does not facilitate skilled allocation of resources
- Riba decreases consumers' purchasing power
- Riba reduces the flow of demand
- Riba hampers stability
- Riba causes inflation
- Riba excites exchange rates

### **c. Political Impacts of Riba**

- Riba creates political instability
- Riba prevents welfare activities of government
- Riba causes centralization of power

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<sup>24</sup>Islam, Dr. Muhammad Nurul, *Islamic Economics* (Dhaka: Nazifa-Sakina-Bari Foundation, 1<sup>st</sup> edition, July 2012), p.353

**d. International impacts of Riba**

- Riba increases foreign dependency
- Riba look after the interest of the donors
- Riba destroys world peace<sup>25</sup>
- Riba creates international oppression and discrimination
- Riba increases the expenses of unnecessary and luxurious products

**e. Religious impacts of Riba**

Riba has great religious impacts. Hazrat Abu Hurayrah narrated, “The Prophet (SAW) said, on the night of Ascension I came upon people whose stomachs were like houses with snacks visible from outside. I asked Zibriel who they were. He replied that they were people who had received interest.”

**3.1.4 Financial System during Muhammad (SAW) and his Followers**

The concept of Islamic banking is not new for the world. During the survival of Muhammad (SAW), the Islamic banking mechanisms we are using now were operated informally. Although formal/institutional framework had not been established but buying and selling were operated based on the most of the present Islamic banking investment modes. Muhammad (SAW) and his followers conducted business using these modes of Islamic investment.

When Allah declared riba as haram in the holy Quran, Muhammad (SAW) prohibited all kinds of riba and he established ‘Baitul Mal’, the interest free economic system in Arab society.<sup>26</sup>

Although Baitul Mal was not an organization like today’s formal banking system, it played a vital role as the financial system at that time. There was no existence of banking system like today’s modern banking system in the pre-Islamic era and Muhammad (SAW) did not feel the necessity of forming a unique financial system in that period. Baitul Mal met all the demands of the people of that time. It was a

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<sup>25</sup>Ibid, p.356

<sup>26</sup> Mannan, Dr. M.A., Translation: Rushdi, Ali Ahmed, Islamic Economics: Theory and Practice (Dhaka: Islamic Economics Research Bureau, 1983), pp.157-158

welfare oriented independent financial system that played the role of present central bank of a country.

From the Baitul Mal people received interest free loan. The government officials could take loan from Baitul Mal against their service benefits like as the present government officials. Basically the Baitul Mal of the Islamic state was the first loan provider organization in the world.<sup>27</sup> During the period of Kholafaye Rashedin the Baitul Mal system was also existed and all the necessary transaction of the Islamic state were executed through the Baitul Mal.<sup>28</sup>

During the period of Hazrat Abu Bakar (RTA) the Baitul Mal took its real existence in the 2<sup>nd</sup> year of his ruling and Hazrat Abu Ubaida (RTA) was appointed as the acting director of Baitul Mal. After the death of 1<sup>st</sup> caliph Hazrat Abu Bakar (RTA), the balance of Baitul Mal was empty.<sup>29</sup> The second caliph of Islamic state saw that there was only a dirham in the Baitul Mal and it had no branch office in any other province of the state.

The second caliph Hazrat Omar (RTA) took revolutionary change in the financial system of the state. He established a unique revenue department named 'Dawan' for collecting revenue, record keeping of the accounts and expenditure of the state. From the surplus balance he provided allowance to the citizen of the state.<sup>30</sup>

Considering the request of Hazrat Walid Bin Hisam(RTA), Hazrat Omar (RTA) appointed Hazrat Abdullah Bin Arkam of Akram as the treasurer of Baitul Mal to ensure proper distribution of collected revenue and he also established a branch of Baitul Mal at every province of the state and appointed one treasurer for each provincial branch of the Baitul Mal.<sup>31</sup>

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<sup>27</sup> Taher, Mohammad (edited.), Studies in Islamic Economics (New Delhi: Anmul Publications Pvt. Ltd., 1997), pp. 139-141

<sup>28</sup> Ashrafi, Moulana Md. Fazlur Rahman, Shoodh O Islami Banking (Dhaka: Mahin Publications, 1998) p,160

<sup>29</sup> Rahim, Moulana Muhammad Abdur, Islamic Economics (Dhaka: Khairun Prokashani, November 1998), p.256

<sup>30</sup> Taher, Mohammad (edited.), Studies in Islamic Economics (New Delhi: Anmul Publications Pvt. Ltd., 1997), pp. 139-141

<sup>31</sup> Chowdhury, Hasan Ali, History of Islami (Dhaka: Ideal Library, 4<sup>th</sup> edition, January 1996), p.177

After the period of Hazrat Omar (RTA), the third caliph of Islamic state Hazrat Osman (RTA) also utilized Baitul Mal to meet the basic needs and necessities of the citizen of the Islamic state. It was also only the center point of basic rights of the citizens and financial management of the Islamic state during the period of 4<sup>th</sup> caliph Harat Ali (RTA)<sup>32</sup>.

Prophet Muhammad (SAW) conducted Musharaka or Partnership business with Sayeb (RTA). In a hadith hazrat Sayed (RTA) said, on the day of Makka Bijoy when I went to Rasul (SAW), his followers expressed gratefulness remembering my past contribution. Then Rasul (SAW) said, I know him better than you. I said you are right, my parents are dedicated for you! You were the best partner of my business. You did not make any dispute or violence.<sup>33</sup> From the above hadith it is clear that Musharaka business is not new innovation of the present banking system, its existence was during the period of Rasul (SAW).

In ancient time to conduct mudaraba business, travelling was a must. So, mudaraba was narrated in the holy Quran as Allah's kindness. To mean mudaraba fadlullah od Allah's kindness was used. To mean mudaraba Allah said in the holy Quran, "A team travel on earth for Allah's kindness or business, another team does zihad for Allah."<sup>34</sup> Allah also said, "There is no loss for you to get Allah's kindness or to do business during hajj."<sup>35</sup>

According to hadith of Rasul (SAW) Musharaka business was valid. Such as- Hazrat Abdullah Ibn Masud said, in a khutba in Mina Rasul (SAW) said, "The day today is haram for you. This is also a haram month for you. This is also a haram town for you. Your blood and wealth is also haram for others among you, but the 'Kirad' (Mudaraba) through business is halal."<sup>36</sup> In hadith Rasul (SAW) said, "In three things there is barkat; these are buying/selling on credit, Mudaraba and mixing wheat with job for eat at home not for sale"<sup>37</sup>

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<sup>32</sup> Ashrafi, Moulana Md. Fazlur Rahman, Trade-Commerce in Islam and Structure of Banking p,196

<sup>33</sup> Al-Hadith: *Abu Daud*, Part-12, p.463, Hadith No. 4196

<sup>34</sup> *Al-Quran*, 73:20

<sup>35</sup> *Al-Quran*, 02:198

<sup>36</sup> Fakehi, Akbaru Makka (*Maktaba Shamila*), Part-5, p.97

<sup>37</sup> Al-Hadith: *Ibn Mazah*, Hadith No. 2289

From the Sirat study of Rasul (SAW) it is known that Muhammad (SAW) went to Siriya to conduct mudaraba business with Hazrat Khadija (RTA) before Nabuwat. But to understand the business Muhammad (SAW) mentioned this point several times. As a result, the Fakis considered it as an important document and reference for mudaraba based business.<sup>38</sup>

After the Nabuwat of Rasul (SAW) people conducted the mudaraba business and Rasul (SAW) knew that, but did not order/bound them to stop it. So, it is clear that he supported the mudaraba business.<sup>39</sup>

The Islamic mode of investment Bai-Muajjal is valid because Rasul (SAW) and his followers conducted buying and selling among themselves under Bai-Muajjal.<sup>40</sup> In the period of Rasul (SAW) his followers bought and sold products on credit without keeping any asset as mortgage.<sup>41</sup>

Buying and selling on credit is also supported by holy Quran. Allah says, “When you give/take any loan for a certain period you must keep the written document/record of it.”<sup>42</sup> The above verse of holy Quran is supported all the transaction on credit, loan given/received to/from others payable by installment or on lump-sum or buying/selling on salam.<sup>43</sup>

Selling products on payment by installment basis is halal in Islamic Shariah. It is the right of the seller whether he will receive the value in lump-sum or installment. Seller can receive the value in lump-sum or installment as he wishes.<sup>44</sup>

The buying and selling of products on credit is proved by a hadith narrated by Hazrat Ayesha (RTA). From that hadith it is found that Muhammad (SAW) wanted to buy cloth made in Siriya on the request of Hazrat Ayesha (RTA). But the seller

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<sup>38</sup> *Fikhul muamilat*, Part-I, p.379

<sup>39</sup> *Ibid*, p.379

<sup>40</sup> Rahman, Professor Dr. Mahfuzur, *Quran O Sunnahar Alope Isalmi Bank Babosthah* (Dhaka: Bangladesh Institute of Islamic Thought, 1<sup>st</sup> publication, August 2014), p.67

<sup>41</sup> *Ibid*, p.73

<sup>42</sup> Al-Quran, 02: 282

<sup>43</sup> Ashshubail, Yusuf Ibn Abdullah, *Fikhul Muamilatil Masrafia* (Maktaba Shamila), Part-I, p.135

<sup>44</sup> Rahman, Professor Dr. Mahfuzur, *Products Marketing System in the Period of Rasul (SAW) and His Followers*, *Islamic Foundation Patrika*, Issue 46, Number 01, July-September 2006.



refused to sale on credit. If buying/selling on credit is invalid, Rasul (SAW) never gave his consent to buy cloth on credit from the seller.<sup>45</sup>

Taking collateral security from the debtor/buyer is valid in Islamic Shariah. Rasul (SAW) himself bought some food on credit from a Yahudi by giving his own Iron Stick as collateral security.<sup>46</sup> In a Hadith Hazrat Ayesha (RTA) said, Rasul (SAW) bought some food on credit from a Yahudi. Against this Rasul (SAW) kept his own Iron Stick as collateral security.<sup>47</sup>

Although Rasul (SAW) did not conducted business based on Murabaha mode, but the followers/sahabies of Rasul (SAW) conducted business under Murabaha mode. Hazrat Abu Bahar narrated from his Shaykh that I saw a tick Shal on the shoulder of Hazrat Ali (RTA). Hazrat Ali (RTA) said I bought it by 05 (five) Dirham. I will sell it if any one gives me one Dirham above my buying price.<sup>48</sup>

The practice of Islamic banking regarding ownership and possession is also directed by Muhammad (SAW). In a hadith Rasul (SAW) ordered the Muslim Ummah as follows:

Hazrat Ibn Abbas (RTA) narrated, Rasul (SAW) said, you will not sell any products (food) to others without taking ownership and possession of it.<sup>49</sup> Such kinds of Hadith also narrated by Hazrat Osman (RTA)<sup>50</sup>

Products buying and selling under bai salam is also approved by Muhammad (SAW). A hadith narrated by Hazrat Ibn Abbas (RTA) as follows:

When Muhammad (SAW) went Madina from Makkah he saw that the dwellers of Madina conducting business under bai salam to deliver the products after one year, two year or three year. They received the payment in advance but delivered the products in future date. Observing this situation Muhammad (SAW) said, who wants

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<sup>45</sup> Rahman, Professor Dr. Mahfuzur, *Quran O Sunnahar Alope Isalmi Bank Babosthah* (Dhaka: Bangladesh Institute of Islamic Thought, 1<sup>st</sup> publication, August 2014), p.74

<sup>46</sup> Ibid, p.75

<sup>47</sup> *Fathulbari*, Part-4, p.302

<sup>48</sup> Baihaky, *Marifatun Sunan Wal Asar*, Part 9, p. 340

<sup>49</sup> Al-Hadith, *Abu Daud*, Part 6, p. 367

<sup>50</sup> Al-Hadith, *Muslim*, Part 8, p. 72

to buy/sell on advance payment he should ascertain the weight, quantity and date of delivery to conduct the buying/selling under bai salam.<sup>51</sup> In case of buying/selling under bai salam it is not mandatory to remain the goods under the possession of the seller during the time of agreement, but the possession of the seller during the time of execution of delivery is mandatory.<sup>52</sup>

It is also known from another Hadith that during buying/selling under bai salam the followers of Muhammad (SAW) did not ask the sellers whether they possessed the products or not.<sup>53</sup>

Conducting business based on bai istisna is also approved by prophet Muhammad (SAW). From two Hadiths of Muhammad (SAW) it is known that Rasul (SAW) himself bought two things by placing order under bai istisna. One is Mimbar for Mosque and the other one is Ring used as Seal of the country.<sup>54</sup>

During the period of Muhammad (SAW) the tradition of leasing was running in the Arab society. Muhammad (SAW) did not order to stop leasing business and approved the leasing business as valid one in Islamic Shariah.<sup>55</sup>

Based on the great experience of Baitul Mal the financial management of the Muslim world has been developed gradually. Muslim leaders not only ruling the Arab state but also two-third of the whole world and at that time the only financial system was the interest free Islamic financial system, but the Muslim could not continue the ruling power of the states<sup>56</sup>.

Besides the Sahabies of Muhammad (SAW), the numerous thinkers and scholars of Islamic history including the Abbasiyo era were the pioneers of welfare oriented Islamic financial system. Some of them are- Imam Abu Yusuf (731-798), Al-

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<sup>51</sup> Al-Hadith, *Sahih Bukhari*, Hadith No. 2086; *Muslim*, Hadith No. 3010

<sup>52</sup> Rahman, Professor Dr. Mahfuzur, *Quran O Sunnahar Alope Isalmi Bank Babosthah* (Dhaka: Bangladesh Institute of Islamic Thought, 1<sup>st</sup> publication, August 2014), p.116

<sup>53</sup> Al-Hadith, *Sahih Bukhari*, Part 4, p.434, Hadith No. 2254-2255, *Bulugul Muram*, Part I, p.325.

<sup>54</sup> Rahman, Professor Dr. Mahfuzur, *Quran O Sunnahar Alope Isalmi Bank Babosthah* (Dhaka: Bangladesh Institute of Islamic Thought, 1<sup>st</sup> publication, August 2014), pp.120-121

<sup>55</sup> Ibid, pp.130-131.

<sup>56</sup> Ashrafi, Moulana Md. Fazlur Rahman, *Shoodh O Islami Banking* (Dhaka: Mahin Publications, 1998) p,160

Shaybani (750-804), Abu Ubaid (766-838), Yahia Ibn Adam (752-818), Al-Muhasibi (781-857), Kudama Bin Jafar ( -948), Ibn Al Mukaffa, Al Zahir, Al-Maowardi (974-1058), Ibn Hazam (994-1064), Al-Farabi (950- ), Al-Harir (1054-1122), Imam Gazzali (1055-1111), Nasiruddin Tusi (1201-1274), Ibn Taimia (1262-1328), Ibnul Kaiyum (1292-1350), Al Shatibi ( -1388), Al-Dimashki, Ibn Khaldun (1332-1406), Ahmed Ali Al-Dalazi ( -1421), Shah Wali Ullah Dehlovi (1703-1763)<sup>57</sup>.

These scholars contributed a lot to the different branches of Islamic economic thoughts. Such as-government expenditure, home economics, foreign exchange, taxation, division of labor, controlling monopoly market and price hiking, proper distribution of wealth, controlling syndicate and over stock of products etc. Muslim scholars established a historical milestone for thousand years through their contributions in the financial system of the world.

The Baitul Mal based financial management system continued up to eighteenth century in the Muslim world. When the western economic system dominated the Muslim world in the 18<sup>th</sup> century, the interest based banking system was established and the Baitul Mal based economic system had been demolished<sup>58</sup>.

### **3.1.5 Evolution and Development of Islamic Banking in the World**

The economic reason derived from a verse of the Quran providing inspiration to develop an interest-free financial system has been authenticated in the way that interest,

instead of increasing wealth, reduces it<sup>59</sup>. The primary reason of why the Quran has taken such a hard approach towards interest is that Islam stands for establishing a just economic system free from all kinds of exploitation (Chapra 1985). Further, Muslim economists consider depression and stagflation very often found in the capitalist world as an outcome of the financial system based on interest (Rahman

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<sup>57</sup> Mannan, Muhammad Abdul, *Islami Bankbabostha* (In Bangla) (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012), p.28

<sup>58</sup> Siddique, Dr. Najatullah and Dr. M.A. Zaki Badavi, Translation: Amin, M. Ruhul, *Islamic Banking and Zakah* (Dhaka: Islamic Foundation Bangladesh, 1984), p.1

<sup>59</sup> Al-Quran, 30:34.

1976). Thus, Islamic banking emerged as a response to both religious and economic requirements. While religious emergency calls for avoiding any transaction based on interest, economic necessities, on the other hand, provide a new outlook to the role of banking in promoting investment / productive activities, influencing distribution of income and adding stability to the economy. Islamic banking is thus perceived as an improved system in all dimensions.

After the Second World War the western economists were united against riba and they sought the ways to get rid of from the curse of riba. During this critical time of the world economy the Muslim scholars thought to introduce the interest free profit based banking system based on the historical and traditional economic system of Islam<sup>60</sup>.

Islamic scholars who raised their voice to establish welfare oriented Islamic banking system, removing the curse of interest from the society, they never remained silent<sup>61</sup>. But the Islamic banking establishment movement got a great notion for giving a real Islamic banking structure during the starting period of the 20<sup>th</sup> century.

During the 30<sup>th</sup> decade of the 20<sup>th</sup> century some important books were published on Islamic economics and banking, which familiarized the Islamic banking terminologies and awake the thinkers and scholars<sup>62</sup>.

During the 40<sup>th</sup> and 50<sup>th</sup> decades the Muslim researchers, scholars, thinkers, economists, columnists, writers and businessmen raised their voice and organized several meetings, seminars, symposium and conference, wrote books and delivered speech on Islamic banking structure. After that during the 60<sup>th</sup> decade interest free Islamic banks and insurance companies were established in the different countries of the world<sup>63</sup>.

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<sup>60</sup> Hussain, professor Muhammad Sharif, *Islami Banking: A Superior Banking System* (Dhaka: Islami Bank Bangladesh Limited, 1<sup>st</sup> publication, October 1996), p.15

<sup>61</sup> Ashrafi, Moulana Md. Fazlur Rahman, *Shoodh O Islami Banking* (Dhaka: Mahin Publications, 1998) p,161

<sup>62</sup> Hussain, professor Muhammad Sharif, *Islami Banking: A Superior Banking System* (Dhaka: Islami Bank Bangladesh Limited, 1<sup>st</sup> publication, October 1996), p.16

<sup>63</sup> Ashrafi, Moulana Md. Fazlur Rahman, *Shoodh O Islami Banking* (Dhaka: Mahin Publications, 1998) p,162

### **Establishment of Islamic Bank in Egypt**

The pioneering experiment of putting the principles of Islamic banking and finance into practice was conducted in Egypt from 1963 to 1967 through the establishment of the Mit Ghamr Savings Bank in a rural area of the Nile Delta. The experiment combined the idea of German savings banks with the principles of rural banking within the general framework of Islamic values (Ahmed 1992). The bank's operation was based on the same Islamic principle i.e. no-interest to the depositors or from the borrowers. Unlike the Pakistani bank, the borrower had to have deposits in the bank in order to request a loan. The experiment soon became successful; more branches were opened in different parts of the country, and the amount of deposits increased. Hence, what started as a single bank operation expanded to form a network of local savings banks. Although the project made a good start and initial results were more than encouraging, it suffered a setback owing to changes in the political atmosphere. Nevertheless, the project was revived in 1971 under the name of Nasser Social Bank. This was the first Islamic bank in an urban setting based in Cairo. The bank was a public authority with an autonomous status. Its purpose was mainly to promote social concerns such as granting of interest-free loans for small projects on a profit-loss-sharing basis, and assistance to the poor and needy students for university and higher education. Because of these social functions, Nasser Social Bank was granted an exemption from the Banking and Credit Law of 1957 in its initial stages. The bank was originated under the Ministry of Treasury but it is now functioning under the Ministry of Social Welfare and Insurance. Its capital came from the funds allocated by the President from extra budgetary resources, appropriation from the state budget, and contribution from the Ministry of Awqaf (Ahmed 1992). The principles of operation of the Naser Social Bank are very similar to those of the Mit Ghamr Savings Bank. However, the latter offers a full range of normal banking services and a wide range of investment activities through equity participation (Ashker 1987, pp.18-35).

### **Establishment of Tabung Hajji in Malaysia**

Islamic banking, with a very different approach contemporary to that in Egypt, emerged in Malaysia. It was a financial institution developed for the pilgrims of Malaysia. These institutions were established in response to what was the contention

of the Malaysian Muslims that money spent on pilgrimage must be clean and uncontaminated with 'Riba'. Since this was not possible by depositing money with the ordinary banks, a special financial institution had to be created. Consequently, Pilgrims Saving Corporation was established in 1963, which was later on incorporated into the Pilgrims Management Fund Board (Tabung Hajji) in 1969 (A. Ahmad 1993). Malaysia government is the pioneer to establish Islamic banking in the world for the first time through governmental initiative. After passing law in the parliament, Malaysia established Islamic banking in 1969.<sup>64</sup>

### **Establishment of Islamic Development Bank (IDB)**

The idea of establishing an international financial institution for Muslim countries was discussed in the late 1960s by the Organization of Islamic Conference (OIC). Working papers were circulated and proposals made, but no intensive action was taken until the first meeting of the Finance Ministers of the Islamic countries held in Jeddah in Dhul Qada 1393H (December, 1973).

The second conference of finance ministers held in August 1974 adopted the Articles of Agreements establishing the Bank. The Bank began functioning on 15 Shawal 1395H (20th October 1975).

### **Objectives of Islamic Development Bank (IDB)**

The establishment of the Islamic Development Bank was aimed at contributing to economic development and social progress of its member countries by reinforcing economic co-operation among them, assisting in the development of Islamic economics, banking and finance, and promoting the economic and social welfare of Muslim communities in non-member countries.

In addition, an Islamic bank/investment company was established in Bahamas in 1977 as a multi-national holding company under the name of Islamic Investment Company, ICC limited. Its purpose was to establish 'Mudaraba' (partnership companies) in various parts of Islamic countries. The company has established two 'Mudaraba' subsidiaries in Sharjah and Pakistan.

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<sup>64</sup> Rahman, A.A.M. Habibur, *Islami Banking* (Dhaka: seventh edition, July 2016), p.56

A second example of Islamic banking in the West comes from Luxembourg, where the Islamic Banking System International Holding was established in 1978 as a joint-stock company. Its purpose was to establish international Islamic banks in different parts of the western countries where there are communities of Muslims, and to participate in investment projects in Islamic and non-Islamic countries. The company's investment operations are spread over different parts of the world. As a holding company, it established a new affiliated company in London in June 1983 under the name of Islamic Finance House, and another in Denmark in 1982 under the name of the Islamic Bank International of Denmark.

Dar-al-mal-al-Islami (DMI), based in Geneva, was established in 1981. DMI aims to foster an Islamic financial system based on equity and social justice by incorporating three types of institutions - banking, investment and insurance. Thus, DMI may be considered as a major multi-national company, the activities of which consist of Islamic investments, Islamic solidarity (insurance) and Islamic banking operations (Ashker 1987, pp.18-35). DMI group has adopted a high profile and ambitious campaign to open an Islamic bank and investment in over thirty countries.

The second major group is the Kuwait Finance House (KFH). It was established in 1978. The Kuwait government and the remainder by private Kuwait investors own Forty-nine percent of the KFH. Total value assets of KFH at the end of 1987 were \$3.92 billion with a deposit of \$3.62 billion. The source of KFH's liquidity is cheap deposits from faithful Muslims. The group has concentrated on large scale project financing, particularly in real estate. The KFH does have a minimum account size and, therefore, it could be argued that the institution only caters to the richer members of the society.

Another dynamic Islamic banking conglomerate is the 'Al-Baraka' group, which operates banks, investment companies, financial advisory and management companies in more than a dozen countries. It launched its activities only in 1982, but the group now has a total asset of over \$2.7 billion. It is considered to be one of the fastest growing Islamic enterprises. The group has operations in Tunisia, Sudan, Bahrain, Turkey, and Malaysia. It is the first group to obtain a license to launch Islamic banking in London.

## **Establishment of Islamic Bank in United Arab Emirates**

The Dubai Islamic Bank was established in 1975. It is a public limited company having its office at Dubai, U.A.E. with capital of 50 million Dirhams. Since then, a number Islamic banks and financial institutions have been established in different parts of the world and have been functioning successfully.

## **Islamic Banking in Pakistan**

The gradual process of Islamization of the banking system in Pakistan started in February 1979 when the President of Pakistan announced that interest was to be removed from the economy within a period of three years (CII 1980). In 1977, the government had appointed the Council of Islamic Ideology (CII) with the responsibility of preparing a blueprint of an interest-free economic system in the light of Islamic Shariah. To assist in this task, CII set up a panel of economists and bankers consisting of 15 highly qualified economists, experienced central and commercial bankers and financial experts. Considering the complexity of the task of removing interest from the economy, the panel proposed a gradual approach. In the first interim report it recommended immediate removal of interest from those financial institutions whose transactions were relatively less complex and from where interest could be removed easily. Thus three of the specialized credit institutions - the House Building Finance Corporation, National Investment Trust, and Mutual Funds of Investment Corporation of Pakistan were selected for removing interest from their financing operations immediately<sup>65</sup>.

The final report contained recommendations for eliminating interest from all domestic financial transactions. The panel recognized the difficulty in eliminating interest from foreign transactions all of a sudden and advised reduction of dependence on interest-bearing foreign loans. The Council of Islamic Ideology (CII) scrutinized both the reports, brought out changes in them in order to ensure complete

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<sup>65</sup> Khan, Mohsin S. and Abbas Mirakhor (1989), 'Islamic Banking: Experiences in the Islamic Republic of Iran and Pakistan', *Working Paper WP/89/12*, Research Department, International Monetary Fund, p.15



conformity with Islamic injunctions, and submitted them to the Government in November 1978 and June 1980, respectively.

The Council of Islamic Ideology (CII) report emphasized that "the ideal Islamic techniques to replace interest in the banking and financial fields are profit-loss sharing and *Quard Hasan*. However, it gave due recognition to difficulties that may arise in changing the whole system to profit-loss sharing in one step and also the fact that there are certain spheres where it may not be possible to use the system of profit-loss sharing. It, therefore, gave qualified approval to certain other methods being used in conjunction with profit-loss sharing like leasing, hire purchase, *Bai-Muajjal*, investment auctioning and financing on the basis of normal rate of return. However, cautioning against the danger that such methods could be a back door for interest, it emphasized that their use should be kept to a minimum and that their use as a general techniques of financing must never be allowed.

The Council of Islamic Ideology (CII) report further stressed that lack of proper accounting practice due to illiteracy and tendency to conceal profits on the part of the business concerns would act as a hindrance in widespread adoption of the system of profit sharing by the banks.

The government of Pakistan planned to remove interest from the economy within a period of three years starting with the task from House Building Finance Corporation, National Investment Trust and mutual funds of the Investment Corporation of Pakistan. These specialized financial institutions took the necessary steps to re-orient their activities on a non-interest basis within few months of the announcement from the government.

Considering the complexity in converting operations of commercial banks into non-interest based operations, a longer period was envisaged. On July 1, 1979, the government introduced a scheme under which the nationalized commercial banks had to provide interest-free loans to small farmers for meeting their seasonal agricultural finance requirements.

The next major step towards the elimination of interest from the operations of commercial banks was taken in January 1981 when the government ordered banks to

set up separate counters for accepting deposits on a profit-loss sharing basis in all five nationalized commercial banks. It was also announced that the deposits received on profit-loss sharing basis would not be used by the banks in interest-bearing operations and that these accounts would be maintained separately. The parallel system, in which savers had the option to keep their money with the banks either in interest-bearing deposits or profit-loss sharing deposits, continued to operate till the end of June 1985. In June 1984, the government announced that the parallel system would be discontinued during the course of 1984-85. Accordingly, the entire assets side of the banks was converted into non-interest-based modes of financing, except foreign currency deposits, which continue to earn fixed interest allowing their maturity according to the original terms of the contract. The other exception was foreign loans, which continued to be interest-based and governed by the terms of the loans. No banking company was allowed to accept any interest-bearing deposits after July 1, 1985 with the exception of foreign currency deposits. All banking companies were required to share in profit and loss from that day except deposits received in current account that were not entitled to receive either interest or profit.

### **Islamic Banking in Sudan**

Unlike the experiences of Iran and Pakistan, Islamic banks in Sudan have been operating in a dual system, i.e. alongside conventional banks. Because of their history and circumstances associated with the inception of some of them, Islamic banks in Sudan do not share the same experience. The Faisal Islamic Bank, Sudan (FIBS), for instance, being the forerunner, started operations in 1978 under a special decree that extended some privileges to it. These were represented by tax holidays, exempted from exchange restriction, exemption from those articles in the Bank of Sudan law pertaining to interest imposition and exemption from some articles of the Labor Act provided that it adopted a generous pay system<sup>66</sup>.

Islamization of banking system in Sudan was initiated by a presidential order from President Numeiry instructing the Governor of the Bank of Sudan to implement the process immediately. This resulted in an immediate instruction from the Governor to

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<sup>66</sup> Mudawi, Al-Bagkir Youssef, *The Experience of Islamic Banks in Sudan, In Encyclopedia of Islamic Banking* (London: The Islamic Foundation, 1995), p. 246

the conventional banks to turn themselves Islamic as from July 1, 1984 allowing them two months' times. This left virtually no time for advance studies or preparations to be taken by the conventional banks to convert themselves into Islamic.

Islamic banks in Sudan have been found to be prudent. They diversified their activities by project, client and economic sector in order to minimize their risky operations in an environment of legal and economic constraints.

### **Islamic Banking in Iran**

Following the revolution in 1979, the Iranian authorities took steps to transform the banking system of the country in accordance with Islamic Shariah. In February 1981, Bank Markazi (the central bank of Iran) took some administrative steps to eliminate interest from banking operations. As a result, interest on all asset-side transactions was replaced by a 4 per cent maximum service charge and by 4 per cent to 8 per cent minimum "profit" rate, depending on the type of economic activity. Interest on the deposits was also converted into a "guaranteed minimum profit". In the mean time, preparations got underway for enacting comprehensive legislation to bring the operations of the entire banking system in compliance with the Islamic Shariah. The legislation, prepared by a high-level commission (comprising bankers, academicians, businessmen, and religious scholars), was passed by the Parliament in August 1983 as the Law for Usury-Free Banking, henceforth to be referred to as "the Law". The Law required the banks to convert their deposits in line with the Islamic Shariah within one year, and their total operations within three years, from the date of the passage of the Law, and specified the types of transactions that must constitute the basis for asset and liability acquisition by banks<sup>67</sup>

### **Islamic Bank in Saudi Arabia**

A significant development in Islamic banking has been the granting of an Islamic bank license in Saudi Arabia to the fifty-year old "Al-Rajhi Company", a firm noted for its currency, exchange and commercial activities, whose assets exceed \$5 billion. The firm started operation in 1985 under the name of "Al-Rajhi Banking Investment

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<sup>67</sup> Iqbal, Zubayr and Abbas Mirrakhor, 'Islamic Banking Al-Tawhid', *Islamic Thought and Culture*, Vol. IV, No.3, 1985

Corporation" and has since developed active relationships with major manufacturing and trading companies in Europe and several U.S. corporations. The emerging success of Al-Rajhi in operating profitably in different regions of the world has increased pressure on the Saudi government to go for full-fledged Islamic banking (Mangla, Uppal & Swamy 1988, p.54).

Basically the 70<sup>th</sup> decade was the decade of glorious success. The 80<sup>th</sup> and 90<sup>th</sup> decades were well establishment decades of Islamic banking. At present Islamic banking system is the part & parcel and the only welfare oriented banking system of the world<sup>68</sup>.

### **3.1.6 Origin and Development of Islamic Banking in Bangladesh**

The Islamic banking movement had been strengthening in the Muslim world after the independence of Bangladesh. With a view to conducting research on Islamic economics and implementing the same Islamic Economics Research Bureau (IERB) had established in Dhaka. With the glorious leadership of prominent Islamic scholar, writer and researcher Maolana Muhammad Abdur Rahim, Islamic Economics Research Bureau (IERB) has been playing a vital role in establishing Islamic banking in Bangladesh.<sup>69</sup>

In August 1974, Bangladesh signed the Charter of Islamic Development Bank and committed itself to reorganize its economic and financial system as per Islamic Shariah. In January 1981, Late President Ziaur Rahman while addressing the 3rd Islamic Summit Conference held at Makkah and Taif suggested, "The Islamic countries should develop a separate banking system of their own in order to facilitate their trade and commerce."<sup>70</sup>

This statement of Late President Ziaur Rahman indicated favorable attitude of the Government of the People's Republic of Bangladesh towards establishing Islamic

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<sup>68</sup> Salam, Md. Abdus, Practicing Islamic Banking within the Traditional Bank, the Daily Star, Tuesday, May 08, 2001

<sup>69</sup> Miah, Dr. Mohammed Haider Ali, *A Way to Islamic Banking: Custom & Practice*, Volume – I (Dhaka: fifth edition, March, 2014), p.10

<sup>70</sup> Mannan, Muhammad Abdul, *Islami Bankbabostha* (In Bangla) (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012), p.75

banks and financial institutions in the country. Earlier in November 1980, Bangladesh Bank, the country's Central Bank, sent a representative to study the working of several Islamic banks abroad namely Dubai Islami Bank, Faysal Islami Bank of Egypt, Naser Social Bank and Kairo office of International Association of Islamic Banking.<sup>71</sup>

From 26 October 1981 a training course for 30 days long was held at Sonali Bank Staff College. 37 officers from Bangladesh Bank, all state owned banks, Bangladesh Institute of Bank Management (BIBM) and the then proposed International Islamic Bank of Dhaka Limited present Islami Bank Bangladesh Limited. The then Principal of Sonali Bank Staff College Mr. M. Azizul Huq played a vital role in this regard.<sup>72</sup>

From 18 January 1982 the second Islamic banking training course was held under the initiative of Bangladesh Institute of Bank Management (BIBM).<sup>73</sup>

Besides the governmental initiatives several socio-economic organizations organized seminars during 1977-1982. These are Islamic Economics Research Bureau (IERB), Working Group for Islamic Banking in Bangladesh, Baitush Sharf Islamic Research Institute and Islamic Foundation Bangladesh etc.<sup>74</sup>

In November 1982, a delegation of IDB visited Bangladesh and showed keen interest to participate in establishing a joint venture Islamic bank in the private sector. They found a lot of work had already been done and Islamic banking was in a ready form for immediate introduction. Two professional bodies -Islamic Economics Research Bureau (IERB) and Bangladesh Islamic Bankers' Association (BIBA) made significant contributions towards introduction of Islamic banking in the country.<sup>75</sup> They came forward to provide training on Islamic banking to top bankers and economists to fill-up the vacuum of leadership for the future Islamic banks in Bangladesh. They also held seminars, symposia and workshops on Islamic

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<sup>71</sup> Miah, Dr. Mohammed Haider Ali, *A Way to Islamic Banking: Custom & Practice*, Volume – I (Dhaka: fifth edition, March, 2014), p.10

<sup>72</sup> Mannan, Muhammad Abdul, *Islami Bankbabostha* (In Bangla) (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012), p.75

<sup>73</sup> Ibid, p.76

<sup>74</sup> Ibid, p.76

<sup>75</sup> Ibid, p.76

economics and banking throughout the country to mobilize public opinion in favor of Islamic banking.

Their professional activities were reinforced by a number of Muslim entrepreneurs working under the guidance of the then Muslim Businessmen Society (now reorganized as Industrialist & Businessmen Association). The body concentrated mainly in mobilizing equity capital for the emerging Islamic bank. At last, the long drawn struggle to establish an Islamic bank in Bangladesh became a reality and Islami Bank Bangladesh Limited was established in March 1983 in which 19 Bangladeshi national, 4 Bangladeshi institutions and 11 banks, financial institutions and government bodies of the Middle East and Europe including IDB and two eminent personalities of the Kingdom of Saudi Arabia joined hands to make the dream a reality. Later, other three Islamic Banks were established in the country.

### **3.1.7 Establishment of Islami Bank Bangladesh Limited (IBBL)**

Islami Bank Bangladesh Limited (IBBL) is considered as the first interest free bank in Southeast Asia. It was incorporated on March 13, 1983<sup>76</sup> as a Public Company with limited liability under the companies Act 1913. The bank began its operations on March 30, 1983.

Islami Bank Bangladesh Limited is a joint venture multinational Bank with 58.46%<sup>77</sup> of equity being contributed by the Islamic Development Bank and financial institutions like-Al-Rajhi Company for Currency Exchange and Commerce, Saudi Arabia, Kuwait Finance House, Kuwait, Jordan Islamic Bank, Jordan, Islamic Investment and Exchange Corporation, Qatar, Bahrain Islamic Bank, Bahrain, Islamic Banking System International Holding S. A., Luxembourg, Dubai Islamic Bank, Dubai, Public Institution for Social Security, Kuwait Ministry of Awqaf and Islamic Affairs, Kuwait and Ministry of Justice, Department of Minors Affairs, Kuwait. In addition, two eminent personalities of Saudi Arabia namely, Fouad Abdul Hameed Al-Khateeb and Ahmed Salah Jamjoom are also the sponsors of IBBL. The total number of branches as of December 2016 stood at 318. The

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<sup>76</sup> Islami Bank Bangladesh Limited, Annual Report 2016, p.27

<sup>77</sup> Ibid, p.30

authorized capital of the bank is Tk. 20000.00 million and subscribed capital is Tk. 16,099.90 Million.

### 3.1.8 Islamic Banking around the World

Islamic banks established and operated in the following countries in the world<sup>78</sup>:

S/N	Name of the Country	S/N	Name of the Country
1	Afghanistan	26	Lebanon
2	Algeria	27	Liechtenstein
3	Albania	28	Luxemburg
4	Argentina	29	Malaysia
5	Australia	30	Mauritania
6	Bahaman	31	Morocco
7	Bahrain	32	Niger
8	Bangladesh	33	Pakistan
9	Brunei	34	Palestine
10	Keiman Islands	35	Philippines
11	Cyprus	36	Qatar
12	Denmark	37	Russia
13	Jebuti	38	Saudi Arabia
14	Egypt	39	Senegal
15	Germany	40	South Africa
16	Ginny	41	Sudan
17	Gambia	42	Switzerland
18	India	43	Thailand
19	Indonesia	44	Tunisia
20	Iran	45	Turkey
21	Iraq	46	United Arab Emirates
22	Jordan	47	United Kingdom
23	Kazakhstan	48	United States of America

<sup>78</sup> Mannan, Muhammad Abdul, Islami Bankbabostha (In Bangla) (Dhaka: Central Shariah Board for Islamic banks of Bangladesh, 2<sup>nd</sup> version 4<sup>th</sup> print, August 2012), p.69

24	Kibriz Turkey republic	49	Yemen
25	Kuwait	50	Bosnia

### **3.1.9 Banking in Bangladesh**

#### **Central Bank of Bangladesh**

Pursuant to Bangladesh Bank Order, 1972 the Government of Bangladesh reorganized the Dhaka Branch of the State Bank of Pakistan as the central bank of the country, and named it Bangladesh Bank with effect from 16 December 1971.

#### **Scheduled Banks in Bangladesh**

Scheduled Banks are licensed under the Bank Company Act, 1991 (Amended up to 2013).

#### **State Owned Commercial Banks in Bangladesh**

1. Sonali Bank Limited
2. Agrani Bank Limited
3. Janata Bank Limited
4. Rupali Bank Limited
5. BASIC Bank Limited

#### **Specialized Banks in Bangladesh**

1. Bangladesh Krishi Bank
2. Bangladesh Development Bank Limited (BDBL)
3. Rajshahi Krishi Unnayan Bank (RAKUB)

#### **Private Commercial Banks in Bangladesh**

#### **Conventional Commercial Banks in Bangladesh**

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. IFIC Bank Limited
9. Jamuna Bank Limited
10. Meghna Bank Limited
11. Mercantile Bank Limited
12. Midland Bank Limited
13. Modhumoti Bank Limited
14. Mutual Trust Bank Limited
15. National Bank Limited
16. National Credit & Commerce Bank Limited
17. NRB Bank Limited
18. NRB Commercial Bank Limited
19. NRB Global Bank Limited
20. One Bank Limited
21. Prime Bank Limited
22. Pubali Bank Limited
23. Shimanto Bank Limited
24. South Bangla Agriculture & Commerce Bank Limited
25. Southeast Bank Limited
26. Standard Bank Limited
27. The City Bank Limited
28. The Farmers Bank Limited
29. The Premier Bank Limited
30. Trust Bank Limited
31. United Commercial Bank Limited
32. Uttara Bank Limited

**Islamic Shariah based Commercial Banks in Bangladesh**

1. Al-Arafah Islami Bank Limited
2. EXIM Bank Limited
3. First Security Islami Bank Limited
4. ICB Islamic Bank Limited
5. Islami Bank Bangladesh Limited

6. Shahjalal Islami Bank Limited
7. Social Islami Bank Limited
8. Union Bank Limited

#### **Foreign Commercial Banks in Bangladesh**

1. Bank Al-Falah Limited
2. Citibank N.A
3. Commercial Bank of Ceylon PLC
4. Habib Bank Limited
5. National Bank of Pakistan
6. Standard Chartered Bank
7. State Bank of India
8. The Hong Kong and Shanghai Banking Corporation Limited
9. Woori Bank

#### **Non-Scheduled Banks**

Non-Scheduled Banks are licensed only for specific functions and objectives, and do not offer the same range of services as scheduled banks.

1. Ansar VDP Unnayan Bank
2. Jubilee Bank
3. Karmashangosthan Bank
4. Probashi Kollyan Bank

#### **Non Bank Financial Institutions in Bangladesh**

1. Agrani SME Financing Company Limited
2. Bangladesh Finance & Investment Company Limited
3. Bangladesh Industrial Finance Company Limited
4. Bangladesh Infrastructure Finance Fund Limited
5. Bay Leasing & Investment Limited
6. CAPM Venture Capital and Finance Limited
7. Delta Brac Housing Finance Corporation Limited
8. Fareast Finance & Investment Limited
9. FAS Finance & Investment Limited
10. First Finance Limited

11. GSP Finance Company (Bangladesh) Limited
12. Hajj Finance Company Limited
13. IDLC Finance Limited
14. Industrial and Infrastructure Development Finance Company Limited
15. Industrial Promotion and Development Company of Bangladesh Limited
16. Infrastructure Development Company Limited
17. International Leasing and Financial Services Limited
18. Islamic Finance and Investment Limited
19. LankaBangla Finance Limited
20. Meridian Finance and Investment Limited
21. MIDAS Financing Limited
22. National Finance Limited
23. National Housing Finance and Investments Limited
24. People's Leasing and Financial Services Limited
25. Phoenix Finance and Investments Limited
26. Premier Leasing & Finance Limited
27. Prime Finance & Investment Limited
28. Reliance Finance Limited
29. Saudi-Bangladesh Industrial & Agricultural Investment Company Limited
30. SEAF Bangladesh Venture Limited
31. The UAE-Bangladesh Investment Company Limited
32. Union Capital Limited
33. United Finance Limited
34. Uttara Finance and Investments Limited

**Specialized Financial Institutions (Semi Formal Sector) in Bangladesh**

1. Grameen Bank
2. House Building Financial Corporation (HBFC)
3. Palli Karma Sahayak Foundation (PKSF)
4. Samabay Bank

### 3.1.10 Status of Islamic Banking Branches in Bangladesh

The number of Islamic Banking branches (including Islamic branches and windows of conventional banks) stood at 1090 as on December 31, 2016. At the end of 2016, among the Islamic Banking Industry, 8 full-fledged Islamic banks had 1047 branches, 9 conventional commercial banks had 20 branches and 7 conventional banks had 25 windows. Information on branches of Islamic banks is shown in Table-2.<sup>79</sup>

**Table 2: Number of Islamic Banking Branches of Islamic Banks and other conventional banks (as on December 31, 2016)**

Name of the Bank		Urban	Rural*	Total
<b>A)</b>	<b>Full-fledged Islamic Banks</b>	<b>629</b>	<b>418</b>	<b>965</b>
1	Islami Bank Bangladesh Limited*	224	94	318
2	ICB Islamic Bank Limited	28	5	33
3	Social Islami Bank Limited*	67	58	125
4	Al-Arafah Islami Bank Limited	71	69	140
5	EXIM Bank Limited	63	50	113
6	Shahjalal Islami Bank Limited	65	38	103
7	First Security Islami Bank Limited	82	76	158
8	Union Bank Limited	29	28	57
<b>B)</b>	<b>Islamic banking branches of Conventional banks</b>	<b>19</b>	<b>1</b>	<b>20</b>
1	The City bank Limited	1	0	1
2	AB Bank Limited	1	0	1
3	Dhaka Bank Limited	2	0	2
4	Premier Bank Limited	3	0	3
5	Prime Bank Limited	5	0	5
6	Southeast Bank Limited	4	1	5
7	Jamuna Bank Limited	2	0	2
8	Bank Alfalah Limited	1	0	1

<sup>79</sup> The Banking Review Series 2017, BIBM

<b>C)</b>	<b>Islamic banking windows of Conventional banks</b>	<b>25</b>	<b>0</b>	<b>25</b>
	Sonali Bank Limited	5	0	5
	Janata Bank Limited**	0	0	0
	Agrani Bank Limited	5	0	5
	Pubali Bank Limited	2	0	2
	Trust Bank Limited	5	0	5
	Standard Bank Limited	2	0	2
	Bank Asia Limited	5	0	5
	Standard Chartered Bank	1	0	1
<b>D)</b>	<b>Total=A+B+C</b>	<b>671</b>	<b>419</b>	<b>1090</b>

**Source:** The Banking Review Series 2017, BIBM

\* Including SME

\*\* Janata Bank Limited has obtained permission for starting Islamic Banking window from Bangladesh Bank, but not yet started.

### **3.1.11 Conclusion**

Islamic banking is welfare oriented banking. The distinct characteristics which provide Islamic banking with its main points of departure from the traditional interest-based commercial banking system are:

- The Islamic banking system is essentially a profit sharing and loss bearing system and not merely an interest or Riba based banking system. So, Islamic bank fosters closer relations between banks and entrepreneurs. It helps to develop financial expertise in non-financial firms and also enables the bank to play the role of technical consultant and financial adviser, which acts as catalyst in the process of industrialization and development
- Investment under this system of banking must serve simultaneously both the benefit to the investor and the benefit of the local community as well

Islamic banks are universal or multi-purpose banks and not purely commercial banks. These banks are conceived to be a crossbreed of commercial and investment banks, investment trusts and investment-management institutions, and offer a variety of services to their customers.

## Chapter Three

### Islami Bank Bangladesh Limited and Sonali Bank Limited

#### Part-II

#### Islami Bank Bangladesh Limited and Sonali Bank Limited-An Overview

##### 3.2.1 Introduction

In Bangladesh economy the contribution of Islami Bank Bangladesh Limited and Sonali Bank Limited is known to all. Sonali Bank Limited is the largest commercial bank of Bangladesh. As the agent of Government of the People's Republic of Bangladesh, Sonali Bank Limited is playing a vital role in the socio-economic development of Bangladesh. On the other hand, Islami Bank Bangladesh Limited is the largest private commercial bank of Bangladesh. Islami Bank Bangladesh Limited is operated based on Islamic Shariah. It is the pioneer of the welfare based banking in the South-East Asia. Islami Bank Bangladesh Limited has been enlisted in the world's top 1000 banks for its glorious achievement and quality performance in the global banking arena.

At present there are eight full-fledged Islami banks in Bangladesh. The list of these eight full-fledged Islami banks is given below with the help of a table:

**Table 3: List of Islamic Banks in Bangladesh (Full-Fledged)**

S/N	Name of Bank	Year of Establishment
1	Islami Bank Bangladesh Limited	1983
2	ICB Islami Bank Limited	1987
3	Al-Arafah Islami Bank Limited	1995
4	Social Islami Investment Bank Limited	1995
5	Shahjalal Islami Bank Limited	2001
6	EXIM Bank Limited	2004 (Established in 1999 as conventional bank)
7	First Security Islami Bank Limited	2008 (Established in 1999 as conventional bank)
8	Union Bank Limited	2013

An overview of Islami Bank Bangladesh Limited and Sonali Bank Limited including the rest 07 (seven) full-fledged Islamic Banks of Bangladesh is given below:

### **3.2.2 Overview on Islami Bank Bangladesh Limited (IBBL)**

Islami Bank Bangladesh Limited is a Joint Venture Public Limited Company engaged in commercial banking business based on Islamic Shariah with 58.46%<sup>1</sup> foreign shareholding having largest branch network of total 318<sup>2</sup> Branches among the private sector Banks in Bangladesh. It was established on the 13th March 1983 as the first Islamic Bank in the South East Asia.

It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 20,000.00 Million and Paid-up Capital is Tk. 16,099.90 Million having 44,126<sup>3</sup> shareholders and 13,569<sup>4</sup> manpower as on 31st December 2016.<sup>5</sup>

#### **Vision of Islami Bank Bangladesh Limited<sup>6</sup>**

- Always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance
- It's goal is to establish and maintain the modern banking techniques, to ensure soundness and development of the financial system based on Islamic principles and to become the strong and efficient organization with highly motivated professional, working for the benefit of people, based upon accountability, transparency and integrity in order to ensure stability of financial systems
- IBBL always tries to encourage savings in the form of direct investment. We will also try to encourage investment particularly in projects which are more likely to lead to higher employment

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<sup>1</sup> Islami Bank Bangladesh Limited, Annual Report 2016, p.30

<sup>2</sup> Ibid, p.30

<sup>3</sup> Ibid, p.199

<sup>4</sup> Ibid, p.199

<sup>5</sup> Ibid, p.199

<sup>6</sup>Ibid, p.9



### **Mission of Islami Bank Bangladesh Limited<sup>7</sup>**

- To establish Islamic Banking through the introduction of a welfare oriented banking system and also ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development through diversified investment operations particularly in the prioritized sectors and less developed areas of the country
- To encourage socio-economic upliftment and financial services to the low-income community especially in the rural areas

### **Strategic Objectives of Islami Bank Bangladesh Limited<sup>8</sup>**

- To ensure customers' satisfaction
- To ensure welfare oriented banking
- To establish a set of managerial succession and adopting technological changes to ensure successful development of an Islamic Bank as a stable financial institution.
- To prioritize the clients welfare
- To emerge as a healthier & stronger bank at the top of the banking sector and continue stable positions in ratings, based on the volume of quality assets
- To ensure diversification by Sector, Size, Economic purpose & geographical location wise Investment and expansion need based Retail and SME/Women entrepreneur financing
- To invest in the thrust and priority sectors of the economy
- To strive hard to become a employer of choice and nurturing & developing talent in a performance-driven culture
- To pay more importance in human resources as well as financial capital
- To ensure lucrative career path, attractive facilities and excellent working environment
- To ensure zero tolerance on negligence in compliance issues both Shariah and regulatory issues

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<sup>7</sup> Ibid, p.10

<sup>8</sup> Ibid, p.11

- To train & develop human resources continuously & provide adequate logistics to satisfy customers need
- To be excellent in serving the cause of least developed community and area
- To motivate team members to take the ownership of every job
- To ensure development of devoted and satisfied human resources
- To encourage sound and pro-active future generation
- To achieve global standard
- To strengthen corporate culture
- To ensure Corporate Social Responsibilities (CSR) through all activities
- To promote using solar energy and green banking culture and ecological balancing

### **Core Values of Islami Bank Bangladesh Limited<sup>9</sup>**

- Trust in Almighty Allah
- Strict observance of Islamic Shariah
- Highest standard of Honesty, Integrity & Morale
- Welfare Banking
- Equity and Justice
- Environmental Consciousness
- Personalized Service
- Adoption of Changed Technology
- Proper Delegation, Transparency & Accountability

### **Commitments of Islami Bank Bangladesh Limited<sup>10</sup>**

- To Shariah
- To the Regulators
- To the Shareholders
- To the Community
- To the Customers
- To the Employees

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<sup>9</sup> Ibid, p.12

<sup>10</sup> Ibid, p.12

- To other stakeholders
- To Environment

**Table 4: IBBL Corporate Information<sup>11</sup> (as on 31.12.2016)**

Authorized Capital	20,000.00 Million <sup>12</sup>
paid-up Capital	16,099.91 Million
Equity	48,738.95 Million <sup>13</sup>
Reserve Fund	31,029.05 Million
Deposits	6,81,352.25 Million <sup>14</sup>
Investment (including Investment in Shares)	6,76,747.80 Million
Number of Branches	318
Number of Shareholders	44,126
Number of Manpower	13,569
Local shareholders	41.54%
Foreign shareholders	58.46%

**Source:** Islami Bank Bangladesh Limited, Annual Report 2016, p30

**Table 5: IBBL Corporate Milestone<sup>15</sup> (as on 31.12.2016)**

Incorporation	13.03.1983
Certificate for Commencement of Business	27.03.1983
Inauguration of 1st Branch	30.03.1983
Formal Inauguration	12.08.1983
Formation of Shariah Supervisory Committee	01.05.1983
CSR/Foundation activities	04.07.1983
Initial Public Offerings (IPO)	30.06.1985
Listing in Dhaka Stock Exchange Ltd.	02.07.1985

<sup>11</sup> Ibid, p.30

<sup>12</sup> Ibid, p.198

<sup>13</sup> Ibid, p.198

<sup>14</sup> Ibid, p.198

<sup>15</sup> Ibid, pp.27-28

Listing in Chittagong Stock Exchange Ltd.	07.03.1996
Opening of 100th Branch	12.06.1997
In-house Core Banking Software	02.04.2005
Issuance of Mudaraba Perpetual Bond (MPB)	25.11.2007
1st Position of IBBL in Inward Remittance	31.12.2007
Inauguration of Broker House	01.01.2008
Opening of 200th Branch	21.06.2009
Formation of Subsidiary Companies	
Islami Bank Securities Limited (IBSL)	22.03.2010
Islami Bank Capital Management Limited (IBCML)	01.04.2010
Opening of 250th Branch	15.12.2010
100% Branch Online Banking	07.01.2011
Launching of Islami Bank mCash	27.12.2012
Launching of Call Center	27.12.2012
Entered into the World's Top 1000 Banks list since	31.12.2012
Witnessed TK.5,00,000 Million Deposit Base	14.04.2014
Launching of Shariah Based Credit Card- Islami Bank Khidmah Card	27.05.2014
Launching of IBBL Travel Card	16.10.2014
Opening of 400 Own ATM Booth	31.10.2014
Launching of Sheba Ghar	18.03.2015
Opening of 300th Branch	09.09.2015
Launching 'IBBL iSmart' (mobile apps)	30.03.2016
Opening of 500 Own ATM Booth	18.10.2016

Islami Bank Bangladesh Limited, Annual Report 2016, pp.27-28

### **Unique features of Islami Bank Bangladesh Limited**

Since inception, Islami Bank Bangladesh Limited has been rendering its banking services by offering diversified and a wide range of deposit, investment and foreign trade & foreign exchange products through technology based devices. The unique features of Islami Bank Bangladesh Limited have been described below:

**a) Welfare-oriented banking**

Islami Bank Bangladesh Limited started its operation to introduce a welfare-oriented banking ensuring equity and justice in all of its activities. Unlike conventional financial institution, profit or wealth maximization has never been among the prime objectives of Islami Bank Bangladesh Limited.<sup>16</sup>

**b) Focus on Maqasid-al-Shariah**

Islami Bank Bangladesh Limited not only focuses on merely shariah compliance issues but also focuses on ‘Maqasid-al-Shariah’ in all of its operational portfolios.<sup>17</sup>

**c) Socially and Environmentally Friendly Banking**

Islami Bank Bangladesh Limited has been emphasizing on social, ethical and environmentally responsible approaches to business activity.<sup>18</sup> As Islami Bank Bangladesh Limited is committed to ensure welfare, it does not invest in socially and environmentally undesirable projects even though the projects seem to be financially viable and profitable.<sup>19</sup>

**d) Need-based Banking**

To fulfill the real needs of the common people, Islami Bank Bangladesh Limited strives to substitute the ‘Green-based Banking’ through establishing ‘Need-based Banking’.<sup>20</sup>

**e) Mass Banking**

Most of the commercial banks operate to address the class people of the society. But Islami Bank Bangladesh Limited is different from this concept both theoretically and practically in the sense that it addresses the requirement of the mass people.<sup>21</sup>

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<sup>16</sup> Islami Bank Bangladesh Limited Annual Report 2015, p.60

<sup>17</sup> Ibid, p.60

<sup>18</sup> Ibid, p.18

<sup>19</sup> Ibid, p.61

<sup>20</sup> Ibid, p.61

<sup>21</sup> Ibid, p.60

#### **f) Widening Network to Address Unbanked Population**

To reach the unbanked, underserved and remote segment of population of the country Islami Bank Bangladesh Limited is continuously pursuing for widening its network by opening more and more new branches especially in the remote areas.<sup>22</sup>

#### **g) Special Investment Scheme**

To address the special needs of the particular group of people Islami Bank Bangladesh Limited has some special investment schemes. Although the high supervision costs of these schemes lesser the income compared to other banks, Islami Bank Bangladesh Limited has just run these schemes to ensure welfare of humanity.

#### **h) Financial Inclusion and Sustainable Development**

Since inception Islami Bank Bangladesh Limited has been working relentlessly towards overall development by ensuring financial inclusion, sustainable and inclusive growth as well as socio-economic development of the country through introducing modern and welfare oriented banking products and services including financial literacy programs.<sup>23</sup>

#### **National Membership**

Islami Bank Bangladesh Limited has become the active member of the following national organizations<sup>24</sup>:

1. Bangladesh Institute of Bank Management (BIBM)
2. The Institute of Bankers, Bangladesh (IBB)
3. Bangladesh Association of Banks (BAB)
4. Bangladesh Foreign Exchange Dealers' Association (BAFEDA)
5. Bangladesh Association of Public Listed Companies (BAPLC)
6. Central Shari'ah Board for Islamic Banks of Bangladesh (CSBIBB)
7. Islamic Banks Consultative Forum (IBCF)
8. Dhaka Chamber of Commerce and Industry (DCCI)

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<sup>22</sup> Ibid, p.61

<sup>23</sup> Ibid, p.61

<sup>24</sup> Ibid, p.62

9. Dhaka Stock Exchange Limited (DSE)
10. Federation of Bangladesh Chamber of Commerce and Industry (FBCCI)
11. Bangladesh Chamber of Industry (BCI)

### **International Membership**

Islami Bank Bangladesh Limited has got the prestigious membership of the following international organizations<sup>25</sup>:

1. Accounting and Auditing Organizations for Islamic Financial Institutions (AAOIFI), Manama, Bahrain and has become the member of its Board of Trustees.
2. Islamic Financial Services Board (IFSB), Kuala Lumpur, Malaysia.
3. General Conducts for Islamic Banks and Financial Institutions (CIBAFI), Manama, Bahrain.
4. International Islamic Financial Market, Manama, Bahrain.
5. International Islamic Centre for Reconciliation and Arbitration (IICRA).
6. International Chamber of Commerce Bangladesh (ICC-Bangladesh).

### **Recognition of Performance<sup>26</sup>**

As recognition of good performance Islami Bank Bangladesh Limited has been awarded by the different institutions of the world under different criteria. Some of them are the Global Finance, the Institute of Cost and Management Accountants of Bangladesh (ICMAB), the Institute of Chartered Accountants of Bangladesh (ICAB), South Asian Federation of Accountants (SAFA), the Bank-Bima Patrika, the weekly Industry, The Citi Bank NA, ICICI Bank, the Bankers' Forum and The UAE Exchange etc. The recognition of performance of Islami Bank Bangladesh Limited has been given below:

1. IBBL has been selected as the only Bank from Bangladesh in top 1000 banks in the world by a UK based century old financial magazine, 'The Banker' published the list in its July 2012 issue.

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<sup>25</sup> Ibid, p.62

<sup>26</sup> <http://www.islamibankbd.com>

2. The institute of Chartered Accountants of Bangladesh (ICAB) awarded IBBL the first prize of SARRC Anniversary Award for Corporate Governance.
3. South Asian Federation of Accountants (SAFA) awarded IBBL as joint Winner in the Corporate Governance Disclosure Award-2010.
4. South Asian Federation of Accountants (SAFA) also awarded IBBL with Certificate of Merit in Banking Sector in the Annual Report for the year 2010.
5. The Institute of Cost and Management Accountants of Bangladesh (ICMAB), awarded IBBL as the ICMAB National Best Corporate Award-2007 (First Position, Local Bank) and ICMAB Best Corporate Performance Award – 2008 (Second Position, Private Commercial Bank).
6. The Institute of Chartered Accountants of Bangladesh (ICAB) awarded IBBL with 3rd position under the category-1, banking in the best published accounts and reports for the year 2010, the Certificate of Appreciation for the year 2001 & 2010 and Certificate of Merit for the year 2008.
7. The Global Finance, a reputed U.S.A. based quarterly Financial Magazine, awarded IBBL as the best Islamic Financial Institution of the country for the years 2008, 2009, 2010 & 2011. The Global Finance also awarded IBBL as the best bank of the country for the year 1999, 2000, 2004 and 2005.
8. ICICI Bank, Hong Kong, awarded IBBL as “The Quality Recognition Award-2009” for U.S. Dollar Clearing (2009).
9. Bankers’ Forum awarded IBBL as the Best Bank for Corporate Social Responsibility for 2008 and 2009.
10. The Bank-Bima Patrika, a Fortnightly Magazine, awarded IBBL as the Best Islami Banking Award 2007.



11. Exclusive economic weekly “The Industry” awarded IBBL as the Best Rated Bank Award-2010.
12. The Citi Bank NA awarded IBBL as the “Largest Contributor” in Foreign Trade Operations in Europe- Bangladesh corridor in 2009.
13. The UAE Exchange awarded IBBL for mobilizing around 30% of total foreign remittance of the country.

### **3.2.3 Overview on Sonali Bank Limited**

Soon after independence of the country Sonali Bank emerged as the largest and leading Nationalized Commercial Bank by proclamation of the Banks' Nationalization Order 1972 (Presidential Order-26) liquidating the then National Bank of Pakistan, Premier Bank and Bank of Bahawalpur. As a fully state owned institution, the bank had been discharging its nation-building responsibilities by undertaking government entrusted different socio-economic schemes as well as money market activities of its own volition, covering all spheres of the economy.

The bank has been converted to a Public Limited Company with 100% ownership of the government and started functioning as Sonali Bank Limited from November 15, 2007 taking over all assets, liabilities and business of Sonali Bank. After corporatization, the management of the bank has been given required autonomy to make the bank competitive & to run its business effectively.

Sonali Bank Limited is governed by a Board of Directors consisting of 11 (Eleven) members. The Bank is headed by the Managing Director & CEO, who is a well-known Banker and a reputed professional. The corporate head quarter of the bank is located at Motijheel, Dhaka, Bangladesh, in the main commercial center of the capital.

### **Vision of Sonali Bank Limited**

Socially committed leading banking institution with global presence.<sup>27</sup>

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<sup>27</sup> Sonali Bank Limited, Annual Report 2015, p.13

### **Mission of Sonali Bank Limited**

Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country.<sup>28</sup>

### **Slogan of Sonali Bank Limited<sup>29</sup>**

Your trusted partner in innovating banking.

### **Core Values of Sonali Bank Limited<sup>30</sup>**

The core value proposition of Sonali Bank Limited consists of the following key elements which would assist the Bank in perceiving the employees to work as a team towards accomplishment of assigned duties and responsibilities for achievement of desired objectives. The core values include:

- Ethics
- Objectivity
- Integrity
- Excellence
- Commitment
- Accountability
- Transferability
- Team Work
- Self Reliance
- Innovation

### **Strategic Objectives of Sonali Bank Limited<sup>31</sup>**

The core objectives of Sonali Bank Limited are to conduct transparent and high quality banking services to ensure maximum customer satisfaction as well as ensure

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<sup>28</sup> Ibid, p.13

<sup>29</sup> Ibid, p.01

<sup>30</sup> Ibid, p.14

<sup>31</sup> Ibid, p.16

financial strengthening through expanding market share within the country and abroad.

The Strategic Objectives of Sonali Bank Limited is mentioned below:

- Greater emphasis to serve potential and unbanked population of the country through providing banking services to under-served areas with the scaling up of various pilot initiatives
- Gaining competitive advantages by lowering overall costs compared to that of competitors
- Retaining the top leadership position by providing quality customer services
- Investing in the thrust and priority sectors of the economy
- Being excellent in serving the cause of least developed community and areas
- Improving deposit mix by maintaining efficient management, increasing share of low cost and no cost deposit in total deposit as well funded business
- Improving corporate governance through strengthening good corporate culture, motivation, training and supervision in all level of management
- Developing Human Resource Management System to motivate and retain the human resources and transform the human resources to human capital through proper training in every aspects of working area
- Ensuring diversification of investment by sector, size, economic purpose and geographical location and expand need based retail and ME/Microfinance/Women entrepreneur financing
- Cost control optimization at all levels of operation by ensuring budgetary control and maximizing revenue through quality services and product diversification
- Ensuring strong internal control and compliance culture through establishing strong control environment and sound compliance within the bank
- Developing sound and effective risk management culture within the bank to safeguard the banking assets and protect the interest of the depositors and other stakeholders
- Ensure dedicated service to the government as an exchequer and government transactions (government receipts and payments) in order to achieve expected economic growth

**Table 6: Corporate Profile of Sonali Bank Limited:**

<b>Name of the Company</b>		<b>Sonali Bank Limited</b>
Legal Status		Public Limited Company
Incorporation		03.06.2007
Commencement of Business		03.06.2007
Banking License Obtained		05.06.2007
Company Registration		03.06.2007
Authorised Capital		Tk. 6000.00 Crore
Paid up Capital		Tk. 3830.00 Crore
Face Value per Share		BDT 100.00
<b>Branches of Sonali Bank Limited</b>		
Foreign branches		02
Local branches		1205 <sup>32</sup>
Rural Branches	563	
Urban Branches	642	
<b>Total Branches</b>		<b>1207</b>
No of Regional Offices		16
No of Principal Offices		46
No of General Manager (G.M.) Offices		11
No. of Islamic Window		05 <sup>33</sup>
Total Manpower		22,100 <sup>34</sup>
Website		www.sonalibank.com.bd

**Source:** Sonali bank Limited, Annual Report 2015, pp.18-19

**Table 7: Milestones<sup>35</sup> of Sonali Bank Limited (as on 31.12.2015)**

<b>Particulars</b>	<b>Year</b>
Commencement of banking operation of Sonali Bank	1972

<sup>32</sup> Ibid, p.18

<sup>33</sup> Ibid, p.19

<sup>34</sup> Ibid, p.19

<sup>35</sup> Ibid, p.23

First net profit of 02.00 million earned	1972
First annual report published	1972
Paid up capital increased from initial 20.00 million to 30.00 million	1973
Inauguration of overseas branch in London (UK) and Kolkata (India)	1974
No. of 1000 branch crossed	1980
Paid up capital increased to 55.00 million	1985
Foreign Remittance crossed 10000.00 million	1986
First computer launched in Sonali Bank	1989
Paid up capital increased to 2427.00 million	1990
Paid up capital increased to 3272.00 million	1993
Establishment of Sonali Exchange Co. Inc (SECI), USA	1994
Deposit crossed 100000.00 million	1994
Loans and Advances crossed 100000.00 million	1999
Establishment of Joint Venture Subsidiary: Sonali Bank (UK) Ltd.	2001
Operating profit crossed 3000.00 million	2005
Foreign Remittance crossed 100000.00 million	2005
Loans and Advances crossed 200000.00 million	2005
Paid up capital increased to 5000.00 million	2006
Deposit crossed 300000.00 million	2006
Incorporation and commencement of business of Sonali Bank Limited	2007
Paid up capital increased to 9000.00 million	2007
Achieved the ICMAB Best Corporate Award	2008
Establishment of Sonali Investment Limited	2009
Achieved the Best Brand Award	2009- 2013
Introduction of SMS Banking	2009
Deposit crossed 400000.00 million	2009
Implementation of BACH and BEFTN	2010
Awarded the Best Retail Banker of Bangladesh by the Asian Banker	2010
Introduction of Islamic Banking Window	2010
Introduction of Any Branch Banking (ABB)	2010
Deposit crossed 500000.00 million	2011

Loans and Advances crossed 300000.00 million	2011
Paid up capital increased to 11250.00 million	2011
Introduced On-line Government Transaction System (GTS)	2012
Introduced NRB Sonali Bank e-Payment Portal	2012
Awarded the Stronger Bank in Bangladesh by The Asian Banker	2012
Awarded The Highest Remittance Collecting Bank	2012
Establishment of Sonali Polaris FT Limited	2012
Deposit crossed 600000.00 million	2013
Achieved the Best Financial Institute of Arthokontho Business Award	2013
Paid up capital increased to 31200.00 million	2014
Deposit crossed 700000.00 million	2014
Online Real Time Banking (ORTB) Operation being introduced	2014
Introduced RTGS as 4 <sup>th</sup> Bank in Bangladesh	2015
Total Assets reached 1.00 trillion for the first time amongst all banks of Bangladesh	2015

**Source:** Sonali bank Limited, Annual Report 2015, p.23

### **Islamic Banking of Sonali Bank Limited**

Sonali Bank Limited has started Islamic banking operation since 29 June 2010 to fulfill the increasing demands and expectations of the religious Muslims. Islamic banking operation of Sonali Bank Limited is completely based on Islamic Shariah and governed by a high profiled Shariah Supervisory Committee.<sup>36</sup>

Sonali Bank Limited has the following five Islamic banking branches with separate window:

- Wage Earners' Corporate Branch, Dhaka
- Agrabad Corporate Branch, Chittagong
- Khulna Corporate Branch, Khulna
- Bogra Corporate Branch, Bogra
- Dargagate Corporate Branch, Sylhet

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<sup>36</sup> Ibid, p.195

## Aims and Objectives of Sonali Bank Limited Islamic Banking

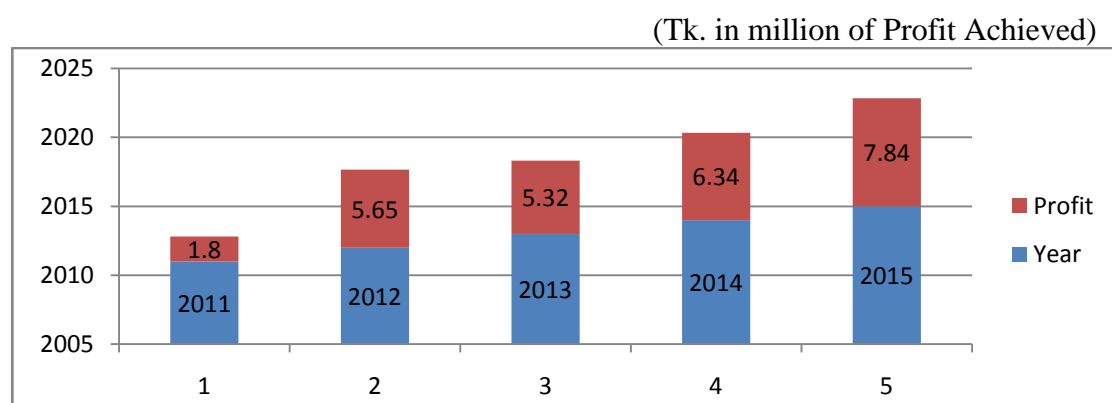
The aims and objectives of Sonali Bank Limited Islamic Banking are mentioned below:

- To facilitate the online Shariah based banking to the door step of the religious Muslims
- To bring dynamism in Islamic banking by utilizing the well versed experience & good will of Sonali Bank Limited
- To encourage the savings, following direct investment
- To create more employment facilities by inspiring project investment

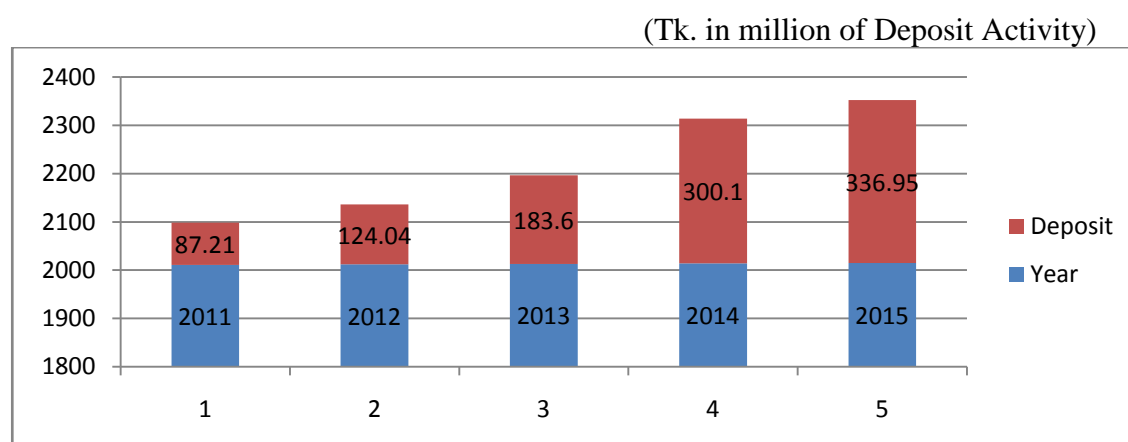
## Activities of Islamic Banking

### Figure 1: Performance of Islamic Banking of Sonali Bank Limited

Performance of Islamic Banking wings of Sonali Bank Limited is described below:



**Source:** Sonali bank Limited, Annual Report 2015



**Source:** Sonali bank Limited, Annual Report 2015

The Islamic banking windows are performing the following banking activities through online banking:

1. Collection of Deposit and
2. Investment Activities

Deposit is collected based on Al-Wadeah principle and mudaraba principle. On the other hand investment is made based on bai and ijarah mechanism.

**Table 8: Performance of Sonali Bank Limited at a Glance<sup>37</sup>**

(Tk. in million)

Year	Deposit	Loan	Import	Export	Foreign Remittance	Net Profit	Manpower	Branch
2015	866012	346346	200599	45432	135649	587	22100	1207
2014	778043	337554	300143	63525	133819	6055	22446	1204
2013	685895	343541	195892	62967	143386	3580	22890	1203
2012	599294	378147	287288	87408	126892	(24959)	23383	1200
2011	533192	345991	307479	80878	114181	9957	21938	1196
2010	478134	286098	164043	74143	116105	(975)	20840	1187
2005	277079	227001	118528	64092	86797	208	23933	1183
2000	197381	133281	50822	44211	47935	132	26046	1293
1995	110833	65830	41872	20998	19781	716	26218	1310
1990	57392	44311	16980	12559	13180	51	25258	1291
1985	34576	27541	13514	7290	8501	499	25271	1245
1980	10967	9626	10926	4648	4206	177	18183	1011
1975	3329	2151	2741	912	442	81	6989	400
1972	1731	854	43	22	-	02	4708	274

**Source:** Sonali bank Limited, Annual Report 2015, pp.26-27

**Table 9: Awards and Recognition of Sonali Bank Limited<sup>38</sup>**

As recognition of good performance Sonali Bank Limited has been awarded by the different institutions of the world under different criteria. The recognition of performance of Sonali Bank Limited has been given below:

<sup>37</sup> Ibid, pp.26-27

<sup>38</sup> Ibid, p.200



S/N	Name of the Award	Awarded by	Year
1.	Best Financial Institute of the Year	Arthokontho Business Award	2013
2.	Best Brand Award	Bangladesh Brand Forum	2013
3.	Strongest Bank in Bangladesh	The Asian Banker	2012
4.	Highest Remittance Collecting Bank	The Industry	2012
5.	Best Brand Award	Bangladesh Brand Forum	2012
6.	Silver Award in Foreign Remittance Collection	Centre for the non-Residence Bangladeshis (NRBs)	2012
7.	Best Brand Award	Bangladesh Brand Forum	2011
8.	Best Retail Banker in Bangladesh	The Asian Banker	2010
9.	Best Brand Award	Bangladesh Brand Forum	2010
10.	Best Brand Award	Bangladesh Brand Forum	2009
11.	ICMAB Best Corporate Award	Institute of Cost and management Accountants, Bangladesh	2008

**Source:** Sonali bank Limited, Annual Report 2015, p.200

### **Subsidiaries of Sonali Bank Limited**

Sonali Bank Limited has two subsidiaries. These are explained below:

- I. Sonali Exchange Company Incorporation (SECI):** a subsidiary company incorporated on April 04, 1994 under the laws of the state of New York Department, commenced its operations as an International Money Remitter from December 12, 1994. At present Sonali Exchange Company Incorporation (SECI) has 10 (Ten) branches in states of the USA. The paid-up capital of this subsidiary is US\$950000.<sup>39</sup>
- II. Sonali Investment Limited (Merchant Banking):** To protect the interest of small and common investors in the capital market Sonali Bank Limited has established a subsidiary named ‘Sonali Investment Limited’ (Merchant Banking) in 2010.<sup>40</sup> The authorized capital of Sonali Investment Limited’ is TK.5000

<sup>39</sup> Ibid, p.64

<sup>40</sup> Ibid, pp.64-65

million and paid-up capital is TK.2000 million. Sonali Investment Limited has been operating through 05(five) branches of which 04 (Four) branches in Dhaka located at Motijheel, Paltan, Uttara and Mirpur and 01 (One) branch in Khulna.

### **Associates of Sonali Bank Limited**

Sonali Bank Limited has the following associates:

#### **i. Sonali Bank (UK) Limited**

With a view to remitting money and providing other financial services to its customer a company named Sonali Trade and Finance (UK) Limited was incorporated on June 30, 1999 as an associate under the UK companies Act 1985. The name was changed later on as Sonali Bank (UK) Limited and restructured the ownership of the company having 51% share capital in favor of the Government of People's Republic of Bangladesh and remaining 49% by Sonali Bank Limited. Sonali Bank (UK) Limited having 6 (Six) branches in UK. The main functions of Sonali Bank (UK) Limited is to advise, negotiate, confirm and provide discount facilities against L/Cs originating from Sonali Bank Limited and other Bangladeshi banks. It also handles the remittance of Sonali Bank Limited and other banks of Bangladesh.<sup>41</sup>

#### **ii. Sonali Polaris FT Limited**

To establish strong Core Banking Solution (CBS) in Bangladesh Sonali Polaris FT Limited was incorporated in Bangladesh as a private limited company on January 25, 2012 under the Companies Act 1994. The principal activities of the company are to customize, enhance, modify and implement intellect Core Banking Solution (CBS) 10.0 software in banks in Bangladesh.<sup>42</sup>

### **Representative Offices of Sonali Bank Limited**

Sonali Bank Limited has three Representative Offices outside Bangladesh. These are located in the following locations:

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<sup>41</sup> Ibid, p.65

<sup>42</sup> Ibid, p.65

- 01(One) in Jeddah, KSA
- 01 (One) in Riyadh, KSA
- and the other 01 (One) in Kuwait

### **3.2.4 Overview on Al-Arafah Islami Bank Limited (AIBL)**

Al-Arafah Islami Bank Limited (AIBL) is a Public Limited Company engaged in commercial banking business based on Islamic Shariah with 100% local shareholding having branch network of total 143 Branches across the country. It was established on the 18 June, 1995 as an Islamic Bank.

It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 15,000.00 Million and Paid-up Capital is Tk. 9,943.06 Million having 36,695 shareholders and 3,070 manpower as on 31st December 2016.

#### **Vision of Al-Arafah Islami Bank Limited (AIBL)**

To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy

#### **Mission of Al-Arafah Islami Bank Limited (AIBL)<sup>43</sup>**

- Achieving the satisfaction of Almighty Allah both here & hereafter
- Proliferation of Shariah Based Banking Practices
- Quality financial services adopting the latest technology
- Fast and efficient customer service
- Maintaining high standard of business ethics
- Balanced growth
- Steady & competitive return on shareholders' equity
- Innovative banking at a competitive price
- Attract and retain quality human resources
- Extending competitive compensation packages to the employees

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<sup>43</sup> Al-Arafah Islami Bank Limited, Annual Report 2016

- Firm commitment to the growth of national economy
- Involving more in Micro and SME financing

**Table 10: AIBL Milestone as on December 31, 2016<sup>44</sup>**

Date of Registration	18 June, 1995
Certificate for Commencement of Business	27 September, 1995
Inauguration of 1st Branch	27 September, 1995
Formal Inauguration	27 September, 1995
Authorized Capital	15,000.00 Million
Paid-up Capital	9,943.06 Million
Equity	21,337.48 Million
Deposits	1,99,703.92 Million
Investment	1,96,519.38 Million
Number of Branches	143
Number of Shareholders	36,695
Number of Manpower	3,070

**Source:** Al-Arafah Islami Bank Limited, Annual Report 2016

### **3.2.5 Overview on Export Import Bank of Bangladesh Limited**

Export Import Bank of Bangladesh Limited started its operations on 3rd August, 1999 with its name as Bengal Export Import Bank Limited. On 16<sup>th</sup> November 1999, it was renamed as Export Import Bank of Bangladesh Limited. Export Import Bank of Bangladesh has a strong Shariah Supervisory Committee is consisting of a group of 12 prominent Islamic Scholars, Economists and Lawyers to advise the Management on Shariah matters relating to the business operations. The Bank has migrated all of its conventional banking operations into Shariah Based Islami Banking operations in the year July 2004. It has a network of 113 branched across the country.

### **Vision of Export Import Bank of Bangladesh Limited**

‘Together Towards Tomorrow’

<sup>44</sup> Al-Arafah Islami Bank Limited, Annual Report 2016

### **Mission of Export Import Bank of Bangladesh Limited**

The mission of Export Import Bank of Bangladesh Limited gives emphasis to:

- Provide quality financial services especially in Foreign Trade
- Continue a contemporary technology based professional banking environment
- Maintain corporate & business ethics and transparency at all levels
- Sound Capital Base
- Ensure sustainable growth and establish full value to the honorable stakeholders
- Fulfill its social commitments and
- Above all, to add positive contribution to the national economy

### **Corporate Social Responsibilities of Export Import Bank of Bangladesh Limited**

At least 2% of the annual profit of Export Import Bank of Bangladesh Limited is put aside for the foundation to conduct Corporate Social Responsibility (CSR) activities. The mainstream CSR activities that are carried out through this foundation are:

- Healthcare service
- Scholarship program for brilliant poor student
- Education Promotion Scheme
- Helping people affected by natural calamities
- Helping people in slum areas
- Donation to educational institutions to setup computer lab
- Beautification of Dhaka City

It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 20,000.00 Million and Paid-up Capital is Tk. 14,122.51 Million having 2,743 manpower as on 31st December 2016.

### **3.2.6 Overview on First Security Islami Bank Limited**

First Security Islami Bank Limited was incorporated on 29 August, 1999 as a conventional commercial bank. It started operations on 25 October 1999 with an authorized capital of 1 billion taka. The Bank has migrated all of its conventional

banking operations into Shariah Based Islami Banking operations in the year 2009<sup>45</sup>. It has a network of 158<sup>46</sup> branched across the country. First Security Islami Bank Limited has a strong Shariah Supervisory Committee consisting of a group of prominent Islamic Scholars, Economists and Lawyers to advise the Management on Shariah matters relating to the business operations. This bank is gradually proceeding to its goal after starting its operation.

### **Vision of First Security Islami Bank Limited**

To be the premier financial institution in the country by providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver excellence in Banking.<sup>47</sup>

### **Corporate Social Responsibilities of First Security Islami Bank Limited**

The mainstream CSR activities that are carried out by First Security Islami Bank Limited are:

- Scholarships for meritorious students
- Helping people affected by natural disasters

It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 10,000.00 Million and Paid-up Capital is Tk.6,788.74 Million having 3,224 manpower as on 31st December 2016.<sup>48</sup>

### **3.2.7 Overview on ICB Islamic Bank Limited**

ICB Islamic Bank Limited has been providing various commercial banking services in Bangladesh. It operates through 33<sup>49</sup> branches in Bangladesh having 501<sup>50</sup> manpower as on December 31, 2016. The company was formerly known as The Oriental Bank Limited and changed its name to ICB Islamic Bank Limited in

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<sup>45</sup> www.fsibld.com

<sup>46</sup> The Banking Review Series 2017, BIBM

<sup>47</sup> www.fsibld.com

<sup>48</sup> The Banking Review Series 2017, BIBM

<sup>49</sup> The Banking Review Series 2017, BIBM

<sup>50</sup> The Banking Review Series 2017, BIBM

February 2008. The company was founded in 1987<sup>51</sup> and its Headquarter located in Dhaka, Bangladesh. ICB Islamic Bank Limited is a subsidiary of ICB Financial Group Holdings AG. The Bank has been incorporated on April, 1987 as a public limited company under the Companies Act, 1913. Certificate for commencement of business has been issued to the bank on April, 30, 1987. The Bank has been authorized by the Bangladesh Bank to carry on the banking business in Bangladesh with effect from May 4, 1987. However, actual banking operations commenced on May 20, 1987.

### **Vision of ICB Islamic Bank Limited**

ICB Islamic Bank is committed towards creating and maximizing sustainable values for all its customers, employees, partners and shareholders and especially for the society it operates in by delivering excellence in its offerings in all areas of banking and financial services complying Islamic Shariah.

### **3.2.8 Overview on Social Islami Bank Limited (SIBL)**

Social Islami Bank Limited (SIBL) was established in the year 1995 as a public limited company which is engaged in Shariah based commercial banking in the country. This bank has introduced cash Waqf system for the first time in the history of banking in Bangladesh. The Shariah Supervisory Committee is consisting of a group of prominent Islamic Scholars, Economists and Lawyers to advise the Management on Shariah matters relating to the business operations.

It is listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. Authorized Capital of the Bank is Tk. 10,000.00 Million and Paid-up Capital is Tk. 7,382.99 Million having 2,363 manpower as on 31st December 2016.

### **Vision of Social Islami Bank Limited (SIBL)**

Working together for a caring society

দরদী সমাজ গঠনে সমবেত অংশগ্রহণ

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<sup>51</sup> <https://www.icbislamic-bd.com/>

## Mission of Social Islami Bank Limited (SIBL)

- Establishing Three Sector Banking Model
- Transformation to a service oriented technology driven profit earning Bank
- Fast, accurate and satisfactory customer service
- Balanced & sustainable growth strategy
- Optimum return on shareholders' equity
- Introducing innovative Islamic Banking Products
- Attracting and retaining high quality human resources
- Empowering real poor families and creating local income opportunities
- Providing support for social benefit organizations by way of mobilizing funds and social services

**Table 11: SIBL Milestone as on 31.12.2016<sup>52</sup>**

Established on	May 07,1995
Certificate for Commencement of Business	May 07,1995
Inauguration of 1st Branch	November 22, 1995
Formal Inauguration	November 22, 1995
CSR/Foundation activities	1995
Authorized Capital	10,000
paid-up Capital	7,382.99
Number of Branches	125
Number of Manpower	2363

**Source:** SIBL Annual Report 2016

## Corporate Social Responsibility (CSR) of SIBL

As an Islamic Bank, Social Islami Bank Limited is quite conscious about its social responsibility. The bank is committed to serve the society at large through its family empowerment, Micro Investment, Micro Enterprise and SME programs under non-formal sector, social capital mobilization through CASH WAQF and other programs under voluntary sector. The bank has already formed CSR Desk with the aim to

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<sup>52</sup> SIBL Annual Report 2016, p.18



serve humanity through different philanthropic activities giving emphasis on health and Education. The bank believes that any kinds of social & philanthropic activities would improve the quality of the lives of the poor masses of the country.

### **3.2.9 Overview on Shahjalal Islami Bank Limited (SJIBL)**

Shahjalal Islami Bank Limited operates its business based on Islamic Shariah. It is named after the name of a great Saint Hazrat Shahjalal (RA) who dedicated his life for the cause of peace in this world & hereafter and served the humanity. It was incorporated as a Public limited company on 1<sup>st</sup> April 2001 under companies Act 1994. It started its Banking operation on May 10, 2001 with the 1<sup>st</sup> branch (Dhaka Main Branch) opened at 58, Dilkusha C/A, Dhaka obtaining the license of Bangladesh Bank to contribute sustainable economic growth and development in trade and industry of the country.

The bank has a network of 103<sup>53</sup> branches located in both rural and urban areas of the country as on December 31, 2016. SJIBL has received a number of awards for its outstanding banking performance which includes:

- “European Award for Best Practices – 2012” in gold category. This award is the recognition of Bank’s extraordinary achievement in customer satisfaction and outstanding result in quality management
- “Arch of Europe” in gold category. This award is the recognition of the Bank’s extraordinary achievement in immeasurable contribution to the banking sector and high standing professionalism demonstrated by prestigious performance.
- Best corporate award from ICMAB in 2011 in Islamic banking operation category

It is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. Authorized Capital of the Bank is Tk. 10,000.00 Million and Paid-up Capital is Tk. 7,347 Million having 2,193 manpower as on 31st December 2016.

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<sup>53</sup> Shahjalal Islami Bank Limited, Annual Report 2016, p.17

### **Vision of Shahjalal Islami Bank Limited (SJIBL)<sup>54</sup>**

To be the unique modern Islami Bank in Bangladesh and to make significant contribution to the national economy and enhance customers' trust & wealth, quality investment, employees' value and rapid growth in shareholders' equity.

### **Mission of Shahjalal Islami Bank Limited (SJIBL)<sup>55</sup>**

- To provide quality services to customers
- To set high standards of integrity
- To make quality investment
- To ensure sustainable growth in business
- To ensure maximization of Shareholders' wealth.
- To extend our customers innovative services acquiring state-of-the-art technology blended with Islamic principles
- To ensure human resource development to meet the challenges of the time

### **Motto of Shahjalal Islami Bank Limited (SJIBL)<sup>56</sup>**

Committed to Cordial Service

আন্তরিক সেবায় প্রতিশ্রুতিবদ্ধ

### **Corporate Social Responsibilities of Shahjalal Islami Bank Limited (SJIBL)**

Shahjalal Islami Bank Limited (SJIBL) is very aware about fostering Corporate Social Responsibility. To look after the CSR activities it established Shahjalal Islami Bank Foundation since inception. The CSR activities of SJIBL that have been carrying out through this foundation are:

- Scholarships for meritorious students
- Education Promotion Scheme
- Helping people affected by natural disasters
- Donation to educational institutions to setup infrastructure
- Donation to Prime Minister's Relief Fund

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<sup>54</sup> Shahjalal Islami Bank Limited, Annual Report 2016

<sup>55</sup> Shahjalal Islami Bank Limited, Annual Report 2016

<sup>56</sup> Shahjalal Islami Bank Limited, Annual Report 2016

- Distribution of Blanket to the cold affected people
- Provide support to the needy people for proper treatment

### **3.2.10 Overview on Union Bank Limited**

Union Bank was established in the year 2013 as a Shariah Based Bank which has started its operation on 20th May, 2013 and its modes of operations are totally different from other conventional banks. This is the fourth-generation Islamic Bank in this country to introduce online banking facilities to its customers. The bank has introduced several attractive products in the history of banking. The Shariah Supervisory Committee is consisting of a group of eight prominent Islamic Scholars, Economists and Lawyers to advise the Management on Shariah matters relating to the business operations. As on December 31, 2016 Union Bank has opened 58 branches<sup>57</sup> across the country having 1051 manpower.

#### **Vision of Union Bank<sup>58</sup>**

To become socially committed world class financial institution.

#### **Mission of Union Bank**

- Emancipate our poor people from abject poverty by empowering them with smooth banking service
- Be the leading provider of Islamic Shariah compliant banking services in Bangladesh
- Provide fast, accurate and satisfactory customer service by maintaining corporate & business ethics and transparency at all levels
- Ensure technology based professional banking environment with strong capital base.
- Thrust on investment facilitating banking product

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<sup>57</sup> Union Bank Limited, Annual Report 2016

<sup>58</sup> Union Bank Limited, Annual Report 2016

## **Corporate Social Responsibility (CSR) of Union Bank**

Union Bank has already formed CSR Desk with the aim to serve humanity through different philanthropic activities giving emphasis on health and Education.

### **3.2.11 Conclusion**

From the above discussion we may conclude that the banking sector of Bangladesh has been playing a significant role for the development of Bangladesh. Without a sophisticated banking industry the development of the trade and commerce of a country is impossible. These banks are contributing to the import, export and collection of remittance etc. The banking sector is also playing an important role for fostering Corporate Social Responsibility for serving and changing the fate of the disadvantaged population segment of Bangladesh.

## **Chapter Four**

### **CSR Activities of Islami Bank Bangladesh Limited & Sonali Bank Limited**

#### **Part-I**

#### **Corporate Social Responsibility (CSR) of Islami Bank Bangladesh Limited**

##### **4.1.1 Introduction**

As a responsible corporate citizen and one of the biggest Islamic Banks of the world, Islami Bank Bangladesh Limited believes that it has a responsibility to the stakeholders as well as to the community in which it is operated. Its commitment is built on a deeply ingrained sense of responsibility among its stakeholders, employees and customers.

Corporate Social Responsibility is seen as a concept in which companies voluntarily integrate social and environmental concerns into their business operations and into the interaction with their stakeholders. Over the last few decades, corporations in the developed economics have moved to ‘Social Responsibility Approach’ from classical ‘Profit Maximization Approach’ where businesses are not only responsible to its stakeholders but also to the society as a whole in a broader inclusive sense. The theme of being socially responsible company means doing more than complying with the legal as well as regulatory requirements.

##### **4.1.2 CSR is the built-in mechanism of IBBL**

Islami Bank Bangladesh Limited has started its charitable activities since inception through creation of “Sadaqah Tahbil” in order to popularize the concept of Islamic Banking. On May 20, 1991 the “Sadaqah Tahbil” was converted into Islami Bank Foundation. Further to its activities under Islami Bank Foundation, Islami Bank Bangladesh Limited established Corporate Social Affairs Department (CSAD) under operations wing on 16<sup>th</sup> July 2009 in compliance with the instruction of Bangladesh Bank.<sup>1</sup>

Islam is a complete code of life revealed by Allah. This code has explicitly given a new sense of direction and guidance for people of all walks of life. Economic

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<sup>1</sup> Islami Bank Bangladesh Limited, Annual Report 2015, p.123

activity is one of the most important aspects of human endeavor for survival and growth. Islam provides a unique, fair, logical and balanced economic system. Islami Bank Bangladesh Limited has emerged to fulfill the noble objective of bringing the fruits of this economic system to the masses by facilitating implementation of the doctrines of Islamic Economic System.

### **Establishment of Islami Bank Foundation**

A charitable fund named “Sadaqah Tahbil” was created on July 4, 1983, immediately after the inception of Islami Bank Bangladesh Limited on March 30, 1983, as per decision of the Board of Directors of the Bank. With the passes of time gradually the volume of its activities increased and the “Sadaqah Tahbil” was renamed as “Islami Bank Foundation” on the May 20, 1991<sup>2</sup>.

### **Objectives of Islami Bank Foundation**

Islami Bank Foundation aims to serve the disadvantaged and distressed people, to promote people-oriented mass education, provide health and Medicare facilities, help in the development of the indigenous and Islamic culture, art, literature, science, technology and sports, assist in the research and propagation of Islamic ideology, creation of facilities for productive self-employment and development of human resources for enhancing economic growth and quality of life. The key objective of the foundation is to serve the distressed humanity and work for country’s sustainable socio-economic development<sup>3</sup>.

### **Activities of Islami Bank Foundation**

To serve the disadvantaged and distressed people of Bangladesh, Islami Bank Foundation is undertaking various types of programs. These activities are described below:

#### **4.1.3 Human Resources Development Dimension**

Islami Bank Bangladesh Limited has been playing an important role to develop its own human resources as well as the overall human resources of the country since its

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<sup>2</sup> *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.5.

<sup>3</sup> *Ibid*, p.6

inception. The activities operated by Islami Bank Bangladesh Limited for the development of human resources are discussed below:

### **Comprehensive Training and Development**

To develop professional knowledge, skill and attitude of the employees, Islami Bank Bangladesh Limited established its own training academy named ‘Islami Bank Training and Research Academy (IBTRA)’ where the training courses are conducted round the year. The employees are encouraged for professional development through completing ‘Diploma in Islamic Banking’ from IBTRA and ‘JAIBB and DAIBB’ from the Institute of Bankers, Bangladesh (IBB) by allocating points for both the diploma in promotion criteria. Besides that each of the employees is given cash incentive for passing these banking diploma. Islami Bank Bangladesh Limited has the largest CDCS in the country (more than half of total CDCS) which makes the Bank a world class Bank.<sup>4</sup>

### **Commitment to the Employees**

Islami Bank Bangladesh Limited considers their employees are capital irrespective of their designation or job function. Islami Bank Bangladesh Limited strives to make the workplace collaborative and collegial, where the views of all employees are taken into consideration. The bank possesses value-driven culture, where good ideas are recognized regardless of the level of the employees.<sup>5</sup>

### **Practicing Good Corporate Governance**

Islami Bank Bangladesh Limited follows a structured and transparent corporate governance culture where roles, duties and scope of policy level and management level are well defined and the same are followed meticulously to make the organization successful one and moving towards organizational goals.<sup>6</sup>

### **Service Rules Governs the Employee**

Every employee of Islami Bank Bangladesh Limited is expected to adhere to the service rules (code of business conduct) without exceptions. The service guides

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<sup>4</sup> Islami Bank Bangladesh Limited, Annual Report 2015, p.124

<sup>5</sup> Ibid, p.123

<sup>6</sup> Ibid, p.128

everything what to do and not to do. Violations of the service rules are taken seriously and processes are in place to address alleged violations confidentially and systematically.<sup>7</sup>

### **Remuneration and Benefits**

Islami Bank Bangladesh Limited has developed a comprehensive pay-scale for the employees, the ratio of the highest and lowest level in the pay-scale has been maintained at 12:1 (DMD:MCG). To ensure comfortable life and meet the housing need, employees are provided with investment at a discounted rate under SHBIS and HSDS. The executives of the bank are provided with car either from bank management or under Car Scheme for the employees of the bank.<sup>8</sup>

Besides these regular pay packages, Islami Bank Bangladesh Limited has policies for its employees to ensure secured life for their during the superannuation period. The following benefits have been developed in the policies to encourage the employees:

- Contributory Provident Fund
- Superannuation Fund and
- Gratuity Fund

### **Fringe Benefit Scheme**

Islami Bank Bangladesh Limited has been providing following fringe benefits to the employees<sup>9</sup>:

- Non-refundable financial assistance from Employees' Benevolent Fund
- Non-refundable financial grant from the bank's fund
- Staff House building financing facilities
- Staff Household Durable Scheme
- Quard against Provident Fund
- Quard against Benevolent Fund
- Burial expenses

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<sup>7</sup> Ibid, p.129

<sup>8</sup> Ibid, p.124

<sup>9</sup> Ibid, p.42



- Leave encashment
- Recreation Program
- Awarding of scholarship to help to educate the meritorious wards of the employees
- Awarding of cash prize and certificates of merit to the meritorious wards of bank employees
- Honorarium for passing Banking Diploma examination etc.

### **Education**

From the very beginning, Islami Bank Bangladesh Limited engaged with promotion of education sector to remove the curse of illiteracy from Bangladesh. Islami Bank Bangladesh Limited has spent an amount of Tk.964.95 million for 520537 beneficiaries from 1983-2015 for this purpose.<sup>10</sup>

### **Scholarship Program**

Islami Bank Bangladesh Limited has been providing scholarship to the very poor 2300 students securing GPA 5 in SSC & HSC examination under its direct Scholarship Program. The scholarship is provided to 1500 students in HSC level @ Tk.2000 per month for 2 years with Tk. 3000 at a time for purchasing books per year. In graduation level scholarship is provided to 800 students. Tk. 4500 per month for the urban area students and Tk.3000 per month for the rural area students for graduation level for 3 to 5 years study period is given.

In addition to the above, scholarship is allowed to 400 meritorious but poor students in different educational institutions.

### **Internship Program**

Internship program is a compulsory course for the university students of Bangladesh to learn about the working environment of the corporate world during the period of their academic curriculum. It gives them an opportunity to get prepared them for the professional career. Through internship program the internees can know about the organization behavior, the code of conduct, what to do and not to do etc.

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<sup>10</sup> Ibid, p.125

As without completing internship program students cannot complete their study, the availability of internship program conducting organizations is a must. But unfortunately the number of internship program conducting organizations is very poor. As a result students do not get the opportunity of conducting internship program smoothly.

Islami Bank Bangladesh Limited, the first welfare oriented bank in the South East Asia has been playing a vital role to conduct internship program for the university students of Bangladesh. After the inception of Islami Bank Bangladesh Limited in 1983, the bank felt the need of conducting internship program for the students of different universities of the country in June 1984.

Islami Bank Bangladesh Limited started its journey of conducting internship program in June 1984 at Islami Bank Training and Research Academy (IBTRA). Till October 2017 the bank organized a total number of 133 internship program for the students of different universities of the country. The total number of participants of the 133 internship program is 7,246.<sup>11</sup>

Islami Bank Bangladesh Limited has been conducting 4 batches internship program in each year. In each instance the number of enrolled participants is about 100. The students of more than 30 universities of Bangladesh are selected as participants.

### **Procedure of Internship Program**

A circular inviting application from the desired candidates is circulated in the website of Islami Bank Training and Research Academy (IBTRA). The applicants are requested to submit their application within the given date and time. After the dead line period, the applications are scrutinized and the selected candidates are informed immediately. The most of the participants are selected from the renowned public universities of Bangladesh.

### **Duration of the Internship Program**

The tenure of the internship program is 60 days. In the first 15 days the participants are familiarized with the theoretical aspects i.e. the organizational culture, policy,

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<sup>11</sup> The internship program wing, Islami Bank Training and Research Academy (IBTRA)

code of conduct, behavioral pattern and tradition etc. at Islami Bank Training and Research Academy (IBTRA).

After the first 15 days, the participants are posted in the practical place for acquiring practical knowledge through working in the practical field for the period of 45 days.

### **Payment Structure of the Internship Program**

For working in the branch they are paid BDT300.00 for per day for the next 45 days.

### **Performance of the Internship Program of IBBL**

A brief summary of the Internship Program of Islami Bank Bangladesh Limited is given below:

Started Internship Program	June 1984
Total Internship Program conducted	133
Total number of participants covered	7,246

Source: The internship program wing, Islami Bank Training and Research Academy (IBTRA)

### **Human Rights**

Islami Bank Bangladesh Limited is very much conscious about human rights at every level of its operations. The bank does not make any discrimination on the basis of age, gender, race or socio-economic background. It limits work to standard accepted hours and denounces any kind of abuse of its workforce whatever. Islami Bank Bangladesh Limited has been maintaining human rights ensuring the followings:<sup>12</sup>

- Does not employ workers under the legal minimum age
- Prohibits the use of forced labor
- Respects employees rights to join or not to join a labor union
- Respects the principles of collective bargaining
- Provide healthy & safe work place

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<sup>12</sup> Ibid, p.124

### **Commitment to the Shareholders**

In the backdrop of recent volatile global and socio-economic scenario as well as regulatory changes, Islami Bank Bangladesh Limited made excellent performances in different areas of business. Although profit maximization is not the vision or mission of Islami Bank Bangladesh Limited but profitability has become the logical outcome of its performance. From the investors' perspective, the stock of Islami Bank Bangladesh Limited always gives higher yield to its shareholders.<sup>13</sup>

### **Commitment to the Customers**

Islami Bank Bangladesh Limited considers the customers as partners and develops long-term as well as sustainable relationship with them. Different need based welfare oriented investment schemes contribute to the well-being of the customers.

The most important contribution of Islami Bank Bangladesh Limited is the creation of huge employment opportunities in its financed projects as well as its own organization. At present more than 13,000 inspired people are serving Islami Bank Bangladesh Limited and millions in its financed projects through its wide-range of network of 318 branches. Utilizing the mobile phone technology, Islami Bank Bangladesh Limited has been serving a huge number of rural families by channeling foreign remittance. The customers of Islami Bank Bangladesh Limited are now enjoying the online ATM services, spot cash services and SMS banking etc.

#### **4.1.4 Human Resources Development Activities of Islami Bank Bangladesh Limited through Islami Bank Foundation**

For human resources development Islami Bank Foundation has been performing the following functions since its inception:

##### **Educational Programs**

Education is the backbone of a nation. It is a key to raising the status of a nation. But it is regrettable that most of our children remain deprived of the fundamental right of education and they have no access to educational institutions, text books and

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<sup>13</sup> Ibid, p.128

equipment<sup>14</sup>. The government and many NGOs have undertaken different measures to increase the literacy rate and improve the quality of teaching in educational institutions. In the private sector, many higher educational institutes have come up to impart education, but children belonging to poor families, slum dwellers and helpless street children do not get the required facilities to receive education and to use their latent talents. In summary, the unfavorable socio-economic system is significantly responsible for this pathetic situation.

Considering the above scenario, Islami Bank Foundation has initiated education program from the very beginning and has taken up the following programs to improve the educational status of Bangladesh:

**i. Model Forquania Maktab**

Model Forquania Maktab project is one of the important projects of Islami Bank Foundation. In the rural areas the Foundation runs Maktabs where children learn the Holy Quran, English & Bangle alphabets and workable knowledge of mathematics which help them to receive their study in the schools and madrashas easily. In 2012 a total number of 22,255 students studied at 574 maktabs located in different parts of the country<sup>15</sup>.

**ii. Scholarship Program**

Scholarship Program is a vital program of Islami Bank Foundation. Under this program scholarships are offered to the students of Colleges, Madrashas and Universities at home and abroad. Scholarship is also offered to the researchers for obtaining M.Phil and Ph.D degrees. In 2012 a total number of 08 Ph.D researchers received scholarship from the Foundation. Till May 2013 a total number of 58,154 students received scholarship to the tune of TK. 61 million<sup>16</sup> from Islami Bank Foundation.

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<sup>14</sup> *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, P.7

<sup>15</sup> *Ibid*, P.8

<sup>16</sup> *Ibid*, P.9

### **iii. Financial Support for Educational Institutions**

In rural areas most of the building/structure of educational institutions has become old. Due to fund shortage these cannot be repaired. Inadequacy of classrooms, shortage of library & books and required materials of science laboratory are the common problems. To solve these problems, Islami Bank Foundation comes forward to help these institutions on case by case basis. Till May 2013 TK. 87 million has been donated and the number of beneficiary institutions is 77,696<sup>17</sup>.

### **iv. Lump-Sum Grant for Poor & Meritorious Students**

In Bangladesh many meritorious students cannot continue their studies because of poverty. If they are provided the financial support, they may use their human resources and can establish themselves as competent citizens nationally and globally. Islami Bank Foundation helps the poor and meritorious students on case by case basis so that they can pursue their studies without interruptions. Till May 2017 TK.72 million has been distributed to 3,04,563 students beneficiaries out of this program<sup>18</sup>.

### **Technical Education**

To ensure the technical education for the people of Bangladesh, Islami Bank Bangladesh Limited is playing a vital role initiating the Technical Education Program. The initiative of Islami Bank Bangladesh Limited regarding the technical education program is given below:

#### **Islami Bank Institute of Technology**

To gear up the technological development of Bangladesh and effectively train the jobless youths to make them self-reliant, Islami Bank Bangladesh Limited established the Islami Bank Institute of Technology in the year 1998. At present there are six<sup>19</sup> units of Islami Bank Institute of Technology in the following location:

- Two units in Dhaka

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<sup>17</sup> Ibid, P.10

<sup>18</sup> Ibid, P.10

<sup>19</sup> Ibid, p.24

- One unit in Bogra
- One unit in Chittagong
- One unit in Khulna
- One unit in Sylhet

The all units of Islami Bank Institute of Technology mentioned above have got the affiliation of Bangladesh Technical Education Board. The following courses are taught<sup>20</sup> in these units of Islami Bank Institute of Technology:

- Computer Science Engineering
- Electrical Engineering
- Civil Engineering
- Textile Engineering and
- Information Technology etc.

The following table shows the information relating to the six units of Islami Bank Institute of Technology<sup>21</sup>:

Present no. of students	Total Students		No. of Teachers	No. of Staffs
	Years	No.		
2,372	1998-2012	11,496	76	22

Source: *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, P.24

### **General Education**

To develop a educated and learned nation, Islami Bank Bangladesh Limited is playing a vital role initiating the General Education Program. The initiative of Islami Bank Bangladesh Limited regarding the general education program is given below:

#### **i. Islami Bank International School and College**

To fulfill the demand of the modern educational world a large number of English medium schools are emerging in Bangladesh especially in Dhaka city. But the curriculum that is following in the modern English medium schools cannot meet the

<sup>20</sup> Ibid, p.24

<sup>21</sup> Ibid, p.24

practical need of the country. To establish an ideal nation combination modern education with the moral values is a must. As an attempt to combine modern education with moral values for the development of the children, Islami Bank Foundation has established one English medium International School and College at Mirpur, Dhaka. The following table shows the performance of Islami Bank International School and College<sup>22</sup>:

Year of establishment	Present No. of Students	Total Students		No. of Teachers	No. of Staffs
		Years	Number		
1999	266	1999-2012	3,750	28	21

**Source:** *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, P.25

## ii. Islami Bank Model School and College

Islami Bank Model School and College is one of the important projects of Islami Bank Foundation. With a view to imparting modern education with moral values at affordable cost, Islami Bank Model School and College has begun its operations on its own campus in 2008 at Mirpur, Dhaka. The following table shows the basic information about Islami Bank Model School and College<sup>23</sup>:

Year of establishment	Present No. of students	Total students		No. of Teachers	No. of staffs
		Years	Number		
2008	633	2008-2012	2,456	29	11

**Source:** *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, P.26

## iii. Islami Bank Mohila Madrasah

To establish an educated nation Islami Bank Foundation established Islami Bank Mohila Madrasah in 2008 at Mirpur, Dhaka. In this madrasah the combination of

<sup>22</sup> Ibid, p.25

<sup>23</sup> Ibid, p.26



modern education with moral values is ensured. The following table shows the basic information about Islami Bank Mohila Madrasah<sup>24</sup>:

Year of establishment	Present No. of students	Total students		No. of Teachers	No. of staffs
		Years	Number		
2008	155	2008-2012	504	12	06

**Source:** *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, P.26

### **Islami Bank Women Rehabilitation Centre**

Islami Bank Foundation established the Islami Bank Women Rehabilitation Centre at Mirpur in Dhaka to provide support to the distressed humanity. The objective of the Islami Bank Women Rehabilitation Centre is to ensure shelter, training and rehabilitation of the unfortunate, distressed, helpless, hopeless, assetless widows and divorced women. From this centre a total number of 509<sup>25</sup> distressed women have received training, sewing machine and working capital till May, 2013 and using these they became self-reliant.

#### **4.1.5 Medicare Services Dimension**

Health care is a basic need of all societies. But people are facing a dangerous problem due to hazardous Medicare system of the country. Considering this situation, Islami Bank Bangladesh Limited has been taking several initiatives in individual and organizational level for developing the health sector of Bangladesh. Islami Bank Bangladesh Limited spent an amount of Tk. 1390.27 million for 72,44,230 beneficiaries from 1983-2015 for this purpose.<sup>26</sup>

#### **Medicare Services Activities of Islami Bank Bangladesh Limited through Islami Bank Foundation**

For Medicare services development Islami Bank Foundation has been performing the following functions since its inception:

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<sup>24</sup> Ibid, p.26

<sup>25</sup> Ibid, p.28

<sup>26</sup> Islami Bank Bangladesh Limited, Annual Report 2015, p.125

## **Health and Medicare Programs**

Although health and Medicare facilities is a fundamental right of each and every individual but most of the people of Bangladesh are still deprived of it. Islami Bank Foundation has, therefore, taken up the following programs to extend health, Medicare and sanitation facilities in the rural and urban areas of Bangladesh:

### **i. Supporting Charitable Dispensaries**

Islami Bank Foundation has been operating a good number of charitable dispensaries in rural areas of Bangladesh. Usually a qualified and expert doctor provides free consultation service to the patients once or twice a week. Based on the prescription of the devoted doctor the poor and insolvent patients are also given free medicine from the charitable dispensaries. At present 124<sup>27</sup> charitable dispensaries are operating in different parts of the country. Till May 2013 a total amount of TK. 57 million has been spent and a total 24,89,698<sup>28</sup> patients received free treatment facilities from these charitable dispensaries.

### **ii. Lump-Sum help for the Treatment of Poor Patients**

Many people of Bangladesh do not get proper medical treatment due to lack of affordability. Islami Bank Foundation helps the poor and insolvent patients on case by case basis so that they get proper treatment for recovery from illness and able to lead a healthy life. Till May 2013, 64,052 patients have been given financial support to the tune of TK. 116 million<sup>29</sup>.

### **iii. Tube-Well Installation**

Many people of Bangladesh especially who are living in the rural areas have no access to pure and safe drinking water. As a result, they badly suffer from water-borne diseases. So, to ensure pure and safe drinking water for the rural people of Bangladesh, Islami Bank Foundation has taken up tube-well installation program.

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<sup>27</sup> *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.11

<sup>28</sup> *Ibid*, p.11

<sup>29</sup> *Ibid*, p.11

Till May 2013, a total 5,01,519 number of beneficiaries have been facilitated with a total amount of TK. 18 million<sup>30</sup>.

#### **iv. Sanitary Latrine Construction**

The poor people of the rural and urban areas are deprived of proper hygiene and sanitation facilities and therefore, they suffer from various kinds of water diseases. Social consciousness and use of sanitary latrine is a must to prevent such sorts of diseases. To do so, Islami Bank Foundation has taken up the program of construction of sanitary latrine for the poor people of the country. The hygiene and sanitary latrine facility is arranged by Rural Development Scheme (RDS) of Islami Bank Bangladesh Limited. Till May 2013, a total number of 48,961 families have been given sanitary latrine facility with an amounting to TK. 7 million<sup>31</sup>.

#### **v. Circumcision Program**

Islami Bank Foundation has arranged a good number of Circumcision program with the help of designated hospitals. To serve the poor and insolvent children, qualified and expert doctors conduct the camp. In the Circumcision program requisite medicine, dresses and gifts are given to the children. Till May 2013, a total 12,794 number of boys have received treatment through circumcision program arranged by Islami Bank Foundation and the total expenditure of this circumcision program is TK. 9 million<sup>32</sup>.

#### **vi. Mobile Eye Camp**

In Bangladesh a large number of people have been suffering from various eye diseases, but for the non-availability of eye specialists especially in the rural areas they do not get proper treatment. On the other hand many poor and disadvantaged people cannot receive proper eye treatment due to financial inability. Considering the above condition, Islami Bank Foundation has launched Mobile Eye Camp project to extend modern eye treatment facilities to all categories of people. Under this program poor people are receiving eye treatment facilities at a nominal cost. The rich are also receiving the treatment facilities at a subsidized rate. Till May 2013,

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<sup>30</sup> Ibid, p.12

<sup>31</sup> Ibid, p.12

<sup>32</sup> Ibid, p.13

Islami Bank Foundation spent TK. 5 million to provide eye treatment facilities to 7,719 patients through Mobile Eye Camp<sup>33</sup>.

#### **vii. Surgery Camp for Cleft Lip and Cleft Palate**

Cleft lip (cheiloschisis) and cleft palate (palatoschisis), which can also occur together as cleft lip and palate, are the variations of a type of clefting congenital deformity caused by abnormal facial development during gestation. It is the non-fusion of the body's natural structures that form before birth. Approximately 1 children in every 700 children born have a cleft lip or a cleft palate or both<sup>34</sup>.

A cleft lip/palate impacts an individual's self-esteem, social skills and behavior. Self-confidence may be adversely affected by the presence of a cleft lip or cleft palate, particularly among girls. Adolescent girls are more likely to develop problems relating to self-confidence and appearance. Individuals with cleft lip and or cleft palate often deal with threats to their quality of life for multiple reasons including unsuccessful social relationship, deviance in social appearance and multiple surgeries.

Most children whom have their clefts repaired early enough are able to have a happy youth and social life. A cleft lip or palate can be successfully treated with surgery, especially if the surgery is conducted soon after birth or in early childhood.

To ensure a happy youth and social life for a cleft lip/ cleft palate individual, Islami Bank Foundation arranged surgery camps at Islami Bank Hospitals and Islami Bank Community Hospitals free of cost<sup>35</sup>.

#### **4.1.6 Special Projects for Medicare Services**

Islami Bank Foundation has taken up some special projects to ensure integrated social development, provide Medicare services to the common people, extend assistance to educate common people about the practicalities of life, create conducive and healthy atmosphere for women so that they can earn a decent living. These projects also provide vocational and technical assistance to youths to save

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<sup>33</sup> Ibid, p,14

<sup>34</sup> Ibid, p.14

<sup>35</sup> Ibid, p.15

them from the curse of unemployment and poverty. The special projects of the Islami Bank Foundation of Islami Bank Bangladesh Limited are briefly discussed below:

#### **a. Islami Bank Hospitals**

As a part of corporate social responsibility Islami Bank Bangladesh Limited established six<sup>36</sup> Islami Bank Hospitals to ensure proper medical treatment of the mass people of Bangladesh. Among the six hospitals, two are located in Dhaka, two in Rajshahi, one in Khulna and another one in Barisal. These hospitals are providing extensive facilities in medicine, surgery, gynae, pediatric, E.N.T., Urology, Ophthalmology, Neurosurgery, skin, eye, orthopedic, cardiology etc. at an affordable cost. Islami Bank Foundation has planned to Establish more hospitals in the divisional headquarters of the country in future. At present the following facilities are available in Islami Bank Hospitals:

#### **Out-door service**

In Islami Bank Hospitals patients are treated in day and night 24 hours by male and female emergency medical officers. Out-door fee is TK.100/- only. Patients suffering from complicated diseases are referred to specialists.

#### **Specialists Consultation Service**

Islami Bank Hospitals provide specialists' consultation service by the country's qualified and prominent doctors in Medicine, Neuro Medicine, Nephrology, Endocrinology, Diabetology, Gastro Enterology, Oncology, Respiratory Medicine, General Surgery, Neuro Surgery, Phaco Surgery, Orthopedic, Spine Surgery, Plastic Surgery, Urology, ENT, Gynecology, Obstetrics and Pediatrics etc. The specialists' consultation fee in Islami Bank Hospitals is also very reasonable. Specialists' consultation service is available from 08:00 AM to 02:00 PM & 03:00 PM to 10:00 PM.

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<sup>36</sup> Ibid, p.17

### **Modern Operation Theatre**

Islami Bank Hospital has very modern and well-equipped operation theatre. It has Laparoscopic Cholecystectomy, the latest technology for removal of stones from gall bladder without giving incision in abdomen. It has Endoscope, Neuron Surgical operating microscope for critical neurosurgical operation such as brain tumor, brain hemorrhage, etc. It has installed the latest C-Arm, Septic environment and sophisticated MRI technology to serve the patients.

### **Fast Ambulance Service**

Islami Bank Hospitals provide 24 hour regular and fast ambulance service to the patients.

### **Pathological & Imaging Services**

All kinds of Pathological & Imaging Services are available in Islami Bank Hospitals. Such as- Video Endoscopy, Video Colonoscopy, Bronchoscope, Bio-Chemistry Auto Analyzer, Blood Culture Auto Analyzer, Immunology Auto Analyzer, Electrophoresis, Latest CT Scan, Color Doppler, Mammography, Computed Radiography, Audiometry, Uroflometry, Biometry, 4D Ultra-Sonogram, ECO Cardiogram, Spirometry etc.

### **Drug Store**

All kinds of medicine are available in the drug store of Islami Bank Hospitals at minimum prices. 5 % discount is admissible for all kinds of medicines produced in Bangladesh.

### **Special Services**

The following special services are available in the Islami Bank Hospitals:

- ICU
- HDU
- DIALYSIS
- Physiotherapy
- Speech Therapy

- Diabetic Centre
- Dental Units etc.

**Table 12:** Summary of the services provided by Islami Bank Hospitals<sup>37</sup> is given below:

Name of the Hospitals	Total Beds	Indoor Patients	Outdoor Patients	Free Treatment (TK.)	Beneficiaries
Motijheel (1993-2012)	111	1,30,770	1,58,295	4,41,10,046	1,32,187
Kakrail (2002-2012)	177	76,129	1,49,685	5,93,14,902	69,568
Rajshahi (1997-2012)	76	70,055	2,86,742	73,14,570	14,234
Khulna (1991-2012)	70	37,484	3,08,670	58,82,202	7,063
Barisal (2003-2012)	96	86,809	-----	41,37,404	13,289
M. College Hospital (2007-2012)	150	20,787	1,21,653	1,52,10,969	10,102

**Source:** *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, P.18

#### **b. Islami Bank Community Hospitals**

Islami Bank Community Hospital is one of the unique projects of Islami Bank Foundation. It is a joint venture of Islami Bank Foundation and the local sponsors. At present there are 07 (seven) Islami Bank Community Hospitals operating in Bangladesh. These are located in Satkhira, Manikganj, Rangpur, Jhenaidah, Dinajpur, Faridpur and Naogaon. Other 04 (four) more Islami Bank Community Hospital are to be set up soon in Madaripur, Noakhali, Mymensingh and Feni. The details of Islami Bank Community Hospitals are given below:

#### **Out-door service**

In Islami Bank Community Hospitals patients are treated separately by male and female medical officers. Patients suffering from complicated diseases are referred to specialists.

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<sup>37</sup> Ibid, p.18.

### **Full Time Emergency Service**

Twenty-four round-the-clock emergency services are available in the Islami Bank Community Hospitals.

### **Specialists Consultation Service**

Islami Bank Community Hospitals extend specialists' consultation services by the highly qualified and eminent doctors of the country in the field of Medicine, General Surgery, Gynecology, Obstetrics and Pediatrics etc. The specialists' consultation fee in Islami Bank Hospitals is also very reasonable.

### **Modern Operation Theatre**

Islami Bank Community Hospitals has very modern and sophisticated operation theatre. It has Laparoscopic Cholecystectomy, the latest technology for removal of stones from gall bladder without giving incision in abdomen i.e. without major operation.

### **Fast Ambulance Service**

The hospitals provide fast ambulance services to the emergency patients.

### **Modern Pathological Laboratory**

All kinds of Pathological tests are available in Islami Bank Community Hospitals.

### **Drug Store**

All kinds of medicine are available in the drug store of Islami Bank Community Hospitals at lowest possible prices.

The table below is shown an overview of the performance of Islami Bank Community Hospitals:

<b>Patients (2000-2012)</b>		<b>Total Beds</b>	<b>Free Treatment (2000-2012)</b>	
<b>Indoor</b>	<b>Outdoor</b>		<b>Amount (TK.)</b>	<b>Beneficiaries</b>
97,798	5,49,732	281	61,02,112	43,170

Source: *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.20



#### 4.1.7 Health Education Program of IBBL

To develop a healthy nation Islami Bank Bangladesh Limited is playing a vital role initiating the health education program. The initiatives of Islami Bank Bangladesh Limited regarding the health education program are given below:

##### I. Islami Bank Medical College

Islami Bank Bangladesh Limited has established Islami Bank Medical College, Rajshahi in the year 2003<sup>38</sup>. This medical college has been established to contribute to the medical science and ensure a healthy nation. The following table is shown the information regarding Islami Bank Medical College, Rajshahi:

Year of establishment	Present No. of Students	Students already passed		No. of Teachers	No. of Staffs
		Years	Number		
2003	358	2003-2012	169	76	73

Source: *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.21

##### II. Islami Bank Medical College Hospital Nursing Institute

To ensure proper treatment of the patients, the service of the nurses is very important. Bangladesh faces the great problem of inadequate number of nurses compared to the actual demand of the nursing staffs. As a result, the process of treatment severely hampers for the lack of qualified nursing staffs. Considering the above situation, Islami Bank Foundation established a nursing institute named Islami Bank Medical College Hospital Nursing Institute in Rajshahi to meet the increasing demand of the qualified nurses and to create the opportunity of these respectable jobs for youths. The following table shows the information on Islami Bank Medical College Hospital Nursing Institute<sup>39</sup>:

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<sup>38</sup> Ibid, p.21

<sup>39</sup> Ibid, p.22

Year of establishment	Present No. of Students	Students already passed		No. of Teachers	No. of Staffs
		Years	Number		
2000	199	2000-2012	373	17	19

Source: *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.22

### III. Islami Bank Institute of Health Technology

For the proper treatment of the patients proper diagnosis of diseases is a must. There are a good number of hospitals/clinics in Bangladesh, but most of them do not have technically sound workforce to carry out pathological tests, radiological tests etc. on the other hand without technically sound workforce proper diagnosis of the diseases cannot be made. As a result, most of the patients go outside of the country to diagnose their diseases and we lose huge foreign currency. Considering this situation Islami Bank Foundation established Islami Bank Institute of Health Technology Institute in Rajshahi in the year 2007. In Islami Bank Institute of Health Technology Institute in Rajshahi the following course have been introduced to meet the increasing demand of the qualified Medical Technologists:

1. Pharmacy
2. Dentistry
3. Radiology & Imaging
4. Pathology

The following table shows an overview on the performance of Islami Bank Institute of Health Technology<sup>40</sup>:

Year of establishment	Present No. of Students	Total Students		No. of Teachers	No. of Staffs
		Years	Number		
2007	372	2007-2012	576	29	26

Source: *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.23

<sup>40</sup> Ibid, p.23

#### **IV. Midwifery Training Program**

In the rural areas of Bangladesh the traditional birth attendants (Dhatri) conduct the normal delivery of the poor women. As the traditional birth attendants do not have any formal training in this regard, a good number of mothers and babies die during the delivery time. Although many of them do not die, but suffer throughout their whole life owing to mishandling by the traditional birth attendants. Considering the above circumstances, Islami Bank Foundation has taken Midwifery Training Program with the help of Islami Bank Hospitals and Islami Bank Community Hospitals. During the period 2011-2012 a total number of 90 traditional birth attendants received the midwifery training.

##### **4.1.8 Environmental and Social Safety Dimension**

###### **Environmentalism at Islami Bank Bangladesh Limited**

The main theme of environmental responsibility is to protect the environment from destruction with a view to keeping it healthy and safe for future generation. The effect of climate change is a burning issue of the world. Being a nation in southern delta Bangladesh is under serious threat of natural disaster. Islami Bank Bangladesh Limited has contributed an amount of Tk. 85.80 million for 25,83,018 beneficiaries from 1983-2015.<sup>41</sup>

Islami Bank Bangladesh Limited is trying to reduce their impact on the planet. They took initiatives to reduce carbon emission through installation of solar panels, introducing measures for saving electricity, water, gas and fuel, encouraging double-sided printing, use of scrap/one-side-used papers for note pad etc. Islami Bank Bangladesh Limited plays a strict role regarding installation of biomass processing plants, water recycling plants and Effluent Treatment Plants (ETPs) in their financed projects. They also encourage and educate their employees to be sensitive to the environment both inside and outside of the office.<sup>42</sup>

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<sup>41</sup> Islami Bank Bangladesh Limited, Annual Report 2015, pp.126-127

<sup>42</sup> Ibid, p.127

## **Environmental Policy Statement**

Islami Bank Bangladesh Limited is committed to protect the environment in its operations. The bank premises are taken with adequate space and interior decorations are made to keep the office environment healthy and work-friendly. Female employees are also provided comfortable working environment along with other required facilities.<sup>43</sup>

### **4.1.9 Green Banking in Islami Bank Bangladesh Limited**

Green banking is a process practiced by banks to make the earth environmentally comfortable and safe habitable for all the species on the earth. Green banking means considering all the social and environmental/ecological factors in its normal banking operations with an aim to protect the environment and safeguard the natural resources.

As one of the pioneer central bank of the world Bangladesh Bank ensures the practice of environmental risk grading of financing proposals by banks and financial institutions. Good performers in sustainable financing earn better supervisory (CAMELS) rating and get preferential edge for their business expansion (Bangladesh Bank 2011a). Bangladesh Bank also initiated to use differential equity margin requirement to favorably treat the financing of more environmentally options. For example, financing for personal and family cars require higher equity margin than financing for mass or public vehicles.

Bangladesh Bank has been providing the necessary infrastructure and detailed guidance for adoption of low carbon, energy efficient internal processes and practices including use of paperless e-processes. Bangladesh Bank also ensures massive modernization of the financial sector IT infrastructure including fully automated online settlement of paper based and electronic fund transfer, online credit information, supervisory reports, exponential growth of mobile phone banking to vastly benefitting the underserved poor<sup>44</sup>.

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<sup>43</sup> Ibid, p.127

<sup>44</sup> Rahman, atiar and others, 'Inclusive financing for sustained economic growth: the case of Bangladesh', *Journal of the Institute of Bankers, Bangladesh*, vol. 61, Number 1, January-June 2014, pp.22-23

## **Areas of Green Banking**

The Green banking practices of Islami Bank Bangladesh Limited consists of wide range of activities. These are explained below:

### **General Banking**

In the general banking operations the bank use the state-of-the art technology to provide various banking services on E-commerce platform. The green banking products of general banking operations are the followings:<sup>45</sup>

- I-banking
- Phone banking
- Visa Debit Card
- Khidmah Credit Card
- mCash
- Call centre etc.

### **Green Investment**

Green investment implies investment that helps to recover the environmental degradations, prevent deterioration of the environment and are not harmful to the environment. Green investment includes both the Direct Green Investment and Indirect Green Investment.

#### **Direct Green Investment**

Direct Green Investment means investment to the businesses to procure/purchase/set up green products, establish green industry and transform existing traditional ones to environment friendly ones.

#### **Indirect Green Investment**

Indirect Green Investment means working capital investment to environment friendly plants/industry/products to carry out their business. The total disbursement

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<sup>45</sup> Islami Bank Bangladesh Limited, Annual Report 2015, p.119

in green investment in 2014 and 2015 was 54,751.12 million and 78,000.09 million respectively i.e. 42.46% growth in 2015.<sup>46</sup>

The traditional neglected landless sharecroppers can now access agricultural loans from Bangladesh Bank fund and one million sharecroppers have already received loans from this fund. The landless peasants, itinerant wage laborer, street children and school children are the customer base for the inclusive financial services. Around 13 million farmers accounts with nominal taka 10 deposit have been opened and around 850 thousand school banking accounts have been opened with outstanding deposit of taka 7,175 millions<sup>47</sup>.

Green Financing initiatives are creating new jobs for the unemployed people through the following Green Financing activities- installation and maintenance of solar PV Phone, irrigation system, energy saving lamps, bio gas units and so forth<sup>48</sup>.

### **Environmental Risk Management (ERM)**

The bank, in its business decision, considers Environmental Risk Management and carries Environmental Risk Rating (EnvRR) of the investment proposals within the following applicable investment limits:

- For Small and Medium Enterprises (SMEs), financing >BDT 2.5 million
- For Corporate, financing >BDT 10 million
- For real estate financing >BDT 10 million

In 2015, 2,286 number of investment projects were rated out of 2,628 applicable investments where as in 2,031 number of investment projects were rated out of 2,757 applicable investments.<sup>49</sup>

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<sup>46</sup> Ibid, p.119

<sup>47</sup> Rahman, atiar and others, 'Inclusive financing for sustained economic growth : the case of Bangladesh', *Journal of the Institute of Bankers, Bangladesh*, vol. 61, Number 1, January-June 2014, p.23

<sup>48</sup> Ibid, p.23

<sup>49</sup> Islami Bank Bangladesh Limited, Annual Report 2015, p.120

### **Climate Risk Fund (CRF)**

Climate Risk Fund (CRF) as a part of CSR is used under the environment friendly banking for the activities related to prevention of environmental pollution and degradation, mitigation and adaptation of climate change issue, reduction of carbon emission rate, disaster management etc.

The fund may be used as donation as well as investment at reduced rate of return (Rate of return less than the weighted average cost of fund) for the climate change vulnerable people.<sup>50</sup>

The total Climate Risk Fund (CRF) utilization was 182.67 million and 122.57 million in 2015 and 2014 respectively, i.e. 49.03% growth in 2015.<sup>51</sup>

### **Green Training and Capacity Building**

Green banking training and capacity building programs are organized for the employees in the form of seminars, symposiums, discussion meetings etc. Academic training and workshops on green banking, environmental and social risks management were arranged by IBTRA and HRD.

### **Green Marketing and Awareness Development**

For marketing the bank's own green products and creating awareness among the customers and public on environmental issues the following steps have been undertaken by Islami Bank Bangladesh Limited:

- Customers have been motivated to make their products, productions and packaging processes environment friendly
- Advertisements have been given in both print and electronic media on green banking products/issues
- The bank has published various publications exclusively on green banking products and issues
- The bank has arranged events publicly on green banking

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<sup>50</sup> Ibid, p.120

<sup>51</sup> Ibid, p.120

## **In-house Environmental Management**

Islami Bank Bangladesh Limited manages its in-house activities in environment friendly ways to reduce its carbon footprint by exercising the direction of the Holy Quran “And no not spend wastefully. Do not be a spendthrift because the spendthrifts are the brethren of Satan and Satan has been ungrateful to his Lord.”<sup>52</sup> The different areas of in-house environment management are given below:

### **Utility Consumption**

Responsible usage of utility is the primary commitment of Islami Bank Bangladesh Limited. Each and every officials of Islami Bank Bangladesh Limited is very much conscious about the consumption of utility.

### **Waste Management**

Islami Bank Bangladesh Limited emphasizes in waste minimization of its resources and centrally collects its e-wastes and other solid wastes from every operational unit and disposes centrally through auction. In 2015 the bank earned Tk. 2.40 million from sale of its e-wastes.<sup>53</sup>

### **Renewable Energy**

Islami Bank Bangladesh Limited has strong commitment to use renewable energy resources in its operations. It has installed solar panels at its Head Office and 34 branches across the country.

### **Green Travel**

Islami Bank Bangladesh Limited always encourages its employees to undertake green travel for official as well as personal travel. To do so it has arrangements of hybrid autos and car pooling system.<sup>54</sup>

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<sup>52</sup> Al-Quran, 17: 26-27

<sup>53</sup> Islami Bank Bangladesh Limited, Annual Report 2015, p.121

<sup>54</sup> Ibid, p.121



## **Ethical Banking**

Islami Bank Bangladesh Limited aims to run its business such a way that does not have any negative impact on either society or environment. As it is operated based on Islamic Shariah it does not finance any organization that deal in morally questionable businesses.

Islami Bank Bangladesh Limited always attempts to maximize social welfare, reduce all sorts of environmental degradation and hazards through its operational activities and protect the nature. Besides, the bank's core principle is the protection of resources for the future generation.

### **4.1.10 Some Environmental and Social Safety programs of IBBL**

#### **Any Branch Banking Service**

IBBL has introduced its Online Banking service since 2006. Being the largest online connectivity among all the branches IBBL is capable of providing the better customer service to its clients. Registration is required to get this service. Online Banking does not refer to internet Banking. It is basically any branch banking.

#### **Services**

- Cash Deposit
- Cash Withdraw
- Fund Transfer
- Account Statement
- Balance Inquiry
- Investment Recovery

#### **SMS Banking Service**

IBBL has introduced its SMS banking service since 2008. Registration is required to avail the SMS banking service. SMS facilities are applicable only for IBBL Online Branches.

## **Services of SMS Banking**

- Multiple Account Registration
- International Push- Pull Facility
- Account Balance (BAL )
- Mini Account Statement (STM)
- Account Information (ACI)

## **Internet Banking Service**

Islami Bank Bangladesh Limited has been dedicated to serve its customers since inception. iBanking is a cornerstone of IBBL strategy, designed to accelerate its commitment to green banking and to enable customers to do banking at their own convenience.

IBBL has introduced two new services to all iBanking customers that reflect its continuous endeavors to put the strategy into action. For the iBanking customers the following services are available:

- Transfer funds (**iTransfer**) between IBBL accounts
- Purchase airtime / Recharge account ( **iRecharge**) for all mobile operators in Bangladesh
- Wimax Recharge

## **Services of Internet Banking**

### **Account Service**

- Account Balance
- Account Statement
- Transaction Summary

### **Investment Report**

- Investment Account Statement
- Customer wise Liability
- Mode wise Liability

- Liability at a glance of Party

### **Foreign Business Report**

- Cost Sheet for Negotiation
- Cost Sheet for Realization
- Cost Sheet for Retirement of a Bill

### **Clearing Instrument**

- Credit Clearing Instrument Status
- Debit Clearing Instrument Status

### **FTT & FDD**

- FTT Message Search
- FDD Payment Search

### **ATM Service**

IBBL has introduced its ATM Banking services since 2000. The following services are available in IBBL ATM:

- Cash Withdraw
- Fund Transfer
- Mini Account Statement
- Balance Inquiry

### **Islami Bank Khidmah Card**

Islami Bank Bangladesh Limited has introduced a new IT based Shariah compliant product under the name of '**Islami Bank Khidmah Card**'. It has been carefully developed by Islamic financial experts who have ensured that Islami Bank Khidmah Card is developed based on the guidelines of Islamic Shariah. It operates on the 'Ujrah' concept which is based on a fixed fee structure, meaning that only fixed fee will be charged to the customer. It gives the option to the customers of either paying the entire outstanding amount or paying only a minimum amount of the outstanding balance in due date.

This Shariah compliant electronic product has made every day buying and selling easy with reducing risk of carrying physical cash. This new product has brought new business era for the bank and accelerated the development in the banking sector through financial inclusion considering all classes' people of elite society.

#### **Features of Islami Bank Khidmah Card**

- A Shariah Compliant Card Based on “Ujrah Concept” (fixed fee based concept)
- Global usage freedom
- No risk is associated in buying
- Payment of gas, electricity and WASA bill
- Exclusive Shopping & Travel Discounts within VISA global offering
- Hotel and Hospital booking, Bus, Train and Airplane Ticketing
- Exclusive discount on the purchase of Superstore
- Lowest charge
- First Supplementary Card Free
- Card Cheque Facility
- Advance Salary Facility

#### **SWIFT Service**

Society for Worldwide Inter-Bank Financial Telecommunications (SWIFT) is a bank owned co-operative serving the financial community worldwide. The SWIFT Transport Network (STN) is a dedicated global network for secure communication between SWIFT Customers.

SWIFT supports the financial data communication and processing needs of financial institutions, through a range of financial messaging services and value-added processing, as well as, access through the STN and interface and application software. In short SWIFT is a pioneer in the automation of the global financial industries.

Islami Bank Bangladesh Limited has introduced SWIFT alliance entry system firstly in October 1999 and introduced SWIFT alliance access in October 2001.

Green banking or environmental/ecological friendly banking assures sustainable growth of the institution and the country. It contributes quality avenues of the banking. From its very inception the bank has been exerting environment friendly banking. As it is become imperatives for the bank to realize and implement the green banking practices to protect the image of the bank as well as remain compliant of the regulatory guidance, the workforce of the bank should own the green banking concept and practices for the betterment of the society and beloved country.

#### **4.1.11 Humanitarian and Philanthropic Dimension**

Traditionally the people of Bangladesh are fighting with poverty and many other natural disasters. Being a corporate citizen of the country, Islami Bank Bangladesh Limited always stands beside the distressed humanity. Through developing special deposit products, extending financial inclusion and providing financial assistance, the bank discharges its responsibilities towards the poor and less fortunate segments of the society. The Disaster relief programs include-

- Winter cloth distribution
- Donation to Prime Minister's Relief Fund
- Distribution of Tohfa-e-Ramadan
- Sacrificial meat distribution and
- Rehabilitation program etc.

An amount of Tk. 1,045.55 million for 26,01,011 vulnerable persons was spent by Islami Bank Bangladesh Limited from 1983-2015.<sup>55</sup>

#### **Winter Cloth Distribution Program**

Islami Bank Bangladesh Limited always stands beside the cold affected people of Bangladesh since its inception. In 2015 it has distributed 0.30 warm cloths amounting of Tk. 78.03 million all over the country.<sup>56</sup>

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<sup>55</sup> Islami Bank Bangladesh Limited, Annual Report 2015, p.126

<sup>56</sup> Ibid, p.126

## **Relief and Rehabilitation Programs**

Islami Bank Bangladesh Limited incorporated the relief and rehabilitation programs through Islami Bank Foundation. The main function of the program is participating in relief and rehabilitation activities after the incidence of natural disasters and in emergency situations. Islami Bank Foundation operates relief and rehabilitation activities during natural calamities like flood, tornado, tidal surge, river erosion, conflagration and calamities. Islami Bank Foundation spent TK. 208 million in the relief and rehabilitation activities and the number of actual beneficiaries of this program is 4,34,896<sup>57</sup>.

## **Humanitarian Help Program**

To provide instant support to the needy people of the society the humanitarian help program has been initiated by Islami Bank Bangladesh Limited. Under this program support is extended to the poor people who cannot afford to buy food, clothing and shelter and fulfill other basic needs. The main objectives<sup>58</sup> of this program are:

- Providing fund for marrying helpless, poor girls'
- Assisting insolvent/bankrupt persons
- Helping distressed wayfarers and such other activities
- Establishing orphanages
- Helping to run orphanages

## **Financial Assistance to Mosques**

Providing financial assistance to mosques is another important program introduced by Islami Bank Foundation. Under this program, assistance is given to mosques for construction, extension, repairing and renovation. Besides this financial assistance, microphone sets, loud speakers and relevant equipment are also given to mosques under this program. Till May, 2013 Islami Bank Foundation spent TK. 8 million for this purpose<sup>59</sup>.

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<sup>57</sup> *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.16

<sup>58</sup> *Ibid*, p.15

<sup>59</sup> *Ibid*, p.29

### **Monogram-Islami Bank Crafts and Fashion**

Islami Bank Foundation has introduced sales centre for the products of distressed women in Dhaka. The sales centre is known as “Monogram-Islami Bank Crafts and Fashion”. This project has been taken for marketing the home-made garments, handicraft and other items produced by the distressed women to make them self-reliant. This project aims to create conducive and healthy atmosphere so that these distressed women can earn decent living through working within the dictum of Shariah. The other objective of this program is to develop attractive garments for women who will strictly conform to the principal of decency and modesty laid down by Islam. Till May, 2013 three outlets of monaram were working in Dhaka at Basundhara City, Moghbazar and Mirpur to market and sell those products<sup>60</sup>.

### **Fael Khair Agro Inputs Program**

On 15 November 2007 a devastating cyclone ‘Sidr’ hit the southern part of Bangladesh to a speed of 240 kilometer per hour causing a massive destruction to 12 southern districts and partial destruction to another 18 other districts of Bangladesh. In this ‘Sidr’ a total of nine million people were affected at a different degree and the total losses were estimated at TK. 160.00 billion, equivalent to US\$2.35 billion.

A philanthropist from the Middle East, who preferred not to disclose his/her name, has come forward and donated US\$ 130 million for the welfare of the sidr-affected people through the Islamic Development Bank (IDB). Islamic Development Bank (IDB) has decided to utilize US\$ 110.00 million for the construction of Cyclone Shelter-cum-Schools and US\$ 20.00 million for livelihood support program, titled ‘Fael Khair Agro Inputs Program’ for the poor cyclone victims in the form of Quard. ‘Fael Khair Agro Inputs Program’ (FKAIP) has been running to provide Quard facilities to the Sird victims of Bangladesh for the restoration of their livelihood, especially in the agriculture sector.

To implement the ‘Fael Khair Agro Inputs Program’ two agreements were signed between Islamic Development Bank (IDB) and Islami Bank Foundation (IBF) on 13 may 2008 and 26 july 2009 responsibility for a total amount of US\$ 9.00 million.

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<sup>60</sup> Ibid, p.29

The performance of the Fael Khair Agro Inputs Program up to the month of February 2012 is shown in the following table (figures shown in BDT)<sup>61</sup>:

S/N	Particulars	1 <sup>st</sup> Tranche	2 <sup>nd</sup> Tranche	Total
1.	Amount received from IDB	30,75,70,000	30,84,70,000	61,60,40,000
2.	Principal amount disbursement	188,46,70,000	151,94,90,000	340,41,60,000
3.	Amount recovered	171,74,60,000	134,82,00,000	306,56,60,000
4.	Outstanding	16,72,10,000	17,12,90,000	33,85,00,000
5.	Present number of beneficiaries	50,080		
6.	Number of training program	2,142		
7.	Number of trained beneficiaries	91,463		
8.	Total number of beneficiaries	1,73,730		

Source: *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.30

### **Tohfa-e-Ramadan**

A unique step taken by Islami Bank Bangladesh Limited for fasting people of the country named “Tohfa-e-Ramadan”. During last Ramadan in 2015, Islami Bank Bangladesh Limited has provided food items to 42,110 poor and religious scholars’ families amounting Tk. 70.82 million.

### **Support to the Disable Children**

An institute named ‘Proyash’ run under the patronization of Bangladesh Army for the well-being of children with special needs and disability. Considering the disabled children as the asset of the society, Islami Bank Bangladesh Limited stands beside the authority of proyash for fulfillment of their needs. To facilitate education

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<sup>61</sup> Ibid, p.30



for the autistic children a school for the autistic children is established in Jessore by the donation of Islami Bank Bangladesh Limited.<sup>62</sup>

### **Contributing for Women Empowerment**

To empower the women in the society Islami Bank Bangladesh Limited takes various programs through awareness building, training and financing etc.

The introduction of deposit scheme namely “Mudaraha Mohor Deposit Scheme” is a recognition to the women’s right and husbands are now coming forward to fulfilling their religious obligation to pay mohor. Rural under privileged women are organized under Rural Development Scheme and encouraged to make savings at least Tk. 10 per week with the bank. Islami Bank Bangladesh Limited developed an investment scheme exclusively for the women namely “Investment Scheme for the Women Entrepreneurs”.<sup>63</sup>

#### **4.1.12 Role of IBBL in fostering Waqf**

Waqf is a trust or foundation to provide social services to others. When there is a financial institution in an Islamic society that will demonstrate, devote, corresponding

to the spirit of generosity and spending on others it is called waqf<sup>64</sup>.

Prophet SAW created and also encouraged others to create waqf- means properties with revenues devoted to service of society.

The Prophet (peace be upon him) says “The generous man is near Allah, near Paradise, near men and far from Hell, but the miserly man is far from Allah, far from Paradise, far from men and near Hell. Indeed, an ignorant man who is generous is dearer to Allah than a worshipper who is miserly.”

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<sup>62</sup>Islami Bank Bangladesh Limited, Annual Report 2015, pp.123-125

<sup>63</sup> Ibid, p.128

<sup>64</sup> Kahf, Monzer, ‘The Role of Waqf in Improving The Ummah Welfare’, Presentation at the International Seminar on “Waqf as a Private Legal Body” organized by the Islamic University of North Sumatra , Medan, Indonesia Jan. 6-7, 2003

In response to these directions Muslim Community are far ahead of all other communities in charitable giving. It is also revealed from several researches that large percentages of Muslims make charitable donations<sup>65</sup>, and they are more generous relative to other communities.

In Islamic economy waqf is one of the poverty alleviation mechanism in the society besides zakah (compulsory charity) and sadaqah (optional charity). The plural form of waqf is awqaf. Waqf is an effective system for poverty eradication by improving the non-income generating aspects such as health, education besides the physical facilities such as commercial, transportation, agricultural and industrial etc. Unlike other charities waqf is unique in the sense that its corpus should be remained as capital. The establishment of waqf is very simple in such a way that a mere declaration by the founder is considered enough to create a waqf<sup>66</sup>.

Fortunately, the revitalization of waqf institution has become more popular in the Muslim communities around the world for the past few decades. The awareness of waqf revitalization has equally gaining popularity amongst the Muslim countries. For creating a better and peaceful society the government of Muslim countries have realized the need for the revival of waqf as an important tool<sup>67</sup>.

Prominent Islamic scholar Imam Al-Ghazali explained the Islamic philosophy of life in his famous book *Ihya Ulum Al-Din*. According to him, Muslims must keep in mind that there is no separation in between spiritual and temporal affairs in their life. Therefore, all worldly deeds such as trading, studying and working are considered as act of worshipping Allah, since they are in line with Islamic policies and rules, which promotes the seeking of human well-being and a good life<sup>68</sup>.

The poverty alleviation strategies and policies are multi-dimensional, one of these is charity. Charity is of several kinds. These are as follows:

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<sup>65</sup> Zaman, Asad, 'Building Genuine Islamic Financial Institutions', *Journal of Islamic Economics, Banking and Finance*, vol. 11, Number 2, April-June 2015, p.19

<sup>66</sup> Ihsan, Hidayatul and Ayedh, Abdullah, 'A Proposed Framework of Islamic Governance for Awqaf', *Journal of Islamic Economics, Banking and Finance*, V-11, Number-2, April-June 2015, pp.127-128

<sup>67</sup> Ibid, p.128

<sup>68</sup> Ibid, p.131

1. Compulsory Charity: Zakah and Fitrah
2. Optional Charity: Sadaqah
3. Perpetual Charity: Waqf

The compulsory and optional charities are used to solve the redistributive problems of the society, while waqf can be used to enhance the capabilities of the poor to get access to education, health, physical facilities and many other issues like these<sup>69</sup>.

### **Types of Waqf**

Prominent Islamic economist Monzer Kahf has divided the waqf into three kinds. These are as follows:

1. **Religious Waqf:** If the waqf assets help to ensure the social welfare of any community or religion through satisfying the religious needs of people and reduces the direct cost of providing religious services for the future generation it is called religious waqf. For example: Mosques and real estate establishments etc.
2. **Philanthropic Waqf:** When the waqf assets are used to support the poor segment of the society and all activities are of public interest at large that is called philanthropic waqf. For example: Public utilities for the poor and needy people, libraries, scientific research, education, health services, care of animals and environment, lending to small businesses, parks, roads, bridges, dams and other social works etc.
3. **Posterity or Family Waqf:** In case of the posterity or family waqf the revenues must be given to their own children and dependents of the founder and only then the surplus, if any, should be given to the underprivileged poor people. Such kind of waqf introduced after the death of prophet (SAW), during the reign of Umar (635AD-645AD), the second caliph of Islamic Khilafah.

There are some new types of waqf. These are as follows:

- I. **Cash Waqf:** The term cash waqf was first introduced in Ottoman era in Egypt. Professor Mannan then socialized cash waqf in Bangladesh through Social

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<sup>69</sup> Khan, Foyasal, 'Waqf: An Islamic Instrument of Poverty Alleviation-Bangladesh Perspective', *Thoughts on Economics*, Vol.22, No.03, July-September 2012, p.111

Investment Bank Limited, now Social Islami Bank Limited (SIBL). Social Islami Bank Limited (SIBL) issues cash waqf certificate to collect funds from the rich and distribute incomes of the funds to the poor.

II. **Waqf of Intellectual Property:** Another type of waqf has been developed in Bangladesh is the creation of Waqf of intellectual property. This waqf is introduced through copyright of books. For example:

- The Khairun Prokashani Trust and
- The Deeni Publication Trust etc.

The Khairun Prokashani Trust is a waqf developed by Maulana Abdur Rahim, a great Islamic scholar of Bangladesh, with the copyright of his books and declared his wife and children as beneficiaries. This waqf has a printing press and building in Dhaka<sup>70</sup>.

The Deeni publications waqf is created by another Islamic scholar, Maulana Muhammad Abdul Khaleq, making waqf of copyright of all his books<sup>71</sup>.

To understand the status of waqf estates, the waqf estates of Bangladesh are classified into three classes such as registered, verbal and traditional. Registered waqfs are those which were reported to be registered with the office of the Waqf Administration. In the verbal category the concerned property was declared waqf verbally and is being used as such. The third category relates to Waqf Estates used as traditionally, it could be private or government property.

According to 1986 census of Waqf Estates, there are 1,50,153 waqf estates in Bangladesh, where 97,046 are registered, 45,607 are verbal and the rest 7,940 are traditional. Among these Rajshahi division has 30,419 (highest) registered, 12,809 verbal, 1971 traditional waqf. On the other hand Sylhet division has 6,024 (least) registered, 744 traditional waqf, while Barisal division has 2,877 (least) verbal waqf.

There are five broad categories of beneficiaries of waqf operating in Bangladesh. These are as follows<sup>72</sup>:

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<sup>70</sup> Ibid, pp.113-114

<sup>71</sup> Sadeq, Abulhasan M., 2000, *Awqaf in Bangladesh*, p.169

<sup>72</sup> Khan, Foyasal, Waqf: An Islamic Instrument of Poverty Alleviation-Bangladesh Perspective, Thoughts on Economics, Vol.22, No.03, July-September 2012, pp.117, 123-129

- General public
- Heirs
- Religious institutions
- Educational institutions and
- others

### **Role of Islami Bank Bangladesh Limited in fostering Waqf**

Islami Bank Bangladesh Limited has been playing an important role in introducing this unique product for the betterment of the society. The objective of waqf is purely for the welfare of the society. In Islami Bank Bangladesh Limited Mudaraba Waqf Cash Deposit account may be opened at a time with a minimum deposit of Tk.1,000.00 and the subsequent deposit shall be made by installment in thousand Taka or in multiple of thousand Taka. Profit of this account is utilized for social and human welfare as per instruction of the account holders. As on December 31, 2015 Islami Bank Bangladesh Limited has opened total Mudaraba Waqf Cash Deposit account 26,140, which has total deposit BDT 634 million<sup>73</sup>.

### **Quard/Benevolent Loan**

The term ‘Quard’ is derived from the Arabic word ‘Qirad’ which means to cut. It is considered as Quard as it cuts certain part of the lender’s property by giving loans to the borrower. Hasan is also an Arabic word, which originates from ‘Ihsan’. Ihsan means kindness to others. So, Hasan is an act which benefits persons other than those from whom the act precedes without any obligation. The term Al-Quard al-hasan means beneficial loan, benevolent loan, gratuitous loan, beautiful loan or interest free loan etc.<sup>74</sup>

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<sup>73</sup> Islami Bank Bangladesh Limited, annual report 2015, pp.64-65

<sup>74</sup> Haran, Saad Abdul Sattar Al, *Islamic Finance: Partnership Financing* (Malaysia: Pelanduk Publication, 2<sup>nd</sup> Printing, 1996), p.86

### **Definition of Quard/Benevolent Loan**

“Quard al-Hasan is a loan which is returned at the end of agreed period without any interest or share in the profit or loss of the business.”<sup>75</sup> It is a mode to provide financial assistance/loan with the stipulation to return the principal amount in the future without any increase thereon.<sup>76</sup>

“Quard al hasan means an interest free loan, which the only loan is permitted by Shariah principles. Funds are advanced without any profit or charge for humanitarian and welfare purposes, repayments are made over a period agreed by both parties. A levy of a modest service charge on such a loan is permissible provided it is based on the actual cost of administering the loan.”<sup>77</sup> “A pure loan transaction in which the client obtains the cash from the bank to be returned at a stipulated date, free of interest/profit.”<sup>78</sup>

“This is a benevolent loan that obliges a borrower to repay the lender the principal amount borrowed on maturity. The borrower, however, has the discretion to reward the lender for loan by paying any amount over and above the amount of the principal provided there will be on reference (explicit or implicit in this regard).”<sup>79</sup>

#### **4.1.13 Role of IBBL in Financial Inclusion**

Financial inclusion has stabilized the financial sector by bringing large and diverse bases of small loans deposits of the poor unbanked people. It also ensures inclusive growth that has generated strong internal demand with the creation of jobs for millions of people in various sectors.

The central bank of Bangladesh, Bangladesh Bank as the regulator of the country’s monetary and financial sector stepped in with financial policies steering credit flows

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<sup>75</sup> Chapra, Dr. M. Omar, *Towards a Just Monetary System* (Lester: Islamic Foundation, UK, 1995), p.68

<sup>76</sup> Islami Banking Guidelines of Bangladesh Bank 2009

<sup>77</sup> Haran, Saad Abdul Sattar Al, *Islamic Finance: Partnership Financing* (Malaysia: Pelanduk Publication, 2<sup>nd</sup> Printing, 1996) pp.88-89

<sup>78</sup> Omar, Al Fuad and Haq, Mohammad Abdel, *Islamic Banking: Theory, Practice & Challenges* (Karachi: Oxford University Press, 1<sup>st</sup> printing, 1996), p. xv

<sup>79</sup> Khan, Muhammad Akram, *A Glossery of Islamic Economics*, 1987, p.103

towards inclusive financing of environmentally sustainable domestic demand driven output initiatives. The main stream of this socially responsible inclusive financing started since 2009 and it has sensitized and activated the financial sector of Bangladesh in reaching out to the underserved and excluded poorer population segments to fulfill their financial needs.

The agriculture sector is supporting to ensure food security and price stability; the MSE financing promoting employment and income generation and the green financing supporting environmental sustainability<sup>80</sup>.

The access of poor to formal banking system has traditionally been denied, as they are not able to provide collateral for loans. As a result they are deprived of the facilities to save, borrow and invest in their productive activities. So taking this chance, the informal money lenders charge very high rate of interest, restricting poor people's access to credit<sup>81</sup>.

The agriculture sector contributes around 20% of annual GDP (BBS 2014) receiving less than 5% of the total bank credit. The SMEs contributing around 29% of GDP getting about 26% of the total bank credit. As the green financing the Paltry sector has the single digit percentage contribution. The instruction of Bangladesh Bank regarding disbursement targets for green financing are therefore higher i.e. 5% of total credit disbursement for older banks, 3% of total credit disbursement for newly licensed banks, 4% of total credit disbursement for non- bank financial institutions (Bangladesh Bank 2014) and by 2016 banks and financial institutions must allocated at least 5% of their loans portfolio to green finance (Bangladesh Bank 2014).

Against the sustainable financing disbursed by the Banks and financial institutions Bangladesh Bank provides low cost financing support as refinance windows. Although Bangladesh Bank initially funded the refinance lines for SMEs and green finance initiatives now co financed by the external development partners like ADB

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<sup>80</sup> Rahman, atur and others, 'Inclusive financing for sustained economic growth : the case of Bangladesh', *Journal of the Institute of Bankers, Bangladesh*, vol. 61, Number 1, January-June 2014, p.21

<sup>81</sup> Rural Reconstruction Fund (RRF) Annual Report 2013 ([www.rrf-bd.org](http://www.rrf-bd.org)), p.27

and JICA and very recently also by Islamic Shariah based banks under a shariah compliant mechanism for their eligible clients<sup>82</sup>.

To facilitate the rapid expansion of Inclusive Financing Bangladesh Bank issued guidelines on Mobile Financial Services (MFS) in 2011 and on Agent Banking in 2013 (Bangladesh Bank 2011c; Bangladesh Bank 2013). 28 Banks have been permitted to operate Mobile Financial Services across the country and they opened more than 25 million such accounts and created employment for about 5 lac 40 thousand agent. Islami Bank Bangladesh Limited was permitted mCash to operate Mobile Financial Services in 2011. It is one of the leading Mobile Financial Services providers in Bangladesh<sup>83</sup>.

In the financial inclusion indicators Bangladesh is well ahead of its neighboring countries showing in Table A. In Bangladesh about 40% adults have accounts in the formal financial institutions, while India and Pakistan has 35% and 10% respectively. In the South Asia region only Srilanka is in better position comparing Bangladesh in terms of number of adults (gross, female and bottom 40%) maintaining accounts in the formal financial institutions. Although only 3% of the adults use bank accounts to receive remittances in Bangladesh, but it is higher than India and Pakistan and above the South Asia average (World Bank 2014)<sup>84</sup>.

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<sup>82</sup> Rahman, atiar and others, 'Inclusive financing for sustained economic growth : the case of Bangladesh', *Journal of the Institute of Bankers, Bangladesh*, vol. 61, Number 1, January-June 2014, p.22

<sup>83</sup> Ibid, p.P23

<sup>84</sup> Ibid, pp.23-24



**Table 13: Selected Financial Inclusion Indicators-2011**

Country	Account at a formal financial institution (% age 15+)	Account at a formal financial institution, female (% age 15+)	Account at a formal financial institution, income bottom 40% (% age 15+)	Account used to receive remittances (% age 15+)
Bangladesh	40	35	35	3
India	35	26	27	2
Pakistan	10	3	4	1
Sri Lanka	69	67	58	5
South Asia	33	25	26	2

Source: World Bank Annual Report 2014

### **School Banking**

To enhance the financial inclusion of the country by ensuring the participation of the school level students in the economic as well as modern banking services and technology through savings and creating savings attitude among them Bangladesh Bank the central bank of the country advised all the scheduled banks to introduce School Banking operations in 2010. Students aged between 6-18 years will be able to open account under School Banking operation with minimum initial deposit of BDT 100.00 only. The attested photocopies of birth registration certificate and institutional identity card/educational certificate/receipt of school fees of latest month of students are required to open the account. All the above documents must be preserved in the bank. The account has to be operated through the father/mother/legal guardian of the student. When the student become a major i.e. completing his/her 18 years of age no withdrawal is allowed (except account closure) before converting into regular savings account. ATM card (only debit card) can be issued against this type of account to offer alternate delivery facility. Maximum limit of monthly withdrawal through ATM card and Point of Sale (POS) is BDT 2000.00 only. This monthly withdrawal limit can be increased up to BDT 5000.00 only on request of the guardian. A system generated transaction alert SMS will be given to the mobile number of account holder's guardian. Except

government fees/charges no service charge /fees is imposed on this type of account<sup>85</sup>.

Through this account banks can collect monthly fees of the students on behalf of educational institutions. To bring each and every school going students under school banking banks should inspire the educational institutions, school going students and their guardians through establishing separate school banking counter/desk to facilitate banking services to students. Taking the consent of educational institutions banks may open booth in the premises of educational institutions to provide banking services in one or more fixed day. The scholarships/stipend of the students may be collected through these accounts. To do so, scholarships/stipend provider institutions have to sign a MoU with the concerned banks<sup>86</sup>.

It is expected that school banking shall help the students to<sup>87</sup>:

- Make them familiar with the banking services and modern technology and potential future customers or employees of the bank
- Contribute to economic growth through creating savings habit from the early age
- Have a handsome amount of savings after a certain period
- Develop the financial literacy and acquire knowledge how to manage money that may be useful for rest of the life
- Become solvent to bear the study cost up to 18 years of age of the account holder students (if they unfortunately lost their parents). The deposited money under the school banking product not only accelerate financial inclusion and financial literacy, but also ensure financial stability by remaining the stable balance of this deposit for a long period of time

In response to Bangladesh Bank advice IBBL introduced ‘Students Mudaraba Savings Account’ with daily product basis profit. IBBL got the crest from the Bangladesh Bank for contributing in school banking at the “First School Banking Conference-2013” held at Bangladesh Bank Training Academy (BBTA), Dhaka on

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<sup>85</sup> Ahmed, Dr. Mahmood, ‘School Banking in Bangladesh: A Study on Sustainability’, *Thoughts on Banking and Finance*, vol. 3, Issue 1, January-June 2014, pp.65-66

<sup>86</sup> Ibid, p.66

<sup>87</sup> Ibid, p.66

April 20, 2013 for opening 86,702 accounts out of 1,87,000 accounts in the country<sup>88</sup>.

According to central bank report, the number of school bank accounts is 2,24,719 in 74 banks, until June 2013. Nine new banks are yet to introduce school banking. Total deposit is BDT 1.28 billion, average savings in these accounts is about BDT 6,096.00 only. Students have 4,270 accounts in state-owned commercial banks, 4,279 accounts in specialized banks, 2,15,597 accounts in private commercial banks and 597 accounts in foreign banks<sup>89</sup>.

The sustainability of the school banking product may be ensured through implementing the followings<sup>90</sup>:

- Bangladesh Bank, the central bank of the country should continue the school banking programme across the country on regular basis and the commercial banks of the country should work to aware their officials as well as the school going students and their guardians through different trainings, meetings and gathering etc.
- Financial management related topics may be included in the curriculum of different levels of education so that the students can get a clear idea about the importance of savings attitude from the early age
- Through participating in the school banking operation students are getting the opportunity to be familiar with the modern banking service that will help them to be entrepreneur and contribute to the nations at a positive way
- Banks may launch ‘education investment scheme’ for the higher education of the students, who save regularly through school banking up to certain period of time in the school banking product of the bank
- Banks may also introduce the ‘education investment’ for the higher education of the students who lost their parents after saving some money for a certain period of time in the school banking product of the bank. This education investment may be arranged as the Corporate Social Responsibility activities of the bank

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<sup>88</sup> Ibid, pp.66-67

<sup>89</sup> Ibid, p.67

<sup>90</sup> Ibid, p.74

The relationship between savings, investment and economic growth has first been formally explained by Lewis (1955)<sup>91</sup>. The main idea of Lewin's traditional theory is that increasing savings would accelerate growth by accumulating capital in the developing countries<sup>92</sup>.

### **Islami Bank mCash (Mobile Banking)**

Islami Bank mCash is the Mobile Banking of Islami Bank Bangladesh Limited where the customers of any mobile company take the 24 hours of mobile banking services from anywhere of the country without going to any branches.

In order to ensure the access of unbanked people by taking advantage of countrywide mobile network coverage, Bangladesh Bank given the permission to start the mobile banking operation for adoption of the unbanked people who have mobile connection. Taking the growth of Mobile banking into consideration, it can be the perfect platform for Bangladesh to take financial services to the country's largely unbanked population in an efficient and low-cost manner

Islami Bank mCash Account transactions can be performed at any branch of Islami Bank Bangladesh Limited, any agent approved by Islami Bank Bangladesh Limited and mobile network operators' approved agent where Islami Bank mCash signboard is appeared.

### **Available Services of Islami Bank mCash (Mobile Banking)**

The following services are in Islami Bank mCash (Mobile Banking):

- Cash in (deposit)
- Cash Out (Withdraw)
- Send Money (from one account to another)
- Merchant Payment
- Mobile Recharge (Top-Up)
- Balance Check

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<sup>91</sup> Lewis, W.A., *The Theory of Economic Growth*, Homewood, III: Irwin, 1955

<sup>92</sup> Haseen, Laila and Hossain, Mohammad Amzad, 'Savings-Economic Growth Nexus in Bangladesh: Evidence from causality, Cointegration and Error Correction Models', *Thoughts on Banking and Finance*, vol. 3, Issue 1, January-June 2014, p.78

- Mini Statement Check
- PIN Number Change

### **Agricultural Investment of Islami Bank Bangladesh Limited**

Islami Bank Bangladesh Limited has been giving due importance on agricultural/rural investment from its inception. To make it more convenient Islami Bank Bangladesh Limited has been introduced four special investment schemes. These are noted below:

- Agricultural Implements Investment Scheme (AIIS) introduced in 1992
- Rural Development Scheme (RDS) introduced in 1995
- Micro Enterprise Investment Scheme (MEIS) introduced in 2005
- Solar Panel Investment Scheme (SPIS) introduced in 2011

#### **Table 14: Financial Year Wise Comparative Position of Agricultural Investment**

The Financial Year Wise Comparative Position of Agricultural Investment of Islami Bank Bangladesh Limited is given below<sup>93</sup>:

Fiscal Year	Target		Disbursement		% of Achievement	
	National	IBBL	National	IBBL	National	IBBL
2009-2010	115000	8800	111170	8410	97%	96%
2010-2011	126174	9500	121844	10210	97%	107%
2011-2012	138000	10000	131320	11703	95%	117%
2012-2013	141300	7250	146670	13074	104%	180%
2013-2014	145950	7550	160368	13199	110%	175%
2014-2015	155500	7900	159785	9716	103%	123%

Source: IBBL Annual Report 2015, p.78

<sup>93</sup> IBBL, Annual Report 2015, p.78

#### **4.1.14 Islamic Microfinance RDS Model**

##### **Islamic Microfinance**

Islamic microfinance is becoming a popular mechanism for alleviating poverty, especially in developing countries around the world. The Islamic microfinance industry is a fast growing sector because of its ethical principles and prohibition of riba (interest). Islami Bank Bangladesh Limited (IBBL), the largest commercial bank of Bangladesh, introduced microfinance program in 1995 which now shares almost 50 percent of the total Islamic microfinance of the world.<sup>94</sup>

Islamic microfinance adheres to the principles of Islam and is a form of socially responsible financing mechanism. Investors who use their wealth for Islamic microfinance projects only involve themselves in halal projects which benefits the whole community at large. Such projects include zakah (charity endowment) or trade and industry projects to develop a country's economy.

The mechanism of lending in Islamic microfinance differs from conventional microfinance owing to the prohibition of riba. Unlike conventional microfinance, Islamic microfinance offers an interest free way to provide small loans to poor and disadvantaged people of the society. As poverty is still prevalent around the world, there is no better solution than opting for funding which can deliver benefits to a poverty stricken community and help rebuild economies.

It has the potentialities not only to be the solution for an increased demand to help the poor but also to combine the Islamic socially responsible principles of caring for the less fortunate population with microfinance's ability to provide financial access to the poor.

Hundreds of Islamic microfinance institutes have been developed across the world. Like many countries of the world, in Bangladesh IBBL has introduced Islamic microfinance schemes to cater for dealing with poverty and people's welfare.<sup>95</sup>

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<sup>94</sup> Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.4

<sup>95</sup> Ibid, p.5

Islamic Microfinance is an important and emerging mode for empowering the poor and unbanked people. Poverty is a multifaceted phenomenon exhibited by food deprivations, physical disability and unfulfillment of the basic needs.<sup>96</sup> Reduction of poverty and hunger is the top agenda of the United Nations ‘Millennium Development Goals (MGDs) from 1990-2015. In 1990 the poor were 47% in the world, but it reduced to 22% in 2010<sup>97</sup>.

In the contemporary world, financial institutions may play vital role in alleviating poverty by extending loans, but for the lacking of collaterals nearly 75% of the world’s poor are financially excluded from institutional finance and consequently, poor are kept un-bankable. Lack of capital did not allow the poor to utilize economic opportunities and shelter themselves from financial crisis<sup>98</sup>.

Microfinance refers to the provision of financial services to the low-income clients, including the self-employed financial services generally include savings and credit<sup>99</sup>.

Micro finance refers to the small financing provided for the poor and renders financial services like savings, insurance, pensions, investment and payment services. Micro finance is commonly associated with small and micro size working capital financing needed to operate micro enterprises or low income generating activities. Islamic micro finance may be defined as the Shariah compliant services equivalents to conventional micro finance using various mode of financing such as Qard-al-Hasan (Interest free loans), Murabaha, Mark-up Trade Finance, Salam, Forward Sale and Istisna, Project Financing; Ijarah, Financial Leases etc.<sup>100</sup>

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<sup>96</sup> Mahmood, Hafiz Zahid and others, ‘Islamic Microfinance and Poverty Alleviation: An Empirical Ascertainment from Pakistan’, (*Journal of Islamic Economics, Banking and Finance*, Volume VII, Number 2, April-June 2015), p.95

<sup>97</sup> United Nations Annual Report 2013

<sup>98</sup> Mahmood, Hafiz Zahid and others, ‘Islamic Microfinance and Poverty Alleviation: An Empirical Ascertainment from Pakistan’, *Journal of Islamic Economics, Banking and Finance*, Volume VII, Number 2, April-June 2015, p.96

<sup>99</sup> Ledgerwood, Joanna, *Microfinance Handbook, An Institutional and Financial Perspectives*, (World Bank Publication, 1999), p.1

<sup>100</sup> Amalia, Euis and Mihajat, Muhammad Iman Sastra, ‘Micro Financing Products and Business Model of Islamic Micro Finance Institution (IMFIs) In Indonesia: Lessons from Baitul Maal Muamalat (BMM)’, *European Journal of Business and Management*, Vol.2, No.2, 2014, pp.114-115

As interest is strictly forbidden in Islam so most of the practicing Muslims are trying to avoid conventional microfinance, this percentage is about 72% in Muslim countries. As a result the islamic microfinance is becoming more popular as an alternative to conventional microfinance not only in Muslim countries, but also non-Muslim countries due to its interest free attribute. This mode of financing ensures moral rulings as answerability to Allah in order to control the human moral weakness. So, with the help of islamic microfinance the poor people may change their social status through becoming bankable and thus poverty can be reduced to a greater extent. Islamic finance distinguished sub-modes<sup>101</sup>:

- Zakah
- Sadaqah
- Waqf
- Qarz e Hassan
- Murabaha
- Sadaqah Istisna
- Musharakah
- Salam
- Mudaraba etc.

Professor Dr. Muhammad Yunus enriched the status of Bangladesh internationally through developing the Micro Credit Model to alleviate the poverty. Former United Nations Secretary General Kofi Annan considered Micro Credit as a machine to remove poverty<sup>102</sup>. Micro Credit may be broadly defined as a program that provides credit for self-employment and other financial services and business services to the poor people<sup>103</sup>.

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<sup>101</sup> Mahmood, Hafiz Zahid and others, 'Islamic Microfinance and Poverty Alleviation: An Empirical Ascertainment from Pakistan', *Journal of Islamic Economics, Banking and Finance*, Volume VII, Number 2, April-June 2015, p.97

<sup>102</sup> Islam, Dr. Muhammad Nurul, *Microfinance and Islam* (Dhaka: Nazifa-Sakina-Bari Foundation, 1<sup>st</sup> edition, July 2012), p.6

<sup>103</sup> Ahmed, Dr. Saleh Uddin, 'Micro Credit and Poverty: New Realities and Issues', *Journal of Bangladesh Studies*, V-5, Issue 1, 2003, p.1



## **Overview of Islamic Microfinance**

According to Consultative Group to Assist the poor (CGAP: 2008), 72% of people living in Muslim majority countries do not use formal financial services. Even when financial services are accessible, some Muslims view conventional banking products as incompatible with Islamic principle and shariah laws.

Some microfinance institutions (MFIs) have come forward to serve poor Muslims customers who demand financial products in accordance with Islamic financial principles leading to the development of Islamic microfinance as a new market niche.

This new market segment has the prospects to provide financial assistance to millions of poor Muslims ensuring access to Shariah compliant financial products, who are unwilling to accept conventional microfinance products. It should be noted that Islamic MFIs have not yet materialized in many Muslims countries as commercial Islamic banks have.

Islamic microfinance is currently concentrated mainly in Afghanistan, Bangladesh and Indonesia which account for 80 percent of the global outreach.

Recognizing that microfinance can be an important channel in poverty alleviation, especially in Muslim majority countries, Islamic microfinance is seen viable as an alternative to conventional microfinance to bring the poor out of poverty. MFIs have been developed with the sole purpose of facilitating the poor who have little or no access to capital from the commercial banking sector.

The shariah law does not recognize the time value of money and it is therefore not permissible to make money by lending it. According to Islamic shariah principle charging, paying or receiving interest/Riba is not permitted. Money must be used to create real economic value in which the providers of the funds are not consider as creditors but investors or financiers who share rewards as well as risks with the entrepreneur/individual seeking micro finance to utilize in his business. This prohibition is the main driving force behind the development of the modern welfare oriented Islamic finance industry, while traditional microfinance is mainly interest-based.

Interest is prohibited in Islamic economy considering the following two essential shariah principles:

- i. Money has no intrinsic value. Money is not an asset by itself and can increase in value only if it is combined with other resources to undertake productive activity. Therefore, money cannot be bought and sold as a commodity. Money not backed by assets cannot increase in value over time.
- ii. Fund providers in Islamic MFIs must share the business risks. Providers of funds are not considered as the creditors (who are typically guaranteed a predetermined rate of return in traditional financial system), but rather investor (who share the rewards as well as risks associated with their investment based on profit and loss principle).<sup>104</sup>

Islamic microfinance not only ban the interest based transactions but also encompass the followings:

1. **Material finality:** It is a vital financial principle that all financial transactions must be linked, either directly or indirectly, to a real economic activity. In other words all transaction must be backed by assets and investments may be made only in real and durable assets.
2. **No contractual manipulation:** Contract must be done through mutual agreement. In each and every contract the terms and conditions must be set precisely. Moreover, all the concerned parties of the contract must have detailed knowledge about the products or service that will be bought or sold.
3. **Economic Justice:** Another important characteristic of Islamic microfinance is that all the funding must be done on the basis on ethical responsibility which will ensure economic justice. It is the responsibility of the financier (Islamic microfinance institutions) and the borrower (entrepreneur), as they both share the risks as benefits associated with the financial transactions. Based on the economic justice principle many Islamic microfinance programmes integrate zakah principles (act of giving) in their financing model to ensure that the extreme poor are not left out. This is done by providing interest free loans (Qard-hasan) to the poor by utilizing the fund provided through zakah.

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<sup>104</sup> Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), pp.6-7

**Comparison between Islamic microfinance institutions and conventional microfinance institutions:**

Based on the Islamic doctrines of social and economic justice, ethics, wealth distribution and public interest; Islamic microfinance ensures economic empowerment through entrepreneurship, risk sharing and financial inclusion. It also contributes to the reduction of inequalities in income and wealth distribution. Thus Islamic microfinance has the great potentiality to improve the business environment for Small and Medium Enterprises (SMEs), empower women and family, and gear up the achievement of Sustainable Development Goals (SDGs) as like as Millennium Development Goals (MDGs).

Conventional microfinance was unable to fulfill the needs of many poor Muslims clients due to the above religious restrictions that involvement of riba/interest in financial transaction is prohibited. From a recent study it is found that conventional microfinance may not have fully met its objectives of graduating the poor out of poverty.

Islamic microfinance has some fundamental differences from the conventional microfinance. These are presented in table 1 below:

<b>Indicators</b>	<b>Conventional Microfinance Institutions</b>	<b>Islamic microfinance Institutions</b>
Sources of Fund	External, client's savings	External, client's savings, zakah and awqaf
Financing	Interest based	Islamic modes of financing
Financing the Poorest	Ultra poors are left out	Ultra poors are targeted
Fund Transfer	In cash	Depends on the modes of financing
Target Group	Women preferred	Any member of family
Targeting Objective	Women empowerment	Family empowerment
Deduction at inception of contract	Yes	No
Work incentive	Material	Material and spiritual

Social development program	Secular	Religious
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Comparison between conventional and Islamic MFIs<sup>105</sup>

**Table 15: Islamic Microfinance around the World<sup>106</sup>**

The operation of Islamic microfinance around the world is increasing day by day. At present more than 300 Islamic microfinance Institutions (IMFIs) working in over 65 countries. The total assets managed by these Islamic microfinance Institutions (IMFIs) is approximately US\$ 1.0 trillion annual growth rate is more than 15 percent. Some of the Shariah compliant important Islamic microfinance programs are shown in the following table:

Region	Program	Country	Investment Modes
MENA Countries	Mit Ghamr Sanadiq at Jabal al-Hoss Mu'assasat Bayt Al-Mal Hodeidah Microfinance Program	Egypt Syria Lebanon Yemen	Musharaka Murabaha Qard hasan, PLS-modes Murabaha
South Asia	Rural Development Scheme of IBBL, Al-Falah Rescue Akhuwat AICMEU and Bait-an-Nasr	Bangladesh  Pakistan India	Bai muajjal   Qard hasan
Southeast Asia	Tabung Haji Baitul Maal wat Tamwil Baitul Maal wat Tamweels	Malaysia, Indonesia Network of over two thousand institutions	Murabaha, ijara, Musharaka, Qard
Sub-Saharan Africa	Azaouad Finances PLC	Northern Mali Sudan	
Central Asia	FINCA's Village Banking	Afghanistan	Qard Hasan

Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.9

<sup>105</sup> Ibid, pp.8-9

<sup>106</sup> Ibid, p.9

### **Characteristics of Micro Finance<sup>107</sup>**

- Credit for the poor
- Collateral free loan
- Peer group pressure to repay the loan
- Small size of loan
- Ensure self-employment
- Effective supervision
- Reaching to the poor
- Empowering the women
- Working capital finance
- Informal appraisal
- Micro finance facility is used as the gate way to avail the larger loans
- Micro finance facilities ensure force savings of the loans borrowers
- Entrepreneurship development training is imparted to the poor people to make them self-reliant with the help of micro finance facilities

### **Objectives of Micro Finance Institutions as Development Organizations<sup>108</sup>**

- Reduction of poverty
- Creation of employment
- Empowerment of women and other disadvantaged group
- Grow the existing business or diversify the business activities
- Development of new business
- Creation of income opportunities through introducing new business and expansion of micro enterprise
- Increase the productivity and income of the vulnerable groups, especially women and the poor
- Reduction of the dependency of the rural families on agriculture through diversification of their income generating activities
- Saving the poor people from the mohazons complex web and torture

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<sup>107</sup> Islam, Dr. Muhammad Nurul, *Microfinance and Islam* (Dhaka: Nazifa-Sakina-Bari Foundation, 1<sup>st</sup> edition, July 2012), pp.8-10

<sup>108</sup> Ibid, pp.28-29

### **Reasons behind the popularity of Micro Finance<sup>109</sup>**

- The promise of micro finance is to reach at the door of the poor. Micro finance gives access to them to increase their profit
- Micro finance activities ensure the sustainability of the financial system of the economy
- Micro finance operation contributes to strengthening and expanding existing formal financial system
- Micro finance operation is established as a successful model throughout the world for its success history
- Micro finance is the result of various experimentations of several organizations of the world

### **Impact of Micro Finance Program in Bangladesh<sup>110</sup>**

#### **1. Impact of Micro Finance Program in Poverty Alleviation:**

- Increase the profit of poor group
- The people who are living below the poverty line, they become solvent by micro finance.

#### **2. Economic Impact of Micro Finance:**

- Ensuring self-reliance economically
- Food safety. Increasing the wage level
- Generating more employment
- Increase of movable and immovable property

#### **3. Social and other Impact of Micro Finance:**

- Health and nutritional development
- Safe water and sanitation
- Formation of family planning
- Women empowerment and household development

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<sup>109</sup>Ibid, p.9

<sup>110</sup> Ibid, p.13

## **Limitations of Micro Finance Program in Bangladesh<sup>111</sup>**

- **Ununiform rules and regulations:** The micro finance organizations that are operating micro finance program are not following the uniform rules and regulations. As a result the standard practice is not established yet
- **Different collection method:** The collection method of micro finance loans differ from one another. Some organizations collect installment from the next week of loan disbursement, some are collecting from the 2<sup>nd</sup> next week or next month etc.
- **Lack of training:** Some organizations provide training to the officials as well as loan takers of their organizations. But most of the organizations are not imparting any training for staffs and customers
- **Insufficiency of loan:** Although many organizations are conducting micro finance operations in Bangladesh, the loan amount is insufficient yet due to the scarcity of finance
- **High rate of interest:** Although micro finance loans are operated for the poor, deprived, landless and helpless people, but the rate of interest charged for that is very high. As a result, they get the access to the financial system but, the actual benefit is the golden duck for them
- **Lack of monitoring:** Most of the micro finance organizations are not maintaining proper monitoring system of their loans. As a result the borrower may use the loan amount in the unauthorized sector through diverting the fund
- **Ineffective management:** The micro finance organizations sometimes cannot manage their operations properly. As a result the ineffective organizations cannot survive for a long time
- **Default culture of the borrower:** Micro finance organizations are operating their functions to contribute to the society and enrich the standard of living of the borrowers of the country. But it is a matter of great sorrow that there is a bad culture of loan defaulter in the recent few years

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<sup>111</sup> Ibid, p.23

## **Evolution of Islamic Microfinance in Bangladesh**

Bangladesh is the third largest Muslim country in the world where 90 percent of the populations are Muslim. Bangladesh is the birthplace and hub of microfinance. Noble laureate Prof. Dr. Muhammad Yunus is the pioneer of microfinance. He introduced the Grameen Bank Model in 1976. In Bangladesh microfinance mainly operated by the Non-Government Organizations (NGOs) and commercial banks have very low participation. Microfinance by Islamic banks is a new addition in Bangladesh.

Islamic microfinance in Bangladesh is mostly operated by the following organizations<sup>112</sup>:

- Rural Development Scheme (RDS) and Urban Poor Development Scheme (UPDS) operated by IBBL
- Microfinance operated by Social Islami Bank Limited and Al-Falah Bank Limited
- TMSS Islamic Microfinance (TIMF)
- Al-Falah A'am Unnayan Sangasta, Dinajpur
- Noble Foundation and Literary Society, Bogra
- Muslim Aid Bangladesh

Islamic microfinance introduced in Bangladesh in 1995. From the above it is seen that some Islamic commercial banks, a few Islamic NGOs and financial co-operatives are operating the Islamic microfinance programs in Bangladesh. It is estimated that 43.3 percent people living in Bangladesh live below the poverty line and more than 11 percent live in absolute poverty. They suffer from acute rural-urban economic disparity i.e. lack of adequate education and lack of proper health and sanitation facilities.

Although Bangladesh is an agrarian based economy and its majority population lives in rural areas, the agriculture sector has not been able to ensure employment for all. The vast human resources have remained underutilized due to lack of education,

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<sup>112</sup> Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.11



access to land and natural capitals, vocational training and women participation in economic activities. The poor people are the victims of this vicious cycle. As a result, the level of inequality is increasing day by day. Such as: uneven distribution of income, uneven geographical growth etc.

Considering the above factors poverty alleviation and creation of employment opportunities especially for rural women and youth have been prioritized in the government's agenda. The government of Bangladesh has adopted a broad-based approach to poverty alleviation by putting more emphasis on macroeconomic economic stability, economic liberalization, and giving support to government agencies, NGOs and the private sector.

As a result more than twenty thousand NGOs and MFIs are registered with the Bangladesh Department of Social Affairs and have been working to alleviate poverty since the independence of Bangladesh in 1971. Due to the funding fluctuation, high administrative costs, NGOs and MFIs including Grameen Bank charge high interest rates, ranging from 20-35 percent and forcing the poor borrowers to sell any assets they may have to repay their outstanding loans.

As an alternative, government tried to introduce microfinance initiatives through Nationalized Commercial Banks (NCBs). But their initiatives also failed due to lack of imperfect target mechanism. As a result, many non-poor as well as solvent borrower availed the microfinance facility, where the actual insolvent and poor people remain deprived.<sup>113</sup>

Government programmes that attempted to make use of commercial banks to provide credit to the poor also unsuccessful due to lack of profitability. The Commercial Banks consider it as a losing concern, because it is a labor incentive program comparing to corporate investment administration and management. Because thousands of microfinance borrowers are required for earning same amount of profit that may be earned from a single corporate customer.

Since commercial banks, government and non-government MFIs do not offer Islamic microfinance products to the majority Muslim poor people in Bangladesh, a large proportion of the population were yet excluded from having access to formal

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<sup>113</sup> Ibid, p.12

source of credit. In very limited way a few rural Islamic lenders and spontaneous local charities and initiatives were only the source available for the poor borrower and these were not operated following the directions of the country's financial regulatory authorities.<sup>114</sup>

### **Concept of Rural Financing in Islam**

There is no rigid model/framework for rural financing in Islamic framework. The essential precondition is that the modes of financing must be interest-free and Shariah compliant. As rural financing in Islamic framework Islami Bank Bangladesh Limited introduced Rural Development Scheme (RDS) in 1995. In order to ensure financial inclusion and to facilitate financial empowerment, self employment and raising income of the rural people with a view to alleviate poverty Islami Bank Bangladesh Limited is conducting this scheme among the rural people. The salient features of Rural Development Scheme (RDS) are the following:

- It must ensure such limit of amount that will allow a person to run any productive activity and make him able to repay the same as well as make him self-reliant. Otherwise they will eat up the loaned money to meet their immediate consumption needs and the recovery activity will be difficult
- It must have components, independent or integrated as a wider part of a program, directly benefiting the poor and needy people of the society
- The scheme must be able to create employment for the future generations
- The institutional arrangement should be such that it ensures a constant flow and transfer of resources from the rich to the weak and disadvantaged people of the society. The transfer mechanism is built-in to the core spiritual pursuit in Islam. That is why admonition of Zakah has immediately followed that of prayer repeatedly in the Quran
- The scheme must reach to the hardcore poor people of the society

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<sup>114</sup> Ibid, p.13

## **Objectives of Rural Development Scheme (RDS)**

The followings are the main objectives of the Rural Development Scheme (RDS):

- To extend investment facilities to agricultural, other farming and off-farming activities in the rural areas
- To finance self-employment and income generating activities of the rural people, particularly the rural unemployed youths and the rural poor
- To alleviate rural poverty through integrated rural development approach
- To extend investment facilities for tube-wells installation and rural housing, considering the needs of safe drinking water and housing facilities of the rural dwellers
- To provide education and Medicare facilities to the distressed people
- To bring the poorer population within an organizational framework by setting up certain rules and regulations with a view to free them from the curse of poverty and make them self-reliant, thereby converting RDS into a self-reliant sustainable program
- To extend bank investment to agricultural and non-agricultural sectors in the rural areas
- To invest on employment and income generation activities of the rural population;
- To provide self-employment for distressed and unemployed people
- Ensuring socio-economic development of the poor and distressed by group/center formation
- To bring both male and female to provide employment under income generation activities and help them to attain self-reliance step by step
- To continue to support the self-reliance drive of the poor by forming capital from their savings they make out of their increased income
- To save the poor people from lending at high rates of interest from the village money-lenders and from advance sale of crops, sale of land and mortgage of land by the poor at the time when they are most in need, and
- To follow an approach of comprehensive development side by side with economic development

### **Integrated Development approach of Rural Development Scheme (RDS)**

The purpose of the Scheme is not only providing Micro Investment facilities to the stakeholders but also ensure various types of facilities & services to the exploited people as a part of Integrated Development Approach as well as Corporate Social Responsibility. The following areas have been covered under the Scheme:

- Humanitarian Assistance Program
- Education Program
- Disaster Relief Program
- Capacity building or Training Program
- Health & Medicare Program
- Environment protection Program
- Social Welfare etc.

### **Command Area and Baseline Survey of Rural Development Scheme (RDS)**

Each designated Branch & SME/Krishi Branch selects villages within a radius of 10 kilometers of the Branch premises. Following criteria is being followed in selecting a village:

- Easy communication
- Availability of agriculture and other off-farm activities
- Plenty of low-income people

After primary selection of a project area consisting of 4 to 6 villages, Branch conducts detailed Baseline Survey to identify the target group people and the varieties of economic activities in those areas. The concerned Branch has to ensure the availability of at least 400 target group people in the selected area.

### **Target Group of Rural Development Scheme (RDS)**

Initially the Scheme was started as a Pilot Scheme in the rural areas of certain districts under the direct supervision of the nearby Branches of the Islami Bank Bangladesh Limited.

The Scheme is being gradually extended to all the Districts through different Branches of the Bank. So the Target Group of Rural Development Scheme (RDS) should fulfill the followings:

- The target group must be able bodied & industrious rural poor having age between 18 to 50 years and the permanent resident of the project area
- Farmers having cultivable land maximum 0.50 acres and the Sharecroppers
- Persons engaged in very small off-farm activities in the rural areas
- Insolvent women and distressed people
- Persons having liabilities with other banks/institutions are not eligible for investment under the Scheme

**Table 16: Purpose, Period and Ceiling of investment of Rural Development Scheme (RDS) in BDT**

S/N	Sector of Investment	Duration	Ceiling of Investment (BDT)
1	Crop Production	1 year	25,000/-
2	Nursery and commercial production of Flowers & Fruits	1 year	50,000/-
3	Agriculture Implements	1 to 3 years	50,000/-
4	Live stocks	1 to 2 years	50,000/-
5	Poultry & Duckery	1 year	35,000/-
6	Fisheries	1 to 2 years	50,000/-
7	Rural Transport	1 year	20,000/-
8	Rural Housing	1 to 5 years	50,000/-
9	Off-firm activities	1 year	50,000/-

Source: [www.ibblbd.com](http://www.ibblbd.com)

The clients are provided investment maximum of BDT 10,000/-(\$145) at the first time and the good performers are given enhancement, upon his requirement, by BDT 2,000 to BDT 5,000 in every next term up to the ceiling of a particular sector.

### **Rate of Return of Rural Development Scheme (RDS)**

- The rate of return is determined by the authority from time to time
- At present, the rate of return is 12.5%. Timely repayment is encouraged by offering 2.5% rebate

### **Security Requirements of Rural Development Scheme (RDS)**

#### **Collateral-Free Investment Financing**

Investment financing under RDS program of IBBL is generally collateral-free. Extremely meticulous supervision and mutual guarantee provided by each member of the group have become a good substitute for collateral in the traditional sense. In spite of that, strict adherence to group rules and regulations ensures appropriate selection of borrowers. For fish culture in ponds and the purchase of agricultural and irrigation require support collateral in the form of an equitable mortgage. Moreover, each member of the group is required to provide a personal guarantee for his group.

#### **Documentation of Rural Development Scheme (RDS)**

To secure investment of Rural Development Scheme (RDS), the following documents have to be executed:

- Group Guarantee: Each member of the Group gives personal guarantee for other members of the same Group and the members are jointly and separately liable and responsible for payment of investment
- Generally, collateral security is not required against investment under the Rural Development Scheme (RDS). As the Scheme has been drawn taking into account the social welfare objective of the Bank for upliftment of the socially exploited and economically backward and weaker section of the population of the country. However, Group discipline should be strictly followed and complied with so that only the right persons are selected and included as members of the Group
- Deed of Agreement
- Usual charge documents
- Required number of signed cheque is obtained (if necessary)

### **Savings Plan of Rural Development Scheme (RDS)**

The group members of the Rural Development Scheme (RDS) are required to open at least one savings account with Islami Bank Bangladesh Limited to form capital from their savings. To create savings habit the following savings plan has been taken by Islami Bank Bangladesh Limited for the members of Rural Development Scheme (RDS):

#### **Mudaraba Savings Account (MSA-RDS)**

The members' of the Group has to open Mudaraba Savings Account (MSA-RDS) in their individual names with the Branch from the very inception of the Group activity. The weekly compulsory savings is minimum Tk.20.00 only.

#### **Mudaraba Special Savings (MSS-RDS)**

Able members can open Mudaraba Special Savings Account (MSS-RDS) by depositing minimum Tk.100/- only per month.

#### **Centre Fund of Rural Development Scheme (RDS)**

- Each member of the Group has to deposit minimum Tk.5.00 only per week as Centre Fund
- This Fund is kept by opening a Mudaraba Savings Account in the name of the respective centre
- This Fund is utilized for the welfare of the members by way of Quard as per decision of the Centre in the weekly meeting
- This account is operated by Centre Leader & Deputy Centre Leader jointly

#### **Modes of operations of Rural Development Scheme (RDS)**

Rural Development Scheme (RDS) aims to alleviate rural poverty by providing small and micro investment to the agricultural and rural sector for generating employment and raising income of the rural poor people. The scheme also provides welfare, moral and ethical services to rural people of the country. The operational detail of the Rural Development Scheme (RDS) is given below:

## **Modes of Investment of Rural Development Scheme (RDS)**

The modes of investment of Rural Development Scheme (RDS) may be selected depending upon the sectors and purpose of investment. The modes of investment of Rural Development Scheme (RDS) are briefly discussed below:

### **I. Bai-Muajjal**

The word Bai-Muajjal is derived from the Arabic words ‘Bai’ and ‘Ajal’. Bai’ means ‘buying and selling’ and ‘Ajal’ means “a fixed period”. Literally, Bai-Muajjal means a ‘Credit Sale or Deferred Sale’.

Bai-Muajjal may be defined as a contract between a buyer and a seller under which the seller sells certain specific goods (permissible under Shari'ah and Law of the Country) to the buyer at an agreed fixed price payable at a certain fixed future date in lump sum or within a fixed period by fixed installments. The seller sells the goods purchased by him as per order and specification of the Buyer.

#### **Features of Bai-Muajjal:**

- Goods delivered in advance but price is deferred. Deferred sale, the agreed price of which is payable in some fixed future date
- Sale must be effected after getting ownership by the bank
- Goods must be visible and purchasable at the time of execution of contract
- Cost of the goods and profit may not be informed separately to buyer/client

Under this mode of investment branch sells goods to the client under deferred payment basis. The payment is made in installment/lump sum on predetermined future date.

### **II. Bai-Murabaha:**

The word ‘Bai-Murabaha’ is derived from the Arabic words “*Bai*” & “*Rebhun*”. ‘Bai’

means ‘buying and selling’ and ‘Rebhun’ means “agreed upon profit”. Literally, Bai-Murabaha means ‘sale on profit’.



Bai-Murabaha may be defined as a contract between a buyer and a seller under which the seller sells certain specific goods (permissible under Islamic Shari'ah and the laws of the land) to the buyer at a cost plus agreed profit ( mark-up) payable in cash or on any fixed future date in lump sum or by installments.

As a financing mode, Bai-Murabaha is a practice in which the bank purchases, in its own name, the required goods from the supplier that the client wants and then sells the goods to him at an agreed profit. Thus, it involves a request by the client to the bank to purchase a certain item for him. The bank does that for a definite profit over the cost which is settled in advance.

### **Features of Bai-Murabaha:**

- Sale is on agreed upon profit on agreement of seller & buyer
- Cost of the goods and profit separately be informed to buyer
- Purchasing of goods and selling the same to the later is a condition
- Existence & availability of goods is essential for signing a Murabaha contract
- It is not permissible to conclude a Murabaha contract on the goods against which a previous Murabaha contract was concluded with the same client
- Price once fixed cannot be increased due to delay in payment
- It is permissible to obtain cash and or collateral security
- It is not permissible for the bank to include other than direct expenses for procurement of the goods
- Ownership of goods is a must before selling either physical or constructive

Under this sale contract the bank purchase a certain commodity for the client as requested and specified by him which are deliverable to him on payment at a predetermined price i.e. cost plus declared margin. In bai murabaha mode client has to provide minimum 20% cash security of the cost price.

### **III. Bai Salam**

Salam means 'advance purchase'. The word Bai-Salam is derived from the Arabic words 'Bai' and 'Salam'. 'Bai' means buying and selling and 'Salam' means "advance sale or purchase". Literally, it refers to advance payment for goods which

are to be delivered later. Thus, it is a mode of business under which the buyer pays the price of the goods in advance on the condition that the goods would be supplied/delivered at a particular future time.

Bai-Salam may be defined as a contract between a buyer and a seller under which the seller sells in advance the certain commodity (ies)/product(s) [permissible under Islamic Shariah and the law of the land] to the Buyer at an agreed price payable on execution of the said contract and the commodity(ies)/product(s) is/are delivered as per specification, size, quality, quantity at a future time in a particular place. It is suitable in the agricultural sector and industrial sector at pre-shipment stage where the banks advance money for various inputs to receive a share of crop/finished goods, which the bank sells in market.

**The components of Bai-Salam contract are:**

- The contracting parties i.e. Seller and Buyer
- The price and the merchandise
- The specifications of the contract

**Features of Bai-Salam:**

- Price paid in advance, delivery of goods is deferred
- Total price to be paid/fixed at the time of agreement
- Buying-selling is Halal without existence/visibility of goods in a Salam contract
- If goods are in existence/visible, there will be no Bai-Salam
- The name, particulars, quantity, shape, unit-price and total price of goods etc. to be included in the agreement
- To meet the needs of small farmers/industry like working capital, liquidity problem.
- Before delivery goods remain at the seller's risk and after delivery at the purchaser's risk.

Under this mode branch executes advance purchase contract with the client and make payment against purchase products, which is under process of production.

#### **IV. Mudaraba**

The word 'Mudaraba' has been derived from the Arabic word 'Darbun' which means 'Travel'. Thus the word 'Mudaraba' means 'Travel' for undertaking business.

Mudaraba may be defined as a contract of partnership where the 'Shahib al-Maal' provides capital to the 'Mudarib' for investing it in a commercial enterprise by applying his labour and endeavor. Both the parties share the profit as per agreed upon ratio and the losses, if any, being borne by the provider of funds i.e. Shahib al-Maal except if it is due to breach of trust i.e. misconduct, negligence or violation of the conditions agreed upon by the Mudarib. If there is any loss incurred due to the reasons mentioned above, the Mudarib becomes liable for that.

#### **Features of Mudaraba:**

- The capital of Murabaha should be provided in the form of cash
- The Shahib al-Maal has no say the management of the Mudaraba business
- It is not permissible to use debt owed by the Mudarib
- Mudarib will act as agent/trustee of the Shahib al-Maal
- No profit can be claimed if the Mudaraba capital is maintained intact
- In case of continuous Mudaraba, periodic losses incurred shall be set off against previously earned profits

Under this mode branch supplies capital to the mudarib (agent) for conducting business, purchase of inputs and commodities etc to be repaid on future date. The profit is to be negotiated and be determined time to time by the bank<sup>115</sup>.

#### **V. Musharaka**

The word 'Musharaka' has been derived from Arabic word 'Shirkat' (Shirk) which means 'partnership or sharing'. Thus the literal meaning of 'Musharaka' is sharing.

Musharaka may be defined as a contract of partnership between two or more individuals or bodies in which all the partners contribute capital, participate in the management, share the profit in proportion to their capital or as per pre-agreed ratio and bear the loss, if any, in proportion to their capital/equity ratio. Musharaka in the

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<sup>115</sup> Ibid, p.24

context of Islamic modes of financing may be of two type's viz. Permanent Musharaka and Diminishing Musharaka.

**Features of Musharaka:**

- Capital contribution of the partners may be equal or unequal
- Capital can be contributed either in cash or in the form of commodity/assets/property/equipment. In the later case, the agreed upon value shall determine the share of the partner in the capital
- Every partner has the right to take part in the management
- Each partner carries out work in the Musharaka on behalf of himself and as an agent for his partners
- Musharaka agreement may include a clause to the effect that if any partner violets any rules of Musharaka the other partners have the right to impose compensation on him determined by the review committee

Under this mode bank extends investment on profit and loss sharing basis<sup>116</sup>. In this case, branch should select the client for musharaka mode very meticulously to secure the bank's investment. The profit is to be negotiated and determined time to time by the bank.

**Sector of Investment<sup>117</sup> of RDS**

- Crop Production
- Commercial Nusery
- Production of Flower and Fruits
- Agriculture Implement
- Live Stocks
- Poultry and Duckery
- Fisheries
- Rural Transport

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<sup>116</sup> Ibid, p.24

<sup>117</sup> Ibid, p.25

- Rural Housing
- Bio-gas and Solar Panel
- Off-farm activities

### **Types of Investment**

Under both the Scheme i.e. Rural Development Scheme (RDS) and Urban Poor Development Scheme (UPDS) two<sup>118</sup> types of investment are being provided to the beneficiaries namely-

- Micro-investment
- Micro-enterprise Investment

Apart from those, Quard program (cost-free investment) is also available for the distressed clients and the hardcore poor of the locality. A brief description of the above investment facility is given below:

### **Micro Investment Program**

Under Micro Investment Program the poor clients are provided with collateral-free micro investment starting from TK.20,000/- or less and the maximum limit of micro investment program TK.75,000/- is allowed to the clients gradually if they successfully repay the previous facility.

### **Micro-Enterprise Investment Program**

The graduated micro-investment clients and the small entrepreneurs/businesspersons of the project areas are offered micro-enterprise investment up to TK.4,00,000/- under Micro Enterprise Investment Scheme (MEIS)<sup>119</sup>.

### **Quard Program**

Quard (cost-free investment) is extended for rehabilitation of those clients who become distressed or victimized suddenly caused by death of earning member of the

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<sup>118</sup> Ibid, p.25

<sup>119</sup> Ibid, p.25

family, divorce, desertion, accident, natural disaster etc. Such clients are provided with Quard up to TK.10,000/- per head<sup>120</sup>.

Hardcore poor of the project areas are also provided with Quard in a limited number for developing their suitable livelihood. Besides, the successful members are encouraged by providing quard for installation of hand tube-well and sanitary latrine @ TK.10,000/- and TK.6,000/- respectively. Allocation of fund for Quard program is given from RDS Welfare Fund on yearly basis<sup>121</sup>.

### **Recovery of Investment**

Depending on the volume and nature of the investment, the field officers collect weekly installments from the micro-investment clients in the weekly meetings within the stipulated time period. Micro-enterprise investment is recovered on monthly basis or at a time within the stipulated time period<sup>122</sup>.

### **Urban Poor Development Scheme (UPDS)**

For developing welfare oriented banking system and to ensure equity and justice in the economic activities, Islami Bank Bangladesh Limited introduced a new Scheme under the name and style of “Urban Poor Development Scheme (UPDS)” for extending banking services to the poor household living in urban areas.

### **Objectives of the Urban Poor Development Scheme (UPDS)**

Islami Bank Bangladesh Limited introduced the Urban Poor Development Scheme (UPDS) with a view to achieve the following objectives:

- To extent collateral-free investment facilities among the urban poor in self-employment and income generating activities so that they become self-reliant
- To provide investment facilities to the micro level entrepreneurs and small traders to change their fate
- To alleviate urban poverty through investing in income generating programs
- To improve the living standard of urban poor specially the slum dwellers, and

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<sup>120</sup> Ibid, p.25

<sup>121</sup> Ibid, p.25

<sup>122</sup> Ibid, p.25

- To provide education, training and health services to the poor and slum dwellers

### **Scope of Urban Poor Development Scheme (UPDS)**

Like Rural Development Scheme (RDS), the Urban Poor Development Scheme (UPDS)

is functioning for financial and social development of the urban poor household, counseling the urban poor people to make them conscious about their health, education of their children and development of ethical and social values. Non-financial services in the field of education, training, health, rehabilitation and environmental safety are provided under Urban Poor Development Scheme (UPDS).

Urban Poor Development Scheme (UPDS) is a microfinance program following the ‘Grameen Bank’ Model, applying the principles of Shariah mode of investment. It is a collateral free investment program based on group guarantee<sup>123</sup>.

### **Size of Investment Facility under Urban Poor Development Scheme (UPDS)**

Under Urban Poor Development Scheme (UPDS), primary highest investment ceiling is TK.20,000/-. Considering the regular payment of the installment and credit worthiness maximum TK.10,000/- may be increased as the next frequency. Highest investment ceiling in this scheme is TK.75,000/-.

To avail investment facility under this scheme primarily the clients can open their account with TK.10/-. Then they will have to deposit compulsory savings minimum TK. 50/- on weekly basis.

### **Tenure of investment under Urban Poor Development Scheme (UPDS)**

Typically as a micro investment the duration of investment facilities under Urban Poor Development Scheme (UPDS) is 01 (one) year.

### **Target Group of Urban Poor Development Scheme (UPDS)**

The target groups of this scheme are the followings:

- Urban poor and slum dwellers
- Rickshaw/van pullers, hawkers and peddlers

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<sup>123</sup> Ibid, p.27

- Small traders, shopkeepers and micro-entrepreneurs
- Permanent and long period resident in the urban areas
- Able-bodied and laborious persons having age between 18 to 60 years

### **Profit Rate of Urban Poor Development Scheme (UPDS)**

Average profit rate of this scheme is 12.50% flat and 2.50% rebate is allowed on the profit amount for regular repayment<sup>124</sup>.

### **Graduation from Microfinance**

Under the microfinance program, investment clients are being cared to be developed gradually. Apart from investment, they are provided with capacity building training, counseling and other logistics. Islami Bank Bangladesh Limited assesses the graduated clients considering the following criteria<sup>125</sup>:

- The clients who have availed the highest ceiling of investment under RDS fixed from time to time having sufficient collateral security, are transferred to Micro Enterprise Investment Scheme (MEIS)
- The clients who can lead their lives with the income of their own sources maintaining minimum social standard
- The clients who hold the capacity of entrepreneurship
- Taking up some steps like introducing Rural Housing Investment, increasing the ceiling of Micro Enterprise Investment Scheme (MEIS) the growth of graduation noticeably increased in 2015

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<sup>124</sup> Ibid, p.27

<sup>125</sup> Ibid, p.29



**Table 17: Performance of Graduation from Microfinance Program**

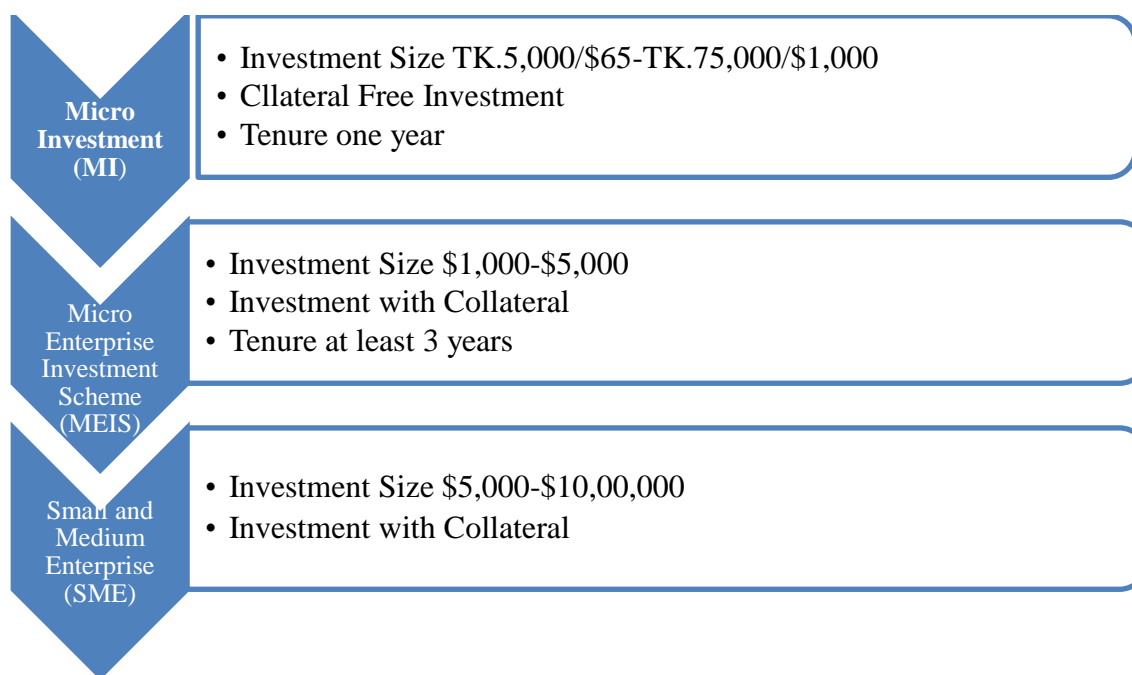
The year wise cumulative performance<sup>126</sup> of the graduated clients is given below:

Particulars	2011	2012	2013	2014	2015
No. of clients graduated to MEIS after availing maximum ceiling under RDS	8,482	9,618	17,719	27,128	43,604

Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.29

IBBL’s Integrated Approach to Financial Inclusion

**Figure 2: RDS Graduation Process<sup>127</sup>**



Micro enterprises (ME) usually engaged in non-crop activities, employing less than ten workers including the owner. Non-crop agricultural activities such as livestock, fish farming, dairy, poultry etc. for commercial purposes as well as small manufacturing, trading and service concerns are included in Micro enterprises (ME).

<sup>126</sup> Ibid, p.29

<sup>127</sup> Ibid, p.29

Islami Bank Bangladesh Limited introduced another investment program under RDS in 2005 namely Micro Enterprise Investment Scheme (MEIS) by allocating investment ceiling to TK.5,00,000/- to ensure more amount to the graduated member of RDS and UPDS and to accommodate the small businessmen/entrepreneurs of the project areas.

### **Objectives of Graduation from Microfinance Program<sup>128</sup>**

Islami Bank Bangladesh Limited introduced Graduation from Microfinance Program to achieve the following objectives:

- To encourage and develop micro-enterprises at the grass root level aiming to increase local economic activities
- To create employment opportunities for the poor and unemployed youths
- To explore and utilize local resources and potentials for economic development of the areas and to contribute towards GDP of the country, and
- To utilize deposit of the bank for development of respective areas under area development approach

### **Scope of Graduation from Microfinance Program**

It is generally designed to promote entrepreneurship at the grass-root level and promote the RDS clients into an entrepreneur.

### **Size of the Investment under Graduation from Microfinance Program**

The clients are provided with investment facilities from TK.75,000/- to TK.5,00,000/-.

### **Security against Investment under Graduation from Microfinance Program**

- Up to TK.1,00,000/- is allowed with personal guarantee
- Collateral security is required for above TK.1,00,000/- up to TK.5,00,000/-

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<sup>128</sup> Ibid, p.30

### Tenure of Investment under Graduation from Microfinance Program

- Commercial investment is given for 01 (one) year
- Hire Purchase under Shirkatul Melk (HPSM) investment for housing is allowed for maximum 05 (five) years

### Profit Rate of Graduation from Microfinance Program

Profit rate for Micro Enterprise Investment Scheme (MEIS) agriculture is 11% and profit rate for off-farm (other than agriculture) is 14%.

### Table 18: Performance<sup>129</sup> of Microfinance Schemes of Islami Bank Bangladesh Limited

The detailed performance of the Microfinance Schemes of Islami Bank Bangladesh Limited is given below:

(Amount in million Taka)

S/N	Particular	RDS	UPDS	Total
1.	Branch	227	24	251
2.	Employee	2,366	103	2,469
3.	Member	9,23,250	24,055	9,47,305
4.	Client (members availing investment)	5,53,098	16,722	5,69,820
5.	Total disbursement during the year	29,023.84	900.20	29,924.04
6.	Investment Outstanding	20,074.20	724.62	20,798.82
7.	Overdue	96.62	12.92	109.54
8.	Savings	6,821.72	111.18	6,932.89

Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.32

### Enrolment

The eligible people are enrolled as members in the selected villages/areas in groups under different centres. Till December 31, 2015 total 9,47,305 members are

<sup>129</sup> Ibid, p.32

enjoying financial services under 28,822 centres in 18,615 villages. Ratio of male & women members is 21:79.

**Table 19: Growth of RDS and UPDS<sup>130</sup>**

Growth of RDS and UPDS in the last five years is presented in the following table:

Particular	2011	2012	Growth	2013	Growth	2014	Growth	2015	Growth
No. of Village	12,857	15,371	20%	17,104	11%	18,086	6%	18,615	3%
No. of Centre	22,206	24,623	11%	26,887	9%	27,874	4%	28,822	3%
No. of Member	6,08,703	7,33,520	21%	8,36,227	14%	9,11,470	9%	9,47,305	4%

Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.33

### Savings Program

The eligibility of entering into the RDS member group is to open a savings account with RDS comprising a five members group. Then, they have to deposit a compulsory savings for minimum TK.30/- in RDS and TK.50/- in UPDS. There is also a option for them to open MSSRDS account with minimum TK.100/-. Entire deposits have a perpetual nature. Total savings of RDS & UPDS members was TK.6,932.89 million as on 31.12.2015.

The performance of deposit of the Savings Program<sup>131</sup> is presented below:

(Amount in million Taka)

Types of Deposit	2011	2012	Growth	2013	Growth	2014	Growth	2015	Growth
MSA-RDS	2,204.89	2,895.05	31%	3,750.86	30%	4,572.49	22%	5,315.64	15%
MSS-RDS	133.95	427.47	219%	780.60	83%	1,154.66	22%	1,617.25	40%
Total Savings	2,340.45	3,322.52	42%	4,531.46	36%	5,727.15	22%	6,932.89	21%

Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.34

<sup>130</sup> Ibid, p.33

<sup>131</sup> Ibid, pp.33-34

## Growth of the Client

A comparative position of growth of client<sup>132</sup> of Microfinance Schemes of Islami Bank Bangladesh Limited is given below:

Particular	2011	2012	Growth	2013	Growth	2014	Growth	2015	Growth
MI client	3,43,304	4,21,703	23%	4,72,146	12%	5,06,303	7%	5,00,216	(1%)
MEI client	39,015	53,063	36%	60,089	13%	39,891	(51%)	69,604	74%
Total	3,82,319	4,74,766	24%	5,32,235	12%	5,46,194	10%	5,69,820	4%

Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), pp.34-35

## Growth of Investment

Till 31.12.2015 the cumulative disbursement among the beneficiaries was TK.1,30,445.12 million, out of which TK.20,798.82 million was outstanding. A comparative position<sup>133</sup> of growth of investment under Micro-investment (MI) and Micro-enterprise investment (MEI) of the Schemes is presented in the following table:

(Amount in million Taka)

Particular	2011	2012	Growth	2013	Growth	2014	Growth	2015	Growth
(MI)	4,234.18	6,036.74	43%	7,956.89	32%	10,254.76	29%	11,781.60	15%
(MEI)	2,837.85	4,353.97	53%	5,774.03	33%	7,125.20	23%	9,017.21	27%
Outstanding	7,072.03	10,390.71	47%	13,730.92	32%	17,379.96	27%	20,798.82	20%
Recovery Rate	99.58%	99.72%	-	99.70%	-	99.50%	-	99.47%	-

Source: IBBL Annual Report 2015, pp.74-75

Where MI is Micro Investment and MEI is Micro Enterprise Investment

## Sector-wise Investment

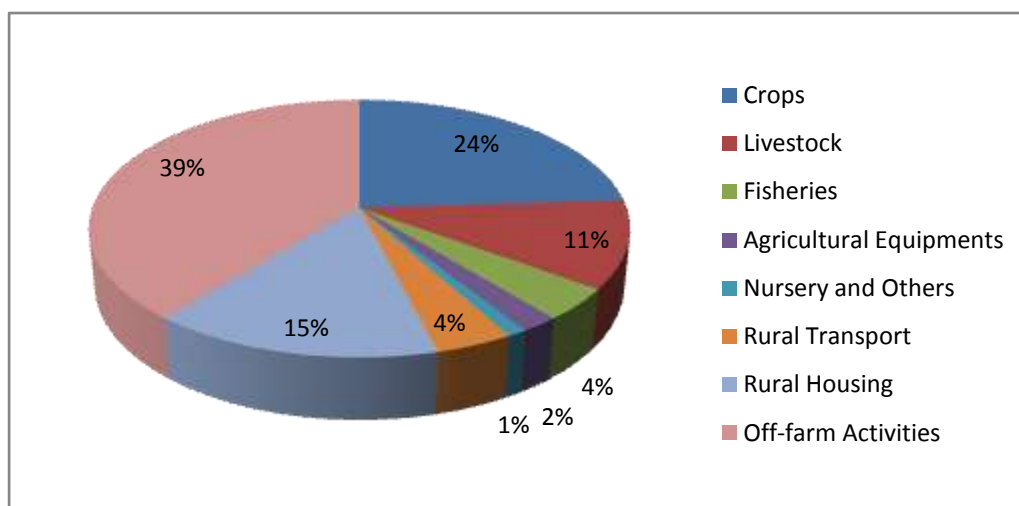
The investment under RDS is extended in different sectors namely agriculture, rural housing, rural transport and many other income generating off-farm activities. It is viewed that 42% investment was extended in different sub-sector of agriculture, 19% in rural housing & transport and 39% in different off-farm activities. The sector-wise investment<sup>134</sup> of the Schemes of Islami Bank Bangladesh Limited is shown below:

<sup>132</sup> Ibid, pp.34-35

<sup>133</sup> IBBL Annual Report 2015, pp.74-75.

<sup>134</sup> Ibid, p.36

**Figure 3: Sector-wise Investment of RDS**

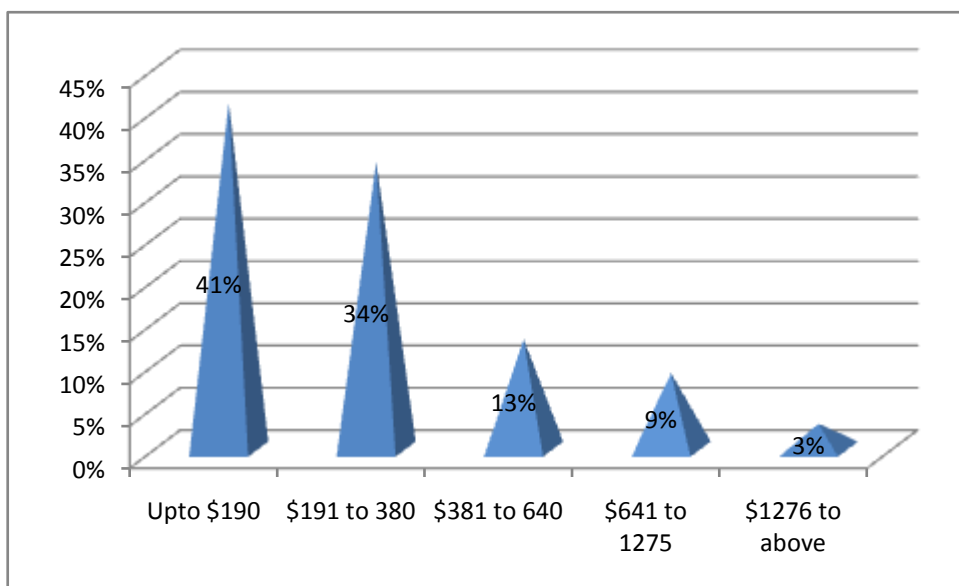


Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.36

### Size-wise Investment

The size-wise investment<sup>135</sup> of the Schemes of Islami Bank Bangladesh Limited is shown below:

**Figure 4: Size-wise Investment of RDS**



Source: Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.36

<sup>135</sup> Ibid, p.36

## **Welfare Activities of RDS**

Rural Development Scheme has extended welfare activities to the client from 2012 in the following areas:

- Education
- Training
- Health
- Relief & Rehabilitation
- Environment
- Quard-e-Hasan

## **Objectives of Welfare Activities of RDS<sup>136</sup>**

Rural Development Scheme has been performing welfare activities to the client to achieve the following objectives:

- To remove illiteracy from the villages covered by the scheme
- To provide elementary education and moral teachings of Islam to children of the areas
- To foster health awareness among the people by disseminating knowledge of health and hygiene
- To encourage the people to use safe water for drinking and other household activities
- To encourage the people in the use of sanitary latrines
- To introduce immunization program, and
- To arrange treatment of critical and vulnerable patients in the areas

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<sup>136</sup> Ibid, p.38

**Table 20: Performance of the Welfare Activities of RDS<sup>137</sup> at a glance**

(Amount in million Taka)

Program	2015		Cumulative	
	Beneficiary	Amount	Beneficiary	Amount
Education	42,983	57.94	1,27,509	179.37
Training	1,69,217	26.87	4,22,222	56.47
Health	48,612	66.97	1,51,624	175.83
Relief & Rehabilitation	4,178	30.59	14,853	82.09
Environment	7,57,556	20.92	7,22,376	42.06
Amount Quard Disbursed	7,007	41.39	14,980	80.36
Grand Total	10,22,461	203.29	21,61,150	535.82
Grand Total without Quard	10,15,454	161.90	21,46,170	455.46

**Source:** Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.38

### **Education Program**

Under the education program there are three types<sup>138</sup> of activities. These are as follows:

#### **i. Scholarship**

The children of RDS members who secured GPA-5 in SSC and HSC examination may be given scholarship for their higher education.

#### **ii. Academic Award**

The children of RDS members, securing any of the top 03 (three) positions in the final examination in each of the classes from class-I to Class-X, may be given academic award in every New Year.

#### **iii. Establishment of Educational Institutions**

Establishment of pre-primary school, maqtab and adult education centre in the project areas.

<sup>137</sup> Ibid, p.38

<sup>138</sup> Ibid, pp.38-39



**Table 21: Performance of the Education Program of RDS**

The cumulative performance<sup>139</sup> of the Education Program of RDS is given below:

(Amount in million Taka)

Program	2015			Cumulative		
	Number	Beneficiary	Amount	Number	Beneficiary	Amount
Scholarship	2	803	17.82		1200	46.64
Academic Award	2	24,192	15.97		46,587	28.87
Pre-Primary	691	17,988	24.15	594	18,207	27.91
Maqtab				582	18,532	18.46
<b>Total</b>	<b>695</b>	<b>42,983</b>	<b>57.94</b>	<b>24,059</b>	<b>84,819</b>	<b>121.42</b>

**Source:** Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.39

### **Training Program**

Under the training program there are three<sup>140</sup> categories of activities. These are as follows:

#### **a) Skill Development Training**

Skill development training is a fundamental tool that helps the beneficiaries in developing their income earning skills. The following fields are covered in skill development training program:

- Crop production
- Vegetables gardening
- Fisheries
- Livestock and
- Different vocational activities

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<sup>139</sup> Ibid, p.39

<sup>140</sup> Ibid, p.39

### **b) Self-employment Training**

Besides the above training program, eligible members of poor RDS families may be encouraged to receive training on different skills like vaccination, midwifery, electronics, mobile phone repairing and tailoring etc. from other training centres for their self-employment. Entire cost of the training or part thereof may be provided by the bank.

### **c) Kendra Leader Training Program**

To get the centre leader, deputy centre leader, to ensure their active involvement in RDS activities and to encourage them in self-motivational work in the project areas, Kendra leader training programs are being conducted in a span of two years in the branches. In 2015, total 77,190 beneficiaries<sup>141</sup> were given training at a cost of TK.11.27 million.

### **Health Program**

Under health program the following four types of activities are conducting:

- Quard program for installation of Tube-well and Sanitary Latrine
- Conducting medical camps (general, eye and circumcision camp)
- Medical Assistance and
- Assistance to Mother and Newborn babies

In the year 2015, total 25,640 members were given health assistance at a cost of TK.42.86 million.

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<sup>141</sup> Ibid, p.40

**Table 22: Performance of the Health Program of RDS**

The cumulative performance<sup>142</sup> of the Health Program of RDS is given below:

(Amount in million Taka)

Program	2015			Cumulative		
	Number	Beneficiary	Amount	Number	Beneficiary	Amount
Medical Camp	115	18,508	3.41	306	50,923	7.22
Eye Camp	27	2,897	0.72	58	3,227	1.52
Circumcision Camp	18	453	0.56	55	6,124	1.68
Quard for Tube-well		3,661	25.51		4,677	50.05
Quard for Sanitary Latrine		1,839	8.41		8,338	15.69
Cash Assistance		1,164	8.04		3,852	22.26
Gift to the newborn baby		20,090	20.32		77,157	77.41
<b>Total</b>	<b>164</b>	<b>48,612</b>	<b>66.97</b>	<b>423</b>	<b>1,51,624</b>	<b>175.83</b>

**Source:** Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.40

### **Relief and Rehabilitation Program**

Under the relief and rehabilitation program three types of assistance are provided to the poor and distressed members. These are written below:

- Financial assistance to the distressed clients
- Relief and Donations and
- Rehabilitation Quard activities under Relief and Rehabilitation Program. In 2015, total 3,306 members were brought under relief and rehabilitation program and TK.14.70 million was disbursed

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<sup>142</sup> Ibid, p.40

**Table 23: Performance of the Relief and Rehabilitation Program of RDS**

The cumulative performance<sup>143</sup> of the Relief and Rehabilitation Program of RDS is given below:

(Amount in million Taka)

Program	2015		Cumulative	
	Beneficiary	Amount	Beneficiary	Amount
Waiver for Bank Due	1,215	15.67	3298	28.35
Quard for Rehabilitation of Distressed Members	128	0.73	168	1.35
Quard for Rehabilitation of non-member hardcore poor	1,379	6.74	1196	5.79
Aid for Marriage of Girls	723	4.61	1670	8.52
For Burial purposes	540	1.42	1248	3.13
For Disaster Relief	108	1.42	3095	4.36
<b>Total</b>	<b>4,093</b>	<b>30.59</b>	<b>10,675</b>	<b>51.49</b>

**Source:** Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), pp.40-41

### **Environment Protection Program**

Campaign on environment protection is being conducted every year by observing national and international days/weeks. To save environment, scrutinize the harmful impacts of different business and social activities of the locality and taking possible mitigation measures there against and take awareness building programs on different issues.

Islami Bank Bangladesh Limited has been observing the plantation Program during the rainy season almost every year since 2003. Each of the RDS members is provided with one plantlet free of cost and encouraged to implant two others at their own initiative.

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<sup>143</sup> Ibid, pp.40-41

**Table 24: Performance of the Environment Protection Program of RDS**

The cumulative performance<sup>144</sup> of the Environment Protection Program of RDS is given below:

(Amount in million Taka)

Year	Member	Fruit Sapling	Wood Sapling	Herbal	Total	Expense
2003-2006	-	7,21,250	6,63,000	1,65,750	15,50,000	3.68
2009-2010	4,42,000	7,72,745	-	-	7,72,745	9.20
2012	4,87,000	5,05,978	-	-	5,05,978	11.42
2013	5,90,000	6,07,627	-	-	6,07,627	14.57
2014	7,01,000	7,23,672	-	-	7,23,672	20.53
2015	9,23,000	7,57,556	-	-	7,57,556	20.92
<b>Total</b>		<b>40,88,828</b>	<b>6,63,000</b>	<b>1,65,750</b>	<b>49,17,578</b>	<b>74.31</b>

**Source:** Mannan, Mohammad Abdul, *Islamic Microfinance RDS Model*, Public Relations Department, Islami Bank Bangladesh Limited, May 2016 (Reprint November 2016), p.41

### **Role of RDS in Achieving Millennium Development Goals (MDGs)**

Several studies provided evidence<sup>145</sup> that the RDS program has been playing a vital role in achieving some of the goals of the Millennium Development Goals (MDGs). The following Millennium Development Goals (MDGs) have been achieving with the help of RDS program:

#### **a. MDG 1: Poverty Reduction: Increase in household income and Possession of Assets.**

It is evidenced that the amount of investment taken by the borrowers had a positive and significant impact on household income. A study reported that average income per family who invested in agricultural activities increased by an average of TK.22,500/- an increase of 38 percent<sup>146</sup>.

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<sup>144</sup> Ibid, p.41

<sup>145</sup> Ibid, pp.43-45

<sup>146</sup> Jinan, Tasnimun 'Impact of Micro-Investment Program under Rural Development Scheme of Islami Bank Bangladesh Limited from Poverty Alleviation in Mymensingh District', *Thoughts of Economics*, Vol. 19, No. 4, 2008, pp.73-93

**b. MDG 3: Gender Equality and Women Empowerment- Participation of Women in Decision Making Process.**

**c. MDG 4, 5, 6: Access to Healthcare Service, Safe Drinking Water and Sanitary Latrines.**

Health is considered one of the vital needs, which reflects the people's quality of life. A field study on the beneficiaries of RDS indicates that due to the increase in family income, beneficiaries' access to healthcare increased by 10 percent<sup>147</sup>.

#### **4.1.15 Role of IBBL in Other Dimensions**

For other dimensional development Islami Bank Foundation has been performing the following functions since its inception:

##### **Income Generating Programs**

There are a lot of workable people in Bangladesh but their employment as workforce is scarce. Many jobless people get involved in various anti-social activities. Islami Bank Foundation believes that a planned intervention and practical co-operation can easily make them self-reliant. It has therefore undertaken the following projects and schemes<sup>148</sup>:

- i.** Rickshaw Project
- ii.** Sewing Machine
- iii.** Poultry Training Project
- iv.** Milk cow rearing Project
- v.** Self-employment Project
- vi.** Small Business
- vii.** Small Industry Projects etc.

##### **Bangladesh Sangskritic Kendra**

National and indigenous culture is the soul of a nation. In this modern era, to save the growing youths of Bangladesh from moral degradation, it is very much essential to uphold and promote our national and indigenous culture. Considering the above factor in mind, Islami Bank Foundation has established Bangladesh Sangskritic

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<sup>147</sup> Uddin, Mohammad Main, 'Credit for the Poor: The Experience of Rural Development Scheme of Islami Bank Bangladesh Ltd.', *The Journal of Nepalese Business Studies* V.No.1, 2008, pp.62-75.

<sup>148</sup> *Welfare-oriented Programs*, Islami Bank Foundation, May 2013, p.7

Kendra in Dhaka and Rajshahi. Another 34 sub-centers have already been established in different parts of the country. The basic functions of the Bangladesh Sangskritic Kendra are as follows:

- Publishing books, Magazines and Souvenirs on different issues.
- Arranging Seminars and Symposium on National Days and birth/death anniversaries of dignified personalities, eminent poets, literatures, journalists and philosophers to sermonize their teachings.
- Publishing CD on Islamic songs, dramas, tele-films, short films etc. to uphold the Islamic values, national culture and heritage.

### **Sports, Arts and Cultural Program**

Sports, Arts and Cultural Programs are very necessary to build a physically and mentally sound nation. Engaging with this type of activities the young stars of the societies can converted into human capital of the country. That is why Islami Bank Bangladesh Limited sponsors various sports and cultural events every year. The employees of Islami Bank Bangladesh Limited are also encouraged to participate in Sports, Arts and Cultural Programs. An amount of Tk. 590.51 million was spent by Islami Bank Bangladesh Limited from 1983-2015 for this purpose.

#### **4.1.16 Sector Wise CSR Expenditure position of IBBL and Banking Sector**

The following table shows the CSR expenditure of the whole banking sector, contribution of Islami Bank Bangladesh Limited and percentage of Islami Bank Bangladesh Limited based on the whole banking sector:

**Table 25: Sector Wise CSR Expenditure position of IBBL and Banking Sector**

(Amount in million Taka)

Year	Particulars	Humanitarian & Disaster Relief	Education	Health	Sports	Art & Culture	Environment	Others	Total
2011	Banking Sector	188.03	612.48	520.42	359.07	171.52	138.07	198.73	2188.33
	IBBL	21.79	56.17	25.78	248.75	7.15	0.48	50.55	410.67
	% of IBBL	12	9	5	69	4	1	25	19
2012	Banking Sector	788.37	983.69	435.43	183.85	213.31	140.23	301.81	3046.69
	IBBL	87.93	83.80	39.75	1.61	8.24	12.48	75.38	309.19
	% of IBBL	11	9	9	1	4	9	25	10
2013	Banking Sector	1385.83	1295.18	481.68	384.02	124.75	106.59	693.41	4471.49
	IBBL	140.10	135.26	71.50	78.97	5.86	22.94	21.79	476.42
	% of IBBL	10	10	15	21	5	22	3	11
2014	Banking Sector	949.47	1508.00	1383.7	207.37	407.11	164.55	485.24	5105.46
	IBBL	190.16	161.34	89.47	40.2	15.21	21.12	7.02	524.52
	% of IBBL	20	11	6	19	4	13	1	10

Source: Islami Bank Bangladesh Limited, Annual Report 2015, p.129

### Commitment to Communities

Islami Bank Bangladesh Limited is committed to the communities around the country.

Islami Bank Bangladesh Limited has been taking several initiatives in individual and organizational level for the development of the less fortunate segments of the community. The following heads are served to help the community:

- Education
- Health
- Humanitarian & Disaster Relief
- Sports, Arts & Culture

An amount of Tk.4997.88 million for 1,49,91,452 beneficiaries has spent by Islami Bank Bangladesh Limited for the period 1983-2016 in these areas.



**Table 26: Performance of Commitment to Communities of IBBL**

The performance of Islami Bank Bangladesh Limited towards the community is presented with the help of the following table<sup>149</sup>:

(amount in milliom taka)

Heads of CSR	Particulars	1983-2009	2010	2011	2012	2013	2014	2015	2016	Total
Humanitarian & Disaster Relief	Amount	217.61	64.06	21.79	87.93	140.10	190.16	323.90	425.95	1471.5
	Beneficiary	452291	158760	32928	597866	254078	498768	606320	481644	3082655
Education	Amount	285.34	67.8	56.17	83.8	135.26	161.34	175.24	161	1125.95
	Beneficiary	265197	98787	128925	3014	7756	7928	8930	14235	534772
Health	Amount	873.62	64.11	25.78	39.75	71.50	89.47	226.04	16.84	1407.11
	Beneficiary	6055481	721160	128556	19230	95255	125079	99469	209	7244439
Sports	Amount	60.83	12.00	248.75	1.61	78.97	40.2	26.60	0	468.96
	Beneficiary	413622	2	636	144	7	5	6	0	414422
Arts, Literature & Culture	Amount	68.75	11.22	7.15	8.24	5.86	15.21	5.12	.12	121.67
	Beneficiary	187107	41964	643	11	21	17	643	4	230410
Environment	Amount	-	7.36	0.48	12.48	22.94	21.12	21.42	26.39	112.19
	Beneficiary	-	15240	3	493822	592722	723673	757558	690251	3273269
Others	Amount	61.31	11.87	50.55	75.38	21.79	7.02	22.11	40.47	290.5
	Beneficiary	56674	655	118115	34438	768	51	33	751	211485
Total	Amount	1567.46	238.42	410.67	309.19	476.42	524.52	800.43	670.77	4997.88
	Beneficiary	7430372	1036568	409806	1148525	950607	1355521	1472959	1187094	14991452

**Source:** Islami Bank Bangladesh Limited, Annual Report 2016, p.162

#### 4.1.17 Conclusion

Islami Bank Bangladesh Limited initiating and performing its corporate social responsibility activities to serve the destitute and distressed people of the country whose human resources can be used for the socio-economic development of Bangladesh. To perform the welfare oriented activities of Islami Bank Bangladesh Limited a total number of 3,746<sup>150</sup> officials have been working as on May 2013, with full commitment to implement the vision, mission and different projects of Islami Bank Foundation. Through its multifarious welfare programs it is restlessly working to serve the distressed humanity and change the socio-economic status of the underprivileged and vulnerable segments of the society.

<sup>149</sup> Islami Bank Bangladesh Limited, Annual Report 2016, p.162

<sup>150</sup> Ibid, p.31

**Chapter Four**  
**Corporate Social Responsibility Activities of Islami Bank Bangladesh Limited**  
**& Sonali Bank Limited**

**Part-II**  
**Corporate Social Responsibility (CSR) of Sonali Bank Limited**

**4.2.1 Introduction**

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development of the country while improving the quality of life of its workforce and their families as well as of the local community and society at large.<sup>1</sup>

Sonali Bank Limited as a corporate citizen owes a solemn duty to the less fortunate and under-privileged members of the society. Sonali Bank Limited as the leading state owned commercial bank in the country has been playing an important role in implementing social and philanthropic programs to help disadvantaged of the country. Corporate Social Responsibility (CSR) activities of Sonali Bank Limited have been continuing to gain momentum and earn praises from different sectors of Bangladesh. The bank's humanitarian programs under Corporate Social Responsibility (CSR) provide a great support to a host of socially relevant schemes including distribution of blanket among underprivileged cold prone areas, providing stipend to poor students, providing help in building new hospitals and assistance in health care etc.

Areas of operations of Corporate Social Responsibilities (CSR) in Sonali Bank Limited involves donation under the following major categories:<sup>2</sup>

- a. Education,
- b. Healthcare,
- c. Humanitarian & Disaster Management,
- d. Self Employment,
- e. Environment,

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<sup>1</sup> Sonali Bank Limited Annual Report 2015, p.197

<sup>2</sup> Ibid, p.197

- f. Arts & Culture,
- g. Liberation war related,
- h. Publication,
- i. Miscellaneous.

**Table 27:** The table below provides the year and category-wise contribution under Corporate Social Responsibility (CSR) program of Sonali Bank Limited:<sup>3</sup>

(Tk. in million)

Category	Year wise contribution						Total
	2010	2011	2012	2013	2014	2015	
Education	2.2	1.1	14.8	18.5	18.3	18.8	73.7
Healthcare	3.4	1.4	0.9	5.7	6.8	9.1	27.3
Humanitarian & Disaster Management	10.5	3.7	9.2	24.4	19.0	31.9	98.7
Self Employment	-	0.3	-	-	0.2	-	0.5
Environment	0.1	0.1	-	0.3	-	-	0.5
Arts & Culture	1.0	1.4	0.3	-	-	-	2.7
Liberation war related	10.	0.1	0.9	-	0.5	-	11.5
Publication	-	0.1	-	0.1	-	-	0.2
Miscellaneous	35.1	10.	0.3	0.1	0.4	5.9	51.8
<b>Total Contribution</b>	<b>62.3</b>	<b>18.2</b>	<b>26.3</b>	<b>49.1</b>	<b>45.2</b>	<b>65.7</b>	<b>266.8</b>

Source: Sonali Bank Limited Annual Report 2015, p.197

#### Allocation of CSR in 2016

S/N	Particulars	Workings	Amount in BDT
1.	Profit after tax in 2015	-	58,64,98,260
2.	5% of profit after tax in 2015	58,64,98,260x.05	2,93,24,913
3.	Unused amount of CSR in 2015	-	69,916
4.	Total CSR allocation in 2016	2,93,24,913+69,916	<b>2,93,94,829</b>

Source: Sonali Bank Limited, CSR Wing

<sup>3</sup> Ibid, p.197

**Table 28: Head Wise CRS Allocation in 2016 in Sonali Bank Limited**

S/N	Heads	Head Wise Allocation for CSR in 2016 (in BDT)	% of Total Allocation
1.	Education	44,09,000	15%
2.	Health	58,79,000	20%
3.	Financial Inclusion	2,94,000	1%
4.	Rural/Infrastructural Development	17,70,000	6%
5.	Disaster Management	44,10,000	15%
6.	Sports	2,90,000	1%
7.	Literature, Culture and Sukumar Industry	2,94,000	1%
8.	Social Welfare	44,10,000	15%
9.	Research and Development	2,93,000	1%
10.	Environment Protection	29,37,200	10%
11.	Capacity Building	29,39,000	10%
12.	Under Privileged people, Heads that will ensure greater welfare of the Environment and Society	14,69,629	5%
<b>Total</b>		<b>2,93,94,829</b>	<b>100%</b>

**Source:** Sonali Bank Limited, CSR Wing

#### **4.2.2 Basis of Head Wise CSR Allocation of Sonali Bank Limited**

As per Annexure –Ka No: 53.00.0000.311.51.001.15-511, Dated 21.08.2016 of Bank and Financial Institution Department, Ministry of Finance, Government of the Peoples Republic of Bangladesh regarding preconditions about CSR expenditure by State Owned Commercial Banks of Bangladesh, the following preconditions are imposed:<sup>4</sup>

<sup>4</sup> Annexure –Ka No: 53.00.0000.311.51.001.15-511, Dated 21.08.2016 of Bank and Financial Institution Department, Ministry of Finance, Government of the Peoples Republic of Bangladesh regarding preconditions about CSR expenditure by State Owned Commercial Banks of Bangladesh.

- 1) Until further instruction the State Owned Commercial Banks of Bangladesh will allot their expenditure in Corporate Social Responsibility (CSR) in maintaining the following preconditions:
  - a. Maximum 5% of profit after tax of the previous year can be used in Corporate Social Responsibility (CSR).
  - b. In any specific head maximum up to 15% of total Corporate Social Responsibility (CSR) allocation can be used. But in Public Health the Corporate Social Responsibility (CSR) allocation may be up to 20% of the total Corporate Social Responsibility (CSR) allocation.
  - c. The expenditure that cannot contribute to education, health, nutrition, culture, self-employment and public standard of living of the general people of the society cannot be termed Corporate Social Responsibility (CSR) expenditure.
  - d. Expenditure of product/donation in institutional promotional program cannot be termed as Corporate Social Responsibility (CSR).
  - e. Providing any kind of donation/financial assistance to any project or business or institutions that is harmful for the environment cannot be termed as Corporate Social Responsibility (CSR).
  - f. No Corporate Social Responsibility (CSR) fund can be allowed to any director(s) or their family members or the persons/institutions whose actual beneficiaries are these director(s).
  - g. All the Corporate Social Responsibility (CSR) related expenditure must be completed/implemented through the bank account of the beneficiaries and Corporate Social Responsibility (CSR) providers.
  
- 2) The following heads are selected to use the Corporate Social Responsibility (CSR) expenditure of the State Owned Commercial Banks of Bangladesh:
  - a) Education
  - b) Health
  - c) Financial Inclusion
  - d) Rural Infrastructural Development
  - e) Disaster Management
  - f) Sports
  - g) Literature, Culture and Sukumar Industry
  - h) Social Welfare

- i) Research and Development
- j) Environmental Protection
- k) Capacity Building

Besides the above mentioned heads under privileged people of the society, activities that will ensure the greater welfare of the environment and society can be included as Corporate Social Responsibility (CSR) program. But the allocation of this type of head cannot be more than 5% of the total allocation in Corporate Social Responsibility (CSR) program.

#### **4.2.3 Human Resources Development Dimension**

To ensure proper human resources for building developed & self-reliant Bangladesh Sonali Bank Limited has been performing various activities. Human resource development is regarded as one of the integral parts in Sonali Bank Limited. It is very important to utilize human capital more efficiently to achieve institutional goals. These initiatives of Sonali Bank Limited have been explained below:

##### **a) Education**

Education is the backbone of a nation. Keeping the theme in mind Sonali Bank Limited has been taking several initiatives to ensure proper education for all. In education sector Sonali Bank Limited has been offering the following program:

##### **i. Scholarship Program**

As Corporate Social Responsibility, Sonali Bank Limited is providing scholarship to the meritorious students of the different districts of Bangladesh to meet their educational expenses. The details regarding the scholarship distribution program of Sonali Bank Limited has been described below:

The scholarship is offered in two phases, for the students who completed Secondary School Certificate (SSC) and Higher School Certificate (HSC). There are several criteria among the students. These are General Students and child/grandchild of Freedom Fighter. Among the general students there are three kinds of students. Such as- Usual, Disabled and Tribe etc.<sup>5</sup>

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<sup>5</sup> Sonali Bank Limited, CSR Wing

The disabled and tribe students all are provided scholarship if their number remain within the limit.

### **Allocation of Scholarship**

The scholarship of Sonali Bank Limited is distributing among the students on the basis of districts quota. In this case the underprivileged and underdeveloped districts are getting priority. The minimum number of quota is three.<sup>6</sup>

### **Important Head of Scholarship**

There are some important heads those are prioritized for providing scholarship to the students. These are as follows:

- Orphan Students
- Students of Char Area
- Students who are victim of river erosion
- Students who are victim of natural disasters
- Lower income level students

### **Procedure of distribution of Scholarship to the Students**

To distribute Scholarship to the Students Sonali Bank Limited following the technique mentioned below:

- Publish circular in the national dailies and its website seeking applications from the eligible students
- The application is received through online
- After receiving the applications, these are scrutinized properly and selecting the desired students from among their applications
- The selected list of the students is published in the website of Sonali Bank Limited.
- The amount of the scholarship is handed over to the students through the District Controlling Officer after confirming his/her identity

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<sup>6</sup> Ibid

- The transaction of the scholarship program is completed through the bank accounts of Sonali Bank Limited and the individual students. No cash is allowed to anyone as scholarship
- The identity of the student is ensured by verifying his/her certificate

## **ii. Institutional Head**

For infrastructural development of the educational institutions i.e. School, college and Madrasha etc. Sonali Bank Limited has been giving financial support to several educational institutions on regular basis.

The Board of Director and the management team of Sonali Bank Limited always emphasis on hiring talents, developing human and technical skills of the employees so that the organization can get optimum output by utilizing scarce resources. Sonali Bank Limited follows fair and transparent recruitment process based on merit and gender equity.<sup>7</sup>

## **Training and Development**

It is easy to make proper distribution of other assets of the bank through skilled and capable manpower. Sonali Bank Limited has a pool of talented and skilled workforce and focuses on their career development by nominating them for training, seminar and workshop at home and abroad.

The Human Recourses Development Division of Sonali Bank Limited has been taking necessary initiatives to impart fundamental knowledge and well as the latest developments and banking rules and regulations to the employees so that they could understand the customers' demand and deliver prompt and efficient services. To make the above goals successful Sonali Bank Limited has one staff college in Dhaka and five training institutes across the country. Apart from these in-house institutions, training programs and workshops for the employees are carried by Bangladesh Institute of Bank Management (BIBM), Bangladesh Bank Training Academy (BBTA) and many other organizations. The particulars of the training

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<sup>7</sup> Sonali Bank Limited Annual Report 2015, p.175



courses/workshops and trainees undergone in various training programs are presented below<sup>8</sup>:

<b>Year</b>	<b>Number of Courses</b>	<b>Number of Trainees</b>
2015	552	9984
2014	516	10187
2013	547	10723
2012	413	7837
2011	407	7345
2010	634	11780

**Source:** Sonali Bank Limited Annual Report 2015, p.176

To enhance the knowledge and skills of the employees of the bank, Sonali Bank Limited established a central library which is located at the 7<sup>th</sup> floor of Sonali Bank Limited, Head office, Motijheel, Dhaka. The library is enriched with books of general banking, investment, foreign trade, computer, management, accounting, commercial and industrial law, agriculture and industry finance, economics, religion, literature and other contemporary books and journals.<sup>9</sup> Various foreign journals like the Economist, the Times, the Newsweek, the Reader's Digest and other famous local and international journals, papers and magazines are available at the library.

### **Succession Planning**

Sonali Bank Limited possesses a sound Human Resource policy covering succession planning. The succession planning enables the bank to make the most of the existing talent and strengthen position of the bank.

### **Reward and Motivation**

Sonali Bank Limited has a strong culture of rewarding and motivating the employees as the Best Manager Award, Letter of Appreciation for outstanding performance, financial reward for classified loan recovery, fulfilling deposit and profit target etc. The meritorious children of the employees are awarded Chairman's

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<sup>8</sup> Ibid, p.176

<sup>9</sup> Ibid, p.176

Award, MD and CEO's Award and General Award for bright performance in SSC and HSC examinations. Different financial honorariums are given to the employees for their innovative products generation and passing Banking Diploma examination.<sup>10</sup>

The table below provides the year and category-wise contribution under Corporate Social Responsibility (CSR) program of Sonali Bank Limited in Human Recourses Development Dimension:<sup>11</sup>

(Tk. in million)

Category	Year wise contribution						Total
	2010	2011	2012	2013	2014	2015	
Education	2.2	1.1	14.8	18.5	18.3	18.8	73.7
Self Employment	-	0.3	-	-	0.2	-	0.5
<b>Total Contribution</b>	<b>2.2</b>	<b>1.4</b>	<b>14.8</b>	<b>18.5</b>	<b>18.5</b>	<b>18.8</b>	<b>74.2</b>

**Source:** Sonali Bank Limited Annual Report 2015, p.197

#### 4.2.4 Medicare Services Dimension

Sonali Bank limited provides financial assistance under its Corporate Social Responsibility activities to the insolvent persons of the society for proper treatment. The Bank prefers to support largely with community assets as the benefits of those are shared by all. However, financial assistance is extended to those who applied for help. Under its health support program the bank has donated TK.9.10 million to different segments of poor people during 2015.<sup>12</sup>

#### Occupational Health, Safety and Environment

The board and the management of Sonali Bank Limited sincerely believe in safety, and health security at work place. Because these are the prerequisites for sound state of mind of the employees for delivering effective and efficient services to the customers. All the branches, regional offices and divisions of Head Office are well decorated having sufficient open spaces. A team with logistic supports and services

<sup>10</sup> Ibid, p.177

<sup>11</sup> Ibid, p.197

<sup>12</sup> Ibid, p.197

headed by Chief Security Officer (CSO) is especially assigned to visit regularly to monitor cleanliness, safety measures and other issues in all branches. To ensure sound health of the employees, a team of doctors headed by the Chief Medical Officer (CMO) is working in Head Office, Dhaka and oversees the medical activities at the zonal offices of the bank where medical check-up is done freely.<sup>13</sup>

The table below provides the year and category-wise contribution under Corporate Social Responsibility (CSR) program of Sonali Bank Limited in Medicare Services Dimension:<sup>14</sup>

(Tk. in million)

Category	Year wise contribution						Total
	2010	2011	2012	2013	2014	2015	
Healthcare	3.4	1.4	0.9	5.7	6.8	9.1	27.3

**Source:** Sonali Bank Limited Annual Report 2015, p.197

#### **4.2.5 Environmental and Social Safety Dimension**

Sonali Bank Limited is very aware of the effect of climate change on the ecological balance of the earth. Sonali Bank Limited has been complying the regulatory guidelines and working thoroughly to create awareness among the employees of the bank as well as the mass people of the country as environment has become the burning issue around the world. Sonali Bank Limited has been trying to ensure the balance between climate change and its impacts on the economy of Bangladesh. It has been providing strong support to the government's policy through implementation of its activities, innovative products and services for ensuring a sustainable banking for long term.

#### **Green Finance of Sonali Bank Limited**

As climate change has become the burning issue of the last decade, Sonali Bank Limited management are fully aware of the risks associated with climate change and necessary steps have been taken complying with Bangladesh Bank green banking policy. As green financing, Sonali Bank Limited is financing environmental friendly projects to ensure ecological balance. To protect the environment Sonali Bank

<sup>13</sup> Ibid, pp.176-177

<sup>14</sup> Ibid, p.197

Limited has been providing green financing facilities directly or indirectly in eco-friendly activities. Environmental friendly projects such as renewable energy projects, clean water supply projects, waste treatment plant, solid waste disposal plant, bio-gas plant, bio-fertilizer plant, Hybrid Hoffman Kiln (HHK), Solar energy, Solar PV assembly plant, vermicompost production, PET bottle recycle project, ETP etc. are being encouraged and financed by Sonali Bank Limited. The following projects are financed by Sonali Bank Limited as green finance<sup>15</sup>:

- Renewable energy projects
- Clean water supply projects
- Waste treatment plants
- Solid waste disposal plants etc.

In 2015 the bank has directly financed the following projects:<sup>16</sup>

S/N	Title of the Projects	Number of the Projects	Amount (Tk. in million)
1	ETP	01	15.00
2	Solar Panel	508	15.40
Total		509	30.40

**Source:** Sonali Bank Limited Annual Report 2015, p.185

For indirect green finance, bank is funding such projects which have solar panel. In 2015 Sonali Bank Limited directly financed TK. 30.40 million in 509 projects. ‘Sonali Alo’ is the bank’s initiative intended to align its efforts with the initiatives being undertaken by both public and private sectors. Sonali Bank Limited does not finance in any environmentally harmful project.

#### **“Sanali Alo” activities (solar energy funding)**

To develop the standard of living of the mass people of the country Sonali Bank Limited has been funding environment friendly activity named “Sanali Alo”. The “Sanali Alo” project has been introduced in villages or markets where there is no electricity or there is a remote possibility of getting electricity in near future. This credit is being distributed from the nearest branch of the bank. 15-20 families,

<sup>15</sup> Sonali Bank Limited Annual Report 2015, p.68

<sup>16</sup> Ibid, p.185

permanent residents/12-15 shop owners in market can get the benefit from a “Sanali Alo” project.<sup>17</sup>

### **Climate Risk Fund**

Sonali Bank Limited has been providing great care about the climate change risk and Tk. 12.50 million was spent in the year 2015 in this head.<sup>18</sup>

### **Online Banking**

Sonali Bank limited has been providing online banking service to its customers since long. Through online banking service the customers can get the updated information of his/her account through internet and website reducing paper and fuel wastage. Till December 31, 2015 the performance of online banking is given below:

### **Status of SBL Online Banking<sup>19</sup>**

<b>Number of Total Branches</b>	<b>Number of Any Branch Banking Branches</b>	<b>Number of CBS</b>	<b>Percentage of CBS</b>
1207	1192	502	41.59%

**Source:** Sonali Bank Limited Annual Report 2015, p.185

### **Green Banking**

Green banking means eco-friendly or environment-friendly banking to stop environmental degradation to make this planet more fit for human habitation.

Green Banking means promoting environmental – friendly practices and reducing carbon footprint from banking activities. This comes in many forms:

1. Using online banking instead of branch banking.
2. Paying bills online instead of mailing them.
3. Opening up accounts at online banks, instead of large multi-branch banks

Basically Green banking avoids as much paper work as possible and rely on online/electronic transactions for processing as to provide innovative green products,

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<sup>17</sup> Ibid, p.185

<sup>18</sup> Ibid, p.185

<sup>19</sup> Ibid, p.185

using online banking instead of branch banking, paying bills online instead of mailing them, purchasing green mortgage, green credit cards and money market accounts at online banks instead of large multi-branch banks of finding the local bank in the area that is taking the biggest steps to support local green initiatives.

### **Steps in Green Banking**

From the empirical study, it is found that following are some of the steps that can be taken for going green in banking:

#### **1. Go Online**

Online banking helps in additional conservation of energy and natural resources.

Online Banking includes:

- a. Paying bills online,
- b. Remote deposit,
- c. Online fund transfers and
- d. Online statements etc.

#### **2. Use Green Checking Accounts**

Customers can check their accounts on ATM or special touch screen in the banks. This can be called as green checking of account.

#### **3. Use Green Loans for Home Improvements**

The Ministry of Non-renewable Resource in association with some nationalized and scheduled banks undertook an initiative to go green by paying low interest loans to the customers who would like to buy solar equipments.

#### **4. Power Savings Equipments**

Banks can directly contribute to controlling climate change and as an initial step they intend to start a campaign to replace all fused GSL bulbs, in all owned premises offices and residential.

#### **5. Use Green Credit Cards**

Some of the banks introduced Green Credit Card. The benefit of using a green credit card is that banks will donate funds to an environment-friendly nonprofit

organization from every taka you spend on your credit card to a worthwhile cause of environment protection.

#### **6. Save Paper**

Bank should purchase recycled paper products with the highest post consumer waste content possible.

#### **7. Use of Solar and Wind Energy**

State Bank of India (SBI) has become the first bank in the country in Asia to venture into generation of green power by installing windmills for captive use.

#### **8. Mobile Banking**

It is great to have the ability to check balances, transfer funds or pay bills from your phone.

In response to developing green banking practices, Bangladesh Bank has taken effective steps to exert influence on the bank by issuing a circular on Green Banking on February 27, 2011. Complying that circular Sonali Bank Limited has been taking different initiatives to build a green banking environment in Bangladesh.

#### **Sustainable Banking**

A steady and successful relation with different segment of clients, involvement by investment and charitable donations in various established and promising sectors of the economy and the environment for the better future of future generations and for maintaining financial and social stability is called sustainability in banking. It is basically result oriented and will create value in the long run through transparent and efficient utilization of resources. As sustainability is considered as a long journey, Sonali Bank Limited has set up a tactical and technical operational plan consisting of targets, directions, performance evaluation and result, focusing long term profitability with ethical behavior, social justice and environmental care.<sup>20</sup>

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<sup>20</sup> Ibid, p.180

To ensure sustainability Sonali Bank Limited has been considering the following two aspects:

- Environmental initiatives (such as recycle programs or improvements in energy efficiency) and
- Socially responsible initiatives (such as support for cultural events, improved human resources practices and charitable decisions)

### **Mission of Sonali Bank Limited regarding Sustainable Banking**

Mission of Sonali Bank Limited in achieving sustainable economy incorporates the strategy and policy of the government which as are follows:<sup>21</sup>

- Poverty alleviation through controlling in socio-economic development of the country
- Achieve food security by promoting sustainable agriculture and by enhancing facilities in transactions of the farmers
- Support quality education and facilitate the school going students
- Create awareness of its employees and the valued clients for pollution free Bangladesh
- Sustainable and gradual positive financial growth through financing established and promising sectors
- Uphold customer care and responsible financial services
- Build balanced and green Bangladesh by protecting forests and by combating desertification
- Promote peaceful and inclusive societies for sustainable development
- Corporate infrastructure and culture in the institution

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<sup>21</sup> Ibid, p.180



## **SMS Banking**

Sonali Bank limited has been providing SMS service to its entire customer since long. Through SMS service the customers can get the updated information of his/her account. The available balance of the account is also informed by the same SMS. Through SMS service the customers can get the following services:

- Balance Inquiry
- Currency Rate
- Mini Statement etc.

## **Transactional Message**

When there is any transactions i.e. debit/credit from/to his/her account the customer will receive an SMS from the bank's end mentioning the nature and effect of that transaction. This service will help our cardholders to be aware of his/ her every transaction. At the same time, bank can send any emergency notification SMS to the customers through this service.

## **Internet Banking**

Sonali Bank limited has been providing Internet Banking to the customers. The present available services of Internet Banking are followings:

- Balance Inquiry
- Limit Inquiry
- Profit Details
- Cheque Book Details
- Clearing Cheque Status
- Transaction Details
- Stop Cheque Request
- Address Change Request
- Term Deposit Details etc.

### **Customer Query**

Through using SMS service the customers can place his query about the banking services. For availing this service he need not come to branch. The possible solution of his query is given by SMS.

### **Automated Teller Machine (ATM)**

Sonali Bank Limited is a member of Q-Cash Consortium, National Payment Switch Bangladesh (NPSB) and VISA. Customers can enjoy round the clock cash withdrawal facility from 75 own ATM(s) and around 6500+ shared ATM booths across the country. Sonali Bank recently launched Credit Card<sup>22</sup>.

### **Branch Computerization**

All inland branches of Sonali Bank Limited are now computerized and included in the Online Any Branch Banking (ABB) network. So 1209<sup>23</sup> inland branches within Bangladesh can conduct the inter branch transactions through online banking. The customers can deposit/withdraw money at/from any branch of Sonali Bank Limited.

### **Foreign Remittance**

Bank's own in-house software "Remittance Management System" (RMS+), having, among others, the feature of paying foreign remittance instantly over the counter is being implemented at all branches of Sonali Bank Limited. This web based software provides digital services to the expatriates customers through its unique advantage of sending confirmation message to the mobile phone of the remitter/beneficiary automatically.

### **Introduction of E-Token**

Sonali Bank Limited has introduced the E-Token service for cheque/instrument payment purposes. The objective of this E-Token is to ensure secured transaction through detecting fraud against financial instruments. This E-Token acts as two step verification. When any cheque is placed at any counter of Sonali Bank limited the authorized official will give an E-Token to the registered number of the customer.

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<sup>22</sup> [https://www.sonalibank.com.bd/digital\\_status.php](https://www.sonalibank.com.bd/digital_status.php)

<sup>23</sup> [https://www.sonalibank.com.bd/digital\\_status.php](https://www.sonalibank.com.bd/digital_status.php)

As soon as the E-Token will be informed by the customer/the bearer of the instrument the payment will be made. The E-Token helps the customers to save themselves from fraud and other unwanted situations.

### **Pension Paying Software**

Sonali Bank Limited has been developing a Pension Paying Software by which pension is being paid to the Military, Civil and Bank employees in 425 branches. The availability of this software will be implemented in all branches within the quickest possible time.

### **4.2.6 Humanitarian and Philanthropic Dimension**

From the year 2010 Sonali Bank Limited has been contributing to humanitarian and disaster management field. To save the poor and needy people from the curse of natural disaster the bank has been playing a significant role. The victims of the natural and manmade disasters are given support under this category.

Sonali Bank Limited has donated Tk. 98.70 million from 01.01.2010 to 31.12.2015 under Humanitarian and Disaster Management head. In the year 2015, the bank donated 26,750 pieces of blankets with an expenditure of Tk. 12.383 million among the distressed people of the country. The heavy cold prone areas are covered through this head. To help the Nepal earthquake affected people Sonali Bank Limited disbursed Tk. 1,17,000 intended for 4,000 pieces of blankets.

Sonali Bank Limited donated Tk. 10.00 million at Prime Minister's Relief Fund to help the cocktails and petrol bombs injured for proper treatment and the families of the victims. Assistance also has been given amounting to Tk. 9.425 million to the persons killed by cocktails and petrol bombs during the strikes and blockade in the first half of the year 2015.<sup>24</sup>

Sonali Bank Limited has been contributing to the projects that will be beneficial to the society at large. Sonali Bank Limited donated Tk. 4.187 million for managing the Day Care Center where five state-owned commercial bank employees keep their children during their working hours.

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<sup>24</sup> Sonali Bank Limited Annual Report 2015, p.198

As part of Corporate Social Responsibility (CSR) activities Sonali Bank Limited donated Tk. 1.05 million to the families of the two Ansar Force who were brutally killed while trying to prevent a robbery in its Kalaroa Branch, Satkhira.<sup>25</sup>

Sonali Bank Limited has been distributing tube-wells, bicycles, iron sheets and other items As part of Corporate Social Responsibility (CSR) activities. In the year 2015 the bank welcomed the abolished enclaved citizen by distributing 15 tube-wells, 23 bicycles and 96 buns of iron sheets.

**Table 29: Services rendering free of Charges in Sonali Bank Limited**

As Corporate Social Responsibility (CSR) Corporate Social Services and Services under Government Social safety Network Program Sonali Bank Limited has been rendering the following services free of charge to the Government and others:

<b>Salary/Allowance</b>	
<b>S/N</b>	<b>Particular</b>
1.	Payment of salary/allowances to non-government educational institutions.
2.	Payment of allowances to old aged people.
3.	Payment of allowances to widow and divorcee.
4.	Payment of Honorarium to freedom fighters.
5.	Payment of allowances to acid burnt women.
6.	Payment of Maternity allowances to poor women.
7.	Payment of allowances to disabled persons.
8.	Payment of stipend to disabled students.
9.	Rural Social Service (RSS) Works.
10.	Dalit, Harijon & Bede Jonogushthir Jibonman Unnayan Karmasuchi.
11.	Hizra Jonogushthir Jibonman Unnayan Karmasuchi.
12.	Mohilader Attakarma Sangsthan.
13.	Payment of allowances to the beneficiaries of Bangladesh Karmachari Kallayan Board.
14.	Collection of land development tax.
15.	Collection of Excise duty.

<sup>25</sup> Ibid, p.198

16.	Collection of VAT.
17.	Tax deducted at source.
18.	Collection of travel tax.
19.	Collection of Hajj Deposits.
20.	Receipt of Jakat Fund.
21.	Collection of City Corporation Tax.
22.	Supply information of tax holder accounts to National Board of Revenue according to Income Tax Ordinance 1984, clause 111(F).
23.	Works related to Local Government Support Project.
24.	Collection of electric bill of PDB, REB, DESCO and DPDC.
25.	Collection of bill of Titas Gas Company.
26.	Collection of WASA bill.
27.	Collection of Telephone bill of BTCL.

**Source:** SBL IT Division

**Table 30: Services rendering with nominal Charges in Sonali Bank Limited**

As Corporate Social Responsibility (CSR) Corporate Social Services and Services under Government Social safety Network Program Sonali Bank Limited has been rendering the following services with nominal Charges to the Government and others:

S/N	Particular
1.	Payment of pension to employees of Bangladesh Bank. (Commission @1.5%)
2.	Payment of pension to employees of Bangladesh Atomic Energy Commission. (Commission @1%)
3.	Payment of pension to employees of Bangladesh Shilpakala Academy. (Commission @1.5%)
4.	Payment of Army pension. (Commission @1%)
5.	Payment of Civil pension. (Commission @1%)
6.	Payment of Upabritti to Primary Students. (Service Charge @2.5%)
7.	Reaching out of School Children. (Service Charge @2.5%)
8.	Collection of passport and visa fees. (Commission @1%)

9.	Sale of application form of Bangladesh Public Service Commission. (Commission @12%)
10.	Sale of application form of Bangladesh Judicial Service Commission. (Commission @12%)
11.	Sale and encashment of Sanchaypatra. (Commission of sale @.5%)
12.	Payment of Government food procurement bill. (Commission @1% and interest @12% for 25 days)
13.	Sale of Lottery ticket. (Commission @30%)
14.	Treasury Work with Bangladesh Bank. (Commission @.2%)

**Source:** SBL IT Division

#### **4.2.7 Financial Inclusion Dimension**

Financial inclusion means providing facilities to access of the un-banked people and firms to the range of formal financial services timely and making arrangements of adequate credit for low income generating people at a reasonable cost. In any developing country financial inclusion plays a vital role in achieving the goals of the government for overall economic growth and sustainable economic development. As a developing country most of the poor, illiterate and the remote area people are lack access to formal financial activities like saving, credit, insurance etc. At the age of the 21<sup>st</sup> century it is unbelievable that these people are still remained un-banked. So we have a great opportunity to embrace the wide range of un-banked people to the mainstream of regular banking operations. From a recent development theory it is known that, the greater financial inclusion we have, the better positive impacts on the lives of the poor and disadvantaged people can be achieved.

Sonali Bank Limited strong network in rural and urban areas is assisting the government in accelerating financial inclusion in the country by bringing simple, poor and unbanked people under coverage of banking system. In Sonali Bank Limited total number of accounts under financial inclusion program stands at 47,91,807<sup>26</sup> as on December 31, 2015. Among them the number of farmer's accounts has reached to 22,88,079 at the end of December 31, 2015 by encouraging opening farmer's accounts at an initial deposit of TK.10.00. As on December 31,

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<sup>26</sup> Sonali Bank Limited Annual Report 2015, p.66

2015 the number of freedom fighter accounts were 1,60,227, school going students accounts were 38,346 and accounts under social safety net programs were 15,07,552. A large segment of the population particularly the rural poor people, poor farmers, women entrepreneurs and garments workers have got the access to banking services through Sonali Bank Limited. Moreover, various innovative deposit products with lucrative interest rate and credit facilities with a relaxing rate have been successfully launched to attract deprived segment of population. Introducing these initiatives, Bangladesh has stood second in South Asia in terms financial inclusion.<sup>27</sup>

### **Goals of Financial Inclusion of Sonali Bank Limited**

To ensure steady and fair economic growth by a wide range of financial inclusion following prior policies has been developed:

- Access of all households to full range financial services at a reasonable cost and time.
- Extension of banking services and products to un-banked and underprivileged people.
- Being responsive and support quickly to the government's growth strategy and Bangladesh Bank policy.
- Include different classes of people through introducing new products.
- Financing agriculture, SMEs and environment friendly activities.
- "School Banking" is introduced to make the habit of savings by the school going students from their early age.
- Financing higher education and overseas employment to take the country ahead in the near future.
- Good governance by clear regulation and industry performance standards.
- Financial and institutional sustainability to ensure stability and certainty of return of investment.

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<sup>27</sup> Ibid, p.66

#### 4.2.8 Status of Financial Inclusion of Sonali Bank Limited

**Table 31:** The performance of the Financial Inclusion of Sonali Bank Limited is presented below<sup>28</sup>:

S/N	Name of Program	No. of Accounts	
		2015	2014
1	Farmers' account	22,88,079	22,80,760
2	Social Safety Net	15,07,552	15,63,404
3	Freedom Fighters Account	1,60,227	1,42,786
4	Hindu religious welfare trust, destitute people affected by cyclone Aila, employment program for the very poor, rehabilitation program under Ministry of Religion and Cleaners of Dhaka North and South City Corporation	7,87,849	4,27,933
5	Small Life Insurance Program	9,498	4,960
6	School Banking Account	38,346	24,604
7	RMG Sector	256	140
<b>Total</b>		<b>47,91,807</b>	<b>44,44,587</b>

**Source:** Sonali Bank Limited Annual Report 2015, p.188

#### Farmers Account

As Bangladesh is agricultural based economy and agriculture is the lifeline of Bangladesh economy, government gives highest priority for the facilities of the farmers. As Sonali Bank Limited has the absolute support to the development program of the government, it has been performing the duties and responsibilities properly to change the fate of the un-banked poor farmers and has been providing all kinds of support to build a self-reliant Bangladesh. Remaining the agricultural sector underdeveloped no nation can be self-reliant. So, to make the unbanked poor farmers as self-reliant citizen of the country Bangladesh Bank has taken very appropriate initiatives to include them in the formal financial sector. As part of that

<sup>28</sup> Ibid, p.188



the farmers can open their savings account in Sonali Bank Limited with an initial deposit of Taka 10 and no service charge or maintenance charge will be deducted from the farmers' accounts. The bank will support them with free of cost and the higher deposit rate is allowed for the savings money. On the other hand a special deposit product named "Sonali Krishak Shanchay Scheme (SKSS)" of Taka 50, 100 and 200 at a compound interest rate of 9% has been introduced for farmers. As a result the total number of farmers account stood at 22,88,079 as on December 31, 2015 against 22,80,760 as on December 31, 2014.<sup>29</sup>

### **Social Safety Net Program**

Sonali Bank Limited is the pioneer of implementing the Social Safety Net Program which targets to include the un-banked people of the society under the massive branch coverage of the bank through its diversified products to meet the needs of the community. Through this initiative the standard of living and the livelihood of the un-banked poor people will be improved gradually. The number of accounts under Social Safety Net Program was 15,07,552 as on December 31, 2015 against 15,63,404 as on December 31, 2014.<sup>30</sup>

### **Freedom Fighters Account**

The freedom fighters are the real hero of the Liberation War 1971. Sonali Bank Limited takes the pride of being a helpful hand of the freedom fighters of the country. The freedom fighters get special allowances from the government and the responsibility of distributing of the allowance is given to Sonali Bank Limited. On the other hand Sonali Bank Limited has been offering investment facilities to the freedom fighters with a lower interest rate. The freedom fighters accounts raised to 1,60,227 as on December 31, 2015 against 1,42,786 as on December 31, 2014.<sup>31</sup>

### **School Banking**

To make the habit of savings of the students of schools and colleges from their early age, Bangladesh Bank introduced "School Banking" guidelines. As per Bangladesh Bank guidelines, Sonali Bank Limited has come forward with all out effort to make

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<sup>29</sup> Ibid, p.188

<sup>30</sup> Ibid, p.188

<sup>31</sup> Ibid, p.188

this program successful. The account holders of the school banking program get better interest rate on daily basis. As on December 31, 2015 the total number of account under this program was 38,346.<sup>32</sup>

As part of financial inclusion Sonali Bank Limited has been facilitating to open account for the following sections also:

- a. Sonali Bank Limited has been facilitating to open account of Hindu religious welfare trust, destitute people affected by cyclone Aila, employment program for the very poor, rehabilitation program under Ministry of Religion and Cleaners of Dhaka North and South City Corporation. As on December 31, 2015 the number of account was 7,87,849 against 4,27,933 as on December 31, 2014.<sup>33</sup>
- b. Sonali Bank Limited has been facilitating to open account of Small Life Insurance Program. As on December 31, 2015 the number of account was 9,498 against 4,960 as on December 31, 2014.<sup>34</sup>
- c. Sonali Bank Limited has been facilitating to open account of RMG sector. As on December 31, 2015 the number of account was 256 against 140 as on December 31, 2014.

### **Loans and Advances**

The agricultural credit policy of Sonali Bank Limited has been relaxed for sustainable

financial inclusion. The bank successfully launched the projects like “UNMESH”, “JAGO NARI” for the poor farmers and female entrepreneurs. Besides these, a new product named “BICYCLE LOAN” up to Tk.15, 000 at a simple interest rate of 9% for the students of class 6-10 has been launched in 2015.<sup>35</sup>

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<sup>32</sup> Ibid, p.188

<sup>33</sup> Ibid, p.188

<sup>34</sup> Ibid, p.188

<sup>35</sup> Ibid, p.189

#### **4.2.9 Role of SBL in Enhancing Financial Inclusion**

- Being the helping hand of the government inclusive growth strategy, Sonali Bank Limited has taken financial inclusion as a prior policy for accelerating economic growth
- Sonali Bank Limited has extended lending to the under-served/ un-served economic segments
- Sonali Bank Limited has been providing credit facilities to SME entrepreneurs, agricultural and other rural and urban farm and non-farm productive activities throughout the country
- For the physically and mentally disabled people, Sonali Bank Limited has taken comprehensive programs
- SME Women Entrepreneurs Development Unit has been set up at head office and all field level controlling offices of the bank
- Necessary guideline has been issued to branches/ field level controlling offices for disbursement of cluster based SME loans
- To attract the customers' online banking, any branch banking and SMS banking have been introduced
- Government subsidies are channeled to the landless and poor people through Sonali Bank Limited farmers' accounts
- Financing higher education and overseas employment
- Agricultural credit policies have been relaxed for stimulating financial inclusion
- Providing collateral free SME loan up to Tk. 0.5 million and Tk. 1.00 million to the male and female entrepreneurs<sup>36</sup>
- Going to launch project for daily and construction laborers etc.

#### **4.2.10 Sonali Sheba of Sonali Bank Limited**

Sonali Bank Limited has been providing several types of services with the help of Sonali Sheba. Sonali Sheba has saved time and energy of the general public providing easier service to them. A total number of about twenty organizations are now enjoying the services of Sonali Sheba. Some of them are as follows:

- University of Dhaka

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<sup>36</sup> Ibid, p.189

- University of Chittagong
- Barisal University
- National University
- Open University
- All the Education Boards of Bangladesh including Madrasha Board
- Marine Academy
- Chittagong Port Authority (CPA)
- Maritime Institutes and
- Bar Council etc.

### **The beneficiaries of Sonali Sheba**

Different types of beneficiaries are receiving services of Sonali Sheba. Some of them are mentioned below with their service:

#### **Students**

The students of different universities are enjoying the nice services of Sonali Sheba. Earlier they needed more time to complete their educational related activities. But now with the help of Sonali Sheba they can complete their admission, form fill-up and other activities within a short time.

#### **Teachers**

Sonali Sheba not only provides benefits to the students but also teachers of different Schools, Colleges and Universities. Earlier the teachers were provided cheque to pay the honorarium for Answer Scripts Evaluation. It was very much time consuming. But the Sonali Sheba has created a new era and the payment is now directly credited to the respective teachers' bank accounts.

#### **Tax E-Payment Portal**

Sonali Sheba has brought another service for the tax payers of Bangladesh. Now tax can be paid from the account of any bank through Tax E-Payment Portal. The chalan can also be deposited by online banking. It has reduced time consumption and made the process easier.

## **Custom Duty E-Payment Portal**

To ensure smooth and speedy operation in the custom department of Bangladesh, Sonali Sheba has launched the Custom Duty E-Payment Portal service. Earlier the customer of a certain bank only could pay the custom duty from that bank and the bank issued a payment order favoring Sonali Bank. Then the customer had to submit the payment order to Sonali Bank and after getting the clearance the goods discharged. To complete the custom duty payment the transactions engage the certain Bank, Bangladesh Bank, Sonali Bank and National Board of Revenue (NBR). But now the things become easy and the custom duty can be paid from any bank directly through Custom Duty E-Payment Portal service. The custom duty payment is completed with the engagement of Sonali Bank and National Board of Revenue (NBR).

### **4.2.11 Role of SBL in Other Dimensions**

For other dimensional development Sonali Bank Limited has been performing the following functions since 2010:

#### **Income Generating Programs**

There are a lot of workable people in Bangladesh but their employment as workforce is

scarce. Many jobless people get involved in various anti-social activities. Sonali Bank Limited believes that a planned intervention and practical co-operation can easily make them self-reliant. It has therefore undertaken the following projects and schemes:

- i. Small Business
- ii. Small Industry Projects etc.

#### **Sports, Arts and Cultural Program**

Sports, Arts and Cultural Programs are very necessary to build a physically and mentally sound nation. So employees of Sonali Bank Limited are also encouraged to participate in Sports, Arts and Cultural Programs. An amount of Tk. 66.2 million was spent by Sonali Bank Limited from 2010-2015 for this purpose.

## Status of Role of SBL in Other Dimensions

The table below provides the year and category-wise contribution under Corporate Social Responsibility (CSR) program of Sonali Bank Limited.<sup>37</sup>

(Tk. in million)

Category	Year wise contribution						Total
	2010	2011	2012	2013	2014	2015	
Arts & Culture	1.0	1.4	0.3	-	-	-	2.7
Liberation war related	10.0	0.1	0.9	-	0.5	-	11.5
Publication	-	0.1	-	0.1	-	-	0.2
Miscellaneous	35.1	10.0	0.3	0.1	0.4	5.9	51.8
<b>Total Contribution</b>	<b>46.1</b>	<b>11.6</b>	<b>1.5</b>	<b>0.2</b>	<b>0.9</b>	<b>5.9</b>	<b>66.2</b>

**Source:** Sonali Bank Limited Annual Report 2015, p.197

### 4.2.12 Status of CSR Expenditure of IBBL and SBL as per Bangladesh Half Yearly CSR Report

The CSR expenditure status of all the banks and financial institutions have been presented in the half yearly report published by Bangladesh Bank, Sustainable Finance Department (CSR Wing) on regular basis. In this report the CSR expenditure of all the banks of Bangladesh are presented based on the CSR guidelines provided by Bangladesh Bank. This report is prepared by considering the prescribed CSR expenditure heads of Bangladesh Bank. The allocation of CSR expenditure of the government commercial banks of Bangladesh is totally regulated by the policy of the government especially by guidelines of Ministry of Finance as well as Bangladesh Bank. That means they cannot spend more than 5% of the net income after tax of the previous year. But the private commercial banks have no such limitations; they can use any logical amount from their profit for CSR activities. The status of CSR Expenditure of IBBL and SBL as per Bangladesh Half Yearly CSR Report is given below:

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<sup>37</sup> Ibid, p.197

(Taka in Crore)

Name of Bank	June 2015 <sup>38</sup>	December 2015 <sup>39</sup>	June 2016 <sup>40</sup>	December 2016 <sup>41</sup>	June 2017 <sup>42</sup>	Total Expenditure
IBBL	22.32	57.72	33.93	33.15	59.09	206.21
SBL	0.53	5.04	0.12	1.26	0.32	07.27

**Source:** Half Yearly Report on CSR of Banks, Sustainable Finance Department (CSR Wing), Bangladesh Bank

#### 4.2.13 Conclusion

Sonali Bank Limited is committed to make a sustainable social change through the development of underprivileged members of the society. The bank always tries to make a bridge between it and the stakeholders through performing its responsibility whole-heartedly. As a result, Sonali Bank Limited has been rendering numerous services to serve the humanity that touch the lives of millions of the poor and needy peoples across the country. These activities have been supporting to create a constructive bond between the bank and the community.<sup>43</sup>

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<sup>38</sup> Half Yearly Report on CSR of Banks January-June 2015, Sustainable Finance Department (CSR Wing), Bangladesh Bank, p.1

<sup>39</sup> Half Yearly Report on CSR of Banks July-December 2015, Sustainable Finance Department (CSR Wing), Bangladesh Bank, p.1

<sup>40</sup> Half Yearly Report on CSR of Banks January-June 2016, Sustainable Finance Department (CSR Wing), Bangladesh Bank, p.1

<sup>41</sup> Half Yearly Report on CSR of Banks July-December 2016, Sustainable Finance Department (CSR Wing), Bangladesh Bank, p.1

<sup>42</sup> Half Yearly Report on CSR of Banks January-June 2017, Sustainable Finance Department (CSR Wing), Bangladesh Bank, p.1

<sup>43</sup> Ibid, p.198

## Chapter Five

### Data Analysis, Findings & Recommendations

The Data Analysis, Findings & Recommendations on the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited & Sonali Bank Limited have been inserted in this chapter.

#### 5.1 Methods and Sample Size

To conduct the research data has been collected from the primary and secondary sources. The primary data has been collected from the beneficiaries, bank officials and experts/scholars etc. through the direct interview and questionnaire method. Therefore, four groups of stakeholders have been considered to compare the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited & Sonali Bank Limited. The sample size distribution amongst the type of respondents is given in table 32.

**Table 32:** *Sample Size Distribution of Respondents of the Study*

S/N	Type of Respondents	Sample Size
1	Officers of Islami Bank Bangladesh Limited	25
2	Beneficiaries of Islami Bank Bangladesh Limited	25
3	Officers of Sonali Bank Limited	25
4	Beneficiaries of Sonali Bank Limited	25
<b>Total</b>		<b>100</b>

#### 5.2 Data Analysis on the survey conducted on the CSR activities of IBBL

To conduct the survey on the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited, two sets of questionnaires have been used to cover the beneficiaries of the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited and officers and executives of Islami Bank Bangladesh Limited on random basis. The data are analyzed below:



### 5.3 Data Analysis on the survey conducted on the Officers of IBBL

To conduct the survey 25 Officers and Executives of Islami Bank Bangladesh Limited have been selected randomly as respondents from Head Office and different branches. The dimension wise data analysis on the survey conducted on the officers of Islami Bank Bangladesh Limited is presented below:

#### a) Human Resource Development Dimension

In the Human Resource Development Dimension seven statements are used to collect data from the respondents. The data analysis is as follows:

**Table 33:** *Percent Distribution on Human Resource Development Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.	0 (0)	0 (0)	1 (4)	8 (32)	16 (64)
2.	supports employees who want to acquire additional education	0 (0)	0 (0)	1 (4)	6 (24)	18 (72)
3.	has been offering Scholarship to the poor but meritorious students and researchers.	0 (0)	0 (0)	0 (0)	4 (16)	21 (84)
4.	imparts training to its employees on regular basis to develop their professional knowledge and skills.	0 (0)	0 (0)	0 (0)	1 (4)	24 (96)
5.	encourages its employees to develop their skills and career.	0 (0)	0 (0)	0 (0)	4 (16)	21 (84)
6.	has been arranging Internship Program for the university students to complete their Internship Course.	0 (0)	0 (0)	0 (0)	6 (24)	19 (76)
7.	has been imparting training in the Islami Bank Women Rehabilitation Center to the helpless women to create self-reliant Bangladesh.	0 (0)	0 (0)	1 (4)	12 (48)	12 (48)

**Source:** Data Collected through Field Survey

The table 33 represents the data collected from 25 Officers and Executives of Islami Bank Bangladesh Limited on Human Resource Development Dimension.

In statement one 4% is neither disagree nor agree, 32% are agree and 64% are strongly agree and the average score is 4.60.

In statement two 4% is neither disagree nor agree, 24% are agree and 72% are strongly agree and the average score is 4.68.

In statement three 16% are agree and 84% are strongly agree and the average score is 4.84.

In statement four 4% is agree and 96% are strongly agree and the average score is 4.96.

In statement five 16% are agree and 84% are strongly agree and the average score is 4.84.

In statement six 24% are agree and 76% are strongly agree and the average score is 4.76.

In statement seven 4% is neither disagree nor agree, 48% are agree and 48% are strongly agree and the average score is 4.44.

$$\begin{aligned} \text{The average score of the Human} &= (4.60+4.68+4.84+4.96+4.84+4.76+4.44)/7 \\ \text{Resource Development Dimension} &= 33.12/7 \\ &= 4.73 \end{aligned}$$

#### b) Medicare Services Dimension

In the Medicare Services Dimension eight statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 34:** *Percent Distribution on Medicare Services Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.	0 (0)	0 (0)	0 (0)	3 (12)	22 (88)
2.	has been providing lump-sum amount for the treatment of poor patients so that they can get proper medical treatment.	1 (4)	0 (0)	1 (4)	9 (36)	14 (56)
3.	has been providing modern eye treatment facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.	0 (0)	0 (0)	2 (8)	8 (32)	15 (60)
4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors	0 (0)	1 (4)	2 (8)	12 (48)	10 (40)

	to serve the poor patients.					
5.	has been arranging surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.	0 (0)	1 (4)	2 (8)	10 (40)	12 (48)
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.	0 (0)	0 (0)	0 (0)	14 (56)	11 (44)
7.	has taken up the program of constructing sanitary latrine for the poor people so that they can get proper hygiene and sanitation facilities.	0 (0)	0 (0)	2 (8)	11 (44)	12 (48)
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.	0 (0)	0 (0)	1 (4)	12 (48)	12 (48)

**Source:** Data Collected through Field Survey

The table 34 represents the data collected from 25 Officers and Executives of Islami Bank Bangladesh Limited on Medicare Services Dimension.

In statement one 12% respondents are agree and 88% are strongly agree and the average score is 4.88.

In statement two 4% respondents is strongly disagree, 4% is neither disagree nor agree, 36% are agree and 56% are strongly agree and the average score is 4.40.

In statement three 8% are neither disagree nor agree, 32% are agree and 60% are strongly agree and the average score is 4.52.

In statement four 4% is disagree, 8% are neither disagree nor agree, 48% are agree and 40% are strongly agree and the average score is 4.24.

In statement five 4% is disagree, 8% are neither disagree nor agree, 40% are agree and 48% are strongly agree and the average score is 4.32.

In statement six 56% are agree and 44% are strongly agree and the average score is 4.44.

In statement seven 8% are neither disagree nor agree, 44% are agree and 48% are strongly agree and the average score is 4.40.

In statement eight 4% is neither disagree nor agree, 48% are agree and 48% are strongly agree and the average score is 4.44.

$$\begin{aligned} \text{The average score of the Medicare} &= (4.88+4.40+4.52+4.24+4.32+4.44+4.40+4.44)/8 \\ \text{Services Dimension} &= 35.64/8 \\ &= 4.46 \end{aligned}$$

### c) Social and Environmental Safety Dimension

In the Social and Environmental Safety Dimension seven statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 35:** *Percent Distribution on Social and Environmental Safety Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	contributes to campaigns and projects that promote the awareness of the society.	0 (0)	0 (0)	0 (0)	6 (24)	19 (76)
2.	has been participating in different activities which aim to protect and improve the quality of the natural environment.	0 (0)	0 (0)	0 (0)	8 (32)	17 (68)
3.	has been making social/environmental friendly investments that ensure sustainable development and a better life for future generations.	0 (0)	0 (0)	0 (0)	4 (16)	21 (84)
4.	has been implementing social programs to minimize its negative impacts on the natural environment.	0 (0)	0 (0)	2 (8)	11 (44)	12 (48)
5.	cooperates with its competitors in socially responsible projects.	0 (0)	0 (0)	1 (4)	4 (16)	16 (64)
6.	has been emphasizing on the importance of its responsibilities to the society.	0 (0)	0 (0)	1 (4)	6 (24)	18 (72)
7.	has been making well-planned investments to avoid environmental degradation.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)

**Source:** Data Collected through Field Survey

The table 35 represents the data collected from 25 Officers and Executives of Islami Bank Bangladesh Limited on Social and Environmental Safety Dimension.

In statement one 24% respondents are agree and 76% are strongly agree and the average score is 4.76.

In statement two 32% are agree and 68% are strongly agree and the average score is 4.68.

In statement three 16% are agree and 84% are strongly agree and the average score is 4.84.

In statement four 8% are neither disagree nor agree, 44% are agree and 48% are strongly agree and the average score is 4.40.

In statement five 4% is neither disagree nor agree, 32% are agree and 64% are strongly agree and the average score is 4.60.

In statement six 4% is neither disagree nor agree, 24% are agree and 72% are strongly agree and the average score is 4.68.

In statement seven 8% are agree and 92% are strongly agree and the average score is 4.92.

The average score of the Social and Environmental Safety Dimension  $= (4.76+4.68+4.84+4.40+4.60+4.68+4.92)/7$   
 $= 32.88/7$   
 $= 4.70$

#### d) Humanitarian/Philanthropic Dimension

In the Humanitarian/Philanthropic Dimension eight statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 36:** *Percent Distribution on Humanitarian/Philanthropic Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	encourages its employees to participate in the voluntarily activities.	0 (0)	0 (0)	0 (0)	4 (16)	21 (84)
2.	has been making sufficient monetary contributions to charities.	0 (0)	0 (0)	0 (0)	6 (24)	19 (76)
3.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.	0 (0)	0 (0)	0 (0)	3 (12)	22 (88)
4.	has been distributing Blanket to the disadvantaged/insolvent people in Winter Season to save them from heavy cold.	0 (0)	0 (0)	0 (0)	1 (4)	24 (96)
5.	has been distributing relief to the victims/flood affected people during natural disasters.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)
6.	has been giving financial support to the disabled persons to fulfill their dreams.	0 (0)	0 (0)	0 (0)	3 (12)	22 (88)

7.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.	0 (0)	1 (4)	0 (0)	5 (20)	19 (76)
8.	initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.	0 (0)	0 (0)	0 (0)	0 (0)	25 (100)

**Source:** Data Collected through Field Survey

The table 36 represents the data collected from 25 Officers and Executives of Islami Bank Bangladesh Limited on Humanitarian/Philanthropic Dimension.

In statement one 16% respondents are agree and 84% are strongly agree and the average score is 4.84.

In statement two 24% are agree and 76% are strongly agree and the average score is 4.76.

In statement three 12% are agree and 88% are strongly agree and the average score is 4.88.

In statement four 4% is agree and 96% are strongly agree and the average score is 4.96.

In statement five 8% are agree and 92% are strongly agree and the average score is 4.92.

In statement six 12% are agree and 88% are strongly agree and the average score is 4.88.

In statement seven 4% is disagree, 20% are agree and 76% are strongly agree with the statement and the average score is 4.68.

In statement eight 100% are strongly agree and the average score is 5.00.

The average score of the Humanitarian/  
Philanthropic Dimension  $= (4.84+4.76+4.88+4.96+4.92+4.88+4.68+5)/8$   
 $= 38.92/8$   
 $= 4.87$

#### e) Financial Inclusion Dimension

In the Financial Inclusion Dimension six statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 37:** Percent Distribution on Financial Inclusion Dimension (n=25)

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	has been operating Rural Credit	1	0	0	2	22

	Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.	(4)	(0)	(0)	(8)	(88)
2.	has been operating School Banking Program to ensure a safe future for the school going children.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.	0 (0)	0 (0)	3 (12)	10 (40)	12 (48)
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)
5.	has introduced mobile banking named "mCash" as an important tool of financial inclusion.	0 (0)	0 (0)	0 (0)	4 (16)	21 (84)
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.	1 (4)	0 (0)	0 (0)	3 (12)	21 (84)

**Source:** Data Collected through Field Survey

The table 37 represents the data collected from 25 Officers and Executives of Islami Bank Bangladesh Limited on Financial Inclusion Dimension.

In statement one 4% respondents is strongly disagree, 8% are agree and 88% are strongly agree and the average score is 4.76.

In statement two and four 8% are agree and 92% are strongly agree and the average score is 4.92.

In statement three 12% are neither disagree nor agree, 40% are agree and 48% are strongly agree and the average score is 4.36.

In statement five 16% are agree and 84% are strongly agree and the average score is 4.84.

In statement six 4% respondents is strongly disagree, 12% are agree and 84% are strongly agree and the average score is 4.72.

The average score of the Financial Inclusion Dimensions 
$$=(4.76+4.92+4.36+4.92+4.84+4.72)/6$$
$$=28.52/6$$
$$=4.75$$

## f) Other Dimensions

In the Other Dimensions nine statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 38:** *Percent Distribution on Other Dimensions (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	complies with legal regulations completely and promptly.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)
2.	pays its taxes on a regular and continuous basis.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)
3.	provides full and accurate information about its products to the customers.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)
4.	provides high importance on customer satisfaction.	0 (0)	0 (0)	0 (0)	2 (8)	23 (92)
5.	has been providing fake note detection service to the public to save them from the curse of fraud.	0 (0)	0 (0)	0 (0)	5 (20)	20 (80)
6.	has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.	0 (0)	0 (0)	0 (0)	7 (28)	18 (72)
7.	has been giving support for the development of the sports of Bangladesh.	1	0 (0)	0 (0)	5 (20)	19 (76)
8.	has been taking up the project for marketing home-made garments, handicraft and other items produced by the distressed women to make them self-reliant.	0 (0)	0 (0)	0 (0)	3 (12)	22 (88)
9.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.	0 (0)	0 (0)	0 (0)	4 (16)	21 (84)

**Source:** Data Collected through Field Survey

The table 38 represents the data collected from 25 Officers and Executives of Islami Bank Bangladesh Limited on Other Dimensions.

In statement one, two, three and four 8% respondents are agree and 92% are strongly agree and the average score is 4.92.

In statement five 20% respondents are agree and 80% are strongly agree and the average score is 4.80.

In statement six 28% respondents are agree and 72% are strongly agree and the average score is 4.72.



In statement seven 4% respondents is strongly disagree, 20% are agree and 76% are strongly agree and the average score is 4.64.

In statement eight 12% respondents are agree and 88% are strongly agree and the average score is 4.88.

In statement nine 16% respondents are agree and 84% are strongly agree and the average score is 4.84.

$$\begin{aligned} \text{The average score of the Other} &= (4.92 \times 4 + 4.80 + 4.72 + 4.64 + 4.88 + 4.84) / 9 \\ \text{Dimensions} &= 43.56 / 9 \\ &= 4.84 \end{aligned}$$

#### 5.4 Data Analysis on the survey conducted on the Beneficiaries of IBBL

To conduct the survey 25 Beneficiaries of Islami Bank Bangladesh Limited have been selected randomly as respondents. The dimension wise data analysis on the survey conducted on the Beneficiaries of Islami Bank Bangladesh Limited is presented below:

##### i. Human Resource Development Dimension

In the Human Resource Development Dimension five statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 39:** *Percent Distribution on Human Resource Development Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.	0 (0)	1 (4)	2 (8)	11 (44)	11 (44)
2.	has been arranging Internship Program for the university students.	0 (0)	0 (0)	4 (16)	9 (36)	12 (48)
3.	has been offering Scholarship to the poor and meritorious students and researchers.	0 (0)	0 (0)	0 (0)	7 (28)	18 (72)
4.	has been imparting training in the Islami Bank Women Rehabilitation Center to the helpless women to create self-reliant Bangladesh.	0 (0)	0 (0)	4 (16)	14 (56)	7 (28)
5.	has originated educational project plays a	0	1	5	11	8

significant role to teach Quran, Bangla and English alphabets and workable knowledge of mathematics.	(0)	(4)	(20)	(44)	(32)
--	-----	-----	------	------	------

**Source:** Data Collected through Field Survey

The table 39 represents the data collected from 25 Beneficiaries of Islami Bank Bangladesh Limited on Human Resource Development Dimension.

In statement one 4% respondents is disagree, 8% are neither disagree nor agree, 44% are agree and 44% are strongly agree and the average score is 4.28.

In statement two 16% are neither disagree nor agree, 36% are agree and 48% are strongly agree and the average score is 4.32.

In statement three 28% are agree and 72% are strongly agree and the average score is 4.72.

In statement four 16% are neither disagree nor agree, 56% are agree and 28% are strongly agree and the average score is 4.12.

In statement five 4% is disagree, 20% are neither disagree nor agree, 44% are agree and 32% are strongly agree and the average score is 4.04.

The average score of the Human Resource Development Dimension  $= (4.28 + 4.32 + 4.72 + 4.12 + 4.04) / 5$   
 $= 21.48 / 5$   
 $= 4.30$

## ii. Medicare Services Dimension

In the Medicare Services Dimension eight statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 40:** Percent Distribution on Medicare Services Dimension (n=25)

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	has established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.	0 (0)	0 (0)	1 (4)	5 (20)	19 (76)
2.	has been providing lump-sum amount for the treatment of poor patients so that they can get proper medical treatment.	0 (0)	0 (0)	4 (16)	9 (36)	12 (48)
3.	has been providing modern eye treatment	0	0	5	12	8

	facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.	(0)	(0)	(20)	(48)	(32)
4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors to serve the poor patients.	0 (0)	0 (0)	5 (20)	16 (64)	4 (16)
5.	has initiated surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.	0 (0)	1 (4)	5 (20)	6 (24)	13 (52)
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.	0 (0)	0 (0)	4 (16)	11 (44)	10 (40)
7.	has organized up the program of constructing sanitary latrine for the poor people so that they can get proper hygiene and sanitation facilities.	1 (4)	5	3 (12)	9 (36)	7 (28)
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.	2 (8)	1 (4)	3 (12)	12 (48)	7 (28)

**Source:** Data Collected through Field Survey

The table 40 represents the data collected from 25 Beneficiaries of Islami Bank Bangladesh Limited on Medicare Services Dimension.

In statement one 4% respondents is neither disagree nor agree, 20% are agree and 76% are strongly agree and the average score is 4.72.

In statement two 16% are neither disagree nor agree, 36% are agree and 48% are strongly agree and the average score is 4.32.

In statement three 20% are neither disagree nor agree, 48% are agree and 32% are strongly agree and the average score is 4.12.

In statement four 20% are neither disagree nor agree, 64% are agree and 16% are strongly agree and the average score is 3.96.

In statement five 4% is disagree, 20% are neither disagree nor agree, 24% are agree and 52% are strongly agree and the average score is 4.24.

In statement six 16% are neither disagree nor agree, 44% are agree and 40% are strongly agree and the average score is 4.24.

In statement seven 4% respondents is strongly disagree, 20% are disagree, 12% are neither disagree nor agree, 36% are agree and 28% are strongly agree and the average score is 3.64.

In statement eight 8% respondents are strongly disagree, 4% is disagree, 12% are neither disagree nor agree, 48% are agree and 28% are strongly agree and the average score is 3.84.

$$\begin{aligned} \text{The average score of the Medicare} &= (4.72+4.32+4.12+3.96+4.24+4.24+3.64+3.84)/8 \\ \text{Services Dimension} &= 33.08/8 \\ &= 4.14 \end{aligned}$$

### iii. Social and Environmental Safety Dimension

In the Social and Environmental Safety Dimension six statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 41:** *Percent Distribution on Social and Environmental Safety Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	contributes to campaigns and projects that promote awareness of the society.	0 (0)	1 (4)	3 (12)	18 (72)	3 (12)
2.	has participated in different activities which aim to protect and improve the quality of the natural environment.	0 (0)	0 (0)	6 (24)	12 (48)	7 (28)
3.	has been making social/environmental friendly investments that ensure sustainable development and a better life for future generations.	0 (0)	0 (0)	3 (12)	10 (40)	12 (48)
4.	has been implemented social programs to minimize its negative impacts on the natural environment.	0 (0)	0 (0)	5 (20)	12 (48)	8 (32)
5.	cooperates with its competitors in social responsibility projects.	2 (8)	1 (4)	5 (20)	9 (36)	8 (32)
6.	has been making well-planned investments to avoid environmental degradation.	0 (0)	0 (0)	6 (24)	6 (24)	13 (52)

**Source:** Data Collected through Field Survey

The table 41 represents the data collected from 25 Beneficiaries of Islami Bank Bangladesh Limited on Social and Environmental Safety Dimension.

In statement one 4% respondents is disagree, 12% are neither disagree nor agree, 72% are agree and 12% are strongly agree and the average score is 3.92.

In statement two 24% are neither disagree nor agree, 48% are agree and 28% are strongly agree and the average score is 4.04.

In statement three 12% are neither disagree nor agree, 40% are agree and 48% are strongly agree and the average score is 4.36.

In statement four 20% are neither disagree nor agree, 48% are agree and 32% are strongly agree and the average score is 4.12.

In statement five 8% respondents are strongly disagree, 4% is disagree, 20% are neither disagree nor agree, 36% are agree and 32% are strongly agree and the average score is 3.80.

In statement six 24% are neither disagree nor agree, 24% are agree and 52% are strongly agree and the average score is 4.28.

The average score of the Social and Environmental Safety Dimension  $= (3.92+4.04+4.36+4.12+3.80+4.28)/6$   
 $= 24.52/6$   
 $= 4.09$

#### iv. Humanitarian/Philanthropic Dimension

In the Humanitarian/Philanthropic Dimension seven statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 42:** Percent Distribution on Humanitarian/Philanthropic Dimension (n=25)

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	has been making sufficient monetary contributions to charities.	0 (0)	0 (0)	4 (16)	7 (28)	14 (56)
2.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.	0 (0)	0 (0)	2 (8)	3 (12)	20 (80)
3.	has been distributing Blanket to the disadvantaged/insolvent people in Winter Season to save them from heavy cold.	0 (0)	0 (0)	0 (0)	4 (16)	21 (84)

4.	has been distributing relief to the victims/flood affected people during natural disasters.	0 (0)	0 (0)	0 (0)	5 (20)	20 (80)
5.	has been giving financial support to the disabled persons to fulfill their dreams.	1 (4)	1 (4)	6 (24)	9 (36)	8 (32)
6.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.	1 (4)	4 (16)	2 (8)	12 (48)	6 (24)
7.	has initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.	0 (0)	0 (0)	3 (12)	13 (52)	9 (36)

**Source:** Data Collected through Field Survey

The table 42 represents the data collected from 25 Beneficiaries of Islami Bank Bangladesh Limited on Humanitarian/Philanthropic Dimension.

In statement one 16% respondents are neither disagree nor agree, 28% are agree and 56% are strongly agree and the average score is 4.40.

In statement two 8% are neither disagree nor agree, 12% are agree and 80% are strongly agree and the average score is 4.72.

In statement three 16% are agree and 84% are strongly agree and the average score is 4.84.

In statement four 20% are agree and 80% are strongly agree and the average score is 4.80.

In statement five 4% respondents is strongly disagree, 4% is disagree, 24% are neither disagree nor agree, 36% are agree and 32% are strongly agree and the average score is 3.88.

In statement six 4% respondents is strongly disagree, 16% are disagree, 8% are neither disagree nor agree, 48% are agree and 24% are strongly agree and the average score is 3.72.

In statement seven 12% are neither disagree nor agree, 52% are agree and 36% are strongly agree and the average score is 4.24.

The average score of the Humanitarian/  
Philanthropic Dimension  $= (4.40 + 4.72 + 4.84 + 4.80 + 3.88 + 3.72 + 4.24) / 7$   
 $= 30.60 / 7$   
 $= 4.37$

## v. Financial Inclusion Dimension

In the Financial Inclusion Dimension six statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 43:** *Percent Distribution on Financial Inclusion Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	has been operating Micro Credit Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.	0 (0)	1 (4)	1 (4)	11 (44)	12 (48)
2.	has been operating School Banking Program to ensure a safe future for the school going children.	1 (4)	0 (0)	0 (0)	9 (36)	15 (60)
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.	1 (4)	2 (8)	8 (32)	11 (44)	3 (12)
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.	0 (0)	1 (4)	4 (16)	6 (32)	14 (56)
5.	has introduced mobile banking naming "mCash" as an important tool of financial inclusion.	1 (4)	2 (8)	2 (8)	12 (48)	8 (32)
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.	1 (4)	0 (0)	4 (16)	11 (44)	9 (36)

**Source:** Data Collected through Field Survey

The table 43 represents the data collected from 25 Beneficiaries of Islami Bank Bangladesh Limited on Financial Inclusion Dimension.

In statement one 4% respondents is disagree, 4% is neither disagree nor agree, 44% are agree and 48% are strongly agree and the average score is 4.36.

In statement two 4% respondents is strongly disagree, 36% are agree and 60% are strongly agree and the average score is 4.44.

In statement three 4% respondents is strongly disagree, 8% are disagree, 32% are neither disagree nor agree, 44% are agree and 12% are strongly agree and the average score is 3.52.

In statement four 4% is disagree, 16% are neither disagree nor agree, 24% are agree and 56% are strongly agree and the average score is 4.32.

In statement five 4% respondents is strongly disagree, 8% are disagree, 8% are neither disagree nor agree, 48% are agree and 32% are strongly agree and the average score is 3.96.

In statement six 4% respondents is strongly disagree, 16% are neither disagree nor agree, 44% are agree and 36% are strongly agree and the average score is 4.08.

The average score of the Financial Inclusion Dimensions  $= (4.36 + 4.44 + 3.52 + 4.32 + 3.96 + 4.08) / 6$   
 $= 24.68 / 6$   
 $= 4.11$

#### vi. Other Dimensions

In the Other Dimensions seven statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 44:** *Percent Distribution on Other Dimensions (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Islami Bank Bangladesh Limited	1	2	3	4	5
1.	has been giving financial support for the development of the sports of Bangladesh.	0 (0)	1 (4)	6 (24)	5 (20)	13 (52)
2.	has been taking up the project for marketing home-made garments, handicraft and other items produced by the distressed women to make them self-reliant.	0 (0)	0 (0)	0 (0)	11 (44)	14 (56)
3.	Provides full and accurate information about its products to the customers.	0 (0)	3 (12)	3 (12)	10 (40)	9 (36)
4.	Provides high importance on customer satisfaction.	0 (0)	7 (28)	4 (16)	2 (8)	12 (48)
5.	has been providing fake note detection service to the public to save them from the curse of fraud.	0 (0)	4 (16)	2 (8)	8 (32)	11 (44)
6.	has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.	1 (4)	5 (20)	3 (12)	6 (24)	10 (40)
7.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.	0 (0)	1 (4)	6 (24)	11 (44)	7 (28)

**Source:** Data Collected through Field Survey



The table 44 represents the data collected from 25 Beneficiaries of Islami Bank Bangladesh Limited on Other Dimensions.

In statement one 4% respondents is disagree, 24% are neither disagree nor agree, 20% are agree and 52% are strongly agree and the average score is 4.20.

In statement two 44% are agree, 56% are strongly agree and the average score is 4.56.

In statement three 12% are disagree, 12% are neither disagree nor agree, 40% are agree and 36% are strongly agree and the average score is 4.00.

In statement four 28% are disagree, 16% are neither disagree nor agree, 8% are agree and 48% are strongly agree and the average score is 3.76.

In statement five 16% are disagree, 8% are neither disagree nor agree, 32% are agree and 44% are strongly agree and the average score is 4.04.

In statement six 4% respondents is strongly disagree, 20% are disagree, 12% are neither disagree nor agree, 24% are agree, 40% are strongly agree and the average score is 3.76.

In statement seven 4% is disagree, 24% are neither disagree nor agree, 44% are agree and 28% are strongly agree and the average score is 3.96.

The average score of the Other Dimensions  $= (4.20 + 4.56 + 4.00 + 3.76 + 4.44 + 3.76 + 3.96) / 7$   
 $= 28.28 / 7$   
 $= 4.04$

### **5.5 Data Analysis on the survey conducted on the CSR activities of Sonali Bank Limited**

To conduct the survey on the Corporate Social Responsibility activities of Sonali Bank Limited, two sets of questionnaires have been used to cover the beneficiaries of the Corporate Social Responsibility activities of Sonali Bank Limited and officers and executives of Sonali Bank Limited on random basis. The data are analyzed below:

## 5.6 Data Analysis on the survey conducted on the Officers of Sonali Bank Limited

To conduct the survey 25 Officers and Executives of Sonali Bank Limited have been selected randomly as respondents from Head Office and different branches. The dimension wise data analysis on the survey conducted on the officers of Sonali Bank Limited is presented below:

### A. Human Resource Development Dimension

In the Human Resource Development Dimension seven statements are used to collect data from the respondents. The data analysis is as follows:

**Table 45:** *Percent Distribution on Human Resource Development Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	<b>As Corporate Social Responsibility Sonali Bank Limited</b>	1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.	2 (8)	0 (0)	2 (8)	20 (80)	1 (4)
2.	supports employees who want to acquire additional education	20 (80)	1 (4)	4 (16)	0 (0)	0 (0)
3.	has been offering Scholarship to the poor but meritorious students and researchers.	0 (0)	0 (0)	0 (0)	8 (32)	17 (68)
4.	has been imparting training to its employees on regular basis to develop their professional knowledge and skills.	0 (0)	0 (0)	1 (4)	23 (92)	1 (4)
5.	encourages its employees to develop their skills and career.	22 (88)	0 (0)	3 (12)	0 (0)	0 (0)
6.	has been arranging Internship Program for the university students to complete their Internship Course.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
7.	has been imparting training to the helpless women to create self-reliant Bangladesh.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)

**Source:** Data Collected through Field Survey

The table 45 represents the data collected from 25 Officers and Executives of Sonali Bank Limited on Human Resource Development Dimension.

In statement one 8% respondents are strongly disagree, 8% are neither disagree nor agree, 80% are agree, 4% is strongly agree and the average score is 3.72.

In statement two 80% respondents are strongly disagree, 4% is disagree, 16% are neither disagree nor agree and the average score is 1.36.

In statement three 32% respondents are agree and 68% are strongly agree with the statement and the average score is 4.68.

In statement four 4% respondents is neither disagree nor agree, 92% are agree and 4% is strongly agree and the average score is 4.00.

In statement five 88% respondents are strongly disagree and 12% are neither disagree nor agree and the average score is 1.24.

In statement six 100% respondents are strongly disagree and the average score is 1.00.

In statement seven 100% respondents are strongly disagree and the average score is 1.00.

$$\begin{aligned} \text{The average score of the Human} &= (3.72+1.36+4.68+4.00+1.24+1.00+1.00)/7 \\ \text{Resource Development Dimension} &= 17.00/7 \\ &= 2.43 \end{aligned}$$

## B. Medicare Services Dimension

In the Medicare Services Dimension eight statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 46:** *Percent Distribution on Medicare Services Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	<b>As Corporate Social Responsibility Sonali Bank Limited</b>	1	2	3	4	5
1.	established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.	24 (96)	0 (0)	1 (4)	0 (0)	0 (0)
2.	has been providing lump-sum amount for the treatment of poor patients so that they can get proper medical treatment.	1 (4)	0 (0)	7 (28)	14 (56)	3 (12)
3.	has been providing modern eye treatment facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)

4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors to serve the poor patients.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
5.	has been organizing surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
7.	has taken up the program of constructing sanitary latrine to ensure proper hygiene and sanitation facilities for the poor people.	24 (96)	1 (4)	0 (0)	0 (0)	0 (0)
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)

**Source:** Data Collected through Field Survey

The table 46 represents the data collected from 25 Officers and Executives of Sonali Bank Limited on Medicare Services Dimension.

In statement one 96% respondents are strongly disagree and 4% is neither disagree nor agree and the average score is 1.08.

In statement two 4% respondents is strongly disagree, 28% are neither disagree nor agree, 56% are agree and 12% are strongly agree and the average score is 3.72.

In statement three 100% respondents are strongly disagree and the average score is 1.00.

In statement four 100% respondents are strongly disagree and the average score is 1.00.

In statement five 100% respondents are strongly disagree and the average score is 1.00.

In statement six 100% respondents are strongly disagree and the average score is 1.00.

In statement seven 96% respondents are strongly disagree and 4% is disagree and the average score is 1.04.

In statement eight 100% respondents are strongly disagree and the average score is 1.00.

$$\begin{aligned} \text{The average score of the Medicare} &= (1.08+3.72+1.00+1.00+1.00+1.00+1.04+1.00)/8 \\ \text{Services Dimension} &= 10.84/8 \\ &= 1.36 \end{aligned}$$

### C. Social and Environmental Safety Dimension

In the Social and Environmental Safety Dimension seven statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 47:** *Percent Distribution on Social and Environmental Safety Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Sonali Bank Limited</b>		1	2	3	4	5
1.	contributes to campaigns and projects that promote awareness of the society.	16 (64)	0 (0)	5 (20)	4 (16)	0 (0)
2.	has been participating in different activities which aim to protect and improve the quality of the natural environment.	5 (20)	2 (8)	3 (12)	15 (60)	0 (0)
3.	has been making social/environmental friendly investments that ensure sustainable development and a better life for future generations.	1 (4)	0 (0)	2 (8)	22 (88)	0 (0)
4.	has been implementing social programs to minimize its negative impacts on the natural environment.	12 (48)	0 (0)	6 (24)	7 (28)	0 (0)
5.	cooperates with its competitors in socially responsible projects.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
6.	has been emphasizing on the importance of its responsibilities to the society.	19 (76)	0 (0)	3 (12)	3 (12)	0 (0)
7.	has been making well-planned investments to avoid environmental degradation.	1 (4)	0 (0)	2 (8)	22 (88)	0 (0)

**Source:** Data Collected through Field Survey

The table 47 represents the data collected from 25 Officers and Executives of Sonali Bank Limited on Social and Environmental Safety Dimension.

In statement one 64% respondents are strongly disagree, 20% are neither disagree nor agree and 16% are agree and the average score is 1.88.

In statement two 20% respondents are strongly disagree, 8% are disagree, 12% are neither disagree nor agree and 60% are agree and the average score is 3.12.

In statement three 4% respondents is strongly disagree, 8% are neither disagree nor agree and 88% are agree and the average score is 3.80.

In statement four 48% respondents are strongly disagree, 24% are neither disagree nor agree and 28% are agree and the average score is 2.32.

In statement five 100% respondents are strongly disagree and the average score is 1.00.

In statement six 76% respondents are strongly disagree, 12% are neither disagree nor agree and 12% are agree and the average score is 1.60.

In statement seven 4% respondents is strongly disagree, 8% are neither disagree nor agree and 88% are agree and the average score is 3.80.

The average score of the Social and Environmental Safety Dimension 
$$=(1.88+3.12+3.80+2.32+1.00+1.60+3.80)/7$$
$$=17.52/7$$
$$=2.50$$

#### **D. Humanitarian/Philanthropic Dimension**

In the Humanitarian/Philanthropic Dimension eight statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 48:** *Percent Distribution on Humanitarian/Philanthropic Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Sonali Bank Limited</b>		1	2	3	4	5
1.	encourages its employees to participate in the voluntarily activities.	10 (40)	0 (0)	2 (8)	13 (52)	0 (0)
2.	has been making sufficient monetary contributions to charities.	21 (84)	0 (0)	0 (0)	4 (16)	0 (0)
3.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.	14 (56)	0 (0)	8 (32)	3 (12)	0 (0)
4.	has been distributing Blanket to the disadvantaged/insolvent people in Winter Season to save them from heavy cold.	5 (20)	0 (0)	6 (24)	14 (56)	0 (0)
5.	has been distributing relief to the victims/flood affected people during natural disasters.	18 (72)	0 (0)	3 (12)	4 (16)	0 (0)
6.	has been giving financial support to the disabled persons to fulfill their dreams.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)

7.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
8.	has initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)

**Source:** Data Collected through Field Survey

The table 48 represents the data collected from 25 Officers and Executives of Sonali Bank Limited on Humanitarian/Philanthropic Dimension.

In statement one 40% respondents are strongly disagree, 8% are neither disagree nor agree and 52% are agree and the average score is 2.72.

In statement two 84% respondents are strongly disagree and 16% are agree and the average score is 1.80.

In statement three 56% respondents are strongly disagree, 32% are neither disagree nor agree and 12% are agree and the average score is 2.00.

In statement four 20% respondents are strongly disagree, 24% are neither disagree nor agree and 56% are agree and the average score is 3.16.

In statement five 72% respondents are strongly disagree, 12% are neither disagree nor agree and 16% are agree and the average score is 1.72.

In statement six 100% respondents are strongly disagree and the average score is 1.00.

In statement seven 100% respondents are strongly disagree and the average score is 1.00.

In statement eight 100% respondents are strongly disagree and the average score is 1.00.

The average score of the Humanitarian/  
Philanthropic Dimension  $= (2.72+1.48+2.00+3.16+1.72+1+1+1)/8$   
 $= 14.08/8$   
 $= 1.76$

### **E. Financial Inclusion Dimension**

In the Financial Inclusion Dimension six statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 49: Percent Distribution on Financial Inclusion Dimension (n=25)**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Sonali Bank Limited</b>		1	2	3	4	5
1.	has been operating Rural Credit Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.	0 (0)	0 (0)	0 (0)	20 (80)	5 (20)
2.	has been operating School Banking Program to ensure a safe future for the school going children.	0 (0)	0 (0)	9 (36)	16 (64)	0 (0)
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.	24 (96)	1 (4)	0 (0)	0 (0)	0 (0)
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.	1 (4)	0 (0)	1 (4)	23 (92)	0 (0)
5.	has introduced mobile banking named "Sonali Sheba" as an important tool of financial inclusion.	2 (8)	0 (0)	6 (24)	17 (68)	0 (0)
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)

**Source:** Data Collected through Field Survey

The table 49 represents the data collected from 25 Officers and Executives of Sonali Bank Limited on Financial Inclusion Dimension.

In statement one 80% respondents are agree and 20% are strongly agree and the average score is 1.00.

In statement two 36% are neither disagree nor agree and 64% are agree and the average score is 1.00.

In statement three 96% respondents are strongly disagree and 4% is disagree and the average score is 1.00.

In statement four 4% respondents is strongly disagree, 4% is neither disagree nor agree, 92% are agree and the average score is 1.00.

In statement five 8% respondents are strongly disagree, 24% are neither disagree nor agree, 68% are agree and the average score is 1.00.



In statement six 100% respondents are strongly disagree and the average score is 1.00.

The average score of the Financial Inclusion Dimensions  $= (4.20+3.64+1.04+3.84+3.52+1.00)/6$   
 $= 17.24/6$   
 $= 2.87$

## F. Other Dimensions

In the Other Dimensions nine statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 50: Percent Distribution on Other Dimensions (n=25)**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Sonali Bank Limited</b>		1	2	3	4	5
1.	complies with legal regulations completely and promptly.	0 (0)	0 (0)	3 (12)	22 (88)	0
2.	pays its taxes on a regular and continuous basis.	0 (0)	0 (0)	0 (0)	18 (72)	7 (28)
3.	provides full and accurate information about its products to the customers.	8 (32)	4 (16)	6 (24)	7 (28)	0 (0)
4.	provides high importance on customer satisfaction.	22 (88)	0 (0)	1 (4)	2 (8)	0 (0)
5.	has been providing fake note detection service to the public to save them from the curse of fraud.	16 (64)	3 (12)	4 (16)	2 (8)	0 (0)
6.	Has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.	14 (56)	3 (12)	6 (24)	2 (8)	0 (0)
7.	has been giving support for the development of the sports of Bangladesh.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
8.	has been taking up the project for marketing home-made garments, handicraft and other items produced by the distressed women to make them self-reliant.	25 (100)	0 (0)	0 (0)	0 (0)	0 (0)
9.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.	18 (72)	0 (0)	3 (12)	4 (16)	0 (0)

**Source:** Data Collected through Field Survey

The table 50 represents the data collected from 25 Officers and Executives of Sonali Bank Limited on Other Dimensions.

In statement one 12% respondents are neither disagree nor agree, 88% are agree and the average score is 3.88.

In statement two 72% are agree, 28% are strongly agree and the average score is 4.28.

In statement three 32% respondents are strongly disagree, 16% are disagree, 24% are neither disagree nor agree, 28% are agree and the average score is 2.48.

In statement four 88% respondents are strongly disagree, 4% is neither disagree nor agree, 8% are agree and the average score is 1.32.

In statement five 64% respondents are strongly disagree, 12% are disagree, 16% are neither disagree nor agree, 8% is agree and the average score is 1.68.

In statement six 56% respondents are strongly disagree, 12% are disagree, 24% are neither disagree nor agree, 8% are agree and the average score is 1.84.

In statement seven & eight 100% respondents are strongly disagree and the average score is 1.00.

In statement nine 72% respondents are strongly disagree, 12% are neither disagree nor agree, 16% are agree and the average score is 1.72.

The average score of the Other Dimensions  $= (3.88 + 4.28 + 2.48 + 1.32 + 1.68 + 1.84 + 1 + 1 + 1.72) / 9$   
 $= 19.20 / 9$   
 $= 2.13$

## **5.7 Data Analysis on the survey conducted on the Beneficiaries of Sonali Bank Limited**

To conduct the survey 25 Beneficiaries of Sonali Bank Limited have been selected randomly as respondents. The dimension wise data analysis on the survey conducted on the Beneficiaries of Sonali Bank Limited is presented below:

### **a. Human Resource Development Dimension**

In the Human Resource Development Dimension five statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 51: Percent Distribution on Human Resource Development Dimension (n=25)**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Sonali Bank Limited	1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.	4 (16)	8 (32)	12 (48)	1 (4)	0 (0)
2.	has been arranging Internship Program for the university students.	5 (20)	10 (40)	2 (8)	6 (24)	2 (8)
3.	has been offering Scholarship to the poor and meritorious students and researchers.	3 (12)	5 (20)	14 (56)	3 (12)	0 (0)
4.	has been imparting training to the helpless women to create self-reliant Bangladesh.	2 (8)	11 (44)	9 (36)	3 (12)	0 (0)
5.	has originated educational project that plays a significant role to teach Quran, Bangla and English alphabets and workable knowledge of mathematics.	8 (32)	11 (44)	5 (20)	1 (4)	0 (0)

**Source:** Data Collected through Field Survey

The table 51 represents the data collected from 25 Beneficiaries of Sonali Bank Limited on Human Resource Development Dimension.

In statement one 16% respondents are strongly disagree, 32% are disagree, 48% are neither disagree nor agree and 4% is agree and the average score is 1.72.

In statement two 20% respondents are strongly disagree, 40% are disagree, 8% are neither disagree nor agree, 24% are agree and 8% are strongly agree and the average score is 2.60.

In statement three 12% respondents are strongly disagree, 20% are disagree, 56% are neither disagree nor agree and 12% are agree and the average score is 2.68.

In statement four 8% respondents are strongly disagree, 44% are disagree, 36% are neither disagree nor agree and 12% are agree and the average score is 2.52.

In statement five 32% respondents are strongly disagree, 44% are disagree, 20% are neither disagree nor agree and 4% is agree and the average score is 1.96.

The average score of the Human Resource Development Dimension  $= (2.40 + 2.60 + 2.68 + 2.52 + 1.96) / 5$   
 $= 12.16 / 5$   
 $= 2.43$

#### **b. Medicare Services Dimension**

In the Medicare Services Dimension eight statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 52: Percent Distribution on Medicare Services Dimension (n=25)**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Sonali Bank Limited	1	2	3	4	5
1.	has established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.	14 (56)	3 (12)	6 (24)	2 (8)	0 (0)
2.	has been providing lump-sum amount for proper medical treatment of poor patients.	8 (32)	10 (40)	7 (28)	0 (0)	0 (0)
3.	has been providing modern eye treatment facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.	13 (52)	3 (12)	7 (28)	2 (8)	0 (0)
4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors to serve the poor patients.	16 (64)	5 (20)	4 (16)	0 (0)	0 (0)
5.	has initiated surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.	11 (44)	5 (20)	6 (24)	3 (12)	0 (0)
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.	7 (28)	5 (20)	11 (44)	2 (8)	0 (0)
7.	has organized the program of constructing sanitary latrine for the poor people so that they can get proper hygiene and sanitation facilities.	11 (44)	8 (32)	4 (16)	2 (8)	0 (0)
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.	9 (36)	6 (24)	5 (20)	4 (16)	1 (4)

**Source:** Data Collected through Field Survey

The table 52 represents the data collected from 25 Beneficiaries of Sonali Bank Limited on Medicare Services Dimension.

In statement one 56% respondents are strongly disagree, 12% are disagree, 24% are neither disagree nor agree and 8% are agree and the average score is 1.84.

In statement two 32% respondents are strongly disagree, 40% are disagree and 28% are neither disagree nor agree and the average score is 1.96.

In statement three 52% respondents are strongly disagree, 12% are disagree, 28% are neither disagree nor agree and 8% are agree and the average score is 1.92.

In statement four 64% respondents are strongly disagree, 20% are disagree and 16% are neither disagree nor agree and the average score is 1.52.

In statement five 44% respondents are strongly disagree, 20% are disagree, 24% are neither disagree nor agree and 12% are agree and the average score is 2.04.

In statement six 28% respondents are strongly disagree, 20% are disagree, 44% are neither disagree nor agree and 8% are agree and the average score is 2.32.

In statement seven 44% respondents are strongly disagree, 32% are disagree, 16% are neither disagree nor agree and 8% are agree and the average score is 1.88.

In statement eight 36% respondents are strongly disagree, 24% are disagree, 20% are neither disagree nor agree, 16% are agree and 4% is strongly agree and the average score is 2.28.

The average score of the Medicare Services Dimension  $= (1.84 + 1.96 + 1.92 + 1.52 + 2.04 + 2.32 + 1.88 + 2.28) / 8$   
 $= 15.76 / 8$   
 $= 1.97$

### c. Social and Environmental Safety Dimension

In the Social and Environmental Safety Dimension six statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 53:** *Percent Distribution on Social and Environmental Safety Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Sonali Bank Limited	1	2	3	4	5
1.	contributes to campaigns and projects that promote the awareness of the society.	4 (16)	4 (16)	12 (48)	5 (20)	0 (0)
2.	has participated in different activities which aim to protect and improve the quality of the natural environment.	2 (8)	9 (36)	11 (44)	3 (12)	0 (0)
3.	has been making socially friendly investments that ensure sustainable development and a better life for future generations.	3 (12)	5 (20)	11 (44)	6 (24)	0 (0)
4.	has been implementing social programs to minimize its negative impacts on the natural environment.	3 (12)	9 (36)	12 (48)	1 (4)	0 (0)
5.	cooperates with its competitors in social responsibility projects.	1 (4)	6 (24)	13 (52)	5 (20)	0 (0)

6.	has been making well-planned investments to avoid environmental degradation.	4 (16)	6 (24)	9 (36)	6 (24)	0 (0)
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**Source:** Data Collected through Field Survey

The table 53 represents the data collected from 25 Beneficiaries of Sonali Bank Limited on Social and Environmental Safety Dimension.

In statement one 16% respondents are strongly disagree, 16% are disagree, 48% are neither disagree nor agree, 20% are agree and the average score is 2.72.

In statement two 8% respondents are strongly disagree, 36% are disagree, 44% are neither disagree nor agree, 12% are agree and the average score is 2.60.

In statement three 12% respondents are strongly disagree, 20% are disagree, 44% are neither disagree nor agree, 24% are agree and the average score is 2.80.

In statement four 12% respondents are strongly disagree, 36% are disagree, 48% are neither disagree nor agree, 4% is agree and the average score is 2.44.

In statement five 4% respondents is strongly disagree, 24% are disagree, 52% are neither disagree nor agree, 20% are agree and the average score is 2.88.

In statement six 16% respondents are strongly disagree, 24% are disagree, 36% are neither disagree nor agree, 24% are agree and the average score is 2.68.

The average score of the Social and Environmental Safety Dimension  $= (2.72+2.60+2.80+2.44+2.88+2.68)/6$   
 $= 16.12/6$   
 $= 2.69$

#### **d. Humanitarian/Philanthropic Dimension**

In the Humanitarian/Philanthropic Dimension seven statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 54:** *Percent Distribution on Humanitarian/Philanthropic Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Sonali Bank Limited	1	2	3	4	5
1.	has been making sufficient monetary contributions to charities.	4 (16)	7 (28)	13 (52)	1 (4)	0 (0)
2.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.	2 (8)	4 (16)	12 (48)	7 (28)	0 (0)
3.	has been distributing Blanket to the	2	5	9	9	0

	disadvantaged/insolvent people in Winter Season to save them from heavy cold.	(8)	(20)	(36)	(36)	(0)
4.	has been distributing relief to the victims/flood affected people during natural disasters.	4 (16)	5 (20)	4 (16)	12 (48)	0 (0)
5.	has been giving financial support to the disabled persons to fulfill their dreams.	4 (16)	6 (24)	9 (36)	6 (24)	0 (0)
6.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.	9 (36)	9 (36)	6 (24)	1 (4)	0 (0)
7.	has initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.	9 (36)	8 (32)	8 (32)	0 (0)	0 (0)

**Source:** Data Collected through Field Survey

The table 54 represents the data collected from 25 Beneficiaries of Sonali Bank Limited on Humanitarian/Philanthropic Dimension.

In statement one 16% respondents are strongly disagree, 28% are disagree, 52% are neither disagree nor agree, 4% is agree and the average score is 2.44.

In statement two 8% respondents are strongly disagree, 16% are disagree, 48% are neither disagree nor agree, 28% are agree and the average score is 2.96.

In statement three 8% respondents are strongly disagree, 20% are disagree, 36% are neither disagree nor agree, 36% are agree and the average score is 3.00.

In statement four 16% respondents are strongly disagree, 20% are disagree, 16% are neither disagree nor agree, 48% are agree and the average score is 2.96.

In statement five 16% respondents is strongly disagree, 24% are disagree, 36% are neither disagree nor agree, 24% are agree and the average score is 2.68.

In statement six 36% respondents are strongly disagree, 36% are disagree, 24% are neither disagree nor agree, 4% is agree and the average score is 1.96.

In statement seven 36% respondents are strongly disagree, 32% are disagree, 32% are neither disagree nor agree and the average score is 1.96.

The average score of the Humanitarian/  
Philanthropic Dimension  $= (2.44 + 2.96 + 3.00 + 2.96 + 2.68 + 1.96 + 1.96) / 7$   
 $= 17.96 / 7$   
 $= 2.57$

### e. Financial Inclusion Dimension

In the Financial Inclusion Dimension six statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 55:** *Percent Distribution on Financial Inclusion Dimension (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

	As Corporate Social Responsibility Sonali Bank Limited	1	2	3	4	5
1.	has been operating Rural Credit Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.	0 (0)	4 (16)	6 (24)	10 (40)	5 (20)
2.	has been operating School Banking Program to ensure a safe future for the school going children.	2 (8)	5 (20)	12 (48)	6 (24)	0 (0)
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.	3 (12)	4 (16)	10 (40)	8 (32)	0 (0)
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.	4 (16)	3 (12)	8 (32)	10 (40)	0 (0)
5.	has introduced mobile banking naming "Sonali Sheba" as an important tool of financial inclusion.	4 (16)	8 (32)	10 (40)	3 (12)	0 (0)
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.	4 (16)	6 (24)	12 (48)	3 (12)	0 (0)

**Source:** Data Collected through Field Survey

The table 55 represents the data collected from 25 Beneficiaries of Sonali Bank Limited on Financial Inclusion Dimension.

In statement one 16% respondents are disagree, 24% are neither disagree nor agree, 40% are agree and 20% are strongly agree and the average score is 3.64.

In statement two 8% respondents are strongly disagree, 20% are disagree, 48% are neither disagree nor agree, 24% are agree and the average score is 2.88.

In statement three 12% respondents are strongly disagree, 16% are disagree, 40% are neither disagree nor agree, 32% are agree and the average score is 2.92.

In statement four 16% respondents are strongly disagree, 12% are disagree, 32% are neither disagree nor agree, 40% are agree and the average score is 2.96.

In statement five 16% respondents are strongly disagree, 32% are disagree, 40% are neither disagree nor agree, 12% are agree and the average score is 2.48.



In statement six 16% respondents are strongly disagree, 24% are disagree, 48% are neither disagree nor agree, 12% is agree and the average score is 2.56.

The average score of the Financial Inclusion Dimensions  $= (3.64 + 2.88 + 2.92 + 2.96 + 2.48 + 2.56) / 6$   
 $= 17.44 / 6$   
 $= 2.91$

#### f. Other Dimensions

In the Other Dimensions seven statements have been used to collect data from the respondents. The data analysis is as follows:

**Table 56:** *Percent Distribution on Other Dimensions (n=25)*

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	has been giving financial support for the development of the sports of Bangladesh.	7 (28)	8 (32)	9 (36)	1 (4)	0 (0)
2.	has been taking up the project for marketing home-made garments, handicrafts and other items produced by the distressed women to make them self-reliant.	4 (16)	4 (16)	11 (44)	6 (24)	0 (0)
3.	Provides full and accurate information about its products to the customers.	4 (16)	9 (36)	8 (32)	4 (16)	0 (0)
4.	Provides high importance on customer satisfaction.	10 (40)	5 (20)	4 (16)	3 (12)	1 (4)
5.	has been providing fake note detection service to the public to save them from the curse of fraud.	6 (24)	3 (12)	9 (36)	6 (24)	1 (4)
6.	has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.	6 (24)	5 (20)	8 (32)	6 (24)	0 (0)
7.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.	9 (36)	9 (36)	6 (24)	1 (4)	0 (0)

**Source:** Data Collected through Field Survey

The table 56 represents the data collected from 25 Beneficiaries of Sonali Bank Limited on Other Dimensions.

In statement one 28% respondents are strongly disagree, 32% are disagree, 36% are neither disagree nor agree, 4% is agree and the average score is 2.16.

In statement two 16% respondents are strongly disagree, 16% are disagree, 44% are neither disagree nor agree, 24% are agree and the average score is 2.76.

In statement three 16% respondents are strongly disagree, 36% are disagree, 32% are neither disagree nor agree, 16% are agree and the average score is 2.48.

In statement four 40% respondents are strongly disagree, 20% are disagree, 24% are neither disagree nor agree, 12% are agree and 4% is strongly agree and the average score is 2.20.

In statement five 24% respondents are strongly disagree, 12% are disagree, 36% are neither disagree nor agree, 24% are agree and 4% is strongly agree and the average score is 2.72.

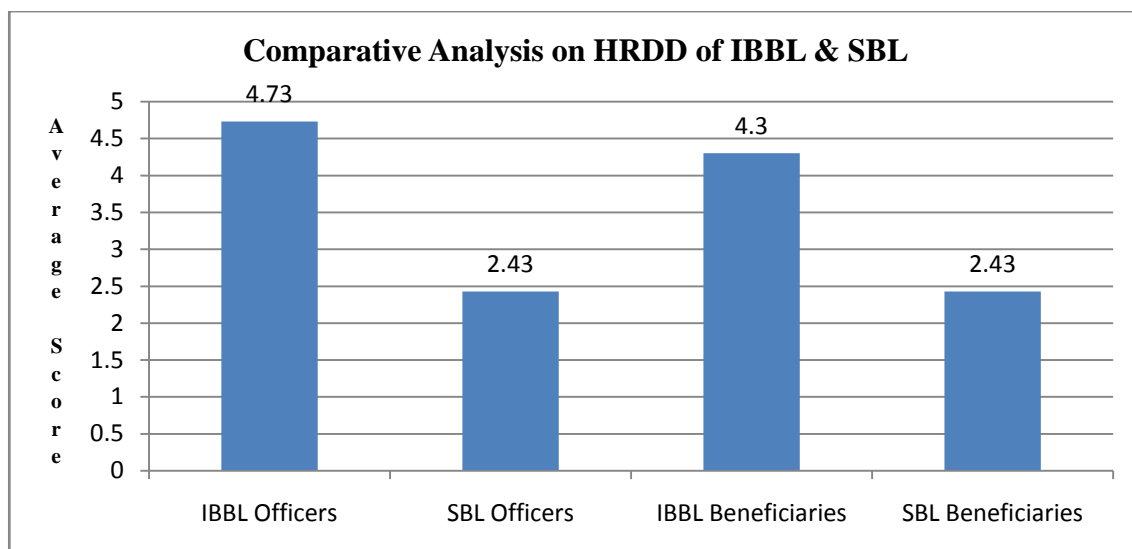
In statement six 24% respondents are strongly disagree, 20% are disagree, 32% are neither disagree nor agree, 24% is agree and the average score is 2.56.

In statement seven 36% respondents are strongly disagree, 36% are disagree, 24% are neither disagree nor agree, 4% is agree and the average score is 1.96.

The average score of the Other  
Dimensions 
$$=(2.16+2.76+2.48+2.20+2.72+2.56+1.96)/7$$
$$=16.84/7$$
$$=2.41$$

### **5.8 Comparative Analysis on Human Resource Development Dimension of Islami Bank Bangladesh Limited and Sonali Bank Limited**

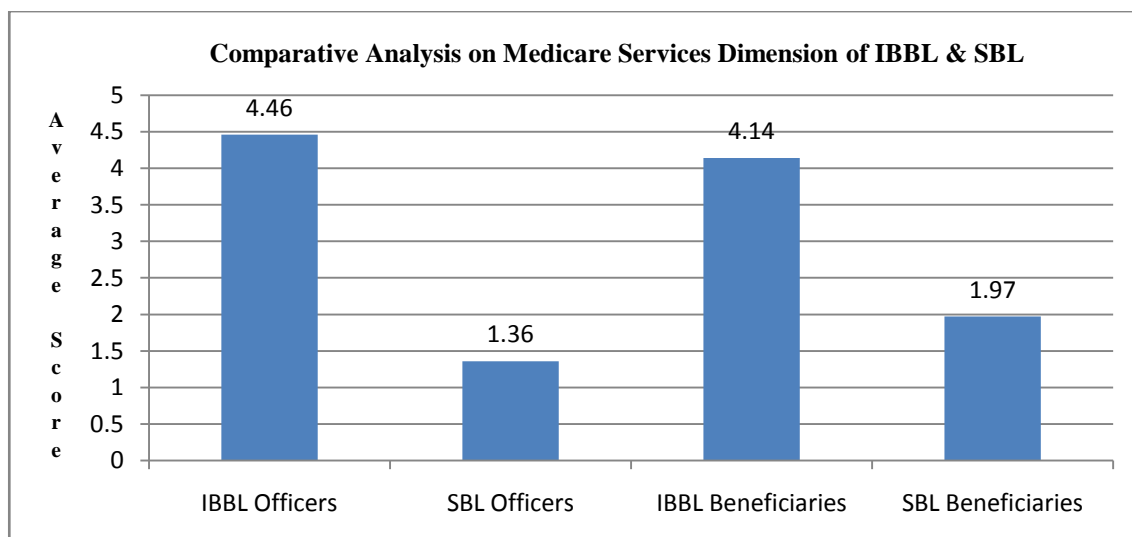
The average scores presented in Figure 5 ranges from 2.43 to 4.73 out of 5 (5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree). The IBBL officers evaluate the Human Resource Development Dimension 4.73 (see table 33) out of 5, which means they thought 94.6% activity is properly running. However, there is a chance of improvement in 5.4% area. The SBL officers & beneficiaries evaluate 2.43 (see table 45 & 51) out of 5, which means they thought 48.6% activity is properly running. However, there is a chance of improvement in 51.4% area. On the other hand, the IBBL beneficiaries evaluate 4.3 (see table 39) out of 5, which means they thought 86% activity is properly running. However, there is a chance of improvement in 14% area. The overall finding is that Islami Bank Bangladesh Limited has been playing more significant roles for Human Resource Development of Bangladesh than Sonali Bank Limited.



*Figure 5: Comparative Analysis on HRDD of IBBL & SBL*

### **5.9 Comparative Analysis on Medicare Services Dimension of Islami Bank Bangladesh Limited and Sonali Bank Limited**

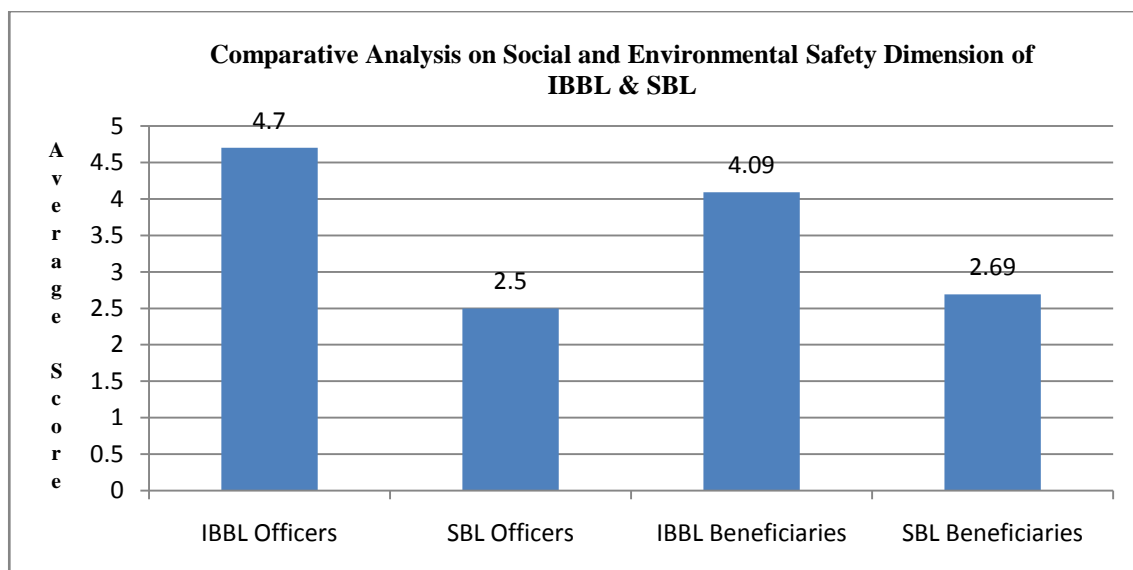
The average scores presented in Figure 6 ranges from 1.36 to 4.46 out of 5 (5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree). The IBBL officers evaluate the Medicare Services Dimension 4.46 (see table 34) out of 5, which means they thought 89.2% activity is properly running. However, there is a chance of improvement in 10.8% area. The SBL officers evaluate 1.36 (see table 46) out of 5, which means they thought 27.2% activity is properly running. However, there is a chance of improvement in 72.8% area. On the other hand, the IBBL beneficiaries evaluate 4.14 (see table 40) out of 5, which means they thought 82.8% activity is properly running. However, there is a chance of improvement in 17.2% area. The SBL beneficiaries evaluate 1.97 (see table 52) out of 5, which means they thought 39.4% activity is properly running. However, there is a chance of improvement in 60.6% area. The significant difference indicates that Islami Bank Bangladesh Limited has been playing more significant roles than Sonali Bank Limited for ensuring Medicare Services of for the distressed people of Bangladesh.



*Figure 6: Comparative Analysis on Medicare Services Dimension of IBBL & SBL*

#### **5.10 Comparative Analysis on Social and Environmental Safety Dimension of Islami Bank Bangladesh Limited and Sonali Bank Limited**

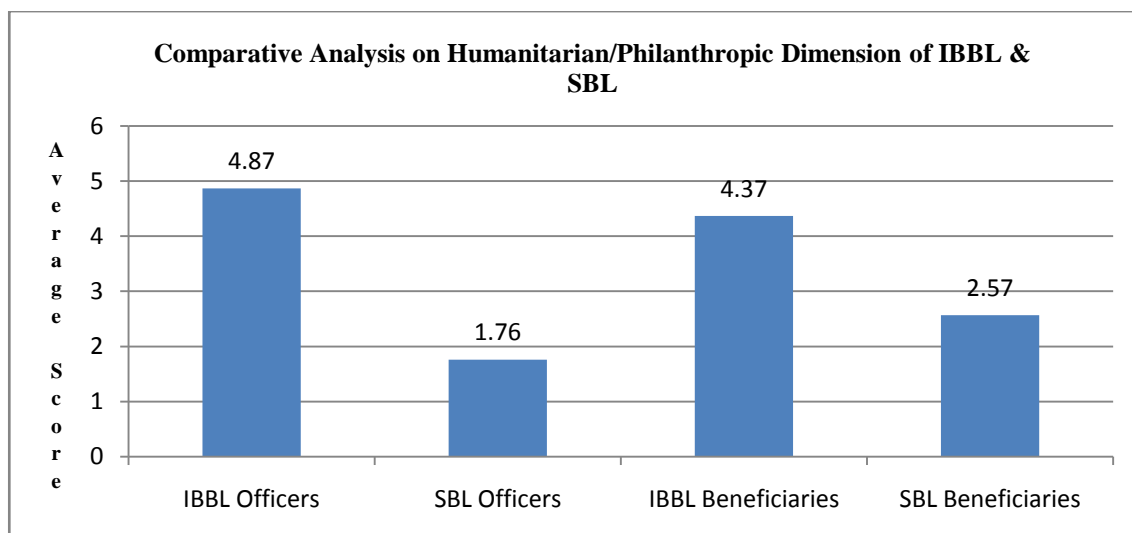
The average scores presented in Figure 7 ranges from 2.50 to 4.70 out of 5 (5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree). The IBBL officers evaluate the Social and Environmental Safety Dimension 4.70 (see table 35) out of 5, which means they thought 94% activity is properly running. However, there is a chance of improvement in 6% area. The SBL officers evaluate 2.5 (see table 47) out of 5, which means they thought 50% activity is properly running. However, there is a chance of improvement in 50% area. On the other hand, the IBBL beneficiaries evaluate 4.09 (see table 41) out of 5, which means they thought 81.8% activity is properly running. However, there is a chance of improvement in 18.2% area. The SBL beneficiaries evaluate 2.69 (see table 53) out of 5, which means they thought 53.8% activity is properly running. However, there is a chance of improvement in 46.2% area. The significant difference indicates that Islami Bank Bangladesh Limited has been playing more significant roles than Sonali Bank Limited for Social and Environmental Safety.



**Figure 7: Comparative Analysis on Social and Environmental Safety Dimension of IBBL & SBL**

### **5.11 Comparative Analysis on Humanitarian/Philanthropic Dimension of Islami Bank Bangladesh Limited and Sonali Bank Limited**

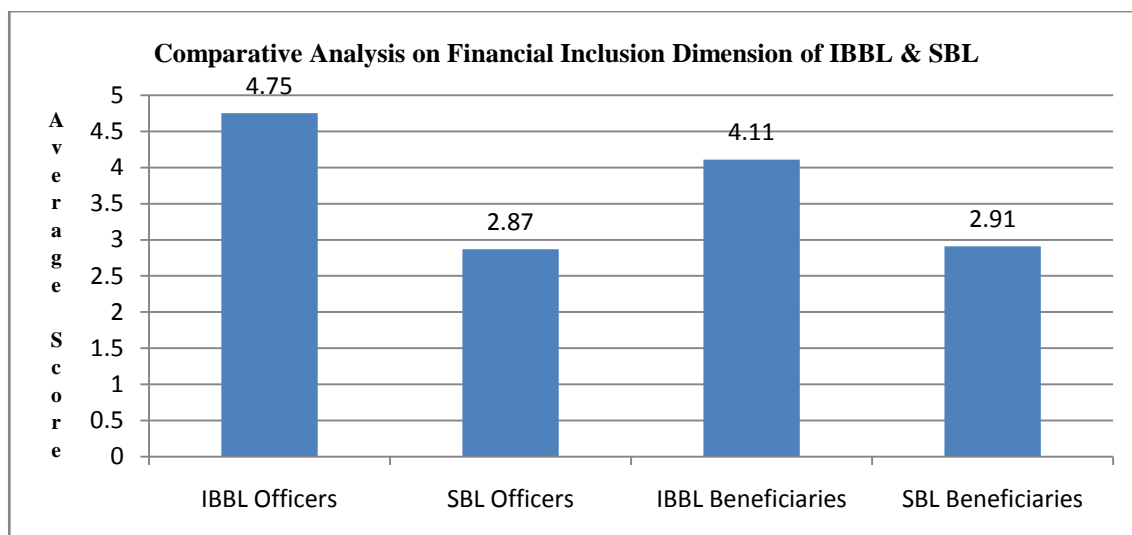
The average scores presented in Figure 8 ranges from 1.76 to 4.87 out of 5 (5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree). The IBBL officers evaluate the Humanitarian/Philanthropic Dimension 4.87 (see table 36) out of 5, which means they thought 97.4% activity is properly running. However, there is a chance of improvement in 2.6% area. The SBL officers evaluate 1.76 (see table 48) out of 5, which means they thought 35.2% activity is properly running. However, there is a chance of improvement in 64.8% area. On the other hand, the IBBL beneficiaries evaluate 4.37 (see table 42) out of 5, which means they thought 87.4% activity is properly running. However, there is a chance of improvement in 12.6% area. The SBL beneficiaries evaluate 2.57 (see table 54) out of 5, which means they thought 51.4% activity is properly running. However, there is a chance of improvement in 48.6% area. The significant difference indicates that Islami Bank Bangladesh Limited has been playing more significant roles than Sonali Bank Limited for Humanitarian/Philanthropic activities.



**Figure 8:** Comparative Analysis on Humanitarian/Philanthropic Dimension of IBBL & SBL

### 5.12 Comparative Analysis on Financial Inclusion Dimension of Islami Bank Bangladesh Limited and Sonali Bank Limited

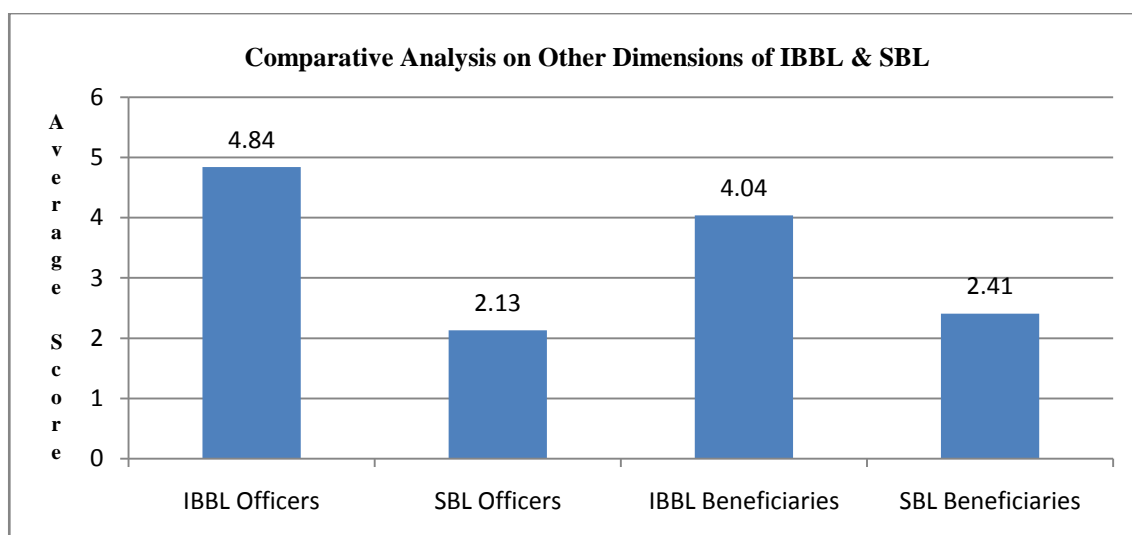
The average scores presented in Figure 9 ranges from 2.87 to 4.75 out of 5 (5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree). The IBBL officers evaluate the Financial Inclusion Dimension 4.75 (see table 37) out of 5, which means they thought 95% activity is properly running. However, there is a chance of improvement in 5% area. The SBL officers evaluate 2.87 (see table 49) out of 5, which means they thought 57.4% activity is properly running. However, there is a chance of improvement in 42.6% area. On the other hand, the IBBL beneficiaries evaluate 4.11 (see table 43) out of 5, which means they thought 82.2% activity is properly running. However, there is a chance of improvement in 17.8% area. The SBL beneficiaries evaluate 2.91 (see table 55) out of 5, which means they thought 58.2% activity is properly running. However, there is a chance of improvement in 41.8% area. The significant difference indicates that Islami Bank Bangladesh Limited has been playing more significant roles than Sonali Bank Limited for Financial Inclusion.



**Figure 9: Comparative Analysis on Financial Inclusion Dimension of IBBL & SBL**

### **5.13 Comparative Analysis on Other Dimensions of Islami Bank Bangladesh Limited and Sonali Bank Limited**

The average scores presented in Figure 10 ranges from 2.13 to 4.84 out of 5 (5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree). The IBBL officers evaluate the Other Dimension 4.84 (see table 38) out of 5, which means they thought 96.8% activity is properly running. However, there is a chance of improvement in 3.2% area. The SBL officers evaluate 2.13 (see table 50) out of 5, which means they thought 42.6% activity is properly running. However, there is a chance of improvement in 57.4% area. On the other hand, the IBBL beneficiaries evaluate 4.04 (see table 44) out of 5, which means they thought 80.8% activity is properly running. However, there is a chance of improvement in 19.2% area. The SBL beneficiaries evaluate 2.41 (see table 56) out of 5, which means they thought 48.2% activity is properly running. However, there is a chance of improvement in 51.8% area. The significant difference indicates that Islami Bank Bangladesh Limited has been playing more significant roles than Sonali Bank Limited for Other Dimensional activities.



**Figure 10: Comparative Analysis on Other Dimensions of IBBL & SBL**

#### 5.14 Comparison on the CSR contribution of IBBL and SBL

**Table 57:** The table below provides the year-wise contribution under Corporate Social Responsibility (CSR) program of IBBL<sup>1</sup> and SBL<sup>2</sup>:

(amount in million taka)

Name of Bank	1983-2009	2010	2011	2012	2013	2014	2015	2016	Total
IBBL	1567.46	238.42	410.67	309.19	476.42	524.52	800.43	670.77	4997.88
SBL	-	62.3	18.2	26.3	49.1	45.2	65.7	13.8 <sup>3</sup>	280.6

**Source:** Islami Bank Bangladesh Limited, Annual Report 2016, p.162 and Sonali Bank Limited Annual Report 2015, p.197

#### 5.15 Overall Findings

From the comparative analysis on the different dimensions of CSR activities of Islami Bank Bangladesh Limited and Sonali Bank Limited, it is observed that the contribution of CSR activities of Islami Bank Bangladesh Limited is more

<sup>1</sup>Islami Bank Bangladesh Limited, Annual Report 2016, p.162

<sup>2</sup> Sonali Bank Limited Annual Report 2015, p.197

<sup>3</sup> Half Yearly Report on CSR of Banks January-June 2016, Sustainable Finance Department (CSR Wing), Bangladesh Bank, p.1 & Half Yearly Report on CSR of Banks July-December 2016, Sustainable Finance Department (CSR Wing), Bangladesh Bank, p.1



significant compared to CSR activities of Sonali Bank Limited to boost up the fate of the underprivileged community of Bangladesh.

### **5.16 Suggestions & Recommendations on the CSR Performance of IBBL**

Considering the findings of the research work, indepth direct interview with the banking experts, officers and beneficiaries, the following suggestions and recommendations are given to boost up the CSR performance of Islami Bank Bangladesh Limited:

- The CSR principles i.e. equal employment opportunities for all the eligible citizens of the country in the recruitment process of Islami Bank Bangladesh Limited have not been maintained since its inception. It is the gross violation of the motto of CSR. After the revolutionary change in the ownership of the bank, now the nation enjoys the equal employment opportunities for all even for all religions.
- Due to ignoring CSR to its employees a specific set of people of Islami Bank Bangladesh Limited has been promoting depriving the others.
- Islami Bank Bangladesh Limited should decentralized its Medicare facilities to the needy people through establishing more hospitals in the remote rural areas of the country
- Islami Bank Bangladesh Limited should be more socially responsible about the interests/benefits of their customers especially in case of unclaimed deposits of the dormant accounts
- Islami Bank Bangladesh Limited may embrace their Corporate Social Responsibility related activities to remove the curse of begging culture from the society with the help of government
- Islami Bank Bangladesh Limited may provide more bonuses to its employees considering their contribution in the achievement of bank's objectives
- The salaries/ benefits of the employees of Islami Bank Bangladesh Limited were very inferior compared to their performance earlier. They were really deprived by the employer
- The House Building Finance Facility for the employees of Islami Bank Bangladesh Limited should be allowed on easy terms and conditions as it is CSR of the bank to ensure better housing facility for its employees

- Huge amount of CSR fund has been spending to serve the less important heads i.e. advertisements, publications etc. ignoring the greater interests of the distressed community of the society i.e. health and sanitation program for the underprivileged segment of the population
- Islami Bank Bangladesh Limited should continue their Corporate Social Responsibility related activities to change the fate of the deprived humanity

### **5.17 Suggestions & Recommendations on the CSR Performance of SBL**

Considering the findings of the research work, indepth direct interview with the banking experts, officers and beneficiaries, the following suggestions and recommendations are made to improve the CSR performance of Sonali Bank Limited:

- For human resources development Sonali Bank Limited should take more and more innovative initiatives to convert the human resources into human capital
- In the Medicare services Sonali Bank Limited should establish hospitals, nursing institute and other infrastructure for ensuring better Medicare services for the needy people of the society
- To create a safer world for the future generation of Bangladesh, Sonali Bank Limited should contribute their best through ensuring proper investment that will enhance Social and Environmental Safety
- For the betterment of the underprivileged segments of the society, Sonali Bank Limited should take proper initiatives of Humanitarian/Philanthropic activities i.e. distributing blankets in the heavy cold affected areas of the country, providing reliefs to the natural disasters affected people etc.
- Sonali Bank Limited should come forward with more programs to ensure financial inclusion in Bangladesh through including the larger unbanked segments of the society
- As the CSR performance of Sonali Bank Limited depends on the policy of Bangladesh Bank i.e. 5% of the previous year net profit after tax, Bangladesh Bank should increase the CSR expenditure amount of the government commercial banks of Bangladesh
- Sonali Bank Limited should ensure proper utilization of its CSR contribution as per Bangladesh Bank guidelines

- As the CSR expenditure of Sonali Bank Limited depends on the previous year net profit after tax, so its employees should work painstakingly for earning more profit so that they can contribute for the betterment of the society
- The investment customers of Sonali Bank Limited must be conscious about the repayment of the borrowed money, because the defaulting culture is totally responsible for the lowest profit of Sonali Bank Limited
- Sonali Bank Limited as the largest bank should take some effective steps to develop the overall economic condition of the people of Bangladesh through performing CSR activities

## Conclusion

Human resources development is a multidisciplinary field of practice with core focus on learning and performance. It is a process of building the capacity of the human resources through training and development for the purpose of improving performance at the individual, team, work process and organizational levels. It is viewed as the process of developing work related knowledge and expertise for the benefit of individual, group, organization, community, nation and ultimately the whole humanity. So the banking sector has been playing a vital role to convert the human resources into human capital through proper processing.

Health is wealth. It is very well said, maintaining a good health is as important as breathing. Without health nothing can be achieved, nothing can be enjoyed. Health is the most important aspect of one's life. If we have a sound health then we can have a sound life. An unhealthy body makes you feel deprived of energy, ill and unhappy. It swaps all the confidence from a person. A healthy body gives strength, confidence and the energy to take up any challenge the life offers. A healthy and fit body can easily manage the day to day stresses. When all the functional areas and systems of the body are working well it is concludes as a healthy body. So it is the social responsibility of the corporations to address the Medicare service of the needy people of the society. Considering this the banking sector of Bangladesh has been playing very important role for building a healthy nation.

The financial and economic development of Bangladesh is inextricably linked to our vulnerability to environmental degradation. An increasing awareness is grown to foster sustainable development and the impact of a deteriorating climate on financial institutions has been decreasing. Bangladesh Bank is firmly committed to contribute significantly as a regulatory authority to the climate change agenda in Bangladesh<sup>1</sup>.

It is high time for Bangladesh to take bold steps against environmental degradation and also to ensure the right path of sustainable economic growth. So the use printed papers has been decreasing gradually. Bangladesh Bank has already taken a lead in promoting paperless green banking by giving a circular which promotes wide scale automation.<sup>2</sup>

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<sup>1</sup> Rahman, Atiur, *Inclusive Finance and Sustainable Development* (Dhaka: Bangladesh Institute of Bank Management, First Published 2013 (Reprint 2014), p.255

<sup>2</sup> Ibid, pp.257-258

Islami Bank Bangladesh Limited and Sonali Bank Limited have been playing proactive roles for ensuring environmental and social safety.

It is very heartening that BAB, ABB and CSR center jointly have been trying their best to foster CSR initiatives in banks and financial institutions in Bangladesh. The response of the banks and financial institutions to Bangladesh Bank's CSR guidance is very encouraging. Compared to 2007 the reported direct expenditure on CSR initiatives have grown tenfold in 2010. Banks have also voluntarily engaged in the Bangladesh Bank sponsored financial inclusion campaign to reach out to the unserved and underserved population segments and economic sectors. Since 2010 millions of minimum and low balance maintaining accounts have been operating in Bangladesh promoting financial inclusion.<sup>3</sup>

Performing social responsibility is not optional but mandatory in Islam. "The Noble Prophet (peace be upon him) said: When a man dies, (benefits) from his deeds cease, except from three (sources): an act of continuing charity, knowledge which benefits people and a righteous children who prays for him."

Keeping this hadith of Rasul (SAW) in consideration, Islami Bank Bangladesh Limited has been playing important role in fostering corporate social responsibility since inception. It extends its hands of cooperation through cash waqf, quard-e-hasan, financial assistance to the distressed people, Support to the Disable Children, Relief and Rehabilitation Programs, Winter Cloth Distribution Program etc.

Banks can encourage their valued clients (businesses) to expand or initiate CSR engagements, offering them helping hand with know-how and incentives, perhaps by way of favored customer treatment and feasible rebates on interest/profit and banking charges/fees on banking related services.<sup>4</sup>

Muhammad (SAW) indicated misery as the worst mental disease.<sup>5</sup> So everyone should donate his/her best to the way of Allah. Rasul (SAW) also said, poverty may convert a believer into a non-believer/kafir.<sup>6</sup> So to save the believer from the undesired situation

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<sup>3</sup> Ibid, pp.270-271

<sup>4</sup> Ibid, p.271

<sup>5</sup> Manik, Nurul Islam, *Dauidro Bimochoney Islam (edited)* (Dhaka: Islamic Foundation Bangladesh, 1<sup>st</sup> published, June 2005), p.246

<sup>6</sup> Ibid, p.5

the wealthy people and the corporations should come forward for fostering their CSR initiatives.

CSR activities of a bank will ensure a positive rating in its CAMELS. The 'M' or Management of the CAMELS rating is considered as a strong position if the bank embraces with the CSR initiatives. Through the CSR performance the operational capacity of the bank is measured.<sup>7</sup>

To remove the financial crisis of the laborer Muhammad (SAW) established the participation of laborer in the profit/earning of the organizations.<sup>8</sup>

According to Rasul (SAW) principles, the food, cloth or housing of the workers' should not be inferior to the owners' food, cloth or housing.<sup>9</sup> That means it is the social responsibility of the haves, not to discriminate in any respect with the haves not. The prophet also said, "I will complaint against the three categories people, one of them are that people who employed labor but not paid wages even after completion of the work."<sup>10</sup>

To establish a caring society, each and every individual, organization or entity of the society has to perform the optimum level of responsibility enthusiastically for the benefits of others without expecting any return.

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<sup>7</sup> Bodle Jaoa Bangladesh Bank, *Ogrogotir Char Bochhar (2009-2012)* (Dhaka: Bangladesh Bank, April 2013), pp.139-140

<sup>8</sup> Masud, Farid Uddin, *Labor Rights in Islam* (Dhaka: Islamic Foundation Bangladesh, 4<sup>th</sup> edition, 1984), p.138

<sup>9</sup> Alam, Shamsul, *Islamic State* (Dhaka: Islamic Foundation Bangladesh, 3rd edition, 1995), p.116

<sup>10</sup> *Ibid*, p.77

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১৩. খন্দকার, মুহাম্মদ রহমাতুল্লাহ, *মাকাসিদ আশ শরী'আহ ও ইসলামের সৌন্দর্য* (ঢাকা: মুক্তদেশ প্রকাশনী, প্রথম প্রকাশ, জানুয়ারি ২০১৫)
১৪. খান, ড. এ আর, *উচ্চতর মৌলিক ব্যাংকিং* (ঢাকা: এম এস পাবলিকেশন, ১ম প্রকাশ, নভেম্বর ১৯৯৯)

১৫. মান্নান, মুহাম্মদ আব্দুল, 'ইসলামী ব্যাংক ব্যবস্থা' (ঢাকা: সেন্ট্রাল শরীয়াহ বোর্ড ফর ইসলামী ব্যাংক অব বাংলাদেশ, ২য় সংস্করণ, ৪র্থ মুদ্রণ, আগস্ট ২০১২)
১৬. মান্নান, ড. এম. এ., অনু: রুশদী, আলী আহমদ, 'ইসলামী অর্থনীতি: তত্ত্ব ও প্রয়োগ' (ঢাকা: ইসলামিক ইকোনমিক্স রিচার্চ ব্যুরো, ১৯৮৩)
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১৮. রহমান, প্রফেসর ড. মাহফুজুর, কুরআন ও সুন্নাহর আলোকে ইসলামী ব্যাংক ব্যবস্থা (ঢাকা: বাংলাদেশ ইনস্টিটিউট অব ইসলামিক থট, প্রথম প্রকাশ, আগস্ট ২০১৪)
১৯. রহমান, প্রফেসর ড. মাহফুজুর, 'রসূল ও সাহাবাদের যুগে পণ্য বিপণন পদ্ধতি', ইসলামিক ফাউন্ডেশন পত্রিকা, ৪৬ বর্ষ, ১ম সংখ্যা, জুলাই-সেপ্টেম্বর ২০০৬।
২০. রহমান, এ.এ.এম. হাবীবুর, ইসলামী ব্যাংকিং (ঢাকা: ৭ম সংস্করণ, জুলাই ২০১৬)
২১. সিদ্দিকি, ড. নাজাতুল্লাহ ও ড. এম. এ. জাকী বাদাভী, অনু: আমিন, এম. রুহুল, ইসলামী ব্যাংকিং ও যাকাত (ঢাকা: ইসলামিক ফাউন্ডেশন বাংলাদেশ, ১৯৮৪)
২২. তপন, ড. মো: শাহজাহান, থিসিস ও এ্যাসাইনমেন্ট লিখন পদ্ধতি ও কৌশল (ঢাকা: প্রতিভা প্রকাশনী, দ্বিতীয় সংস্করণ, এপ্রিল ১৯৯৩)
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২৪. বদলে যাওয়া বাংলাদেশ ব্যাংক, অগ্রগতির চার বছর (২০০৯-২০১২), (ঢাকা: বাংলাদেশ ব্যাংক, এপ্রিল ২০১৩)
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## Questionnaire Used to Conduct the Survey

### a. Survey on CSR Activities of IBBL & SBL

To conduct the survey on the Corporate Social Responsibility activities of Islami Bank Bangladesh Limited and Sonali Bank Limited, four sets of questionnaires have been used to cover the respondents on random basis. Such as:

1. Set –I : Questionnaire for the Officers of Islami Bank Bangladesh Limited
2. Set –II: Questionnaire for the Beneficiaries of Islami Bank Bangladesh Limited
3. Set –III: Questionnaire for the Officers of Sonali Bank Limited
4. Set –IV: Questionnaire for the Beneficiaries of Sonali Bank Limited

The four sets of questionnaires that have been used to cover the respondents are given below:

### b. Questionnaires for the Officers of Islami Bank Bangladesh Limited

#### Set –I

#### Questionnaires for the Officers of Islami Bank Bangladesh Limited

#### Section A

#### Demographic Questions

The following questions concern your position and other personal information. Completion of this information is voluntary and confidentiality is assured. No individual data will be reported to anybody. THANK YOU!

1. Age (in years) : -----
2. Gender :

a.	Male	
b.	Female	

3. Marital Status :

a.	Married	
b.	Single	

4. What is your highest level of Education?

a.	SSC	
b.	HSC	
c.	Graduate (Pass)	
d.	Graduate (Hon's)	
e.	Post-Graduate	
f.	Others	

#### Occupation Related Information:

5. Name of your Bank: -----
6. Name of the Branch/Division/Department: -----
7. Current Designation: -----
8. How long have you been working for this organization?
9. Total Length of Service Experience (in years) in your whole career-----



## Section B

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Human Resource Development. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Islami Bank Bangladesh Limited</b>		1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.					
2.	supports employees who want to acquire additional education.					
3.	has been offering Scholarship to the poor but meritorious students and researchers.					
4.	imparts training to its employees on regular basis to develop their professional knowledge and skills.					
5.	encourages its employees to develop their skills and career.					
6.	has been arranging Internship Program for the university students to complete their Internship Course.					
7.	has been imparting training in the Islami Bank Women Rehabilitation Center to the helpless women to create self-reliant Bangladesh.					

## Section C

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Medicare Services. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Islami Bank Bangladesh Limited</b>		1	2	3	4	5
1.	established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.					
2.	has been providing lump-sum amount for the treatment of poor patients so that they can get proper medical treatment.					
3.	has been providing modern eye treatment facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.					
4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors to serve the poor patients.					
5.	has been arranging surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.					
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.					
7.	has taken up the program of constructing sanitary latrine for the poor people so that they can get proper hygiene and sanitation facilities.					
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.					

### Section D

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Social and Environmental safety. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Islami Bank Bangladesh Limited</b>		1	2	3	4	5
1.	contributes to campaigns and projects that promote the awareness of the society.					
2.	has been participating in different activities which aim to protect and improve the quality of the natural environment.					
3.	has been making social/environmental friendly investments that ensure sustainable development and a better life for future generations.					
4.	has been implementing social programs to minimize its negative impacts on the natural environment.					
5.	cooperates with its competitors in socially responsible projects.					
6.	has been emphasizing on the importance of its responsibilities to the society.					
7.	has been making well-planned investments to avoid environmental degradation.					

### Section E

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Humanitarian/ Philanthropic activities. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Islami Bank Bangladesh Limited</b>		1	2	3	4	5
1.	encourages its employees to participate in the voluntarily activities.					
2.	has been making sufficient monetary contributions to charities.					
3.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.					
4.	has been distributing Blanket to the disadvantaged/insolvent people in Winter Season to save them from heavy cold.					
5.	has been distributing relief to the victims/flood affected people during natural disasters.					
6.	has been giving financial support to the disabled persons to fulfill their dreams.					
7.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.					
8.	initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.					

## Section F

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Financial Inclusion. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Islami Bank Bangladesh Limited</b>		1	2	3	4	5
1.	has been operating Rural Credit Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.					
2.	has been operating School Banking Program to ensure a safe future for the school going children.					
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.					
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.					
5.	has introduced mobile banking named "mCash" as an important tool of financial inclusion.					
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.					

## Section G

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Islami Bank Bangladesh Limited</b>		1	2	3	4	5
1.	complies with legal regulations completely and promptly.					
2.	pays its taxes on a regular and continuous basis.					
3.	provides full and accurate information about its products to the customers.					
4.	provides high importance on customer satisfaction.					
5.	has been providing fake note detection service to the public to save them from the curse of fraud.					
6.	has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.					
7.	has been giving support for the development of the sports of Bangladesh.					
8.	has been taking up the project for marketing home-made garments, handicraft and other items produced by the distressed women to make them self-reliant.					
9.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.					

## c. Questionnaire for the Beneficiaries of Islami Bank Bangladesh Limited

### Set –II

#### Questionnaire for the Beneficiaries of Islami Bank Bangladesh Limited

#### Section A

#### Demographic Questions

The following questions concern your position and other personal information. Completion of this information is voluntary and confidentiality is assured. No individual data will be reported to anybody. **THANK YOU!**

- Age (in years) : -----
- Gender :

a.	Male	
b.	Female	

- Marital Status :

a.	Married	
b.	Single	

- What is your highest level of Education?

a.	SSC	
b.	HSC	
c.	Graduate (Pass)	
d.	Graduate (Hon's)	
e.	Post-Graduate	
f.	Others	

#### Occupation Related Information:

- What is your Occupation? : -----  
If you are an unemployed person please ignore the following statements--
- Name of the Organization :-----
- Name of the Branch/Division/Department: -----
- Current Designation: -----
- Total Length of Service Experience (in years) in your whole career-----

#### Section B

**Instructions:** The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Human Resource Development. Please use the given scale to indicate the extent to which you agree or disagree with each statement.

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Islami Bank Bangladesh Limited		1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.					
2.	has been arranging Internship Program for the university students.					
3.	has been offering Scholarship to the poor and meritorious students and researchers.					
4.	has been imparting training in the Islami Bank Women Rehabilitation Center to the helpless women to create self-reliant Bangladesh.					
5.	has originated educational project plays a significant role to teach Quran, Bangla and English alphabets and workable knowledge of mathematics.					

## Section C

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Medicare Services. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Islami Bank Bangladesh Limited		1	2	3	4	5
1.	has established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.					
2.	has been providing lump-sum amount for the treatment of poor patients so that they can get proper medical treatment.					
3.	has been providing modern eye treatment facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.					
4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors to serve the poor patients.					
5.	has initiated surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.					
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.					
7.	has organized up the program of constructing sanitary latrine for the poor people so that they can get proper hygiene and sanitation facilities.					
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.					

## Section D

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Social and Environmental safety. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Islami Bank Bangladesh Limited		1	2	3	4	5
1.	contributes to campaigns and projects that promote awareness of the society.					
2.	has participated in different activities which aim to protect and improve the quality of the natural environment.					
3.	has been making social/environmental friendly investments that ensure sustainable development and a better life for future generations.					
4.	has been implemented social programs to minimize its negative impacts on the natural environment.					
5.	cooperates with its competitors in social responsibility projects.					
6.	has been making well-planned investments to avoid environmental degradation.					

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Humanitarian/Philanthropic activities. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Islami Bank Bangladesh Limited		1	2	3	4	5
1.	has been making sufficient monetary contributions to charities.					
2.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.					
3.	has been distributing Blanket to the disadvantaged/insolvent people in Winter Season to save them from heavy cold.					
4.	has been distributing relief to the victims/flood affected people during natural disasters.					
5.	has been giving financial support to the disabled persons to fulfill their dreams.					
6.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.					
7.	has initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.					

#### Section F

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited for Financial Inclusion. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Islami Bank Bangladesh Limited		1	2	3	4	5
1.	has been operating Micro Credit Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.					
2.	has been operating School Banking Program to ensure a safe future for the school going children.					
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.					
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.					
5.	has introduced mobile banking naming "mCash" as an important tool of financial inclusion.					
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.					

Section G

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Islami Bank Bangladesh Limited. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Islami Bank Bangladesh Limited		1	2	3	4	5
1.	has been giving financial support for the development of the sports of Bangladesh.					
2.	has been taking up the project for marketing home-made garments, handicraft and other items produced by the distressed women to make them self-reliant.					
3.	Provides full and accurate information about its products to the customers.					
4.	Provides high importance on customer satisfaction.					
5.	has been providing fake note detection service to the public to save them from the curse of fraud.					
6.	has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.					
7.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.					

**d. Questionnaires for the Officers of Sonali Bank Limited**

**Set –III**

**Questionnaires for the Officers of Sonali Bank Limited**

**Section A**

**Demographic Questions**

**The following questions concern your position and other personal information. Completion of this information is voluntary and confidentiality is assured. No individual data will be reported to anybody. THANK YOU!**

- Age (in years) : -----
- Gender :

a.	Male	
b.	Female	

- Marital Status :

a.	Married	
b.	Single	

- Wat is your highest level of Education?

a.	SSC	
b.	HSC	
c.	Graduate (Pass)	
d.	Graduate (Hon's)	
e.	Post-Graduate	
f.	Others	

**Occupation Related Information:**

- Name of your Bank: -----
- Name of the Branch/Division/Department: -----
- Current Designation: -----
- How long have you been working for this organization?
- Total Length of Service Experience (in years) in your whole career-----

## Section B

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Human Resource Development. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.					
2.	supports employees who want to acquire additional education					
3.	has been offering Scholarship to the poor but meritorious students and researchers.					
4.	has been imparting training to its employees on regular basis to develop their professional knowledge and skills.					
5.	encourages its employees to develop their skills and career.					
6.	has been arranging Internship Program for the university students to complete their Internship Course.					
7.	has been imparting training to the helpless women to create self-reliant Bangladesh.					

## Section C

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Medicare Services. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.					
2.	has been providing lump-sum amount for the treatment of poor patients so that they can get proper medical treatment.					
3.	has been providing modern eye treatment facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.					
4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors to serve the poor patients.					
5.	has been organizing surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.					
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.					
7.	has taken up the program of constructing sanitary latrine to ensure proper hygiene and sanitation facilities for the poor people.					
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.					



## Section D

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Social and Environmental Safety. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	contributes to campaigns and projects that promote awareness of the society.					
2.	has been participating in different activities which aim to protect and improve the quality of the natural environment.					
3.	has been making social/environmental friendly investments that ensure sustainable development and a better life for future generations.					
4.	has been implementing social programs to minimize its negative impacts on the natural environment.					
5.	cooperates with its competitors in socially responsible projects.					
6.	has been emphasizing on the importance of its responsibilities to the society.					
7.	has been making well-planned investments to avoid environmental degradation.					

## Section E

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Humanitarian/Philanthropic activities. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	encourages its employees to participate in the voluntarily activities.					
2.	has been making sufficient monetary contributions to charities.					
3.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.					
4.	has been distributing Blanket to the disadvantaged/insolvent people in Winter Season to save them from heavy cold.					
5.	has been distributing relief to the victims/flood affected people during natural disasters.					
6.	has been giving financial support to the disabled persons to fulfill their dreams.					
7.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.					
8.	has initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.					

Section F

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Financial Inclusion. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	has been operating Rural Credit Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.					
2.	has been operating School Banking Program to ensure a safe future for the school going children.					
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.					
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.					
5.	has introduced mobile banking named "Sonali Sheba" as an important tool of financial inclusion.					
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.					

Section G

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	complies with legal regulations completely and promptly.					
2.	pays its taxes on a regular and continuous basis.					
3.	provides full and accurate information about its products to the customers.					
4.	provides high importance on customer satisfaction.					
5.	has been providing fake note detection service to the public to save them from the curse of fraud.					
6.	has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.					
7.	has been giving support for the development of the sports of Bangladesh.					
8.	has been taking up the project for marketing home-made garments, handicraft and other items produced by the distressed women to make them self-reliant.					
9.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.					

## e. Questionnaires for the Beneficiaries of Sonali Bank Limited

Set –IV

### Questionnaires for the Beneficiaries of Sonali Bank Limited

#### Section A Demographic Questions

The following questions concern your position and other personal information. Completion of this information is voluntary and confidentiality is assured. No individual data will be reported to anybody. **THANK YOU!**

1. Age (in years) : -----
2. Gender :

a.	Male	
b.	Female	

3. Maital Status :

a.	Married	
b.	Single	

4. Wat is your highest level of Education?

a.	SSC	
b.	HSC	
c.	Graduate (Pass)	
d.	Graduate (Hon's)	
e.	Post-Graduate	
f.	Others	

#### Occupation Related Information:

5. What is your Occupation? : -----  
If you are an unemployed person please ignore the following statements--
6. Name of the Organization : -----
7. Name of the Branch/Division/Department: -----
8. Current Designation: -----
9. Total Length of Service Experience (in years) in your whole career-----

#### Section B

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Human Resource Development. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	has been providing Financial Support for Educational Institutions to solve the inadequate classroom, library and science laboratory materials problems.					
2.	has been arranging Internship Program for the university students.					
3.	has been offering Scholarship to the poor and meritorious students and researchers.					
4.	has been imparting training to the helpless women to create self-reliant Bangladesh.					
5.	has originated educational project that plays a significant role to teach Quran, Bangla and English alphabets and workable knowledge of mathematics.					

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Medicare Services. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Sonali Bank Limited</b>		1	2	3	4	5
1.	has established hospitals, community hospitals, medical college and medical college hospital nursing institute etc. to ensure proper Medicare facilities for the people of Bangladesh.					
2.	has been providing lump-sum amount for proper medical treatment of poor patients.					
3.	has been providing modern eye treatment facilities to the poor people at a nominal cost and the rich at a subsidized rate through mobile eye camp.					
4.	has been operating a good number of charitable dispensaries in rural areas of Bangladesh with qualified and expert doctors to serve the poor patients.					
5.	has initiated surgery camp for cleft lip and cleft palate plays a vital role to ensure a happy youth and social life for a cleft lip/palate individual.					
6.	has organized a good number of circumcision program for the poor children with the help of designated hospitals and expert doctors.					
7.	has organized the program of constructing sanitary latrine for the poor people so that they can get proper hygiene and sanitation facilities.					
8.	has initiated the tube-well installation program for the poor rural people to ensure pure and safe drinking water for them.					

#### Section D

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Social and Environmental safety. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Sonali Bank Limited</b>		1	2	3	4	5
1.	contributes to campaigns and projects that promote the awareness of the society.					
2.	has participated in different activities which aim to protect and improve the quality of the natural environment.					
3.	has been making socially friendly investments that ensure sustainable development and a better life for future generations.					
4.	has been implementing social programs to minimize its negative impacts on the natural environment.					
5.	cooperates with its competitors in social responsibility projects.					
6.	has been making well-planned investments to avoid environmental degradation.					

## Section E

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Humanitarian/Philanthropic activities. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	has been making sufficient monetary contributions to charities.					
2.	has been donating handsome amount on case to case basis to Prime Minister's Relief Fund to help the victims of the natural/manmade disasters.					
3.	has been distributing Blanket to the disadvantaged/insolvent people in Winter Season to save them from heavy cold.					
4.	has been distributing relief to the victims/flood affected people during natural disasters.					
5.	has been giving financial support to the disabled persons to fulfill their dreams.					
6.	extends its hands of cooperation through providing Quard-e-Hasan to the actual needy people of the society.					
7.	has initiated the Cash Waqf Account and the profit of this waqf is spent for the betterment of the needy people of the society.					

## Section F

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited for Financial Inclusion. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

As Corporate Social Responsibility Sonali Bank Limited		1	2	3	4	5
1.	has been operating Rural Credit Program/Rural Development Scheme (RDS) to change the fate of the rural people of Bangladesh.					
2.	has been operating School Banking Program to ensure a safe future for the school going children.					
3.	has been operating the program 'Banking for Street Children' to ensure financial inclusion in Bangladesh.					
4.	has been providing banking services to the rural unbanked insolvent farmers ensuring financial inclusion through ten taka farmers accounts.					
5.	has introduced mobile banking naming "Sonali Sheba" as an important tool of financial inclusion.					
6.	has been making investment in the self-employment project to remove the curse of unemployment from the society.					

## Section G

**Instructions: The statements below are concerned with the Corporate Social Responsibility activities initiated and performed by Sonali Bank Limited. Please use the given scale to indicate the extent to which you agree or disagree with each statement.**

(5 = Strongly Agree 4 = Agree 3 = Neither Disagree nor Agree 2 = Disagree 1 = Strongly Disagree)

<b>As Corporate Social Responsibility Sonali Bank Limited</b>		1	2	3	4	5
1.	has been giving financial support for the development of the sports of Bangladesh.					
2.	has been taking up the project for marketing home-made garments, handicrafts and other items produced by the distressed women to make them self-reliant.					
3.	Provides full and accurate information about its products to the customers.					
4.	Provides high importance on customer satisfaction.					
5.	has been providing fake note detection service to the public to save them from the curse of fraud.					
6.	has been giving the service of exchanging torn/mutilated /soiled notes to public through separate cash counter.					
7.	has been taking the responsibility of entrepreneurship development to create a responsible and sympathetic society in Bangladesh.					