



# CSR REVIEW

Vol 1, June 2009

## CSR IN BANGLADESH CONCEPTS AND COMPATIBILITY

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Ex-Chairman, National Board of Revenue

The concept of corporate social responsibility is based on the idea that not only public policy but companies, too, should take responsibility for social issues. Corporate Social responsibility (CSR) may be a newly coined term but the ideas behind CSR have long been there. Economist Howard Bowen coined the term 'corporate social responsibility' in 1953. Since then, CSR and other similar-sounding terms like corporate social citizenship, corporate governance and corporate accountability have become buzzwords in the business world, even as efforts continue to define and understand them. Over the last ten years in

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## Mainstreaming CSR in Financial Institutions

*Dr. Salehuddin Ahmed*  
Ex-Governor, Bangladesh Bank

Corporate social responsibility (CSR) is gaining fast global acceptance as a paradigm to promote environmentally sustainable and socially equitable business practices for sustaining development. CSR is not a notion of philanthropy or voluntary charity; rather it is an expression of concern for how business enterprises or corporate bodies should respond to the agenda for corporate citizenship as they need to strike a delicate balance between sustaining a profitable position with reputation and addressing social issues to fulfill the needs of various stakeholders. It is the promotion of a symbiotic relationship of businesses with other stakeholders in the organization, the society and the environment as a corporate citizen to unlock its synergy and potential for a sustainable and profitable position.

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## CSR in Bangladesh: Conceptualisation and contextualisation

*Moazzem Hossain*, Editor, The Financial Express

Corporate social responsibility (CSR), in simple terms, denotes voluntary activities of business entities, in fulfilment of their social obligations or duties. It demonstrates a company's awareness of the need for being partners -- voluntary and willing ones -- for creating a caring society. It goes beyond a business organisation's prime goal of making profit.

Though it is a voluntary process, the CSR performance of a business or corporate entity has an important bearing on its strength or ability to attract and retain customers, clients and service-users to maintain a healthy work environment, both within the unit and outside. It is important for its sustained and sustainable growth. CSR is also purported to

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## CSR AWARD 2008 Behind the Success

*Feroz Rahim*, Chairman, Rahimafrroz Group

### CSR at Rahimafrroz

We at Rahimafrroz have been firmly committed to our social responsibilities as part of our corporate culture of 'caring and sharing'. We strongly believe in caring for the community where we operate as an integral part of our business system.

As our aspiration statement reads, **Be the most admired and trusted organisation, by excelling in everything we do, following ethical business practices, and adding value to stakeholders.** We like to achieve all of these while being firmly committed to our social responsibilities. Rahimafrroz

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## CSR in Global Perspective

*Ashfaqur Rahman*  
Managing Director, Novartis (Bangladesh) Limited

One would possibly be amused reading the following lines: considering a family and an academic institution as a corporate, then fundamentals of social responsibility mindset starts at home and schools! Simple socially right behaviors - children on how to behave with domestic aides, school

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Corporate Social Responsibility, or CSR as they call it, has been increasingly gaining its significance because of its role in addressing crucial development issues in a wide array of areas. In Bangladesh, the business organizations approached the issue in their early years as charity or philanthropy. But as they get more exposure of the global trends and as entrepreneurs turn into corporate bodies, the idea of CSR seeped into them.

But CSR is still a vague idea in Bangladesh business world. There have been little efforts to mainstream corporate funds in development works. But development activists have strongly felt the need for public-private partnership for effective implementation of development programmes. This kind of partnerships has proved to yield positive results. Especially in a cash-strapped country like Bangladesh, CSR can reduce the government's burden of social safety net spending.

Management and Resources Development Initiative (MRDI) with the support of Manusher Jonno Foundation (MJF) recognises this scope of CSR. It has taken up an innovative approach to channel CSR funds to social development through area identification and creating effective links between corporate bodies and local initiatives.

As an activity of the advocacy part of the initiative, MRDI publishes this half-yearly newsletter CSR Review to showcase different CSR activities and highlight news relating to CSR. Hopefully this will provide readers a better understanding of CSR.

## Mainstreaming CSR in Financial Institutions

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Apart from the self-evident ethical case, a strong case for CSR can be made for enhancing its competitiveness as CSR benefits a business by:

- building reputation, brand value, customer loyalty, employee motivation and retention;
- mitigating risks in own operations and adverse impact on citizens;
- cutting down wastes (of energy, raw materials etc.), driving up efficiency;
- gaining new markets for products and services, in the communities/social groups benefited by the CSR actions.

Banks and financial institutions are at the center of a dynamic, vibrant, and effective financial system channeling and allocating the scarce flows of funds across various sectors in today's economy. With increasing globalization, they are also more integrated with the global economy than ever and hence pressures on them to converge on business standards and to deliver socially responsible financial intermediation services are mounting. With the fallout from financial meltdown and ongoing global recession, it has become evident that society and businesses are integrated in such a global scale that neither the consumers nor the businesses are immune from the actions and performance of each other even if they are located continent apart. The crash in sub-prime mortgage market in the US and the financial crisis of 2007 precipitated the global economy to its deepest recession since the Great Depression of the 1930s. The phenomenal losses from ill-designed financial instruments and the subsequent global economic crisis have brought to the fore the importance of due diligence and CSR.

The economic growth of Bangladesh critically depends on her export sector, ready made garments (RMG) and manpower in particular. Being a major player in global RMG market, the RMG industry of the country cannot ignore the compliance of CSR practices and since banks and financial institutions are positioned at the hub of their financial flows, lending practices in banks should look at CSR compliances. On the other hand, since remittances flow from our migrant labor force, financial institutions can introduce innovative products and services that caters to the needs of the migrant labor and the community they represent. However, if financial intermediation is limited to the privileged few only, to the exclusion of other disadvantaged rural and urban population segments; the financial institutions are in fact exposing them to systemic risks emanating from loss of RMG exports and remittances. Financial institutions can bring the hitherto excluded people in with appropriate financial service packages and with financial programs innovatively designed to generate new employment, increase output and income. Thus, it is not only the self evident ethical consideration, but also the issues of sustainability and goodwill which are getting greater focus in CSR policies and practices.

At present CSR in banks mainly includes donation to disaster relief and rehabilitation, sponsoring sports and cultural events, free medical care for various disadvantaged sections of people, scholarships for students, awareness raising campaigns to fight against drug addiction, AIDS, acid attacks, dowry etc. However, most financial institutions have not yet integrated CSR in their routine operation; CSR by them rather surface in the form of occasional charity or promotional activities.

### CSR Programs in Banks/ Financial institutions:

A first time CSR program of a bank or financial institution would be likely to include action plans for:

- Ingraining environmentally and socially responsible practices within the organization;
- Engaging with borrowers in scrutiny of the environmental and social impacts of their proposed undertakings;
- Reaching out with financial services to the poorer segments of population.
- Like Civil Society Organizations (CSOs) and NGOs, most banks and financial institutions in Bangladesh have already started significant outlays of charitable expenditures on nutrition, health and education etc. programs.
- Foreign banks in Bangladesh having structured CSR programs (in line with their home country practices) can come forward to collaborate with the new, incipient CSR initiatives of local banks.



- Networking and joint initiatives in CSR programs among banks and financial institutions may be useful in some cases in devising more inclusive, comprehensive programs of necessary critical size.
- Like the statutory financial reports, the CSR reports are expected to be available in the public domain for perusal by stakeholders.
- Bangladesh Bank has always been encouraging financial institutions to improve their management efficiency so that they can maximize their profit and generate employment, providing better, efficient, prompt and cost effective services to their clients.
- Bangladesh Bank has started monitoring CSR adoption and CSR performance of banks and financial institutions, as an additional dimension of their management performance.
- Because of global competitiveness and demand, the CSR practices and standards are being implemented in a developing country like Bangladesh. But we are yet to go a long way.
- There are challenges to implement CSR properly in Bangladesh. Ultimately CSR practices should be better practised in Bangladesh for better and enhanced performance.
- The recently introduced CSR Awards given by various institutions is expected to instill ethically and socially responsible behavior by business organizations of Bangladesh by providing recognition to the outstanding efforts of companies in practising high business standards and engaging in social and community welfare activities.

CSR is not new in this sub-continent. Leading business houses have pioneered progressive workplace and community development practices for over a century. With the diminishing role of state and increasing role of business in economic activities, businesses need to adopt wider social responsibilities to reduce poverty, hunger, malnutrition and deprivation which exist in Bangladesh.

*Dr. Salehuddin Ahmed was the Governor of Bangladesh Bank when the article was written.*

## CSR AWARD 2008

### Behind the Success

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Group, with a proud history of more than 55 years, strongly believes in the principle of contributing back to the community where we operate. We strive to add value to the society, and environment through intelligent efforts and focused initiatives.

#### Looking back

Since its inception Rahimafrooz has been undertaking philanthropy activities. Our Founder A.C. Abdur Rahim was very empathetic towards the under privileged people & community and he has succeeded in inculcating this very empathetic attitude among the next generation and management of Rahimafrooz. In course of time with this very spirit we embraced CSR concept and started practising it with the motivation of becoming a good corporate citizen and achieving our Aspiration.

#### Our CSR Strategy

As a part of our Top Team commitment CSR is being driven from Board Level & it covers the entire group. There is CSR committee comprised of two Group Directors, CSR Manager and Head of Group Marketing. The committee oversees CSR initiatives and it's impact.

Our strategy in regards to CSR has been to drive social upliftment actions in rural areas through our Not for Profit Social Development initiative called 'Rural Services Foundation (RSF)' and in urban areas through direct intervention. (The Foundation RSF operates mostly in rural, disadvantaged communities, supporting the rural people to come out of poverty by helping them in generating income for themselves.)

Some of CSR activities, identified CSR areas we are working in:

- 1. Education:** For Rural & Urban children
- 2. Environment:** Promote 3Rs - Reduce, Re-use and Recycle
- 3. Make Roads Safer Campaign:** Awareness building and promoting best practice



RSF Bogra School & College: Rural Services Foundation (RSF) - the social development initiative of Rahimafrooz - has set up the free of cost, quality education centre in Shajahanpur, Bogra for children from ultra poor families who live in Monga area. Our idea has been to create a real model school & college for children from ultra poor family and we would like to replicate this model school in all districts across the country. Now the institution is taking care of altogether 80 students.

#### Dhaka Project

Dhaka Project is a home to some 550 slum children.

Through Dhaka Project we aim to improve the quality of lives of the slum children of Dhaka through education, food and health to bring emancipation from an environment for individuals delivering their full potential.

#### Rahimafrooz -RSF IT Center

RSF of Rahimafrooz has established four IT centers in rural areas of the country. It is now providing affordable IT education through its centers in Jhenaidah, Chokoria, Chandpur and Satkhira. Offered Courses were successfully completed by 160 students in this year.

#### Rahimafrooz- RSF Paribesh Utsab

Rahimafrooz, through RSF has been organizing "Poribesh Utshob" every year since 2008. The programme involves a quiz competition

among S.S.C. appeared students from remote areas. The topics include climate change, renewable energy and 3R (Reduce, Re-use & Recycle). Two hundred winners received "World Environment Day Award" on 5 June 2008. This year we will be awarding 450 students from 30 selected upazilas. Rahimafrooz will be organizing the "Poribesh Utshob" every year with the objective of creating awareness among our next generation to be able to address environment issues more effectively.

### Make Roads Safer

'Make Roads Safer' Campaign, launched by Rahimafrooz in association with CEMS is focusing on key road safety themes like Wearing Seat belt, Not using cell phone and Safety for Pedestrians.

The concept is to create awareness among mass people where we will be inviting people to get practically involved in this campaign and support it. We are also in a process of inculcating these messages among internal stakeholders and the next generation so that they could get committed towards Road Safety.

### Signatory to UN Global Compact

Our Battery Unit has become signatory to UN Global Compact ([www.unglobalcompact.org](http://www.unglobalcompact.org)) in 2006.

We support the ten principles of the Global Compact in respect to human rights, labour rights, the protection of the environment and anti-corruption. We support and advance those principles within our sphere of influence.

### The benefits we experienced out of CSR activities

For long term sustainability CSR is no more an option before a

corporate house - it has emerged on a worldwide scale as a response to the raising concerns about the social and environmental impacts.

From our experience we would say that CSR could enhance employee belongingness and a greater sense of purpose, improve relationship with local communities, enhance corporate image and align with best global practices. We would say with conviction that CSR pays off end of the day if it is implemented effectively.



### Achieving the award

Achieving an award is always inspiring; we are very humbled to get this "Standard Chartered - Financial Express CSR Award 2008" and it will keep on inspiring us to put more effort into our CSR endeavors. This very external recognition would give us confidence assuring that we are in the right track in our CSR journey to bring hope & prosperity to the less fortunate people of our community.

But we would consider ourselves real awardees when we will be able to make significant difference in lives of the beneficiaries we have been working for.

### Behind the success

"We are passionate & driven to make a difference in our community & environment" - this is the essence of the common spirit that we uphold at Rahimafrooz.

This is the key driver behind whatever success we have achieved in this regard .

I would conclude with a quotation of Mitch Albom, "The way you get meaning into your life is to devote yourself to loving others, devote yourself to your community around you, and devote yourself to creating something that gives you purpose and meaning."

## CSR IN BANGLADESH CONCEPTS AND COMPATIBILITY

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particular, the CSR phenomenon has gathered momentum worldwide, including in Bangladesh.<sup>1</sup>

In more recent approaches, CSR 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. As a matter of fact, over the last few decades corporations in the developed economies have moved to 'Social Responsibility Approach' from classical 'Profit maximizing

Approach', where business are not only responsible to its stakeholders but also to all of its stakeholders in a broader inclusive sense<sup>2</sup>. The idea of being a socially responsible company means doing more than comply with the law when investing in human resources and the environment. It has also been an enabling imperative that the company which is making profit out of using social environment, physical facilities, labour and capital out of an economy should owe something to repay for the overall benefit of the environment itself. Companies today have to make profits with principles, which will eventually need companies to be more transparent. And what is more, there is a realisation that being responsible

can actually be good for a company's reputation and for business.

Corporate Social Responsibility (CSR) is a relatively new and rapidly developing phenomenon. It is 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>3</sup>. Social Responsibility is more than 'compliance' and more than 'corporate philanthropy' and requires a commitment by an organization to do more than simply abide by the minimal requirements of the law. Corporate social responsibility (CSR) is an evolving process and its manifestation

<sup>1</sup>Farooq Sobhan, CSR and its importance for Bangladesh, The Financial Express, September 16, 2006.

<sup>2</sup>Miyan, M.A., Dynamics of Corporate Social Responsibility - Bangladesh Context, September, 2006.

<sup>3</sup>Ekram Kabir, Business giving back to Society, Ekram Kabir's articles on CSR in Bangladesh as published in The Financial Express, 2003-4.





varies between countries and between cultures<sup>4</sup>. However, the broad definition of corporate social responsibility highlights a voluntary role of business in contributing to a better society and a cleaner environment beyond its financial and capital commitments. CSR is a process in which corporations take responsibility for the social ecological and economic consequences of their actions - throughout their product and service delivery chains - making themselves accountable and encouraging in a dialogue with all those involved<sup>5</sup>.

## CSR perspectives in Bangladesh

The concept of CSR as understood and practised in the industrial developed countries is of a very recent origin in Bangladesh. Generally, it is understood and practised more as a welfare and charity measure rather than as a concept which has wider ramifications. From this point of view, it was always present in the subcontinent even historically. There are instances of Zamindars (landlords) building school, hostels, etc. during the earlier times. This practice continued even when some of the landed gentry moved to urban areas to start industries. In Bangladesh, Corporate Social Responsibility is a business practice that seems to puzzle many and even make many critical about the necessity of such practices. CSR is frequently misperceived as philanthropy or charity primarily due to a lack

of awareness and understanding about CSR practices<sup>6</sup>. Even to-day, the practice of providing relief and doing charity is quite common among the Bangladeshi organizations. Activities like donations at the community levels during floods, draughts, cyclones, etc. or helping weaker section of the society by patronizing social activities or institutions, providing food, cloths, etc. during religious festivals are quite common. Majority of the companies in Bangladesh project themselves to be socially conscious through their limited activities of disaster assistance - either donating to the Prime Minister's Relief Fund or undertaking direct relief operations. One of the favorite philanthropic activities particularly of the corporate owners is establishing schools, orphanages, hospitals and mosques in their village. However, private sector involvement in these disaster responses is one-off short-term and fragmented<sup>7</sup>.

"In Bangladesh, the society should get even a greater level of commitment from business. You see CSR is about business giving back to the society. In developing countries like Bangladesh where social institutions are still evolving, the corporate entities have to show more commitment. Therefore, there is all the more reason why we need growing awareness about, and emphasis on, CSR in countries like Bangladesh. There, of course, was all old concept of CSR. But this is changing in Bangladesh. It is changing, but not as fast as it is changing in

other countries. Businesses now realise that social commitment brings recognition. All companies need to consider their CSR for two basic reasons. Firstly, because there is intensifying pressure from all stakeholders to do so. Any company that does not develop and promote its CSR policy to all its stakeholders will face increasing threats to its reputation. Secondly, because it makes a sound business sense, enhances reputation, brings in new business and improves stakeholder return."<sup>8</sup> At present, CSR activities undertaken by the corporate sector in Bangladesh vary from compliance related (regular payment of taxes, worker's safety, regular payment of dividend) to worker's welfare (like payment of attractive wage package, educational facilities for workers and their children) to community welfare and environmental related activities (interest free loan to student, donation to various causes, help to senior citizens, health related activities, measure for maintaining pollution free environment, establishing effluent treatment system, etc)<sup>9</sup>. However, the overall level of external and also internal CSR practice in Bangladesh must be regarded as low. It is also a reality that there are also gaps in the concept of CSR in Bangladesh. In Bangladesh the private sector seems to focus on earning profits in the short term, ignoring the issue of responsible behavior and the desirability of earning the trust of consumers which are important for the long-run success of their operation<sup>10</sup>. A study by Bangladesh Enterprise Institute noted that while the CSR concept assumes compliance to laws, in Bangladesh, compliance to some laws are either absent or non-existent. For example, although health and safety rules have been part of the labor law in the country since 1965, the compliance is very weak. Similarly, many business enterprises with a very good track record in CSR have been involved in deliberate attempts to hide information to reduce tax burden, receiving government supports as well as have not been paying their loans. Weak financial regulations and legal enforcement is considered a major cause for such attitudes. Consequently, their voluntary participation in CSR shows their strong responsibility but a very pitiable record on corporate responsibility<sup>11</sup>.

Companies with evidence in working for the society have ignored their own employees in terms of paying dues, supporting minimum wage

<sup>4</sup>Corporate social responsibility, *Bangladesh Perspectives: Findings from Literature Review and Focus Group Discussions*, Bangladesh Enterprise Institute.

<sup>5</sup>Shirley D. Justice, LL M, Consultant, Consultancy and Research for Environmental Management (CREM) & Ravi Puranik., Consultant, Partners in Change

<sup>6</sup>Farooq Sobhan, *CSR and its importance for Bangladesh*, op cit

<sup>7</sup>Nilufer Matin, *Corporate Social Responsibility and Natural Disaster Reduction: Insights from Bangladesh*, July 2002.

<sup>8</sup>Said David Fletcher, the Chief Executive Officer of Standard Chartered Bank, Bangladesh, while talking to *The Financial Express* as quoted in Ekram Kabir's Report, op cit

<sup>9</sup>Mr. Syed Tamjid Ur Rahman, *An Assessment of present status Bangladesh CSR*.

<sup>10</sup>Miyah, M.A., *Dynamics of Corporate Social Responsibility - Bangladesh Context*, September, 2006.

<sup>11</sup>Corporate social responsibility, *Bangladesh Perspectives: Findings from Literature Review and Focus Group Discussions*, Bangladesh Enterprise Institute.



rules, and abiding by other clauses of the labor and company laws. In terms of human and labor rights, companies have little to no interest in supporting rules related to employment of child labor, overtime payment, working hours, right to secure leave during maternity periods, etc. Similarly, verification of employment records, severance pay due to termination of services, etc., are also not followed in many companies. In terms of environmental issues, enforcement of the environmental regulation is very weak and so the compliance is nearly non-existent.

The lack of expertise and poor accountability of corporate houses are major obstacles to implementation of CSR in Bangladesh<sup>12</sup>. Many CSR activities by Bangladeshi corporate houses are centered mainly around publicity and short-term implication. Bangladeshi companies are far behind in adopting good corporate governance in comparison to south-Asian neighboring countries.

## Government Initiatives in Past

Public authorities in Bangladesh believe that the role of public policy in regulating and creating an enabling environment for CSR is crucial since long. Among the public policies taxation policy is one where Government provides incentive through subsidies, tax rebates or penalties to corporate sectors to create an enabling environment for CSR. Government incorporates the incentives provisions in Income Tax Ordinance where any amount paid or spent to or for a number of areas is allowed as expenditure in calculating the total taxable income of a taxpayer. Through Income Tax policy Government provides tax incentives for the corporations to encourage them to spend in expanding education and technological development, health services and facilities, charity and public welfare, sports and human resources development. For technological development corporate bodies are allowed full investment or expenditure for scientific research related to business of a taxpayer, Scientific Research institute, association engaged in undertaking research in the fields of natural or applied research, University, College, Technical school or other institute for the scientific research or technical training relevant of the business of the taxpayer, educational institutes established for the benefit of the employees of the taxpayers or their families and dependents or for the industrial workers. Through tax policy incentives also provide to corporate bodies for encouraging them to contribute to health service facilities. Investment in establishing hospital for the benefit of the employees of the taxpayers or their families and dependents are considered as business expenditure in calculating total income of the corporation. Government has announced the full tax



exemption on the amount donated to 'Prime Minister's Relief Fund'. In addition, donation to any approved philanthropic or educational institute by any corporate body is exempted from tax. Government also provides tax incentives to the corporate body for donation to District Sports Associations, National Sports Federations, and National Sports Council.

Some of the Government policy is directly related to internal CSR related and workers welfare related. For example investment and expenditure for establishment and operation of Training institutes and educational institutes for the benefit of the employees of the taxpayers or their families and dependents or for the industrial workers is considered as allowable expenditure in calculating the corporate tax. Similarly investment in establishing hospital for the benefit of the employees of the taxpayers or their families and dependents are considered as business expenditure in calculating total income of the corporation. Moreover, through tax incentives, corporations are encouraged to provide worker's welfare and security by establishing Provident Fund and Gratuity Fund for employees and workers. Contribution to these funds by corporations is given full tax exemption by the Government.

However, in the past some of areas of CSR e.g. environment related CSR and child right related CSR had not been addressed in the Government policy. In addition, monitoring issues were almost absent. Recently to address these issues Government has provided a significant incentive through Tax Policy to companies in Bangladesh to increase and to formalize their corporate philanthropy and other CSR activities. Policy emphasizes that CSR is applied both 'inside' and 'outside' the company. As internal CSR like attractive wage package including Provident Fund, Gratuity Fund, Worker's Participation Fund,

welfare Fund, Occupational safety and compensation, child labor issues have been addressed in the policy. Compliance related CSR issues like regular payment of tax and VAT, have also been addressed in the policy.

## Recent Government Initiative

The government has approved the long-awaited proposal for tax exemption facility at the rate of 10 percent on a part of the corporate income to be spent on complying with corporate social responsibility (CSR). The exemption facility is aimed at encouraging private companies to be involved more in CSR practices and to encourage many local business groups to launch CSR activities. According to the tax exemption plan, economic, environmental and social development activities will be brought within CSR purview.

Agricultural production and processing, crop diversification, employment generation, education and training will be considered as CSR areas under economic sector, while global warming, ecological balance, pure water management, carbon emission, sea water level, forestry, city beautification and waste management will be environmental activities.

Under social development, companies investing for women rights issues, extending donations to HIV-AIDS campaign agencies, cancer and acid burn treatments, campaign for establishing women rights and against dowry, welfare of mentally and physically retired people, welfare activities for disabled, operation of Old Home, donations for public universities, donation to approved educational institutes for educating orphan children and donation to approved organization engaged in providing technical and vocational training to poor students have also been acknowledged as CSR activities and ten percent tax exemption has been offered for this

<sup>12</sup>Miyan, M.A., *Dynamics of Corporate Social Responsibility - Bangladesh Context*, September, 2006



donation. In addition, any sum paid as donation through any government organization for welfare of people suffered by any natural calamity like tornado, earthquake, cyclone, hurricane has been considered as CSR and corporation would get ten percent tax incentives on the donation contributed for these purposes. Recent initiative also provides tax incentives for the donation to poor student for higher study.

In order to enjoy the facility, companies will have to follow labour compliant issues and be environmentally conscious. The 10 percent tax exemption facilities under CSR are in addition to the existing tax exemption limit for donation to charity which was raised to Tk 5 lakh from Tk 2.5 lakh in a bid to encourage welfare activities.

## Conclusion

The CSR agenda in Bangladesh is changing. On one hand, traditional philanthropic approaches are still widespread; on the other, CSR activities in Bangladesh are undergoing reform processes

in line with global trends. CSR is being integrated into core business processes and assigned to corporate departments by some big corporate houses. However, this reform process is rather slow and will take time. Although the multi-stakeholder approach to CSR is gaining ground at global level, self-regulation is still predominant in Bangladeshi business. This manifests itself in two ways: firstly, very few civil society organizations and almost no labour unions are actively involved in the shaping of the CSR agenda; secondly, most companies operating in Bangladesh prefer business self-regulation in CSR, and their partnership with civil-society organizations amounts to no more than the latter's role in implementing community development projects. To strengthen CSR in Bangladesh civil society organizations should be integrated and become more active in implementing the multi-stakeholder approach and thus in enhancing knowledge-sharing.

Capacity-building for civil society organizations is also needed to strengthen their agenda-setting role in CSR.

However, role of public policy in regulating and creating an enabling environment for CSR is crucial. In general, public policy can take on four key roles for CSR: mandating, partnering, facilitating and endorsing. Companies and stakeholders in Bangladesh placed most emphasis on the government's mandating and partnering roles. On the question of the partnering role of public policy, further partnerships with private business and civil society organizations are needed. In fact emphasizing on additional financial incentives for the private sector is a risk, particularly when budget constraints occur. Public policy should focus on its mandating and partnering roles, rather than offering too much financial incentives.

*Muhammad Abdul Mazid was Chairman, National Board of Revenue and Secretary, Internal Resources Division when the article was written.*

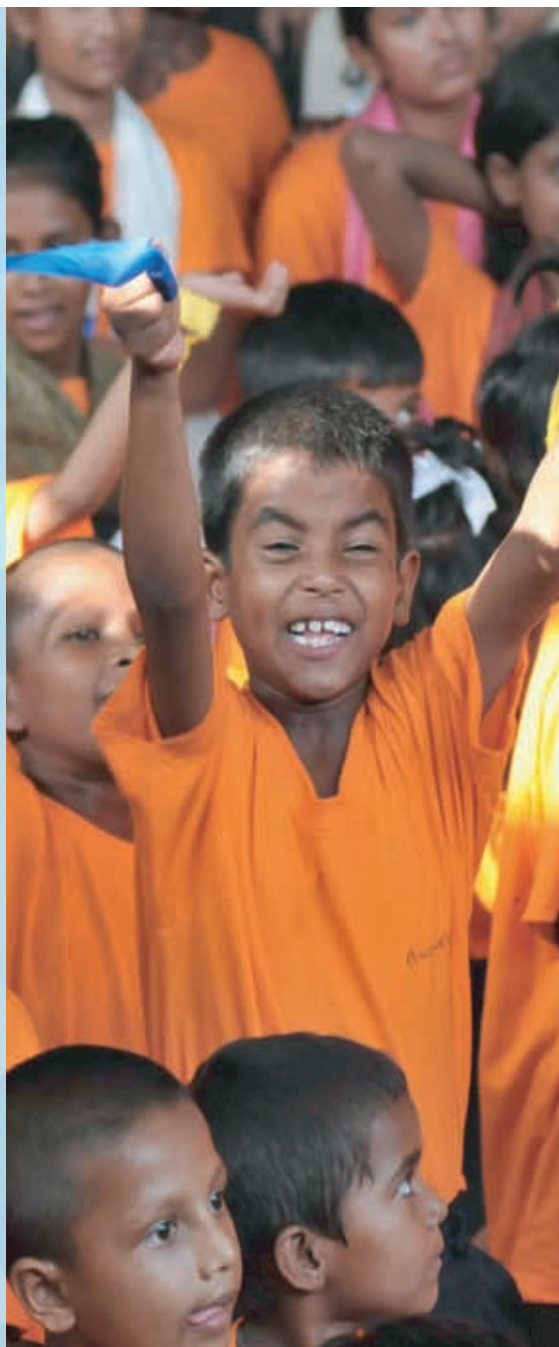
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to teach on camaraderie and respect for norms and individuals and much more of such similar behaviors commences at the tenderfoot level of any individual. Many more of these socially right behaviors and mindset development would today have forwarded the corporate world to institutionalize collectively and internalize individually the 'responsible' commitment: be it social (individual) or corporate (collective).

Social responsibility is the reflection of simple ethical behavior benefiting society in general: both in economic and on behavioral terms. On a holistic approach, we need not go far, and Malaysia, Maldives, Singapore, and Thailand are successful examples on how the country benefits both internally and globally with the strengthening of social commitment at individual level. We all begin to develop internal beliefs and sense of responsibility since childhood and it is prudent enough on the necessity of early education on our responsibilities towards society. Organizations/corporates then are pragmatically successful in being responsible for the improvement of the society.

Social responsibility entails individual and organizations behave ethically and with sensitivity toward social, cultural, economic and



environmental issues and norms. Striving for social responsibility helps individuals; organizations and governments have a positive impact on development, business and society with a positive contribution to the triple bottom-line: People, Planet and Profit performance.

Corporate Social Responsibility (CSR), a cliché commitment in Bangladesh currently, often connoted to corporate responsibility, corporate citizenship, responsible business and corporate social performance, are corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure their adherence to law, ethical standards, and international norms. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. This paradigm is where we separate corporate 'philanthropic' activities and CSR. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honoring of the triple bottom line.

Boards and corporate affairs departments who still view corporate social responsibility (CSR) merely as a flagship PR programme or community fund raising project are on



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dangerous ground. It is now acknowledged by most that social responsibility is basically sound business practice that pays attention to the impact of company behaviour on all its stakeholders. Following the ENRON/ WORLD COM and similar other corporate debacle, CSR commitment is today institutionalized in all global organizations at different levels and depth of the organizational functions. And this in itself is one of the integral elements of corporate reputation. CSR is actually about maintaining the licence and goodwill to conduct business and also about recognising that organisations are part of a number of communities - they do not exist in isolation.

I generally view CSR as an iceberg, the tip of which is the 'Philanthropic' activities and the base being core & broad CSR activities. Being at the bottom of the iceberg, it is often unnoticed or wrongly defined as Philanthropy. But it should also be remembered that CSR does not have to be a philanthropic activity but Philanthropy can be complimentary to CSR.

Within EU, Corporate Social Responsibility executed by companies integrates social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible not only entails fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relations with stakeholders. Going beyond basic legal obligations in the social area, e.g. training, working conditions, management-employee relations, have a direct impact on productivity of the organization.

To further extend on the CSR concept, it is considered as the business contribution for the sustainable development of the society and according to CSR global experts, involves four key elements that describe the scope of business responsibility in light of CSR:

- Economic responsibility: to make a profit by producing goods and services that the market wants and selling them at a fair price that the market accepts
- Legal responsibilities: to act in accordance with the law
- Ethical responsibilities: to act in accordance with society expectations expressed by social rules
- Discretionary responsibilities: resulting from the individual choice of managers or company owners (philanthropy)

Austria, Finland, Germany, Norway and Spain define CSR beyond the European reference by integrating the long-term perspective of achieving a general sustainability (e.g. economic development) while taking into account the needs and requirements of the employees (including health and safety at work), other stakeholders, the community (e.g. local development) and the society as such (e.g. human rights, fights against poverty).

An approach for CSR that is becoming more widely accepted is community-based development projects, such as the Shell Foundation's involvement in the Flower Valley, South Africa. Here they have set up an Early Learning Centre to help educate the community's

children, as well as develop new skills for the adults. Marks and Spencer is also active in this community through the building of a trade network with the community - guaranteeing regular fair trade purchases. Often alternative approaches to this are the establishment of education facilities for adults, as well as HIV/AIDS education programs.

A more common approach of CSR is through the giving of aid to local organizations and impoverished communities in developing countries which is criticized as this approach does not help build on the skills of the local people, whereas community-based development generally leads to more sustainable development.

Within Novartis, both corporate governance and corporate social responsibilities are addressed under the umbrella of Corporate Citizenship. As one of the initial signatories of the Global Compact, Novartis operates in a manner that is sustainable - economically, socially and environmentally - in the best interest of long term sustainability. Over the years we have taken number of steps to make corporate Governance an integral part of our values and mission, and subsequently we have earned a reputation for high quality, integrity and transparency.

At Novartis, we have a unique portfolio that we believe best meets the evolving needs of all our stakeholders, especially our patients and societies. Novartis has been vocal about social commitment for at least two decades and the emphasis on corporate citizenship has amplified following signing of the Global compact. Novartis Foundation for Sustainable Development has been fostering sustainable healthcare development projects and stakeholder-dialogue for last 25 years. Since 2000, Novartis in partnership with WHO has provided treatment to more than 3 million leprosy patients globally with the objective of effective management and gradual reduction in the leprosy prevalence. Under a separate five-year agreement with the WHO, Novartis is working for the management of TB disease by providing treatment support and provides anti-malaria drugs at no profit to developing countries where malaria is endemic. Last year alone Novartis implemented access to medicine programs worth over millions reaching more than 4.25 million patients in need. In Bangladesh Novartis provides assistance to local initiatives and creates opportunities for staff to engage in community and contribute efforts and time where it is most needed.

The essence of CSR, globally and nationally, as a corporate and as an individual is to constantly revisit respective commitments to ensure we are operating as a responsible citizen of the world.





## CSR in Bangladesh: Conceptualisation and contextualisation

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promoting employees' morale and enhancing their productivity. It helps to add 'value' in the form of goodwill and reputation for a business entity.

There are two important aspects of CSR that merit attention. These are social compliance -- meeting the expectations of the stakeholders and the society -- and corporate 'philanthropy' -- voluntary supportive activities aiming at promoting the goals of shared well-being in a sustained way, not in 'one-go' charities or donations.

But CSR goes beyond individual philanthropy or donation or charity, no matter how much good the latter does in the society. Very often, the business leaders or entities in Bangladesh and also in many other countries, do, perhaps more unwittingly than anything else, mix CSR with philanthropy.

Conceptually, CSR embraces activities that businesses need to undertake in order to address the concerns of stakeholders, including the consumers, and protect their long-term interests from the consequences that their normal operational practices may have. It is, thus, primarily aimed at addressing the impact that businesses do have through their operations.

The confusion over CSR prevails in most countries, not excluding those in the developed world. This confusion can be removed only through linking performance with inputs. This will require time. Mere skirting around CSR somewhat like handling a hot-potato serves no useful purpose, other than 'questionable' value additions in the form of publicity through a PR (Public Relations) spin-off. CSR needs to be understood especially in relation to why it is good for business.

It is worthwhile to note here that the International Standard for Organisation (ISO) -- a certification process that most forward-looking businesses do like to successfully undergo in order to demonstrate their compliance with, what are known as, fair and acceptable work practices or operational standards - - has some guidelines that are relevant to CSR. ISO 26000 encompasses a number of core issues for the purpose of CSR. These include: consumer issues, fair operation practices, contributions to community and society, labour practices, environment, human rights and organisational governance.

Since CSR involves a voluntary -- not a binding -- process, the businesses set their own CSR strategies, goals and targets for themselves. These are of consequence for linking inputs with outcomes. Since the government has announced some tax incentives for the companies to encourage them in CSR activities, it would be pertinent to assess the CSR programmes of the business concerns to decide the eligibility criteria for such tax concessions.

Meanwhile, the fear, in the wake of the global economic recession, about the end of CSR has not come true. Examples may be cited here from the cases of Mars, the world's biggest confectionery company, and Cadbury, the UK confectionery group. These two companies announced only a couple of months back that they would continue to hold the suppliers to strict environmental and social standards. At that time, millions in the developed world were faced with the fear or reality of losing their jobs or homes in a situation that led many people to think that consumers there would pick up something the family could afford, disregarding whether the suppliers were following fair trade practices or not. Around the same time, Wal-Mart, the world's biggest retailer, did also tell the same to their Chinese suppliers, the downturn notwithstanding. The easy prediction about CSR has, thus, turned out to be wrong.

Consumers in the developed countries prefer to buy what they see as 'ethically' produced goods, provided they do not have to pay more. World's



biggest retailers like Wal-Mart, Marks and Spencer etc., have stated they are saving money through their initiatives to buy 'ethical goods' because they are finding their drive cost-neutral. Indeed, that is the key to such companies' stubborn adherence to CSR and they have worked out, globally, how to make it pay. Reportedly, many of their initiatives have helped them to cut costs or sustain supplies. Even in the midst of the recession, they have 'allowed' customers to regard themselves as ethical. This has also helped the companies somehow to 'improve' their public reputation at a time when business is otherwise widely held responsible for the downturn.

That being the situation in the developed markets that makes the case for CSR as a moral 'licence to operate' for companies there, the relevance on the part of the businesses, to be considered by their stake-holders, as being socially responsible in all parts of the globe that certainly does not exclude Bangladesh, stands out quite clear. One may argue that compliance with CSR is a protectionist ploy to deny, somehow or other, market access to the products of low income countries (LICs). That is a different issue that merits a separate review elsewhere, particularly on grounds of affordability of the businesses in the LICs to comply with some high standards of compliance at the present stage of their socio-economic development. But the fact remains incontestable about high risks of disregarding CSR altogether, to businesses, operating on the international level. This is well borne out by the sustained commitment of business firms or corporate entities to sustainability now in exceptional circumstances. This is true of all businesses, irrespective of their size.

Lack of sustainability can cause a great damage to CSR programmes or projects of companies and, thus, to their own businesses. Sustainability, however, is not an end but a journey. The world faces great threats from poverty that scars many countries and from environment, and there are many others also emerging.

In recent years, attempts are being made to link the concept of CSR with, what is termed, socially responsible investing (SRI) -- a concept that is gaining a strong currency in many countries, particularly those in the developed world. Furthermore, there has been a lot of concerns over corporate governance. Globally, the SRI funds that have seen net inflows, even in the midst of the global economic crisis, have largely managed to shield socially conscious investors, particularly the institutional ones, from some of the worst of corporate malgovernance. The relatively robust state of the SRI funds has partly been due to an upsurge of interest in green funds which is the latest trend to emerge. Here, one should not, however, miss the point that there is yet no consistent evidence, suggesting investing according to SRI principles outperforms using non-SRI methods of investing.

The conceptual framework of CSR, as it is still evolving in Bangladesh, has many overlapping features: ethical and socially responsible practices by business enterprises or corporate bodies in support of activities aiming at reducing poverty, hunger, malnutrition and deprivation on a sustained basis, strengthening corporate governance, ensuring transparency and accountability of operations and promoting corporate social entrepreneurship. This is understandable in our given context.

Many business enterprises in Bangladesh are found to be involved, in one way or other, in some CSR activities but they are otherwise reported to be lax in matters of compliance with laws. Weak financial regulations and legal enforcement have encouraged such businesses to hide information to avoid or reduce tax burden to enjoy government's fiscal and other supports improperly or to default on their loan repayment obligations. Enforcement of health and safety rules in work-places that have been part of the labour law since 1965 are not also properly complied with, by some such businesses. Furthermore, there are some companies which 'parade' their CSR profile but do not pay dues to their employees or workers, honour minimum wage rules and abide by the provisions of the company laws. Even in terms of environmental issues, enforcement is not there in many cases with regard to related laws.

A business concern that does really care about the interests of all of its stakeholders has to follow the standard rules of the game about corporate governance, transparency and accountability, along with concerted moves in support of CSR. That is why the overlapping features of CSR, as far its conceptual and contextual framework in Bangladesh is concerned, merit consideration.

Having noted this, this should also be stated that social responsibility is more than 'compliance' and also more than 'corporate philanthropy'. CSR is essentially purported to integrating social values with business operations and investment decisions, and striking a balance between financial return and social good.

The involvement of businesses or private sector entities in one-off, short-term and fragmented ways in charity and welfare-oriented activities or post-natural disaster relief operations, as was stated earlier, is not CSR.

CSR essentially reflects the efforts of the corporate entities or companies to voluntarily integrate their social and environmental concerns into their business operations as well as into their interactions with the stakeholders. It is about businesses giving back to the society. Here social commitment assumes a primordial importance. That brings recognition for the business entities.

Recognition and reputation are vital for sustained growth of companies. Focusing on short-term profits and ignoring socially responsible behaviour run afoul of the needs for winning stakeholders' trust and confidence. That exposes them to threats to reputation. And stakeholders, in a broader sense, are more aware today than before about whether and how the private sector is contributing to sustainable economic development, promoting the interests of the local community and the society at large, and upholding workers' legitimate rights. All such things have a role in improving the quality of life of all concerned.

In this backdrop, a shift has taken place in varying degrees in different countries from classical 'profit maximising approach' to 'social responsibility approach' on the part of the organised businesses. The central theme of this shift demonstrates such businesses' appreciation of the need to be responsible to not only their proximate stakeholders but also to the wider ones in a broad inclusive sense.

Companies today are involved in CSR activities because they understand it more than before that they need to make profits on a sustained basis with principles. While making profits under the given conditions - social environment, physical facilities, labour conditions and supply of capital -- they owe something to contribute to the overall benefit of the society. And there is growing pressure at international and domestic levels from stakeholders on companies to do this.

CSR activities do make a long-term business sense for the companies for their sustained growth, enhancing their reputation, facilitating them to bring in new business and improving stakeholders' confidence.

## MRDI Talkshows highlight need for CSR



Management and Resources Development Initiative (MRDI) as part of its campaign to promote the practice of Corporate Social Responsibility (CSR) in Bangladesh arranged a series of television talkshows aired by a private television channel during February - March, 2009. Eminent personalities from the corporate houses, NGOs and the media, academics and government officials took part in discussions in six episodes. They talked about the concept and context of CSR, its practice in Bangladesh and other countries, relevant issues of corporate governance and compliance, and the role of media in promoting CSR.

In Bangladesh, the practice of CSR is still in a nascent stage as most of the business houses do not engage themselves in such activities extensively. CSR has yet to take an institutionalized shape in the country. However, there is a lot of scope to popularize CSR and the media can help in this regard. Businessmen and corporate houses do some welfare work out of their responsibility to the society. They do it with the good intention to benefit the needy. But most of such activities are merely charity and have no major effect on the community.

The concept of CSR is not very clear among the business houses and other stakeholders. There are conceptual differences and gaps in understanding. In most cases, confusions exist about what is CSR and what is charity or philanthropy. Moreover, there are contextual issues relating to CSR that may be perceived differently in the context of a particular country, business environment and socio-economic condition. Therefore, the talkshows tried to bring about a clear and agreed understanding of CSR in the context of Bangladesh to maximize its benefits.







Discussants of the talkshows observed that good corporate governance is a pre-requisite of CSR and the business houses must do something for the welfare of the community as well as their staff. But the activities must be sustainable and have long-term effect on society, particularly the disadvantaged section of the people. Some believe that companies often consider CSR just as a tool of building its image and expand business. They are not aware of the direct and indirect benefits from genuine CSR activities. So the experts felt the need for a vigorous campaign to make the business houses responsive. They should know that when a company goes for large-scale CSR programmes, they reach greater number of people, which helps the company expand business. If they are aware of the fact

avoid CSR. But the ongoing global recession and its impact on business should also be considered. The global meltdown certainly has some impact on the CSR programmes globally, but since CSR is not being practised on a large scale in Bangladesh, the impact is not that significant in the country.

The discussants observed that there is a lot to do for the poor in Bangladesh through CSR programmes. CSR can be used to bring qualitative changes to the lifestyle of the poor and the disadvantaged. But since the existing welfare activities are not designed targeting the real needy people, it has not been possible to ensure effective



that the companies engaged in CSR are benefited more than those not involved, the extent of CSR activities will definitely increase.

Multinational companies are practising CSR globally but they have no significant interventions in Bangladesh. CSR activities are being carried out in a scattered manner and on a limited scale. There is no government policy on CSR. There are little campaign and measures to encourage the businesses except for some tax incentives declared by the government recently. In the talkshows, the discussants suggested that there should be more encouragement for the big business houses already engaged in CSR activities while the small and medium enterprises should also be motivated to engage in CSR programmes within their limited resources and capacity. If they are unable to carry out such activities independently, they can form a joint platform or trust to mobilize their resources. Partnership between big and small companies, between corporate world and the government, and between businesses and media are very important.

Another opinion came in the talkshows that there should be some sort of accountability and clear-cut policy so that the business houses cannot

utilization of resources. So the experts suggested that business houses should identify priority areas for effective and sustainable social development through CSR activities. The media can play an important role in assisting the businesses in this regard. They can identify the disadvantaged sections of the society who need help and the areas ignored by the government and non-government development organisations. Apart from playing its role in promoting the concept of CSR, the media can highlight the best CSR practices and their benefits to motivate the business houses.

The relations between the corporate houses and the media are very important. When the business houses come forward to serve the society, the media should take it seriously and give fair coverage of good initiatives. The corporate houses should also maintain relations with the media as a partner in their initiatives. They should develop CSR strategy side by side with their business development strategy. They should ensure that the CSR funds reach the target people and have a real impact on them.



# CSR REVIEW

## CSR Catalogue

MRDI prepared a list of CSR activities undertaken by different corporate houses through a random monitoring of 16 national dailies and four TV channels. Press releases and news events printed and televised during March 2008 - March 2009 were used to make the inventory. The CSR activities have been classified into the categories shown below. We earnestly request the corporate houses to send their CSR information to [csr@mrdivd.org](mailto:csr@mrdivd.org) so that we can publish the updates in the next issues of CSR Review.

### Health



### Education



### Social Awareness Building



### Facilitating Marginalized/ Vulnerable groups



### Infrastructure Development



### Livelihood support



### Environment



### Rehabilitation



### TEAM

- Project Advisor  
**Rokia Afzal Rahman**, President, Bangladesh Federation of Women Entrepreneurs
- Project Anchor  
**Moazzem Hossain**, Editor, The Financial Express
- Team Leader  
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