Abstract

This paper scrutinizes the practices of corporate social responsibility (CSR) by non-bank financial institutions (NBFIs) in Bangladesh. The purpose of the study is to observe the framework of CSR areas and contribution to those areas by the NBFIs of Bangladesh. The study found that the contribution amount by the NBFIs to CSR activities is very insignificant in proportion to their profit amount. The study suggests that a proper guideline by the government regarding CSR contribution, involvement of large corporation in CSR activities and mandating CSR disclosures in the annual report will fulfill the intended goals of the corporate organizations and also ensure a successful and sustainable development of the society.

Keywords: Corporate social responsibility, Non-bank financial institutions, Framework of CSR, Contribution, Disclosure.
**Introduction**

Business is an inseparable and embedded part of the society (Alam et al. 2010). The dynamics of business has crossed its boundaries set decades back and has introduced strong motifs of societal well-beings in dispensing business and fiduciary duties. The role of business worldwide and specifically in the developed economies has evolved over the last few decades from classical "profit maximizing" approach to a socially responsible approach, where businesses are not only responsible to its stockholders but also to all of its stakeholders in a broader inclusive sense. Besides conducting business activities and pursuing economic gains, business houses also have several other roles and responsibilities towards society such as the social and environmental responsibilities and business contributions that would benefit the society at large (Preston and Davis and Blomstrom 1971; Sethi 1975).

Corporate organizations are playing an important role in social development through sharing their profit for many compassionate and humanitarian activities under the rubric of corporate social responsibility (CSR).

A company’s sense of responsibility towards the community and environment (both ecological and social) in which it operates called corporate social responsibility. Corporate social responsibility is not only an act for humanity but also to provide good working environment to an organization’s employees, to pay just remuneration, to give regular leave, to care as a human being and to care environment of the society (The Daily Prothom-Alo). Backman (1975) identified CSR activities as: "employment of minority groups, reduction of pollution, greater participation in programs to improve the community, improved medical care, improved industrial health and safety-these and other programs designed to improve the quality of life are covered by the broad umbrella of social responsibility". Business organizations in the society are accountable to implement different socially desirable activities not only for stakeholders concern but also for different external parties. CSR reporting can be a significant part in the financial reporting while it provides information to different stakeholders (Weygandt et al. 2011) and as an additional part of social report would provide information relating to whole environmental concern to society. The system of providing information may vary from company to company, country to country (Azim et al. 2011) but the common media of providing information is financial statement. However, there does not exist a universally accepted theoretical framework for corporate social and environmental reporting. Corporate social responsibility is not the only ethical dilemma that financial institutions face in an atmosphere of corrupt corporate practice (Azim et al. 2011) but also these institutions are concerned with commitment for sustainable development but execution of such development procedural function’s through compliance with CSR guidelines is difficult. Currently in Bangladesh, CSR is a matter of self-interest for the corporate sector (Azim et al. 2009). There is a crying need for an in-depth study into the quality, quantity of corporate social disclosure and identification of areas for future improvement so that transparency can be ensured. CSR reporting focuses vary by business, by size, by sector and even by geographic region. The area of CSR reporting is quite big and it includes all the good practices that increase the business profitability and can preserve interest of all stakeholders. Bangladesh is a developing country and thus compared to global competitiveness and demand, the CSR practices and standards are being implemented in Bangladesh (Alimullah, 2006) poorly. We have yet to go a long way and are still lagging behind. For better and enhanced performance, CSR rules and reporting implementation is thus now need, not merely demand. Bangladesh Bank as the central bank in Bangladesh has taken initiatives to motivate the banking and non-bank financial companies to play role toward the welfare of the society by ensuring CSR. Keeping this fact in mind, this study attempts to explore to what extent the listed NBFIs in Bangladesh are engaged in CSR activities.

**Objectives**

The main objective of this study is to explore the CSR practices and disclosures of the NBFIs in Bangladesh. Specifically, this study will consider the following:

- To gather the knowledge about CSR activities of NBFIs
- To identify the major areas where CSR activities are being performed by NBFIs
- To compare and analyze the contribution of CSR activities of NBFIs

**Literature Review**

Corporate social responsibility (CSR) is a concept whereby companies integrate social and
environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Gray et al. 1987). According to (Rana et al. 2012), social responsibility is a concept well known in the corporate world and beyond that businesses all over the world have practiced only profit making action in the past but not for long as the enterprise started to develop complexities and wideness in size and actions.

The literature recognizes that CSR practices differ from country to country (Adams, Hill & Robert, 1998) and between developed and developing countries (Imam, 2000). Furthermore, the nature and patterns of CSR vary between types of industry (Gray et al., 2001). Wise and Ali (2009) pointed out that CSR is still an evolving concept that enables corporate executives to create and apply self-determined policies to best meet the needs and demands of its stakeholders. Hackston and Milne (1996) used six categories: environment, energy, human resources, product and safety, community involvement, and other. A technique commonly used in social responsibility research to measure the significance of content is to count the number of words used to describe a particular issue (Hackston and Milne 1996). Wartick and Cochran (1985) depicted the evolution of the corporate social performance model by focusing on three challenges to the concept of corporate social responsibility: economic responsibility, public responsibility, and social responsiveness.

In a study "Corporate Social Disclosure in Bangladesh: A Study of the Financial Sector", Azim et al. (2011) argued that corporate social responsibility is not the only ethical dilemma that financial institutions face in an atmosphere of corrupt corporate practice. These institutions are also concerned with commitment for sustainable development. A well-functioning finance sector in any country can contribute directly to a healthy economy. This sector plays an important role in a country's economic development. Increasingly, businesses are under pressure, often from activist non-governmental organizations, to take on specific corporate social responsibility obligations. Visser (2005) argued that CSR in developing countries represents the formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labor and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts.

Hossain and Haque (2005) found a significant statistical difference in sales revenue and in employee size between companies having environmental disclosure and companies not having environmental disclosure in Bangladesh. Similarly, the other powerful stakeholders that have significantly shaped the issues and brought these to public sentiment are the state regulatory bodies, media, NGOs in addressing social responsibility issues in banking sector (Jeucken, 2001; Bouna et al, 2001; Baron, 2000; Bhattacharya, 2004; Decker, 2004 Wilmshurst & Frost, 2000; Patten, 2002) and these stakeholders' strong engagements have the likely impact to be a main driver to revolutionize in CSR and CSR reporting practice. The traditionalists might see this as a conflict between a firm's “concerns for profits” versus its “concern for society,” but it is suggested here that this is an oversimplification. Masud (2011) found CSR practices are quite scant rather than profit.

Victoria and Mahboob (2009) explored the nature and extent of CSR reporting in the conventional banking sector in Bangladesh and to assess the need to improve CSR by such firms. Wise & Mahboob Ali (2010) further extend their work by concentrating to the nature and extent of corporate social responsibility disclosure in the banking sector in Bangladesh. Samina (2012) in her study 'Practice of Corporate Social Responsibility in Islamic Banks of Bangladesh' tried to find the present level of mandatory and voluntary CSR of the full fledged Islamic banks in Bangladesh.

Alam et al. (2010) Sharma (2011) in a study named 'CSR Practices and CSR Reporting in Indian Banking Sector' mention CSR recognizes an organization's commitment to operate in a socially responsible manner. But CSR activities of developing nations are not so rosy. Particularly in financial sector, there is an absence of stringent provisions regarding compliances and reporting CSR. Common CSR practices in Bangladesh by different organization are centered on mainly poverty alleviation, healthcare, education, charity activities, cultural enrichment, youth development, women empowerment, patronizing sports and music etc.

Data & Methodology

The study is exclusively a descriptive research and thus it is purely based on the information from secondary data sources. The data collected for the purpose of the study involve the examination of annual reports of selected NBFI's, documents,
Framework of CSR Areas

Under the SRO No. 270-Ain/2010, issued 01.07.2010 from the Government of the People’s Republic of Bangladesh, has specified 22 areas of CSR activities for enjoying 10% tax rebate. The areas include (1) Donation to organizations engaged in clean water management (2) Donations to organization engaged in afforestation; (3) Donations to organizations engaged in beautifications of cities; (4) Donations to organizations engaged in waste management; (5) Donations for redressing the hardships caused by natural calamities such as cyclone, earthquake, tidal wave and flood challenged through Government organizations; (6) Donations to organizations engaged in establishment and management of old persons homes; (7) Donations to organizations engaged in the welfare of mentally or physically handicapped persons; (8) Donations to educational institutions run for the purpose of the study.

Findings & Analysis

We now evaluate the CSR practices and disclosures of non-bank financial institutions on the basis of their extent of disclosures of contribution towards CSR activities and the profit after tax. Table 2 below shows the overall results found from the annual reports of 15 sample non-bank financial institutions the details of which are given in the appendix. The table shows the average results of contribution as CSR and net profit for a specific year as well as for the sample period as a whole.
Conclusions

With industrialization, the impacts of business on society and the environment assumed an entirely new dimension. For this, Corporate Social Responsibility has become a criterion of socially lawful business endeavor and the acceptance of it is growing day by day. Countries of developed economy have taken the idea of "Social Responsibility" with that of "Achieving Highest Profit." Through CSR activities corporate organizations can carry out social and philanthropic activities for furthering equitable and sustainable social development. The study revealed that the overall CSR activities of the sample NBFIs are very poor and most importantly contributions in the area of clean water management, forestation, waste management, and old person’s homes, accommodation for the slum dwellers, women’s rights and anti-dowry practices, birth control products etc. are totally absent though they have shown better concentration in education and health related CSR. As the above mentioned areas in which NBFIs have no contribution play significant role in the socio-economic development of the country, they must spend more in such areas. The contributions of the NBFIs towards the retention of our culture and heritage, to save environment and to encourage sports are not up to the mark. This study has found out that CSR activities so far are merely implemented for maintaining business policy without really nurturing social and generous intentions and social accountability. Hence, NBFIs should increase their contribution in those areas. To motivate the banks to contribute to society, the government provides tax rebate facility in limited areas which might be extended further to motivate them to contribute to the neglected areas. Again, NBFIs are mainly dependent on the customers for collecting and utilizing funds. So the customers should be more conscious about the CSR of NBFIs and they should prefer those companies which have higher contributions to CSR. It is also to be mentioned that the CSR disclosure is not mandatory in Bangladesh. As it is voluntary in nature, there is no specific guideline to disclose such activities in the annual report. Thus, Bangladesh Security and Exchange Commission (BSEC) should provide a guideline to be followed to disclose CSR related activities at least for the listed companies in Bangladesh. Since, CSR is very important, further study should be conducted for motivating companies to contribute in this area.

Using the above table, we can draw the following graph that shows the scenarios of CSR practices and disclosures of sample NBFIs in relation to their disclosed net profit in the respective years.

The above graph shows us that the CSR contributions of NBFIs are very insignificant in relation to their disclosed net profits. While they earn millions of profits, they do not contribute 1% of their profits to the society as CSR activities. It is very pathetic that despite being social units and despite exploiting social resources, the NBFIs are not taking care of the society in which they are operating. That is why CSR activities like other business activities should be made mandatory to certain percentage of profit or revenue, which may lead the NBFIs to report CSR activities in a better manner.

However, in recent years, the NBFIs are coming forward to the society with an increased amount of contribution as CSR. The following graph shows the recent tendency of CSR contribution of sample NBFIs.

The above graph shows us that the NBFIs are coming forward to serve their society with greater contributions as compared to earlier years. This may be due to the efforts of the Bangladesh Bank, the Government, and other regulatory and law enforcing authorities.
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Though utmost efforts have been given to reveal the sector wise CSR activities of the listed NBFIs in Bangladesh, exclusion of factors like how much they contribute in a specific area of CSR out of the total fund in that sector and the output derived from their contribution constrained the expected results of the study. In this regard, there is wide scope for future research to find the effect of CSR activities in the socio economic development of Bangladesh as well as survey can be conducted to explore the impact of such activities of NBFIs on their clients in choosing the NBFIs with good CSR performances.

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