

Original article**CSR to tackle the Economic Effect of Covid 19: The case of Bangladesh**

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Abstract

Purpose – The purpose of this study is to examine the economic impact of COVID-19 and analyse how the corporate social responsibility (CSR) initiatives of Islami banks (IBs) can contribute to reducing the adverse economic impact in the context of Bangladesh. **Design/Methodology/approach:** Currently eight full-fledged IBs are functioning in Bangladesh adhering to the underlying principles of Shariah; among them, seven are actively engaged in CSR activities to help the underprivileged segments of its citizens. This study, through employing a content analysis method examined the information available from these IBs as well as other government sources and published materials to address the COVID-19 economic impacts, specially the role of these IBs. **Findings:** This study finds that along the line with national and international funds, IBs' CSR funds can also help address the economic downturn in Bangladesh caused by the COVID-19 pandemic. The study further identified that if IBs develop a consortium among themselves, the CSR funds can be better utilised for the socio-economic development of Bangladesh. **Research limitations/implications:** The scope of this study is somehow limited, as it has only considered the impact of CSR funds by IBs in Bangladesh. Further research can be conducted in future considering the total CSR funds by all banks, i.e., conventional and Islamic banks. **Practical implications:** This study demonstrated that IBs spend USD 83.30 million annually, which means USD 417 in five years period. Based on the recommendations of this study, all IBs may work together to develop a joint CSR strategy for the socio-economic development of Bangladesh. Considering Bangladesh's poverty level, such a joint CSR strategy would be helpful for the vulnerable population of the country. **Originality/value:** This study is unique in the sense that it seeks to address the economic challenges of COVID-19 in the context of Bangladesh with support from the CSR initiatives of IBs. This study has created a new insight for IBs into developing an integrated CSR strategy, which is expected to bring significant contributions to the livelihood of the susceptible citizens of this country.

Keywords: COVID-19; Islamic banks; economic impact; Role of CSR; Bangladesh.

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Introduction

The recent outbreak of COVID-19, a shorthand for “coronavirus disease 2019” has shocked the world and brought a challenge for researchers and stakeholders to find an immediate solution. Solutions like social

distancing policies are flattening the medical curve but steepening the recession curve which is leading the financial system into a crisis¹. COVID-19 has impacted Bangladesh, a developing country located in South Asia, with a 170 million population. Like

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other countries, the economy of Bangladesh, a densely populated country has remarkably suffered, and it will likely suffer further. This paper discusses the economic challenges caused by COVID-19 in this jurisdiction and recommends the way forward utilising CSR tools of the Islamic banking sector.

As of 30 April 2021, according to the World Health Organisation (WHO), the following figures (Table 1) are available related to the COVID-19 pandemic (ranked order based on the number of highest cases). The table shows the number of total cases and deaths due to COVID-19 situation in Bangladesh compared to the global and top ten infected countries.

Table: 1

Region/ Country	Cases – a cumulative total	Death – a cumulative total
Global	151,217,562	3,181,807
1. United States of America	33,044,068	589,207
2. India	18,762,976	208,330
3. Brazil	14,592,886	401,417
4. France	5,592,390	104,224
5. Russia	4,806,700	110,128
6. Turkey	4,778,700	39,737
7. UK	4,414,242	127,417
8. Italy	3,949,517	119,021
9. Spain	3,514,942	78,080
10. Germany	3,379,387	83,338
Bangladesh	759,132	11,450

Source: World Health Organisation (WHO, 2021)²

Bangladesh has been one of the major beneficiaries of globalisation. The country has significantly benefitted from the outsourcing of production as it can be done cost-effectively in Bangladesh. The apparel (ready-made garments) industry is labour-intensive, and the workforce is available in Bangladesh at a low price due to the high unemployment rate here. The abundance of labour has also made Bangladesh one of the leading labour-exporting countries, bringing a significant amount of remittance earnings each year. The high inflow of remittance also benefits the balance of payment situation. The political stability in Bangladesh in the last decade and favourable circumstances brought on by globalisation have resulted in speedy economic growth in the country. The GDP growth of Bangladesh has been around 8 percent in recent times³. Bangladesh had been enjoying the benefits of economic growth while in

the rest of the world the growth was slowing down. However, this rapid economic growth of Bangladesh has been disrupted by the outbreak of the COVID-19 pandemic, although the country has exhibited its resilience in the face of past natural catastrophes.

Bangladesh is not immune to tragedies or major humanitarian catastrophes such as natural calamities and so on. Sitting across a river delta at the bottom of the Himalayans, the country is combating an enduring battle against the impact of climate change. In its half a century of survival, the government of Bangladesh and its citizens have shown huge courage in facing natural disasters such as monsoon floods, cyclones and droughts. Currently, it hosts the world's major refugee inflow along its southern boundary, Cox's Bazar. The country had also overcome challenges like the Asian financial crisis in 1997 and the global financial crisis during 2007-2008. The emergence of the COVID-19 pandemic appeared like a disaster in an entirely unprecedented manner. Such a disaster requires a response at the highest magnitude. It has significantly crushed almost every sector of this country including economic devastation. Hence, the initiatives from national and international communities have become inevitable to address this economic catastrophe. This paper demonstrates how CSR funding of IBs can also help to recover such an economic crisis in the long run.

Literature Review

'CSR' is an emerging concept in developing countries though it has been a significant issue in Western countries for a long time. However, an exclusive definition of CSR has not been in existence until now. An early definition has been provided by Bowen⁴, which is "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of our society". According to Carroll⁵, the CSR concept was initiated in the 1950s demonstrating the new era of CSR. The CSR definition enlarged during the 1960s and further flourished in the 1970s. Some new definitions were introduced of CSR, emerged in the 1980s, including the concepts of corporate social performance (CSP), business ethics theory and stakeholder theory. During the 1990s, the above- CSR theories reached the centre stage, and Carroll⁶ unpacked his CSR pyramid with the economic category as its baseline, built rising through legal, ethical, and philanthropic categories. However, the most well-known and well-regarded definition has been provided by World

Business Council for Sustainable Development as “Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large”⁷. In 2011, Rahman presented a breakthrough study ‘ten dimensions of CSR’. These dimensions are ‘obligation to the society’, ‘stakeholders’ involvement’, ‘improving the quality of life’, ‘economic development’, ‘ethical business practice’, ‘law abiding’, ‘voluntariness’, ‘human rights’, ‘protection of environment’ and ‘transparency & accountability’.

The term ‘CSR’ has been conceptualised as a charter to pinpoint the role of business and its impact on society, rather than maximisation of profit⁸. CSR is an integral part of contemporary business, and the strategic application of CSR increases business competitiveness and eventually offers unique benefits to society⁹. Historically, charities have been carried out by religious institutions and would engage in social services. For example, the Salvation Army, Catholic Charities USA and Jewish Family Services have been serving humanity for many years¹⁰. Additionally, several large Muslim charities have been actively supporting society for a long time. These charities include Muslim Aid and Islamic Relief Worldwide, which have affected thousands of lives¹¹.

During the early 21st century, the idea of socially responsible banking had grown with the rise in the green movement and the inception of environmental activists of the new generation¹². Furthermore, a growing awareness of investing following Islamic moral principles on a global level has made Islamic banking a flourishing industry¹³. Global Islamic banking assets held by commercial banks are set to reach US\$2.4 trillion in 2017, an increase from US\$1.3 trillion of assets held in 2011¹⁴. These financial institutions are governed by the principles of Shari’ah (Islamic law). In the context of Bangladesh, both conventional and IBs are contributing to society by helping protect the environment and by expressing their commitment to ethical business practices¹⁵.

Theories Underpinning CSR

The above brief literature review allows anyone to comprehend the growth of CSR over time and across most business sectors to improve the well-being of society. The next section synthesises a few theories that underpin the tradition of CSR.

Social identity theory (SIT)

Tajfel¹⁶ first introduced Social identity theory (SIT), which was later developed by Turner¹⁷. SIT explains the phenomenon of CSR among employees of IBs. According to this theory, employees of IBs may develop a positive sense of identity from their relationship with an Islamic bank, which is regarded as having esteemed features. On the other hand, a poor image produced by a negative reputation on corporate citizenship may have a detrimental influence on an employee’s self-concept. Subsequently, the lower level of Organisational Commitment (OC) may arise from low self-concept. Henceforth, the citizenship behaviour of the banks may influence the employees’ OC, which is linked with the banking business social responsibility.

Stakeholder theory

In the CSR literature, Stakeholder theory has become one of the most frequently cited theories. According to this theory, beyond shareholders, there are several agents with interests in the actions and decisions of businesses. These stakeholders are ‘groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions’¹⁸. Furthermore, in addition to shareholders, stakeholders include creditors, employees, customers, suppliers and communities at large. Stakeholder theory asserts that businesses have social responsibilities that require them to consider the interests of all parties affected by their actions. In the decision-making process, management is expected to consider not only shareholders but also anyone who is affected by such business decisions. In contrast to the classical view, the stakeholder view holds that ‘the goal of any company is or should be the flourishing of the company and all its principal stakeholders’¹⁹.

The Research context:

Philanthropy and religious values – IBs service focus

Possibly the most obvious example of altruistic values in CSR can be observed in corporate philanthropy, which is historically associated in British and American history with Quakers²⁰. Quakers became well known for their integrity both in personal relationships and in business dealings; they honoured contractual promises and maintained fixed prices for goods. Well-known British businesses with Quaker origins include the chocolate manufacturers Rowntree, Fry and Cadbury

(Quakers permitted the drinking of chocolate as a healthier alternative to alcohol). The importance of helping the less fortunate is strongly supported by all major religions including Buddhism, Judaism and Islam²¹. Consequently, religion can be regarded as a motivator for philanthropy or CSR, although it can also be argued that the religious motive is itself driven by reasons of self-interest, such as securing a place in heaven as is believed by followers of Christianity and Islam; or practising 'karma' in Hinduism, Buddhism and Jainism²².

CSR expenditure by IBs in the conventional categories

The banking sector in Bangladesh plays an important role in planning, organising, directing and implementing CSR activities to mitigate the economic, social and environmental challenges in Bangladesh. After issuing the mandatory reporting directives by BB in 2008, all the IBs like their conventional counterparts report their CSR expenditure to BB under the following five headings:

i) Humanitarian and disaster relief: Bangladesh is a victim of frequent natural disasters. The country's unique geographical location makes it especially vulnerable to water-related natural disasters, such as floods, coastal cyclones and river erosion²³. As part of CSR initiatives, banks frequently support victims of major natural catastrophes. Banking sector CSR expenditures for humanitarian and disaster relief increased approximately 3.5 times in 2010 compared with the level of expenditure in 2007 (24). The CSR spending by these banks included assistance for the rehabilitation of the victims of cyclones *Sidr* and *Aila*²⁵; reconstruction of the houses of flood victims; medical treatment for the victims of the *Nimtoli* fire explosions; the prime minister's relief fund; supply of blankets for those in need; and the distribution of food, medicine and clothing to landslide victims.

ii) Education programs: Several banks were actively engaged in education programs as part of their CSR initiatives during the period 2007-2010. Banks in Bangladesh built several institutions, such as kindergartens, primary and secondary schools, colleges, vocational training institutions, medical colleges and nursing training centres. Banks also distributed computers and library books to schools and provide scholarships to secondary and tertiary-level students. Banking CSR expenditures for the education sector increased dramatically during this period from USD 0.21 million in 2007 to USD 5.7

million in 2010²⁴. These figures provide a clear picture of banks' interest in contributing to education and expansion of CSR activities in this area.

iii) Healthcare initiatives: During 2007-2010, several banks contributed to the healthcare sector including building clinics and hospitals, donating ambulances and medical equipment to public sector hospitals, organised blood donation programs, and so on. The CSR expenditures in this sector increased from USD1.0 million in 2007 to USD9.85 million in 2010²⁴, thus providing a picture of the CSR contributions of banks toward the improvement of healthcare, especially benefiting underprivileged citizens.

iv) Promotion of sports: Bangladeshi businesses, especially the banking sector, have supported games and sports through their CSR initiatives. The data showed that the amount of money that banks donated from CSR budget to games and sports increased from USD 0.04 million in 2007 to USD 3.8 million in 2010. Moreover, banks also assisted the Bangladesh Olympic Association and supported different sports carnivals from time to time. For example, a recent study on IBBL found that the bank's contributions played a vital role in the promotion of games and sports in Bangladesh²⁵.

v) Promotion of art and culture: Banks also supported and promoted the arts and culture of Bangladesh through their CSR initiatives during the aforementioned period. These initiatives included organising award distribution ceremonies for poets and writers; sponsoring photo exhibitions; providing financial assistance to artists, such as poets, singers and musicians; publishing books on historical and national issues; sponsoring musical events; and, most significantly, donating USD 3.4 million to the Bangladesh Liberation War Museum. For example, the Standard Chartered Bank in Bangladesh focused its efforts on the areas of history, culture and artwork. The bank published *Dhaka* alias *Jahangirnagar: 400 years* and *Street traders of Bangladesh* and it sponsored the "Celebrating Life" contest for new talents across the country to pursue their career goals in film, photography and lyrics.

v) Protection of the environment and promotion of green banking: The banking sector in Bangladesh has played a significant role in the protection of the environment as well as in the promotion of green banking based on the guidelines of the central bank. Bangladesh Bank created a scheme, primarily with a US\$27 million revolving fund during FY 2010, to

facilitate commercial banks to provide loans to solar energy, biogas and effluent treatment plants. They offered this fund to encourage the use of solar energy and alternative environment-friendly fuel. Banking support for the environment became significant in

the recent past with expenditures of USD 0.8 million in 2010.

CSR expenditure by IBs in the above conventional categories during 2016-2020

Table – 2

CSR expenditures by the banks in Bangladesh The figures are in million USD							
FY Year	Education	Health	Disaster Relief	Environment	Culture	Others	Total
2020	22.62	18.25	32.80	5.44	13.03	23.58	115.72
2019	7.88	3.33	16.74	0.47	0.17	4.49	33.08
2018	43.53	5.54	60.27	0.98	3.68	16.71	130.71
2017	23.95	7.08	22.96	1.24	3.58	8.87	67.68
2016	20.14	9.45	22.37	1.34	3.83	12.17	69.30
Total	118.12	43.65	155.14	9.47	24.29	65.82	416.49

Source: Bangladesh Bank

Total spending by the IBs during the last 5 years (2016-2020): US\$ 417 million

There are eight IBs currently operating in Bangladesh. A list of these IBs is given below:

Table: 3

Name of the bank
1. Islami Bank Bangladesh Limited
2. Shahjalal Islami Bank Limited
3. Social Islami Bank Limited
4. Al-Arafah Islami Bank Limited
5. Exim Bank Limited
6. First Security Islami Bank Limited
7. Union Bank Limited
8. ICB Islamic Bank

Source: Bangladesh bank

Research design

The research questions

The study revolves around to respond to the research question: “How the CSR initiatives of IBs can play an effective role to overcome the economic challenges of COVID-19 in Bangladesh?”

Content analysis method

This study adopted content analysis as a research method. Qualitative content analysis is one of the popular research methods, which is used to analyse text data involved in CSR studies. This method goes beyond merely counting words to examining language

intensely for classifying large amounts of text into an efficient number of categories that represent similar meanings. According to Polonsky *et al.*, (26), texts may include books, essays, discussions, reports, interviews, newspaper headlines, journal articles, historical documents, speeches, conversations, advertising, or any occurrence of communicative language. Conducting a content analysis in the current study involved at least a few important steps such as choosing the documents containing CSR initiatives of the Bangladesh banking sector, closely observing the annual reports, websites and other printed materials of the sample banks as well as such documents of Bangladesh Bank (BB), the central bank of the country, identifying the statistics/categories/types of CSR activities of those banks and analysing the data/content/information; and finally, presenting the findings and recommendations for the audience.

Given that, the content analysis method is chosen for this research considering the fact it is the most suitable method for such studies. This study requires an examination of contents (data and information) from published peer-reviewed journals, the BB’s publications, annual reports of IBs in Bangladesh and documents/reports from the World Bank. First, the contents related to the economic challenges of Bangladesh in the face of COVID-19 have been

collected. Then it follows the conducting of an in-depth analysis of relevant content to identify how CSR initiatives taken by IBs can address such economic challenges.

Discussions and Analysis:

Impact of the COVID-19 on Bangladesh economy

Through the content analysis of the relevant documents, websites, government data, it has been identified that at present, Bangladesh has been facing several major economic challenges. These include the declining revenue from Ready Made Garments industry, decreasing inflow of foreign remittance, straggling small and medium-sized enterprises (SMEs) and start-ups, already crippling financial institutions, instability in the capital market, continuous trade deficit and sharp increase in unemployment. A detailed discussion of such economic challenges has been furnished below:

a) Declining revenue from RMG industry: The RMG industry is one of the most hit sectors, a great contributor to the economic development of Bangladesh witnessed order cancellations amounting to USD 1.5 billion. It represents almost 50% of typical export revenue per month as the exports to the European and American companies have (27). These include GAP, H&M, Zara, Primark and Marks & Spencer, who are major importers of Bangladeshi apparel products. This study observes that if the COVID-19 pandemic lasts to impact global supply chains, the health and safety of workers as well as buyers' demand will fall dramatically. Amit (28) also observes the same and indicated that Bangladesh may witness a loss in export revenue up to USD 4 billion. Export incomes from apparel items have been fallen by 5.71 % during July 2019 – January 2020, compared to the same period during 2018-19. Incomes from woven apparel products fell by 6.29% to USD 9.44 billion from USD 10.07 billion during July – January 2019-2020 compared to the same period of 2018-2019. In the case of Knitwear, incomes dropped by 5.13% from USD 10.14 to USD 9.62 billion. Most export products of Bangladesh have received a similar fate during the COVID-19 pandemic.

b) Declining remittance flow: This study further observes that the COVID-19 pandemic forced Bangladeshi overseas workers living in several countries including the Middle East, Europe, Asia, Australia, and the United States to return home due to the significant impact of this disease that

brought into those countries. Consequently, there is a significant interruption in the remittance flow from those countries even after government stimuli of 2% to the remittance senders. Furthermore, many Bangladeshi workers lost their overseas jobs as those countries are observing full or partial lockdowns due to the pandemic. According to BB remittance inflow records, remittance dropped 5% during March – June 2020 compared to the same period of the previous year:

c) Straggling SMEs and start-ups: This study also detects that the huge outbreak of COVID-19 significantly deteriorates the business opportunity of SME and start-up businesses as the sales of these businesses have slowed down. Lalon (27) also observed that the banks' reluctance to give loans to SMEs and start-ups due to BB's directives to issue loans at a 9 percent interest rate made the situation worse. Banks claim that high operating costs, deployment of more employees, unsecured nature of the loan, credit assessment, verification process, documentation and collection of loans made SMEs and start-up loans expensive for banks.

d) Crippling financial institutions: Due to the huge amount of non-performing loans (NPLs), many banks and other financial institutions in Bangladesh have been exhibiting overall poor performance. The international standard of NPL is 2 percent or lower but it is much higher in this jurisdiction, which is very alarming for this sector (29). It has been observed that the NPL ratio is increasing every year. Furthermore, the outbreak of COVID-19 has slowed down almost every business sector, which is also impacting the banking sector of Bangladesh as well considering the inability to repay of loans to their clients.

e) Instability in the capital market: Since February 2020, the already distressed stock market in Bangladesh has started to reflect adverse influences of the COVID-19 pandemic. The study identifies that the horror of COVID-19 has already disastrously impacted the Capital markets in Bangladesh both in Dhaka and Chittagong stock exchanges. The Dhaka and Chittagong stock exchanges restarted their operations end of May 2020, after an extended lockdown period since the last week of March of the same year. Nevertheless, the circumstances do not seem to offer much optimism. However, the trade volume tends to decline, and the emergence of the COVID-19 pandemic added further created injuries through adversarial micro and macro-level impacts.

f) *Sudden increase in unemployment*: According to a recent survey by the Bangladesh Institute of Development Studies (BIDS), 13 percent of the workforce in Bangladesh became jobless due to the COVID-19 pandemic (30). The outbreak of COVID-19 threatened the employment scenario of the country as almost all the business sectors have been impacted. As a result, most economic activities are suspended due to the spread of the pandemic that impacted job losses, as identified by BIDS. In consequence, as this current study observes, employees from the formal or informal job sectors such as day labours, transport staff, garments workers, sole proprietors and sales boys/girls have been seriously hit.

The contribution of CSR to overcome the economic challenges:

In addition to the national and international agencies, IBs CSR fund can also contribute to overcoming the economic catastrophe caused by COVID 19.

a) National and International financial contribution: It has appeared that the World Bank's promise of a credit of USD 1 billion, Bangladesh government's budget allocation of USD 1.2 billion and donation/assistance from international/donor agencies amounting to USD 300 million will help Bangladesh to revive its economy partially.

b) IBs CSR fund: IBs agree to divert their CSR funds USD \$417 to overcome the economic crisis, it will also be a great contribution in a time of need for Bangladesh. IBs CSR funds are generally used for various humanitarian activities such as education, health, disaster relief, environmental protection and so on. COVID-19 has created a huge catastrophe and humanitarian crises due to the loss of jobs and businesses. Consequently, there is a possibility that a significant number of Bangladeshi citizens will go beyond the poverty level and will face a serious economic crisis. IBs' annual CSR expenditure can be diverted for the next 5 years to the citizens of Bangladesh who are impacted by COVID-19 and dare need of access to humanitarian /economic supports. The amount of such a budget can be = \$83.30 million X5 = USD 417million in 5 years.

Recommendations

Addressing Economic Crisis Using CSR funds by IBs:

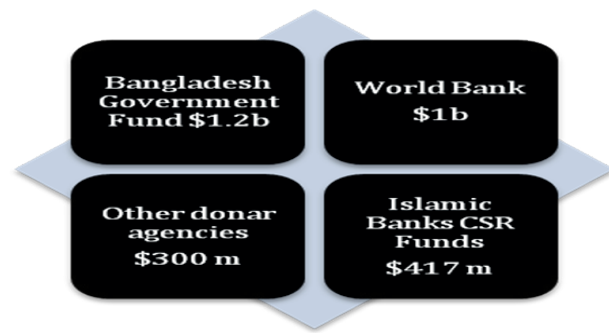


Figure 1: IBs possible funding with other sources to address COVID-19 economic downturn

Source: Authors' own

In addition to the initiatives taken by a) Bangladesh government, b) the World Bank c) other international/donor organisations (ADB, WHO, USAID etc.) and CSR initiatives by IBs can also play some role to help the citizens of Bangladesh to come out of poverty during the post-COVID 19 eras. CSR is an integral part of contemporary business, and its strategic application increases business competitiveness and offers distinctive benefits to society (9). Historically, many large Muslim charities have been actively supporting society for a long time. Considering the IBs CSR budget for the next 5 years, IBs can divert their CSR budget to address the economic crisis of Bangladesh along with the proposed budget from the Bangladesh government, World Bank and donor agencies. IBs contributions to CSR is highly reputed in Bangladesh. IBs support to address the economic damage due to Covid 19 will be a great salvage for Bangladesh and its citizens.

Establishing a CSR network/forum among IBs in Bangladesh

It has been observed during the study that all IBs conduct their CSR activities independently. As a result, the need for assessment and economic support to a particular region does not bring much effective result. However, if IBs can develop a CSR network/forum among themselves and develop a joint CSR strategy, that would help them to optimise their resources and reach out to a larger number of beneficiaries. So, it is the demand of the time they all work in a body for the greater benefit of the society as well as for the successful implementation of their CSR activities. Having a CSR network/forum among the IBs in Bangladesh would help them in planning, directing, controlling and monitoring their CSR initiatives in a better and more effective way. This forum would allow them to develop a combined

budget and integrated CSR plan to benefit the citizens in a useful manner. Such a network can allow IBs to share information and to learn from one another's expertise and experience of CSR engagement, specially in situations like COVID-19.

Limitation, scope for future research and conclusion

The scope of this study is somehow limited, as it has only considered the impact of CSR funds by IBs in Bangladesh. Further research can be conducted in future considering the total CSR funds by all banks, i.e., conventional and Islamic banks for a quick recovery of the economic downturn of Bangladesh economy due to the impact of COVID-19.

IBs in Bangladesh significantly contribute to the healthcare sector of Bangladesh benefiting thousands of poor and middle-income citizens (31)IBs spend significant money on CSR because of their religious obligations and because of a desire to respond to the mandatory requirements of the central bank of Bangladesh. Such engagements will also give the IBs a sense of belongingness to the community. As COVID-19 has hit Bangladesh tremendously in various ways including the economic sector, it

is expected that IBs' contributions would help ease relieve the country and its citizens to some extent.

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Authors' contribution:

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