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Original Paper

Corporate Social Responsibility Reporting Practices in Banking Companies in Bangladesh: A Review

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Abstract

This paper reviewed the work of Ullah and Rahman on Corporate Social Responsibility (CSR) reporting practices. This has been an issue of concern both in terms of content and impacts on the bottom lines of businesses as well as compliance with regulations regarding CSR and extent of compliance. The review assesses how well the objectives of the authors were achieved and the applicability of its findings. Results showed that although content analysis was appropriately adopted for the study, the outcomes may be a result of tax inducement implemented. In addition, linguistic approach was also used in the study. 97 relevant factors extracted from literature on CSR reporting were categorized into seven but the basis was not disclosed. This impairs reliance on the results of the analysis. In determining the effect of regulatory changes on the volume of CSR information disclosed, descriptive analysis was used and it is inadequate for generalizations drawn. It would have been more conclusive if it had been compared with data from other climes. In assessing the relationship of Bank characteristics to CSR reporting, the definition of what constitutes independent and dependent variables. This study has pointed attention to the roles of policy response in CSR expenditure.

Keywords

corporate social responsibility, reporting practices, compliance with regulations, review

1. Introduction

1.1 Background to the Review

The wok reviewed was titled “Corporate Social Responsibility Reporting Practices in Banking Companies in Bangladesh” authored by Md Hafij Ullah and Mohammad Afjalur Rahman and published in *Journal of Financial Reporting and Accounting*, JFRA, 13(2) in 2015.

The authors aimed to evaluate the CSR reporting practices of listed banking companies of Bangladesh. To achieve this aim the authors evaluated the level of CSR reporting practices in the annual reports of the listed banking companies in Bangladesh. They also assessed the impact of regulatory changes on volume of Corporate Social Responsibility information reported; and, examined the relationship between extent of CSR reporting and bank characteristics. The paper examined a wide range of issues captured in CSR reporting, from business and corporate ethics, corporate governance and socially responsible investing to environmental sustainability and development of community in Bangladesh banking sector.

1.2 Methodology Adopted in the Reviewed Work

All 30 listed banking companies in Bangladesh were covered using their annual reports exhaustively. The study measured the extent of CSR reporting in annual reports of banking companies in Bangladesh. The 30 listed banking companies in Bangladesh had their annual report subjected to examination for changes in CSR reporting practices based on changes introduced under Statutory Regulatory Order, SRO 270 of 2010. The regulatory order provided tax rebate on expenditure made by companies for 22 areas of CSR activities. The study adopted content analysis and developed an index for CSR reporting. All elements of CSR reporting items were categorised into seven for better presentation, (human resource, consumer, community, health, education, environmental and others). The study also assessed the effect of CSR reporting on bank’s characteristics using Ordinary Least Square (OLS) regression model.

1.3 Theoretical and Conceptual Review for the Paper

According to the study, prior to 2008 only 16 percent of companies made voluntary disclosure of CSR activities and that was very disappointing and significantly low. This low level of CSR reporting has been proven by many scholars: Jamal and Mishak (2007), Khan, Halabi, and Samy (2009), Iman (2000), Belal (2001), Belal and Owen (2007), Sobhani and Azlan (2009), Boje and Frzad (2009), Kang (2010), Achada (2006), Kolk and Lenfant (2010) and Rahul (2010). They all concluded that developing countries were lagging behind in CSR practices. This was far below the outcome of a survey by KPMG (2013) in which CSR reporting was described as mainstream business practice worldwide.

1.4 Findings of the Reviewed Paper

The authors found that of the 97 elements listed CSR reporting items of selected information, on an average, 45.97 (47.39%) items were reported by the sampled bank in their annual reports where the minimum reporting items were 27 (27.84%) and maximum was 64 (65.98%). It was also observed that annual report of banking companies in Bangladesh emphasized on linguistic or written form than charts, graphs or pictures in reporting CSR activities to their stakeholders. The study revealed that 90% of sampled banks report on CSR activities in a separate chapter in the annual report, indicating the importance banking companies in Bangladesh are giving to CSR reporting, maybe to get tax rebates from government or increase the image of the bank.

Furthermore, in examining the relationship between bank characteristics and extent of CSR reporting, size of the bank (measured by total assets, total revenue and number of branches), age of the bank, profitability (measured by ROA and EPS), amount of CSR expenditure and capital adequacy ratio were considered. It was observed that there is no significant relationship between the extent of CSR reporting and the selected bank characteristics. The study observed significant impact of regulatory changes on nature and extent of CSR reporting.

2. Method

2.1 Objectives of this Review

The main objective of this review is to examine if the concept of Corporate Social Responsibility Reporting had been adequately explored. It also aimed to examine the effects of changes in regulation on CSR reporting on the practices of the banking companies; and, assess general applicability of such regulations to CSR reporting.

2.2 Methodology for this Review

The review adopted a descriptive research approaches. It is descriptive in that objectives set are meant to resolve the key questions popped up by the reviewed paper. It was aimed to do both content and methodological reviews.

3. Results

3.1 Evaluating the Practice of CSR Reporting?

The main objective of the paper was to evaluate the CSR reporting practices of the listed banking companies in Bangladesh.

The conceptual issues here revolved around determining what the reporting practice was at the moment. From literature, the authors provided an insight into CSR, describing it as broad - covering various issues such as ethics, governance, responsible investing, environmental sustainability and community development; corporate citizenship; voluntary contribution to sustainable development beyond legality and to stakeholders in general not merely the interests of stockholders; and, beyond philanthropy and compliance (Das, 2012; Masud, 2011; Alimullah, 2006; Gamerschlag *et al*., 2011; Gray *et al.*, 1987). However, Corporate Social Responsibility Reporting is an obligation of businesses to report on those policies, decisions or those lines of actions that add values to the society where they operate. The concept of CSR reporting is that management should report all considerations of the social as well as economic effects of its decisions on the company’s financial statements.

Going by the analyses carried out by the authors, it was observed that a list of 97 elements were generated from literature and were classified into seven categories for the purpose of better presentation and analysis. The categories were human resource, consumer, community, health, education, environment and others. The basis for the categorization was however not disclosed. It would have been more appropriate to determine these categories from some empirical analysis used parsimoniously to reduce the large number of elements to manageable size, rather than the use of hunches or guess.

Other findings included the descriptive statistics on disclosure, proving that CSR reporting was in practice in the various categories of CSR listed. The use of Content Analysis was quite appropriate in such cases where extensive quantitative approaches may not suffice. The scoring of the various banks provided useful insight into the levels of CSR reporting at the moment. A note of caution is hereby needed for the generalization to be made from such analysis in realization that it was sequel to an "inducement" offered through an order made late in 2010 in Bangladesh.

Ways of presenting the CSR report also pointed to the emphasis placed on the reports by the companies. Most preferred to present data on CSR as a narrative in the accounts, while some others used graphical means. The authors' incisive work that led to determining the extent of use of linguistic approach is also commendable, however one would have expected some inferential statistics that could clearly depict the significance of the choices made.

A key question to ask is: *Has the practice of Social Responsibility Reporting been adequately evaluated by the researchers?* The answer is not farfetched but shall be presented in terms of three key features namely, from literature cited and reviewed; from empirical works done; and, in terms of inferences drawn, i.e., conclusions. From literature, the authors undertook sufficient citation and review of available literature on the subject matter. Most of the cited works were quite recent and were directly related to the subject matter. However, the authors appeared to be carried away with the issues of social responsibility such that little was reviewed on the subject of CSR Reporting. This was however compensated for by the empirical works done. The assessment of the level of CSR disclosure, analysis of ways and location of CSR reporting in the annual reports were all strong clarifications on the practice of CSR reporting. The findings corroborate various claims of other writers on CSR Reporting. It can be safely said that the objective to evaluate the practice of CSR reporting was achieved.

3.2 Assess the Effects of Regulatory Changes on the Volume of Corporate Social Responsibility Information Reported in the Annual Reports of Listed Banking Companies

The paper observed that CSR regulatory changes had the propensity to influence the extent of CSR reporting undertaken by companies. Although the topic and focus of this study is clear about its context and scope, Banking Companies in Bangladesh, it is expected that the authors would have done some comparisons to other climes. The comparison of outcome of the study with those of Belal, Azim, Singh and Ahuja, Savage, Tsang and others were not enough as they mostly worked on Bangladesh. A conclusion as significant as the one drawn above required some comparison before it can be effectual. Again the adoption of only descriptive statistics for analysis might not be enough justification for the conclusion drawn. It is expected that a statistical test to determine the effects should have been carried out rather than relying on descriptive tests only.

3.3 The Relationship of Bank Characteristics to CSR Reporting

This part of the review intends to assess the general applicability of the findings of this section on a global level. In this analysis the study used correlation and regression analysis to examine the relationship between two principal variables namely Bank Characteristics and CSR Reporting. One would expect that the use of PPMCC or other relational tool of analysis should be adequate and may only be followed with a *post hoc* tool such as Durbin Watson. The emphasis of OLS as the model for the study would have been justified for second objective measuring effects.

The choice of the characteristics to examine was remarkable just as the choice of the independent variables. The authors chose size, age and profitability of the banks as dependent variables. Size was defined as including total assets, total revenues and number of branches, while profitability was measured by ROA and EPS. Amount of CSR and Capital Adequacy were seen as independent variables. In the first instance it would seem incongruous to treat capital adequacy ratio as part of CSR reporting. The former would seem to better belong to the category of bank characteristics than CSR Reporting.

Another issue with this description of variables was the misplacement of the part of the equation that each category belongs. One would ask: Which of these variables is capable of influencing or determining the other? Bank's characteristics would more likely determine the extent of CSR expenditure and disclosure than vice versa. So the independent variable should be bank characteristics and not CSR expenditure and Capital Adequacy as the paper presented it. Although in reporting the results the proper order was followed.

Furthermore, it is crucial to reorder the make-up of bank's characteristics to include Capital Adequacy Ratio. Besides, CSR reporting was the main issue not the amount spent on CSR. So there is a need to return to the index developed earlier for measuring levels of CSR reporting and juxtapose that with the independents. This immediately introduces another challenge - bringing the independent variables to the same terms as the dependent variables. This would mean that absolute values of Total Asset, Total Revenues cannot be retained. Here is the point where capital adequacy ratio becomes a replacement so that all items are in ratios and indices.

The critical issue now is application of this study in all other circumstances. It would be relevant to ensure that earlier observations were implemented especially with respect to the variables, if this work would hold true in other places.

4. Discussion

The study has gone a long way to describe the level and approaches adopted for reporting CSR in the annual accounts of banking companies in Bangladesh. The work is capable of encouraging more positive policy response to the issue of CSR. The objectives set was significantly pursued and achieved except for some basic academic issues requiring updates. The review undertaken also established that the concept of corporate social responsibility reporting was adequately tackled.

It was recommended that this study can be replicated in other regions of the world to corroborate the veracity of the findings and conclusions drawn. Besides, the descriptive evaluation could also be extended to inferential statistics. Further studies should be able to recommend standardisation of procedures and format for presentation of CSR expenditure in financial reports of companies.

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