

A Study of Corporate Social Disclosures in Bangladesh

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Abstract

Most of the CSR studies conducted so far have been in the context of developed countries. Very few studies are available on the CSR practices in the developing countries. Given the different socio-economic context of developing countries it is argued that it is important to learn about the CSR practices in those countries. This study reports the results of a survey of corporate social reporting (CSR) practices in Bangladesh. The main contribution of this paper is that in addition to measuring the extent and volume of disclosures by using content analysis, it explores the socio-political and economic context in which these disclosures take place.

Keywords

Bangladesh, Corporate Social Reporting (CSR), Employee Disclosures, Ethical Disclosures

Introduction

CSR has been defined by Gray et al (1987: ix) as: ‘... the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders’. Most of the CSR studies conducted so far have been in the context of developed countries such as Western Europe, the USA and Australia (see, for example, Adams et al, 1995 and 1998; Ernst and Ernst, 1978; Gray et al, 1987, 1995a and 1995b; Guthrie and Parker, 1990; Mathews, 1997; Roberts, 1990;). Very few studies are available on the CSR practices in the developing countries. All of these studies were carried out in the context of newly industrialised countries such as Malaysia and Singapore and the African countries such as South Africa, Nigeria and Uganda. There are few detailed studies available in a South Asian context excepting the widely quoted one of Singh and Ahuja (1983), a case study on the Indian CSR by Hegde et al (1997) and a very short sketchy study on Bangladeshi CSR by Belal (1999).

There is a general belief that accounting rules and regulations of developed countries can be replicated in the developing countries to meet their reporting needs (Gray et al, 1996). But Briston (1984) notes that financial regulations of developed countries are investor-oriented and hence, may not be appropriate for the developing countries where regulations are weak and ineffective, private investors are few, corporate culture is yet to be developed and stock exchange is relatively new. Gray and Kouhy (1993) are particularly critical of introducing Western CSR techniques into different socio-cultural environment of developing countries as socio-economic, political and cultural environment of a country, largely influences accounting in general, and the CSR in particular (Mathews, 1993; Perera and Mathews, 1990; Tsang, 1998). Gray et al (1996) maintains that the need for CSR studies is acute in the developing countries. In line with this argument, Kisenyi and Gray (1998: 16) made the following observations in a recent study on social disclosures in Uganda:

Whilst we are steadily learning more about social and environmental accounting and disclosure practices in the English-speaking and European countries, we still know too little about practices in ex-colonial, smaller and/or emerging countries. Learning about these countries is not only valuable for stimulation it offers to the jaded palettes of western scholars but also, more importantly, it can provide vivid challenges to the presuppositional baggage with which Western researchers typically approach issues.

The present study has been undertaken with the aim of examining the various aspects of CSR practices in Bangladesh. The study does not confine itself only to the content analysis measuring the volume of social disclosures, as was the case in many previous CSR studies, but also takes into account the political, social, regulatory and economic contexts in which the social disclosures are being made. The main contribution of this paper is that in addition to content analysis an attempt has been made to examine the CSR practices by putting it into the social, political and economic context of Bangladesh. With the inclusion of this introduction, the paper has been organised in six sections. The second section provides an overview of previous literatures. The contextual factors driving the CSR practices in Bangladesh are explained in section three. Section four states the objectives and research methods used. The fifth section reports the principal findings of this study. The final section contains a summary and conclusion.

Prior Research

As noted above, subject to few exceptions (e.g. Andrew et al, 1989; Hegde et al, 1997; Savage, 1994; Singh and Ahuja, 1983; Teoh and Thong, 1984;), most of the CSR studies

conducted are in the context of developed countries. We will concentrate on the studies carried out in the developing countries.

In a study of 115 South African companies Savage (1994) reports that approximately 50% of companies are making social disclosures with human resource (89%) as the main theme. Typical human resource disclosures include, pay, working conditions, compensation and equal opportunities. Other social disclosures include community involvement (72%) and environmental disclosures (63%).

The study made by Singh and Ahuja (1983) on Indian CSR was the first study from the context of developing countries in general and South Asian countries in particular. Until 1997, it was the only study from the South Asian context that was reported in an international journal. However, recently Hegde et al (1997) made a CSR case study of an Indian company. Indeed, India has a fairly long history of CSR. For example, the Cement Corporation of India produced a complete set of social accounts including social balance sheet and income statement for 1981 in accordance with the Abt model (Gray et al, 1996).

Singh and Ahuja (1983) studied 40 annual reports of public sector companies for the year 1975/76. It covered 33 social disclosure items including social overheads, environmental control measures, charitable activities and community involvement. The study examined the extent of CSR in India and the relationship between CSR and company age, size, profitability and industrial grouping. It indicated that approximately 40% of the companies disclosed more than 30% of total social disclosure items included in the survey. The full summary of the result is shown in the following Distribution Chart.

Distribution Chart	
Percentage of disclosing companies	Percentage of total disclosure items
5.0	0-10
22.5	10.1-20
30.0	20.1-30
20.0	30.1-40
15.0	40.1-50
7.5	Above 50

Significantly, Singh and Ahuja (1983) did not study the private sector practices, which are now making a significant contribution to the Indian economy (though Hegde et al (1997) reports that most Indian private companies do not make formal social disclosures, as they are not statutorily required). With the increased emphasis on privatisation, recent attention of the global companies to the vast Indian and nearby markets and the relatively well developed stock market, a study of the private sector CSR would certainly provide useful insights into the CSR practices in the developing countries in general and South Asian countries in particular. In addition, the study of Singh and Ahuja relates to the Indian CSR practices of twenty-five years ago. Thus, more recent studies are needed to shed light on the current CSR practices in South Asian countries.

Hegde et al (1997) made a case study of Steel Authority of India Limited (SAIL) which is also a public sector company. They observed that SAIL prepared a social balance sheet and income statement. In addition, it made extensive human resource disclosure. It also included a value-added statement in the annual report. In a very short study on Bangladeshi CSR Belal (1999) found that 90% of the companies studied made some environmental disclosures, 97% made employee disclosures and 77% made ethical disclosures. The study appears to be far too sketchy and incomplete. It does not report the detailed findings on the CSR practices in Bangladesh. At best it can be taken as a short commentary on the ongoing CSR practices in Bangladesh. Very recently, Imam (2000) conducted a survey of CSR practices in Bangladesh. The study reported that all companies included in the survey made some form of human resource disclosure, 25% community, 22.5% environmental and 10% consumer disclosures. The study concluded that the disclosure level was very poor and inadequate. One of the major limitations of this study is that it failed to locate the social disclosures in Bangladesh in its broader socio-political and economic context.

Three more recent studies are available on CSR practices in the developing countries (for example, Tsang, 1998; Disu and Gray, 1998; Kisenyi and Gray, 1998). Tsang (1998) made a longitudinal study of CSR in Singapore over a 10-year period from 1986 to 1995. He covered 33 listed companies and found that 17 (52%) companies made social disclosures. The study observed a steady increase in social disclosure during the late 1980s and then a stable pattern since 1993. In a study of 22 large MNCs in Nigeria, Disu and Gray (1998) noted that all companies included in the survey made some mandatory disclosures such as charitable donations, employment data, pensions, employee consultation, employment of the disabled,

health and safety and corporate governance. The samples also made some voluntary disclosure predominantly in the area of employee reporting. In another study of only four companies of Uganda, Kisenyi and Gray (1998) observed that none of them made any environmental disclosure, all of them made employee related disclosure and two of them gave information on customers and community involvement. They tentatively conclude that ‘social and environmental disclosure in Uganda is scarce, low grade and of little importance’ (Kisenyi and Gray, 1998: 18).

The above discussion shows that there is a dearth of CSR literature in the context of developing countries in general and Bangladesh in particular. Most of these studies measured the volume of social disclosures together with the extent of disclosures without putting them in their wider socio-political and economic context. Against this background, it is argued that a contextual analysis of CSR practices in Bangladesh would provide interesting insights to the CSR in developing countries.

CSR in Bangladesh: The Context

The purpose of this brief section is to put CSR practices in Bangladesh into context. As noted earlier, corporate reporting in general and CSR in particular is greatly influenced by social, political, cultural, legal, economic and technological factors (Mathews, 1993; Perera and Mathews, 1990; Tsang, 1998). Therefore, discussion of some of these contextual factors will be helpful to give a better understanding of CSR practices in Bangladesh.

Political and Historical Context

Bangladesh is a unitary and sovereign Republic known as the People’s Republic of Bangladesh. This part of the Indian sub-continent gained independence from British Rules in 1947 along with the rest of India and formed a part of Pakistan that was known as East Pakistan. Finally, Bangladesh gained independence from the Pakistani Oppression in 1971 after nine months long liberation war under the leadership of Sheikh Mujibur Rahman. Unfortunately Sheikh Mujib was murdered brutally in 1975 under a military coup. Since then Bangladesh was more or less under military rule until 1990. The Parliament was mostly ineffective during that time. However, the military rule ended in 1990 through the fall of General Ershad in a democratic revolution. Its true democratic journey was started in 1991 when the Bangladesh Nationalist Party (BNP) came into power through a people’s mandate under the fairest election in the history of Bangladesh. In 1996 Awami League (AL) took

power from BNP under a democratic election. Until now AL is ruling the country. At present, there are four major political parties in the country. Gradually, parliamentary politics is gaining its root in Bangladesh. The introduction of this democratic process has started to produce positive impacts on the economic development. However, democracy, in its truest sense, is yet to be practised in Bangladesh as we observe in the case of political oppression by the ruling party over the opposition and frequent unproductive strikes by the opposition to exploit political rights.

Economic Context

Although primarily an agrarian country the industrial sector now makes a significant contribution to the economy of Bangladesh. The industrial sector is characterised by the domination of a large public sector, which remains to be highly unproductive and inefficient as evidenced by the large amount of losses incurred by the public sector units each year. However, with the adoption of the principles of market economy the country is currently placing much emphasis on the industrial development led by the private sector. Several initiatives that have been taken in order to develop the private sector are particularly noteworthy in this regard. Firstly, the country has initiated a privatisation programme since the 1980s with the aim of privatising the loss-making public sector units. Secondly, with the aim of developing private sector capital Dhaka Stock Exchange (DSE) has been re-activated together with the establishment of a new stock exchange called Chittagong Stock Exchange (CSE). Thirdly, a Securities and Exchange Commission (SEC) has been established to regulate the newly re-activated capital market and to protect the interest of investors. Finally, several incentives have been made available for the purpose of attracting investments from local private investors as well as overseas investors such as tax incentives, the establishment of a special industrial zone aimed at foreign investors and the provision of very cheap labour.

Socio-cultural Context

While commenting on the people and culture of Bangladesh, Parry and Khan (1984) noted that the peoples in Bangladesh share a common language and culture despite its diversity with people coming from different backgrounds such as Mongoloid, Indian, Arab and Pathan. Although Islam is the major religion followed by more than 85 % of people, other religions are present such as Hinduism, Bhuddism and Christianity. Despite this ethnic and religious diversity there is a considerable degree of ethnic and religious harmony. Bangladesh is known as one of the most densely populated countries in the world with a population of more than

130 million in an area of only 56,977 square miles. Most of the people (75% approximately) live in rural areas and more than 63% of employment is provided by the agricultural sector. Although relatively a small percentage of people are employed in the industrial sector, industrial labour is organised and unionised in Bangladesh. Labour unions often maintain a strong liaison with the major political parties and are influential in maintaining labour-management relationships. The cultural life of Bangladesh is characterised by the existence of high family values, powerful elite groups and widespread corruption. Firstly, the concept of family is significantly wider than that in the Western countries. An “extended family” concept is noticeable in Bangladesh where family authority extends into adult life. For example, parental influence plays a significant role in the choice of careers by students. Secondly, “in Bangladesh a small socially important (elite) group dominates the upper reaches of government, industry, commerce and higher education (Parry and Khan, 1984, P.34, word in bracket added). This elitism led to a very hierarchical society as evidenced by the almost feudal master-servant relationship and the gradation of tasks according to status. Parry and Khan (1984, P.36) concluded that “there is compelling evidence of an entrenched and dominant elite group managing the country, rather than the more open and flexible Western society”. Finally, the problem of corruption can hardly be over-emphasised. The main reasons for such corruption are very low levels of income earned by government officers and the existence of large foreign assisted development contracts.

Regulatory and Institutional Context

The current regulatory and institutional frameworks, which influence the corporate disclosure practices, consist of a set of rules, regulations and some institutions inherited from the British period. They include, the Companies Act, 1994, the Insurance Act, 1938, the Banking Companies Act, 1991, the Income Tax Ordinance, 1984, the Securities and Exchange Ordinance, 1969, the Securities and Exchange Rules, 1987, the listing rules of stock exchanges and the various statutes creating the public enterprises. The four important institutions which play an important role in implementing the above rules and regulations include, the Securities and Exchange Commission (SEC), the Dhaka Stock Exchange Limited, the Chittagong Stock Exchange Limited and the Institute of Chartered Accountants of Bangladesh (Belal, 1999). The current regulatory and institutional frameworks largely represent a historical inheritance and do not reflect the perceived needs of modern times. However, a major reform has been undertaken recently to streamline and update the laws. As part of that reform project the Companies Act, 1913 has been updated in 1994 and the SEC

has been established to regulate the re-activated capital market of Bangladesh.

Implications for CSR

Now we are in a position to consider the implications of the above contextual factors for CSR in Bangladesh. Several implications can be drawn.

- Firstly, the current focus on industrialisation and investments by overseas investors has brought with it some potential dangers. This has implications for corporate accountability and reporting particularly on employee, environmental and ethical issues. The Labour Policy of Bangladesh emphasised the improvement of working conditions of the employees by providing linkage of wages with productivity, quick disposal of industrial disputes, stopping child labour and ensuring education, training, healthcare and better working facilities. Moreover, the existence of a unionised labour force is expected to be able to exercise their rights through labour unions. However, in some of the recently developed industrial sectors such as the garments industry, where the labour force is less unionised as compared to other industries, particularly industries in the public sector, labour rights are often denied as evidenced from job insecurity, casualisation of work and more importantly, by locating the industry in an special area called the “Export Processing Zone” where union activities are restricted.
- Secondly, industrial development has also started to produce adverse environmental impacts. In fact, industrial pollution has been identified as one of the most notorious and serious environmental hazards for Bangladesh (Belal et al, 1998). The Department of Environment (DOE) in a study conducted in 1986 identified a list of 903 polluting industries, which was later expanded to a number of 1317. River Buriganga, on the bank of which most of the Dhaka-based industries are located, has been declared ‘clinically dead’ because of the unscrupulous discharge of industrial wastes and effluents.
- Thirdly, industrial developments can bring affluence and material well being on the one hand and on the other hand, it can bring some social ills as well. For example, in Bangladesh the increase of corruption and moral degradation has gone to such an unbearable level that people have started to accuse the business community and its activities. Organised pressure groups are emerging, for example, the Consumer

Association of Bangladesh and the Bangladesh Environment Network. Both are asking for more accountability and disclosure from the corporate sector.

- Finally, corporate disclosure is said to be a function of the growth of an active stock market (Zain, 1998). The re-activated stock market has started to play an important role in the economic development of Bangladesh. With the start of a democratic era in the 1990s and with the recently discovered potential for gas and oil (Nicholson, 1998), Bangladesh has started to attract a considerable amount of foreign investments. These foreign investors might demand a more sophisticated form of corporate disclosure including social disclosure affecting the disclosure practices in Bangladesh. For example, an investor who is ethically aware may not want to invest in companies who are not socially and ethically responsible.

However, in addition to the investors, companies in Bangladesh are expected to acknowledge their wider obligations to the other stakeholders such as employees, government, consumers and society in general. Owing to the presence of a unionised labour force and emphasis in the Government's Labour Policy on a well-trained work force, employee disclosures can be expected to a greater extent in Bangladesh than any other social disclosures. Further, the increase in pressure groups in recent times can also put pressure on industries for more social disclosure on consumers and wider public issues. Moreover, the Government seemed to be committed to the protection of the environment than ever before as evidenced from the enactment of the Environmental Protection Act, 1995 requiring environmental disclosures and making 'environmental clearance' a requirement for the establishment of any 'new' industry. However, a more important role in the development of social disclosures is probably played by a group of 'enlightened entrepreneurs'. In short, with the re-activated capital market, influx of foreign investors, increase of public awareness and the government's emphasis on social welfare, Bangladeshi companies may be expected to provide more and more social disclosures.

Objectives and Research Methods

Objectives

This is an exploratory and descriptive study on corporate social disclosure practices in Bangladesh based on a small sample. The principal objective is to give a preliminary

indication of the quantity and nature of CSR practices in Bangladesh. It also explores the context in which social disclosures are taking place in Bangladesh. It can be seen as a first step for further research in this regard.

The Sample

The sample for this study has been chosen from the list of companies quoted on the Dhaka Stock Exchange (DSE) and in the Directory of Dhaka Metropolitan Chamber of Commerce and Industry. A list of companies included in this study has been shown in **Appendix B**. It represents 30 annual reports collected on an ad hoc basis directly by contacting the company sources. However, some of the annual reports have been collected from other sources such as The Dhaka Stock Exchange, The Chittagong Stock Exchange and The Institute of Chartered Accountants of Bangladesh (ICAB).

Listed companies dominate the survey (28 out of 30) representing 15% of the total listed companies in Bangladesh (196 as at June, 1997). For descriptive studies, a minimum acceptable sample size depending on the type of research is considered to be 10% of the population (Gay and Diehl, 1992: 140). Therefore, the sample size for this study can be accepted subject to the following limitations. The study includes mainly listed companies because they are believed to make improved disclosures because of their investor orientation and statutory obligations. Two-thirds of the total sample came from the private sector and one-third from the public sector. The public sector companies are expected to make social disclosures because of their social commitments and welfare motives (Hegde et al, 1997).

The sample selection is influenced by the objectives of the study and is constrained by the availability of reports, time and resources available at the disposal of author. Due to the small sample size and ad hoc nature of the data, the sample inevitably includes unidentified bias in the selection. Consequently, no reliable and statistical inferences can be drawn from this study. The results arising from this study can only be seen as tentative, not conclusive. Given the difficulty of obtaining reports in a developing country like Bangladesh where corporate culture is yet to develop the above limitations seem to be inevitable. Xiao (1999) reported a similar type of difficulty. The author thinks that it is not possible to go beyond this.

The sample includes only the largest companies (as were the case in the studies of Hall and Jones, 1991; Roberts, 1990; Guthrie and Parker, 1990) from the industrial sector. Therefore,

the results from this study cannot be generalised to the small and medium sized companies as well as to the non-industrial sector companies in Bangladesh. For the purpose of this study, a large company has been defined as the company having a turnover of at least Taka 10m (£1=Taka 79.9549 and US\$1=Taka 53.58 approximately as at 29 December, 2000). The largest companies have been chosen because they are considered to be more proactive to the social and environmental issues than the medium and small companies. Moreover, they have more resources to make additional disclosures than the small and medium sized companies (Adams et al, 1998; Andrew et al, 1989).

Although there are a number of ways (for example, internet, press report and interim reporting) through which CSR may be made, like many other studies (see, for example, Adams et al 1995, 1998; Gray et al 1995a, 1995b; Guthrie and Parker, 1990; Roberts, 1990; Singh and Ahuja, 1983) this study considers disclosures made in the corporate annual reports only. The reason is the annual report is the most common and popular document produced by the companies regularly. In Bangladesh, annual reports are considered as the major means through which information about the company is communicated. Given the low level of technological development, it is unlikely that companies in Bangladesh will undertake internet reporting. Further, as far as we know there are very little or no alternative forms of CSR in existence. Therefore, it is believed that by focusing on the annual reports it is possible to understand the CSR in Bangladesh. However, Unerman (2000) argues that exclusive focus on annual reports may lead to an incomplete picture of CSR practices.

Measurement of Social Disclosures

The research method involved rigorous examination and analysis of the annual reports under study to observe the incidence of CSR keeping in mind the above research objectives. For this purpose, all sections of the annual report were carefully examined to note the presence of any social disclosures. Another person carried out the same process and the results were compared to minimise the risk of errors and omissions. The analysis has been repeated four weeks later following the test-retest procedures to remove any serious anomalies. The data gathered was processed manually to present the findings of the study.

The quantity and nature of social disclosures have been measured using content analysis (Holsti, 1969; Krippendorff, 1980). This technique has been widely used in CSR studies (see, for example, Abbott and Monsen, 1979; Ernst and Ernst, 1978; Gray et al, 1995b; Guthrie and

Mathews, 1985; Zegal and Ahmed, 1990; Williams and Pie, 1999). Content analysis has been defined as, “ a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form, into categories in order to derive quantitative scales of varying levels of complexity” (Abbott and Monsen, 1979: 504).

Average number of lines has been used to measure the amount of disclosures as the sample firms made a meagre amount of disclosures making it unsuitable for other measurement units such as, page, sentence or paragraph. Choi (1998) also used number of lines to measure the amount of disclosures in a Korean study of environmental disclosures. However, there are problems associated with the measurement by number of lines. For example, in the case of the use of graphs or pie charts, measurement difficulties may arise. However, this difficulty did not arise in the present study as no companies used graphs for CSR purpose.

The nature of disclosure in this study has been analysed by classifying into three categories, viz., purely descriptive (use of narratives only), non-financial (quantitative other than financial information) and financial. A number of past studies applied this approach to measure the nature of disclosure (Guthrie and Parker, 1990; Zeghal and Ahmed, 1990; Walden and Schwartz, 1997; Williams and Pei, 1999).

Three types/categories of disclosures have been reported in this study, viz., disclosure on employee issues, ethical disclosures and other disclosures. The first two categories used the definition given in Adams et al (1995; 1998) after necessary adaptations for the purpose of this study. The definition of Adams (1995) on employee category includes items such as, employee appreciation, pay and benefits, breakdown of employee numbers, recruitment/redundancies, training, communication/consultation, health and safety and trade unions. This definition has been adapted for this paper by including items such as corporate directory and welfare activities and by excluding health and safety which, in the author’s opinion, should have been classified as environmental disclosure (Belal, 2000). Ethical disclosure has been defined by Adams (1998) to cover issues concerned, directly or indirectly, with giving an impression of corporate ethical values. Specifically, it includes customer relations, community involvement, equal opportunities, investment policies, charitable and political activities and product safety. This has been modified in this paper to suitably categorise the information disclosed by the Bangladeshi companies. The definitions used in this paper for employee and ethical disclosures are shown in **Appendix A**.

The social disclosures that could not be defined as the employee or ethical disclosures have been classified as ‘others’. Each of these three major categories have been subdivided into a number of sub-categories that have been shown in the **Appendix A**. Some of these are voluntary while the others are mandatory. In Bangladesh, Companies Act, 1994 requires that expenditures incurred on the following headings should be shown separately on the face of profit and loss account: salaries, wages and bonus, contribution to provident and other funds and staff welfare expenses. Moreover, it requires that notes to the financial statements shall include information on managerial remuneration, number of employees drawing more than Tk.36,000, non-resident shareholdings, foreign currency transactions and contribution to the national exchequer (i.e. taxes paid). Other than these few mandatory disclosures, all other disclosures were voluntary. The study did not cover environmental reporting in Bangladesh as it has been adequately addressed in other studies such as, Belal (1997), Belal (2000) and Imam (1999) and as the intention of the paper is to focus on the other aspects of CSR.

Although content analysis is a popular technique and has been quite usefully applied in CSR studies, Milne and Adler (1999) report that reliability of content analysis in previous CSR studies seems to be insufficient. However, use of test-retest procedures and multiple coders help to improve the reliability. Moreover, one of the key assumptions of the CSR content analysis studies is that volume of disclosures signifies the relative importance of disclosures. In this regard, it may be argued that in addition to the measurement of volume it is necessary to consider the social, political and economic context in which these disclosures are taking place (Unerman, 2000). That is why a contextual analysis has been employed in this study in addition to content analysis.

CSR in Bangladesh: The Practice

All companies included in this study made at least some social disclosures. In this section, CSR practices in Bangladesh have been examined under three categories.

Employee Disclosures

The results of this study in the area of employee disclosures confirms the general belief that companies in the developing countries are most likely to make disclosures in the employee category (Andrew et al, 1989). Table 1 below shows that almost all (29 out of 30) companies included in the survey made some form of employee disclosures.

Table 1 : Employee Disclosures

<i>Private Sector</i>	Total	Employee Costs	Corporate Directory	Employee Number	Managerial Remuneration	Employee Appreciation	Training & Development	Welfare	Industrial Relations
Listed	14	12	14	12	13	13	5	8	6
Multinational	6	6	6	6	6	4	3	5	2
<i>Public Sector</i>									
Listed	7	7	7	6	7	6	---	6	1
Unlisted	2	2	2	---	2	2	1	2	2
Total	29	27	29	24	28	25	9	21	11
<i>Nature of Information :</i>									
Purely descriptive	---	---	29	---	---	25	9	2	11
Non-financial	---	---	---	24	---	---	---	---	---
Financial	---	27	---	---	28	---	---	19	---
<i>Location of Information :</i>									
Notes to the accounts	---	27	---	20	28	---	---	19	---
Directors' report	---	---	---	---	---	20	7	2	9
Chair's statement	---	---	---	---	---	5	2	---	2
Others	---	---	29	4	---	---	---	---	---
<i>Amount/Volume of Information :</i>									
Av. No. of Lines	11	7	40	3	5	5	4	2	6

27 companies disclosed the breakdown of employee costs, such as, salaries and wages, contribution to provident fund, pensions and gratuity provisions and other allowances. Two companies, for example, Anwar Galvanising Limited and Square Pharmaceuticals Limited did not disclose this information.

While 24 companies disclosed the number of employees, 20% of the companies surveyed did not disclose this mandatory information. None of the unlisted public sector companies disclosed this information although they are required to do so by the Companies Act, 1994. Of the 24 companies, which disclosed this information, fifteen companies gave the breakdown of employee number as per a legal requirement i.e. employees drawing more than Tk. 36,000 and employees drawing less than Tk. 36,000. In addition, nine companies also disclosed the breakdown according to the grade of staff, such as, officers, staff and workers. The mandatory breakdown was shown in notes to the financial statements while breakdowns according to the grade of employees were shown mostly in the directors' report and in some cases in other

parts of the annual report under a separate heading of management information/statistical records.

All companies, except one private sector listed company, disclosed the payments made to the directors and managers in the form of remuneration. The information was disclosed in the notes to the financial statements. It is surprising to note that one company did not disclose this mandatory information which is a punishable offence under the Companies Act, 1994.

In addition to the above mandatory disclosures, a number of companies made some voluntary disclosures, of which corporate directory and employee appreciation are most notable and common. In total 29 companies included a corporate directory in their corporate annual report. In most cases, it was located just after the contents of the annual report under a separate heading and the whole page is dedicated for this purpose. It includes, inter alia, the name and designation of directors and key management personnel.

Appreciation to the employees for their contribution to the company is another common area of employee disclosures in Bangladesh. 25 companies made such disclosure. It was no more than a thanks consisting of a small paragraph or sentence located at the end of directors' reports (twenty companies) or chairman's statement (five companies). The disclosure was purely descriptive in nature. On average, the number of lines devoted for this purpose was five. One example is shown below:

I would like to express my sincere appreciation to all employees of the company on behalf of the shareholders, the Board of Directors and on my own behalf, for their untiring effort to improve the performance and prosperity of the company. (Tallu Spinning)

As shown in table 1, only nine companies made disclosures about the training and development of human resources. This includes only one unlisted company from the public sector category. All other companies disclosing this information belong to the private sector and three of them are multinationals. The information disclosed was mainly descriptive in nature. However, in a very few cases, the number of trained employees was also disclosed. In all cases, the information was located either in the chairman's statement (two cases) or in the directors' report (seven cases). The volume/length of information, as measured by the average of number of lines, was four. The volume of information varied from a simple one sentence to

a whole paragraph. One example given below would help to understand the nature of disclosures in this regard:

(The) company attaches great importance on human resources i.e. proper recruitment, training and development of personnel at all levels in order to create an effective and efficient work force so that the volatile and valuable petroleum products are handled properly and also to ensure the customers' services. In furtherance of this objective 22 employees have been trained during the period under review within the country and 2 officers were sent abroad for higher training on lubricating oil and oil installations conducted by BP Middle East Limited. (Meghna Petroleum)

70% companies disclosed information on welfare activities targeted to employees. In most cases, the nature of disclosures was financial. The information was disclosed by nineteen companies in notes to the financial statements as a separate head of expenditure. In two cases, the information was given in a descriptive manner in the directors' report. The average number of lines devoted for this purpose was only two.

One in every three companies included in the survey gave disclosures on employer-employee relationships. All unlisted public sector companies included in this survey disclosed this information. In all cases it was disclosed in a purely descriptive manner in the chairman's statement or directors' report. The average number of lines devoted to this purpose was six. Here it may be noted that, in general, industrial relations in Bangladesh are notably poor and characterised by frequent strikes and similar activities, which negatively affects industrial production. Under these circumstances, most of the companies preferred to remain silent on this delicate issue of employer-employee relationships. This is evidenced by the poor number (eleven only) of companies disclosing this information. In cases where such disclosure was made the companies tended to disclose the good news only leaving out the dark side of employer-employee relationships. Some examples provide support for the comments made above.

Meghna Petroleum Limited, in its directors' report, disclosed the following information on the employer-employee relationships under a separate heading 'industrial relationships':

Labour-management relationship in the company was excellent during the year. The collective bargaining agent after the expiry of the agreement on , submitted a Charter of Demand to the Management for settlement. After a series of negotiation at bi-partite level, an agreement....was signed..... During the negotiation the company operations was undisturbed and management and non-management employees put their sincere efforts to achieve the company objective. (Meghna Petroleum)

Another company expressed satisfaction over the employer-employee relationships given the unstable political situation of the country. The information given by the company was as follows:

Based on the model of last biennial wages negotiation with unionised staff, this year also wages settlement was reached in an exceptionally cordial and amicable environment. It was heartening that even in an otherwise politically charged atmosphere in the country this could be achieved. (BOC)

Thus, we see that as compared to the 100% employee disclosure made by the Western European companies (Adams et al, 1995), 97% Bangladeshi companies made disclosures on employees. The most common and popular areas of employee disclosures were found to be employee costs, employee number & managerial remuneration that are mandatory requirements. Two notable areas of voluntary disclosure were corporate directory and employee appreciation. The highest amount of space was allocated to the corporate directory. While the mandatory disclosures were mostly financial in nature, voluntary disclosures were mainly descriptive. On average eleven lines were devoted to making employee disclosures which is only 0.44% of the average total number of lines in an annual report. All private sector companies compared to 90% of public sector companies made disclosures in this category.

Ethical Disclosures

It is heartening to note that companies in a developing country like Bangladesh are showing an interest in ethical issues. Ethical disclosures were made by 77% companies included in the survey as compared to 86 percent shown by the study of Adams et al (1995) on the Western European countries. The items disclosed in this category include donations & subscriptions, sponsorships and advertising, customer relations and community involvement. None of this is statutorily required in Bangladesh. Table 2 shows the various aspects of ethical disclosures in Bangladesh.

Table 2 : Ethical Disclosures					
<i>Private Sector</i>	Total	Donations & Subscriptions	Sponsorships & Advertising	Customer Relations	Community Involvement
Listed	9	9	1	---	---
Multinational	6	1	3	3	2
<i>Public Sector</i>					
Listed	7	6	5	---	2
Unlisted	1	1	---	---	---
Total	23	17	9	3	4
<i>Nature of Information :</i>					
Purely descriptive	---	---	1	3	3
Financial	---	17	8	---	1
Non-financial	---	---	---	---	---
<i>Location of Information :</i>					
Notes to the accounts	---	17	8	---	1
Directors' report	---	---	1	---	3
Chair's statement	---	---	---	1	---
Others	---	---	---	2	---
<i>Amount/Volume of Information :</i>					
Av. No. of Lines	2	1	2	3	4

Donations and subscriptions were the most commonly disclosed item in this category. In total, seventeen companies disclosed the item. The nature of information was financial i.e. the amount spent on donations and subscriptions. In all cases it was located in notes to the financial statements. The average number of lines devoted to this purpose was one. From the information given it is not clear how much of the donations were made for political/ charitable purposes.

Approximately one in every three companies included in this study disclosed information on sponsorships and advertising. The information disclosed was mainly financial in nature and located in notes to the financial statements. However, one company (Bata) gave descriptive information in its directors' report about their sponsorship activities on sports.

Only 10% of companies as compared to 63% in the study of Adams et al (1995) disclosed information on customer relations. Of the three companies, which disclosed the information,

all are multinationals. One of the companies mentioned the issue in the inside front covers of its annual report under the heading 'BTC Mission Statement' which states its mission is:

....to satisfy consumer's needs by providing superior products at affordable prices.

Another company (BOC Bangladesh Limited) made the disclosure on the first page of their annual report under the heading 'Corporate Vision':

Our success will be built on our absolute dedication to the satisfaction of our customers, through constant innovation, operational efficiency, cost effectiveness and the talents of our people. (BOC)

The third company (Glaxo), however, made the disclosures at the end of the chairman's review section by stating that the company will provide a broader range of therapeutic products to respond to customers' needs. The average number of lines dedicated to this category of information was three.

Disclosures on community involvement were made by only four (13%) companies included in the survey. In contrast, according to Adams et al (1995), 27 percent companies reported this item of ethical disclosure. Of the companies disclosing this information, two are multinationals. The information disclosed is mainly descriptive and located in directors' reports although one company made some financial disclosure in notes to the financial statements. The space of annual report occupied by this item was given by an average number of four lines. The topics covered by this category included blood donation programmes, Polio prevention programme, research activities for fighting diseases, family planning programme, maintenance of community schools, mosques and merit scholarships to poor deserving students. One of the companies (Bata) described its community development activities as follows:

Your company again organised a blood donation campaign in Dhaka University and Tongi, as well as a Polio prevention programme under the Tongi Municipal Authority as in previous years.(Bata)

The amount of disclosures as measured by the number of lines is very poor for this category. The average number of lines is only two which is 0.08% of average of total number of lines in the annual report. Highest amount of space as indicated by the number of lines was devoted to disclose information on community involvement although only four companies disclosed the information. The most common and popular item in this category appears to be donations &

subscriptions and advertising. 75 percent private sector companies made disclosure in this category which is similar to the public sector.

Other Disclosures

The social disclosure included in this category are those which cannot be conveniently included in the two categories noted above. As shown in Table 3, these are value-added statement (VAS), contribution made by a company to the national exchequer of a country, management appreciation of the contribution made by different stakeholders, information on non-resident shareholders and foreign currency transactions. Of these items, excepting VAS and management appreciation, the other three items are mandatory disclosures. Some of this information is of special significance to a developing country like Bangladesh, for example, contribution to the national exchequer, information on non-resident shareholders and foreign currency transactions.

Table 3 : Other Disclosures						
<i>Private Sector</i>	Total	VAS	Contribution to National Exchequer	Management Appreciation	Non-resident Shareholders	Income & Expenditure in Foreign Currency
Listed	14	5	3	14	4	8
Multinational	6	2	3	2	4	4
<i>Public Sector</i>						
Listed	7	3	3	6	1	2
Unlisted	2	---	1	2	---	---
Total	29	10	10	24	9	14
<i>Nature of Information :</i>						
Purely descriptive	---	---	---	24	---	---
Financial	---	10	10	---	2	14
Non-financial	---	---	---	---	7	---
<i>Location of Information :</i>						
Notes to the accounts	---	---	---	---	9	14
Directors' report	---	---	4	22	---	---
Chair's statement	---	---	---	---	---	---
Others	---	10	6	2	---	---
<i>Amount/Volume of Information :</i>						
Av. No. of Lines	5	10	3	5	2	3

One in every three companies included a VAS in their annual report. The statement shows the contribution made by the company in the form of value addition. The concept is that the company is not in business for profits only but also to facilitate the allocation of its income to different stakeholders, such as, employees, government, lenders, shareholders and the company itself. It was very popular in the UK in the late 70s and early 80s (Burchell et al, 1985). It was discontinued after the mid 80s, as it was never statutorily required in the UK. The information shown in the VAS is financial in nature and is located in a separate section of the annual report. On average, the number of lines employed for this purpose is ten.

The same number of companies disclosing a VAS also disclosed their contribution to the national exchequer in the form of various taxes and revenues. It is very important for a developing country in the sense that it shows how much a company is contributing to government revenue. The information disclosed was financial and mostly located in a separate section of the annual report. In some cases, the information was disclosed in the directors' report. One company (Usmania Glass) notes the information in its directors' report under a separate head.

80% of the companies included management appreciation in their annual reports. It is simply a thanks-giving message to the different stakeholders of the company. It is purely descriptive in nature and is in all cases located in chairman's statement/directors' reports. An average of five lines was employed to disclose this information. One important finding here is that while it is an established fact that there are various stakeholders, in addition to the shareholders, employees and management, whose contribution and support to the company is vital and needs recognition, four out of six multinational companies did not mention this information. They preferred to remain silent on this important issue or they were unaware of this information. One example of management appreciation that was included at the end of chairman's statement is shown below:

... I would like to express (my) appreciation to our valued customers, shareholders, employees, and suppliers and to the Government of the People's Republic of Bangladesh for their support to this company. (Bata)

Information on non-resident shareholders and foreign exchange transactions is particularly important for Bangladesh. Movements in foreign currency need to be closely monitored in view of the fact that reductions in foreign exchange reserve are a serious macro economic

consideration in Bangladesh. As this is of such importance, disclosures of these two items are mandatory in Bangladesh. The information disclosed on non-resident shareholders were number of shareholders, number of shares held by them and remittance of dividends to them. Only nine companies disclosed this information. The other companies had no non-resident shareholdings. The information disclosed was mainly quantitative and located in notes to the financial statements.

The information disclosed on foreign currency transactions were income earned and expenditure incurred in foreign currency. Although all companies included in the survey had foreign currency transactions, only 49% of companies reported the information. In all cases, the information disclosed was financial in nature and located in notes to the financial statements.

Thus, we see that the 'others' category of CSR includes some information that is of special significance to a developing country like Bangladesh. Another important observation is that although it is mandatory, 51% companies did not disclose information on foreign currency transactions. The overall amount of disclosures in this category is only five lines which is 0.20% of average total number of lines in the annual report. Finally, while all companies included in the private sector made at least one item of ethical disclosure, 10% of public sector companies did not make any disclosure in this category.

Summary and Conclusion

To summarise, all companies included in the survey made at least some social disclosures which is similar to the findings in the Nigerian and Ugandan study by Disu and Gray (1998) and Kisenyi and Gray (1998). It may also be compared with the Indian study by Singh and Ahuja (1983) where 40% of companies made social disclosures. The percentage was 50 in the South African study by Savage (1994). Here it may be noted that the percentage of disclosing companies was 52 in the study by Tsang (1998) on the banking, food and beverage and hotel sector of Singapore which is twice the percentage reported in the study on Malaysia and Singapore by Andrew et al (1989). The highest number (97% as compared to 100% in Adams et al (1995) study on the Western European countries) of companies disclosed employee-related information. This is also pretty similar to the findings of Imam (2000). This is not a surprise given the presence of a unionised labour force and emphasis on workers' welfare in

the current Labour policy. In the 'ethical' disclosures category 77% companies made disclosures as compared to 86 percent in Adams et al (1995).

Companies included in the survey made mandatory as well as non-mandatory disclosures. 97% of companies made some non-mandatory/voluntary disclosures. The disclosures made voluntarily were mainly descriptive statements, subject to certain exceptions. This voluntary information was located in different parts of the annual report. A large number of voluntary disclosures were either included in the directors' report or in the chairman's statement. On an average thirteen lines were used by the companies to make non-mandatory disclosures which represents only 0.5% of the average total number of lines contained in the annual report of sample companies. This shows that the volume of information disclosed is very poor. While 97% of companies attempted to make voluntary disclosures, in most cases, it was purely descriptive statements giving 'good' news only. In no cases, subject to one exception, were attempts made to give 'bad' news as well. Also in no cases were the social disclosures made independently verified. Therefore, the credibility of the disclosures made may be open to question.

It may be noted that 51% of companies did not disclose the mandatory information, such as, information on foreign currency transactions. Disclosures of this information are considered very important in Bangladesh from a macro-economic perspective. Therefore, the failure of companies to disclose such information clearly shows some ineffectiveness and inadequacy in the regulatory framework in Bangladesh. Moreover, the phenomenon of non-compliance may also be attributed to the socio-economic factors in Bangladesh. Given the present unstable political situation, widespread corruption, deteriorating law and order situation and the influence of the social elite, offences and non-compliance to the legal requirements often go unpunished encouraging more offence and non-compliance.

Finally, it is important to note that any analysis of social disclosures would be incomplete if it fails to capture the socio-political and economic contexts in which the disclosures are made. This paper made an attempt in this regard by examining the CSR practices in the socio-political, economic and regulatory contexts of Bangladesh.

In conclusion, it may be said that although a number of companies are making social disclosures the quantity of information disclosed is very low. The nature of disclosure is

mainly descriptive. These conclusions are similar to that of Imam (2000). In the absence of independent verification, the credibility of information disclosed is questionable. The reasons for this phenomenon may be attributed to the lack of statutory requirements, the presence of very few organised social groups and less social awareness, an under-developed corporate culture and the relatively new stock market. However, this conclusion is subject to certain limitations noted earlier and requires further research. This study is based on a small sample. Thus, the conclusions are only tentative. Moreover, the study is based on Bangladeshi annual reports only and focused on the industrial sector. Hence, the conclusions arrived at should not be generalised to the non-industrial sector and other developing countries. As a way forward, a longitudinal study based on a reasonably large sample (and also including the non-industrial sector) is needed to highlight trends in CSR practices in Bangladesh. Case study type research may also be undertaken to find out why and how the companies are making social disclosures in Bangladesh.

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APPENDIX-A: LIST OF SOCIAL DISCLOSURE ITEMS

Employee

Employee costs: includes breakdown of employee costs such salaries, wages and bonus.

Corporate directory: includes a management and corporate profile of the organisation.

Employee number: classified according to salary bands and official ranks, e.g. officers, staff and workers.

Managerial remuneration: includes information on salaries paid to managerial executives.

Employee appreciation: includes formal thanks from top management to the employees for their contribution and hard work for the company.

Training and development: includes description of training and development of employees.

Welfare: includes expenditure incurred on social welfare and sometimes includes mere description of welfare activities.

Industrial relations: relationship between management and employees.

Ethical

Donations and subscriptions: expenditure incurred in this regard.

Sponsorships and advertisement: description and expenditure incurred in this regard.

Customer relations: commentary on relationship with customers.

Community involvement: description and financial quantification of activities.

Others

Value added statement (VAS): statement of value added and its distribution.

Contribution to national exchequer: in the form of tax and dividends.

Management appreciation: thanks giving message from management to the various stakeholders for their contribution.

Non-resident shareholders: their number, dividend paid to them.

Income and expenditure in foreign currency: financial quantification of foreign currency transactions such as, imports and exports.

APPENDIX B: LIST OF COMPANIES SURVEYED

Name of Companies	Sector	Type of Business
1. Industrial Development Leasing Company of Bangladesh Limited	Banks	Leasing
2. Glaxo Wellcome Bangladesh Limited	Pharmaceuticals	Pharmaceuticals
3. Bata Shoe Co. (Bangladesh) Ltd.	Miscellaneous	Shoe
4. BOC Bangladesh Limited	Fuel & Power	Oxygen Products
5. Reckitt and Colman Bangladesh Limited	Pharmaceuticals	Consumer Product
6. Bangladesh Tobacco Company Limited	Food & Allied	Tobacco
7. Bangas Limited	Food & Allied	Biscuits
8. Rahim Textile Mills Limited	Textile	Textile
9. Monno Jutex Industries Limited	Engineering	Jutex
10. Alpha Tobacco Manufacturing Co. Ltd.	Food & Allied	Tobacco
11. Anwar Galvanising Limited	Engineering	Galvanising
12. Tallu Spinning Mills Limited	Textile	Yarn
13. Libra Pharmaceuticals Limited	Pharmaceuticals	Pharmaceuticals
14. The Ibn Sina Pharmaceutical Industry Limited	Pharmaceuticals	Pharmaceuticals
15. Northern Jute Manufacturing Co. Ltd.	Jute	Jute Processing
16. Apex Foods Limited	Food & Allied	Food
17. Apex Tannery Limited	Miscellaneous	Tanning
18. Alltex Industries Limited	Textile	Textile
19. Confidence Cement Limited	Miscellaneous	Cement Manufacture
20. Square Pharmaceuticals Bangladesh Ltd.	Pharmaceuticals	Pharmaceuticals
21. National Tea Company Limited	Food & Allied	Tea
22. Usmania Glass Sheet Factory Ltd.	Miscellaneous	Glass Manufacture
23. Chittagong Cement Clinker Grinding Co. Ltd.	Miscellaneous	Cement Manufacture
24. Eastern Lubricants and Blenders Limited	Fuel & Power	Lubricants
25. Parma Oil Company Limited	Fuel & Power	Petrol & Diesel
26. National Tubes Limited	Engineering	Tube Manufacture
27. Atlas Bangladesh Limited	Engineering	Taxi Manufacture
28. Eastern Cables Limited	Engineering	Cables Manufacture
29. Eastern Refinery Limited	Fuel & Power	Petrol & Diesel
30. Megna Petroleum Limited	Fuel & Power	Petrol & Diesel