Corporate Social Responsibility in Bangladesh: The Law and Practices
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Abstract
Commitment of the business corporations to the society is of critical importance. In this article, the current scenario of corporate social responsibility (CSR), an emerging issue in the developing countries, is critically analyzed in reference with the existing laws and regulations in Bangladesh. This paper also examines the current status of CSR in readymade garment industries, the most important and vulnerable industrial sector in Bangladesh. It concludes that the major Bangladeshi laws related to corporate regulation and responsibility do not possess necessary features to develop a socially responsible corporate culture in Bangladesh. However, initiatives, from the local government and international community, have been taken to improve the situation.

Keywords: Corporate Social Responsibility, Corporate disclosures, Human Rights, Labour Act, Company Act, Readymade garment industries

1. Introduction
Recently Corporate Social Responsibility (CSR) is one of the most debated issues all over the world. CSR has gained much attention among the research community as well as government, law makers, politicians, business people, civil society, social workers and NGOs. The idea of CSR first evolved in 1953 when it became an academic topic in HR Bowen’s “Social Responsibilities of the Business”. Bowen (1953, 6) gave an initial definition of the social responsibilities of businessmen:
It refers to 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 the objectives and values of our society. In fact, in the early writings CSR was referred as social responsibility of the businessmen (Carroll 1999). Later, the concept of social responsibility of the businessmen expanded into the social responsibility of the business corporation. McGuire (1963) defined CSR as ‘The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations’ (p 144). Similarly, Johnson (1971, 50) critiques and analyzes the views of CSR and defined CSR:
A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation. The European Commission (2001; 2002; 2006) defined CSR as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’. In most definitions CSR is considered as a company’s commitment to its stakeholders to conduct business in an economically, socially and environmentally sustainable manner that is transparent and ethical. The main concept behind CSR is that businesses should not only serve as economic, but also social and environmental ends (Elkington 1994).
Various initiatives have been taken by the World Bank, Organisation for Economic Co-operation and Development (OECD), and the International Labour Organization to implement the social responsibility of the business corporation (Owen 2007). These organizations also focusing different issues such as for example focus on the environment while others focus on labour or human rights (Carroll 1999). The practice of corporate social responsibility is increasing day by day as thousands of companies all over the world are competing to gain recognition by adopting the CSR label although the role of CSR in economic development and corporate law is in great controversy (Zile 2012). Since 2000, over 12,000 business and non-business organization and 145 countries have joined the United Nations’s Global Compact, the largest international CSR initiative (UNGC 2013). CSR is not only gaining importance to the business corporation or to the researcher but also gaining much attention of the governments. On the basis of recent literatures, Steurer (2010) found five important issues for which the governments show interests about the CSR concept. First, governments are interested in CSR because the respective business efforts can help to meet policy objectives such as sustainable development and environmental protection, but also to foreign policy goals such as human development and development assistance on a voluntary basis. Second, CSR policies are regarded as an attractive complement for hard-law regulations in cases where new regulations are politically not desirable or infeasible especially at the international level. Third, governments are interested in defining the concept and also fostering the respective practices positively with softer, non-binding initiatives i.e. ‘voluntary business contribution to sustainable development’ which starts where the legal framework ends. Fourth, the soft approach of CSR policies coincides
with a broader transition of public governance altogether, which leads away from hierarchical regulation towards more network-like and partnering modes of self- and co-regulation. ‘CSR is not simply a feature of the new global corporation but is also increasingly a feature of new societal governance’ (Moon 2007, 302). Fifth and finally, the concept of CSR obviously reshapes not only management routines but also the roles of, and relations between, businesses, governments, and civil society.

Although corporate social responsibility has become increasingly popular over the last several decades many scholars vehemently disagree over its role in economic development and corporate law. Some argued that because CSR is a broad field, it is difficult to define exactly what one means by “corporate social responsibility” and hence, it is hard to implement and monitor (Madsen 2008). This article primarily examines two important laws, the Company Act 1994 and Bangladesh Labour Law 1996, of Bangladesh to assess the provisions of CSR. The practice of CSR in different business sectors of the country is also critically evaluated with much emphasis on the readymade garment industries.

2. CSR laws in Bangladesh

There is no specific legislation in Bangladesh to assist the regulation of CSR. In recent days has the issue of CSR has drawn the attention of policymakers (Rahim 2012). The CSR issue has been emphasized much more specially after collapse of the garments factory building ‘Rana Plaza’ in 2013 in Savar, Dhaka. The Bangladesh Labour Law 2006 has been questioned and amended. On this perspective, this section assesses two Bangladeshi laws-the Companies Act 1994, the Bangladesh Labour Law 2006 in developing social responsibility in corporate self-regulation.

2.1 The Company Act 1994

The Company Act 1994 (hereafter referred to as the Act) describes the provisions to initiate a company as well as the rights and liabilities of a company, its shareholders, directors and managers. The Act also defines the rights and liabilities of business owners or boards of corporate directors. Corporate governance attributes of a company, its ownership structure and characteristics also defined in section 104 and Schedule 1 of this Act. The social responsibilities of directors or their management strategies are not specified in this Act. According to this Act, company directors are liable for most of the financial operations only to the stockholder and they are rarely personally liable for any damages to the stakeholders caused due to their irresponsible business strategies.

In the current literatures two methods of measuring the performance of social responsibility of companies are presented. The first is through the evaluation of the reports published by the companies on their social performance and the quality of information in these reports (Perrini 2005). The second is through the evaluation of the internal mechanism of companies to respond to the needs of society, the environment and social values (Morsing and Schultz 2006). According to the Act, companies have to publish annual report based on the financial performance of the company which is as an indirect initiative to present corporate strategies before the corporate constituencies.

The Act indirectly imposes some liabilities on corporate directors for supplying incorrect, insufficient or misleading information in the company prospectus but on the other hand, the statutory defence provided by this Act has weakened these liabilities to compensate the investors. Section 102 of the Act bars a company from indemnifying its director, manager or officer or any person against any liability which, by virtue of any rule of law, would otherwise attach to him or her in respect of any negligence, default, breach of duty or breach of trust of which she or he may be guilty. Moreover, it does not provide adequate judicial observation related to its provisions to promote the social responsibility of directors. Section 145 of the Act imposes liabilities on directors and officials for disclosing untrue statements, but it does not mention the liabilities of other people such as lawyers, auditors, underwriters and so on who are also involved with the preparation of the prospectus. On the other hand, there exist several provisions in this Act which are either flexible or incomplete in regard to the liability of the directors. For example, in a legal suit over untrue or incomplete or inadequate information in a prospectus, a director or official does not need to prove his or her enquiry into the authenticity of the information or she or he has disclosed publicly. The penalty of disclosing untrue statement and fraudulently is also insufficient. Moreover, the annual reports do not contain their non-financial performance. Recently, a requirement concerning environmental disclosure on the expenditure on energy has been made mandatory for corporate bodies. In fact, the Act does not require any specific duty for corporate management to fulfil social responsibility and the provisions in the Act related to these issues and the suitability of these provisions to reach the objective are to be reviewed, as this could help to evaluate the strength of the legislation to make companies socially responsible.

2.2 The Bangladesh labour Act 2006

Bangladesh has a comprehensive set of labour regulations that reflects its ratification of all the core labour standards of the International Labour Organization (ILO), though the labourers in its manufacturing industries experience numerous violations of workers' rights supposedly guaranteed in the Bangladesh Labour Act (BLA) 2006 (Rahim 2012).

Up until 2006, there were 44 labour-related laws covering four broad categories of labour issues: (a) wages and
This is too high and can erect a substantial barrier to union formation, especially in large enterprises. The unions membership of thirty percent of the total number of workers employed in the establishment in which it is formed. Also suggested amendment of Article 178(3), which requires the government to turn over the names of the officers of a union to their employer. In practice, this has resulted in the discipline or dismissal of trade union officers. Those who experience anti-union discrimination in this context are infrequently reinstated or provided compensation afforded by law. There can be trade unions among the workers of a cluster of units even if the number of workers in a similar company is less than 20. According to Article 178(3), it is required that the government should turn over the names of the officers of a union to their employer. In practice, this has resulted in the discipline or dismissal of trade union officers.

Whatever, it has been claimed that the BLA 2006 has many deficiencies that hinder any prospect of it becoming a main source for developing a systematic and accountable labour administration through corporate self-regulation (Rahim, 2012). Trade unions in Bangladesh and many other organizations across the world including ILO has claimed for reviewing BLA 2006 with regard to ILO Convention Nos 87 (Freedom of
Association and Protection of the Right to Organize) and 98 (Right to Organize and Collective Bargaining). In 2009, an initiative was taken by the Government of Bangladesh to amend the Bangladesh Labour Act, 2006 following the demands and to make it consistent in the line of the ILO Conventions, which are ratified by Bangladesh. Finally, gazette notification of the Bangladesh Labour (Amendment) Act, 2013 was published on 22 July 2013.

The present amendments specially considered two burning issues related to workplace safety and health and freedom of association and collective bargaining. In BLA 2006 there was provision for compensation due to only normal death at the rate of thirty days’ wages for every completed year of service. In the amended law provision has been made for an accidental death while working in the establishment or on duty at the rate of forty five days for every completed year of service.

Several provisions have been included to improve workplace safety in the amended law. The employer should run a health centre for establishment or part of it having 5,000 or more workers are employed or arrange for a Welfare Officer where in any establishment, 500 or more workers are employed. The employer also liable to continue treatment, on his own cost and responsibility, of the worker suffering from occupational disease or until the worker becomes completely cured. Under the amendments compensation for work-related deaths will be provided after two years in employment, compared to the current three years. Workplaces of over 500 employers will be required to arrange for and cover the cost of treatment of occupational diseases. In addition, safety committee is created in factories having 50 or more workers. The labour inspectorate is also given new responsibilities to inspect safety and health conditions of workplaces and conduct on-the-spot inspections. The present law ensures group insurance by the Employer in the establishments wherein 100 permanent workers are employed instead of previous 200 workers. Additionally, accident-insurance scheme for workers under group insurance is also introduced in an establishment where there is a minimum of 10 workers, the employer shall introduce and implement accident-insurance. The benefits or money received from such an accident-insurance scheme shall be utilized for the purpose of the treatment of workers.

In the amended law, previous obligation to send to employers the names of union leaders at the time of registration of a trade union at the factory or federation level is eliminated. Provision is also made to allow workers to call on outside experts for advice during collective bargaining. In the public industrial sector, workers are allowed to elect 10 percent of their enterprise officers from outside the workplace, although this right is not extended to workers in the private sector. Provision is also made to encourage the participation of female workers in the executive committee of a union and if there is 20 percent of the total workforce are female at least 10% of female members shall be included in the executive committee to the union. However, the requirement of 30 per cent minimum membership to form a union is not addressed. Also, the amendments do not extend freedom of association to workers in export processing zones.

3. CSR practice in Bangladesh
To understand the current state and future prospects of CSR in Bangladesh, the country’s political and economic history must be taken into account. Bangladesh was a part of India and was under British colonial rule up to 1947. In 1947, the country was separated from India and was named East Pakistan. Bangladesh was liberated in 1971. The major laws of the country were framed in the Indian era.

The development of different CSR practices in Bangladesh has a long history of philanthropic activities from time immemorial (Miyan 2011). However, the historical development of CSR practices in Bangladesh is yet to be studied. It can be assumed that the process is not static as it can be particularly evident from the country’s culture, religion, family tradition, and industrialization. In the then Indian era, merchants committed themselves to society in various activities by donating their wealth to different charitable organizations, poor people and religious institutions such as mosques, temples etc., by setting up schools, madrasa (religious school) or by providing funds for orphans. The above statement is evident in Arora (2004, 24):

the business community occupied a significant place in ancient Indian society and the merchants provided relief in times of crisis such as famine or epidemics throwing open godowns of food and treasure chests.

Bangladesh is a natural calamity-prone developing country and the business contribution to tackling social crises in the disaster affected area has been found as one of the distinctive CSR agenda. In fact, the oldest form of CSR, charity and philanthropy, still influences CSR practices today, especially in the community development. CSR agenda in Bangladesh is characterized mainly by philanthropic and community development activities. In a report of the central bank of Bangladesh it is revealed that bank and companies and stakeholders are beginning to adopt some aspects of the mainstream agenda, such as the integration of CSR into their business processes and engagement in multi-stakeholder dialogues (Chowdhury et al, 2010).

Recently business corporations are showing greater interests in some popular fields such as education or health. In the education segment, many companies have taken long-term or renewable scholarship programs for under-privileged but meritorious students for the persuasion of their studies instead of providing one time recognition awards to good performers (Chowdhury et al, 2010; Masud et al, 2013) and the number of companies is increasing day by day (Chowdhury et al, 2010).
Whatever may be the CSR activities by different companies, a clear understanding of the CSR is yet to be realized in Bangladesh. The status of CSR in Bangladesh can be very clear from the statement of Sobhan (2006) ‘in the context of Bangladesh, although a clear understanding about CSR may be absent, there is a volume of philanthropic activities and businesses are eager to adopt CSR practices’. On the other hand several initiatives have been taken by different organizations to improve the CSR practices. For example, Bangladesh Enterprise Institute, a non-profit, non-political research centre, was established in October 2000 and launched its CSR centre, to promote CSR in Bangladesh. Along with the Bangladesh Enterprise Institute (BEI), the CSR Centre is the joint focal point for United Nations Global Compact (UNGC) in Bangladesh and is the principal promoter of the UNGC and its principles in the country. These organisations design the key stakeholders need to enhance the understanding of CSR (CSR Centre). Similarly, CSR Bangladesh, another non-profit organization, was launched in 2008 with private sector start up to facilitate, expand and encourage CSR practice in Bangladesh and to create awareness regarding CSR for the organization with its primary stakeholders and extended enterprise the benefits of social compliance and sustainability (CSR Bangladesh).

3.1 CSR in the readymade garments industry

Bangladesh readymade garment (RMG) industry is the largest in the country’s industrial sector which accounts for 78% of country’s export earnings. RMG has created employment of about 3.6 million people of which 80% are women. RMG contributes more than 10% to the GDP of Bangladesh. Bangladesh exported USD17.91 billion during the fiscal year 2010-11 and became the second largest apparel exporting country in the world (BGMEA 2013). RMG is playing an important role to alleviate poverty by creating employment opportunities. Despite RMG’s contribution to the economical development and employment several human-rights-related disasters have questioned the role of CSR in Bangladesh. The fires at Tazreen Fashions in 2012 which consumed 112 lives and collapse of Rana Plaza building in 2013 which wiped out 1129 lives (Butler 2013) have raised the matter much more strongly all over the world.

In fact, building-collapses, fires, and other accidents are not new to RMG industry in Bangladesh. Before the Rana Plaza Building collapse at least 730 workers killed in the past 11 years (Alamgir and Haque 2013). In April 2005, 73 garment workers died in a sweater factory collapse in Savar. In February 2006, 18 workers were killed in a garment factory collapse in Dhaka. In June 2010, 25 people were killed in a building collapse in Dhaka. In December 2012, 112 workers died in a fire at Tazreen Fashions factory in Dhaka, yet there was little urgency in the country or by the international community to deal with the problem of health and safety in this vital economy sector (HRW 2013).

On 24 April 2013 the Rana Plaza, an eight story commercial building, collapsed near the capital city Dhaka. It housed a number of separate garment factories such as New Wave Style, Ether Tex, Canton Tech Apparel and New Wave Bottoms employing around 5,000 people, several shops, and a bank (Nelson and Bergman 2013). The rescue work ended on 13 May and approximately 2,515 injured people were rescued from the building alive (Alam and Hossain 2013). There were sufficient warnings and it was suggested to shut factories and shops until the building could be inspected. A bank with offices in the building had closed operations due to safety concerns. But managers of the factories ignored the warnings and persisted. Workers spotted large cracks in the walls and denied to join the work. But the workers were insisted to work or else they would not be paid their daily wage. It is considered as one of the deadliest garment-factory accident in history, as well as the deadliest accidental structural failure in modern human history (BBC 2013). The hidden problem facing Bangladesh is regulatory capture. The garment sector has significant political clout. About 10% of Bangladeshi parliamentarians own factories and another 20% have some control over factories (Tripathi 2013). So it may be concluded that the politicians of Bangladesh would have to vote against their narrow business interests, if they were to make worker safety paramount. The factory owners are politically well connected, belong to both major political parties, and successive governments have kept wages low to keep the nation competitive.

4. Corporate social responsibility or irresponsibility

The performance of social responsibility of companies can be measured in two different ways (Rahim 2012) such as: through the evaluation of the reports published by the companies on their social performance and the quality of information in these reports (Jenkins and Yakovleva 2006) and through the evaluation of the internal mechanism of companies to respond to the needs of society, the environment and social values (Morsing and Schultz 2006).

The status of CSR practices in Bangladesh is described in previous sections. In this section, the CSR status in Bangladesh and the UN Global Compact’s Role is assessed. Though some CSR practices are observed in various sector of Bangladesh, the violation of human rights by the companies is also another picture. RMG is the Bangladesh’s widest and expanding industrial sector where a significant percentage of country’s work forces are involved. The performance of social responsibilities of the companies can be assessed from their published reports on their social performances.

The CSR issue is a global phenomenon but most of the CSR studies have been in the context of developed countries (Belal 2001; Imam 2000). In fact, a very few number of studies (Belal 2001; Belal and Owen 2007;
Imam 2000; Islam 2000; Islam and Deegan 2008; Islam and Mathews 2009; Islam and Deegan 2010) is available focusing on social and environmental responsibility of the companies in Bangladesh. Imam (2000) conducted a study on 40 listed companies of the Dhaka Stock Exchange and concluded that the corporate disclosures are mostly qualitative in nature and the listed companies did not make any quantitative disclosure with respect to social and environmental disclosures.

In a study of the CSR disclosures by made within the corporate annual reports (related to the year 1999-2000) of 87 Bangladeshi companies using a frame work of 20 disclosure categories including the categories of poverty alleviation, equal opportunities and child labour Belal (2008) found that high numbers of companies made disclosures under the categories of human resource development (62%) and recognition of relevant stake holders (80%), very few or no companies made disclosures under the categories dealing with the eco-justice issues of child labour (0%), equal opportunity (0%) and poverty alleviation (4%) and corruption (1%). Although the export garment sector is in the formal economy and should be subject to national labour legislation, it is mainly characterized by informal economy characteristics (Mahmud and Kabeer 2003): absence of written contracts, irregularity of payments, long working hours, easy entry and exit, violations of health and safety regulations, low levels of unionization and high rates of turnover in the workforce. Some formal conditions exist in the country’s export processing zones, but these account for a very small proportion of total garment employment.

These poor working conditions, not only observed in Bangladesh’s RMGs but also be observed in export garment factories across the world by a lesser or greater degree, have led to various campaigns by coalitions of trade unions, students, NGOs and consumers including the living wage campaign (Luce 2006). The major buyers in the global market for clothing have adopted codes of conduct to regulate the conditions under which those goods are produced to overcome the threat of boycotts of their goods (Mahmud and Kabeer 2003). It is more likely that there will be pressure (by the international market forces, international agencies and the head office in the case of multinational subsidiaries operating in developing countries) on the companies in developing countries to comply with the requirements of international standards/codes (Belal and Owen 2007). The employers are responsible for implementation of the codes formed by the buyers. There is a strong role of the trade unions, which are considered to be the organized voice of workers, on the implantation of the codes (Mahmud and Kabeer 2003). Many others codes of conduct (such as OECD, UNGC) have been developed to improve the poor working and health conditions in these industries and increase the social responsibility of the corporations. However, the CSR status is still in primitive state as it is evident from some studies conducted very recently on the corporate social disclosures in Bangladesh.

5. Conclusions

This article addressed the various concepts of CSR and laws regulating CSR in Bangladesh and also examined the emerging patterns of practices and policies of CSR in Bangladesh. The major Bangladeshi laws, the Company Act 1994 and the Bangladesh Labour Law 2006 do not have sufficient focus on the strategies to develop CSR. In the Company Act 1994, there is no provision that will make the corporate governance for the development of social responsibility. Therefore, from the perspective of respecting various stakeholders’ interests this factor should be incorporated. BLA 2006 has provisions regarding various aspects of labour rights with very poor implementation strategies and the mentioned provisions are mostly descriptive in nature. The BLA 2006 is amended in 2013 to make it more effective in nature to protect and ensure labour rights. However, this amendment could not satisfy local and international organizations as there is still a need of developing a welfare-oriented workplace-management system in companies.

On the other hand in a developing country like Bangladesh another barrier to promote CSR is motivation as companies do not perceive enough internal or external pressure to address CSR issues themselves. Another important issue is the auditing process. It is obvious from the discussion that the companies are not much interested disclosing their corporate social responsibility reporting which is very important for implementing CSR. Finally, it is concluded that the current legal regime on the practice of CSR is not yet effective as the provisions are not yet adequate and it needs to continually undergo several amendments, developments and reformulation until a considerable result is achieved.

References


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