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# Corporate Social Responsibility Reporting: A Longitudinal Study of Listed Banking Companies in Bangladesh

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*The aims of this study are to investigate the Corporate Social Responsibility (CSR) reporting practices of the listed banking companies in Bangladesh and explore the potential effects of corporate governance and company specific characteristics on CSR disclosures. The study conducted a content analysis of all the listed banks operating from 2007 to 2011 and analyzed the factors affecting CSR reporting of the sample companies. The study found that engagements of banks in CSR activities is increasing from an average CSR disclosure index 59.02% in 2007 to 76.87% in 2011 and direct monetary expenditure increases more than 10 times in this period. The results showed that CSR disclosure is positively significant with firm size, board size, ownership structure, and independent non-executive director in the board, while it is negatively associated with firms' profitability and the age of the company. On the other hand, there is an insignificant relationship between CSR disclosure and board leadership structure. It also revealed that, to varying degrees, all listed banks' practices social responsibility in an unstructured manner and need to adopt a comprehensive format for CSR reporting such as the Global Reporting Initiative (GRI), 2006.*

**Keywords:** Corporate Social Responsibility, Disclosure, Listed Banks, Company Characteristics, Corporate Governance Characteristics, Bangladesh.

## 1. Introduction

We are in the center of a speedy universal alteration where demand to corporations puffed-up not only to perform financially, but to be outstanding corporate citizens. People's expectation to the business about its responsible role in society is mounting and the research on corporate social responsibility(CSR, thereafter) discussion shows that there has been expansion in a range of instruments that plan to develop, evaluate and communicate socially responsible practices (Golob and Bartlett 2007). Tanejaet al. (2011) argued that more than four decades after the emergence of the idea of CSR, there is still no clear definitional framework which causes slow improvement and the wrong interpretation of results in CSR research. CSR termed as dynamic, overlapping and contextual (Garriga and Mele 2004; Gond and Moon 2011), conventionally associated with business responsibility for society and responsible business conduct (Herzig and Jeremy 2013), and a corporation society interface (Gond and Moon 2011).

Although both developed and developing countries are very much emphasized on CSR reporting, in Bangladesh, it is generally being neglected (Imam 2000). Recently, there is considerable force to companies from various groups to act sensibly and be responsible for the contacts they have on social, political and ecological environments (Azim et al. 2011). And it is heartening to observe that almost 80 percent of the world's largest 250 companies are reporting on their social and environmental presentation in 2008 whereas three years before it was only 50 % (KPMG 2008).

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Although CSR is a comparatively new thought in Bangladeshi corporate culture, consciousness of it has quickly increased. The banking sector needs to think their CSR for three basic reasons. At first, there is an escalating demand from stakeholders to do so (Belal 2001). The company that does not expand and promote its CSR strategy to all stakeholders, may will have to face increasing threats to its reputation. Secondly, CSR makes sound business sense which enhances the status of an organization, and improves stakeholder return (Kabir 2003).Finally; Bangladesh Bank (the central bank of Bangladesh) issued different notifications to the bank and bound them to follow the guidelines.

CSR practices of the banking sector in Bangladesh has been selected for the following reasons: (i) The banking sector of Bangladesh is successful (Sarker 2000); (ii) The banking industry of Bangladesh has pinched global consideration in the preceding years as Grameen Bank received the Nobel Prize in 2006 for its sustainable involvement to poverty mitigation; (iii) Banking is the biggest sector in Bangladesh, where the total number of scheduled banks is 47 out of which 30 are cross listed with both the Dhaka and Chittagong Stock Exchanges;(iv) there is no previous study regarding CSR by using the multiple period of time(Appendix A).

Thus, the current study focuses on longitudinal analysis of the CSR practiced by banking companies listed in the Securities and Exchange Commission (SEC). Moreover, it investigates the extent and determinants of such reporting in annual reports and recommends avenues for potential improvement. The study will remove the gap in the literature and contribute to the knowledge: whether CSR reporting of Bangladeshi Banking sector is improving or not. At the same time it identifies which factor(s) affect the CSR reporting. The remainder of this paper is organized as follows: the next section concerns the regulatory environment of social responsibility and disclosure rules in Bangladesh; after that it describes the prior studies in the field of social reporting followed by the research methodology; and finally findings, discussion and concluding remarks.

## 2.Social Responsibility Regulatory Environment in Bangladesh

In Bangladesh, banking institutions play the dominant support and the fundamental role for industrial and commercial activities. Since independence in 1971 until 1982, when the ‘‘ownership reform’’ procedures started in the financial sector, the government had carried out the regulation and ownership of all financial institutions. After the reform period, two out of six State Owned Commercials Banks were denationalized and Private Commercial Banks were allowed to operate in the country. At present, in addition to the Central Bank of Bangladesh there is 4 state owned commercial banks, 4 government owned specialized banks, 30 domestic private banks, 9 foreign banks (Bangladesh Bank 2011a). As with the line of global practice, the Central Bank of Bangladesh (Bangladesh Bank) has been assigned with the responsibility of playing a custodian role of banking sectors in Bangladesh. BB regulates banking companies in accordance with Banking Companies Act 1991, and its further amendments. At the same time, banking organizations listed in the capital market must have to follow the rules of SEC for trading in the stock exchanges in addition to the Banking Companies Act 1991.

The Bangladesh Companies Act 1994 sets the general structure for corporate financial reporting. However, no provisions regarding CSR exist in the Companies Act 1994 (GoB 1994). According to IASCF (2003), there is no separate Bangladesh Accounting

Standard (BAS) concerning social and environmental reporting. However, after the adoption of International Financial Reporting Standards (IFRS) in Bangladesh on 5 July 2006, Presentation of Financial Statements (BAS 1) encourage listed companies to circulate additional statements on their non-financial activities; if management believes they will facilitate users in making economic decisions (Azim 2011). Therefore, in Bangladesh, CSR is still voluntary with the exception of expenditures on energy usage required under the Companies Act of 1994 and the Securities and Exchange Rules of 1987, which require a separate expenditure in notes to the financial statements representing the total amount spent on energy (Belal 2001).

Recently, Bangladesh Bank (BB) encourages commercial banks to take part in CSR activities enthusiastically, which might pave the banking sectors to become more structured on the ideas of CSR issues (Bangladesh Bank 2008). BB also advised banking and other financial institutions to move towards implementation of CSR program (Bangladesh Bank 2009,2010a), establish a separate CSR desk (Bangladesh Bank 2010b) and promoting gender equality in the workplace in order to ensuring basic human rights and socio economic growth (Bangladesh Bank 2011b). According to Bangladesh Bank (2010a), CSR initiatives now starts in a modest way as supplements to usual annual financial reports, eventually it will be grown as a comprehensive reports format like Global Reporting Initiative (GRI).

## 3. Literature Review

### 3.1 Theoretical Framework

Although CSR is emerging, it does not yet resemble a theory “systematic sets of interrelated statements intended to explain some aspect of social life” (Babbie 2007, p. 43). Some observed CSR as an overly large with loose boundaries (e.g., Podnar 2008), while others conceived CSR offer benefits, strategies, principles, and categories used to develop theory, even though the path has been “controversial, complex, and unclear” (Garriga and Mele 2004, p. 51). Moreover, in spite of challenges, CSR offers great value in infusing the public relations body of knowledge (Spangler and Pompper2011).According to Gray et al (1995), CSR reporting and disclosure is a very intricate activity to be realized by any single theoretical point of view. Therefore, in order to obtain a fuller and superior explanation of corporate social responsibility reporting and disclosure it is useful to take into account insights provided by different theoretical perspectives (Deegan 2000).This study focuses on two important theories that explain the extent of corporate social disclosure: legitimacy theory and stakeholder theory.

The concept of the social contract is the basic belief of the legitimacy theory (Guthrie and Parker 1989; Mathews 1993; Patten 1992). Legitimacy theory, as Deegan (2002) argued, most accepted and provides valuable insights as to corporate social responsibility reporting and disclosure practice. Legitimacy theory is resulting from the idea of a social contract, i.e., every company runs in a society through an expressed or implied social agreement. It is fundamentally a systems-oriented theory, i.e. companies are viewed as components of the larger social environment within which it exists (Gray et al., 1996). Thus, in order to justify its continued existence and legitimise its activities to the society in which it operates, a company needs this theory. However, if the company is not actually functioning within society's moral bounds and codes of behavior, then society may put an end to the company’s privileges to work (Deegan and Rankin 1996).

Stakeholders are the fundamental hub of stakeholder theory. Stakeholders comprise a large range of people and interest groups who are engaged in some capacity with organizations (Price 2004). In stakeholder theory, a range of stakeholders are involved in the organization and each of them deserves some return for their participation (Crowther and Jatana 2005). A primary stakeholder group is one "without whose continuing involvement the corporation cannot carry on as a going concern" (Clarkson, 1995, p.106). Secondary stakeholder groups are defined as those "who influence or affect, or are influenced or affected by the corporation, but not essential for its survival and did not engage in transactions with the corporation" (Rizk 2006, p.27). According to this theory, managers should review the importance of every group of stakeholders and try to please them. For the reason of benefit maximization, managers should work in support of all stakeholders not only the shareholders. Consequently, shareholders will be benefited in the long run, as the main stakeholder (Abdel-Fatah 2008).

### 3.2 Prior Studies

Literature recognized that CSR practices vary from country to country (Adams et al.1998) and between developed and developing countries (Imam 2000). Furthermore, the nature and patterns of CSR differ between types of industry (Gray et al., 2001).Survey of CSR practices in western countries found that companies set the maximum importance on disclosing human resource information such as employee numbers and remuneration, equal opportunities, employee share ownership, disability policies, and employee training (Gray et al. 2001). The level of corporate social reporting is increasing, with more importance on human resources (Ratanajongkol et al. 2006); little disclosure exists in sensitive areas such as trade union activities, pay awards, redundancy schemes, and costs (Adams et al. 1998). Moreover, the vast majority of disclosures are qualitative in nature.

Idowu and Towler (2004) found that some UK companies issue detaches reports for their CSR activities and others allocate a part of their annual reports. They also mentioned that UK companies mainly disclose CSR information about the environment, the community, marketplace, and the workplace, and it is still in its infancy level. Moreover, Silberhorn and Warren (2007) explored that German and British companies presented CSR as a wide-ranging business strategy, erasing mainly from performance considerations and stakeholder pressure and there are different starting points for CSR in Germany and UK.

Prado- Lorenzo et al. (2009) found that shareholder power and ownership structure have consequence on the decision to disclose CSR information in the Spanish context. However, the study outcome shows that power of stakeholders is moderately limited. Rizk et al. (2008) explored significant differences in reporting practices among the members of the nine industry segments surveyed in Egyptian corporate entities. Moreover, there are excellent examples of CSR practices in some Egyptian companies who are working in the telecommunication and construction industries, but the level of social disclosure in other industries is inadequate and there is still a long way to go (Salama , 2009).

Banks have an objective view-point about CSR activities. They are focused mainly on education, balanced growth (different strata of society), health, environmental marketing and customer satisfaction as their heart CSR activities (Narwal 2007). But, understanding and practice of CSR are still grounded (Jamali and Mirshak 2007). In addition to this, the pattern of CSR disclosure is different between developing and developed countries (Pratten and Mashat, 2009). Rosser and Edwin (2010) investigated the political dynamics of CSR and its succeeding regulatory developments. They showed that local communities negatively affected by corporate activity and their allies in the non-governmental organization movement. Potluri et al. (2010) investigated the attitudinal displays of companies in Kazakhstan and found a difference of opinion in almost every stakeholder's area because of the present day economic crunch.

### 3.3 Corporate Social Responsibility Practices in Bangladesh

Few empirical studies are available on the CSR practice in Bangladesh (Azim et al. 2011; Khan et al. 2009; Sobhani et al. 2009; Belal and Owen 2007; Hossain et al. 2006). Chowdhury and Chowdhury (1996) commented in their study that some leading companies in Bangladesh voluntarily provide some information about social matters. Moreover, the importance of corresponding (whatever a social responsibility they have performed) social responsibility performance had not been recognized by the concerned management of sample companies (Uddin et al.1999). They also found that CSR mainly confined to employees' welfare, contribution to government, operational activities and business expansion rather than community development, human resource development, and environment. Belal (2001) and Imam (2000) indicated that there was a low level of CSR reporting in Bangladesh. Again, Belal and Owen (2007) concluded that social reporting practices were absent in Bangladesh. Early studies provide a largely descriptive account of corporate social disclosure in developing countries like Bangladesh (Belal 2001).

Hossain et al. (2004) concluded that Bangladeshi companies are reporting a quantity of disclosures on human resource even though this kind of disclosure is not mandatory from any regulatory authority. CSR disclosures in Bangladesh are voluntary in nature and largely qualitative (Hossain et al. 2006). They also mentioned that the disclosure of social information made by listed companies in their corporate annual reports in Bangladesh is "very disappointing" (p.10). Sobhani et al. (2009, p. 179) conclude, nevertheless, that "the nature and extent of disclosure" were usually poor, and consciousness of social responsibility "is still lagging as compared to that of developed countries". Khan et al. (2009) revealed that the selected banking companies did some CSR reporting on a voluntary basis and user groups favored CSR reporting and would like to see more disclosure.

Most of the previous studies consider single period of time .By adopting a longitudinal approach covering several years and studying the same companies over that period, this research hopes to provide more explanations and a clearer view about the trend of disclosure practice employed by banking companies. Moreover, previous studies indicated that there was a low level of CSR reporting in Bangladesh. There is an implicit aspiration from different stakeholders group that corporate houses should spend on societal well-being and they like to look into such information in companies' financial statements. The above contradictory information provides motivation for further longitudinal study. Thus, the researcher has motivated to confirm whether there are any improvements in CSR reporting status of the listed Banking companies in Bangladesh.

## 4. Methodology

### 4.1 Sample Selection

This study covers the banking companies listed both on the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). The total number of listed Bank on either stock exchange at the end of 2011 was 30. Since the panel data is used (from 2007 to 2011) to measure whether there are any improvements in CSR reporting in Bangladesh, the sample companies must be listed in stock exchange throughout the period of study. Thus the number of companies is reduced to 29, as one of them (First Security Islami Bank Limited) listed in 2008.The current study selected 2007 as the earliest year and 2011 as the latest year. In June 2008, BB published the first circular to commercial banks about CSR. In order to compare the changes of reporting pattern before and after the circular, the study considers one year back from the cutoff point and 2011 is the latest published annual reports available during the period of study.

### 4.2 Index Construction

Numerous content analysis studies have paying attention on the recognition of disclosed CSR items (e.g., Al-Tuwaijri et al. 2004; Jose and Lee 2007,Branco and Rodrigues 2008; Bouten et. al. 2011), whereas others measure the extent(the disclosure index, the number of words, sentences or pages) of the disclosures on those items (e.g., Campbell 2000, 2004; Gray et al. 2001; Unerman 2000; Beck et al. 2010). Following the latter group, the current study follows prior disclosure studies and develops a self-constructed CSR disclosure index to assess the extent of disclosure in annual reports of the listed Banking Companies in Bangladesh.

The first and important step is the selection of items that might be expected to be reported in corporate annual reports. However, Wallace (1988) indicates that there is no general theory on the items that should be selected to assess the extent of disclosure. Moreover, the relevant literature shows that there is no commonly used theory to determine the number and selection of items for a disclosure index (Hooks et al. 2000). Current study prepared checklist by considering Bangladesh context which will help to find out current picture of CSR. Main area of checklist is given below in Table 1:

**Table 1: Categories of Checklist**

| Area of checklist | Number of Items |
|---|---|
| General Corporate Information | **7** |
| Corporate Governance/Directors Information | **9** |
| Information about Human Resource | **6** |
| Sustainable Information | **5** |
| Information about community involvement | **13** |
| **Total checklist items** | **40** |

### 4.3 Data Collection

Annual reports are the main vehicle firms use to communicate information to external users, and they command credibility (Guthrie and Parker 1989; Singh and Ahuja, 1983; Adams 2004; Gray et al. 1995; Naser and Nuseibeh 2003; Raman 2006). In case of Bangladesh, according to Karim et al. (1996), annual reports of the companies are considered as the most important source of information about a company. Annual reports have been used to accumulate the data of the listed companies and the annual report of the sample companies collected mainly from the DSE library by paying money.

### 4.4Scoring of Disclosure

To capture levels of disclosures, a self-constructed checklist of CSR items was prepared. The checklist formed a relative disclosure index by examining the presence or absence of the different items of the checklist using binary codes: 1(presence) and 0(absence). The relative index is the ratio of what the reporting company actually discloses to what the company is expected to disclose. The relative index approach has been used in prior studies (e.g., Wallace 1988; Cooke 1989, Wallace et al. 1994; Inchausti 1997, Leventis and Weetman 2004; Akhtaruddin 2005; Barako et al. 2006 and Ghazali and Weetman 2006, Iskander 2008 and Abdel-Fatah 2008). This can be presented mathematically as follows:

$$UIx = [\sum T_{tx}] / nx$$

Where, UIx is the unweighted index scored by the company, x, $0 \leq Ix \leq 1$; $T_{tx}$ is the information item disclosed by the company x; nx is the maximum number of items anticipated to be disclosed by a company;

### 4.5 Explanatory Variable

#### 4.5.1 Firm Size

The firm size of a certain corporation is considered to be the most statistically significant variable examining the differences between voluntary reporting practices of firms (Hossain and Adams, 1995; Meek et al., 1995; Ahmed and Courtis, 1999; Choon, Smith and Taylor, 2000; Ho and Taylor, 2007). It can be noticed that firm size is a comprehensive variable that can be proxy a number of corporate attributes such as competitive advantage, information production costs, and political costs (Hossain et al 1994 and Abdelsalam, 1999). Moreover, there is strong evidence that firm size has positive association with the level of disclosure (e.g. Marston and Shrives 1991 and Ahmed and Courtis, 1999, Reverte 2009, Tagesson et al. 2009, Hasan 2010). The advocates of stakeholder theory argues that firms are expected to have a high level of voluntary disclosure in order to be registered in the stock market to attract more funds at a lower cost of capital, as in this case they have a superior responsibility to supply information to customers, suppliers, analysts, and government (Choi 1973; Cooke 1991).

***Variable Measurement***

Different procedures for firm size have been used in the disclosure literature such as total assets, total sales, the number of employees and market capitalization. Numerous studies combine some measure in one measure (Cooke 1992) while others use one measure. However, there is no criterion to select the finest proxy of firm size (Hassan et al. 2006). The study measured firm size by the log of total assets and based on the theoretical and empirical evidence, the current study expect-

**H1:**There is a positive significant association between firm size and the level of CSR in annual reports of the listed banks in Bangladesh.

### 4.5.2 Profitability

Companies are likely to feel more comfortable when disclosing favorable rather than unfavorable information, because one of the objectives of information disclosure is to raise share prices. Cerf (1961), Singhvi (1967), Singhvi and Desai (1971), Belkaoui and Kahl (1978), Spero (1979) and Wallace (1987), Wallace et al. (1994), Karim (1996), Owusu-Ansah (1998), Hossain (2000), Tagesson et al. (2009) and Wu and Chung-Hua (2013) found the positive association between profitability and disclosure. In contrast, Bujaki and McConomy (2002), Reverte (2009) asserted that firms facing a slowdown in revenue tend to increase their disclosure on issues relating to the disclosure. However, previous researchers such as Wallace et al. (1994), found that the association between the profitability and comprehensiveness of disclosure is not significant.

***Variable Measurement***

In the current study, the return on equity (ROE) is employed as a proxy for the firm profitability and expects that-

**H2:**There is a significant positive association between profitability and the level of CSR disclosure in annual reports of listed banks.

### 4.5.3 Bank Age

According to Owusu-Ansah (1998) corporate age is related to its stage of development and growth. Older, well-established companies are expected to disclose much more information in their annual reports than younger companies. Older companies with more experience are likely to include more information of their annual reports in order to enhance their reputation and the image in the market (Owusu-Ansah 1998; Akhtaruddin 2005). Owusu-Ansah (1998, p. 605) pointed out three factors that may contribute to this phenomenon. Firstly, younger companies may experience competition, secondly, the cost and the ease of gathering, processing, and disseminating the required information may be a contributory factor, and finally, younger companies may lack a track record on which to rely on public disclosure. Owusu-Ansah and Yeho (2005) found company age as the critical factor in explaining the extent of disclosure practices. However, Al-shammari et al (2007), Parsa and Kouhy (2008) found that age does not have significant impact on social responsibility disclosure.

***Variable Measurement***

In this study, bank age has considered by the number of years passed from listing and the following hypothesis is consequently tested-

**H3:** Bank age has significant positive association with the disclosure of CSR information.

### 4.5.4 Ownership

Ownership structure is another instrument that supports the interest of shareholders and managers (Wang and Claiborne 2008; Eng and Mak 2003; Haniffa and Cooke 2002; Chau and Gray 2002). Previous studies have found contradictory outcome on the impact of ownership structure on firm financial reporting quality. Hossain et al. (1994); Haniffa and Cooke (2002); Adelopo (2010); Akther and Rouf (2011) suggested a negative association between management ownership structure and the level of disclosure. In addition, Chau and Gray (2002); Hongxia and Ainian(2008); Barako et al. (2006) reported a positive relationship between ownership structure and financial reporting quality. On the other hand, Naser et al.(2006) and Wallace et al (1994) could not document any significant relationship between dispersed ownership structure and firms' financial reporting quality.

***Variable Measurement***

In Bangladesh, Public Limited Companies, ownership patterns include sponsor ownership, institutional ownership, government ownership, foreign ownership and public ownership (Bhuiyan and Pallab 2007). Since the study concentrates listed Banks in Bangladesh, and listed banks are limited liability in nature, so the study focus sponsor as a variable rather than single or dual ownership. Sponsor reflects concentrated ownership (more than 50% that means using the majority they can influence decision) by the sponsors of the company. The phenomenon is captured with a dummy variable with the value of 1 if it has concentrated sponsor and 0 otherwise.

**H4:**Companies those have 50% or more ownership to a particular group disclose significant CSR disclosure than the other companies.

### 4.5.5 Independent Non-Executive Directors

A board is generally composed of inside and outside members. Kosnik (1990) argued that outside directors are more effective than inside directors in maximizing shareholders' wealth. In contrast, Klein (1998) suggests that inside directors can contribute more to a firm than outside directors due to their firm-specific knowledge and expertise. Ho and Wong (2001), Haniffa and Cooke (2002), Barako et al. (2006), Nazli and Weetman (2006), Prado- Lorenzo et al. (2009) did not find association between the proportion of outside non-executive directors and the extent of disclosure. Chen and Jaggi (2000); Cheng and Courtenay (2006) found a positive relationship between a board with a higher proportion of independent directors and comprehensive financial disclosure. In contrast, several other studies show independent non-executive directors on the board are negatively associated with the extent of management disclosures (Eng and Mak 2003).

***Variable Measurement***

In this study, an independent non-executive director is measured by the percentage of the board that means the number of independent non-executive director divided by board size. These observations suggest the following hypothesis:
**H5:** Existence of independent non-executive director in the board has significant positive relation to the level of CSR disclosure.

### 4.5.6 Board Leadership Structure

Within the context of corporate governance, the vital issue often discussed is whether the chair of the board of directors and CEO positions should be held by different persons (a dual leadership structure) or by one person (a unitary leadership structure). Agency theory argued that the absence of role duality, provide monitoring and balances over managements' performance (Argenti 1976; Rechner and Dalton 1991; Donaldson and Davis 1991; Forker 1992; Shamser and Annuar 1993, Stiles and Taylor 1993; Blackburn 1994). However, there are other views, based on the stewardship theory, suggest that the existence of role duality would improve the board effectiveness in performing a good control on the board and selection of the other board members (Eisenhardt 1989; Dahyaet al.1996; Rechner and Dalton 1991; Donaldson and Davies 1991). However, some studies argued that there is no association between CEO duality and the extent of disclosure of information (Ho and Wong 2001; Rashid 2011).

***Variable Measurement***

In this study, if a bank has the dual leadership structure, it will be added 1 as a dummy variable otherwise 0.

**H6:**The extent of CSR reporting has positive significant association for firms with a dual leadership structure.

### 4.5.7 Board Size

Board size may control the level of CSR disclosure. The intensity of disclosure is a strategic choice made by the board of directors. They also formulate policies and strategies to be followed by managers. It is argued that the board size needs to be reduced to improve board effectiveness (Jensen 1993; Lipton and Lorsch 1992; Kesner and Johnson 1990), while to maintain the agency theory logic, it is recommended to raise board size (Hermalin and Weisbach 2003) and opposite argument is that a greater number of directors on the board may reduce the likelihood of information asymmetry (Chen and Jaggi 2000). At the same time, big board’s would be more diversified that would help the companies to secure critical resources and reduce environmental uncertainties (Pearce and Zahra 1992; Goodstein et al.1994). Other studies mentioned that board size does matter on the corporate performance and corporate disclosures (Monks and Minow1995).

***Variable Measurement***

As per Bangladesh corporate governance code of 2006, listed company's board size should be minimum 5 to maximum 20. That's why, this study treated board size by the number of members of the board.

**H7:** There is a significant positive relationship between board size and CSR disclosure.

### 4.6 CSR Disclosure Model Specification

The following multiple linear regression model is used to investigate the association between determinants and extent of CSR disclosure in Bangladesh:

$$CSRD = \beta0 + \beta1\ LASST + \beta2ROE + \beta3\ AGE + \beta4\ OWNERSHIP + \beta5IND\_DIR + \beta6\ CEO\_DUALITY + \beta7\ B\_SIZE + Є \quad \text{.....} \quad (1)$$

Where,
β0= intercept
Є = error term

**Dependent Variables:**

CSRD = Corporate Social Responsibility Disclosure Index

**Control variables:**

Control variables and their expected sign of the study are given below in table 2:

**Table 2: Control Variables and Their Expected Sign**

| Determinants | Variable | Measurement Techniques | Expected Sign |
|---|---|---|---|
| Firm Size | LASST | Natural log of Total Assets | + |
| Firm Profitability | ROE | Return of Equity | + |
| Bank Age | AGE | Number of years passed since listing | + |
| Ownership Structure | OWNERSHIP | Dummy variable: Sponsorship 1, otherwise 0. | + |
| Independent Director | IND_DIR | Percentage of Board Member | + |
| Role Duality | CEO_DUALITY | Dummy Variable: If exist 1, otherwise 0. | + |
| Board Size | B_SIZE | Number of members in the Board. | + |

## 5. Analysis and Findings

To test whether there is a significant difference in the extent of CSR disclosure over selected periods, non-parametric test were conducted. The study also used regression analysis to test the interrelationship between the various independent variables and the overall CSR disclosure index. The assumptions underlying the regression model were tested for multicollinearity based on the correlation matrix as well as the variance inflation factor (VIF). In addition, an analysis of Normality tests based on skewness and kurtosis were also conducted.

Table 3 shows the descriptive statistics of the CSR disclosure level of the Listed Banking Companies in Bangladesh from 2007 to 2011.The CSR disclosure's level gradually increases from 2007 and reaches it peaks at 2011 of the examined checklist items which variant between 59.02% and 76.87% for the least and the highest average disclosures respectively. This fulfills the research objectives to find out the extent of CSR reporting and over the years whether CSR is improving or not.

**Table 3:Descriptive Statistics for CSR Disclosure**

| Year | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| Year 2011 | .6000 | .9000 | .768750 | .0731643 |
| Year 2010 | .5500 | .8750 | .727679 | .0814621 |
| Year 2009 | .5000 | .8750 | .688393 | .0906464 |
| Year 2008 | .4750 | .8500 | .650000 | .1004619 |
| Year 2007 | .4000 | .8500 | .590179 | .1057030 |

As CSR disclosure score increase over time, it may be helpful to test whether there is significant difference among CSR disclosure scores over the period under investigation. To test whether the observed changes in the CSR disclosure over the period of study are statistically significant or not, a series of statistical tests have been conducted. Descriptive statistics for the dependent and explanatory variables are presented in table 4.

**Table 4: Descriptive Statistics for Regression Variables**

| Variables | Mean | Std. Deviation | Skewness | Kurtosis |
|---|---|---|---|---|
| CSR Disclosure | 0.685 | 0.109067 | -0.28396 | 2.575209 |
| Firm Size | 10.8601 | 0.309912 | -0.14234 | 5.821319 |
| Firm Profitability | 0.195314 | 0.130288 | -0.43703 | 11.55972 |
| Bank Age | 11.21429 | 8.483404 | 0.59907 | 1.887174 |
| Ownership Structure | 0.257143 | 0.438628 | 1.111325 | 2.235043 |
| Independent Director | 0.032791 | 0.044015 | 0.969439 | 2.689886 |
| Role Duality | 0.928571 | 0.258464 | -3.3282 | 12.07692 |
| Board Size | 13.83571 | 4.585888 | 0.417916 | 2.707228 |

From the table (4) it is observed that the overall data set is not normally distributed. As a common rule, the standard skewness of the data needs to be within the range of ±1.96 (Haniffa and Hudaib 2006; Gujarati 2003). It is observed that the minimum CSR skewness is -3.3282 which exceed the range of ±1.96 evidencing that the data is not normally distributed. The study also checked the skewness of each year's data and found that the data set is not normally distributed. Additionally, with respect to the standard kurtosis the data is not normally distributed. The data is said to be normally distributed if the standard kurtosis fall in the range of ±3 (Haniffa and Hudaib 2006; Gujarati 2003). The standard kurtosis of the total CSR disclosure and its different years exceed the range of ±3 indicating that the data is not normally distributed.

Besides testing for normality, it is important to check for multicollinearity, homoscedasticity and linearity. Regarding The Variance Inflation Factor (VIF) indicated that data is normally distributed if the VIF is less than 10(Gujarati 2003; Neter et al. 1983; Mendenhall and Sincich 1989). However, others suggest that the value of 5 can be used as a rule of thumb (Groebner et al. 2005). However, it can be seen from the table 5 that the maximum VIF is 1.460 and the mean VIF is 1.321. Moreover, the lowest tolerance coefficient is 0.685. Therefore, the results of VIF and tolerance coefficients; based upon the rule of thumb; indicate that there is no unacceptable level of multicollinearity in the current study. Moreover, there has been no agreement among researchers regarding the cut off correlation percentage (Alsaeed 2006). While some researchers use 0.8; e.g. Gujarati (2003); others suggest using 0.7; e.g. Tabachnick and Fidell (1996).

**Table 5: Collinearity Statistics of Variables**

| Variables | Collinearity Statistics | |
|---|---|---|
| | **Tolerance** | **VIF** |
| Firm Size | 0.685 | 1.460 |
| Firm Profitability | 0.730 | 1.370 |
| Bank Age | 0.827 | 1.210 |
| Ownership Structure | 0.762 | 1.312 |
| Independent Director | 0.748 | 1.336 |
| Role Duality | 0.879 | 1.138 |
| Board Size | 0.698 | 1.433 |
| **Mean VIF** | | **1.321** |

**Table 6: Correlation matrix for Dependent and Independent Variables**

| **Pearson Correlation Matrix for Dependent and Independent Variable** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pearson | CSR_DISC | LASST | ROE | AGE | O.SHIP | I.DIR | DUALIT | B_SIZE |
| CSR_DISC | 1 | | | | | | | |
| LASST | 0.479** (0) | 1 | | | | | | |
| ROE | 0.109 (.199) | 0.237** (0.005) | 1 | | | | | |
| AGE | -0.076 (0.373) | 0.109 0.202 | -0.168* (0.047) | 1 | | | | |
| OWNERSHIP | 0.280** (0.001) | 0.162 (0.056) | -.288** (0.000) | -0.104 (0.222) | 1 | | | |
| IND_DIR | 0.242** (0.004) | 0.190* (0.024) | 0.184* (0.030) | -0.179* (0.035) | -0.040 (0.639) | 1 | | |
| CEO_DUALIT | 0.128 (0.133) | 0.059 (0.487) | 0.293** (0.000) | -0.121 (0.155) | -0.154 (0.069) | 0.207* (0.014) | 1 | |
| B_SIZE | 0.221** (0.009) | 0.300** (0.000) | 0.248** (0.003) | -0.091 (0.284) | -0.176* (0.038) | -0.232** (0.006) | 0.069 (0.418) | 1 |
| **Spearman Correlation Matrix for Dependent and Independent Variable** | | | | | | | | |
| Spearman | CSR_DISC | LASST | ROE | AGE | O.SHIP | I. DIR | DUALIT | B_SIZE |
| CSR_DISC | 1 | | | | | | | |
| LASST | 0.5474** (0) | 1 | | | | | | |
| ROE | 0.0952 (0.2631) | 0.0999 (0.2401) | 1 | | | | | |
| AGE | -0.0033 (0.9687) | 0.2539** (0.0025) | -0.0625 (0.4632) | 1 | | | | |
| OWNERSHIP | 0.2836** (0.0007) | 0.1221 (0.1506) | -.1092 (0.1991) | -0.1991 (0.1611) | 1 | | | |
| IND_DIR | 0.274** (0.0011) | 0.2675** (0.0015) | 0.204* (0.0156) | -0.1204 (0.1566) | -0.0482 (0.5718) | | | |
| CEO_DUALIT | 0.1562 (0.0653) | 0.0446 (0.6007) | 0.2862** (0.0006) | -0.0612 (0.4728) | -0.1541 (0.0691) | 0.2199** (0.009) | 1 | |
| B_SIZE | 0.2472** (0.0032) | 0.336** (0) | 0.1531 (0.071) | 0.0141 (0.869) | -0.1613 (0.0569) | -0.1836* (0.0299) | 0.109 (0.2) | 1 |
| **. Correlation is significant at the 0.01 level . *. Correlation is significant at the 0.05 level . | | | | | | | | |

Table 6 present the correlation coefficients of parametric and nonparametric tests; Pearson and Spearman Coefficients. It can be noticed from both tables that correlation coefficients confirm the results of VIF. According to Pearson correlations, the correlation coefficients of all continuous independent variables are less than 0.479. The same can be concluded from Spearman's rank correlation which indicates that the highest coefficient is 0.5474. Based on these results, it can be concluded that there is no potential multicollinearity problem in the current study. Residuals are what are left over after the model is fit and they are also the difference between the observed value of the dependent variable and the value predicted by the regression line (Norusis 1995, p. 447). Similarly, an analysis of residuals indicates no problems of heteroscedasticity and linearity.

### 5.1 Test of Hypotheses

The coefficients of the independent variables show the direction and the magnitude of the relationship of the dependent variable. The results show that the CSR disclosure is positively associated with firm size, ownership structure, independent director in the board, board leadership structure, and board size while it has negative association with firms' profitability and the age of the company. The positive relation means that CSR disclosure increases with the increase of the firm size, concentrated ownership, the percentage of Independent director in the board, dual leadership structure, and the number of the board of director. On the other, hand, the negative relations mean that the CSR disclosure decreases as the companies passed the number of years from its listing and facing slowdown in its profitability.

However, according to the results indicated in table 7, there is a significant relationship *(p* $\leq$0.01) between CSR disclosures and firm size, ownership structure, independent director and board size. That means data provide evidence that firm size, ownership structure, independent director and board size affect the CSR disclosure. On the other hand, there is an insignificant relationship (p $\geq$0.10) between CSR disclosure and the firms' profitability, company age, and board leadership structure. It indicates data provide little or no evidence of the association between CSR and firms' profitability, the number of year since listing, role duality. The adjusted R Squared of the models explains how much of the changes in the dependent variable explained by the changes in the independent variables. The adjusted R Squared is 0.315 indicating that 31.5% of the variation in total CSR disclosure in the annual reports of investigated companies can be explained by the proposed model in the current study.

**Table 7: Multiple regression using CSR index as the dependent variable**

| **Variables** | **Coefficients** | **t** | **Sig.** |
|---|---|---|---|
| Intercept | | -2.242 | .027 |
| Firm Size | .322*** | 3.789 | .000 |
| Firm Profitability | -.010 | -.118 | .907 |
| Bank Age | -.011 | -.145 | .885 |
| Ownership Structure | .287*** | 3.563 | .001 |
| Independent Director | .224*** | 2.761 | .007 |
| Role Duality | .092 | 1.235 | .219 |
| Board Size | .221*** | 2.633 | .009 |
| Adjusted R Square- 0.315; F- 10.110; Sig. 0.000 | | | |
| *** is significant at the 1%, | | | |

The results of the panel regression analysis agree with the firm characteristics research hypotheses concerning the existence of a positive significant relationship between CSR disclosure and firm size (hypothesis H1: consistent in line with- Hossain et al. 1994;

Hossain and Adams 1995; Meek et al.1995; Ahmed and Courtis 1999; Abd-Elsalam 1999 Choon et al. 2000; Gruning2007; Tagesson et al, 2009), and company's ownership(hypothesis H4: consistent in line with- Chau and Gray 2002; Barako et al.2006; Hossain and Arifur 2006; Hongxia and Ainian 2008). Moreover, the results of the panel regression analysis agree with corporate governance research hypotheses concerning the existence of significant relationship between CSR disclosure and Independent director of the board (hypothesis H.5 consistent in line with- Cheng and Courtenay 2006; Chen and Jaggi 2000) and board size (hypothesis H7 consistent in line with- Beasley and Salterio 2001; Klein 2002; Laksmana 2008, Abdel- Fatah 2008, Hasan 2010).

However, the results of the panel regression analysis does not accept firm characteristics hypothesis, Firm's Profitability, and found an insignificant negative relationship with CSR disclosure (hypothesis 1.2 consistent in line with- Reverte 2009; Bujaki and McConomy 2002; Wallace et al. 1994) .The results also does not accept and found an insignificant relationship between CSR disclosure and corporate governance hypothesis- Role Duality(hypothesis 1.6 consistent in line with- Cheng and Courtenay 2006; Ghazali and Weetman 2006; Barako et al 2006 and Abdel-Fatah 2008).Moreover, it does not accept firm characteristics hypothesis, company age and found an insignificant negative relationship with CSR disclosure(hypothesis 1.3 supported by Al shammari et al. 2007 ).

## 6. Conclusion

This study has examined whether the extent of CSR in the annual reports of Bangladeshi listed banking companies changes over time and whether there is any association with two groups of variables: firm characteristics and corporate governance. Consistent with previous studies, content analysis is adopted to achieve the objectives. Descriptive analysis of the longitudinal study and the results of non-parametric test indicate significant differences in the extent of CSR disclosures over the period of study. Some of the reasons identified choosing to engage in CSR includes central bank guidance (June 2008; June 2009; July 2010 December 2010 and December 2011), enhancing corporate image, and receiving government support. Regression analysis is used to explain variability in the dependent variable with the explanatory variables. The study finds two firm characteristics: firm size and company's ownership and two corporate governance control variables: Independent director of the board and board size to be significant regressors that help to explain variability in CSR practice of Bangladeshi banking companies which is also supported with Hossain et al. (1994), Tagesson et al. (2009), Barako et al. (2006), Hossain and Arifur (2006), Cheng and Courtenay (2006), Abdel-Fatah (2008) and Hasan (2010).

It has been observed that direct CSR expenditures of banking sectors increased nearly 10 times over the period of study. Moreover, health (31.69%), humanitarian and disaster relief (21.92%), and education (15.35%) continued getting major shares of CSR expenditure of banks over the period; while art and culture (9.37%) and sports (9.06%) also were significantly large recipient sectors. CSR expenditure on the environment is seen to have begun only in 2010, on a modest scale (1.07%). Some banks are incurring CSR expenditure directly from their own budget, while a few others are doing so through separate entities established as foundations supported by contribution from the CSR expenditure allocation of the banks concerned. All banks reported CSR program adoption by decisions at the board of director's level; there is no report where the company took stakeholder consultations in drawing up or implementing CSR programs. It also revealed that, to varying degrees, all listed banks' practices social responsibility in an unstructured manner and need to adopt a comprehensive format for CSR reporting such as the Global Reporting Initiative. As after issuing of Bangladesh Bank guidance from 2008 to 2011, disclosure in CSR increases significantly. As this guidance (voluntary in nature) is only applicable to the banking sector, now it is time to think regulatory authorities of Bangladesh to think - "Whether CSR disclosure be mandatory or not?"

The findings of this paper are subject to several limitations. First, this study examined the CSR disclosure practice of banking companies listed in the SEC for the years 2007 to 2011 and as such, may not be generalized to the whole country and to the other periods. Studies in the future could test the influence of these variables on CSR disclosure in total countries and even in other countries. At the very least, though, future research can use the findings of this study as a baseline in order to judge trends. Secondly, the study focused on only disclosures in corporate annual reports although it is known that management utilizes other mass communication mechanisms. Hence, future research may consider disclosures in other media such as newspapers, the internet, and in-house magazines. Thirdly, due to the availability of data, developing accurate proxies for firm characteristics, corporate governance dimensions in the CSR models, and selection of variables is included in the model. Future research may consider cultural proxies and corporate governance dimensions such as qualification and share ownership of the board of directors. Moreover, further research could be conducted on the banking sector to discover the motivation behind such voluntary disclosures of corporate social information in company reports.

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## Appendix

**A Previous Studies Relating To CSR InBangladesh**

| Study | Sample Size | Year | Methodology | Focus |
|---|---|---|---|---|
| Azim, et. al., (2011) | 44 Finance Companies | 2007-2008 | Content Analysis | Corporate Social Reporting |
| Akhtaruddin and Rouf (2011) | 94 Non-financial companies | 2006 | 68 items of information | Voluntary Disclosure |
| Hossain and Anna(2011) | 20 senior managers | November, 2010 | Survey | Corporate social and environmental |
| Khan, M. H. Z.(2010) | 30 private commercial banks | 2007-2008 | Content Analysis | Effects of CG on CSR |
| Sobhani,et. al., (2009) | 100 listed companies | 2006-2007 | Content Analysis | Social and Environmental Reporting |
| Azim et al. (2009) | 38 listedcompanies from DSE | 2007 | Contentanalysis | Corporate Social Reporting |
| Rashid and Lodh (2008) | 21 listed companies from DSE. | 2004-2005 and 2006 - 2007 | Testing hypothesisby descriptive statistics | Influence of ownership structures and Board practices on CSR. |
| Das and Das(2008) | 44 Financial Institutions | 2006 | Disclosure index, 65 items | Voluntary Disclosure |
| Belal and Owen (2007) | 23 managers | Dec 2001-Mar 2002 | Managers interviewed | Corporate Social Reporting |
| Dutta and Bose (2007) | 104 listed companies | 2007 | Content Analysis | Web based social and environmental reporting |
| Hossain, et. al., (2006) | 107 non financial companies | 2002-2003 | Disclosure Index | Corporate Social and Environmental Reporting |
| Belal (2001) | 30 listed companies | 1996-97 | Content Analysis | Corporate Social Reporting |
| Imam (2000) | 40 DSE listed companies | 1996-1997 | Content Analysis | Social and Environmental Reporting |