

**CONTRIBUTION TO CORPORATE SOCIAL RESPONSIBILITY (CSR) EXPENDITURES AS OF  
EARNINGS AFTER TAX (EAT) BY NON-CONVENTIONAL COMMERCIAL BANKS OF  
BANGLADESH LISTED ON DHAKA STOCK EXCHANGE (DSE)**

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**Abstract**

Corporate Social Responsibility (CSR) plays a significant role in promoting values both locally and internationally and is typically perceived as a developed-country phenomenon, is an essential and indispensable component of the long-term company and sustainable growth and success. For an organization to prove its sustainability, CSR is crucial. Customers will have a favorable perception for an organization if it practice CSR. CSR attempts to hold businesses accountable for their deeds and to encourage good effects on the environment and stakeholders, such as customers, employees, investors, communities, and others. The author's goal in writing this paper is to examine the well-being performances of the non-conventional commercial banks operating Bangladesh that are listed on the DSE and to discuss CSR and related topics. This article aims to determine the extent to which the non-conventional commercial banks in Bangladesh carry out their CSR initiatives as of their net profit for the well-being of the society and human. In this research paper secondary data are gathered from the annual reports of the aforementioned institutions for more than a few years.

**Keywords:** CSR, Non-conventional Commercial Banks, EAT, CSR Expenditures, DSE, Bangladesh Bank.

**I. Introduction:**

Corporate social responsibility (CSR) is a crucial component of long-term company success and sustainable growth. It plays a significant role in advancing values both locally and globally. CSR refers to a company's aim to operate ethically and in ways that are beneficial to the organization, society, and environment. As a concept, corporate social responsibility (CSR) refers to how businesses voluntarily incorporate social and environmental considerations into their daily operations and interactions with stakeholders. In fact, businesses in developed economies have switched from the traditional "Profit Maximizing Approach" to the "Social Responsibility Approach," where businesses are responsible not only to their stakeholders but also to society as a whole in a broader inclusive sense. The Sustainable Development concept, which is based primarily on a healthy stakeholder's approach, needs to be employed CSR as a social stance. Non-conventional banking firms have a responsibility to their stakeholders as well as the communities in which they work and live as a responsible institution and a Corporate Citizen of the nation. Integrated into a company model, corporate social responsibility (CSR) is a type of corporate self-regulation. A built-in, self-regulatory system, CSR policy enables business to actively comply with the letter and spirit of the law, moral principles, and international conventions. The aim of CSR is to support good impacts on the environment, customers, employees, communities, stakeholders, and all other members of the public sphere through the company's operations.

The concept of corporate social responsibility (CSR) is essential to modern enterprises. In Bangladesh's current banking industry, it has now developed as a rising practice for long-term sustainable strategy. The

CSR movement has garnered significant pace over the past few years and is currently one of the most talked-about issues by the government, non-government organizations, and industry itself.

CSR is thought to be the source of Bangladesh's banking industry's new competitive edge. The banking industry is currently quite competitive, especially in the private commercial banking sectors. CSR is one of the key tools used by their adversary to take advantage of this competitive edge. The private commercial banks in Bangladesh, in particular, use CSR not only to strengthen community ties but also as a source of considerable economic advantage.

## **II. Objectives of the Study:**

The primary objective of the study is to enhance the practical knowledge about the specific areas of the CSR activities of non-conventional banking sector in Bangladesh. To attain the primary objective following specific objectives were pursued:

- ❖ To review theoretical aspects of CSR.
- ❖ To observe and analyze the total contribution on CSR activities of non-conventional banks in BD.
- ❖ To examine the CSR expenditures comparing with the total net profit of the non-conventional banks in BD.

## **III. Methodology of the Study:**

This is a qualitative study and findings are based on examinations of published reports, consultation with bank officials, and discussions with academicians and experts. Published literature, research papers, annual reports, and websites of different commercial banks and central bank of BD, and sustainable development organizations were reviewed to form theoretical base of the paper. All of the listed non-conventional commercial banks operating in Bangladesh are considered in this study and uses data for the period ranging from 2016 to 2021.

## **IV. Literature Review:**

The research acknowledges that CSR practices vary from nation to nation. Corporate social responsibility is not the only ethical conundrum that financial institutions face in an environment of dishonest business behavior, according to Azim et al.'s (2011) paper "Corporate Social Disclosure in Bangladesh: A Study of the Financial Sector". Surveys of CSR practices in western nations by Gray et al. (2001) show that businesses prioritize sharing human resource data, such as staff numbers and pay, equal opportunity, employee stock ownership, disability policies, and employee training.

According to Mittal et al. (2008), CSR views society, the environment, and ethics as integral components of a strategy that can boost a company's competitive position. Instead of just protecting the interests of the stockholders, CSR protects those of all stakeholders. A company can increase its competitiveness, mitigate the danger of losing market shares, and create a foothold in new markets by investing in CSR (Jones 1996).

CSR benefits everyone. According to studies, actions that benefit the environment, employees, and community also benefit the business's financial performance. The advantages of CSR practice include: improved financial performance, reduced risk exposure, identification of new products and markets, improved brand image, increased customer loyalty, improved recruitment and retention performance, creation of new business networks, motivated employees, improved trust, community development, improved corporate reputations, improved government relations, reduced costs through environmental best practice leading to more sustainable profitability (Hoque 2008; Rahman 2011).

Lord Sieff, a former chairman of Marks & Spencer plc, is quoted by Cannon (1992) as saying, "Business only fully contributes to a society if it is efficient, profitable, and socially responsible." Therefore, firms must participate in CSR initiatives for their own benefit.

Through its financial intermediation, the financial services sector significantly contributes to the promotion of sustainable development. Banks can have a significant impact on how businesses operate by producing, allocating, and pricing financial resources. Banks should concentrate on the borrower's CSR activities while financing projects.

Habib et al. (2007), banks' CSR initiatives should also make sure that they actively support social and environmental advancements by providing incentives that encourage better social or environmental practices. Examples of such incentives include giving credits to businesses with a track record of social and environmental responsibility at lower interest rates.

According to the World Bank (2020), CSR is the responsibility of businesses to generate sustainable financial growth through collaboration with employees, their families, the local community, and humanity in a way that enhances their standard of living and consequently promotes trade and expansion.

In a paper titled "Corporate Social Responsibility of Multi-National Corporations in Bangladesh: A Case study on Grameen Phone," Alam, S.M.S., et al. (2010) noted that CSR is still an evolving concept that allows corporate executives to develop and implement self-determined policies to best satisfy its stakeholders' needs and demands. In order to maintain consistent CSR performance through worldwide operations, it is necessary to transfer not just the CSR exercise but also its core importance and value.

The growing tendency towards CSR Initiatives is attributed to a number of factors, including greater market pressure on social and ethical issues, regularity pressure, improved communication power, etc., according to Dusuki and Dar (2005). The main areas of focus for CSR activities carried out by various organizations in Bangladesh are poverty reduction, healthcare, education, charitable activities, cultural enrichment, and youth development.

'Social Responsibilities of the Businessman' is how Bowen, H. (1953), defined his works. CSR is a responsibility to pursue policies, make choices, or follow courses of action that are desirable in light of our society's goals and values. According to the World Business Council for Sustainable Development (WBCSD), CSR refers to an organization's commitment to working with its employees, their families, the community, and the entire society to improve quality of life.

According to Baker (2003), corporate social responsibility (CSR) relates to how businesses manage their business processes such that they have a beneficial social impact. According to Kok et al. (2001: p. 287), CSR is the responsibility of the company to use its resources in ways that benefit society through committed participation as a member of society, taking into account the welfare of society at large, and improving it independently of the company's direct financial gains. According to Edi, I.I. and Etu, I.I. (2011), CSR is a common and significant concern for all corporate firms nowadays. Every company strives to engage in CSR activities, but private commercial banks in Bangladesh particularly try to uphold the CSR.

According to the World Bank (2002), corporate social responsibility (CSR) is the obligation of businesses to promote sustainable economic growth through collaboration with workers, their families, the community, and society in a way that improves their standard of living and, as a result, promotes successful business and development. CSR is a business organization's configuration of social responsibility principles, social responsiveness processes, policies, programs, and observable outcomes as they relate to the firm's society relationships, according to Wood (1991: p. 693). Through the company's operations, CSR seeks to have a good impact on society and the environment.

Azad et al. (2010) argued in their paper titled "Assessment of CSR Performances in Some Selected Commercial Banks in Bangladesh" that CSR is the process by which businesses transparently and accountable integrate social, environmental, and economic concerns into their values, culture, decision-making, strategy, and operations. and construct better business methods, generate money, and advance society as a result. There are five main factors, according to Ernst and Young (2002) that support the growing business emphasis on CSR. The following are some of them: (1) enhanced stakeholder awareness of business ethical, social, and environmental behavior; (2) direct stakeholder pressures; (3) investor pressure; (4) peer pressure; and (5) an elevated feeling of social responsibility.

According to Panwar et al. (2006), there are many different reasons why organizations implement CSR. CSR improves both the business and the community, according to Mackey & Bernstein (2004). The best personnel can be attracted thanks to CSR, and employee motivation will continue to be high levels. CSR actions are beneficial for society. From a strategic marketing perspective, Girod and Bryane (2003) claim that CSR is "a critical tool to generate, develop, and sustain differentiated brand names. According to Mackey & Barney (2005), in order to reap the potential rewards, a corporation must meet the minimal CSR standards. It might have a favorable impact on the profitability and value of the business.

The study comes to the conclusion that CSR is crucial to improving a company's reputation and contributing to society. Studies have undoubtedly been done on a variety of topics, including their effects on society, banks' performance, and values. The banks hope to get certain advantages from taking part in CSR. It presents an opportunity to boost staff retention, performance, and reputation. The focus of the current study is on how CSR initiatives benefit banks and society.

Corporate social responsibility is a global issue today. Regrettably, despite the fact that it continues to be extensively seen internationally, Bangladesh lags behind affluent nations in this area. Without the support of the business community, sustainable growth is not conceivable.

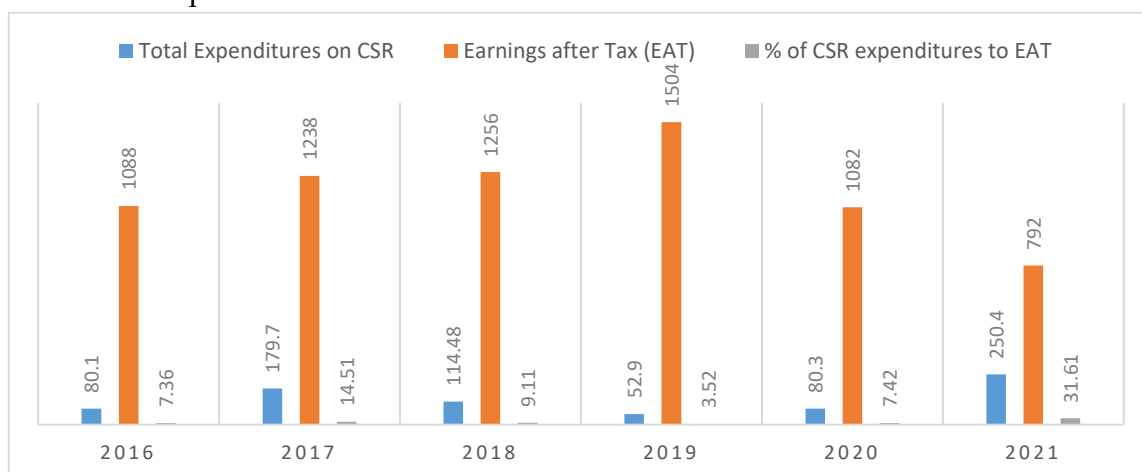
## V. Analysis:

### 1. Total Earnings and CSR expenditures of Al-Arafah Islami Bank Ltd:

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	105.30	157.40	121.57	78.62	284.14	149.60
Earnings after Tax (EAT)	3349.40	3169.50	2456.80	2427.63	2571.81	2126.44
% of CSR expenditures to EAT	3.14	4.97	4.95	3.23	11.04	7.35

Amount in Million BDT

Data source: Annual Report and Author's own calculation.



**Figure: % of CSR expenditures to EAT of Al-Arafah Islami Bank Ltd.**

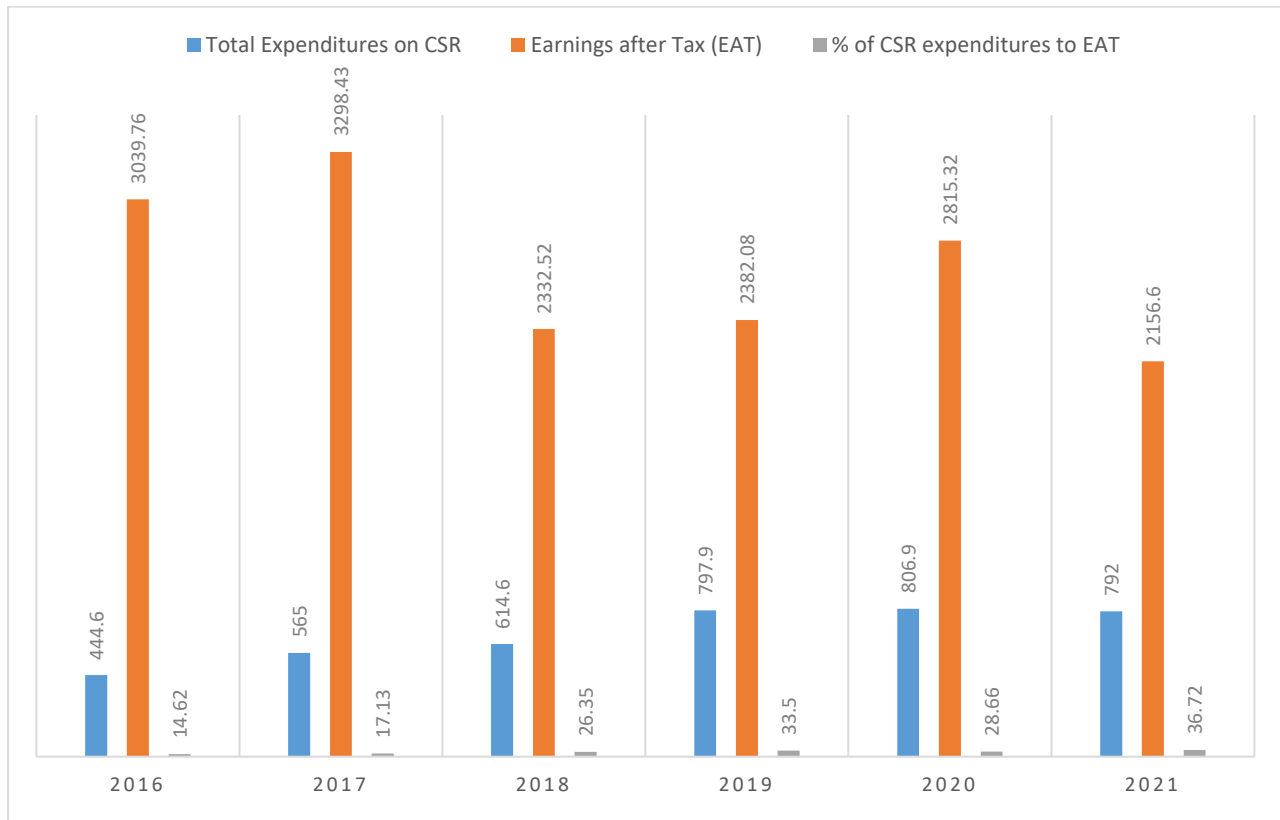
In the graph it is seen that EAT is maximum in the year 2019 and maximum CSR expenditures are incurred in the 2021. On the basis of percentage of CSR expenditures to EAT is also incurred in the year 2021.

**2. Total Earnings and CSR expenditures of Export Import (EXIM) Bank Ltd:**

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	444.6	565.0	614.6	797.9	806.9	792.0
Earnings after Tax (EAT)	3039.76	3298.43	2332.52	2382.08	2815.32	2156.60
% of CSR expenditures to EAT	14.62	17.13	26.35	33.50	28.66	36.72

Amount in Million BDT

Data source: Annual Report and Author’s own calculation.



**Figure: % of CSR expenditures to EAT of Export Import (EXIM) Bank Ltd.**

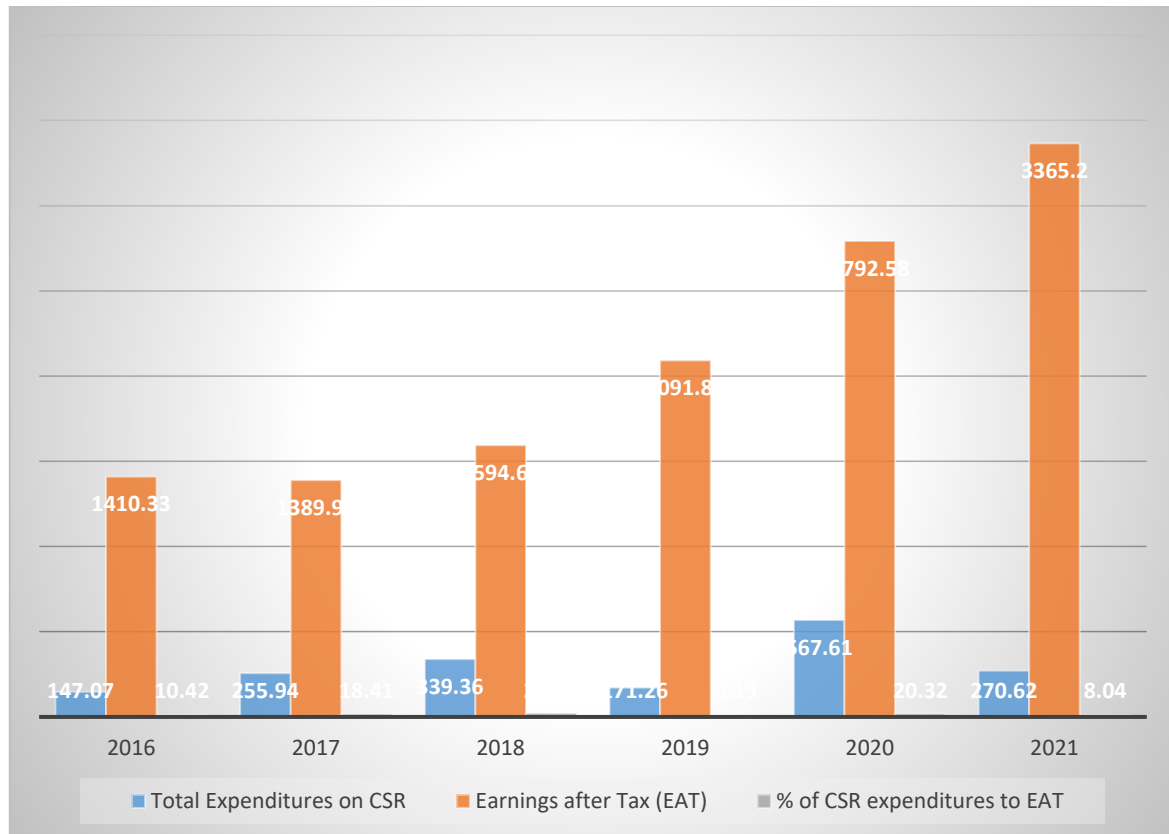
In the figure it is seen that based on percentage of CSR expenditures to EAT, in the year 2021 the highest expenditures are incurred though total earnings in that year is reduced compare to other financial years.

### 3. Total Earnings and CSR expenditures of First Security Islami Bank Ltd:

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	147.07	255.94	339.36	171.26	567.61	270.62
Earnings after Tax (EAT)	1410.33	1389.92	1594.66	2091.89	2792.58	3365.20
% of CSR expenditures to EAT	10.42	18.41	21.24	8.19	20.32	8.04

Amount in Million BDT

Data source: Annual Report and Author's own calculation.



**Figure: % of CSR expenditures to EAT of Export Import (EXIM) Bank Ltd.**

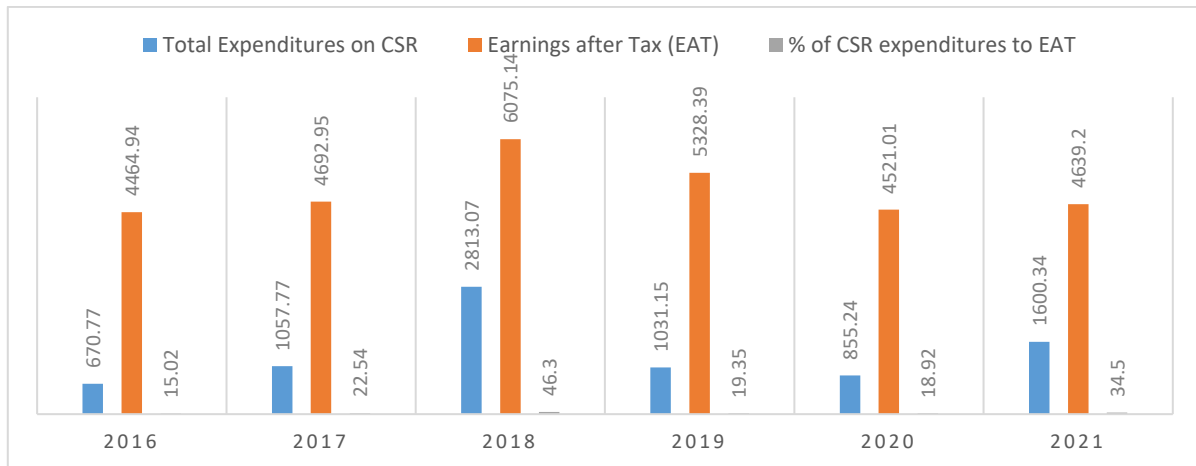
The figure shows that the highest CSR expenditures are incurred in the year 2020 is BDT 567.61 Million though the highest EAT is earned in the year 2021. In the year 2021 EAT is increased but CSR expenditures are decreased.

### 4. Total Earnings and CSR expenditures of Islami Bank Bangladesh Ltd (IBBL):

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	670.77	1057.77	2813.07	1031.15	855.24	1600.34
Earnings after Tax (EAT)	4464.94	4692.95	6075.14	5328.39	4521.01	4639.20
% of CSR expenditures to EAT	15.02	22.54	46.30	19.35	18.92	34.50

Amount in Million BDT

Data source: Annual Report of IBBL and Author's own calculation.



**Figure: % of CSR expenditures to EAT of Islami Bank Bangladesh Ltd (IBBL):**

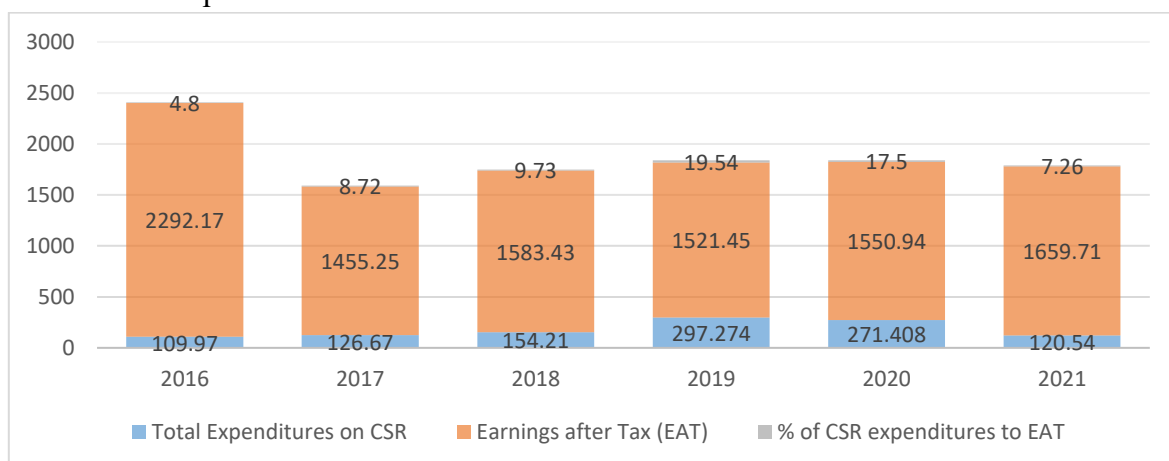
In the figure it is observed that in the year 2018 the bank earned highest income in and also incurred highest expenditures for CSR. Based on % of CSR expenditures to EAT, in the year 2018 maximum 46.3% expenditures are incurred.

#### 5. Total Earnings and CSR expenditures of Social Islami Bank Ltd (SIBL):

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	109.97	126.67	154.21	297.274	271.408	120.54
Earnings after Tax (EAT)	2292.17	1455.25	1583.43	1521.45	1550.94	1659.71
% of CSR expenditures to EAT	4.80	8.72	9.73	19.54	17.50	7.26

Amount in Million BDT

Data source: Annual Report of IBBL and Author's own calculation.



**Figure: % of CSR expenditures to EAT of Social Islami Bank Ltd (SIBL)**

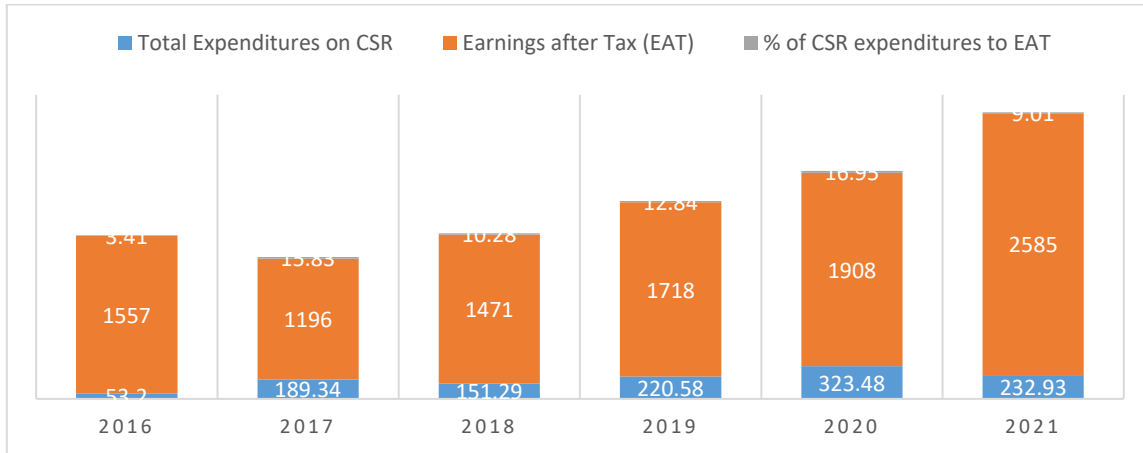
The figure shows that EAT of SIBL is maximum in the year 2016 and maximum CSR expenditures in the year 2019. Only a nominal amount is incurred for CSR expenditures.

**6. Total Earnings and CSR expenditures of Shahjalal Islami Bank Ltd (SJIBL):**

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	53.2	189.34	151.29	220.58	323.48	232.93
Earnings after Tax (EAT)	1557	1196	1471	1718	1908	2585
% of CSR expenditures to EAT	3.41	15.83	10.28	12.84	16.95	9.01

Amount in Million BDT

Data source: Annual Report of SJIBL and Author’s own calculation.



**Figure: % of CSR expenditures to EAT of Shahjalal Islami Bank Ltd (SJIBL).**

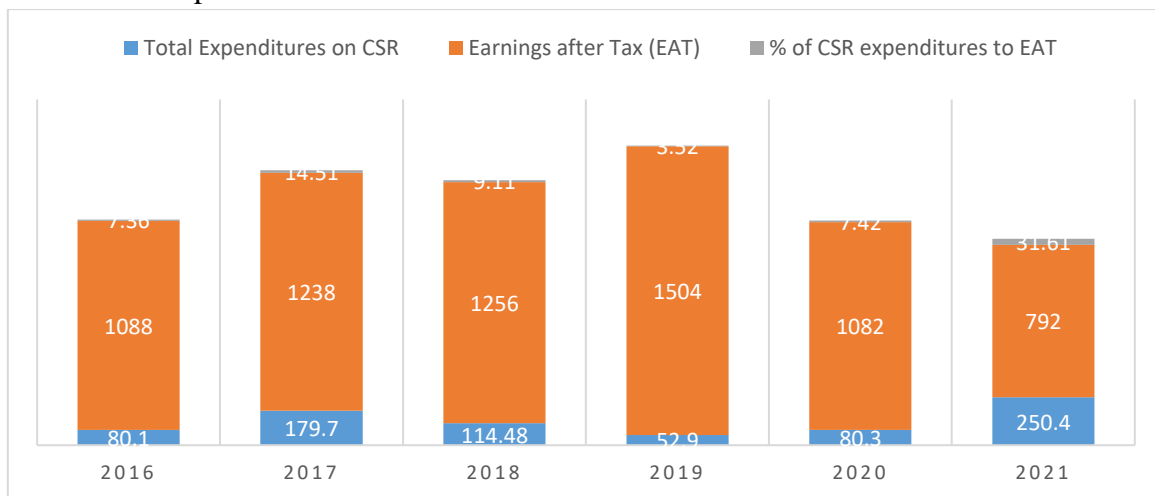
SJIBL has incurred maximum CSR expenditures in the year 2020 though the EAT is highest in the year 2021. Based on % of CSR expenditures to EAT only a nominal amount is incurred for CSR purpose.

**7. Total Earnings and CSR expenditures of Standard Bank Ltd:**

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	80.10	179.7	114.48	52.9	80.3	250.4
Earnings after Tax (EAT)	1088	1238	1256	1504	1082	792
% of CSR expenditures to EAT	7.36	14.51	9.11	3.52	7.42	31.61

Amount in Million BDT

Data source: Annual Report of Standard Bank Ltd and Author’s own calculation.



**Figure: % of CSR expenditures to EAT of Standard Bank LTD.**



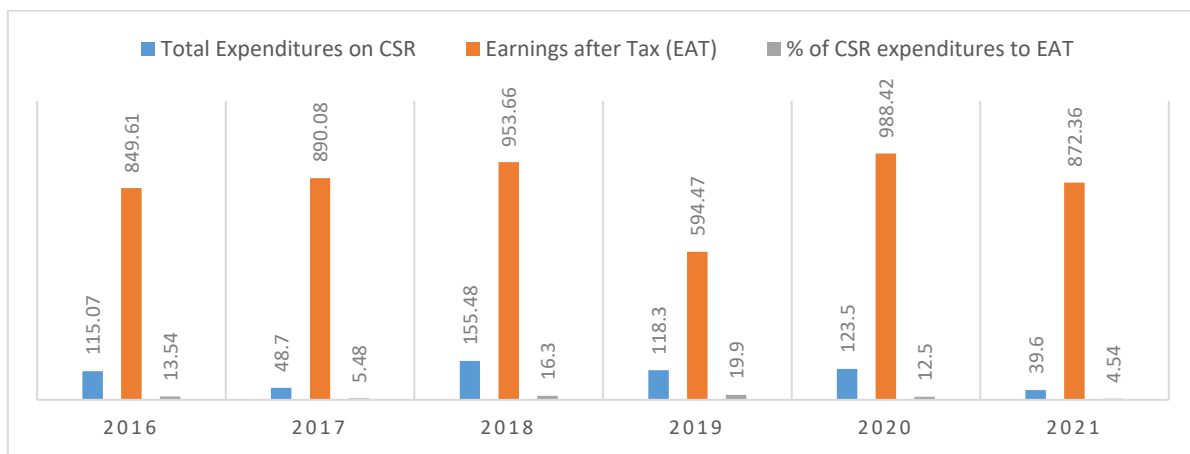
The figure shows that EAT of Standard Bank Ltd is maximum in the year 2019 and maximum CSR expenditures in the year 2021. Only a nominal amount is incurred for CSR expenditures in each year.

### 8. Total Earnings and CSR expenditures of Union Bank Ltd:

Particulars	2016	2017	2018	2019	2020	2021
Total Expenditures on CSR	115.07	48.7	155.48	118.3	123.5	39.6
Earnings after Tax (EAT)	849.61	890.08	953.66	594.47	988.42	872.36
% of CSR expenditures to EAT	13.54	5.48	16.30	19.90	12.50	4.54

Amount in Million BDT

Data source: Annual Report of Union Bank Ltd and Author's own calculation.



**Figure: % of CSR expenditures to EAT of Union Bank LTD.**

The figure shows that the highest CSR expenditures are incurred in the year 2018 is BDT 155.48 Million though the highest EAT is earned in the year 2020. Based on % of CSR expenditures to EAT, in the year 2019 maximum 19.9% expenditures are incurred.

### VI. Findings, Recommendations and Conclusions:

**Findings:** Major findings of the research paper are given in the following:

- Most of the banks are reluctant to make expenditures in CSR activities.
- CSR expenditures are so nominal as compared to the EAT of the banks.
- CSR expenditures are not steady in growth. Expenditures are fluctuating from year to year.
- Some of the banks have not disclosed quantitative data regarding CSR expenditures.

#### Recommendations:

Based on the findings the following recommendations are made:

- Regulatory bodies should make necessary regulations so that the banks be bound to increase the CSR expenditures.
- Incentives regarding CSR activities should be increased so that the banks will be interested in CSR expenditures.
- Banks should increase the CSR activities as their EAT increases.
- Each bank must be disclosed their CSR expenditures information clearly in the annual report.

### Conclusions:

In recent years, banks CSR activities have become an essential component of their operations. Among the advantages of CSR include higher earnings, client loyalty, and improved brand perception. Banks must conduct their operations in a way that will not jeopardize the long-term interests of society because they eventually rely on tax payer money during times of hardship. Numerous studies have conclusively shown a link between a company's profitability and its level and attitude toward corporate social responsibility. Every non-conventional commercial bank operating in Bangladesh is actively involved in CSR activities. Therefore in conclusion, it can be said that expanding CSR initiatives by non-conventional banking industry in Bangladesh will result in sustainable growth and the construction of a just society.

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