

COVID-19'UN KURUMSAL SOSYAL SORUMLULUK (KSS) FAALİYETLERİ ÜZERİNDEKİ ETKİSİ: BANGLADEŞ'TEKİ İSLAMİ VE KONVANSİYONEL BANKALAR ARASINDA BİR KARŞILAŞTIRMA

Abdullah Al Masud^a

İstanbul Sabahattin Zaim Üniversitesi, Türkiye

MAKALE BİLGİSİ

Makale Geçmişi:

Başvuru: 27 Temmuz 2025

Kabul: 29 Kasım 2025

Makale Türü:

Araştırma Makalesi

JEL Sınıflandırma:

G21

M14

P51

Anahtar Kavramlar:

Kurumsal Sosyal Sorumluluk (KSS), COVID, Bangladeş, İslami Bankalar, Katılım Bankaları, Konvansiyonel Bankalar

ÖZ

Koronavirüs salgını (COVID-19), dünya genelinde ekonomi ve sağlık hizmetlerinde yapısal bir sarsıntıya neden oldu. İşletmeler zarar etmese de kâr rakamlarında düşüşle karşı karşıya kalmıştır. Krizin yarattığı olumsuz koşullara rağmen, birçok firma ekonominin ayakta kalmasına ve krizden kurtulmasına yardımcı olmak için topluma katkıda bulunmuştur. Bu çalışmanın amacı, COVID öncesi ve COVID dönemlerinde Bangladeş'teki İslami ve konvansiyonel bankaların Kurumsal Sosyal Sorumluluk (KSS) katkılarını değerlendirmektir. Çalışmada, COVID öncesi ve pandemi dönemlerinde bankaların KSS oranları, kârlılığı ve varlık büyümeleri hem parametrik hem de parametrik olmayan yöntemler kullanılarak karşılaştırılmıştır. Elde edilen bulgular, konvansiyonel bankaların İslami bankalardan daha kârlı olmasına rağmen İslami bankaların hem COVID öncesinde hem de COVID yıllarında KSS katkısı açısından konvansiyonel bankalardan daha iyi performans gösterdiğini ortaya koymuştur. Merkez bankası ayrıca bankaların KSS fonlarını sağlık, eğitim ve afet yönetimi gibi temel sektörlerde kullanmaları için KSS yönergelerinde gerekli değişiklikleri yapmıştır. Dinin etik anlayışıyla hareket ettiği varsayılan İslami bankaların Bangladeş'teki konvansiyonel bankalardan daha iyi performans gösterdiği sonucuna varılabilmektedir. Bu sistemik salgın deneyimi hem politika yapıcılara hem de kurumlara KSS çabaları yoluyla insani kaynaklı veya doğal afetlerin en kötü etkileriyle mücadele etme konusunda yol gösterici olabilmektedir.

<https://doi.org/tr/10.54863/jief.1750609>

^a**Sorumlu Yazar:** Doktora Öğrencisi, İstanbul Sabahattin Zaim Üniversitesi; Öğretim Görevlisi, Southeast Üniversitesi, Bangladeş; E-posta: abdl.masud.bd@gmail.com, <https://orcid.org/0000-0003-4029-7227>

Kaynak göster: Al Masud, A. (2025). Covid-19'un Kurumsal Sosyal Sorumluluk (KSS) Faaliyetleri Üzerindeki Etkisi: Bangladeş'teki İslami Ve Konvansiyonel Bankalar Arasında Bir Karşılaştırma. *İslam Ekonomisi ve Finansı Dergisi*, 11(2), 488-522, <https://doi.org/tr/10.54863/jief.1750609>.

**COVID-19 EFFECT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES: A
COMPARISON BETWEEN ISLAMIC AND CONVENTIONAL BANKS OF
BANGLADESH**

Abdullah Al Masud^a

İstanbul Sabahattin Zaim Üniversitesi, Türkiye

ARTICLE INFO

Article History:

Received: 27 July 2025

Accepted: 29 November
2025

Article Type:

Research Article

JEL Classification:

G21

M14

P51

Keywords:

Corporate Social
Responsibility (CSR),
COVID, Bangladesh,
Islamic Banks,
Participation Banks,
Conventional Banks.

ABSTRACT

The Coronavirus pandemic, or COVID-19, has caused a structural shakeup in the economy and healthcare throughout the world. Businesses faced a plunge in profit numbers, if not losses. Despite the crisis, many firms have contributed to society to help the economy survive and recover from the crisis. The objective of the study is to evaluate the CSR contribution by Islamic and conventional banks of Bangladesh pre-COVID and during COVID years. The study used both parametric and non-parametric techniques to compare the CSR ratios, profitability, and asset growth before and during the COVID years. The findings revealed that Islamic banks outperformed conventional banks in terms of CSR contribution both before and during the COVID years despite conventional banks being more profitable than Islamic banks. The central bank also made necessary changes to CSR guidelines for the CSR funds of banks for essential sectors such as healthcare, education, and disaster management. It can be concluded that Islamic banks, supposedly driven by ethical consideration of religion, indeed outperformed the conventional banks in Bangladesh. The experience of this systemic pandemic may guide both policymakers and institutions to tackle the worst effects of man-made or natural disasters through CSR efforts.

<https://doi.org/tr/10.54863/jief.1750609>

^a**Corresponding Author:** PhD Student, İstanbul Sabahattin Zaim University; Lecturer, Southeast University, Bangladesh, E-mail: abdl.masud.bd@gmail.com, <https://orcid.org/0000-0003-4029-7227>

To cite this article: Al Masud, A. (2025). Covid-19 Effect On Corporate Social Responsibility (CSR) Activities: A Comparison Between Islamic And Conventional Banks of Bangladesh. *Journal of Islamic Economics and Finance*, 11(2), 488-522, <https://doi.org/tr/10.54863/jief.1750609>.

INTRODUCTION

The new Coronavirus pandemic was a cause for alarm on a worldwide scale since the end of 2019, endangering both mankind and the global economy. Labeled as COVID-19, the virus was discovered at the end of 2019 in China and was claimed to be quickly spreading from China to every country in the world. Many people have lost their lives. World Health Organization (WHO) first declared the crisis as a 'public health emergency of international concern' on January 30, 2020 (Reuters, 2023) and declared it as a 'pandemic' on March 11, 2020 (WHO, 2020). After more than 3 years after declaring it as a global health emergency, WHO declared the end of global emergency status in May 2023 (Reuters, 2023). Many countries of the world called complete or partial lockdowns during pandemic times, barring economic and social activities. These lockdowns and fearing conducting social dealings significantly affected the economies. The most affected were the poor people who depended on daily income. In addition, healthcare providers faced serious shortage of resources. So, to protect these many structures of the countries, a joint effort from both public and private sectors were needed to keep different organs of society afloat and functioning. The COVID-19 epidemic asked the question to businesses and corporations regarding what they will do to respond to this global problem. Apparently, many businesses took action and made decisions in response to the outbreak. Charities Aid Foundation of America reported that, by mid-2020, 70% of corporate funders boosted their donations (Carroll, 2021). Numerous businesses declared urgent initiatives to help their workers and the region as part of their CSR (Corporate Social Responsibility).

As financial intermediaries between depositors and investors, the banks play a major function in the economic progress of a nation. Influence of the banking industry in a country's environmental, social, and economic growth is indisputable. They are also socially responsible entities. Moreover, Banks mainly depend on fund from deposits from general

people and institutions rather than shareholders which makes them more responsible towards community than toward other sectors (Malik et al., 2019). In addition, global financial crisis of 2008-09 caused a severe loss of trust in banks. So to regain trust, banks have increased engagement in CSR (Esteban-Sanchez et al., 2017; Tasnia et al., 2021). In addition, governments tend to bail out troubled banks with taxpayer's money, which makes the obligations of banks toward society higher (Malik et al., 2019).

CSR is a concept that demands firms to consider social and environmental factors in their decision-making. Channeling the profit-oriented, shareholder centric attitude towards an ethics-oriented stakeholder centric approach is nodoubt challenging for firms.

CSR is a notion based on moral principles, which are deeply ingrained in Islamic finance culture as well. A bank that practices Islamic banking must fully comprehend the goals of Islamic economics and conduct its business in accordance with Islamic law. Islamic banking is believed to be far more socially conscious than traditional banking since Islam places a strong emphasis on social justice (Hassan & Syafri Harahap, 2010). COVID-19 caused financial difficulties for individuals and institutions. In these troubled times, companies went beyond profit motives to perform social responsibilities. In addition, in times of crisis, "CSR can be used as a risk management tool because it provides an 'insurance-like' effect by protecting reputation" (Godfrey et al., 2009). So given the circumstances, the study will test whether Islamic Banks outperformed conventional banks in CSR arena during COVID-19, particularly in a developing country setting like Bangladesh.

COVID-19 is a relatively recent phenomenon. CSR by Islamic and conventional banks have been analyzed in the past in numerous studies (Ali & Mahbubur Rahman, 2015; Aracil, 2019; Aribi & Gao, 2010; Lui et al., 2020). But not many studies have been done focusing on comparison between pre-COVID and during the COVID-19 years. Also, this study will

relate CSR with profitability and other bank related metrics, specially immediately prior to COVID and during-COVID.

So, the main question the study will try to find answer for is the question of whether Islamic Banks have been more generous in CSR spending than conventional banks in COVID-19 period. In addition, the study will look into the changes in CSR with respect to changes in profits and assets for both sets of banks.

The central objective of the study is:

- To see the changes in CSR efforts from pre-COVID to during-COVID-19 years by the Islamic and Conventional banks considering COVID-19 as exogenous event or intervention

Other objectives are:

- To analyze the changes in profitability and assets during and pre-COVID-19 years for both sets of banks,
- To identify CSR spending in light of with profitability and assets for both sets of banks,
- To briefly look at some policy actions taken by central bank during-COVID-19 for banks.

LITERATURE REVIEW

Background of Corporate Social Responsibility

CSR has seen two distinctly different points of view. The first view is that the company, as a legal entity, has the job of making profit for the shareholders following laws and regulations (Greenfield, 2004). Friedman, in his 1970 publication, defined CSR in the following way: "The only responsibility of the business is to increase its profits" (Friedman, 1970). This view is a more shareholder-centric approach. Another view is that businesses, being institutional entities, carry out duties and responsibilities towards components of society like any decent citizen

(Goodpaster and Matthews, 2003; Pettit, 2005). So, this view has shifted to include a stakeholder approach in CSR from a shareholder approach. But this change in perspective has not been sudden. There has been a gradual cultural shift to include the concept of social responsibility in business dealings. Until the 1970s, there were resistances from managerial ranks against implementing CSR, as mid-level managers thought CSR as a cost with uncertain outcomes (M. D. P. Lee, 2008). There was also the risk that managers may misuse shareholder funds in the name of CSR to increase their social status (Friedman, 1962; M. D. P. Lee, 2008). But during the last four decades, CSR has become part of broader organizational goals such as stakeholder management and reputation (M. D. P. Lee, 2008)

A useful framework for comprehending the variables influencing an organization's adoption of CSR activities is provided by institutional theory. It makes the argument that organizations frequently follow the standards and expectations established by outside influences rather than acting only in their own best interests (DiMaggio & Powell, 1983; Pilato, 2019). External variables that can sway an organization's decision to implement CSR practices include industry norms, societal expectations, and government laws. CSR behavior can also be explained by legitimacy theory- a subset of institutional theory. It suggests companies frequently implement CSR programs to improve their reputation and acquire credibility among stakeholders (Deegan, 2002). Another similarly linked theory, resource dependence theory (Pfeffer & Salancik, 2015), also explains CSR behavior. It suggests that the CSR initiatives can be seen as a tactic to maintain resource availability and manage stakeholder interactions. Through attending to the interests of stakeholders, including communities, investors, staff, and customers, businesses can continue to have access to vital resources.

Another sub theory of Institutional theory is Legitimacy theory. According to legitimacy theory, corporations try to follow society norms and practices within a well-structured cultural and ideological setting

(Suchman 1995). By using symbols or monograms, businesses may deliberately manage their legitimacy status and match their goals with what the community expects. CSR disclosure can be such symbol to maintain public trust and avoid criticism.

CSR actions have been divided by Carroll (1979) in four categories, which is popularly known as "Carroll's Pyramid Model" (Carroll, 1991). These four responsibilities are: i) economic responsibilities i.e. being profitable, ii) legal responsibilities i.e. obeying laws and regulations, iii) ethical responsibilities i.e. doing what is fair and avoiding harm, iv) philanthropic responsibilities i.e. being good corporate citizen through charitable actions (Carroll, 1979).

Nowadays a generally accepted definition of CSR has been coined by European Commission which is "Companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations and following the law"(European Commission, 2019).

Corporate Social Responsibility from Islamic Perspective

In Islam, the fact that a corporate organization is an artificial entity does not relieve its stakeholders or administrators accountability for its actions. For example, if a business organization engages in prohibited (haram) activities in Islam, the owner should take out investment from that business and invest in other, permissible activities. Managers, as agents of shareholders, are also accountable for protecting shareholders' assets as a result of the Amanah (trust). They must make sure the organization exclusively engages in halal activities. In addition, managers must care for employees in addition to looking after shareholders' interests and running business operations in an ethical manner(Hassan &Syafri Harahap, 2010).

From an Islamic banking perspective, Islamic banks follow the "moral economy" theory, that is they back the incorporation of social and

environmental goals in investment planning (Belal et al., 2015; Mallin et al., 2014). Islamic banks are required to fulfill their Corporate Social Responsibility (CSR), which includes disclosing information, and to provide economic and social benefits to their stakeholders (Mallin et al., 2014). So fulfilling CSR actions and their proper disclosure legitimizes the existence of Islamic banks (Farook, 2008).

Maqasid al-Shariah or Objective of Islamic Law, developed by Imam Ghazali (1058-1111) and other Islamic scholars after him, talks about upholding and protecting the well-being of the individual as well as the community for Maslahah (best public interest) through safeguarding of five elements- faith, human self, intellect, posterity, and wealth (Yussuf, 2022). For individual and community interest, CSR by different institutions does go in line with the Maqasid al-Shariah.

Studying CSR During Crisis Times

There is a long-standing debate whether stakeholder engagement or performing social responsibilities lead to higher shareholder wealth, especially during crisis periods. Investments are made as part of CSR initiatives to advance social welfare, which may or may not benefit a company's financial health directly.

Many studies have argued against CSR in crisis times. Although CSR programs are often promoted to enhance and maintain long-term business financial success (Flammer, 2013), instrumental stakeholder theory (Jones, 1995) raises the question of whether corporations should invest in CSR during bad times. Sometimes limitedness in government resources make the government seeking private sector contribution to tackle a crisis, as seen in the case of Jordan to tackle the refuge-driven crisis such as poverty, unemployment and social needs after Arab Spring (Ananzeh et al., 2022).

Employee and environmental relations constitute operations-related CSR and community relations are non-operation related CSR; The prior raises

firm value during recessions but the latter may cause a significant decline in it (S. Lee et al., 2013). Bae et al. (2021) looked at CSR rating and stock market returns during and post-COVID-19 for 1750 USA firms but did not find any evidence that CSR rating affected stock returns (Bae et al., 2021).

Some governance factors were discovered to affect the CSR engagement during crisis times. For example, Board independence has positive and significant correlation with CSR spending on the human, disaster relief, and education sectors (Umar, 2022). Another study on Nigerian listed firms found that frequency of board meetings and foreign directors significantly affect CSR expenditure prior to and during-COVID-19, but found board independence to be significant before-COVID, not during-COVID (Umar et al., 2023).

As per requirements of internal and external stakeholders, businesses have contributed in a wide range of charitable CSR actions during the pandemic. These actions were possibly driven by utilitarianism and deontological considerations (Manuel & Herron, 2020).

Hypothesis Development

From a stakeholder-theory perspective, it is expected that banks to increase spending in welfare activities to spur the economy during crisis scenario for society. During emergencies such as the COVID-19 epidemic, CSR plays a key role in demonstrating corporations' commitment to social responsibility and community welfare (Bansal et al., 2023; Karim et al., 2025). In addition, from legitimacy theory point of view, organizations that offer important services, contributions, or assistance for disadvantaged populations can strengthen their legitimacy in the eyes of the public and demonstrate their affinity with society ideals. So, we assume that all banks increased CSR during COVID years compared to pre-COVID years.

H1: Banks increased spending in CSR during COVID compared to pre-COVID times

The COVID-19 pandemic has led to a significant decline in the financial performance and stability of banks globally. Shabir et al. (2023) looked at 2073 banks of 106 countries and found that the pandemic negatively affected both bank performance-measured by Return on Assets, Return on Equity, Net Interest Margin, and Cost to Income Ratio; and Stability - measured by z-score, non-performing loans, portfolio risk, leverage risk across different regions (Shabir et al., 2023). Given the results we also want to compare the condition for Bangladesh's banks for different time frame, just prior years to COVID and during-COVID years, based on profitability and asset growth.

H2: Profitability and asset growth of all banks suffered due to COVID-19

Both conventional and Islamic banks engage in CSR activities in their own capacities. However, the motivations and frameworks guiding their CSR initiatives may differ, often influenced by regulatory requirements, stakeholder expectations, and market dynamics. Although research assessing Egyptian banks between 2012 and 2018 found no significant difference in CSR practices between Islamic and conventional banks (Shahwan & Habib, 2023), as Islamic banks are organizations primarily based on ethical considerations, they are expected to engage in more welfare activities than their conventional counterparts. We assume Islamic banks are more generous in CSR spending compared to conventional banks.

H3: Islamic banks spent more on CSR compared to conventional banks during COVID-19

CSR IN BANKS OF BANGLADESH DURING COVID-19

CSR Policies for Banks in Bangladesh

In Bangladesh, the banking sector is more focused on CSR than other sectors, as the banking sector is regulated by the Central Bank (Bangladesh Bank), which has made it mandatory for the banks to disclose CSR activities (Malik et al., 2019). Bangladesh Bank has been

attempting to mainstream CSR campaigns of banks and financial institutions under direct and indirect engagements such as disaster relief, advancing disadvantaged segments of society through areas such as education, healthcare, 'greening' environment, and so on (Bangladesh Bank, 2014). Bangladesh Bank suggests that every bank should have board-approved CSR policy and have a CSR unit in its head office. That unit is to propose a list of dedicated CSR budgetary programs annually. Bangladesh Bank suggests the proportion of direct CSR budget to be allocated among sectors such as education, health, disaster management, sports, and culture (Bangladesh Bank, 2010). For example, for education, 30 percent of total CSR expenditure had to be allocated by the banks in the form of scholarships for needy students and support towards improving academic and vocational training institutions. For healthcare, 20 percent of CSR expenditure was to be allocated towards health treatment of needy patients, improving healthcare facilities, and hygiene initiatives (Bangladesh Bank, 2014). A CSR budget is not required if a bank does not generate net income after tax (Modak, 2022). But the individual bank has the discretion to decide how much expenditure they will make in these areas. Apart from the direct CSR engagement areas suggested by Bangladesh, banks can perform social responsibilities through indirect engagements such as promotions of inclusive financing through SME financing in agriculture, industry, and services and policy support through concessional refinance lines for 'green' projects (Bangladesh Bank, 2014).

COVID-19 Induced CSR Policies by Central Bank for Commercial Banks

COVID-19 pandemic affected Bangladesh, like other countries. GDP growth of Bangladesh decreased to 5.24 percent in Fiscal Year 2020 compared to previous year's growth rate of 8.15 percent (Bangladesh Bank, 2020). To tackle COVID-19 related impact, Bangladesh Bank made the following policy measures with regards to direct CSR engagements of philanthropic nature (Bangladesh Bank, 2022):

- “All scheduled banks were directed to update their CSR expenditures by putting 60% of their funds into the health (from 20% proportion of prior COVID), 30% into education, and 10% into the climate risk fund sector.
- The banks were asked to contribute towards Healthcare through CSR activities by offering kits, masks, personal protective equipment (PPE), hand gloves, hand sanitizers, antibacterial hand wash, necessary medications etc. in accordance with hospital or health complex authorities' requests.
- Apart from the funds assigned to the Corporate Social Responsibility (CSR) budget for 2021, all scheduled banks were needed to set aside 1 (one) percent of their net profit for special CSR programs. This money was to be earned from the 2020 audited accounts, or, if the Statement of Accounts is still pending, from the unaudited accounts.
- Banks were permitted to modify the extra funds allotted in the next three years, from 2022 to 2024, in accordance with the funds provided to the CSR sector.
- In the City Corporation area and at the district level, a special CSR fund was to be used to provide daily necessities, cover medical costs with medical equipment, and assist in making ends meet for slum dwellers, displaced people, and families of those who lost their jobs due to the coronavirus.
- As the City Corporations were affected the most by the pandemic, 50 percent (50%) of the special CSR budget of banks was instructed to be used in the City Corporation region and the remainder at the district or smaller regional levels.

In addition, Bangladesh Bank took many monetary and liquidity enhancement measures to provide loanable funds to ensure uninterrupted business operations and reduce charges for other banking

activities. Some of the measures are summarized in Table 1(Bangladesh Bank, 2022):

Table 1: Selective Summary of Measures By Bangladesh Bank

Type of Measure	Steps (in short)
Monetary and liquidity measures	<ul style="list-style-type: none"> - Reduction in CRR (Cash reserve ratio), Bank rate, repo and reverse repo rate - Extension of the Advance to Deposit ratio limit
Credit and Interest Rate Measures	<ul style="list-style-type: none"> - Suspension of the then loan classification rules for the time being - Loan rescheduling facility for a maximum of 2 years with or without down payment (depending on sector) - Concessional interest rates in loans - Managing stimulus package for distribution through banks for working capital loans
Working Capital and Refinance facilities under stimulus package	<ul style="list-style-type: none"> - A total stimulus package of BDT 730 billion for industrial and service sector was announced by government throughout 2020 and 2021 - Special stimulus packages for export-oriented industries, tourism sector, CMSME (Cottage, Micro, Small and Medium Enterprises)
Payment System and Digital Finance	<ul style="list-style-type: none"> - Person to person transaction limit was increased - Cash out charges for mobile banking accounts made free for upto BDT 1000. - Opening of Mobile banking accounts for workers and reduction of cash out charge on salary withdrawal in mobile bank wallets - Increasing steps to reduce online financial crimes and cyber crimes

In addition, Bangladesh Bank also set a limit on dividend declaration based on Capital adequacy ratio of banks. The banks were supervised not to make employee layoff due to the crisis. In addition, special health insurance scheme was initiated by Bangladesh bank for the employees attending office physically (European Commission, 2019).

METHODOLOGY

Data Period

The quantitative part of the study focuses comparing CSR expenditure of 'Philanthropic nature'- one of the four categories of Carroll's Pyramid Model of Carroll (1979) and performance of banks pre- and during COVID periods. As pre-COVID periods, 2 years prior to COVID i.e. 2018 and 2019 data have been included, whereas as during COVID periods, the years with most impact of COVID, 2020 and 2021 were included.

Sample Selection

The financial sector of Bangladesh has been chosen for this study. Bangladesh is one of the developing countries with a mixed banking system made up of both conventional and Islamic banks. In Bangladesh, there are 61 scheduled banks, i.e., the banks which operate under the full supervision of the central bank, Bangladesh Bank. Among these 61 banks, 10 banks are performing full-fledged Islamic Banking, all of which are under private ownership. And among the other banks, there are 33 privately-owned commercial banks doing conventional banking (Bangladesh Bank, n.d.). Islamic Banking investment constituted about 27.88% of the total investments in the banking sector of Bangladesh, as of December 2021. (Islamic Banking Wing, 2022).

The study worked with stock exchange listed banks only as the disclosures for these banks are more than non-listed banks. Before the start of the study period i.e. 2018, only 30 banks were listed in the stock exchanges of Bangladesh. Of these banks, 27 privately-owned commercial banks

(Islamic and Conventional) were chosen for the study. Of the three banks that are not included, one bank was excluded as it went through conversion from a conventional bank to Islamic bank during the study period, another bank was excluded due to being a government owned bank, and another private bank was excluded due to being a ‘problem bank’ for around two decades. So, six Islamic banks and 21 Conventional banks comprised the sample. The six Islamic Banks constitutes 83% of the Islamic Banking Investments in Bangladesh and the 21 conventional banks constitute 64% of the Loans of private conventional commercial banks (Source: Own Calculation).

Data Used

Initially overall CSR expenditure, Asset Size, and Net Profit after Tax (PAT) data for each of the four years (2018, 2019, 2020, 2021) were collected for the banks. Later the following ratios were used for the comparison of performance.

Table 2: Data Values Used And Their Calculations

Ratio	Calculation	Measure of
CSR to Asset Ratio	$CSRtoAssetRatio = \frac{AnnualCSRExpense}{TotalAssets}$	CSR Spending
CSR to PAT Ratio	$CSRtoPATRatio = \frac{AnnualCSRExpense}{PAT}$	CSR Spending
Return on Assets	$ReturnonAsset = \frac{PAT}{TotalAssets}$	Profitability
Asset Growth Rate	$AssetGrowthRate = \frac{TotalAssets (PresentYear)}{TotalAssets (PreviousYear)} - 1$	Asset Growth

Analysis Techniques Used

Assuming COVID-19 as an intervention, the study will see the treatment effects in same sample group before COVID and during COVID. Treatment effect studies are widely used in medical research with some uses in economic research as well(Adhikari, 2016; Slichter, 2023).

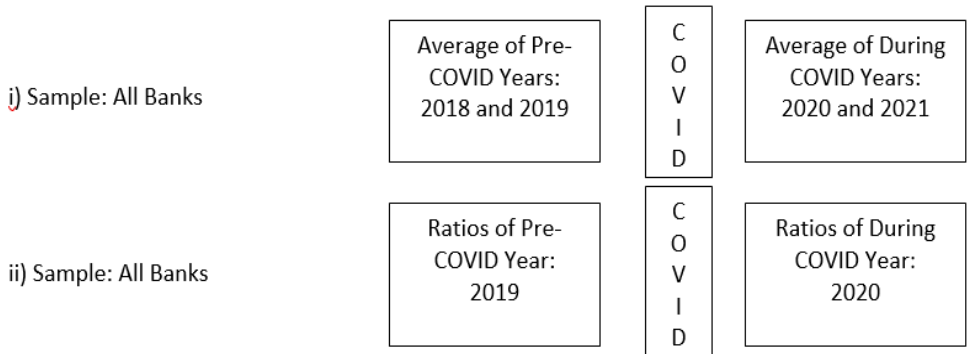
Comparing Averages in Different Times

At first to see the change in CSR, asset and profit measures were compared between pre-COVID and during COVID years. The comparison was done in two ways (Figure 1):

- i. Comparing average of 2018 and 2019 (named Pre-COVID) with the average of 2020 and 2021 (named During COVID).
- ii. Comparing average of 2019 with that of 2020

Comparison will be done across 4 ratios: CSR/Asset, CSR/PAT, ROA, and Asset Growth. The means or averages will be compared with appropriate tests to see whether averages are same or changing during COVID period (year) from pre-COVID period (year) with COVID-19 being considered an exogenous event.

Figure 1: Method Used to Compare Averages Between Pre- and During COVID Year(s)



The study will use a parametric technique (Paired T-test) and non-parametric technique (Wilcoxon Signed-Rank Test) to compare the means of same sample with two time periods. Usually Paired T-Test is used for normally distributed dataset, whereas Wilcoxon Signed-Rank test is used for non-normal variables with small sample (Campbell & Swinscow, 2009). There are 27 banks in the sample which is less than the normality

threshold of 30 but close to it. In addition, normality tests for 4 variables will commonly be performed in the analysis. So to draw a comprehensive conclusion, both parametric and non-parametric methods will be used for the variables (Harwell, 1988).

Comparing Means of Groups

Means of independent groups- Conventional and Islamic banks will be compared using parametric and non-parametric approaches. For parametric approach, Independent T-test will be used, whereas Mann-Whitney U Test will be used as non-parametric approach to compare the means of Conventional banks and Islamic banks for 4 years overall as well as separately in pre-COVID and during-COVID years.

Here as well, comparisons will be made across four ratios: CSR/Asset, CSR/PAT, ROA, and Asset Growth. Independent T-test is useful for normal distribution, whereas Mann-Whitney U Test is used for non-normal distribution (McKnight & Najab, 2010).

FINDING AND ANALYSIS

Descriptive Statistics

Firstly, the descriptive statistics of the variables are presented below:

Table 3: Descriptive Statistics (All Banks, Conventional Banks, and Islamic Banks)

All Banks						
Variable	Obs.	Mean	Median	Std. Dev.	Min	Max
CSRAssets	108	0.07%	0.05%	0.05%	0.01%	0.28%
CSR PAT	108	15.48%	8.22%	40.04%	1.58%	401.01%
ROA	108	0.70%	0.65%	0.30%	0.01%	1.55%
AssetGr	108	11.22%	11.26%	4.99%	-0.54%	24.12%

Conventional Banks						
Variable	Obs.	Mean	Median	Std. Dev.	Min	Max

CSRAssets	84	0.06%	0.05%	0.04%	0.01%	0.24%
CSRPAT	84	14.79%	7.17%	45.07%	1.58%	401.01%
ROA	84	0.75%	0.72%	0.32%	0.01%	1.55%
AssetGr	84	10.96%	11.16%	5.23%	-0.54%	21.12%

Islamic Banks						
Variable	Obs.	Mean	Median	Std. Dev.	Min	Max
CSRAssets	24	0.09%	0.08%	0.06%	0.02%	0.28%
CSRPAT	24	17.89%	17.11%	11.11%	2.46%	44.58%
ROA	24	0.53%	0.54%	0.12%	0.29%	0.82%
AssetGr	24	12.10%	11.43%	4.02%	6.02%	24.12%

Table 3 shows that mean CSR/Asset ratio stood at 0.07% and median at 0.05%. However, when looking at the range of minimum and maximum values of 0.01% and 0.28%, respectively in comparison to mean and median, it can be said that the CSR/Asset ratio is right-skewed. The mean CSR/Asset ratio for conventional banks was 0.06%, compared to 0.09% for Islamic banks.

In terms of CSR/PAT ratio, overall mean stood at 15.48% and median at 8.22% for all banks, with minimum and maximum values of 1.58% and 401.01%, respectively. So CSR/PAT ratio also seems to have right skewness. The mean ratio for Conventional banks is 14.79%, much lower than the mean of 17.89% for the Islamic banks. Standard deviation of CSR/PAT ratio is much higher in conventional banks (45.07%) than in Islamic banks (11.11%).

Profitability ratio (ROA) of all banks ranged from 0.01% to 1.55% and mean and median were 0.70% and 0.65% respectively. Mean ROA for Conventional banks was 0.75%, compared to 0.53% for Islamic banks. So the conventional banks' ROA was higher than the Islamic banks' ROA in Bangladesh during the study period.

In Asset Growth, mean Asset growth for all banks was 11.22%, with a range of -0.54% to 24.12%. Mean Asset growth in Islamic banks (12.10%)

was slightly higher than the mean Asset growth of conventional banks (10.96%) during the study period.

Year-wise Comparison of Mean Ratios for Conventional and Islamic Banks

CSR/Asset Ratio

Table 4: Average CSR/Asset Ratio Comparison

CSR/Assets Ratio				
	2018	2019	2020	2021
Islamic	0.114%	0.083%	0.099%	0.072%
Conventional	0.066%	0.046%	0.071%	0.048%

Table 4 which lists the average of CSR/Asset ratio of Islamic and conventional banks suggests that Islamic banks have indeed spent more on CSR than conventional banks across the four-year period. During 2020, the increase in the average for both groups of banks, suggesting banks may have spent more on CSR due to COVID-19. In 2021, as the effects of COVID-19 somewhat subsided, CSR spending relatively fell.

CSR/PAT Ratio

Table 5: Average CSR/PAT Ratio Comparison

CSR/PAT Ratio				
	2018	2019	2020	2021
Islamic	19.84%	15.98%	18.85%	16.87%
Conventional	26.54%	7.17%	12.89%	12.56%

Looking at CSR spending from the perspective of Profit After Tax (PAT) in Table 5, the Islamic banks have maintained more CSR/PAT ratio than conventional banks from 2019. Only in 2018, conventional banks outperformed Islamic banks in CSR/PAT ratio.

Profitability

Table 6: Average Return on Asset (ROA) Comparison

ROA				
	2018	2019	2020	2021
Islamic	0.57%	0.53%	0.52%	0.50%
Conventional	0.81%	0.76%	0.68%	0.74%

From Table 6, it is evident that Islamic Banks' profitability (ROA) compared to that of conventional banks is low. Also, we can say that all the conventional banks in the sample saw a fall in ROA from pre-COVID years, Islamic banks also saw a fall in ROA, but to a lesser extent.

Asset Growth

Table 7: Asset Growth Rate Average

Asset Growth Rate				
	2018	2019	2020	2021
Islamic	11.1%	13.7%	13.5%	10.1%
Conventional	12.2%	11.8%	9.9%	10.0%

Table 7 above tells the same picture regarding asset growth in banks during and pre-COVID periods. Islamic banks had a higher asset growth on average compared to Conventional banks, except in 2018.

Normality Test

The Shapiro-Wilk and Shapiro-Francia Normality tests were performed on the 4 variables in Table 8. The null hypothesis for these tests is that of normality. The p-values for CSRAssets and CSRPAT were found to be significant at 5% level, indicating null hypothesis of normality can be rejected. On the other hand, p-values of ROA and Asset Growth were significant at 5% level, suggesting that null hypothesis of normality cannot be rejected. That is, ROA and Asset Growth have normal distributions.

Table 8: Normality Test Results

Variable	Obs.	Shapiro-Wilk		Shapiro-Francia	
		z	Prob>z	z	Prob>z
CSRAssets	108	6.637	0.0000*	6.137	0.0000*
CSRPAT	108	9.363	0.0000*	8.579	0.0000*
ROA	108	0.499	0.3089	0.572	0.2836
AssetGr	108	-1.517	0.9354	-1.781	0.9626

* Significant at 5% level

So, two of the variables or measures of CSR spending have non-normality and two other variables, profitability and asset growth have normality. For this reason, both parametric and non-parametric measures have been used for all the variables.

Comparison of Pre-COVID and During COVID Performance

In Table 9, Pre-COVID and During COVID performance of different variables are compared. As mentioned earlier, Pre-COVID refers to the average of the values of 2018 and 2019, whereas During COVID indicates the average values of 2020 and 2021. Looking at CSR/Asset ratio, the ratio is similar for both time durations. As such, based on T-test and Wilcoxon Signed Rank test, we cannot say there has been significant difference in overall CSR/Asset ratio for all the banks in the sample.

Table 9: Comparison of means of Pre-COVID and During COVID period

Variable	Mean		Paired T-test		Wilcoxon Signed Rank Test	
	Pre COVID	During COVID	t	Sig. (two-tailed)	Z	Sig. (two-tailed)
CSR/Asset	0.0655%	0.0652%	0.0379	0.9701	-1.297	0.1945
CSR/PAT	17.0919%	13.8631%	0.4292	0.6713	-1.802	0.0716*
ROA	0.7312%	0.6671%	1.5936	0.1231	1.562	0.1184
Asset Growth	12.0940%	10.3403%	2.0458	0.0510*	2.282	0.0225**

***, **, and * significant at 1%, 5%, and 10% level, respectively

In case of CSR/PAT ratio, Pre-COVID CSR/PAT ratio was higher than that of During COVID. According to Paired T-test, the difference in mean values is not significant. But in Wilcoxon test, the difference is significant at 10% level, suggesting During COVID CSR/PAT ratio was significantly less than Pre-COVID period.

In case of ROA, During COVID ROA is slightly less than Pre COVID level, but the difference is not significant according to T-test and Wilcoxon test.

Finally in Table 9, During COVID Asset growth is less than Pre COVID, and the difference is significant in both parametric and non-parametric methods, suggesting asset growth fell during COVID.

In Table 10, comparison of Pre-COVID and during COVID is performed again considering the values of 2019 as Pre-COVID and values of 2020 as During COVID. The comparison of 2019 and 2020 values shows the change when the COVID-19 was in full effect.

Table 10: Comparison of Means of 2019 and 2020

Variable	Mean		Paired T-test		Wilcoxon Signed Rank Test	
	2019	2020	T	Sig. (two-tailed)	Z	Sig. (two-tailed)
CSR/Asset	0.0545%	0.0772%	-3.3228	0.0027***	-3.099	0.0019***
CSR/PAT	9.1297%	14.2107%	-4.3677	0.0002***	-3.508	0.0005***
ROA	0.7075%	0.6482%	1.4999	0.1457	1.105	0.2691
Asset Growth	12.2552%	10.6713%	1.236	0.2275	1.466	0.1428

***, **, and * significant at 1%, 5%, and 10% level, respectively

In Table 10, it is seen that CSR/Asset and CSR/PAT ratios significantly increased in 2020 compared to 2019, in terms of both T-test and Wilcoxon Signed Rank test, suggesting increase in CSR contribution from banks.

In ROA, there is a decrease in mean ROA in 2020, but the decrease is not significant enough. So, overall profitability has not decreased much in 2020.

In Asset Growth, there is a fall in 2020 compared to 2019, but it is also not significant enough in terms of both parametric and non-parametric tests.

Summarizing Both Table 9 and 10

As mentioned earlier, the test was run in 2 ways. One through averages of 2018 and 2019 were compared with the averages of 2020 and 2021. In another way, the test was performed through the comparison of values of 2019 with those of 2020. The null hypotheses in these tests are that of equality between pre-COVID and post COVID values.

In Table 10, from comparison of 2019 and 2020, it is seen under both parametric and non-parametric approaches that CSR/Asset and CSR/PAT ratio were higher for banks during peak of COVID in 2020. But in Table 9, it is seen that the average CSR/PAT ratio in during COVID years (2020 and 2021) was less than the average of pre-COVID years. So, we cannot say with certainty that all banks have become more generous after COVID started, as they increased generosity only in the year when COVID started. So Hypothesis 1 is rejected.

On the other hand, Profitability measure- ROAs of all banks before COVID and during COVID years are not different, as none of the tests for ROA are significant under both parametric and non-parametric approaches.

Looking at Asset growth from Table 9, it seems to be significantly higher at Pre-COVID years than that in during COVID years under both parametric and non-parametric methods. But no difference in Asset growth was found between 2019 and 2020 in Table 10. So, it can be concluded that overall asset growth has suffered during the two COVID years i.e. 2020 and 2021.

Comparison of Means of Two Groups- Conventional and Islamic Banks

Means of independent groups- conventional and Islamic banks were compared using parametric and non-parametric approaches. For

parametric approach, Independent T-test was used, whereas Mann-Whitney U Test has been used as non-parametric approach.

Table 11: Mean Comparison Through Independent T-test

Variable	Group	Overall (Conventional=84, Islamic=24)			Pre-COVID (Conventional=42, Islamic=12)			During COVID (Conventional= 42, Islamic=12)		
		Mean	t	Sig.	Mean	t	Sig.	Mean	t	Sig.
CSR/Asset	Conventional	0.06%	-3.0700	0.0027***	0.06%	-2.1798	0.0338**	0.06%	-2.3454	0.0229**
	Islamic	0.09%			0.10%			0.09%		
CSR/PAT	Conventional	14.79%	-0.5720	0.5626	16.86%	-0.1050	0.9168	12.72%	-0.8824	0.3816
	Islamic	17.89%			17.91%			17.86%		
ROA	Conventional	0.75%	4.9988	0.0000***	0.78%	4.2433	0.0001***	0.71%	2.9806	0.0048***
	Islamic	0.53%			0.55%			0.51%		
Asset Growth	Conventional	10.96%	-1.1363	0.2615	12.01%	-0.2689	0.7891	9.92%	-1.0644	0.2921
	Islamic	12.10%			12.40%			11.80%		

***, **, and * significant at 1%, 5%, and 10% level, respectively

The study includes two independent groups of bank Islamic and Conventional. The Independent T-test was applied across 4 ratios as well. In Table 11, it shows that CSR/Asset ratio mean for the 4 years period was significantly higher for Islamic banks than for conventional banks. In both Pre-COVID times and During COVID times, Islamic banks had a higher CSR/Asset ratio than conventional banks, significant at 5% level.

In case of Profitability, the Table 11 results show that profitability of conventional banks was significantly higher than Islamic banks during these 4 years periods as well as sub-periods of pre-COVID and during COVID. So, despite dip in profitability for both sets of banks, the gap between two groups remained.

But for CSR/PAT and Asset growth ratio, no significant difference is seen between the two groups.

Mann-Whitney U Test Results for Comparison Across Groups

Table 12: Mann-Whitney U Test Result Summary

Variable	Group	Overall (Conventional=84, Islamic=24)			Pre-COVID (Conventional=42, Islamic=12)			During COVID (Conventional= 42, Islamic=12)		
		Mean	Z	Sig.	Mean	Z	Sig.	Mean	Z	Sig.
CSR/Asset	Conventional	0.06%			0.06%			0.06%		
	Islamic	0.09%	-3.089	0.0020***	0.10%	-2.351	0.0187**	0.09%	-1.914	0.0556*
CSR/PAT	Conventional	14.79%			16.86%			12.72%		
	Islamic	17.89%	-3.887	0.0001***	17.91%	-2.996	0.0027***	17.86%	-2.393	0.0167**
ROA	Conventional	0.75%			0.78%			0.71%		
	Islamic	0.53%	3.695	0.0002***	0.55%	3.163	0.0016***	0.51%	2.247	0.0246**
Asset Growth	Conventional	10.96%			12.01%			9.92%		
	Islamic	12.10%	-0.724	0.4689	12.40%	-0.125	0.9007	11.80%	-0.928	0.3281

***, **, and * significant at 1%, 5%, and 10% level, respectively

Table 12 shows the result of comparison of means for two groups of banks using the Mann-Whitney test. The table shows that CSR/Asset throughout the four-year period, was significantly higher for Islamic banks than conventional banks, similar to the result in the parametric method. In Pre-COVID times, Islamic banks had a higher CSR/Asset ratio than conventional banks, significant at the 5% level. During COVID, Islamic banks still had higher CSR/Asset ratio, but it is significant at the 10% level.

Similarly, the mean for CSR/PAT ratio was significantly higher for Islamic banks compared to conventional banks across overall model as well as model for Pre-COVID and During COVID times, at least at 5% significance level. It supports our hypothesis 3. Since both CSR/Assets and CSR/PAT had non-normality, the results of Mann-Whitney can be more reliable.

In case of ROA in Table 12, we see that ROA mean (0.75%) of conventional banks is more than that of Islamic banks (0.53%). The result of Mann-Whitney Test for ROA is significant at 5% level for the full 4-year period as well as in Pre-COVID and during COVID level, suggesting mean ROA of conventional banks are significantly higher than that of Islamic banks, similar to the result of Independent T-Test in Table 11.

Table 12 also indicates that Asset growth ratios of both sets of banks have not really changed during and before COVID, as well as overall four-year duration. The result is similar to the result in Independent T-test in Table 11. It indicates that both sets of banks had a similar Asset Growth ratio.

Overall Findings

Driven by policy measures by the central bank, banks in Bangladesh took several steps to prop up direct and indirect CSR engagements. Overall, the CSR spending ratios for the entire banking sector did not significantly increase during the COVID years compared to the pre-COVID years. Despite well-publicized growth in absolute amounts of CSR expenditure, the amount's growth has not been in proportion with growth of profits and assets. Bangladesh is a land of natural disasters and health-related risks such as dengue and other diseases. Thus, coordinated efforts on CSR are needed from banks, from the stakeholders' theory perspective.

Islamic banks had higher CSR spending ratios compared to conventional banks, as suggested by the comparison of means (Tables 11 and 12). The main reason is the core principles of social justice, charity, and community welfare are contributing factors to such an increase in CSR in such a massive crisis like COVID-19. In addition, compensations received from defaulted loans are given away as charity by Islamic banks, whereas conventional banks show the same as income. So the principles of Islamic banking are the driving factor behind the CSR leadership by Islamic banks.

From a profitability perspective, it was found that conventional banks had been more profitable than Islamic banks during the sample periods (Tables 11 and 12). But when taken together, the overall banking system's profitability did not fall significantly due to COVID. The difference in higher profits of conventional banks is expected, as the financial ecosystem of Bangladesh is still more favorable for conventional banks due to their broader flexibility of financial products and financing sources, whereas Islamic banks are constrained by the necessity of Shariah compliance, which limits product diversity.

As mentioned earlier, asset growth during the two years of COVID fell compared to pre-COVID years (Table 9). So perhaps the fall in asset growth during COVID caused all the banks to not make drastic changes in CSR policies from pre-COVID levels. Despite the central bank trying to prop up money supply through reduction of bank rate, repo rate, and CRR (Cash Reserve Ratio) and increasing working capital refinancing facilities through stimulus packages, the relatively lower demand by the industries and SMEs led to a fall in overall asset growth in COVID years despite a rise in asset sizes in absolute amount.

CONCLUSION AND RECOMMENDATION FOR FURTHER RESEARCH

The COVID-19 pandemic caused havoc in the world economically and socially. The vulnerability of the health system was revealed out in this pandemic. Concerted efforts from public, private, and international agencies and other entities somewhat helped to recover the worst of this pandemic. Developing countries like Bangladesh had to go through the same hurdle like many other countries. Policy initiatives from government and regulatory agencies led the recovery. But informal and formal private institutions also played a crucial role. Banks are the engines of the economic activities of a country. Direct CSR engagements by banks in Bangladesh were directed mainly towards essential sectors such as healthcare, education, and disaster management even prior to the COVID-19. When COVID came, the banks had to increase the CSR budget towards healthcare and education primarily. The experience of COVID will make institutions better prepared in handling financing and charitable activities in key sectors.

The study looked at how two types of banks—Islamic and conventional—performed in this pandemic in their socially responsible contribution. Islamic banks have historically been better contributors to social causes compared to their conventional counterparts. After the start of the pandemic, Islamic banks have maintained that trend. But still, we cannot say both types of banks combined really significantly changed their

traditional CSR spending levels during COVID years from pre-COVID years. This could primarily be caused by the fall in asset growth during the COVID years for both types of banks. But when looking separately, we do see some difference in approach from Islamic banks, despite their relatively lower level of profitability.

Given the results, we may conclude that Islamic banks, supposedly being driven by ethical considerations of religion, indeed outperformed the conventional banks in Bangladesh. Further studies may be conducted to analyze the different approaches of two sets of banks with more banks included in the sample. Similarly, other banking industries in other Muslim-majority countries may be studied to find other outcomes.

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ARAŞTIRMACILARIN KATKI ORANI

Yazarların mevcut araştırmaya katkı oranları aşağıda belirtildiği gibidir:

Yazarın çalışmaya katkı oranı %100'dür.

ÇATIŞMA BEYANI

Araştırmada herhangi bir kişi ya da kurum ile finansal ya da kişisel yönden herhangi bir bağlantı bulunmamaktadır. Araştırmada çıkar çatışması bulunmamaktadır.

ARAŞTIRMANIN ETİK İZNI

Yapılan bu çalışmada "Yükseköğretim Kurumları Bilimsel Araştırma ve Yayın Etiği Yönergesi" kapsamında uyulması gerektiği belirtilen tüm kurallara uyulmuştur. Yönergenin ikinci bölümü olan "Bilimsel Araştırma ve Yayın Etiğine Aykırı Eylemler" başlığı altında belirtilen eylemlerden hiçbiri gerçekleştirilmemiştir.

HAKEM DEĞERLENDİRMESİ

En az iki dış hakem / Çift Taraflı Körleme

AUTHORS' PERCENTAGE-BASED CONTRIBUTIONS

The contribution rate of the author to the present research is as follows:

The author's contribution to the study is 100%

DECLARATION OF COMPETING INTERESTS

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

ETHICAL APPROVAL OF THE STUDY

All rules within the scope of “Instruction on Research and Publication Ethics for the Higher Education Institutions” were observed throughout the study. No actions mentioned in the Instruction’s second chapter titled “Actions Against to Scientific Research and Publication Ethics” were taken in the study.

PEER REVIEW

Reviewed by at least two external referees / Double-Blind Review.