

CORPORATE SOCIAL RESPONSIBILITY: AN EMPIRICAL STUDY ON SELECTED PRIVATE SECTOR ENTERPRISES IN BANGLADESH

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Abstract *The prime objective of the study is to examine existing state of corporate social responsibility practices in private sector enterprises in Bangladesh. It further examines the impact of key company features on the level of social practices. For fulfilling the objective of the study, the data have been collected from the annual reports and working executives of the selected forty private organisations of Bangladesh. In collecting primary data printed developed questionnaire are used. The private sector enterprises' contributions in corporate social responsibility were measured by the fifteen-item social responsibility scale. The major finding of this study is that the private sector enterprises in Bangladesh employ a little money but expected to be responsible to the needs and expectations of the society. Selecting private sector enterprises through convenience sampling method might limit the generalizability of the results of current study. Future research directions are also discussed here.*

Keywords: *Corporate Social Responsibility, Private Sector, Impact, Challenges, Growth, Dynamism.*

1. INTRODUCTION

Most of today's dynamic organisations spend a huge amount of money from their financial surpluses and invest a great deal of time and effort to satisfy their stakeholders as well as to perform the task of 'corporate social responsibility'. These activities of social responsibility facilitate the firm by providing longer survival of life, greater acceptance of product, service and firms in society, and ultimate financial benefit through greater market share. Social responsibility is defined as "the set of obligations and organisation has to protect and enhance the society in which it functions" (Anderson, 1986). It is an obligation, beyond that required by the law and economics, for a firm to pursue long-term goals that are good for society (Decenzo and Robbins, 1995). Corporate Social Responsibility (CSR) includes all those claims made on an organisation by the interest groups such as the community, suppliers and creditors, owners and stockholders, customers and clients, unions and government and finally employees (Reitz and Jewell, 1995). In the era of 21st century all the organisations have to give much concentration besides the various activities of business. Corporate social responsibility is a concept whereby companies integrate social and environmental concerns on

their business activities. The CSR movement has gathered great momentum over the past years and is now regarded to be at its most prevalence (Willaims, 2005). Not only has the issue received academic attention but also has quickly moved up the corporate agenda (Knox, Maklan, and French, 2005; Ogrizek, 2002).

Corporate social responsibility indicates that the companies have an important social role in the various segments of the society who are directly or indirectly affected by the company. It emphasizes that the corporate entities must not exist only for the sole motive of profit but have to devote some of their precious resources and time for the well being of the society. Social responsibility of business is not a new concept to our country that has been developing gradually during one decade. In the past whenever there was famine or tidal-bore, or natural disasters the leading businessmen of the area would literally throw open their business premises to provide food and other assistance to the needy. But nowadays the contributions of business firms are found around the year through various social activities that benefit the society. Nowadays it is not only an obligation to stakeholders; rather, a great area of functions that firms are emphasizing. Perhaps that is why it becomes a most familiar term in today's business.

Bangladesh follows a mixed form of economic system, whereby private sector exists in conjunction with public sector and is supposed to play a significant role in the development of the nation. Since last 13 years in Bangladesh there has been growing number of local and multinational organisations, which are dealing their business relatively in smooth hand (Sultana, 2009). Organisation that can be specifically mentioned here are real estate company, telecommunication, banks, print media, consumers goods products company, steels company, fast food restaurants, electronics, refinery, private university, hospital, textile industries. The private sector enterprises (PSEs) play a very important role in providing social goods and services to the masses at a very competitive price. Hence the private sector enterprises are subjected to immense social pressure. Competitiveness of corporate entities of Bangladesh could be improved by involving more on emerging concerns of CSR issues. It is no more with the expectations only; rather the responses should be more efficient and effective (Raihan, 2002). Though the researchers in Bangladesh are interested in this topic, research in both academic and business level are largely absent here. This has entrusted the present researchers to move forward with this study. This research contributes new materials by analyzing how CSR is understood and implemented in Bangladesh context especially in PSEs level. This study, thus, offers considerable ways of implication to industrial-organisational psychologists, HR practitioners, and indeed for effective management practices especially in Bangladesh.

2. LITERATURE REVIEW

One of the factors contributing to the ambiguity of corporate social responsibility (CSR) is the lack of consensus as to what the concept really means (Carroll, 1979). Although the acronym CSR is now well established in the business lexicon, what the term actually means remains a subject of much debate (Roberts, 2003). It has been described as an ambiguous (Fischer, 2004), subjective (Frederick, 1986), unclear (McWilliams, 2001), amorphous (Margolis and Walsh, 2001), highly intangible (Cramer *et al.*, 2004), fuzzy (McGuire, 1963) concept with the unclear boundaries and debatable legitimacy (Lantos, 2001). Business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world (Aaronson, 2003). Corporate social responsibility (CSR) has variously been described as a 'motherhood issue' (Ryan, 2002) 'the hot business issue of the noughties' (Blyth, 2005) and 'the talk of the town in corporate circles these days' (Mees and Bonham, 2004). It has been suggested that 'some researchers distort the definition of corporate social responsibility or performance so much that the concept becomes morally vacuous, conceptually meaningless, and utterly unrecognizable' (Orlitzky, 2005);

or CSR may be regarded as 'the panacea which will solve the global poverty gap, social exclusion and environmental degradation' (Marrewijk, 2003). CSR means that a corporation should be held accountable for any of its actions that affect people, their communities, and their environment. It may require a company to forego some profits if its social impacts are seriously harmful to some of the corporation's stakeholders or if its funds can be used to promote a positive social good (Post, James *et al.*, 1996). It has been suggested that 'business leaders have since the 1920s widely adhered to some conception of responsibility and responsiveness practices' (Windsor, 2001). Carroll describes the CED's model as 'a landmark contribution to the concept of CSR' which illustrated the changing relationship between business and society (Carroll, 1999). About the last two decades it has been seen a radical change in the relationship between business and society. Prime drivers of this change have been globalisation of trade, increased size and influence of companies, repositioning of government and rise in strategic importance of stakeholder relationships, knowledge and company reputation. The relationship between companies and civil society organisations has moved on from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of business in society (Ahmed and Islam, 2008). It is the awareness that business activities have an impact on society and the consideration of that impact by firms in decision-making. Besides emphasizing profits, firms are concerned with social responsibility and voluntarily engage in activities that benefit society. It creates new business opportunities, synergies, and private public partnerships, connect customers, suppliers, stakeholders and communities. Much recent research suggests that it concerns the way a company governs the relationship between the firm and its stakeholders (Sultana, 2009). CSR is an emerging concept in Bangladesh and its limited familiarity is perhaps the greatest impediment to its wider adoption. It has been argued that all organisations have an impact on society and the environment through their interaction with key stakeholders and therefore CSR is important in all firms (Williams, 2005; Hopkins, 2003; Roche, 2002).

3. OBJECTIVES OF THE STUDY

The prime objective of the study is to examine the existing situation of corporate social responsibility practices in the private sector enterprises in Bangladesh. Besides this there are some other specific objectives, which are as follows:

- i. To examine the pattern of social practices.
- ii. To highlight the business activities related with social responsibility practiced by the various private organisations;
- iii. To measure the contribution of these activities.
- iv. To examine the degree of social practices.

- v. To examine the influence of key company characteristics on corporate social practices.

4. METHODOLOGY

The study was exploratory in nature, and was limited to evaluate the external corporate social responsibility practices of PSEs. The study was confined to examining the annual reports of the selected enterprises during the financial year 2007-2011 as well as private interview with the responsible managerial resources of the respective organisations. In selecting sample (private sector enterprises) for this study the convenience sampling method was used.

After scanning the annual reports and the collected information from interview of the sample companies, a content analysis was done and 15 items covering broadly the various aspects of CSR were identified. They were quality goods at cheaper price, safety of employees health, equal employment opportunities (sex, race, religion), employee welfare, industrial relation, contribution to public exchequer, manpower development and training, donation for national cause, access to information, safety goods, fair compensation, protection to environment pollution, environmental regulations, cultural development, other social involvement.

The annual reports and the collected data (through interview) of the companies were thoroughly examined to decipher the practices of each of these 15 items as representing the corporate social responsibility. If an item was disclosed anywhere in the annual report or interview phase in any form and in any length, it was assigned a score of one and in case of non-practice, the item was assigned 0 score. The score of each individual item in the annual report of each company was then totaled to find the final score of the company. The final score of each company was then converted into an index called social responsibility practices index (SRPI), which was obtained by the following formula:-

$$\text{Social Responsibility Practices Index (SRPI)} = \frac{\text{Total score obtained by a company}}{\text{Maximum score obtained by the company}} \times 100$$

5. SCOPE

The scope of the study is limited to a total number of 40 (forty) private enterprises, taking 15 (fifteen) sample from each enterprise. These sample enterprises were established under the private sector pre-liberation and post-liberation periods. The main reasons for selecting those enterprises were easy accessibility to the requisite data and the closeness of the study. The empirical analysis of the study covered a period of 2 (two) to 4 (four) financial years ranging from 2007-2011. The requisite primary data were extensively used in the study through direct face to face interview and some secondary data from annual reports. The questionnaire

for the study was designed to meet the requirements of the study and to collect the information from the respondents about the social responsibility practices in several items.

6. SOCIAL RESPONSIBILITY CONCERNS OF BUSINESS

Today's business is dynamic due to technological advancement and changing nature of competitive forces. To survive in the critical competitive business arena the business organisation should take effective strategy to adapt with the gradually increasing number of changing business environment. To adapt with this environment one most effective strategy can be involve in: with social activities by the business organisations to create favourable image towards the organisations for strong positioning of the firm in the competitive circumstances. Business organisation can be involved with social activities into different categories: with organisation Stakeholders, Natural environment and general social welfare. They can practice the social activities internally as well as externally as a whole. Through internally they can maintain stable internal organisational environment by satisfying investors, employees and making good relation with key labour unions, as well as externally outside the organisation by satisfying customers, suppliers, buyers and the involvement in social welfare activities for the well being of society that will be beneficial for organisations as well as for consumer market. Private business enterprises can minimize their competitive pressures through the involvement of social practices by the practicing of following items: fair prices, honour to warranties, meet delivery schedule, provide quality and safety products, employee welfare, better industrial relation, equal employment opportunity in term of sex- race and religion, employee safety at their workplace, fair compensation, development of backward class, cultural development, respect to religious issues and legal aspects, protection of environment and development of environment, charity work, donation to national disaster, pay due tax on due time, manpower development and training, access to information, proper fund management and others social involvements. From the study on this sector it is clear that most of the companies concern about the social responsibility through internal involvement of the social activities, which is not effective for the organisational survival in the competitive circumstances, and so organisation should concern about external involvement of social activities. Corporate social responsibility is represented by the contributions undertaken by companies to society through its core business activities, its social investment and philanthropy programs and its engagement in public policy. In recent years CSR has become a fundamental business practice and has gained much attention from chief executives, chairmen, boards of directors and executive management teams of larger

Table 1: Social Responsibility Practices performance of the sample PSEs

Sl. No.	Name of the Private Enterprises	No. of items Practiced	Social Responsibility Index
1	Equity Property Management Ltd.	9	60%
2	North South University(Dhaka)	11	73.33%
3	Aktel (ATM Company)	11	73.33%
4	Banglalink	11	73.33%
5	Grameen phone	12	80%
6	Dutch Bangla Bank Ltd.	14	93.3%3
7	Standard Chartered Bank	11	73.33%
8	HSBC	10	66.66%
9	Beximco Textile	13	86.66%
10	Anlima Textile	11	73.33%
11	Sonargoan Textile	10	66.66%
12	The Daily Star	14	93.33%
13	Prothom Alo	14	93.33%
14	The Daily Ittefaq	13	86.66%
15	Bangladesh Steel Re-rolling Mill (BSRM)	12	80%
16	Biazid Steel Industries	9	60%
17	Kabir Steel Re-rolling Mill (KSRM)	10	66.6%6
18	Metropolitan Hospital Ltd.	9	60%
19	Royal Hospital Ltd.	10	66.6%6
20	Apollo Hospital Ltd.(Dhaka)	12	80%
21	Premier University (Chittagong)	11	73.3%3
22	USTC (University of Science& Technology Ctg.)	12	80%
23	KDS Group	8	53.3%3
24	Asian Garments Ltd.	7	46.33%
25	Kass Garments Ltd.	5	33.33%
26	Sanowara Group	11	73.33%
27	Pran Group	10	66.66%
28	Well Food	11	73.33%
29	Pizza Hut Bangladesh	12	80%
30	Meridian Foods and Products Ltd.	11	73.3%3
31	Mostafa Group	11	73.33%
32	Dada Brand Soyabean Mill	6	40%
33	TK Group	12	80%
34	Shah Amanath Oil Refinery Ltd.	7	46.60%
35	S. Alam Group	10	66.66%
36	Basundhara Group	13	86.66%
37	Sony Bang. Ltd.	10	66.66%
38	Singer Bang. Ltd.	11	73.33%
39	Philips Bang. Ltd.	7	46.66%
40	Habib Steel Mill	9	60%

Source: Field Work

Table 2: Number of companies practicing the items of social responsibility

Sl. No.	Item of social practices	No. of companies practicing the items	% no. of sample companies practiced the item
1	Quality goods at cheaper price	32	80%
2	Equal employment opportunities (Sex, Race, Religion)	18	40%
3	Safety of employees' health	25	62.50%
4	Employee welfare	33	82.50%
5	Industrial relation	31	77.50%
6	Contribution to public exchequer	34	85%
7	Donation to national cause	33	82.50%
8	Access to information	23	57.50%
9	Manpower development and training	32	80%
10	Safety goods	36	90%
11	Fair compensation	28	70%
12	Protection to environment pollution	18	40%
13	Environmental regulations	23	57.50%
14	Cultural development	21	52.50%
15	Other social involvement	33	82.50%

Source: Field Work

international companies. They understand that a strong CSR program is an essential element in achieving good business practices and effective leadership. Companies have determined that their impact on the economic, social and environmental landscape directly affects their relationships with stakeholders, in particular investors, employees, customers, business partners, governments and communities.

7. ANALYSIS OF FINDINGS

The sum of total numbers of practices by 40 private sector enterprises were 420 and expressed in percentage terms, the average score of the sample PSEs is 70% ($420/600 \times 100$). The average Social Responsibility Practices Index is fairly high in the overall social responsibility performance. The highest score obtained amongst PSEs were Dutch Bangla Bank Ltd., The Prothom Alo and The Daily Star with 93.33%, followed by Beximco Textile and The Daily Ittefaq with 86.66%.

Out of 40 sample companies, there were 12 companies that featured in the highest range of 80-100. The maximum numbers of companies were in the range of 60-80. In the lowest range of 0-20, not a single company featured and this clearly shows some concern of the social issues amongst the private sector enterprises. Thus, it is apparent from the above results that there is a cause of understanding the social issues amongst the PSEs and they are trying to increase the number

of social practices. Thus social performance of PSEs was found to be highly satisfactory.

7.1. Item wise Performance on Social Practices

There were 15 items identified as those representing corporate social responsibility. The scores obtained by the sample private sector enterprises on different items is shown in Table 2

Table 2 clearly reveals that one item occupied premier position as per as social responsibility practices are more concerned and it was statutory in nature. Amongst the other item, contribution to the public exchequer was exhibited prominently. Scanty attention is being paid to protection to environmental protection and equal employment opportunity (EEO). Industrial relations, manpower development and training seem to have gained lot of popularity and the PSEs, the same is applicable for employee welfare activities. Thus the Table 2 depicts broadly a fair quantum of item wise representation in the private sector enterprises.

8. IMPLICATIONS FOR MANAGEMENT

The current study is relevant to researchers, practitioners, entrepreneurs, and business leaders as the findings may

help them to identify current conditions of CSR practices in Bangladesh. Corporate social responsibility (CSR) is becoming an increasingly important activity to businesses nationally and internationally. As globalisation accelerates and large corporations serve as global providers, these corporations have progressively recognised the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. The result of the study shows that the social responsibility practices by private sector enterprises through corporate strategy were moderately satisfied, but some companies as well as some sectors position are warming. There are lots of areas where company can conduct social practices and create a strong position. It can be a competitive strategy by which the leading and the front line company create favourable image to the society in the long run. Recently some organisations are well concerned about these activities and have made a position better than their competitors. In this today's competitive and dynamic business arena the company should expend and invest more money in this area which will be more fruitful for the society as well as for the organisational growth.

9. LIMITATIONS

Despite the positive implications for management, the study has suffered from a number of limitations. The most important limitation was to use convenience samples that might limit the generalizability of the findings. A random sampling procedure could be the best alternative to assure generalizability of the results. The reason for using convenience sampling technique was mentioned earlier. The main reasons for selecting those enterprises were easy accessibility to the requisite data and the closeness of the study. The sample size (N = 40) posed another limitation of this study. Larger and representative sample is needed to further investigate the current CSR practices in Bangladesh.

10. FUTURE DIRECTIONS

In terms of future research directions, subsequent studies should be attempted to investigate the conditions of CSR practices in Bangladesh. Future research would be benefited from a large sample size, using a variety of samples. The study could be conducted in different separate industries. The CSR practices of PSEs in Bangladesh are increasing rapidly. By studying the last year data (2012) could bring more information about the changes of CSR practices in Bangladesh. Moreover, the impacts of CSR on profit or in any other financial area could be studied. Research examining the CSR practices of enterprises mediated by any moderating variable could produce more interesting results.

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