

## **CORPORATE SOCIAL RESPONSIBILITIES (CSR) OF ISLAMI BANK BANGLADESH LIMITED (IBBL): A COMPARATIVE STUDY WITH BANKING INDUSTRY**

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### **ABSTRACT**

*As the pioneer of Welfare Banking Stream in Bangladesh and first Islamic Bank, Islami Bank Bangladesh Limited (IBBL) widens its contribution to Corporate Social Responsibilities (CSR) since inception. The objective of the paper is to assess the CSR contribution of IBBL and to show a comparative scenario of this contribution with the conventional banking industry. This paper encloses a literature review on the CSR activities from Islamic perspective with relevant information from Al-Qur'an and Al-Hadith and the sector-wise CSR activities of IBBL. This paper also incorporates findings which reflect IBBL's robust position among its competitors.*

**Keywords:** CSR, IBBL, IBI, Bangladesh

### **1. INTRODUCTION**

Corporate Social Responsibility (CSR) is gaining fast global acceptance as a standard to assume environmentally sustainable and socially equitable business practices. As the pioneer of Welfare Banking Stream in Bangladesh, IBBL has shown their heartiest activities in CSR obligations by establishing "Sadaqah Fund", which was mainly a charitable fund, on 4<sup>th</sup> July 1983. On June 01, 2008, Bangladesh Bank addressed a circular letter to the CEOs and MDs of all scheduled banks and financial institutions to incorporate CSR activities in their businesses (Rahman, 2013). By following this order, IBBL launched a separate division entitled "Corporate Social Affairs" on 16<sup>th</sup> July, 2009. This paper contains the concept of CSR both in conventional and Islamic perspectives, CSR activities of IBBL and comparative scenario in CSR contribution of IBBL and the overall banking sectors of Bangladesh.

### **2. OBJECTIVES OF THE STUDY**

The objective of the study is to assess the CSR activities of Islami Bank Bangladesh Limited (IBBL) in these sectors. The study also intends to make a comparative contribution in the banking industry.

### **3. METHODOLOGY OF THE STUDY**

The study used qualitative method. Secondary sources of data such as published reports of the scheduled banks and Bangladesh Bank's publication and circulations for CSR activities have been used to analyse, compare and find the results. The collected data from above mentioned sources were compared to the six sectors of CSR.

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#### 4. LITERATURE REVIEW

##### 4.1. Concept of CSR in Islamic Perspectives

CSR from the western perspective has evolved since more than half a century ago; meanwhile CSR from an Islamic perspective has just started to make an appearance in the modern literature for not more than a decade, although the features and traits discussed are already practiced since the era of our Rasul Allah (SAW) (Chapra, 2000; Nor & Austay, 2011). The Qur'an always links business success and economic growths which are highly influenced by ethical entrepreneurs in their business. Allah (SWT) said in the Qur'an: "*Give full measure when ye measure, and weigh with a balance that is straight: that is the most fitting and the most advantageous in the final determination*" (Surah al-Isra, 17: 35)

The Prophet Muhammad (SAW) said in a hadith narrated by Malik ibn Anas (RA): "*A worker/employee is entitled to at least get good food and clothing with a decent size and is not burdened with ability to work outside the limits.* (Muatta', 795, 2: 980)

The above hadith concludes that minimum wages should allow a worker or employee to obtain good food and feasible clothing, reasonable amount for himself and his family without having to work hard.

Dusuki (2008) proposed CSR as a 5-level continuum labeling Irresponsible, Minimalist, Apathetic, Tactical and Taqwa-Centric (for details, see Table 1 in the Appendix ). This should naturally manifest in business activities as well as their relationship with their all stakeholder (Hossain & Siwar, 2009). These supplementary elements are rububiyyah (oneness of Allah (SWT)), *ukhuwwah* (brotherhood), *adl* (justice) and *tazkiyyah* (purification and development) (Nor & Austay, 2011) which create a sense of belongings that motivates and guides our attribute of love, passion and justice among each other (Iqbal, 2005; Yousri, 2005:). Allah (SWT) says: *It is He (Allah) who hath made you (His) agents, inheritors of the earth: He hath raised you in ranks, some above others: that He may try you in the gifts He hath given you: for thy Lord is quick in punishment: yet He is indeed Oft-forgiving, Most Merciful.* (Al Qur'an 6: 165).

##### 4.2. Concept of CSR in Islamic Banking

Yusuf and Bahari (2011) identified Six criteria's of CSR in Islami Banking Institutions (IBI), namely, (1) *Shari'ah* compliance; (2) equality, (3) responsible in work; (4) guarantee of welfare; (5) guarantee of environmental sustainability and (6) Charity for preservation of virtue. Each criterion has an impact on the stakeholders; and each criterion is based on the principles derived from al-Qur'an and *al-Sunnah*. Six criteria for CSR at IBI are to ensure operational terms and implement *shari'ah* correctly (Khan and Karim, 2010). The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) issued its Governance Standard No.7 entitled Islamic Finance CSR Survey (Dinar standard, 2011) that deals with guidelines for Islamic Financial Institutions on CSR which include

- 1 Screening clients
- 2 Responsible dealing with clients
- 3 Earnings and expenditures prohibited by Shari'ah
- 4 Employee welfare
- 5 *Zakah*
- 6 *Quard Hasana*
- 7 Reduction of adverse impact on environment

- 8 Social, development and environment based investment quotas
- 9 Customer service
- 10 Micro, small business and social savings & investments
- 11 Charitable activities
- 12 *Waqf* Management

### 3. ANALYSIS AND FINDINGS

To date, IBBL engages itself in vast CSR activities. Though these activities are now termed CSR as per the Bangladesh Bank Rules, but the obligation to the stakeholders is the main aim of IBBL. The CSR program of IBBL aims at the welfare and well-being of the people of the earth, the planet itself and all its stakeholders. Keeping that in view, IBBL designs its CSR program in 3Ps. P1- People, P2-Planet and P3- Profit. CSR activities of IBBL can be classified as shown in the figure below:

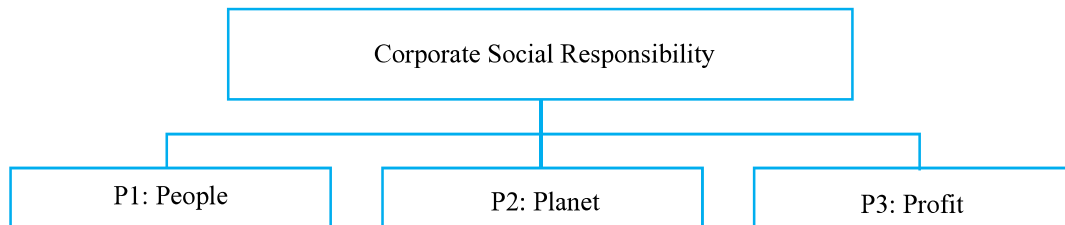


Figure 1: CSR activities of IBBL

According to the policy of Bangladesh Bank, there are seven sectors of CSR activities, which are: Disaster Management, Education, Health, Sports, Arts and Culture, Environment and others. Percentage of CSR contribution by IBBL is given below from 1983-2013 timeline:

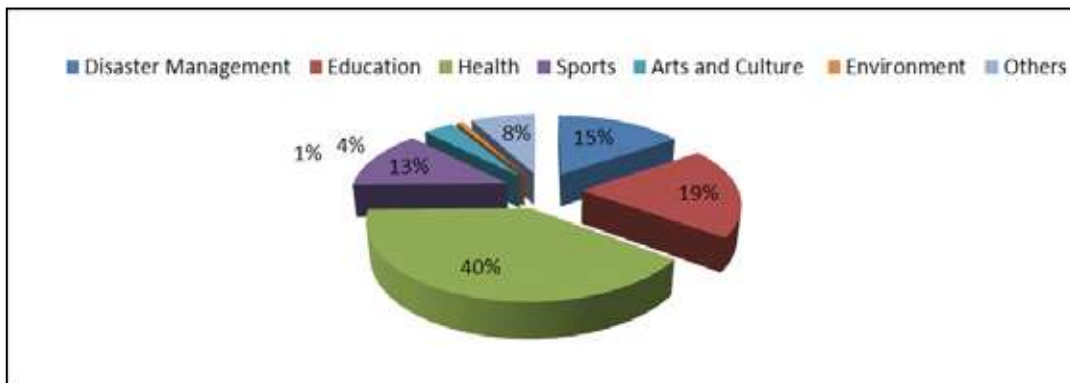


Figure 2: Percentage of IBBL’s contribution on various categories from 1983 to 2013

Sector-wise contribution in the Corporate Social Responsibilities (CSR) of Islami Bank Bangladesh Limited (IBBL) is discussed below (for categorize contribution amount, see Table-2 of the appendix).

**a) Humanitarian and Disaster Relief:** As a corporate citizen, IBBL always be with the people who are direct sufferers from disasters by offering special deposit and investment scheme. From 1983 to 2013, Bank has contributed BDT 531.49 million for 1,495,923 vulnerable persons. CSR contribution in 2013 was significantly higher than in 2012, because of Rana Plaza debacle. Because of Savar Rana Plaza Tragedy, unlike in preceding years, CSR

initiatives of banks in 2013 mainly focused on emergency relief in humanitarian distresses. As the market leader of Banking Business, IBBL made the leading. According to the website of Islami Bank Bangladesh Limited, IBBL donated BDT 5 Crore in the Prime Minister's Relief Fund, for supporting Rana Plaza Disaster Support contribution.

**b) Education:** IBBL's contribution in educational sector is significant since its inception. So far up to 2013, Bank has contributed BDT 628.37 million. In 2013, IBBL's contribution was BDT 135.26 million which was 1.50 times higher than 2012. Every year IBBL has been providing scholarship to the very poor 800 students (400 in HSC and 400 in Graduation level) securing GPA 5 in SSC & HSC examinations under its direct Scholarship program. The Scholarship is provided to the students @ BDT 1,000/- & BDT 1,500/- per month for 2 years & 3 to 5 years for HSC & Graduation level respectively. In addition, scholarship is allowed to 400 meritorious but poor students in different educational institutions. In this regard, IBBL spent an amount of Tk.28.33 million in favour of 1800 students in 2013. A 10 years plan has been taken up where 10,800 students will enjoy the scholarship of Tk. 356.22 million.

**c) Health:** In its 30 years of operations, IBBL has contributed BDT 1074.76 million. In 2013 Bank contributed BDT 71.50 million which is 1.5 times higher than 2012. Moreover, IBBL takes long term steps in order to develop medicare systems of the country. IBBL established 7 (seven) fully owned hospitals and 7 (seven) community hospitals of total 1032 beds creating employment of 353 doctors, 582 nurses and 2932 other employees. A number of Charitable Dispensaries, Arsenic Mitigation Program, Circumcision Camp, Mobile Eye Camp and Midwifery Training Program also operated by IBBL for developing health sector of the country.

**d) Sports:** IBBL has contributed BDT 100 million in order to beautify Dhaka City during the Cricket World Cup-2011 (The Daily Sun, 2011). In that year, IBBL contributed BDT 248.75 million, which was the largest amount among banks' CSR in Sports sector occupying 69 percent, though it was steep fall in the next year. However, in 2013, Bank contributed BDT 78.97 million.

**e) Art and Culture:** To promote neat and clean cultural environment and to reduce the aggression of nasty culture, Bank establishes "Bangladesh Cultural Center" in 1997 which have 32 centers all over the county. In this sector, IBBL has contributed BDT 5.86 million in 2012.

**f) Environment:** To provide better environment, IBBL is very concern since its inception. In order to reduce wastages, recycle and reuse of materials. IBBL encourages employees to use both page of a paper, use of power saving utilities, minimal to no wastage in electricity, water etc. IBBL contributed BDT 22.94 million for environmental purpose. In addition, Bank 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. Bank is committed to ensure installation of biomass processing plants, waste recycling plants and Effluent Treatment Plants (ETPs) in the financed projects. Moreover, bank also educate and encourage employees to be sensitive to the environment both inside and outside of the office.

**g) Others:** IBBL has contributed lots of welfare works, e.g., supply foods as a *Tohfa* to impoverish and *Alim* families worth BDT 53.39 million. On behalf of the government of Kingdom of Saudi Arabia and Islamic Development Bank, Bank distributed Qurbani Meats worth BDT 3.53 million. Bank contributed BDT 21.73 million on the other category of CSR.

In order to ensure women empowerment with careful view of not violation of Islami *Shari'ah*, IBBL contributes the following activities:

- i. To encourage husbands for paying Muhorana easily IBBL launches “Mudaraba Muhor Savings Account (MMSA)”.
- ii. Under Rural development program, Bank encourages impecunious women to save BDT 10 every week.
- iii. IBBL starts “Women Entrepreneurship Investment Scheme” for encouraging women entrepreneurship.
- iv. Total number of Rural Development Programs are 517398; of them 87 percent are women.
- v. Under the heading of Islami Bank Hospital and Islami Bank Community Clinic, IBBL facilitates Gynaecology & Obstetrics in order to develop qualified and efficient gynae in the country.

### 5.1. Comparative Scenario of CSR contribution:

The table 3 shows a sector-wise pattern of CSR contribution of the banking sector and the percentage of IBBL out of them.

**Table 3: Trends of Sector-wise Pattern of CSR Expenditure (BDT in million)**

Categories	2012			2013		
	Banking sector	IBBL	Percentage of Contribution	Banking sector	IBBL	Percentage of Contribution
Education	788.37	83.8	9	1385.83	135.26	10
Health	983.69	39.75	9	1295.18	71.50	5
Humanitarian and Disaster Relief	435.43	87.93	11	481.68	140.10	29
Sports	183.85	1.61	1	384.02	78.97	21
Arts and Culture	213.31	8.24	4	124.75	5.86	5
Environment	140.23	12.48	9	106.59	22.94	22
Others	301.81	75.38	25	693.41	21.79	4
Total	3046.69	238.42	10	4471.49	476.42	11

Source : Annual Report of 2013, IBBL, pp 114

From the table above, it can be stated that, IBBL showed a significant figure in contributing Humanitarian and Disaster Relief sector, especially the enormous contribution in the Rana Plaza Catastrophe. Significant growth percentage also showed in the Sports sector. However, IBBL reduced their contribution in “Arts and Culture” and “Others” sector than previous years.

In order to represent comparative scenario of IBBL’s CSR contribution with the overall banking industry, the study made the list of top 10 CSR contributors based on the information available in the Bangladesh Bank’s CSR Activities Review, 2013 which are given below:

**Table 4: Top 10 CSR contributors in 2013 (BDT in million)**

Dutch-Bangla Bank Ltd.	785.4
<b>Islami Bank Bangladesh Ltd.</b>	<b>476.4</b>
Janata Bank Ltd.	426.8
EXIM Bank Ltd.	392.6
Prime Bank Ltd.	257.2
Bank Asia Ltd.	207.3
HSBC	133.8
Trust Bank Ltd.	130.2
First Security Islami Bank Ltd.	126.9
Standard Chartered	101.2

IBBL stood at the second position in the contribution of CSR. Sector-wise contribution in the CSR by the top performers in comparing with IBBL are discussing below:

As a part of CSR contribution in “Education”, Banks offer numerous scholarships, financial assistantship to the students. Out of them, Dutch Bangla Bank Limited (DBBL) was the top performer in contributing CSR activities in education worth BDT 353.43 million. However IBBL stood second with BDT 135.26 million; followed by EXIM Bank Ltd (BDT 98.1 million) and Janata Bank Limited (JBL) (BDT 79.53 million).

In “Health” sector, Banks provide charity clinic, free medical camp, free medicine to the impoverished people. In 2013, Bank Asia Limited stood in the top position with the contribution amount of BDT 72.53 million and IBBL had just a million short than it. IBBL’s contribution was BDT 71.50 million, followed by DBBL (BDT 54.98 million) and JBL (BDT 38.06 million).

In 2013, Banks contributed a lot in the Savar Rana Plaza disaster. DBBL contributed BDT 204.20 million and stood highest, followed by EXIM Bank Limited (BDT 166.2 million). Islami Bank Bangladesh Limited, however, stood in the third position (BDT 140.10 million), albeit, praised by the government to contribute in the Prime Minister’s Charitable and Welfare Fund.

Banks has been considered by the Sports authorities to get a handsome sponsor and Banks, in return, satisfy them at a great extent. In 2013, IBBL stood first position with the contribution of BDT 78.97 million and maintained a significant distance than their main competitors in CSR field. EXIM Bank Limited contributed BDT 31.2 million and JBL contributed BDT 10 million.

To promote a congenial Arts and Cultural environment and to prohibit vulgar contents in the society, Banks contribute in the Art and Culture sector a lot. JBL contributed the most in this sector among others worth BDT 20.31 million; followed by DBBL (BDT 15.71 million) and IBBL (BDT 5.86 million) in 2013.

Banks now promote environment-friendly components in the society to protect environment. In addition to promote Green Banking activities, Banks also contribute in the environmental causes. DBBL contributed BDT 70.68 million in the environment sector followed by JBL (BDT 39.76 million) and IBBL (22.94).

In addition to the abovementioned sectors, Banks contributed in the miscellaneous sectors as CSR contribution. Exim Bank Limited stood highest in this sector with BDT 78.1 million and DBBL contributed BDT 70.68 million. IBBL came into the third position with BDT 21.79 million, followed by JBL (BDT 7.85 million).

Percentage of contribution in the overall CSR is represented here in a diagram.

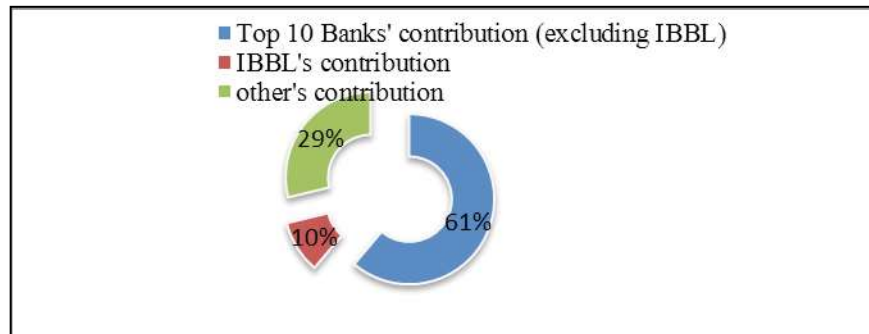


Figure 3: Percentage of comparative contribution in the overall CSR on 2013

#### 4. CONCLUSION AND RECOMMENDATIONS

As a pioneer of Welfare Banking, Islami Bank Bangladesh Limited (IBBL) chooses the best activities which is good for society and also in accordance with the Islamic Shariah. Before initiation of CSR Regulation by Bangladesh Bank, by their moral and ethical contributions, IBBL established *Sadaqah* fund, Islami Bank Foundation, Islami Bank Hospital, Islami Bank Community Clinic, Islami Bank Institute of Technology and so on. The study concluded that, IBBL is a good performer in contributing all CSR sectors and held a significant position in the previous year than their competitors. The study recommends that, IBBL should contribute more in the Education sector for ensuring quality educational infrastructure. As a leading Bank of the country, Islami Bank Bangladesh Limited (IBBL) can contribute more in the society and termed as a role model in the field of Corporate Social Responsibility (CSR). Moreover, the study has been conducted fully based on secondary data in nature and largely dependent on the published reports available on online sources. Further research could be on what are the motives of the Islamic Banks for contributing in the CSR fields, how they select sources of contribution and the extent of complying Islamic *Shari'ah* principles in doing CSR activities. Research might be on how CSR can ensure a sustainable environment for the betterment of the society.

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## APPENDIX

**Table 1 Description of Corporate Social Responsibility Continuum**

Level	Descriptions
Level 1: Irresponsible	This is an extreme situation depicting a firm's behaviour, which is irresponsible and even breaches the minimum moral standards required by law. Such actions vary from fraud, misrepresenting accounting statements, false advertising, dumping toxic waste in residential areas, violating employees' protection laws and rights such as health, safety, pay, work hours etc., to damaging environment and abusing other human rights. Many recent scandals and fiascos illustrate this point well, e.g. Enron, WorldCom, Xerox Corp., Arthur Anderson etc.
Level 2: Minimalist	Firms in this category are complying with the minimum requirement of legislation i.e. discharging its legal responsibility and playing by the 'rules of the game' as advocated by Friedman (1967 and 1996). Beyond the legal compliance, they engage in few or no activities that might be labelled voluntary CSR or more specifically those activities, which are considered altruistic or philanthropic by Carroll (1979 and 1991). The only primary objective of such companies is to maximize profits or shareholders' wealth.
Level 3: Apathetic	Companies at this level operate within the ambit of the law, at the same time are committed to the mandatory ethical responsibilities i.e. conduct business morally, doing what is right, just and fair, and avoiding harm (Lantos, 2002). Their participation in other social responsibility activities like being altruistic and philanthropic is usually minimal, piecemeal, and with mixed motives. In some cases the motive may be profit-oriented such as adding employees benefits to attract and retain highly skilled employees; in other cases, it may be personal, such as contributing to an owner's favourite charity (Johnson, 2003). Hence, we could label such behaviour as apathetic or indifferent in the sense that there is no strategic effort on the part of the firm to engage in the CSR activities.
Level 4: Tactical	Companies in this category fulfill their social responsibilities, including the philanthropic or altruistic responsibilities such as making voluntary contributions to society, giving time and money to good works, which they perceive can give benefits to the firm in the long run, through positive publicity and goodwill, hence enhancing the companies' reputation and eventually securing long-term profits. This corresponds to the strategic/instrumental CSR doctrine as advocated by Burke and Logsdon (1996); Quester and Thompson (2001); Windsor (2001); Lantos (2001 and 2002); Johnson (2003); Husted (2003); Greenfield (2004); Garriga and Mele (2004); and others.

Level5: Taqwa-centric	Companies at this level manifest their social responsibilities based on the belief that a company should be socially responsible regardless of the financial consequences, positive or negative. This belief is enshrined in the Islamic worldview, guided by Shari'oh. Their commitment to societies is the manifestation of the taqwa-paradigm or God-consciousness, which also reflects their comprehension of the Islamic principles such as vicegerency or trusteeship and justice. This is the highest order moral position representing the Islamic view of CSR.
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**Source:** Dusuki, Asyraf Wajdi (2008). *What Does Islam Say about Corporate Social Responsibility?* International Association for Islamic Economics, Review of Islamic Economics, Vol. 12, No. 1

**Table 2: Categorize CSR Contributions (1983-2013) (BDT in Million)**

Sector	1983-2012		2013		Total	
	Amount	beneficiary	Amount	beneficiary	Amount	beneficiary
Education	493.11	495923	135.26	7756	628.37	503679
Health	1003.26	6924427	71.50	95255	1074.76	7019682
Humanities and Disaster Relief	391.39	1241845	140.10	254078	531.49	1495923
Sports	323.19	414404	78.97	7	402.16	414411
Arts and Culture	96.36	229725	5.86	21	101.22	229746
Environment	21.68	509065	22.94	592722	43.26	1101787
Others	198.21	209882	21.79	768	220.90	210650
Total	2525.74	10025271	476.42	950607	3002.16	10975878

**Source :** Annual Report, IBBL, pp 116