

SHEFFIELD UNIVERSITY MANAGEMENT SCHOOL

**THE PROSPECTS FOR CORPORATE
SOCIAL REPORTING (CSR) IN
BANGLADESH**

A thesis in fulfilment of the requirements for the degree of Doctor of Philosophy in
Accounting at the University of Sheffield

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Dedicated

*To my parents late Hafez Abdur Rashid and Mohtaram Dildar
Begum who always remembered me in their prayers*

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ABSTRACT

The main objective of this study is to explore the emerging practice of CSR in Bangladesh. As this is the first comprehensive study of CSR in Bangladesh it is primarily exploratory in nature. Using the lens of stakeholder theory the study examines whether the current practice of CSR in Bangladesh is motivated by a desire to discharge accountability to all relevant stakeholders or is mainly driven by the imperative of strategic management of powerful stakeholders only with a view to advancing corporate economic interests.

In investigating this question, a qualitative analysis of corporate social disclosures is made in order to examine corporate attitudes towards social, ethical and environmental issues as represented in the texts of annual reports. The sample of reports analysed comprises 79 top listed companies (including six multinationals) as well as eight public sector companies under the control of Bangladesh Chemical Industries Corporation (BCIC). In addition to this analysis of published reports 34 semi-structured interviews with managers and stakeholder groups have been carried out to critically examine their perceptions towards the phenomenon of CSR in Bangladesh.

The results of the study show that Bangladeshi companies make very few social disclosures. The majority of the companies studied do not address the crucial issues of corruption, child labour, equal opportunities and poverty alleviation. Analysis of disclosures indicates that companies attach far more importance to the economically dominant stakeholders such as, shareholders, customers and employees ignoring the rights of social stakeholders such as local community, natural environment and the wider society. The interviews with managers emphasised the paramount importance of strategic management of key economic stakeholders. Interviews with various stakeholder groups suggest that they view the corporate response to social, ethical and environmental issues as essentially cosmetic and part of a public relations campaign. While both the managerial group and the stakeholder groups indicated a belief that CSR would increase in future, inter alia, the driving force behind such increase appears to be strong pressure from 'outside' forces such as parent companies of multinationals, international buyers and international agencies.

The study concludes that in their pursuit of CSR corporations are basically motivated by their desire to strategically manage their key powerful stakeholders. They achieve this, sadly, often at the expense of economically weak social stakeholders.

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CHAPTER ONE

INTRODUCTION

1.1 Setting the Scene

The term CSR (Corporate Social Reporting) has been variously defined and used. It has also been commonly referred to as social responsibility accounting¹ (Mathews, 1984), social accounting (Gray, 2000b), and corporate social disclosures (Belal, 2001). Very recently it has been popularised under the acronym of social and ethical accounting, auditing and reporting (SEAAR) (Gonella, Piling, & Zadek, 1998). Such a terminological variety sometimes causes confusion and requires clarification (Gray, 2000b; Mathews, 1984). Therefore, before we proceed towards unfolding the story of CSR in Bangladesh it might be useful to define the term here. Simply speaking, it may be defined as the external reporting of social, ethical and environmental aspects of a business organisation. It has been defined by Gray, Owen & Maunders (1987) as:

... the process of communicating the social [, ethical] 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. (P. ix)

Given the importance of stakeholder engagement in contemporary social accounting Gray (2000b) refined the earlier definition as follows:

¹ For a suggested classification of social accounting research see Mathews (1984).

.. the preparation and publication of an account about an organisation's social, environmental, employee, community, customer and other stakeholder interactions and activities and, where possible, the consequences of those interactions and activities. The social account may contain financial information but is more likely to be a combination of quantified non-financial information and descriptive, non-quantified information. The social account may serve a number of purposes but discharge of the organisation's accountability to its stakeholders must be the clearly dominant of those reasons and the basis upon which the social account is judged. (P.250)

The latter definition clearly recognises the discharge of accountability to stakeholders as the main purpose of social accounting.

In an attempt to categorise the various approaches to social/environmental accounting/auditing Gray (2000b) suggested four categories:

- *Private information from 'Management Audits'*: Reporting by management for use in internal decision making. Examples include, inter alia, environmental audit in accordance with EMAS/ISO14001² or compliance audit in accordance with SA8000.
- *Private information from external sources*: Reporting by an external party for use in internal decision making. Examples of this category include, inter alia, supplier audits, market/stakeholder research and image audit.
- *The public 'external social audits'*: Reporting to the public domain by an external independent body on the social performance of the organisation. This is mostly associated with the work of Social Audit Ltd. (See for example, Medawar, 1976). The main purpose of this activity was to hold the powerful organisations to account with a view to increasing their transparency and accountability.

² Eco-Management and Audit Scheme (EMAS) is a voluntary environmental management scheme adopted by the European Council in 1993. It requires, inter alia, external reporting of environmental impacts. ISO 14001 is an international environmental management standard issued by the International Organisation for Standards (ISO). It is a common practice for environmentally sensitive companies to achieve the ISO14001 certification or the EMAS validation for their production sites.

- *Public self-reporting by the organisation:* As the title of this category suggests, here the organisation itself undertakes the reporting activity on its social performance and makes disclosures in the public domain. Examples of this category include, inter alia, disclosures in the annual reports, in the separate social/environmental report and recently, in the corporate websites.

It is the fourth category (public self-reporting by the organisation) which has gained prominence in recent times and attracted the attention of contemporary social accounting researchers. The focus of the current study also lies with this category of social accounting and mainly concentrates on social, ethical and environmental disclosures made by the Bangladeshi companies within their annual reports.

Although the development of CSR can be traced back to the 1970s³ it was conspicuous by its absence throughout the 1980s until the early 1990s (Gray, 2001). Since the mid 1990s it has re-emerged. Its re-emergence is evident not only in the research agenda⁴ but also in practice within the field. In particular, social accounts prepared by the values based organisations such as The Body Shop, Traidcraft plc and Co-operative Bank in the UK and the SbN bank in Denmark and Ben and Jerry's in the USA have received worldwide attention. Mainstream market players such as British American Tobacco (BAT), BT, Shell and BP Amoco have followed this trend. Additionally, interest within the field has been generated amongst major professional accounting firms prominent amongst which have been Price Waterhouse

³ Or even before that (see, for example, Guthrie & Parker, 1989).

⁴ See Chapter 2 for discussion of some of the recent research literature in the field of CSR.

Coopers (through their Reputation Management Unit) and KPMG (Sustainability Advisory Services). Several reasons may be advanced for the phenomenon of increased interest in social reporting in the late 1990s.

Firstly, the Reporting Awards Scheme established by the Association of Chartered Certified Accountants (ACCA) could be a motivating source for more and more companies to join the existing cohort of companies making social disclosures. Initially, the scheme started in the UK in 1991 with the environmental reporting category only. With the re-emergence of social reporting in the late 1990s the scheme has been expanded to include a social reporting category, which is run in association with the Institute of Social and Ethical Accountability (ISEA). With the call for triple bottom line reporting (social, environmental and economic) by Elkington (1998) and with the development of GRI's Sustainability Reporting Guidelines as more and more companies are embracing the notion of sustainability reporting, ACCA's Scheme further expanded to include a third category of sustainability reporting. Although the Scheme originated in the UK it is now expanded to European countries and other countries of the world including the USA, Australia, Pakistan, Hong Kong, Singapore and Malaysia.

Secondly, another possible reason behind the increased interest in social reporting that has not been mentioned elsewhere in the literature (to the author's knowledge) is the ongoing debate over the issues of corporate governance in the developed countries in general and in the UK and the USA in particular. Taking into account corporate scandals such as Enron and WorldCom, the newly emerging corporate

governance requirements are mainly aimed at improving corporate transparency and the ethical stance of business organisations.

Thirdly, the resurgence of social reporting may be behind the initial increased interest in environmental reporting from the late 1980s, which is broadly considered as part of the social reporting process as a whole (Gray, Dey, Owen, Evans, & Zadek, 1997) and a recent tendency to integrate social issues within a triple bottom line reporting mechanism (Elkington, 1998). As compared to economic and environmental reporting, social reporting is still underdeveloped and requires further development to move towards sustainability reporting. To achieve further developments in social reporting, companies need standards and guidelines in order to bring uniformity to the diverse social reporting practices (Gonella et al., 1998; Owen, Swift, Humphrey, & Bowerman, 2000). This perceived need has led to several standardisation and codification initiatives in the late 1990s.

Finally, availability of these standards and codes has helped companies in the development of social accounting. Here it might be interesting to discuss some of the standardisation initiatives very briefly. Of these, the most notable attempts are SA8000, Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines and AA1000 (Belal, 2002). All these standards have been developed continuously through consultation with a wide range of stakeholders. Although AA1000 has a UK bias the other two standards are more international in their nature and scope. As a result, these standards appear to be most popular and influential amongst companies.

Indeed, SA8000 and GRI's Guidelines have been translated into a number of languages throughout the world.

SA 8000 has been developed by Social Accountability International that has its head quarters in New York. SA 8000 is based on ILO (International Labour Organisation) and other human rights conventions. However, it is not as comprehensive as the GRI's Guidelines or AA 1000. It confines its attention to issues relating to employees and communities, for example, forced labour, child labour, freedom of association and collective bargaining, health and safety, living wage, discrimination and disciplinary practices, working hours and working conditions in the supply chain.

By contrast, the GRI's Sustainability Reporting Guidelines are based on the notion of Elkington's (1998) 'triple bottom line'. They have been developed over a number of years through a multi-stakeholder process. Instead of being static the guidelines are being developed on a continuous basis with the latest version of the standard issued in 2002⁵. The Global Reporting Initiative is an independent organisation with its secretariat in Amsterdam. It is managed by a 16-member board of directors appointed by the stakeholder council (with 60 members). A 10-15 member Technical Advisory Council provides the high-level technical guidance required by the Board in the revision process of the Sustainability Guidelines. The sustainability report prepared by an organisation in accordance with the GRI's Guidelines should have five components:

⁵ The first version of the Guidelines was issued in 1999 with revised versions released in 2000 and 2002.

1. Vision and strategy of the organisation
2. Brief profile of the organisation
3. Governance structure and management systems
4. GRI content index within the report
5. Social, environmental and economic performance indicators.

AA1000 has been developed by the Institute of Social and Ethical Accountability with its head office in London. It was developed over a number of years as an evolving standard through wide consultation with business, government and civil society. It comprises a foundation standard, several guidelines and a section on professional qualification. The foundation standard consists of two main parts. The first part establishes core principles for Social and Ethical Accounting, Auditing and Reporting (SEEAR). The second part of AA1000 features process standards, which address the key areas of planning, accounting, auditing and reporting, embedding and stakeholder engagement. The core principles include, amongst others, accountability and inclusivity. The other principles are divided into three groups and include completeness, materiality, regularity and timeliness, quality assurance, accessibility, quality of information, embeddedness and continuous improvement. The principal difference between AA1000 and the GRI's Sustainability Reporting Guidelines is that while AA1000 is mainly considered (ISEA, 1999) as a process standard, the Sustainability Reporting Guidelines are considered (GRI, 2000) as a disclosure standard providing guidelines on how to report. Moreover, another difference lies in

the scope of these standards with AA1000's focus on social and ethical issues and GRI's focus on economic, social and environmental issues.

In addition to the above important social accounting standards numerous corporate codes of conduct have been developed in recent times by the larger corporations, their representative associations and international organisations. Jenkins (2001, P.20) classified the various codes of conduct into five categories:

- **Company codes:** These are company specific codes developed unilaterally by the individual firm. For example, Shell's "Revised Statement of General Business Principles" or Levi's "Business Partner Terms of Engagement" which is related to their suppliers in the developing countries or BAT's "Marketing Code of Conduct" which is related to the marketing of tobacco products.
- **Trade association codes:** These are the codes developed by various business or industrial associations. A prominent example is the chemical industry's "Responsible Care" initiative concerned with the improvement of health, safety and environmental performance of chemical companies. While most of these codes originated in the developed countries some of them have also been introduced in developing country firms such as the Bangladesh Garments Manufacturers and Exporters Association (BGMEA). BGMEA's code was developed mainly as a response to the pressure from international buyers and adverse publicity from local as well as international media. Inter

alia, it includes provisions relating to independent monitoring, minimum age (child labour) and proper employment contracts. It must be noted here that in spite of several fire incidents in recent years causing the loss of hundreds of human lives the code does not address the crucial issue of health and safety of workers. Although it was aimed at improving the working conditions of workers in the garment industry no representatives from workers were involved in its development. Rather garment owners, government agencies and the NGOs developed it unilaterally.

- **Multi-stakeholder codes:** These codes are adopted through consultation with multiple groups of stakeholders including firms, their industrial associations, NGOs, government and trade unions. For example, the UK's Ethical Trading Initiative Based Code is related to labour standards. It has been developed 'with the aim of ensuring that the working conditions of employees in the companies that supply goods to consumers in the United Kingdom meet or exceed international standards' (UNRISD, 2000, P.5).
- **Model codes:** These codes are developed as a kind of benchmark or model of good practice against which individual firms or their associations can measure their performance, one example being the Interfaith Centre on Corporate Responsibility's "Global Principles" for screening firms for church investment. The contents of the code include issues relating to forced labour, minimum age, living wages, freedom of association and equal opportunity.

- **Inter-governmental codes:** These are developed and negotiated at an international level by the international organisations such as International Labour Organisation (ILO), Organisation for Economic Co-operation and Development (OECD), United Nations (UN) and the World Bank. Examples of these type of codes include the ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises, OECD's Guidelines for Multinational Enterprises, UN's "Global Compact" which is particularly relevant to the multinationals operating in the developing countries and "Global Alliance for Workers and Communities" – a multi-stakeholder initiative supported by the World Bank and others.

If we examine the development of the above codes/standards we see that most of them originated in the 1990s. They are voluntary in nature and have been accused of being used to marginalise trade union efforts to improve labour standards (Jenkins, 2001). They originated in the developed countries in response to the threat of stronger forms of regulation (UNRISD, 2000) and strong criticism from the international media and the NGOs. Therefore, it can be observed that the new wave of social accounting as it has been developed so far is mainly a phenomenon of developed countries in the West. However, efforts are being made to spread this enthusiasm to the international arena including developing countries.

"The development process has included extensive consultation with the Institute's *international* membership including its Corporate Leadership Network, and through events held in association with collaborative institutions and networks in Australia, continental Europe, India, Nordic Countries, South Africa, the United Kingdom and the United States." (ISEA, 1999)

“Global Reporting Initiative (GRI) is an *international*, multi-stakeholder effort to create a common framework for voluntary reporting of economic, environmental and social impact of organisation-level activity. The GRI mission is to elevate the comparability and credibility of sustainability reporting practices world-wide.” (GRI, 2000)

“Social Accountability *International* (SAI), founded in 1997 as the Council on Economic Priorities Accreditation Agency (CEPAA), is working to address the growing concern among consumers about labour conditions around the *world*.” (SAI, 1997)

Given the above claims of these standards to be international in scope and coverage, it might be interesting to see to what extent they are relevant to developing countries like Bangladesh and also to see whether this new wave of practical and stakeholder initiatives is influencing companies in those countries. Initially, the influence could be in the form of increased interest in the subsidiaries of transnational corporations operating in Bangladesh such as, Shell, Unocal and British American Tobacco which might ultimately motivate domestic companies to go down the same route. Interest in these standards is also coming explicitly from domestic companies in developing countries as evidenced by Excel Industries Limited (India) and Sasol (South Africa), which participated in the piloting of GRI’s Sustainability Reporting Guidelines.

The remainder of the chapter provides justification and objectives for the present study and concludes with an outline of the dissertation.

1.2 Justifications for the Study

It is believed that the study is of particular significance to the context of Bangladesh for the following reasons:

Firstly, given the presence of widespread poverty, corruption, inequalities and social exploitation in developing countries like Bangladesh, social accounting is believed to have the potential of promoting equality, social justice, transparency and accountability by holding business organisations to account. So far CSR has been largely studied from the context of developed countries (Adams & Harte, 1998; Adams, Hills, & Roberts, 1995a; Adams & Kuasirikun, 2000; Gray, Javad, Power, & Sinclair, 1999; Gray, Kouhy, & Lavers, 1995b; Guthrie & Parker, 1990; Hackston & Milne, 1996; Harte & Owen, 1991; Milne & Chan, 1999; Milne & Patten, 2002; Neu, Warsame, & Pedwell, 1998; O'Dwyer, 2002; Tilt, 1994; Zeghal & Ahmed, 1990). However, in the context of so-called globalisation, the worldwide presence of multinational companies (including their supply chains) and highly publicised incidents like the Bhopal incident in India and the Ogoni incident in Nigeria, corporate social responsibility issues appear to be even more important from the context of developing countries (UNRISD, 2000). Significantly, a growing number of studies have started to examine the issue of CSR from the context of developing countries (see for example, Belal, 2000, 2001; Imam, 2000; Lodhia, 2000; Lodhia, 2003; Naser & Baker, 1999; Rahaman, Lawrence, & Roper, 2004; Savage, 1994; Singh & Ahuja, 1983; Teoh & Thong, 1984; Tsang, 1998). It is believed that by undertaking a comprehensive study on CSR in Bangladesh a modest contribution could be made to that still scant literature.

Secondly, some preliminary exploratory studies (Belal, 2000, 2001; Belal, 1997; Imam, 1999, 2000) suggest that companies in Bangladesh are disclosing social and ethical information on a limited scale. But these studies are far too sketchy and

mainly descriptive in nature. All of them were mainly concerned with the volume of social and ethical disclosures using quantitative content analysis. None of these studies explored the managerial motivations behind the Bangladeshi CSR and the perceptions of different stakeholders towards the CSR process.

Finally, the practice of CSR in Bangladesh has only emerged in recent times, with the lead coming from the multinational companies. It is mainly a voluntary activity influenced by social accounting standards and various codes of conduct as discussed in section 1.1 above. From the context of Bangladesh the study will examine corporate and stakeholder perceptions towards these codes/standards. The study also explores the expectations of the stakeholders with regard to their information needs on social, ethical and environmental issues, external verification, corporate governance, role of stakeholders in the CSR process and legal requirements for disclosure. In the absence of any local professional guidance, Bangladeshi companies have started to disclose on the basis of learning by doing. With a view to bringing transparency and accountability into the corporate sector, the Securities and Exchange Commission of Bangladesh has embarked on a corporate governance reforms project⁶. It is expected that the insights provided by this study will be of assistance to the development of professional guidance for CSR from the appropriate local context of Bangladesh. For corporate governance reforms in Bangladesh there are also important lessons to be drawn from the results of this study. The study also examines the prospect of future development of CSR in Bangladesh.

⁶ The Executive Director of SEC revealed this during an interview with the present researcher.

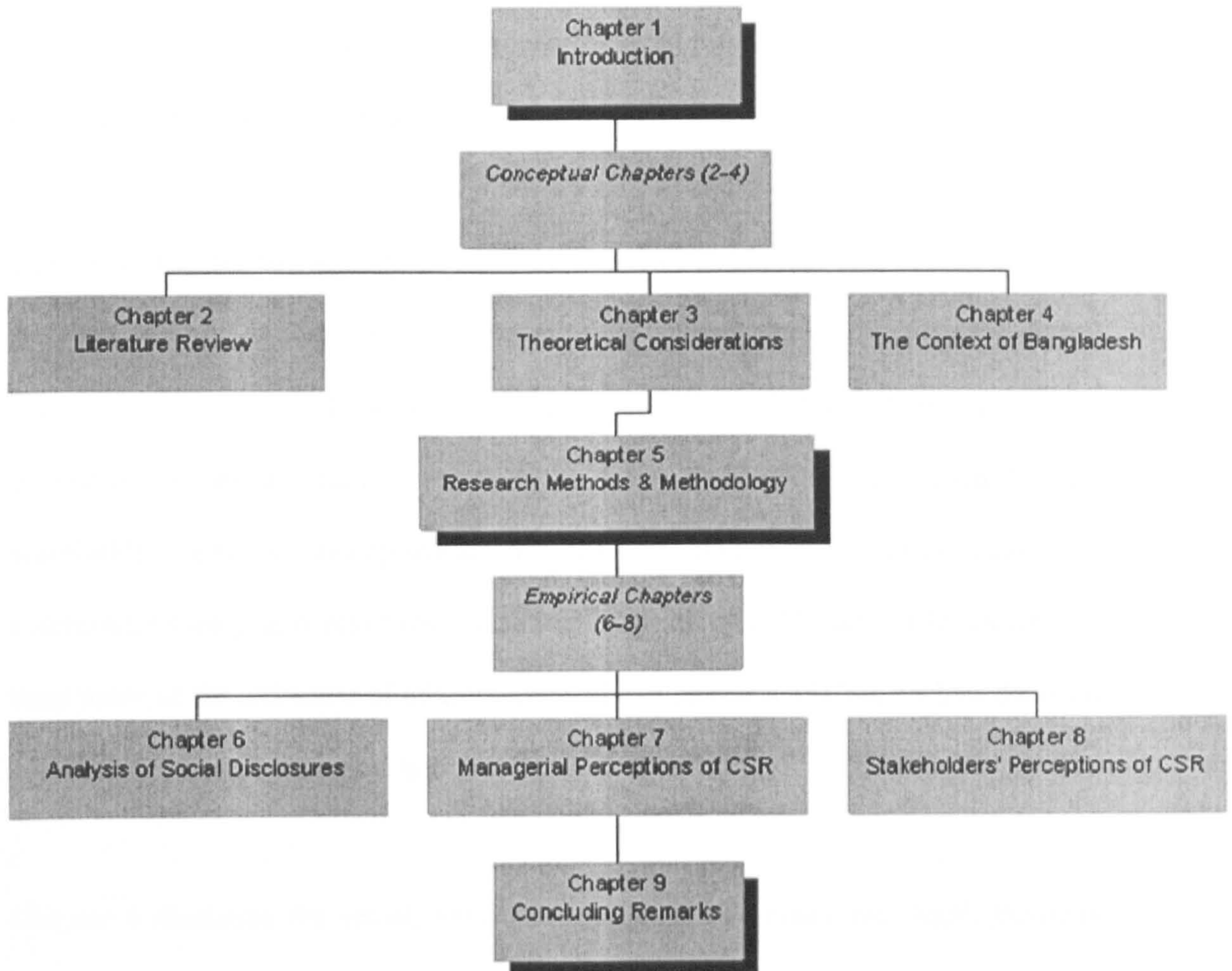
1.3 Objectives of the Study

In this context the main objective of this study is to explore the emerging practice of CSR in Bangladesh. Using the lens of stakeholder theory it will be examined whether the current practice of CSR in Bangladesh is motivated by the desire to discharge accountability to all relevant stakeholders or whether it is mainly driven by a concern with strategic management of powerful stakeholders only, with a view to enhancing corporate economic interests. For this purpose, analyses of corporate social disclosures and interviews with managers and stakeholder groups have been carried out to critically examine the managerial and stakeholder perceptions towards the phenomenon of CSR in Bangladesh. The above objective has been operationalised in the form of the following specific research questions:

- *What are the corporate attitudes towards social, ethical and environmental issues as represented in the texts of corporate annual reports?*
- *What are the managerial perceptions of corporate social reporting in Bangladesh?*
- *What are the perceptions of various stakeholder groups towards corporate social reporting in Bangladesh?*

1.4 Organisation of the Dissertation

The dissertation has been organised into 9 chapters. A diagrammatic framework of this dissertation is presented in Figure 1.1 below. It shows the links between the chapters. The diagram shows that the introductory chapter (1) is followed by three conceptual chapters (2-4). The chapter on research method (5) provides a bridge between the concluding remarks. The organisation of the dissertation is in line with the traditional structure of a thesis as recommended by Loft (forthcoming) for writing a Ph.D. thesis in accounting.

Figure 1.1: A Diagrammatic Framework of the Thesis

As may be seen from the above figure, following this introductory chapter the analysis in the remainder of the dissertation proceeds as follows.

Chapter 2 briefly explores the historical development and trends of CSR research. It covers CSR research studies in both developed and developing countries. The main role of this chapter is to identify the research gap and to explain how the findings of this study will contribute towards filling that research gap.

The theoretical framework for this study is presented in Chapter 3. It mainly explores the socio-political theories of CSR, viz. political economy theory, legitimacy theory and stakeholder theory. However, given the importance of stakeholder engagement in current social accounting practice the study is primarily informed by the stakeholder theory as conceptualised in Chapter 3. Although the study focuses on stakeholder theory and other socio-political theories of CSR, acknowledgment has been made of the existence of other theoretical explanations of CSR such as decision usefulness theory and agency theory.

Chapter 4 discusses the social, environmental, political, economic, legal, business and cultural background in Bangladesh. It will be particularly useful to the readers of this study who might have little or no knowledge about the socio-economic context of Bangladesh. It will also help to interpret the findings of this study from the appropriate context of Bangladesh.

The research methods and methodology are explained in Chapter 5. The study mainly interprets the results in a qualitative research tradition. For this purpose, it uses two research tools, viz. qualitative content analysis and semi-structured interviews. The justifications for using these research tools are provided in the chapter together with detailed descriptions of the research procedures used in collecting the data.

Chapter 6 reports the results of the analysis of the corporate annual reports using the technique of qualitative content analysis. To give a structure to the analysis 20 categories of disclosures are used. The categories have been developed on the basis of prior research and the particular socio-economic context of Bangladesh. It critically examines corporate attitudes towards CSR as revealed in the texts of annual reports. However, it does not enable us to go beyond the mere reading of the texts. For this purpose interviews have been undertaken to explore perceptions of a sample of corporate managers who created those texts.

The results of the interviews with corporate managers exploring perceptions of social disclosures are analysed in chapter 7. The chapter presents the interview data according to the key themes addressed and then attempts to interpret the data using the lens of stakeholder theory. However, this mainly provides a managerial perspective on CSR. Since stakeholders are at the heart of the current social accounting movement it was felt necessary to explore the story from the stakeholders' perspective as well.

The results of interviews examining the perceptions of different stakeholder groups towards corporate social reporting activities are reported in Chapter 8. This provides an opportunity to look at the phenomenon of CSR in Bangladesh from a stakeholder perspective. The analysis of this chapter includes an interpretation of stakeholders' expectations vis-à-vis corporate activities in practice.

The principal conclusions of the study are brought together in Chapter 9. The chapter also identifies limitations of the study and potential areas for future research.

CHAPTER TWO

CORPORATE SOCIAL REPORTING IN DEVELOPED AND DEVELOPING COUNTRIES: A REVIEW OF THE LITERATURE

2.1 Introduction

The main purpose of this chapter is to review the Corporate Social Reporting (CSR) literature with particular focus on developing countries and thus to locate the contributions of the present study within the prior literature on CSR. The chapter proceeds with a brief history of CSR research in the next section. Then the chapter focuses on CSR research in both developed and developing countries (including Bangladesh) albeit with more emphasis and detail on developing countries. Finally, an attempt is made to summarise the discussion and draw important implications for this study.

2.2 A Brief History of CSR Research

In a review of the development of social and environmental accounting in the last twenty-five years, Mathews (1997) commented that during the period 1971-80 the subject was theoretically underdeveloped. Empirical studies were few, unsophisticated and mainly descriptive (Brockhoff, 1979; Epstein, Flamholtz, & McDonough, 1976; Ernst & Ernst, 1972-78; Grojier & Stark, 1977). A major feature of this period was normative development of a number of social accounting models (Dierkes, 1979; Estes, 1976; Linowes, 1972; Ramanathan, 1976) whereas

philosophical discussions were limited. In this period, most of the contributions were related to the 'social' dimension rather than 'environment' dimension of CSR research.

During the latter part of the 1981-90 a shift in CSR research was noticeable towards a focus on environmental accounting with Gray's work (1990) being particularly influential. The notable feature of this period was that model-building efforts virtually disappeared and empirical studies became more sophisticated and analytical rather than being merely descriptive. Some studies in this period made an attempt to investigate explanatory factors (such as corporate size, industrial affiliation and country of origin) for CSR rather than just producing more descriptive studies of CSR practice (Cowen, Ferreri, & Parker, 1987; Guthrie & Parker, 1990; Trotman & Bradley, 1981).

The period 1991-95 carried on the legacy of the previous decade with environmental accounting research outstripping social accounting research. Writing and thinking on environmental accounting continued to dominate the CSR research agenda. However, from the mid-nineties an increasing number of studies examined social accounting practice. The re-emergence of social accounting research towards the end of the nineties was predicted by Mathews (1997). In his review of CSR literature Mathews (1997, P.505) concluded:

There are signs that social accounting may be about to make a comeback, but the evidence may be a year or two off.

Thus, there is an indication that social reporting is returning to the research agenda after a long period of relative absence from the late 1970s to the mid 1990s (Adams et al., 1995a; Gray, Kouhy, & Lavers, 1995a; Gray et al., 1995b). Since 1996 a growing body of research has examined the social dimension of social and environmental accounting research under the acronym of social and ethical accounting, auditing and reporting (SEAAR) (Adams, 2002; Adams & Harte, 1998; Adams, Hill, & Roberts, 1998; Adams & Kuasirikun, 2000; Belal, 2002; Gonella et al., 1998; O'Dwyer, 2002; Owen, Swift, & Hunt, 2001; Owen et al., 2000).

Of late, research on CSR has moved on from early descriptive work to more sophisticated content analysis based studies. Since the 1980s researchers have also made attempts to conduct more theoretically informed studies in order to explain CSR practice. Motivated by a desire to offer richer explanation of CSR practice the recent trend amongst the CSR researchers is to conduct more qualitative studies based on interviews. Moreover, CSR research also changed its focus during the last decade. While environmental accounting research dominated the research agenda during the first part of the last decade, research on social accounting re-emerged in the second part. Since then it has received increased attention from researchers. Although the new wave of social accounting research so far appears to be a phenomenon of developed countries a growing number of studies have also started to examine CSR practices in developing countries (see section 2.4). In the context of globalisation and the worldwide presence of multinationals, social responsibility issues are gaining significance throughout the supply chains in the developing countries. Codes of conduct are being framed by the multinational companies and

their suppliers based in developing countries are being asked to comply with those codes and other international social accounting standards such as AA1000, SA8000 and the Sustainability Reporting Guidelines (UNRISD, 2000). In this context, a literature review has been undertaken on CSR practices in developed countries as well as developing countries.

2.3 CSR in Developed Countries

Over the last three decades literature on social disclosures in developed countries has increased in number as well as quality. There is now a strong and substantial body of literature available, which is varied in nature and content. For the purpose of convenience of discussion in this chapter, CSR studies can be conveniently classified into three categories: (a) content analysis studies (b) interview-based studies which explore managerial perceptions/ motivations and (c) studies which explore stakeholder perceptions towards CSR.

(a) Content Analysis Studies

Most of the earlier descriptive CSR studies examined the extent and volume of disclosures (Brockhoff, 1979; Epstein et al., 1976; Ernst & Ernst, 1972-78; Grojier & Stark, 1977; Schreuder, 1979; Trotman, 1979). In the early period of CSR development, dominance by the USA was evident. As noted by Gray, Owen & Adams (1996), in the 1970s more was known about American CSR than for any other country, (see for example, Ernst and Ernst (1972-78)). The last Ernst and Ernst (1978) study, which systematically monitored the development of CSR in the USA, shows that out of the Fortune 500 companies, 89% made social disclosures. The

study classified social disclosures into seven categories, viz. environment, energy, fair business practices, human resources, community involvement, products and 'others'. It was found that highest percentage of companies disclosed in the category of environment (50%), energy (53%) and human resources (42%). In a later study of the 50 largest US corporations by Guthrie and Parker (1990) (data year 1983) it was found that three in every four made human resource disclosures. This study also showed a dramatic increase in community development disclosures and an overall increase in the amount of social disclosures in general. Finally, in a comparison of three years' surveys from 1980/81 to 1982/83, Gray, Owen & Maunders (1987) observed that human resource was the most disclosed category followed by 'others' and fair business practices. It was also observed that over 50% companies disclosed at least one item of CSR in the year 1982/83.

While earlier studies were mainly descriptive measuring the extent and volume of disclosures some later studies, with more rigorous content analysis, examined the relationship between volume of disclosures and company characteristics and other general contextual factors such as profits⁷, company size, industrial grouping and country of domicile (Adams et al., 1998; Adams & Kuasirikun, 2000; Cowen et al., 1987; Gray, Javad, Power, & Sinclair, 2001; Guthrie & Parker, 1990; Hackston & Milne, 1996; Trotman & Bradley, 1981). Broadly the purpose of these studies was to investigate possible explanatory factors underlying CSR practice. However, they did not find any conclusive evidence concerning the relationship between CSR and

⁷ A group of market based studies, mainly American, (Anderson & Frankle, 1980; Grojier & Stark, 1977; Ingram, 1978; Shane & Spicer, 1983) also explored the relationship between CSR and stock market performance. While the results of the studies are mostly mixed Patten (1990) found some relationship between CSR and share trading volume.

profit. While Gray et al (2001) found some relationship, at least in the UK context, Cowen et al (1987) found no such relationship. Overall research is still inconclusive in this regard. The literature also suggests company size as an important explanatory variable of CSR (Adams et al., 1998; Cowen et al., 1987; Gray et al., 2001; Hackston & Milne, 1996). Additionally, the relationship between CSR and industrial grouping is supported by some studies (Adams et al., 1998; Cowen et al., 1987; Gray et al., 2001; Hackston & Milne, 1996). Finally, in a number of comparative studies researchers found a relationship between CSR and country of domicile (Adams et al., 1998; Adams & Kuasirikun, 2000; Cowen et al., 1987; Guthrie & Parker, 1990).

While the above content analysis studies were mainly quantitative (measuring the volume of disclosures) very few studies used content analysis qualitatively (but see Adams & Harte, 1998; Unerman, 2002) to explore the motivations of CSR. These latter studies made an attempt to interpret CSR practice from the background of the socio-political, economic and cultural context in which social disclosure takes place. Examining gender related disclosures during the period 1935-1993 in British banking and retail companies Adams & Harte (1998) sought to obtain a better understanding of managerial disclosure policy, and in particular the influence of patriarchy. Adopting a political economy perspective they considered corporate social disclosure and non-disclosure in regard to gender and employment over a 59 year period in the light of the social, political and economic context of the time. The authors suggested that the status of woman as portrayed in the annual reports of the companies in the two sectors studied could be partly explained by continuing patriarchal attitudes of management. Using a similar perspective Unerman (2002) presented a more complex

historical analysis of social disclosures in Shell from 1950 to 1965. The study gave examples of several disclosures by Shell which could have been designed to influence the government of different countries so as to serve the self-interests of the oil industry in general, and Shell in particular. Such disclosures include adverse commentary on the actions of foreign governments, such as closure of the Suez Canal and nationalisation of Shell's assets, arguments against high taxation, trade barriers and government interference and justification of trade practices and profit levels. Unerman argued that, using CSR as a tool, Shell managed to protect and advance the power and wealth of capital whilst ignoring the consequences of such practice on individual states of the world. In the words of author:

It shows how Shell operated within a set of constraints to protect and enhance its power at the expense of detracting from the interests of many nation states which sought to limit its power. It also shows how narrative accounting disclosures might have played a role in this process, and how they illuminate the processes of enhancing organisational global hegemony. (Unerman, 2002, P.32)

Thus, as research in CSR progressed researchers made attempts at developing theoretical explanations for the underlying motives of CSR. In this regard, the most important contribution to the literature was made by Gray et al (1995b) and Gray et al (1995a). In these studies they examined CSR practice in the UK employing a combination of legitimacy, stakeholder and political economy perspectives. Several other studies have examined the potential of these theories for explaining CSR practice (Adams et al., 1998; Belal, 2002; Campbell, 2000; Deegan, 2002; Deegan & Gordon, 1996; Deegan & Rankin, 1999; Deegan, Rankin, & Tobin, 2002; Hooghiemstra, 2000; Neu et al., 1998; Newson & Deegan, 2002; O'Donovan, 2002; Roberts, 1992; Unerman, 2000a; Williams, 1999; Wilmshurst & Frost, 2000).

Political economy theory attempts to interpret social disclosures by relating these disclosures to the social, political and economic context in which they take place. While both legitimacy and stakeholder theories are derived from the broader political economy perspective, legitimacy theory argues that social disclosure could have been employed by the organisations to legitimise their relationship with the society. On the other hand, by changing the level of resolution, stakeholder theory argues that there are different stakeholder groups within society such as investors, employees, customers, suppliers, community and the general public. Corporations might design their CSR strategies with a view to managing their relationship with powerful economically dominant stakeholders. These theoretical explanations will be examined in more detail in the next chapter.

In addition to analyses based on published corporate reports, in recent times researchers have probed managerial motivations directly via interview methods. In these in-depth interview-based studies researchers engaged with managers in an attempt to understand the managerial perceptions or motivations behind CSR. In a recent influential paper Gray (2002) emphasised the importance of reporting the results of such engagement:

On the one hand we hear an increasing amount about ‘the need for engagement’ – something social accountants are continually involved in – through the accounting profession, reporting awards, advice to organisations, etc., etc. On the other hand we can see a notable absence of the reporting of such engagements from the accounting literature. (P 701)

..... it is now time for social accountants to start writing about their extensive experiences in engagement and sharing their imaginings about the new accountings they would want to see. These are not easy tasks but they must lie at the heart of any substantial social accounting project. (P. 703)

(b) Interview-based Managerial Perceptions Studies

There are very few qualitative interview-based in-depth studies which explore managerial perceptions of CSR (but see Adams, 2002; O'Dwyer, 2002; Owen et al., 2001). The strength of these studies lies in the fact that they probe the complex managerial motivations behind CSR by direct engagement with managers rather than by investigating the motivations indirectly via examination of disclosures.

One common theme that binds this group of studies together is the exploration of influential factors and managerial motivations for CSR. While the study of Adams (2002) offers a more inclusive model of CSR, which includes some internal factors influencing the process of CSR, O'Dwyer (2002) explores Irish managers' perceptions towards CSR using a legitimacy perspective. Finally, using a stakeholder perspective Owen et al (2001) make an attempt to examine the extent to which the social accounting movement has achieved the fundamental objective of promoting accountability and transparency.

Adams (2002) argued that previous research solely focused on corporate characteristics and general contextual factors, such as corporate size, industrial affiliation, country of origin and the economic and socio-political context, as the explanatory factors for CSR. Given the emphasis on internal processes and governance structures in current CSR practice she pointed out that internal contextual factors and their impact on CSR could be quite important. Based on interviews with seven large multinational companies in the chemical and pharmaceutical sectors of the UK and Germany she highlighted the lack of explanatory power of existing CSR

theories and presented a more inclusive model of CSR which in addition to the corporate characteristics and general contextual factors includes internal contextual factors such as the role of the company chair and board of directors, corporate social reporting committee, corporate structure and governance procedures, extent and nature of stakeholder involvement, extent of involvement of accountants, corporate views on reporting bad news, future reporting, regulations and verification, perceived costs and benefits of reporting and corporate culture.

Based on 29 interviews with 27 public limited companies O'Dwyer (2002) tells an interesting Irish story of managerial perceptions of CSR presence and absence. He interpreted the data generated by the study using the lens of legitimacy theory. It is found that while occasionally CSR may form part of a legitimacy 'process', it did not help the companies to achieve a legitimacy 'state'. Based on the work of Deephouse (1996) he explains that if there is a conflict between organisational and social values there will be a gap endangering the legitimacy of the organisation. This will then lead the organisation to undertake certain actions including CSR as part of a legitimation 'process'. The objective of such a process is to establish congruence between organisational and social values with a view to achieving a 'state' of legitimacy.

In another interview-based study examining the role of stakeholder engagement in the current wave of social and ethical accounting, auditing and reporting Owen et al (2001) argue that, despite the enthusiasm and support for active stakeholder engagement, current social accounting practice amounts to little more than corporate spin. Based on a series of 15 semi-structured interviews with the corporate managers

and other prominent actors in the field of social accounting Owen et al (2001) conclude that the desire to promote a 'business case' for social accounting, combined with a reluctance to bring reforms in corporate governance structures, defeated the fundamental objective of social accounting to promote accountability and transparency. Thus, it is argued, the principal aim of present stakeholder engagement practice is to manage the powerful economic stakeholders.

While all studies discussed in this sub-section examined CSR from the corporate perspective it is also necessary to examine CSR from the stakeholder perspective as stakeholders' engagement has assumed central importance in contemporary practice. Such necessity arises because of the possibly differing information requirements of different stakeholder groups and also because of a concern with the normative justification of providing information to stakeholders as a means of discharging accountability with regard to social, ethical and environmental performance of the organisation (Gray, Owen, & Maunders, 1991).

(c) Stakeholders' Perceptions Studies

Very few studies have examined CSR from a stakeholder perspective other than from the investors' point of view (but see Deegan & Rankin, 1997; Owen et al., 2000; Tilt, 1994, for reactions of other stakeholder groups). The common theme of this group of studies, subject to exception, is that stakeholders do value social disclosures as indicated by their demand for social, ethical and environmental information.

Most of the studies classified under this heading focused on the investors' perspective by examining their reactions to the social and environmental disclosures. Generally, profit seeking investors' reactions to social disclosures are far from clear. Some studies found that moderate or no importance was placed on social and environmental information in the process of investment decision-making (Benjamin & Stanga, 1977; Milne & Chan, 1999). However, some other studies suggest that social disclosures in general, and environmental disclosures in particular, are important to investors (Deegan & Rankin, 1997; Epstein & Freedman, 1994). While research evidence regarding short-term profit seeking investors' reactions to social disclosures are inconsistent, other studies more or less consistently show that the importance of social disclosures is generally high to long-term investors with ethical investment motives (Buzby & Falk, 1978; Friedman & Miles, 2001; Harte, Lewis, & Owen, 1991; Rockness & Williams, 1988). There is also a group of market based studies which investigated the impact of social disclosures on share price and trading volume. These studies generally conclude that markets do react to social disclosures via changes in share price (Anderson & Frankle, 1980; Ingram, 1978; Jaggi & Freedman, 1982) and increase in trading volume (Patten, 1990). However, such reaction could be a function of corporate size, industrial affiliation and type of disclosure made (Ingram, 1978). The assumption here is that if the market reacts to social disclosures then the investor must be utilising the social information disclosed. In another study Mahapatra (1984), however, did not find any link between social disclosures and market return. Moreover, there is no general agreement with regard to the direction of change in share price (Freedman & Jaggi, 1988). Thus, it may be

said that currently there is no universal agreement concerning investors' perceptions of social disclosures.

There are a few studies that have examined other stakeholders' perspectives on CSR. In a study of the importance of environmental disclosures to a wide variety of annual report users, including shareholders, Deegan & Rankin (1997) found that the users considered these disclosures as important although they ranked them behind traditional financial information such as profits, net assets, cash flows, and dividend payments. The user groups surveyed include shareholders, accounting academics, stock brokers and financial analysts, financial institutions, environmental lobby groups, industry associations and other groups.

In a questionnaire survey of the influence of Australian pressure groups on CSR, Tilt (1994) found that they used social and environmental information, with 82% respondents having read some kind of social disclosure, and 52% actively seeking social information. They also made an attempt to influence corporate disclosure practices by supporting those companies with good disclosure practices and lobbying against the non-disclosers. The respondents of her study considered current social disclosures to be inadequate and low in credibility due to lack of external verification of the information provided. They would like to see qualitative as well as quantitative disclosures within the annual report with some form of external verification.

Drawing on a series of interviews with leading practitioners and opinion formers and an extensive review of the newly emerging social accounting and auditing literature, Owen et al (2000) argue that in the absence of reforms in corporate governance structures the current social audit movement runs the risk of being captured by the consultants and/or corporate management. In their opinion, the current social audit movement has failed to achieve the original objective of democracy, accountability and transparency as promoted by the founding fathers of social audit. In its current position social audit amounts to little more than a public relations exercise aimed at stakeholder management.

The above discussion shows that previous studies have mainly examined the perceptions of investors and investment/financial analysts with more recent studies extended to include pressure groups. Little research has yet been conducted to investigate the perceptions of other important stakeholder groups, such as customers, employees and regulators, towards CSR.

Having examined the CSR literature of developed countries we now turn to the discussion of CSR literature in the context of developing countries. We still know very little about the practices in ex-colonial, smaller and/or emerging countries. Such knowledge is important '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' (Kisenyi & Gray, 1998, P.16).

2.4 CSR in Developing Countries

In view of the importance of learning about CSR practices in developing countries a growing body of literature is now available which examines practices in developing countries (Andrew, Gul, Guthrie, & Teoh, 1989; Disu & Gray, 1998; Hegde, Bloom, & Fuglister, 1997; Kisenyi & Gray, 1998; Naser & Baker, 1999; Newson & Deegan, 2002; Savage, 1994; Teoh & Thong, 1984; Tsang, 1998). A critical review of this literature, which is particularly relevant to the present project, is undertaken in the following paragraphs.

(a) Descriptive Content Analysis Studies

Earlier CSR studies on developing countries were mainly descriptive measuring the volume and extent of disclosures. One of the earliest studies in this regard is by Singh and Ahuja (1983) and, until 1997, this was the only study from the South Asian context that was reported in an international journal. However, more recently Hegde et al (1997) made a CSR case study of an Indian company (Steel Authority of India Ltd.). 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 model⁸ (Gray et al, 1996).

Singh and Ahuja (1983) studied 40 annual reports of public sector companies for the year 1975/76. Their study developed a disclosure index consisting of 33 social

⁸ The model was developed by the US consultancy firm Clark C. Abt and Associates. In 1972 it reported a series of social accounts showing the organisation's total impact in financial terms. This reporting continued throughout the 1970s. It is one of the earliest attempts of experimentation in social accounting (Gray et al., 1996).

disclosure items including social overheads, environmental control measures, charitable activities and community involvement. The study examined the extent of CSR in India and the relationships between CSR and company age, size, profitability and industrial grouping. They found that age and size (measured by net sales) were not significantly associated with CSR, but size measured by total assets had a positive impact on CSR. Profitability had a mixed impact on CSR and social disclosures were found to be highly related to the nature of the industry. The study also indicated that approximately 40% of the companies disclosed more than 30% of the information included in the index.

Significantly, Singh and Ahuja (1983) did not study private sector practices, which are now making an important contribution to the Indian economy (though Hegde et al (1997) citing Rajmani (1994) report 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 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 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 current CSR practices in South Asian countries.

Since Singh and Ahuja (1983) a few further studies have examined CSR practices in developing countries. We know very little about the state of social and environmental

accounting in East European countries. One of the studies available from this context is that of Stepien (1994). In this exploratory piece of work he observed that the systematic practice of environmental accounting was very rare in *Poland* as the priority, as with many other developing countries, was given to economic development.

In a study of 115 *South African* companies, Savage (1994) reports that approximately 50% of companies made 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 feature community involvement (72%) and environmental impacts (63%). In another recent South African study Villiers (1999) observed a dramatic increase of CSR in the 1990s particularly in the areas of employees, environment and community. He attributed the reason for such increase in disclosures to the miraculous political change in the nineties.

In a study of 22 large multinational companies (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 in *Uganda*, Kisenyi and Gray (1998) observed that none of them made any environmental disclosures whilst all of them made employee related disclosure and two of them provided 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).

Andrew et al (1989) carried out a survey of 119 companies based in *Malaysia and Singapore* using their annual reports relating to the year ending December, 1983. They found that only 31 (26 %) companies made social disclosures and that the main category of disclosures was related to human resources. They offered the following explanation for the high incidence of employee-related disclosures:

.....companies in the developing countries might have been aware of the concern by governments in these countries to improve the working conditions and living standards of the workers. Disclosure of employee welfare activities, for example, provision of housing, health clinics and other amenities would indicate the contribution by companies to this effort. (P.373)

Their study also found that larger foreign-owned companies disclosed more social information than smaller domestic companies. In their opinion the reason could be the greater visibility of larger companies and their close monitoring by the host government. So by employing a CSR strategy these companies can, they argue, overcome the criticism of concentrating on the exploitation of economic resources of the developing countries.

Fiji is another Pacific island in the Asia-Pacific region about which we know very little in terms of CSR practices. However, the recent study by Lodhia (2000) provides a snapshot of Fijian CSR practices. Based on a content analysis of annual reports of 8 listed companies related to the year 1998 the study found that, as expected, environmental reporting is very scarce in Fiji while most of the companies disclosed various employee and ethical issues. The study provides us with a limited insight of Fijian practices.

The above descriptive studies provide insights as to the CSR practices in different developing countries but are mainly limited to the measurement of volume of disclosures. As research on CSR in developing countries has progressed, studies using case method and longitudinal studies using more rigorous content analysis techniques have been reported. In exploring corporate motivations for CSR some of these studies also attempted to develop theoretical explanations underpinning the reporting initiatives.

Hegde et al (1997) made a case study based on the 1993 annual report of the Steel Authority of India Limited (SAIL) which is also a public sector company. They noted that SAIL prepared a social balance sheet and also three separate income statements showing costs and benefits to three groups of stakeholders, namely, employees, community and the general public. In addition, the company made extensive human resource disclosure and included a value-added statement in the annual report. The study provides some explanation for undertaking CSR in SAIL:

The public sector undertaking, SAIL, espouses social gains rather than profit maximisation, and in conformity with this objective, publishes social balance sheets and income statements,

value added statements, and human resource accounts. However, since these accounts are not audited their verifiability can be questioned. Positive social disclosures act as favourable public relations for the government. (P.165)

In another study based on a longitudinal analysis of CSR practices in SAIL during 1984-85 to 1990-91 Batra (1996) proposed a CSR framework for Indian companies. The author observed inconsistencies in Indian CSR practices arising from lack of uniformity in presentation and also due to lack of 'conventions, postulates and axioms to guide social accountants in drafting accounts' (P.43). In view of the inconsistency of social reporting practices in India the study perceived the need for a suitable social reporting framework incorporating disclosure in the areas of employment opportunities, foreign exchange transactions, energy conservation, research and development, contribution to the government exchequer, social projects, environmental controls, consumption, product improvement, human resources and community investment. One of the limitations of the Indian studies discussed above is that most of them concentrated on public sector undertakings and thus fail to enlighten us concerning CSR practices in the growing private sector, particularly in the operating subsidiaries of the multinational companies.

Using content analysis technique, 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%) made social disclosures. This study also confirmed the dominance of employee related disclosures which was followed by community disclosures. The study observed a steady increase in the amount of social disclosure during the late 1980s and then a stable pattern since 1993. The possible explanation

for such a pattern of disclosure could be related to the socio-economic context of that time in Singapore. Since the mid-1980s the Singapore Government has emphasised the need for development of its manpower. For this purpose specific public training institutes were established. Moreover, because of the scarcity of natural resources the Government has been launching campaigns for the conservation of energy and water. A cultural ministry was set up to take care of cultural activities which required corporate sponsorships. All these factors contributed to increased social disclosures until 1993. Since 1993 it stabilised. The probable reason could be the voluntary nature of these disclosures. The author suggested that it could be that after making a certain level of disclosures the companies were not motivated to go further. One of the contributions of this study was to be able to interpret corporate disclosure strategy using the legitimacy theory perspective. The study found that two tobacco companies made significantly larger amount of social disclosures at a time when the government banned tobacco advertisement in Singapore and widened the restriction on smoking in public places. This result to some extent supports the arguments of legitimacy theory.

In a comparative study (Williams & Pei, 1999) of corporate social disclosures of four Asia-Pacific nations (Australia, Singapore, Malaysia and *Hong Kong*) on their web sites vis-à-vis annual reports it was found that Australian and Singaporean companies made significantly more disclosures in their websites as compared to the annual reports while their counterparts in Malaysia and Hong Kong did not show any significant difference. The authors suggested several reasons to explain why Australian and Singaporean companies disclose more on their websites. In particular,

it could be due to the large amount of investment by these companies in internet technologies as they consider it as an effective mechanism to disseminate information. Moreover, institutional bodies in these countries may be placing greater emphasis on electronic business and communication as compared to Malaysia and Hong Kong. The study also observed that the opportunity of disclosing through website, although narrative in most cases, did offer the companies some additional convenience.

A further theoretically informed study was that of Williams (1999). Using a bourgeois political economy perspective⁹ in this study of seven Asia-Pacific nations (Australia, Singapore, Malaysia, *the Philippines, Indonesia, Thailand* and Hong Kong) he found that two cultural factors - uncertainty avoidance¹⁰ and masculinity¹¹ (Hofstede, 1980) and political and social systems were significant determinants of voluntary CSR across the countries studied. He argues that the socio-political and economic system of a country influences corporate perceptions regarding what to disclose in order to meet social expectations as well as to avoid the threat of legislation and thus achieve their own self-interests. The author claims that this is consistent with bourgeois political economy theory, although in a review of the article Gray (2000a) appears to be unconvinced of the possibility that such theory can be empirically tested, at least in a functionalist sense. Although the study introduced

⁹ As opposed to a classical political economy perspective, the bourgeois perspective does not consider the structural conflict and class struggle rather assume those as given. It considers the interaction of groups in a pluralistic world, for example, companies and stakeholder groups such as investors, employees, consumers and pressure groups. For more details of this perspective see Chapter Three.

¹⁰ It 'is the degree to which society is uncomfortable with ambiguity and an uncertain future'. (Choi, Frost, & Meek, 2002, P.45)

¹¹ It refers to the 'extent to which gender roles are differentiated and performance and visible achievement (traditional masculine values) are emphasised over relationships and caring (traditional feminine values)'. (Choi et al., 2002, P.45)

countries like the Philippines, Thailand and Indonesia to the CSR literature for the first time we know very little about the CSR practices in these countries as such from the study because of lack of illustration of CSR practices by way of provision of extracts from corporate reports.

In another international study of 150 large Australian, Singaporean and *South Korean* multinational corporations Newson and Deegan (2002) examined the notion that large multinational corporations respond to “global expectations”¹² rather than simply meeting the information needs of peoples in their “home” country. However, results of the study found minimal association between global expectations and the disclosure policies of large multinationals. Informed by legitimacy theory, one of the explanations offered for this minimal disclosure is that, consistent with legitimising strategies suggested by Lindblom (1994), the companies could be focusing on their strengths (for example, employee performance and profile) only to deflect attention from other global concerns. This study informs the CSR literature on two counts. Firstly, using a legitimacy perspective it talks about the motivations of global corporations in developing CSR strategy. Secondly, it brings a South Korean perspective to the CSR literature.

Another study which examined environmental disclosures in South Korea in terms of quantity and quality is that of Choi (1998). Regarding the extent of disclosures, the

¹² Such expectations include respect of local laws, avoidance of child and forced labour, fair wages to workers, decent working conditions, training and development of employees, free association of employees, equal opportunity, no bribery, promotion of sustainable development, reduction of net energy consumption and recycling.

study found that out of 459 companies surveyed only 64 companies made environmental disclosures. The study found a systematic relationship between nature of industry and CSR indicating that environmentally high-profile industries such as pulp and paper, minerals, chemicals and petroleum companies disclosed more (average 8.2 lines of disclosure) than the environmentally low profile industries (average 6 lines of disclosure) such as textile, leather and publishing. The quality of disclosures was measured on a scale of 0 to 3, where 0 indicates poor disclosure consisting of declarative and personal type of disclosures and 3 indicates detailed factual disclosures expressed in monetary terms. The average score for the companies surveyed hardly exceeded 1, indicating poor quality of disclosures made which were largely incomplete and provided self-serving, inaccurate accounts of environmental performance.

Bangladesh

There are few empirical studies available on CSR practices in *Bangladesh*. The study by Belal (1997) on green reporting practices in Bangladesh observed that out of 50 companies only 3 (6%) companies made environmental disclosures. The data year of this study was 1994/95. A later study by Belal (2000) on environmental reporting showed that the average amount of information provided by the surveyed companies was only two lines. The study also found that although 27 (90%) companies, out of 30 studied, made environmental disclosures, the percentage of companies disclosing environmental information comes down to only 20 if disclosure related to expenditure on energy usage is excluded. Even so, the number of companies making environmental disclosures has increased from the picture

painted by the earlier survey. This increasing trend was also confirmed in another study by Imam (1999) which showed that the number of companies disclosing environmental information increased from only four in 1992-93 to seven in 1996-97 out of 34 companies surveyed. None of these studies explored why the number of disclosers increased, which could have provided some useful insights into environmental disclosure practices in Bangladesh. These studies also did not consider other aspects of CSR.

More recently, Imam (2000) conducted a survey of CSR practices in Bangladesh. The study reported that all companies included in the survey (40 in total) 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 social disclosures in Bangladesh in a broader socio-political and economic context. For example, one of the reasons why all companies made human resource disclosure could be due to the emphasis given in the national labour policy to the development of workers.

However, a more recent study by Belal (2001) in addition to describing social reporting practices in Bangladesh briefly explored their socio-economic contexts. The study made an attempt to examine CSR in Bangladesh in relation to contextual factors such as historical and political (e.g. change from military government to democratically elected government), economic (e.g. rising foreign investments, adoption of market economy principles and re-activated stock market), socio-cultural

(e.g. unionised labour, high family values and widespread corruption) and regulatory and institutional (e.g. rules and regulations). The study goes somewhat towards explaining why a particular social disclosure category is more prevalent than others in Bangladesh. For example, it notes that the reason for highest number of disclosures in the 'employee' category is probably the presence of a unionised labour force and the emphasis on workers' welfare in the current Labour Policy of Bangladesh. All companies included in the survey disclosed at least some social information. The highest number of companies (29 out of 30) disclosed information which falls into employee and 'others' categories whilst the lowest number of companies (23) made ethical disclosures. The disclosures made varied from purely descriptive statements to provision of financial information. Most of the mandatory disclosures were of a financial nature and located in the financial statement section of the annual report. Voluntary disclosures, in the main, were of a descriptive nature and located in various parts of the annual reports other than the financial statement section. The largest amount of disclosures, as evidenced by the average number of lines used, was related to employee information (11 lines) followed by 'others' category (5 lines). The companies disclosed the lowest amount of ethical information (2 lines). It is concluded that although CSR practices in Bangladesh are noteworthy and deserve appreciation, in most cases, the quantity and quality of disclosures are poor.

A closer examination of the literature relating to the developing countries (including Bangladesh) shows that all of them are mainly concerned with the extent and volume of disclosures. They mainly explore descriptively CSR practices in developing

countries based on disclosures in the annual report. However, a limited number of studies have also probed the managerial and stakeholder perceptions towards CSR more directly via questionnaire and interview.

(b) Managerial and Stakeholders' Perceptions Studies

One of the earliest studies which probed managerial perceptions of corporate social performance and reporting from the Malaysian context was that of Teoh and Thong (1984). They conducted a personal interview questionnaire survey of chief executive officers of one hundred companies operating in Malaysia and examined three aspects of social performance, namely, social awareness, social involvement and social reporting. They found that the three most important factors behind social awareness are top management philosophy, legislation and alignment with the parent company. In the areas of social involvement and social reporting they found that companies are more active in the human resources and product/service to customers as compared to the community involvement and physical environment – a finding which is similar to that of Andrew et al (1989). The reason for emphasis on employees and product/services could be their direct association with profitability, whereas community involvement is only remotely related to profitability. The slightly higher marginal score for physical environment could be attributed to legislative factors such as the Environmental Quality Act which, inter alia, calls for improvement in corporate environmental performance. They noted that the level of social involvement is higher than the level of social reporting. The explanations offered for not disclosing included the desire to keep the annual report as brief as possible and the intention of not telling others what the company is doing. Like Andrew et al

(1989) the study indicated that large foreign owned multinationals were likely to make more disclosures. While the study offers direct insight to Malaysian CSR practices via personal interviews it does not offer any rigorous theoretical interpretation of data reported in terms of socially grounded systems based theories of CSR (e.g. political economy theory, stakeholder theory and legitimacy theory¹³).

In another exploration of senior management perceptions of social and environmental reporting in Ghana Rahaman (2000) conducted 28 interviews in 12 Ghanaian companies. The study revealed that most of the companies in Ghana make very little or no disclosure on environmental issues. However, a few corporations including one public sector corporation, Volta River Authority, made some qualitative disclosures. The principal motivations behind such disclosure were pressure from international lending agencies (such as the World Bank and the IMF), management philosophy, government regulation and the desire to achieve listing on the international stock markets. He concluded the study noting that the managerial perceptions of CSR in Ghana were not significantly different from the developed countries, although it can, of course, be noted that the motivating factor related to pressure from international agencies like the World Bank is more relevant to the developing country context. More research is needed to further investigate whether the managerial motivations behind CSR are the same in the developed as well as developing countries.

In this regard, another study by the same author is noteworthy (Rahaman et al., 2004). Using the legitimacy and institutional theory perspective he explored the

¹³ See Chapter three for details of these theories.

motivations for CSR in the Volta River Authority which claims to be a leading edge reporter in the area of social and environmental reporting in Ghana. The study adopted a case study approach and featured interviews with the top management of the organisation and also other relevant government departments. The results of the study indicate that the main driving force behind the CSR practices in the organisation is external pressure from international lending institutions such as the World Bank. The study shows how the corporate motivations in developing countries could be somewhat different from corporate motivations in the developed countries. It indicates that unlike consumer pressure or pressure from NGOs or civil society groups the driving force behind CSR in organisations in developing countries, which depend on foreign loans and aid, could be the external pressure from “powerful” international lending institutions.

Although the above studies concentrated on managerial perceptions only, the study by Naser and Baker (1999) explored the perceptions of other relevant user groups such as public accountants, academics and government officials in addition to the finance managers in Jordan. The study used a questionnaire survey method with a sample size of 206 from all four groups of users. In an exploration of why most of the companies in Jordan do not make social disclosures the study found that the most important reason is the lack of mandatory requirements, which indicate that respondents believed that without legal and professional requirements companies would be reluctant to disclose voluntarily. The respondent groups were divided on their perceptions regarding managerial motivations behind CSR. Whilst financial managers and public accountants believed that companies should accept wider social

responsibilities to the extent it is necessary for the viability of the business, academics and government officials thought that business should be responsible to a wider audience 'including society at large, because a social contract can be seen as existing between business and society' (P.222). The normative ethical stance of the academics is understandable as it can be expected that they would like to see the corporations accountable to society. The authors recommended CSR for Jordan as it can be seen as relevant to the country's economic, social and political problems.

2.5 Summary and Conclusions on Prior Research

After sketching a brief history of CSR research, in this chapter we have reviewed CSR literature related to the developed countries as well as developing countries with albeit more details on the developing countries. As the review indicates most of the CSR research was in fact carried out from the context of developed countries. Comparatively few studies are available from the context of developing countries. Several observations can be made on CSR research which has been undertaken in the developed countries. Firstly, CSR research has moved on from simple descriptive research to more rigorous content analysis based research which attempts to offer various explanatory factors for CSR such as corporate characteristics, general contextual factors and internal contextual factors. A number of studies have also tried to offer theoretically enriched explanations for corporate motivations behind CSR practice. Most of these studies are based on social and environmental disclosures included within the annual report. Secondly, although most of the content analysis studies were mainly quantitative, recently a few studies have used content analysis qualitatively with a view to explaining CSR from the socio-economic and political

context within which it takes place. Thirdly, responding to the call for more “engagement” based research by Gray (2002) in recent times a number of researchers have probed managerial motivations directly via in depth interviews with corporate managers. Fourthly, since the late 1980s CSR research emphasised the “environment” dimension at the cost of the “social” dimension. However, given the importance of the “eco-justice” issues the “social” dimension of CSR returned to the research agenda from the late 1990s. Finally, most of the studies which probed managerial motivations, either through annual report disclosures or via interviews with managers, indicate that the main motivation is economic.

Several observations can be made on CSR in developing countries. Firstly, within the developing countries most of the studies in fact concentrated on the African and Asia-Pacific Region, particularly Singapore and Malaysia. Very few studies are available from the South Asian context particularly Bangladesh. Secondly, most of the studies available from the context of developing countries are descriptive, measuring the extent and volume of disclosures contained within the annual reports. Although these studies provide us with little explanation regarding corporate motivations for CSR some later studies have started to provide limited insights in this regard with legitimacy (Tsang, 1998) and political economy explanations (Williams, 1999) being advanced. Thirdly, the focus of CSR in the developing countries is found to be on employee-related disclosures. In the developing countries, environmental and ethical disclosures have been very rare or absent. The prevalence of disclosure on employee related issues might be due to governmental concern about working conditions and training and development needs of the employees in

these countries. Companies are not disclosing much environmental information despite their operations being harmful to the environment (Belal, 2000; Belal, Khan, & Alam, 1998). At the moment, their legitimacy is probably not at stake due to the absence of strong pressure groups and lack of proper regulatory measures in those countries. Finally, it is only recently that developing country researchers have started to probe managerial motivations directly via in depth interviews with the corporate managers and have found interesting explanations such as pressure of international financial institutions (e.g. World Bank) (Rahaman et al., 2004) which had not been identified in the earlier CSR literature.

From the above discussion and observations it can be concluded that:

- Generally speaking CSR research from the context of developing countries is limited. In particular very few studies are available from the South Asian context including Bangladesh. The present study will contribute to the growing literature of CSR in developing countries.
- Both the developed and developing country studies which explore CSR within the annual report using content analysis are predominantly quantitative. A qualitative content analysis approach, as used in this study, can provide richer explanation by exploring meaning and implications of CSR rather than just count of disclosures.
- Recent calls for “engagement” based research by Gray (2002) require exploration of managerial motivations via in depth interviews with corporate managers. Such research is scarce from the developed countries in general and developing countries in particular. The present study will make a

contribution in this regard as it explores managerial perceptions via in depth interviews with corporate managers in Bangladesh.

- Most of the research in both developed and developing countries has focused on the corporate perspective of CSR. Very few studies have explored stakeholder perceptions (other than investors) of CSR. Given the importance of stakeholder engagement in contemporary CSR, it is also necessary to explore the story from the stakeholder perspective. The present study makes an attempt in this regard by interviewing stakeholder groups to examine their perceptions towards CSR in Bangladesh.
- Finally, most of the CSR research focused on the presence of disclosures and the motivations behind it. There is little or no study which examined the absence (Choudhury, 1988) of social disclosures (but see O'Dwyer, 2002). It is argued that, in order to understand corporate motivations, in addition to the examination of what is disclosed it is also necessary to explore what is being omitted and the reasons for such non-disclosure. In addition to the presence of disclosure the present study also explores the absence of social disclosures in Bangladesh.

CHAPTER THREE

THEORETICAL CONSIDERATIONS

3.1 Introduction

The purpose of this chapter is to discuss the theoretical explanations of corporate motivations behind CSR. Although we have seen a recent upsurge in interest concerning CSR practices, as evidenced by more and more companies joining the existing cohort engaged in CSR, there has been a lack of any agreed theoretical perspective to explain CSR activities (Gray et al., 1995b). However, there are several possible explanations regarding why organisations do (or do not) engage in CSR, including political economy theory (PET), legitimacy theory and stakeholder theory¹⁴. In fact, the latter two theories are derived from the bourgeois form of PET (Deegan, 2000; Gray et al, 1996).

As opposed to the classical perspective, which places social structure and conflict within society at the heart of analysis, the bourgeois perspective of PET does not

¹⁴ Although there are other theories which are used to explain CSR such as decision usefulness theory (Belkaoui, 1980; Benjamin & Stanga, 1977; Yamagami & Kokubu, 1991), positive accounting theory and agency theory (Ness & Mirza, 1991; Shane & Spicer, 1983), Gray et al (1995b) argue that economic theories can be dismissed as they consider only the (allegedly free) 'market' outcomes which runs counter to the principal concerns of CSR. According to Gray et al (1995b) CSR is primarily motivated by market failures and the desire to change current practice. They contend that 'Social and Political Theories' of CSR such as legitimacy theory, stakeholder theory and political economy theory provide by far more interesting and insightful theoretical perspectives on CSR. These are the theories which are increasingly informing CSR studies (see for example Adams et al., 1998; Adams, Coutts, & Harte, 1995b; Arnold, 1990; Campbell, 2000; Deegan & Gordon, 1996; Deegan & Rankin, 1996; Deegan et al., 2002; Deegan, Rankin, & Voght, 2000; Gray et al., 1987; Gray, Owen, & Maunders, 1988; Gray et al., 1991; Guthrie & Parker, 1989; Guthrie & Parker, 1990; Lindblom, 1994; Milne & Patten, 2002; Newson & Deegan, 2002; O'Donovan, 2002; O'Dwyer, 2002; Patten, 1992; Roberts, 1992; Tsang, 1998; Williams, 1999; Wilmshurst & Frost, 2000). Moreover, these theories adopt a broader perspective by considering a wider set of stakeholders rather than just financial stakeholders, which form the focus of functionalist economic theories.

question the class structure and possible struggles within society¹⁵. Rather it tends to consider interactions between groups within society (stakeholders in other words) in a neo-pluralistic manner (Gray et al., 1996). This neo-pluralistic perspective implicitly assumes that different stakeholders may have different levels of power to influence corporate decisions. Accounting (CSR) may be used to hold corporations accountable to these stakeholders. Corporations may respond via CSR when their legitimacy within society is deemed to be in jeopardy. While legitimacy theory considers the legitimacy of the corporation within 'society' as a whole, by changing the level of resolution stakeholder theory helps us to consider the subgroups (stakeholders) within society and their relationship with the corporation.

Given the importance of stakeholder engagement in contemporary social reporting practice a theoretical explanation will be developed based on a stakeholder perspective which will be used later to inform the empirical findings reported in chapters six, seven and eight respectively. Both legitimacy theory and stakeholder theory have been applied by a number of researchers in recent times to explain CSR practice. The remainder of the chapter proceeds with a discussion of political economy theory, which is then followed by a consideration of legitimacy theory, and stakeholder theory. Finally, a summary and conclusion is provided.

¹⁵ The classification of PET into 'classical' and 'bourgeois' perspectives appears to be somewhat simplistic which is why Gray et al (1996) also considered such an approach as 'tentative' (P.48). However, although such an approach is not unproblematic from the Marxian tradition, the way the perspectives 'classical' and 'bourgeois' are used in this chapter is broadly in line with the tradition adopted in the current social accounting literature in the discussion of PET (See for example, Deegan, 2000; Deegan & Blomquist, 2001; Gray et al 1995,1996; Williams, 1999). The political economy perspective adopted in this chapter is neo-pluralistic which seeks reform without an a priori assumption that change is only possible by the abolition of the capitalist system.

3.2 Political Economy Theory (PET)

According to Gray, Owen & Adams (1996, P.47) '.... *political economy* is the social, political and economic framework within which human life takes place'. PET helps researchers to interpret social disclosures from the rich social, political and economic context within which disclosures take place. Deegan (2000) argues that by adopting a PET perspective researchers can widen the level of analysis in order to consider the broader socio-political issues that may impact how a corporation operates and what information it elects to disclose. PET can be viewed from a 'classical' or 'bourgeois' perspective (Gray et al., 1996).

The former perspective, which is related to the works of philosophers such as Karl Marx, places structural conflict, inequality and the role of the state at the heart of the analysis. It offers direct insights regarding mandatory social disclosures. Through legal disclosure rules, the State imposes certain requirements on organisations. Classical political economists would interpret this as evidence of the State working apparently in the interest of disadvantaged groups, such as disabled persons and women. But by allowing corporations to do what they are doing (maximisation of shareholders' wealth), the State helps in maintaining and furthering the capitalist system as a whole (Arnold, 1990). According to Gray et al (1996, P.48) 'classical political economy, however, has little to say about the detail of CSR practice, maintaining that CSR produced voluntarily can only be the crumbs of legitimation dropped from the table of capitalism and therefore largely irrelevant, other than as another mechanism by which capital protects its own interests'.

In contrast, the bourgeois perspective can be used successfully to explain much CSR practice, particularly the absence of CSR¹⁶ (Gray et al., 1996). This version of PET does not analyse structural conflicts and class struggles but rather assumes these as given. Without explicitly recognising the way in which the forces of capitalism construct self-interest as group interest the bourgeois perspective of PET focuses on the interactions of the groups from a neo-pluralistic perspective, for example companies and employees or consumers or pressure groups. The neo-pluralistic perspective assumes that ‘while power is not located in a single individual or group (e.g. the State, capital, a ruling elite etc.), nor is it evenly distributed’ (Gray et al., 1996, P.33). While it may be argued that ‘structural conflict may be mediated, modified and transformed’ (Tinker, 1984, P.70) within the capitalist system, the bourgeois perspective, in its higher level of resolution, ‘treats these mediations as the whole of the story while ignoring the processes that created this mediation’ (Gray et al., 1995b, P.53).

As noted earlier, it is this perspective from which legitimacy theory and stakeholder theory are derived (Deegan, 2000). Both of these latter theories are concerned with this ‘mediation, modification and transformation’ as explained in the following two sections. Legitimacy theory reflects a bourgeois perspective as it concerns itself with organisation-society negotiation in a pluralistic world. Similarly, Gray et al argues (1995b, P.53) that ‘stakeholder theory is (typically) explicitly bourgeois in that the world is seen from the perspective of management of the organisation who are concerned strategically with the continued success of the company’.

¹⁶ Adams, et al (1995) for example, used this perspective to explain why companies do not report on matters of equal opportunity.

A number of CSR studies have used the bourgeois form of PET to explain CSR practice (Guthrie & Parker, 1990; Williams, 1999). Based on content analysis, the study by Guthrie and Parker (1990) carried out an international comparison of corporate social disclosure practices in Australia, UK and the USA (data year 1983). They argued that bourgeois political economy offered a number of valuable insights in explaining social disclosure practices. According to them, the range of social disclosures (environment, energy, human resources, products, community development and others) provided indicates corporate intention to mediate and accommodate the interests of a pluralistic set of recipients. The high level of voluntary social disclosures in all three countries may be an indication of 'constructive [corporate] response to public expectations or as a strategy that may delay, avoid, or indeed set the agenda for the imposition of regulated social disclosures' (P.171). The authors argue that where the level of disclosure is minimum or absent that also supports a political economy rationale. Political economy theory suggests that corporations may selectively fail to make disclosures considered to be against their self-interests. 'Nondisclosure then, is just as potent a means of mediation and mystification as selected disclosure' (P.170). They concluded the study by indicating that:

While many social disclosures may be identified as reactive and/or minimal, a PE [Political Economy] perspective recognizes the communicators' tendency to still strive to set the agenda and to portray the social, political, and economic world on their own terms. Seen in this way, even minimal and manifestly reactive disclosure or nondisclosure may still embody a proactive PE stance toward CSD [Corporate Social Disclosure] by corporate report producers. (P.173)

As noted in Chapter two, the study by Williams (1999) represents an international empirical test of bourgeois political economy theory. Focusing on the effects of socio-cultural, political and economic factors on voluntary disclosure practices, the study found that while culture (particularly the attributes of uncertainty avoidance and masculinity) and political and civil systems significantly influenced disclosure levels, the level of economic development and sophistication of the equity market were not significant explanatory variables. Williams suggests that organisations voluntarily provide information in order to protect their self-interests in the face of political and social pressures. He further argues that socio-political and economic factors of a nation shape corporate perceptions towards CSR required to meet social expectations as well as to avoid government regulation. In his opinion this is consistent with the bourgeois perspective of political economy theory.

3.3 Legitimacy Theory¹⁷

Broadly, legitimacy theory indicates that organisations may try to legitimise their activities by engaging in CSR in order to get approval from society in support of their continued existence and 'license to operate'. Social norms are not fixed, they change over time and corporations are required to be responsive to changing social

¹⁷ Gray et al (1996) suggests that there are two variants of legitimacy theory. The first variant, derived from the bourgeois perspective of PET, is concerned with the legitimacy of the individual organisation. Under this perspective, CSR may be used by the individual organisation as a strategy to close a 'legitimacy gap' (Lindblom, 1994). The second variant, derived from the classical perspective of PET, raises questions about the legitimacy of the prevailing capitalist system as a whole. In the opinion of Gray et al (1996) under this perspective CSR is more subtly employed. 'CSR might be used by an organisation to (for example) either 'explain' changing organisation-employee relationships which may appear, on the surface, to be an attempt to educate stakeholders but which is probably more usefully interpreted as an attempt to cover moves towards the emasculation of trade unions. Similarly, we can see trends in CSR which can be interpreted as attempts to maintain public perception of the importance of a company, an industry and a system in the 'creation' of 'wealth' and 'jobs'. Such use of CSR can be interpreted as attempts to maintain the legitimacy of the system rather than of individual organisations'. (Gray et al, 1996., P.47)

expectations in order to be perceived as 'legitimate'(Deegan, 2000). Lindblom (1994) suggests that organisations may employ different legitimisation strategies when faced with different legitimisation threats, for example, a major accident, oil leak or financial scandal. She argues that a distinction needs to be made between legitimacy – which is a status or condition – and legitimisation – which is the process underlying that state. According to Lindblom, organisations can adopt four strategies in order to seek legitimisation. They may:

1. seek to educate and inform the stakeholders about actual performance;
2. seek to change stakeholder perceptions without changing actual behaviour;
3. seek to distract attention away from the issue of concern;
4. seek to change external expectations about performance.

As Lindblom indicates, organisations can employ CSR as part of any, or all, of these strategies. For example, the tendency of the organisations to make only positive disclosures is indicative of their desire to maintain legitimisation.

The concept of 'social contract' is important to the understanding of legitimacy theory. The notion is that there is a 'social contract' between the organisation and the society in which it operates. This is explained as follows:

The social contract would exist between corporations (usually limited companies) and individual members of society. Society (as a collection of individuals) provides corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees. Organisations draw on community resources and output both goods and services and waste products to the general environment. The organisation has no inherent rights to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to society. (Mathews, 1993, P.26 cited in Deegan (2002), P.292)

The terms of the 'social contract' reflect the expectations of society about how an organisation should conduct its operations. These expectations could be explicit or implicit. It is argued that legal requirements form the explicit terms of the contract, while community expectations constitute the implicit terms (Deegan, 2000)¹⁸. The legitimacy of an organisation could be threatened by breaching the terms of the social contract and thus failing to conform to social norms and expectations. If society is not satisfied with the corporate performance, it can revoke the corporation's 'contract' to continue its operations. The withdrawal of social support could have serious implications for the organisation:

This might be evidenced through, for example, consumers reducing or eliminating the demand for the products of the business, factor suppliers eliminating the supply of labour and financial capital to the business, or constituents lobbying government for increased taxes, fines or laws to prohibit those actions which do not conform with the expectations of the community. (Deegan, 2002, P.293)

Legitimacy is therefore critical to organisations seeking to secure continued supply of key resources and various actions are undertaken to retain legitimacy (Dowling & Pfeffer, 1975). Such actions include targeted public disclosures¹⁹ or 'controlling or collaborating with other parties who in themselves are considered to be legitimate' (Deegan, 2002, P.293). In order to conform, as societal perceptions change, corporations must adapt and change their strategies, and more importantly, such changes must be communicated to the relevant parties (Deegan & Blomquist, 2001).

¹⁸ Deegan (2002) argues that the terms of a social contract are difficult to determine and different organisations might have different perceptions of the terms. It is in relation to the implicit terms where managers' perceptions can vary to a great extent.

¹⁹ Also it is referred to as the process of communication.

In recent years many CSR studies have used the above perspective to explain the existing practice of CSR (Adams et al., 1998; Campbell, 2000; Deegan & Gordon, 1996; Deegan & Rankin, 1996; Deegan et al., 2002; Deegan et al., 2000; Guthrie & Parker, 1989; Milne & Patten, 2002; Newson & Deegan, 2002; O'Donovan, 2002; O'Dwyer, 2002; Patten, 1992; Tsang, 1998; Wilmshurst & Frost, 2000). Due to space limitations detailed discussion of all these studies is not feasible here. However, it is useful to briefly discuss certain key studies. One of the early influential papers embracing a legitimacy perspective was that of Guthrie & Parker (1989). In this study they examined 100 years (1885-1985) of disclosures in BHP Ltd. – a large Australian company. They argued that if corporate disclosures respond to major social and environmental events, then there should be a correspondence between peaks of disclosure, and significant events in BHP's history. The results of the study did not provide evidence in support of legitimacy theory. In a more recent study O'Dwyer (2002) explored Irish managers' perceptions of CSR and whether they consider CSR as a successful legitimization strategy. Based on interviews with 29 executives in 27 Irish companies he concluded that legitimising disclosures could be counterproductive in Ireland and thus unlikely to be successful in providing desired legitimacy to the organisations. He argued that Irish peoples generally did not publicise positive achievements and such disclosures could in fact increase suspicions about corporate performance or could confirm existing social concerns. Thus, the results of this study suggest that, at least in the Irish context, companies do not consider CSR as a successful legitimization strategy.

However, there are a number of studies that provide growing evidence in support of a legitimacy perspective. Extending the work of Guthrie & Parker (1989), which failed to support legitimacy theory²⁰, Deegan et al (2002) examined CSR in BHP for the period 1983-1997. In line with media agenda setting theory (Brown & Deegan, 1999) the study assumes that media attention reflects community concern. In accordance with that belief the study measured community concern (via print media attention) which was a refinement of the method used in Guthrie and Parker (1989) for measurement of community concern. Consistent with legitimacy theory, the study by Deegan et al (2002) sought to establish whether there was an association between specific CSR and specific social concerns (as reflected by the media attention). Providing support for legitimacy theory the results of the study indicated that the issues which received highest media attention were also associated with the highest amount of corporate social and environmental disclosure. Further in support of legitimacy theory another study by Deegan et al (2000) found that companies did respond to major events by releasing more legitimising disclosures around the time of the incidents. Similar to these studies most of the other studies which used a legitimacy perspective in fact found varying levels of support for it (see for example, Brown & Deegan, 1999; Deegan & Gordon, 1996; Deegan & Rankin, 1996; Gray et al., 1995b; Milne & Patten, 2002; O'Donovan, 2002; Patten, 1992; Tsang, 1998; Wilmshurst & Frost, 2000).

²⁰ Deegan et al (2002) argues that such failure could be due to deficiencies in the way community concern was measured in Guthrie and Parker (1989). They (Guthrie & Parker) measured community concern excluding some important events or activities in BHP's history. 'They also acknowledge the possibility that their testing procedures may have failed to detect disclosure reactions if those disclosure reactions lagged behind the various social and environmental events' (Deegan et al., 2002, P.313).

While legitimacy theory remains popular within CSR research and provides useful insights as to CSR practice, it is still considered to be underdeveloped (Deegan, 2002). There are still “gaps” within the legitimacy theory literature. For example, do legitimising activities work and if so, then which disclosure media is more successful in influencing societal perceptions towards the organisations? There is a lack of knowledge as to whether particular stakeholder groups are more influenced by legitimising disclosures than others. In fact, this perspective provides poor resolution as it addresses “society” as a whole when society is composed of different individuals or groups with unequal power. In the words of Deegan (2002):

Proponents of legitimacy theory often talk about “society”, and compliance with the expectations of society (as embodied in the social contract). However, this provides poor resolution given that society is clearly made up of various groups having unequal power or ability to influence the activities of other groups. Stakeholder theory explicitly accepts that different groups have different views about how organisations should conduct their operations, and have different abilities to affect an organisation. When researchers such as Lindblom (1994), who embrace legitimacy theory, discuss the concerns of “relevant publics” they are changing the focus from “society” towards particular groups therein, and indeed are borrowing insights from stakeholder theory. (P.295)

Thus, we see that by changing the level of resolution stakeholder theory helps us to understand corporate responses (via CSR and other social activities) to different stakeholder groups within society. Stakeholder theory explains which group is more important and relevant to the organisation and why more corporate attention is paid to a particular group than to others. This perspective has been adopted in this study, as it will help us understand the corporate motivations behind CSR in Bangladesh by explicitly recognising different stakeholder groups within Bangladeshi society and also by exploring their relationship with the organisations.

3.4 Stakeholder Theory

Although the term ‘stakeholders’ can be traced back to the 1960s, Freeman (1984) deserves full credit for popularising the term since 1984. The term refers to the many interest groups who can affect, or be affected by, the organisation’s activities such as investors, employees, customers, suppliers, government, pressure groups and the wider society.

Since the publication of Freeman (1984) a large body of literature on stakeholders has developed which is varied in nature and to some extent confusing as different researchers used different theories with different aims and assumptions but under the label of stakeholder theory (Deegan, 2000). In the words of Deegan (2000, P. 267):

More correctly, perhaps, we can think of the term Stakeholder Theory as an *umbrella term* that actually represents a number of alternative theories that address various issues associated with relationships with stakeholders, including considerations of the rights of stakeholders, the power of stakeholders, or the effective management of stakeholders.

In an attempt to discuss the current state of stakeholder theory research Jones & Wicks (1999) summarised the basic tenets of stakeholder theory as follows:

1. the corporation has relationships with many constituent groups (“stakeholders”) that affect and are affected by its decisions;
2. the theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders;
3. the interests of *all* (legitimate) stakeholders have intrinsic value, and no set of interests is assumed to dominate the others;
4. the theory focuses on managerial decision making. (P.207)

Similarly, inspired by a desire to give coherence to the divergent and large stakeholder literature developed in the strategic management, business and society

and business ethics discipline Donaldson & Preston (1995) proposed a taxonomy of stakeholder theory types. They viewed stakeholder theories from three perspectives: normative, instrumental and descriptive/empirical. The normative perspective describes how management should deal with the stakeholders. There has been considerable interest in the literature over the use of normative principles by firms to address stakeholder concerns (Collins & Porras, 1994; Freeman, 1994; Paine, 1994). The instrumental perspective is related to what happens if management treats stakeholders in a certain manner. The descriptive perspective is concerned with the stakeholder management activities of the firm, i.e., how management actually deals with stakeholders (Berman, Wicks, Kotha, & Jones, 1999).

Based on extant research on stakeholders Berman et al (1999) suggested two distinct stakeholder models. The first model, the strategic stakeholder management model, suggests that firms are interested in stakeholders because of perceived benefit in terms of improved financial performance. The second model, the intrinsic stakeholder commitment model, suggests that 'managerial relationships with stakeholders are based on normative, moral commitments rather than on a desire to use those stakeholders solely to maximise profits' (p.492). Freeman's (1984) definition of stakeholders noted above also suggests a two-way relationship between the organisation and its stakeholders. The first element, whereby stakeholders can affect the firm, is related to the first model of Berman et al (1999) and the second element, whereby stakeholders are affected by the firm's activities, is related to the second model.

Ullmann (1985) suggested a three-dimensional conceptual model of corporate social activity (including CSR) based on a stakeholder theory. The first dimension – stakeholder power – explains that a corporation would be responsive to the intensity of stakeholder demands. The stakeholder's power to influence corporate behaviour depends on the degree of stakeholders' control over critical resources required by the firm. Thus, a positive correlation between stakeholder power, social performance and social disclosure can be expected. The second dimension is the strategic posture (active vs. passive) adopted by the firm towards corporate social activities. An active company would pursue a policy of influencing the key stakeholders through corporate social activities, whereas a firm possessing a passive strategic posture would not continuously monitor its relationship with the stakeholders and engage in minimal corporate social activities. Therefore, it is expected that there would be a greater level of corporate social activity and disclosure in firms possessing an active strategic posture. The third dimension of the model is concerned with past and current economic performance of the firm. Ullmann argues that economic strength influences the financial capability of a firm to undertake corporate social activities and disclosure. 'Economic performance determines the relative weight of a social demand and the attention it receives from top decision makers. In periods of low profitability and in situations of high debt, economic demands will have priority over social demands' (Ullmann, 1985, P.553). Therefore, it can be argued that given the level of stakeholder power and strategic posture, economically stronger firms will have a greater level of social activities and disclosures (Roberts, 1992).

One of the principal concerns of the stakeholder theory lies with the identification and prioritisation of stakeholders. Mitchell, Agle & Wood (1997) suggested a theoretical model advancing the idea that the salience of stakeholders to managers depends on their power, legitimacy and urgency. The power dimension in this model relates to the ability of a particular stakeholder group to influence corporate behaviour. The legitimacy dimension is defined as 'a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions' (P.869). Finally, the dimension of urgency is related to 'the degree to which stakeholder claims call for immediate attention' (P.869). On an empirical testing of this model by Agle, Mitchell, and Sonnenfeld (1999) it has been discovered that power, legitimacy and urgency do significantly increase stakeholder salience. On the other hand, Clarkson (1994) developed a risk-based model of stakeholder identification. According to Clarkson (1994) stakeholders should only be identified if they 'bear risk as a result of the firm's activities'. For example, he argues that the firm is responsible to those who have invested in it. On the other hand, government, competitors, terrorists, the media and activists who do not bear any personal risk from a firm's activities may be excluded from the stakeholder designation.

Drawing on the diverse stakeholder literature developed in the broader management discipline, stakeholder theory has also been used in the accounting literature by several researchers, particularly in the field of corporate social reporting (Deegan, 2000; Deegan & Blomquist, 2001; Gray et al., 1996; Neu et al., 1998; Owen et al., 2001; Owen et al., 2000). Two branches of stakeholder theory are discussed in the

social accounting literature – the ethical/normative branch and the managerial branch. In the ethical model it is argued that firms should be responsible and accountable to all relevant stakeholders irrespective of their power. By contrast, the managerial model suggests that firms would pay more attention to more economically dominant powerful stakeholders than less powerful social stakeholders. These arguments are further developed later in this chapter.

From the above brief review of stakeholder literature available in the field of management and accounting, three key strands of stakeholder theory can be identified which are expected to provide a lens through which we can read a story from the data reported in this study. These three stands are Clarkson's risk-based model of stakeholders (Clarkson, 1994), the normative/ethical stakeholder accountability model and the managerial stakeholder model (Belal, 2002). Clarkson's model will help us to critically examine and categorise different stakeholder groups addressed by Bangladeshi companies and their managers in the corporate social disclosure process. It will then, together with the insights derived from normative and managerial model of stakeholders, assist in developing an understanding of managerial motivations behind those disclosures. Thus, it can be explored whether the emergence of CSR in Bangladesh is driven by a desire to manage powerful economic stakeholder groups or by an intention to discharge accountability to all stakeholders.

Clarkson's Risk-based Model of Stakeholders

As we have noted, in this model Clarkson argues that 'a stake represents some form of risk and that without risk there is no stake' (P.1). On the basis of that argument he classifies stakeholders into two groups: voluntary stakeholders and involuntary stakeholders.

Voluntary stakeholders are those individuals or groups who have knowingly or voluntarily made, or taken, stakes in a firm and thereby have assumed some form of risk. For example, investors assume financial risks when providing financial capital to the firm. In addition to investors, voluntary stakeholders include employees, customers and suppliers. Also they may be referred to as economically powerful stakeholders (Unerman, 2000c). These stakeholders are of central importance to the firm as they control resources which are critical to the firm such as capital and labour. The survival of the firm would be at stake if they withdraw their support. Therefore, it can be expected that firm would pay more attention to these powerful voluntary economic stakeholders.

Involuntary stakeholders are 'those that are, or have been, unknowingly placed at risk as a result of the firm's activities, goods, or services' (Clarkson, 1994, P.1). They can include local communities, the natural environment and the wider society. They are affected by the firm's activities through no choice of their own and can be affected socially, economically and personally (Campbell, Shrives, & Bohmbach-Saager, 2001). Clarkson maintains that, 'It is management's responsibility to enhance value of those stakes [voluntary stakeholders] without externalising costs by

exposing people or environment [involuntary stakeholders] unknowingly to harm or damage' (P.11).

In an adaptation of Clarkson's model, Campbell et al (2001) called the voluntary and involuntary stakeholders less-dependent and more-dependent stakeholders respectively according to their direction of dependence on the firm²¹. Campbell et al (2001) argue that less-dependent stakeholders can more easily withdraw their support of the firm than the more-dependent stakeholders. In a study of mission statement disclosures by FTSE 100 companies they found that the most important stakeholder group was customers, followed by shareholders and employees. They concluded that 'economic (less-dependent) stakeholders remain the major focus of FTSE 100 companies when it comes to mission disclosure' (P. 83). This is not consistent with the overriding objective of corporate social accounting which, it is argued, should promote transparency and accountability to all relevant stakeholders irrespective of the direction of dependence on the firm (Medawar, 1976). The ethical/normative branch of stakeholder theory as discussed below promotes this argument.

The Normative Stakeholder Accountability Model

This model of stakeholder theory argues that corporations bear responsibility and are, hence, accountable to all relevant stakeholders – voluntary and involuntary.

²¹This categorisation could be to some extent problematic. Depending on the interpretation a particular stakeholder group could belong to either category. For example, employees were classified as voluntary/economic/less-dependent stakeholder by Clarkson (1994) whereas they were placed in the second category by Campbell et al (2001) while recognising that not all employees are more-dependent stakeholders. It can be argued that key employees such as senior managers or employees with highly transferable skills can be mobile and can threaten to leave the firm if their expectations are not met. In that case they will probably belong to the first category. On the other hand, the unskilled women workers working in the garment factories of Bangladesh (where there is abundant supply of cheap labour) would probably belong to the second category, as their livelihood is dependent on the mercy of the garment owners.

According to this model, the issues of 'stakeholder power' are not directly relevant (Deegan, 2000). Irrespective of their ability to further the economic objectives of the firm the interests of all stakeholders should be treated fairly.

Drawing on this model it can be argued that all stakeholders have a right to know the impact of organisation's activities on them (such as pollution, health and safety issues, employment etc.). They should be provided with information not only regarding corporate economic impact but also regarding the social, ethical and environmental impact. Deegan (2000) in his discussion of the normative model linked the notion of 'rights to information' with the accountability model proposed by Gray et al (1996) which involves two responsibilities: responsibility of undertaking, or refraining from, certain actions and responsibility of providing an account of such actions. Under the accountability model CSR should be responsibility driven rather than demand driven. By considering rights to information the model avoids the problem of considering users' needs (Gray et al., 1991). They argue that society (the principal) has a right to be informed about the impact created by the organisation (the agent). Even if society does not actively seek the information the organisation is obliged to provide an account. The overriding purpose of CSR should be to discharge that accountability to society (including the various stakeholder groups in it) and thus uphold the principles of democracy and transparency (Medawar, 1976).

However, as will be shown later in this chapter, empirical research so far has found little support for this model of accountability, which indicates that what the

proponents of the normative model suggest corporations should do is different from what corporations actually do. In practice, firms are interested in stakeholders because of the perceived benefit in terms of improved financial performance (Berman et al., 1999)²². This statement provides support for the managerial model of stakeholders.

The Managerial Stakeholder Model

According to this model organisations would pay more attention to the voluntary stakeholders, i.e. economically powerful stakeholders. They would be identified by the organisations in accordance with the extent they can further corporate interests. The more important they are to the organisation the more efforts would be devoted to influencing them. CSR would be employed as a strategy to seek their support and approval or distract their opposition and disapproval (Gray et al., 1996). This is consistent with Lindblom's (1994) legitimacy strategies. In a comparison of the managerial branch of stakeholder theory with legitimacy theory Deegan (2000) states:

.... within legitimacy theory the audience of interest is typically defined as *the society*. Within a descriptive managerial branch of stakeholder theory the organisation is also considered to be part of the wider social system, but this perspective of stakeholder theory specifically considers different stakeholder groups within society and how they should best be managed if the organisation is to survive. Like legitimacy theory, it is considered that the expectations of the various stakeholder groups will impact on the operating and disclosure policies of the organisation. The organisation will not respond to all stakeholders equally, but rather, will respond to those that are deemed to be 'powerful'. (P.272)

²² However, Donaldson & Preston (1995) argue that managers are not less morally obliged than any other citizens to act responsibly and it would be unwise social policy to preclude them from doing so. In fact, there are a number of values-based organisations such as The Body Shop, Traidcraft, Shared Earth and Ben and Jerry's to whom there is a goal beyond mere profitability. For these companies stakeholder identification is not simply a matter of identifying economically powerful stakeholders and attempting to influence them (Gray et al., 1996, P.70).

Thus we see that stakeholder power determines how much attention a particular stakeholder group can expect to receive from the organisation. This power is dependent on the control exercised by the stakeholder groups over critical resources (such as capital, labour and materials) needed by the organisation. The more critical the resources controlled by the stakeholder to the survival of the organisation the greater will be the expectations that stakeholder demands will be met (Ullmann, 1985). As a particular stakeholder's power increases their importance to the firm also increases (Roberts, 1992). This perspective suggests that organisations would change their operating and reporting behaviour as stakeholder expectations and power relativities change over time (Deegan, 2000).

Several empirical studies of stakeholder theory have found support for the managerial model as opposed to the normative model (Belal, 2002; Berman et al., 1999; Deegan & Blomquist, 2001; Neu et al., 1998; Owen et al., 2000; Roberts, 1992). Gray et al (1996, P.45-46) also note that the normative accountability model 'has little descriptive or explanatory power in a CSR context'.

Drawing on the Ullmann's (1985) framework, discussed earlier, Roberts (1992) tested the ability of stakeholder theory to explain corporate social disclosure practice. The study found support in favour of stakeholder theory indicating that measures of stakeholder power, strategic posture and economic performance are significantly related to the level of corporate social disclosures. Supporting the application of stakeholder theory to the analysis of corporate social activities and disclosure the author concluded that:

Stakeholder theory forms a theoretical foundation in which to analyse the impact of prior economic performance, strategic posture towards social responsibility activities, and the intensity of stakeholder power on levels of corporate social disclosure. (P.610)

In their study of UK social disclosures, Gray et al (1995b) also used stakeholder theory, as applied by Roberts (1992), to provide ‘ a plausible explanation of the tendency, in certain areas of disclosure, for the company to operate a system of “compensation” in which, as a new issue rises, the disclosure on an older (and negotiated issue) declines’ (P.66). They observed that, during the study period (1979-1991), while redundancy and industrial relations disclosure decreased, disclosure on training and equal opportunities increased and also that value added disclosure was on the decline while the disclosure of health and safety issues increased. Commensurate with the arguments of Roberts (1992) they then suggest that, ‘from a stakeholder point of view, this behaviour would be consistent with a company managing its environment [including the relationships with the stakeholders within that environment] across a relatively narrow front of dominant issues’ (P.66).

In another empirical testing of both models of stakeholders (normative and managerial) Berman et al (1999) found support for the managerial model only and concluded that firms were motivated towards adopting stakeholder management practices because of their positive impact on economic performance. The study focused on the association between financial performance, strategy and management of key stakeholder relationships including employee relations, diversity, local communities, natural environment and product safety/ quality. Berman et al found that only two stakeholder relations, namely, employees and product safety/quality

(customers) affected financial performance. This indicates that managerial attention to these two important stakeholder relationships can help improve financial performance and thus supports the managerial stakeholder model only. Failure to exhibit any statistically significant impact of the other three variables – community, diversity and environment – on firms' financial performance implies that no support can be provided for the normative model which argues that 'firms address stakeholder concerns because of a moral commitment to stakeholder groups and that this commitment will drive strategic decision making, which in turn impacts firm financial performance' (P.502).

Similarly, in another study of Canadian annual reports of listed companies operating in environmentally sensitive industries Neu et al (1998) found that companies were more responsive to the financial stakeholders and regulators as compared to environmentalists confirming the view that companies provide more information to legitimise their relationship with powerful stakeholders while neglecting the needs of less important stakeholders (environmentalists in this case). Neu et al tried to explain the relationship between changes (increase/decrease) in environmental disclosures with the particular concerns held by the stakeholder groups and empirically illustrated that:

The concerns of financial stakeholders (measured by PROFIT) and government regulators (measured by FINES) were associated with an increase in the level of environmental disclosure whereas the concerns of the First Nations people and other environmentalists (measured by MEDIA) were associated with a decrease in the level of disclosure. (P.279)

Thus, we see that the Canadian companies included in the study do not adequately address the concerns of environmentalists - a less powerful stakeholder. However,

sometimes environmental groups can be powerful enough to be able to influence the reporting behaviour of companies. Deegan & Blomquist (2001) provided the required empirical evidence in this regard. In an interview-based Australian case study they explored the interaction between the World Wide Fund for Nature (WWF) and the Australian Mineral Industry. In the context of this case study WWF was considered as a 'powerful' stakeholder in the Australian Mineral Industry because of its large membership and ability to lobby government. Using the lens of the managerial stakeholder model they found that WWF did influence the reporting behaviour of Australian mineral companies.

In addition to the study of Gray et al (1995b), noted above, there are a number of other UK based studies, which have embraced a stakeholder perspective including those of Belal (2002) and Owen et al (2000). Both Belal's (2002) review of the first wave of UK social reports published in 1999 and the study of Owen et al (2000) based on a series of interviews with leading practitioners and opinion formers came to the conclusion that current social reporting activities, in the UK context at least, have tended to be more of a stakeholder management exercise rather than an attempt at discharging accountability to all stakeholders.

3.5 Summary and Implications

This chapter has briefly reviewed various theoretical explanations provided in the literature to understand corporate motivations behind CSR. The chapter began with a discussion of broader political economy theory, which explores CSR within a social, political and economic framework. While the classical perspective of political

economy theory recognises conflict and tension inherent in the social structure, the bourgeois perspective examines CSR in a pluralistic manner assuming social structures as given. Both legitimacy and stakeholder theory are derived from the bourgeois perspective. Legitimacy theory states that organisations employ CSR as a way of legitimising their relationship with the society by showing that organisational activities are in accordance with social norms and expectations. The three key strands of stakeholder theory reviewed suggest that it is more likely that CSR would be used by organisations as a strategy to effectively manage their relationships with the powerful stakeholders whose support is critical for organisational survival. However, normatively it could be argued that organisations should be responsible, and hence accountable, to all stakeholders who are affected by the organisation's operations irrespective of the issue of stakeholder power.

This study adopts a stakeholder perspective²³ in examining the emergence of social accounting practice in Bangladesh. Stakeholders have assumed central importance in contemporary social and ethical accounting, auditing and reporting practice. Most of the important social accounting standards such as AA1000, SA8000 and the Global Reporting Initiative's Sustainability Reporting Guidelines have emphasised the importance of stakeholder involvement as absolutely crucial to the entire social accounting process. In the context of increasing public awareness about social, ethical and environmental issues, globalisation and the presence of multinational companies in developing countries like Bangladesh, either through operating subsidiaries or through the extension of supply chains, it can be expected that

²³ It must be noted that the purpose of this study is to read a story from the data reported about CSR in Bangladesh using the lens of stakeholder theory. It is not intended to seek support for stakeholder theory in a statistical sense.

Bangladeshi companies may respond to the changing social and environmental scenario through some form of CSR. The question is whether Bangladeshi companies (particularly multinationals and domestic suppliers of foreign markets) are embracing the notion of CSR by adopting Western social accounting standards and global codes of conduct designed by the Western companies and their industrial associations.

Previous research suggests that in order to retain their 'license to operate', organisations could be expected to respond to changing societal perceptions (including those of various stakeholders within it) with regard to social, ethical and environmental issues (Deegan & Blomquist, 2001; Neu et al., 1998; Tilt, 1994). By adopting a stakeholder perspective, in this study it can be explored whether Bangladeshi companies are responding to the social, ethical and environmental perceptions within the global community in general and the Bangladeshi community in particular. If they do respond via CSR, and other social activities, what is the driving force behind the corporate behaviour in this regard? In the case of competing demands from multiple stakeholder groups which stakeholder groups get priority and why do they get priority over the other groups? Using the lens of stakeholder theory we can examine whether the primary motivation is to legitimise corporate relationships with powerful key economic stakeholders or whether corporations are driven by some ethical motive of discharging accountability to all relevant stakeholders (including social stakeholders) irrespective of their power. It can be argued that if corporate behaviour of Bangladeshi companies is driven by the concerns of economic stakeholders only it will fail to achieve the fundamental

objective of social accounting directed towards promoting democracy, transparency and accountability (Medawar, 1976).

Having said that, it must be noted that CSR is a very complex activity to be understood by any single theoretical perspective (Gray et al., 1995b). Therefore, sometimes it might be useful to take into account insights provided by different theoretical perspectives in order to obtain a fuller and better explanation of CSR (Deegan, 2000). Although the theories are discussed separately in the above paragraphs, Gray et al (1995b) argue against treating them as competing theories of reporting behaviour and maintain that they are complementary to each other. They note that,

“Stakeholder theory” and “legitimacy theory” are better seen as two (overlapping) perspectives on the issue which are set within a framework of assumptions about “political economy” (P.52).

They conclude that the differences are in the ‘levels of resolution of perception rather than arguments for and against competing theories as such’ (p.52). As noted earlier, legitimacy theory typically considers ‘society’ as a whole as the audience of interest. By increasing the ‘level of resolution’ stakeholder theory helps us to widen the analysis by explicitly recognising the different stakeholder groups possessing differing levels of power and expressing different demands. Thus, the stakeholder perspective is expected to provide useful insights to the understanding of CSR practice, which could be used as a strategy to negotiate and manage corporate relationships with different stakeholder groups in Bangladesh. However, at times,

reference to PET and legitimacy theory might be needed to provide additional insights. This is because:

The manner in which stakeholder groups pressurise organisations to disclose, the ability of the organisation to use SER [Social and Environmental Reporting] to legitimise behaviour, and the social, economic and political institutional frameworks within which organisations operate should not be separated if a meaningful, comprehensive theoretical approach to explaining voluntary CSR disclosure is desired. (Miles, Hammond, & Friedman, 2002, P.13)

CHAPTER FOUR

THE CONTEXT OF BANGLADESH²⁴

4.1 Introduction

The purpose of this chapter is to put CSR practices in Bangladesh into context. Corporate reporting in general and CSR in particular is greatly influenced by social, political, cultural, legal, economic and technological factors (Mathews, 1993; Perera & Mathews, 1990; Tsang, 1998). Discussion of some of these contextual factors will be helpful in giving a better understanding of CSR practices in Bangladesh and, in particular, will help us to interpret the empirical findings reported in Chapters six, seven and eight. The following sections of this chapter outline the geographical, environmental, political, historical, social, cultural, regulatory, economic and technological contexts of Bangladesh. Table 4.1 below shows selected key socio-economic indicators of Bangladesh as compared to other South Asian, Low-income and High-income countries:

²⁴ This chapter is based on a section of my paper (Belal, 2001). However, it has been modified to a great extent for the purpose of this thesis.

TABLE 4.1: SELECTED SOCIO-ECONOMIC INDICATORS (a)

Indicators	Bangladesh	South Asia (b)	Low Income (c)	High Income (d)
People				
Population, total (in million)	131.1	1400	2500	902.9
Population growth (annual %)	1.7	1.9	1.9	0.7
Life expectancy at birth (years)	61.2	62.4	58.9	78.1
Infant mortality rate (per 1000 live births)	60.0	72.9	76.1	5.7
Urban population (% of total)	24.5	28.4	31.9	78.8
Illiteracy rate, adult males (% of males 15+)	47.7	34.9	28.3	N/A
Illiteracy rate, adult females (% of females 15+)	70.1	57.3	47.0	N/A
Environment				
Annual deforestation (% of change)	1.3	0.1	0.8	0.1
CO ₂ emissions (metric tons per capita)	0.2 (e)	0.9 (e)	1.1 (e)	12.6 (e)
Energy use per capita (kg of oil equivalent)	139.3 (f)	440.6 (f)	567.1 (f)	5447.6 (f)
Electricity use per capita (kwh)	89.0 (f)	337.0 (f)	358.0 (f)	8496.3 (f)
Economy				
GNI per capita (current US\$)	370.0	440.0	410.0	27,680.0
GDP growth (annual %)	5.9	4.2	4.2	4.5
Inflation, GDP deflator (annual %)	1.9	4.1	10.0	1.8
Agriculture, value added (% of GDP)	24.6	25.1	24.9	N/A
Industry, value added (% of GDP)	24.4	26.2	32.1	N/A
Services, etc., value added (% of GDP)	51.0	48.8	44.0	N/A
Technology and infrastructure				
Fixed and mobile telephones (per 1000 people)	5.0	30.7	28.7	1136.2
Personal computers (per 1000 people)	1.5	4.2	5.1	392.7
Internet users (in million)	0.1	5.4	9.3	269.8
Trade and finance				
Trade in goods as a share of GDP (%)	31.5	24.3	41.3	37.1
Foreign direct investment (current US\$)(million)	280.0	3100	6600	1.0 (g)
Aid per capita (current US\$)	8.9	4.1	9.3	N/A

[Source: World Bank, 2002]

[Notes: (a) All figures relate to the year 2000 unless otherwise indicated (b) South Asian countries include Bangladesh, Pakistan, India, Sri Lanka, Nepal and Bhutan (c) According to the World Bank classification countries with per capita income \$745 or less and include poor developing countries such as Bangladesh (d) Countries with per capita income of \$9,206 or more and include countries such as USA, UK, Canada, Australia and New Zealand (e) 1996 figure (f) 1999 figure (g) in trillion]

4.2 Political and Historical Context

Bangladesh is a sovereign Republic known as the People's Republic of Bangladesh.

This part of the Indian sub-continent gained independence from British Rule in 1947

along with the rest of India and formed a part of Pakistan that was known as East

Pakistan. Because of the oppression caused by the Pakistani regime over a period of

time, the peoples of East Pakistan declared independence on 26th March, 1971 and gained independence from the Pakistani oppression on 16th December, 1971 after a nine months long liberation war under the leadership of Sheikh Mujib. These two days of national importance are observed every year as 'independence day' and 'victory day' respectively. In addition to these two days another significant day is observed through out the country every year on 21st February. On this day in 1952 a number of Bengali language martyrs died in a protest against the Pakistani declaration of Urdu as the only national language of East Pakistan. These national days bear significant ceremonial and emotional importance to the peoples of Bangladesh. In addition to national level programmes there is a tradition of the arranging of different programmes by the various individual business organisations, particularly public sector organisations similar to those included in this study, in order to show their solidarity and support towards the causes of national significance symbolised by these occasions.

Following the brutal murder of Sheikh Mujib during a military coup in 1975 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. Bangladesh's true democratic journey was started in 1991 when the Bangladesh Nationalist Party (BNP) came into power through a people's mandate under the fairest²⁵ election in the history of Bangladesh. Gradually, parliamentary politics is taking root in Bangladesh.

²⁵ This is thought to be the fairest election in the history of Bangladesh as all earlier elections were characterised by vote rigging and unfairness as observed by independent observers (Baldersheim, Jamil, & Aminuzzaman, 2000). Due to political interventions earlier elections failed to reflect the people's mandate.

The introduction of this democratic process has started to produce positive impacts as indicated by freedom of print media, private sector led growth policy, foreign investments, regulatory and institutional reforms and the rapid development of the capital market. Several studies (Belal, 2000; Belal, 1997; Imam, 1999) have observed an increased incidence of CSR during this period. The implications of the present democratic era need to be considered in order to understand the emergence of CSR in Bangladesh.

4.3 Socio-cultural Context

Language

While commenting on the people and culture of Bangladesh, Parry & Khan (1984) noted that peoples in Bangladesh share a common language (Bengali) and culture despite the country's diversity with people coming from different ethnic backgrounds. Bengali is the only official language in Bangladesh and all official and business transactions are carried out in this language. Most of the companies in Bangladesh publish their corporate annual and other reports in Bengali. However, most of them, particularly multinationals, also publish their corporate reports in English.

Religion

The peoples of Bangladesh are generally religious. Islam is the major religion followed by more than 85 % of people. It plays a significant role in the socio-cultural life of Bangladeshi peoples. A number of banking and insurance companies have been established in recent times based on the principle of *Islamic Shariah*. These

organisations have gained popularity within a short period of time as evidenced by the success and expansion of *The Islami Bank Bangladesh Limited*, which has popularised the concept of interest-free banking in Bangladesh.

Peoples

Bangladesh is known as one of the most densely populated countries in the world with a population of 131.1 million in an area of only 144,000 square kilometres. The adult literacy level in 2000 was 52.3 and 29.9 percent respectively for male and female. Most of the people (75% approximately) live in rural areas and more than 63% of employment is provided by the agricultural sector (World Bank, 2002). Although relatively a small percentage of people are employed in the industrial sector, industrial labour is generally 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 unions of the public sector organisations having affiliations with the mainstream political parties are more powerful than their counter parts in the private sector organisations. In the private sector, particularly in the Export Processing Zones (EPZ)²⁶, unions are prohibited and workers are deprived of their rights to collective bargaining.

Gender Equality

Although the state constitution promotes the principle of equality and women constitute nearly half of the population of Bangladesh their status in the society is generally inferior as compared to men. Various socio-economic indicators such as

²⁶ In the EPZ area foreign investors are attracted by various fiscal incentives. Unions are prohibited as an incentive to ensure a trouble free environment for the foreign investors (Siddiqui, 2002).

health (crude morbidity rate – male (14.7%) and female (16.1%)), education (see Table 4.1) and economic performance (labour participation rate - male (78.3%) and female (50.6%)) corroborate this statement. Subject to certain exceptions, women have been engaged in traditional activities such as agriculture and household works. Generally, they do not seek employment outside the home. The reasons for such a scenario, where women do not play an active economic role, could be social and cultural. A male dominated society could be a reason for this scenario. With the emergence of the textile and garments industry in the 1980s women had the opportunity to get fully involved with the ‘outside world’. During this time they started to work in the textile and garments industry in large numbers and now constitute nearly 80 percent of the work force in this industry. While this is the largest export earner of the country and most of the value added in this sector comes from labour (i.e. women’s labour), their status remained noticeably poor²⁷. They are poorly paid and they work for long hours under harsh conditions. They are deprived of a decent wage, right to collective bargaining and a healthy and safe working environment.

Poverty

Poverty is one of the long-standing problems of Bangladesh. In 2000 around 20 percent of people lived below the absolute poverty level as measured by the per capita daily calorie intake (BBS, 2002). At the national level, government, in

²⁷ In Bangladesh, women’s rights are often neglected at the workplace. In the year 2001, 1.5 million women workers called a strike to protest at having to work on May Day while others were enjoying a holiday. In the garments sector there is disparity of wages between male and female workers. Women are paid less than what is given to men in monthly wages, even though they work the same hours. In 1997 on the average male wages were Taka 2267 and female wages were Taka 1316 in the garment industry (Zohir, 2001). They are exploited by the garment factory owners because they are more submissive and do not protest for their rights (Afrin, 2002).

collaboration with the various non-governmental organisations (NGOs), has been implementing a number of poverty alleviation programmes. Amongst the NGOs the contribution of the Grameen Bank is noteworthy. The Grameen Bank, through its micro-credit programme, is working continuously towards poverty alleviation and economic emancipation of the rural female population. Business organisations such as banks sometimes play a role in poverty alleviation activities through their rural lending schemes, although traditionally the banking sector seriously undermined the potential of rural women and poorer sections of the people²⁸. Non-banking business organisations traditionally took part in the poverty alleviation programmes by undertaking various charitable projects.

Human Rights

In addition to the above problem of widespread poverty the government is now facing another serious problem of spiralling crime. The donor agencies have urgently asked for the improvement of law and order and the human rights position as a precondition for further development aid. The instances of human rights violations are noticeable not only at the national level but also at the micro level of business organisations. There are instances of gross violations of human rights in domestic companies in the textile and garments sector and the foreign companies in the Export

²⁸ The banks in Bangladesh do not usually provide loans without collateral security. Therefore, poor rural peoples did not get bank loans, as they usually could not provide the necessary collateral. For the first time Grameen Bank started to give loans without collateral for social and economic upliftment. Although loans were provided without collateral Grameen Bank's recovery rate was nearly 100% as they applied a very efficient loan monitoring system.

Processing Zones (Siddiqui, 2002). Workers are denied minimum wages, decent working conditions, minimum working hours and the right to form trade unions.²⁹

The Disease of Corruption

The cultural life of Bangladesh is characterised by the existence of high family values, powerful elite groups and widespread corruption (Parry and Khan, 1984). 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 (Parry and Khan, 1984). In recent times, the Corruption Perception Index published by Transparency International indicated Bangladesh as the most corrupt country of the world³⁰. Corruption is widespread in the country and can be found in every sphere of public life. While corrupt politicians and public officials act as an obstacle towards running transparent and fair business, corporations also sometimes resort to unethical activities for the short-term benefits of the owners (such as loans from banks on unfair terms and evasion of tax) by bribing public officials. So sometimes both business parties and public officials come to a deal often based on a corrupt understanding. In this case while both the parties benefit, the state loses out in the form of tax revenues foregone. The newspapers of the country frequently carry

²⁹ Bangladeshi garment workers are forced to work for 12- hours a day, sometimes through out the night with one day's holiday per month and compulsory overtime (Milne, 2001). Referring to a recent roundtable discussion a newspaper story reported, "Most the of the workers of the country have no social security. They get no support from the employers in case of sickness, accident, disability, death, job loss, unemployment and incapacity to work due to old age." (*News from Bangladesh (online)*, 1st November, 2001, www.bangladesh-web.com)

³⁰ According to the Corruption Perception Index (CPI) 2001 published by Transparency International (TI), Bangladesh was shown as the "most corrupt" country of the world with a rank of 91 out of 91 countries for which the index is available and with a rating of only 0.4 out of 10. The index relates to the perceptions of the degree of corruption as seen by business people, risk analysts and the general public and ranges between 10(highly clean) and 0 (highly corrupt).

stories reporting loan and tax scandals involving businessmen (Hasan, 2002; *The New Nation (online)* 29th August, 2001 (www.nation-online.com)).

Emergence of Pressure Groups

Against the backdrop of the deteriorating law and order situation, widespread corruption and poor quality of social life a number of pressure groups emerged in the late 1980s and 1990s with the ambition of bringing about social change. A number of pressure groups have also emerged demanding protection of the environment. Most notable in this area is the work of the Bangladesh Environment Network (BEN) – an organisation of expatriate Bangladeshis based in the USA. Starting in 1998 it has continued to make a significant contribution towards mobilising the environmental movement in Bangladesh and was able to convince policy makers to work towards the protection of environment. Other notable environmental groups include the Bangladesh Environmental Lawyers Association (BELA), Bangladesh Poribesh Andolon (BAPA, Bangladesh Environment Movement), Coalition of Environmental NGOs and Forum of Environmental Journalists, Bangladesh (FEJB). Another important civil society organisation, Transparency International Bangladesh, is working to promote transparency and good governance in Bangladesh. The Consumer Association of Bangladesh (CAB) is advocating the protection of consumers' right in Bangladesh. There are numerous other pressure groups working in many different areas ranging from Adhunic, an anti-smoking lobby, to Bangladesh Mohila Porishad, promoting the concept of women's emancipation and empowerment. It is argued that these pressure groups can play a very important role in the socio-economic life of Bangladesh (Islam, 2000).

4.4 Geographical and Environmental Context

Bangladesh is located in the North eastern part of the South Asian sub-continent. The climate of the country is subject to severe natural disasters such as, floods, cyclones and droughts. It is well known that due to global warming and climate change, millions of peoples of Bangladesh will be adversely affected (Chowdhury, 2001). The factors making Bangladesh vulnerable to climate change include its low-lying topography, land exposed to cyclones and tidal surges, seasonal flooding, the large population, widespread poverty and a poor and weak institutional capacity (World Bank, 2000).

The environmental profile of the country is characterised by low CO₂ emissions, low energy and electricity usage and a high rate of deforestation as compared with the average of South Asian nations and other low income and high income countries (See Table 4.1). In addition to other varied environmental problems discussed below the high rate of deforestation is a matter of grave concern for Bangladesh. In the face of the rapidly deteriorating environmental conditions, concerns are being raised that if things go unchecked Bangladesh can face an 'environmental catastrophe' (Inam, 1995). The Bangladesh Environment Network (BEN, 2001, Page 1-2) identified the dimensions of environmental degradation in Bangladesh as shown in Exhibit 4.1:

Figure 4.1: Key Environmental Problems in Bangladesh

- a. *Air Pollution*: Urban air pollution has reached alarming level. The lead content of Dhaka city's air is at places reported to be more than one hundred times of the UN recommended safe level. Dhaka has become a *gas chamber* for slow poisoning. This poisonous air is destroying the body and brain of Bangladesh's citizens, particularly of the children, the future generation.
- b. *Arsenic Contamination of Ground Water*: Bangladesh has now become the centre of international concern because of her arsenic problem. Increased use of groundwater aquifers and their non-adequate replenishment has caused the ground water level to go down. This and other factors have now caused a very serious problem of arsenic contamination of ground water in most of the districts of Bangladesh. People in the rural areas are already dying each day because of arsenic poisoning. It is believed that when the cumulative effect of slow poisoning will pass the critical level, Bangladesh will face a calamity of enormous proportions.
- c. *Aggravation of Floods and Dying Rivers*: Floods are becoming more frequent and more serious.
- d. *Loss of Wetlands*: More and more surface water bodies are being lost, both in the cities and in the rural areas. Part of it is driven by population pressure and need for settlement areas. The rest is because of bad policies. Loss of wetlands is causing temperature imbalance and general ecological deterioration. It is also aggravating flood.
- e. *Chemical Runoff to Surface Water Bodies*: Indiscriminate use of chemical fertiliser and pesticide is resulting in chemical runoff to the surface water bodies. This is causing serious damage to country's fresh water fish stock.
- f. *Industrial and Medical Waste*: Industrial enterprises are often discharging their toxic and other harmful solid and fluid waste in untreated form into neighbouring areas and water bodies. Similarly, hospitals and clinics are often disposing indiscriminately their harmful clinical waste.
- g. *Household Waste*: In urban areas, disposal of household waste has become a serious problem. This problem has been aggravated by indiscriminate and increasing use of plastic materials.
- h. *Deforestation*: Most of the *shalbons*³¹ have now become extinct. *Sundarbans*³² are under threat. Bangladesh has gone well below the requirement of at least 25 percent of land to be under forest.
- i. *Loss of Bio-diversity*: With loss of wetlands and forests, Bangladesh is increasingly losing its flora and fauna. Many of the species are becoming rare; some have already become extinct. This will make Bangladesh geographically an uninteresting part of the world.

[Source: BEN (2001) P.1-2]

³¹ Forest made up of Shal trees.

³² Another forest located in the district of Khulna and famous for Royal Bengal Tigers. The Government of Bangladesh has declared it as an environmentally protected area.

From the above list it can be seen that industrial pollution is one of the major reasons for environmental degradation in Bangladesh. A large part of Bangladesh is situated on deltas of large rivers flowing from the Himalayas. These rivers provide a livelihood to a large section of people through fishing, boating and providing water for household purposes. Most of the industrial units that are located on the banks of these rivers cause pollution by discharging untreated wastes into the river bodies. In addition to this general river pollution some of the hazardous industries such as tanneries in the Hazaribagh area of Dhaka City are causing terrible contamination to the nearby communities and water bodies. The problem of industrial pollution has been well documented in Belal, Khan & Alam(1998). Unfortunately, very rarely are these industrial units brought to justice for their environmental misdeeds (Nurunnabi, 2002).

4.5 Regulatory and Institutional Context

The current regulatory and institutional frameworks, which influence corporate disclosure practices, consist of a set of rules, regulations and 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 Companies Act provides the principal disclosure requirements for limited companies and includes provisions for some social disclosures such as expenditure on energy, salaries, directors' remuneration, number of employees,

foreign currency transactions and contribution to the national exchequer. The Securities and Exchange Ordinance, the Securities and Exchange Rules and the Listing Rules of stock exchanges impose additional disclosure requirements on listed companies including the requirement of compliance with international accounting standards. The five important institutions which play an important role in implementing the above rules and regulations are, the Securities and Exchange Commission (SEC), the Registrar of Joint Stock Companies, 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, particularly the Insurance Act, 1938 and the Securities and Exchange Ordinance, 1969. However, as a result of pressure from donor agencies, such as World Bank, a major reform has been undertaken recently to streamline and update the corporate laws. As part of that reform project the Companies Act, 1913 was updated in 1994, Securities and Exchange Rules have been amended and updated and the SEC has been established to regulate the re-activated capital market of Bangladesh. The main purpose of these reforms was to protect investors' interests and to ensure further development of the capital market.

In addition to the above laws there are a number of rules and regulations, which govern the social and environmental performance of organisations. The laws regulating social welfare of the workers and employees include the Factories Act,

1965, Industrial Relations Ordinance, 1969, Employment of Labour (Standing Orders) Act, 1965, Payment of Wages Act, 1936 and Workmen Compensation Act, 1923. The various provisions of these laws are very similar to the requirements of SA8000 and cover issues such as minimum working hours, safe and healthy working environment, right to form trade unions and minimum age (to ensure no child labour is employed). The Labour Inspectorate under the Ministry of Labour and Welfare undertakes prime responsibility in implementing these rules and regulations. The main laws relating to environmental matters include the Environmental Conservation Act, 1995 and Environmental Conservation Rules, 1997. Under these laws environmental clearance is required to establish a new industrial unit. Moreover, the regulation prescribes guidelines and standards for the control and mitigation of environmental pollution. They also set standards for the discharge of wastes and emissions. In addition, the Factories Act, 1965 includes various provisions relating to the discharge of wastes and effluents and emission of dust and fumes. The Department of Environment (DoE) under the Ministry of Environment and Forest is responsible for the implementation of the environmental laws in Bangladesh.

Finally, although there are a good number of rules and regulations for the control of social and environmental behaviour of corporate bodies, they are rarely enforced. Moreover, none of these laws call for adequate disclosure of compliance with their detailed provisions. The corporate attitude towards disclosure is that we are complying with all the rules and regulations but we do not need to disclose, as the law does not require it. The attitude is: "Trust us and everything will be fine". But we do know of the dismal social and environmental performance of these organisations

as evidenced by recent fire incidents at several garment factories, which claimed hundreds of human lives (Zaman, 2001)³³. We also know of the health hazards created by the tannery companies in the Hazaribagh area by the discharging of untreated wastes and effluents in the neighbourhood and the nearby rivers. In addition to that a large number of industrial units located on the bank of Buriganga, Karnaphuli and other rivers are polluting the river bodies everyday (Nurunnabi, 2002). They get away with these misdeeds because of the corrupt, weak and ineffective law enforcing agencies, which also lack the knowledge, funds and manpower to ensure proper implementation of relevant laws (Belal et al., 1998; Khan & Belal, 1999).

Targeting the polluting industries recently the Environment Minister threatened to snap their utility connections if they fail to take corrective measures:

Within the next one or two months, we will start issuing notices to all industrial units found guilty of polluting the environment. If they fail to take corrective measures, their power and water supply connections will be snapped. (*The Daily Star (online)*, 29th April, 2002, www.dailystarnews.com)

However, the Prime Minister of the country seems to be aware of limitations of the Government saying that neither the Environment Ministry nor the government alone cannot bear the full responsibility for protecting the environment. She urged all relevant parties to come forward and work for the protection of the environment:

³³ In the context of several fire incidents in the garment factories of Bangladesh in the last ten years concerns are being raised over the issue of health and safety at work. Several Western buyers have also expressed concern over the safety issue (Zaman, 2001). The main reason for failure to ensure a safe environment for the workers has been identified as non-compliance with local laws.

Let's not be casual. We should be more serious about it because a big environmental disaster is close to us.... The environment ministry or the government alone cannot bear the entire responsibility to protect the environment. The people should share both national and international efforts for protection of the environment. Everyone -- individuals, parties, clubs, organisations, associations, the society and NGOs -- should come forward and work for it. (UNB, 2002).

The above statements by the Environment Minister and the Prime Minister, although they appear to be encouraging, largely amount to mere rhetoric due to a failure to make any real change on the ground (Khan and Belal, 1999). They seem to be escaping the responsibility of taking strict decisions against the “corrupt network” as the state agencies are often part of it. This explains why more than 1000 industrial units, identified as polluters, have ignored the repeated notices from DoE since 1986 for taking corrective measures (Belal et al., 1998; Khan & Belal, 1999).

However, it is encouraging to note that in the absence of an effective state mechanism a number of pressure groups are indeed working in this regard to improve the social and environmental condition of Bangladesh, although they are still far behind their counterparts in the developed countries.

4.6 Business and Economic Context

Although primarily an agrarian country the industrial sector now makes a significant contribution (24.4%, GDP value added) to the economy of Bangladesh (see Table 4.1). Immediately after independence in 1971 Bangladesh pursued a pattern of socialist economy by nationalising all industrial units. These industrial units were organised under large public corporations. However, due to corruption, political intervention, bureaucracy and lack of management efficiency these public sector units could not be run viably. As a result, since the change in political scenario in

1975 and thereafter participation from the private sector was encouraged and privatisation of the loss making public sector units started. The industrial sector in Bangladesh is still characterised by the domination of a large public sector, which remains highly unproductive and inefficient. This is evidenced by the large amount of losses incurred (Taka 4.8 billion in 1999/2000) by the public sector units each year (CPD, 2001a). However, it should be noted that one of the declared objectives of this sector is to promote the public good in addition to the commercial profitability.

With the change in political context in 1990s, moving away from a military regime towards a multi-party democratic system, the Government of Bangladesh has been pursuing the principles of a market economy. Currently emphasis is placed on export-oriented industrial development led by the private sector. Readymade garments, leather and leather goods, computer software and agro-processing industry have been declared as thrust sectors in the current Export Policy. During the year 1999/2000 export contribution from the readymade garments sectors alone was 77.7% of the total exports (CPD, 2001a).

Since the early 1990s the country has embarked on an ambitious trade liberalisation programme undertaking several initiatives in order to develop the private sector. Firstly, the country initiated a privatisation programme in the 1980s with the aim of privatising the loss-making public sector units³⁴. Secondly, with the aim of developing private sector capital the Dhaka Stock Exchange (DSE) has been re-

³⁴ However, the privatisation programme did not always have a positive impact. As a result of privatisation although the government was able to get rid of the economic losses from the national exchequer it created other social losses such as unemployment (as the private owners resorted to redundancy) and curtailment of workers' rights (Uddin & Hopper, 2001).

activated together with the establishment of a new stock exchange called the 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 interests 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 fiscal incentives, the establishment of special industrial zones aimed at foreign investors and the provision of very cheap labour.

While the Government of Bangladesh is committed towards the aim of faster economic growth such a strategy is sometimes slowed down by some fundamental problems such as political instability, poverty, natural calamities, bureaucracy and overpopulation. However, in spite of these problems the success of Bangladesh so far is quite encouraging amongst the developing nations as evidenced by the growth rate of 5.9% as compared to the South Asian average and Low Income countries' average of 4.2%. The country was also able to achieve a very low inflation rate (1.9%) as compared to other South Asian (4.1%) and Low Income countries (10%) (see Table 4.1). The country profile of Bangladesh prepared by the American Library of Congress (LoC, 1988, Online source) included the following comment:

The World Bank, leader of the Bangladesh Aid Group, described the countryas a success story for economic development and expressed optimism that the goals of the Third Five-Year Plan, and longer term development goals as well, could be attained. Government policies had been effective in stimulating the economy. The private sector had benefited from an environment of greater economic freedom and had improved performance in banking and production of jute, fertilizer, ready-made garments, and frozen seafood. The average growth rate of economy had been a steady, if unspectacular, 4 percent since the beginning of the 1980s, close to the world average for developing countries.

4.7 Technological Context

As compared to the developed countries, the technological status of Bangladesh is far below a satisfactory level. It is behind other developing countries in terms of information and computing technology (ICT) as shown in Table 4.1 above and also in terms of modern manufacturing technology (MMT).

In terms of ICT Bangladesh is making some progress as evidenced by the statistics that the number of personal computers per 1000 people and total internet users increased from 1.0 and 50,000 in 1999 to 1.5 and 100,000 in 2000 respectively (World Bank Website, 2002). The Government of Bangladesh has also placed emphasis on the development of ICT. Recently, a draft Information Technology (IT) Policy has been framed which is in the process of being finalised. The main ambition of the policy is to build a knowledge-based society in Bangladesh by the year 2010 that will be driven by IT. For this purpose the country is determined to build the necessary infrastructure and capacity within the shortest possible time.

In addition to the above IT policy, the Government of Bangladesh also recently revised its Science and Technology Policy originally framed in 1980. The main purpose of the revised policy is to achieve rapid economic development through the advancement of MMT. With this view in mind, local, as well as foreign investors, are actively encouraged to apply modern state-of-the-art technology in their manufacturing facilities. In this regard, multinational companies have a definite role to play. While establishing subsidiaries in the developing countries they can bring with them MMT. Transfer of technology to the developing countries can be crucial

for the social and economic development of these countries. It can also be considered as an important social accounting indicator for these countries (Gray et al., 1996).

4.8 Some Major Societal Concerns over the Social and Environmental Performance of Bangladeshi Businesses

Most of the domestic companies in Bangladesh are family owned and are not listed on the stock exchanges. Even the larger companies listed on the stock exchanges remain under the control of family members in terms of shareholdings as well as board membership. Family members often interfere in the day-to-day running of the businesses. The importance of separating ownership from management is often ignored resulting in poor corporate governance mechanisms. It also leads to the problem of lack of transparency in the management of businesses.

Societal concerns over lack of transparency of businesses are reflected in numerous newspaper reports. National dailies often report stories of tax scandals, share scandals and evidence of poor corporate governance. For example, a cement company was recently spotlighted in the media as facing tax evasion charges. It was reported that the company evaded value added tax amounting to Taka 90 million by hiding information about its production and supply of products (Hasan, 2002). In another example, the Securities and Exchange Commission (SEC) suspended share trading of a very well known business conglomerate for not disclosing price-sensitive information (Rahman, 2002). The owners of the same conglomerate, it is alleged, were behind the stock market crash of 1996 in Bangladesh.

The culture of loan defaults by the entrepreneurs is another national concern in Bangladesh causing a burden on the banks. Business organisations and entrepreneurs³⁵ acquire loans from banks, particularly public sector banks, in collaboration with some corrupt bank officials and then do not repay the loan on various pretexts. Politicians are often blamed for patronising the loan defaulters (CPD, 2001b). Over the loan default culture and other social ills Dr. Kamal Hossain (Hossain, 2001a), an eminent lawyer of the country, expressed the following concern:

The serious disease which our society suffers from - which can be described as social AIDS - manifests itself in the form of resort to illegal arms and black money, callous disregard of the law, shameless patronage of godfathers and loan defaulters and other criminals. This disease can be cured if citizens unite to reject those who are responsible. (Emphasis added)

Consumers in Bangladesh are often exposed to sub-standard and adulterated goods. At the moment there is no law in the country to protect consumers' interests. A recent press report (*The Independent(online)*, 7th August, 2001, www.independent-bangladesh.com) says that consumer goods such as fruit juice, soap, health drinks and ghee (butter oil) produced by well-known companies have been found to contain harmful substances or did not conform to the required standards and carry significant health risks. The Consumer Association of Bangladesh (CAB), the only institution upholding consumer rights in Bangladesh, often arranges protests against such corporate malpractices. However, given the amount of such misdeeds the CAB's institutional capacity and power is severely limited in playing any effective role in controlling such malpractice.

³⁵ Some of the loan defaulters often hold the position of Member of Parliament, minister and influential politician making the task of loan recovery even more difficult.

With regard to industrial pollution two issues in particular are of major concern to the Bangladeshi peoples. Firstly, as noted earlier, environmental hazards created by the tannery companies in the Hazaribagh area (Khan, 2001a; Khan, 2001b). Secondly, untreated discharge of industrial wastes and effluents to the river bodies (Nurunnabi, 2002). In spite of stern warnings of the Environment Minister and repeated notices from the DoE to the defaulters things remained unchanged. Further, there are many instances of community protest and citizens' movement against the environmental hazards created by the companies that have so far remained unheeded (Belal et al., 1998).

Having discussed the societal concerns, corporate responses, if any, towards these concerns can be enumerated as follows:

- Although various newspaper stories discussed above indicate corporate involvement in various corruptive activities such as tax evasion, share scandal, loan defaults and sale of substandard and adulterated goods, corporate ethical stance on these issues remains unclear because of non-disclosure.
- With regard to environmental pollution, business communities in Bangladesh have so far adopted an indifferent attitude in spite of the serious social concern over the issue. Social concern is evident from community based public protests against the polluting industries:

In recent years, in the face of general ineffectiveness of concerned public agencies and laws, there have been cases of organised community-based (public) protest in the districts of Sirajgong, Joypurhat and Natore against industrial pollution and ineffective institutions (Khan & Belal, 1999, P.316).

If statistics are anything to go by, a staggering quantity of untreated, highly toxic effluents are discharged every day by the tanneries. And the narrow trickle of water, still known as Buriganga, is their ultimate destination. It seems nobody is aware of the harsh truth that there is a price to pay for the unplanned and unscientific disposal of industrial wastes. Residents of the areas, exposed to pollution caused by the tanneries, are showing physical symptoms of being affected by toxic substances over a long period of time. Buriganga water has already been polluted well beyond the permissible level. All forms of aquatic life have disappeared from the river Buriganga. It is equally important that pollution of the river by industrial wastes is checked as a matter of top priority. The river cannot take a heavy load of tannery wastes, not less than 22,000 cubic metres a day, and still survive.

There are prescribed methods of industrial waste disposal, which are followed all over the world. Unfortunately, the rules are honoured more in the breach than in the observance in our context. Most of the industrial units do not yet have effluent treatment plants, which are needed for safe disposal of wastes. It is not clear why the department [Department of Environment] concerned could not enforce the rules; nor do we know what punitive action it is taking against the industrial units that violate the rules.

Violation of rules in this particular instance, we ought to remember, is not a harmless act of ignoring our environmental needs; rather it has a great negative impact on public health. The talk of protecting the environment also loses its meaning when such potent sources of pollution are allowed to exist.

(Editorial, The Daily Star, 29th December, 2002, www.dailystarnews.com)

In spite of these public concerns and repeated notices from the Department of Environment for taking necessary actions, including the establishment of effluent treatment plants, industrial pollution remains uncontrolled. This shows, on the one hand, the failure of relevant government agencies to exercise proper control over the polluting industries in the public interest³⁶. On the other hand, it shows how powerful these corporations are in ensuring their uninterrupted operations in the pursuit of their self-interest. A number of

³⁶ See Khan and Belal (1999) for a discussion of reasons for such failure.

business leaders' strong link with the political leaders and their ability to influence the political arena in the business interest corroborates this fact.

However, in the context of increasing environmental awareness and environmental movements initiated by pressure groups such as the Bangladesh Environment Network and Bangladesh Poribesh Andolon (BAPA) there does seem to be some limited response coming from businesses as evidenced by the establishment of effluent treatment plants by a number of companies in recent times.

- In the context of criticism of poor working conditions of Bangladeshi employees, particularly in the garments sector, BGMEA recently undertook several welfare measures for the improvement of socio-economic conditions of garments workers. The measures included steps to eliminate child labour, improve health and safety conditions and several other welfare measures such as establishment of healthcare centres and family welfare and reproductive health facilities. These welfare activities were disclosed in the website of BGMEA (<http://www.bgmea.com/social.htm>, 21 December 2002).
- The deteriorating law and order situation and the incidence of political strikes are great impediments to the economic growth and smooth running of business. Bangladesh suffers huge economic losses due to political strikes with a day's work stoppage causing losses worth \$64.81 million (Huq, 2001). Business leaders have urged the ruling, as well as opposition, parties to stop

using the destructive political tool of strikes and settle political differences either through parliament or through discussion (Chazan, 1999; *News from Bangladesh (online)*, 14 February, 2001, www.bangladesh-web.com). Thus, business community have clearly demonstrated their annoyance towards the incidence of political strikes, which are self-destructive and take a heavy toll on the business and the Bangladeshi economy.

4.9 Summary and Conclusion

Since the emergence of the democratic era in the 1990s Bangladesh has been pursuing the principles of market economy leaving behind the socialistic pattern of economic principles earlier followed. Under the changed scenario a private sector led industrial policy is being pursued with the aim of attracting as much foreign investment as possible in order to develop the country's industrial sector. While the industrial units are making contributions to the country's economy, their social, ethical and environmental performance has raised concerns in the society. Social expectations are rising as evidenced by the increasing demands for accountability and transparency in business practices.

The key issues of concern in the garment and textile sector, and also in other export-oriented industries, are child labour, equal opportunity and health and safety. Although in the face of pressure from Western consumers and international agencies, such as the ILO, child labour is being eliminated their welfare and rehabilitation have been neglected. Women workers are deprived from receiving fair wages. They are also being deprived of the rights of collective bargaining and a decent working

environment. The neglect of health and safety in the workplace is evident from the fact that hundreds of employees were killed at work due to several fire incidents in recent times.

The widespread problem of corruption is of particular concern in recent times to Bangladeshi society. The business community's involvement in various corrupt activities such as bribery, tax evasion, loan defaults and share scandals indicates the poor ethical performance of businesses. They can usually get away with these corrupt activities by exercising influence in political quarters.

The pollution caused by industries and their reluctance to take appropriate measures is creating serious environmental concerns in the country. For example, amongst others, the tannery companies in the Hazaribagh areas are blamed for causing serious pollution in the nearby communities.

In the absence of any consumer protection law, consumers' rights are not protected. They are being provided with sub-standard poor quality goods. There are allegations of companies providing adulterated food products to the market which can cause serious public health hazards. Thus, a section of unscrupulous businessmen, motivated by ill desires to make money in the short term, have created social concerns in this regard.

The laws regulating the social and environmental performance of organisations have failed to ensure compliance due to corrupt and inefficient law enforcement

mechanisms. Moreover, such laws contain inadequate provisions for social and environmental disclosures. The general public carries a bad impression concerning the effectiveness of law enforcing agencies.

The societal expectations demand that business organisations in Bangladesh address the above mentioned issues in an accountable and transparent manner. One way to achieve this objective could be legal requirements for social, ethical and environmental disclosures. Such requirements should be backed up by strict provision for monitoring and compliance. Alternatively, corporations could come forward voluntarily and make public disclosures addressing the issues noted above. However, traditionally Bangladeshi companies are reluctant to make voluntary disclosures. When they do disclose voluntarily they tend to disclose only the positive aspects of their performance. It appears that the likely corporate response in this regard would depend upon the relative strength of international and domestic pressures brought to bear on them.

Internationally, pressure is increasing on the domestic export-oriented companies, operating as suppliers to the large Western corporations, to adopt international labour standards and carry out operations in a responsible manner. Moreover, operating subsidiaries of the multinational companies are under scrutiny by international lobby groups pushing them to enhance their social, ethical and environmental performance in the developing countries. On the domestic front, the government is asking the companies for improved environmental performance and better labour conditions. In addition to this a number of pressure groups have emerged recently seeking to

promote accountability and transparency in all spheres of public life including responsible business practices. The notable pressure groups include Transparency International, the Bangladesh Environment Network, Consumer Association of Bangladesh and trade union organisations including the Bangladesh Free Trade Union Congress. The strength of the trade unions is particularly notable in the public sector organisations in ensuring workers' rights and welfare.

As may be seen from the above, clearly there are pressures on Bangladeshi companies, particularly on the multinationals and export-oriented domestic companies, to come up with disclosures addressing the crucial social, ethical and environmental issues. However, given the tradition of secrecy in Bangladeshi companies, the corporate response in this regard is far from satisfactory. The results of the analysis in empirical chapters (6-8) illustrate how in particular these conflicting pressures (disclose v. not to disclose) are being reconciled.

CHAPTER FIVE

RESEARCH METHODS AND METHODOLOGY

5.1 Introduction

Research design or methodology may be defined as follows:

A research design is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern or framework of the project that stipulates what information is to be collected from which sources by what procedures. If it is a good design, it will ensure that the information obtained is relevant to the research questions and that it was collected by objective and economical procedures. (Green & Tull, 1970, cited in Emory, 1976, P. 77)

The essentials of a good research design includes,

First, it is a *plan* that specifies the sources and types of information relevant to the research question. Second, it is a *strategy* or blueprint specifying which approach will be used for gathering and analysing the data. (Emory, 1976, P.78)

In addition to the above features a good research design should have the flexibility to recognise the “opportunistic” dimensions (Buchanan, Boddy, & McCalman, 1988). It should be sufficiently open-ended, so that data can be collected that appears unexpected outside of the original plan.

Discussing the role of methodology in scientific research, Nachmias & Nachmias (1996) note that it facilitates “communication between researchers who have either shared or want to share a common experience” (P.14). By making the methodology explicit and public, a framework can be developed for replication and constructive criticism. In addition, it provides a basis for logical and valid reasoning. Considering

the above role of methodology this chapter is designed to explain various issues related to methodology and methods used in this study.

The previous three chapters considered the background and theoretical and contextual framework of the present study. This chapter explains the research procedures and methods applied for carrying out the empirical work described in the next three chapters. The explanation provided in this chapter is important in order for the reader to understand the assumptions, methods, sample selection, data collection and procedures used to analyse the empirical data. The next section specifies the research questions. The third section of this chapter delineates the philosophical assumptions made for the purpose of this research study. This is followed by a detailed description of the research methods used. Finally, a summary and conclusion is provided.

5.2 Research Questions

The main objective of this study is to develop an exploratory understanding and explanation of CSR practice in Bangladesh. Consistent with this main objective the present study makes an attempt to answer the following questions:

- *What are the corporate attitudes towards social and ethical issues represented in the texts of corporate annual reports? (Chapter Six)*
- *What are the managerial perceptions of corporate social reporting in Bangladesh? (Chapter Seven)*
- *What are the perceptions of various stakeholder groups towards corporate social reporting in Bangladesh? (Chapter Eight)*

5.3 Philosophical Assumptions

In the process of research most studies make implicit or explicit assumptions regarding the nature of the world (Burrell & Morgan, 1979; Chua, 1986; Laughlin, 1995). These assumptions, which are influenced by the personal experience and beliefs of the individual researcher, are contestable. It can be argued that while some of these assumptions are untenable, others are more plausible (Unerman, 2000b).

Broadly, the present study aligns itself with the subjective interpretation of the social world (Burrell & Morgan, 1979). Unlike the objectivists who believe that there is an objective social and material world which exists independent of the researcher and that can be observed objectively, the subjective interpretation assumes that the world would be different for everybody. In other words individuals socially construct their world.

Within the different schools of thought (functionalist, interpretive and radical) in accounting the present study aligns itself with the interpretive school (Chua, 1986). As opposed to the functionalist objective approach adopted in most of mainstream accounting research (using mainly quantitative statistical methods), the interpretive school emphasises explanation and understanding based on subjective interpretation of the social world via qualitative methods. However, unlike the radical school, which undertakes a radical critique of society in which fundamental conflict exists, the researcher in this study (in line with other leading researchers in the field of corporate social reporting such as (Gray et al., 1996)) believes in incremental change rather than a radical change of society.

Ontologically, rejecting the realist assumption of 'truth out there' which is waiting to be discovered independent of the researcher, the study assumes a nominalist position of there being no clear split between the researched and the researcher. The researcher plays a role in constructing the reality 'observed'. The study explores 'reality' as constructed by the corporate managers and representatives of stakeholder groups in Bangladesh. It does not make any attempt to discover a single explanation of Bangladeshi CSR that is generalisable. Consistent with the ontological assumption made the study takes an anti-positivist approach to the construction of knowledge. Knowledge, in this study, comes from two sources: firstly through subjective analysis of social disclosures and secondly, through subjective examination and interpretation of the managerial and stakeholder perceptions towards CSR. Such a subjective analysis does not aspire to producing generalisable knowledge. As a result, the conclusions made in this study will be tentative.

The human nature dimension of Burrell & Morgan's framework explores the interaction between human beings and the environment and the effects of each on the other. As opposed to the deterministic end (which assumes the environment influences human nature) the present study posits itself towards the individualistic end (which assumes human beings as free-willed and autonomous). However, it can be argued as to whether or not individuals can have total control over the environment. Thus, while exploring the perceptions of managers and stakeholders on Bangladeshi CSR it is assumed that, although they are to some extent free-willed and

autonomous, the environment in which they operate might have some influence on their behaviour and decision-making.

The researcher's assumption in this study on the nature of society does not neatly fit into either of the two ends of orderly and conflictual society on the continuum of the Burrell & Morgan framework. In the process of developing an understanding and explanation of Bangladeshi CSR while it examines the orderliness of the present society it gradually explores the possibility of desired incremental change recognising the existence of longer-term conflict in society. However, such change may not be necessarily radical. Thus, the researcher mainly studies the status quo with a view to exploring the potential of bringing about some change with a view to promoting a better society.

The choice of methodology is dependent on assumptions related to ontology, epistemology, human nature and the nature of society. The assumptions made in this thesis regarding the nature of social science (nominalist, anti-positivist and individualistic) and the nature of society (as more or less orderly) indicate that the methodological choice of this study will be ideographic. Ideographic methodology makes an attempt to understand the means by which individuals interpret the social world they are in. Burrell and Morgan (1979) argue that it "is based on the view that one can only understand the social world by obtaining first hand knowledge of the subject under investigation" (P.6). Using the ideographic approach this study seeks to explore and understand CSR practice in Bangladesh in a subjective fashion through an analysis of social disclosures made within corporate annual reports and also by

examining the perceptions of managers and stakeholders interviewed. Such an approach, which is subjective in nature, calls for the use of qualitative research methods. The next section describes the qualitative research methods used in this study.

5.4 Research Methods

The study uses two principal research methods in order to answer the research questions summarised in section 5.2 above. Answering the first question involves textual analysis of corporate annual reports of Bangladeshi companies via *qualitative content analysis* as applied by Bebbington (1999). The second and third research questions are answered by the use of *semi-structured interviews* with corporate managers and representatives of stakeholder groups in Bangladesh.

5.4.1 Textual Analysis

5.4.1.1 Outline

To examine corporate attitudes represented in the texts of annual reports and also to ascertain the current pattern of social reporting practices of Bangladeshi companies a textual analysis of corporate annual reports (1999/2000) is undertaken in Chapter Six. Textual analysis, according to Silverman (1993), is an analysis of texts and documents. It can be described as the art or science of interpretation of 'texts', which also takes into account the 'contexts', which have generated those 'texts'. Bebbington (1999) suggests that a variety of research methods may be applied in order to understand the meaning embedded in a text. One such method is content analysis, which may be quantitative as well as qualitative (Unerman, 2002).

Quantitative content analysis (Gray et al., 1995a; Gray et al., 1995b; Krippendorff, 1980; Unerman, 2002) measures volume of disclosure and then attempts are made to draw inferences about the meaning/importance of the text. This method infers the meaning via a count of number of times a disclosure is made rather than a direct survey of meaning. Under this method volume indicates the importance of disclosure.

Qualitative content analysis, called a semiotic informed analysis³⁷ (see Bebbington, 1999), moves beyond the measurement of volume of disclosure and tends to focus on the meaning and implications of the disclosures made by exploring the 'context' in which these disclosures take place (Adams & Harte, 1998). Thus, while quantitative content analysis focuses on the quantitative aspects of disclosure such as number of words, sentence, line and pages, qualitative analysis examines the qualitative aspects of disclosure such as context of disclosures and also their meaning and implications.

5.4.1.2 Source of Data

Although there are a number of ways through which a company can make social disclosures such as annual reports, separate social and environmental reports, company brochures, press circulars and the internet (Zeghal & Ahmed, 1990), this study will analyse disclosures made in the annual report only as this is the most important, popular and regular medium through which companies make their disclosures (Adams et al., 1998). Unerman (2000) observed that studying social and

³⁷ This is not a formal semiotic analysis as such, rather the analysis is informed by semiotics where the author is exploring the meaning and implications of CSR not just counts of disclosure (Bebbington, 1999).

environmental disclosures contained solely in the annual report risks capturing an incomplete picture. Nevertheless, most previous CSR studies have used annual reports (Adams et al., 1998; Campbell, 2000; Deegan & Rankin, 1997; Gamble, Hsu, Jackson, & Tollerson, 1996; Gray et al., 1995a; Gray et al., 1995b; Harte & Owen, 1991; Tsang, 1998; Zain, 1998) and, crucially, in Bangladesh alternative mediums of social disclosure such as, the internet and separate stand alone social and environmental reports are rarely employed due to factors such as the low level of internet access (See Table 4.1 in Chapter four) and the poor level of social and environmental awareness. Moreover, none of the previous studies of Bangladeshi CSR (Belal, 2000, 2001; Imam, 2000) noted the existence of any separate social and environmental report.

5.4.1.3 Companies Surveyed

Literature suggests a link between the size of companies and the level of social disclosures indicating that larger companies are more likely to make social disclosures than small and medium sized companies (Adams et al., 1998; Andrew et al., 1989). Therefore, this study focuses on the larger companies and includes the top 100 companies listed on the Dhaka Stock Exchange. If any change in social disclosure practice is happening anywhere in Bangladesh, it is most likely to be observed in these reports.

Out of top 100 companies it was possible to collect 79 reports either through letters and personal contact with the companies, or from indirect sources such as the archive of the Securities and Exchange Commission of Bangladesh by sending the

researcher's representative based in Bangladesh. The collected reports relate to the year 1999/2000. Considering the cost of sending annual reports by the companies to the researcher's UK address, the address of the researcher's representative in Bangladesh was used for collecting reports. Later, all reports were shipped to the researcher's UK address.

In addition to the quoted companies referred to above, eight reports of public sector companies (under the Bangladesh Chemical Industries Corporation (BCIC)) have been included. There are 23 companies under BCIC. Hence, the study covers 35% of all companies in BCIC. Public sector companies are generally believed to make more social disclosures as they 'are oriented more towards social commitments and socialistic objectives of the government rather than the profit motive' (Hegde et al., 1997, P.157). The reason for choosing the chemical sector is that this sector appears to be more sensitive to social, ethical and environmental issues than other sectors (Adams & Kuasirikun, 2000). In addition, BCIC is the largest corporation in the public sector in Bangladesh.

Thus, in total 87 (six multinationals, 73 domestic and eight public sector) companies have been included in this study (see Appendix-One). The missing 21 top 100 are domestic companies coming mainly from the banking and miscellaneous sectors (see Table 5.1 below). Given the difficulty of collecting reports in the developing countries (Belal, 2001; Xiao, 1999) and the time and resources available at the disposal of the author the number of companies surveyed may be considered not only acceptable but also makes it the most comprehensive study to date of CSR in

Bangladesh. The previous descriptive studies of Bangladeshi CSR by Belal (2000; 2001) and Imam(2000) covered only 30 reports and 40 reports respectively.

TABLE 5.1: DISTRIBUTION OF COMPANIES SURVEYED				
Industrial Sectors	Multinational	Domestic	Public	Total
Bank	0	12(6)	0	12
Insurance (Ins)	0	1(2)	0	1
Textiles (Text)	0	24(2)	0	24
Pharmaceuticals and chemicals	2	9(2)	8	19
Fuel and power	1	1	0	2
Food and allied	1	7(1)	0	8
Engineering (Eng)	1	6	0	7
Service and real estate	0	1	0	1
Jute	0	1(2)	0	1
Miscellaneous (Misc)	1	11(6)	0	12
Total	6	73(21)	8	87

(The figures in parenthesis indicate top 100 companies whose annual reports are missing in the above sample)

In the above table **Multinationals** refers to those subsidiary companies whose majority shares are owned by the foreign parent companies. **Domestic** companies refer to the private sector Bangladeshi companies and **Public Sector** companies are under the ownership of government. The companies represent different industrial sectors (see Table 5.1).

5.4.1.4 Procedures used for Textual Analysis

In order to address the first research question (corporate attitudes represented in the text towards social and ethical issues) a number of categories of social disclosure were developed. These categories were needed to give some structure to the scattered social disclosures in the annual reports in order to be able to explore how the main themes related to the research question. The procedures followed for developing the

categories are consistent with the interactive and reflexive process followed for developing categories for sustainability disclosures by Bebbington (1999).

Initial categories of social disclosures were developed on the basis of the literature review in Chapter Two and the researcher's knowledge of the socio-economic context of Bangladesh described in Chapter Four. The first attempt produced eleven categories: relevance of social accounting standards, mission statements, separate social and ethical policy, board level committee for CSR, health and safety of employees, equal opportunity, industrial relations, human resource development, environmental issues, appreciation of relevant stakeholders and welfare activities. Using these initial categories an examination of the annual reports was carried out. Such examination revealed certain additional disclosures relating to issues relevant to developing countries in general and Bangladesh in particular. This led to the refinement of the categories to include these later seven categories: rural development, corruption, technological factors, other socio-economic issues, contribution to national exchequer, value added statement and observance of national ceremonies. Using this refined list of categories a second attempt was made to analyse the annual reports.

The list of categories thus developed still did not capture some crucial issues which are considered important from the context of Bangladesh. These issues are poverty alleviation and child labour. So two further categories were added to capture these issues. These categories are included to ensure that if there is an absence of disclosures related to these categories it can be identified (Choudhury, 1988).

Following these procedures a final list of 20 categories has been produced which is shown in Table 6.1 of Chapter Six. The list is reasonably comprehensive but not all-inclusive. It is essentially the present researcher's own research tool developed for the analysis of social disclosures.

5.4.1.5 Limitations of Textual Analysis

Like all other research methods, textual analysis has its own merits and demerits. On the positive side, it is carried out on a 'permanent' research object, which can be accessed independently from the person who created it. Moreover, the text cannot be influenced by the researcher and the research process (Krippendorff, 1980). However, a notable limitation of this method lies in the lack of opportunities for interaction beyond reading and re-reading of the text. If the text is unclear it is not possible to interact with it by discussion and dialogue. However, in order to minimise this limitation, a further research method, semi-structured interviews, has been used as discussed below.

5.4.2 Interviews

5.4.2.1 Outline

In order to address the questions explored in Chapters Seven (corporate perceptions of CSR) and Eight (stakeholder perceptions towards CSR) interviews are thought to be the most appropriate method for building on the insights of textual analysis of annual reports in Chapter Six. This is consistent with the methodological choice and philosophical assumptions made earlier (see section 5.3). Other methods such as

administering a standard questionnaire would not be appropriate in this case for two reasons. Firstly, given the qualitative nature of this study a questionnaire approach is thought to be inappropriate, as it is more suitable for quantitative studies based on a large sample, which aims to develop generalisable conclusions. Secondly, key informants of this study (company secretary and senior officials of various organisations) are more likely to agree to be interviewed than to fill out a questionnaire, particularly when the interview topics are of interest to them (Saunders, Lewis, & Thornhill, 2000).

Online Oxford English Dictionary (1989) defines the word 'interview' as follows:

A meeting of persons face to face, esp. one sought or arranged for the purpose of formal conference on some point.

Such interviews could be structured, semi-structured or unstructured/open-ended. Structured interviews with predetermined and standard questions are generally used in large-scale surveys. In contrast, unstructured interviews are completely informal where the interviewees are allowed to talk freely. The semi-structured interviews lie in between the structured and unstructured interviews. Saunders et al (2000, Pp. 243-244) explains situations where semi-structured interviews are most suitable as follows,

The researcher will have a list of themes and questions to be covered although these may vary from interview to interview. This means that you may omit some questions in particular interviews, given the specific organisational context which is encountered in relation to the research topic. The order of questions may also be varied depending on the flow of conversation. On the other hand, additional questions may be required to explore your research question and objectives given the nature of events within particular organisations. The nature of questions and the ensuing discussion mean that data will be recorded by note taking or perhaps by tape recording the conversation.

In this study semi-structured interviews have been used as such an approach helps to retain the benefits of flexibility (for example, changing the ordering of questions, modifying existing questions, and grabbing the opportunity of addressing new questions not earlier thought of) referred to in the above quotation. Moreover, semi-structured interviews assist in giving a loose structure to the sheer volume of data generated by interviews which otherwise would not have been possible in open-ended interviews.

Although the researcher had a list of themes and questions as a guideline it varied depending on the organisational context. For example, the list of questions asked varied between disclosers and non-disclosers. Additional questions were asked which were of specific relevance to the organisation. For example, in the case of a tannery company, located in the Hazaribagh area of Dhaka City, environmental pollution was a big concern surrounding the company as well as the tannery industry in general. Therefore, specific questions were asked to probe this particular issue.

Interviews may be conducted in a face to face situation or by telephone, e-mails and video-conferencing. They may be carried out on a one-to-one basis or on a group basis (Saunders et al., 2000). All interviews in this study were conducted on a one-to-one basis and in a face to face situation. Since the location of respondents was far away in Bangladesh telephone interviews were not feasible from the point of view of costs involved and the poor quality of the telecommunication structure in Bangladesh. Moreover, telephone interviews would not be able to capture the body

gesture and emotions of the respondents when discussing sensitive social, ethical and environmental issues. Given the poor status of technological development in Bangladesh it can also be expected that most of the respondents would not have video conferencing facilities and would have limited access to e-mails. Therefore, the only feasible alternative was to conduct the interviews on a face to face situation. Group interviews were not considered for pragmatic reasons such as the difficulty of managing such interviews (Saunders et al, 2000, P. 268).

5.4.2.2 Selection of Respondents

The objective behind the selection of interviewees was to include all respondent groups (multinationals, domestic and public sector) and also to include respondents from a variety of industrial sectors. Initial contact with the respondents was made through the letters requesting the annual report and also soliciting interviews. Most of the respondents were selected through this procedure. The letter was addressed to the company secretary and in most of the cases companies nominated him/her as the respondent or point of contact. However, some respondents were selected through personal contact during the researcher's visit to Bangladesh (from December 2001 to March 2002).

The key informants in this study were company secretaries who were also, in most cases, the head of the Accounts and Finance department holding the position of Chief Accountant or Finance Director. There is one exception to this general rule. In the case of one multinational company, although the company secretary initially agreed to give an interview, when the interview started he declined to proceed considering

the sensitivity of the issues involved and directed the researcher to his reporting manager within the corporate and regulatory affairs department. The researcher was able to carry out the interview with the manager, after several cancellations of appointments, during the second visit to the company. Company secretaries were selected as the key informants because they appear to be the most knowledgeable person in the company and they are closely involved in the production of annual reports. Previous CSR researchers have also used company secretaries as the key informant (Jackson, Milne, & Owen, 2000).

By following the above selection procedures, in total twenty three corporate managers were interviewed. Six respondents came from the multinational group and seventeen respondents from the domestic group. The domestic companies represent the private sector (15) as well as public sector (2). The respondents were selected across industrial sectors. The distribution of respondents is shown in the following table 5.2.

TABLE 5.2: SECTORWISE LIST OF CORPORATE RESPONDENTS

<i>Name of sector</i>	<i>Number of respondents</i>			
	<i>Multinationals</i>	<i>Domestic</i>	<i>Public Sector</i>	<i>Total</i>
Textile		3		3
Pharmaceuticals and chemicals	2	2	2	6
Jute		1		1
Engineering	1	2		3
Food	1	1		2
Cement		2		2
Leather	1	1		2
Fuel and power	1			1
Bank		2		2
Miscellaneous		1		1
<i>Total</i>	<i>6</i>	<i>15</i>	<i>2</i>	<i>23</i>

Additionally, in order to examine the perceptions of the different stakeholder groups towards CSR activities and the future prospects of CSR in Bangladesh eleven (11) semi-structured interviews were undertaken. The stakeholder groups interviewed included investors (Member of Stock Exchange), employees (Trade Union Congress), consumers (Consumers' Association), other pressure groups (Environmental NGO, Environmental Lawyers' Group, Environmental Journalists Group, Social/Civil NGO promoting transparency in Bangladesh and one civil activist and academic), regulatory body (having oversight on corporate affairs in

Bangladesh), a professional accounting body and an accounting practitioner/financial auditor. The group wise breakdown of the stakeholder respondents is given below:

Table 5.3: STAKEHOLDER RESPONDENTS	
NAME OF STAKEHOLDER GROUPS	NUMBER OF RESPONDENTS
Investors	1
Employees	1
Consumers	1
Pressure Groups	5
Regulatory Body	1
Professional Accounting Body	1
Others (Financial Auditor)	1
Total	11

The researcher's knowledge of the context of Bangladesh, insights developed from the findings of report analysis in Chapter Six, prior literature and some Internet research aided the selection of above stakeholder sample. Initial contact was made by e-mail with some of the respondents. However, the majority of the respondents were contacted personally by telephone during the researcher's field visit to Bangladesh (from December 2001 to March 2002). The key informants in this case were the most senior persons in the organisation who appeared to be knowledgeable in the area the researcher was interested in. Attempts were made to speak to at least one person from each stakeholder group. The justifications for the stakeholder groups selected are given below:

- **Investor** group was selected as previous research has showed that investors are one of the key users of the annual report and would like to see social and

environmental disclosures within the annual report (Epstein & Freedman, 1994).

- Previous research by Belal (2001) found that most of the social disclosures in Bangladesh are related to employees. Therefore, it can be reasonably assumed that **employees** are important stakeholders from the context of Bangladesh whose perceptions towards CSR could provide significant insights to the present study.
- Similarly, **consumers'** perceptions towards CSR need to be studied as it is often reported that consumers' rights are being neglected in Bangladesh (Aziz, 2002).
- Following the trend of Western countries, **pressure groups** are emerging in Bangladesh. Islam (2000) argues that pressure groups have an important role to play in the improvement of social and environmental conditions in Bangladesh. Therefore, it was thought important to speak to them for the purpose of eliciting their views on the emerging CSR practices in Bangladesh.
- The reason for including a **regulatory body** is that they frame the disclosure rules in Bangladesh with which companies have to comply. Therefore, they are important in influencing the future prospect of CSR in Bangladesh.
- **Accountants** were included because they play an important role in the preparation and verification of financial as well as non-financial disclosures in Bangladesh, including the social disclosures made within the annual report. Moreover, as a professional group they are organised and influential in national policy making decisions in Bangladesh.

Thus, in total 34 (23 with corporate managers and 11 with the stakeholder groups) interviews were conducted although originally 30 interviews (20 with the corporate managers and 10 with the stakeholder groups) were planned. However, following the advice of Buchanan et al (1988) to be “opportunistic” in research it was possible to conduct more interviews than originally planned. This is encouraging given the problem of “access” in qualitative research (Bryman, 2000). The present researcher was in an advantageous position with regard to the issue of “access” in corporate interviews. He holds professional membership of both accounting institutes³⁸ in Bangladesh. As a result, when the present researcher approached the respondents (company secretaries), who were also members of the same institutes in most cases, for interviews disclosing his professional identity he succeeded in obtaining appointments for interviews. Without such affiliations “access” could have been a potential problem particularly for the corporate interviews.

5.4.2.3 Interview Procedures

All interviews were carried out at the respondents’ office, except in one case where the interview took place at the respondent’s residence. Although most of the respondents were based in the two major cities of Bangladesh, Chittagong and Dhaka, in one case the researcher had to travel outside the city to meet the respondent based in a factory outside Dhaka.

³⁸ The Institute of Chartered Accountants of Bangladesh (ICAB) and The Institute of Cost and Management Accountants of Bangladesh (ICMAB).

The duration of the interviews varied from 30 minutes to more than two hours depending on the interest of the respondent and the flow of discussion. All interviews were finished in one visit except in two cases. One case has been reported above in section 5.4.2.2. In another case the interview had to be stopped in the middle after one-hour discussion as the respondent had to leave for another meeting. So the interview was finished in a subsequent visit to the company.

The interview experience was not pleasant in all cases and in some cases was almost intimidating. One such intimidating experience was when the researcher found himself to be tested about his knowledge on stakeholders by a particularly challenging interviewee. The respondent in this case talked a lot, sometimes went round the questions and posed counter questions. This was really a daunting experience. This was the only occasion when the respondent refused to allow the interview to be tape-recorded. On another occasion the interview was almost declined on the plea that the researcher did not carry the necessary letter of authority from his supervisor. However, the respondent later agreed to be interviewed after a promise was given by the researcher that the said letter would be faxed to them a couple of days later. There was another interesting occasion when the researcher met a director (not the respondent) in the waiting room of a company who enquired about the research. After receiving a brief explanation concerning the research project he challenged the researcher about the feasibility of the project arguing in line with Friedman (1970) that business should not undertake social work and the only goal of business should be to increase its profits.

All interviews started with a brief introduction to the project and an outlining of the objectives of the interview. With the permission of the interviewees a standard tape recorder was used to record each interview. However, in one case, as noted above, the respondent refused to be recorded. In that case an outline of the interview was prepared a couple of days later and then it was sent to the respondent for his verification and comment. It was finalised after the modifications suggested by the respondent. All recorded interviews were transcribed fully.

In each case a promise of anonymity was given. It was agreed that neither the respondents nor their respective organisations would be identified when quoting them. This led to some difficulty of referencing in the writing up of the interview results. On some occasions claims made by the respondents concerning their organisations' social and ethical performance were proved otherwise by the subsequent newspaper reports. Such discrepancy has been addressed in Chapter Seven without making reference to the specific newspaper reports as they identified the respective organisation by name within the report. The withholding of reference was necessary to keep the promise of anonymity.

The researcher used two different sets of interview schedules for the corporate interviewees and stakeholder interviewees. However, the list of questions asked varied depending on the circumstances, flow of discussion and the organisational context. In fact, it was followed as a rough guide to manage the discussion. In most cases the questions were asked in an open-ended fashion. When the respondents did not speak freely or did not seem to be very knowledgeable, sometimes leads were

given to provide clues to the respondents. The list of questions was generated from the review of previous CSR literature, theoretical considerations, the author's knowledge of the context of Bangladesh and by drawing from the insights of Chapter Six (report analysis). The interviews commenced by asking some general questions followed by specific questions revolving round the theme of stakeholders, corporate motivations, reasons for non-disclosure, relevance of social accounting standards and the prospects for CSR in Bangladesh. The interview schedules are reproduced in appendix two.

5.4.2.4 Limitations of Interview Method

The advantage of the interview method is that it helps to explore more issues at a deeper level as compared to the questionnaire survey method. But the interview method is not usually suitable for large samples. Further, it causes the problems of bias, poor recall and poor or inaccurate articulation. Another major limitation is the possibility of change in the behaviour of the interviewee caused by the intrusion of the researcher. Moreover, it is suggested that interviewer's race, religion, gender, age and social class can have an undesired effect on the interview process (Buckley, Buckley, & Chiang, 1976). In spite of these limitations, interview is considered as a popular research method. While it is difficult to remove all the above demerits of the interview method, the limitations are minimised by a sensitive interview design as described above. Moreover, the limitation that interviews are not suitable for large samples is partly overcome not only by the fact of exploratory nature of the present study, but also because of the present researcher's high level of organisation and willingness to spend a couple of months in Bangladesh for the purpose of data

collection. Further, the potentially intrusive nature of qualitative methods was circumvented by adopting one of the least intrusive methods and also by being really flexible in fitting in with the respondents' schedules. Finally, the impact of the present researcher's status on the interviewees' responses was minimised by sharing many cultural characteristics of the interviewees and being prepared to conduct interviews in the interviewees' native tongue.

5.5 Summary and Conclusion

This chapter has outlined the philosophical assumptions (including the methodological choice) made in this thesis. Additionally, the two research methods (textual analysis and semi-structured interviews) used in the thesis have been examined in detail. It has been made clear that the study is predominantly qualitative in nature and adopts a subjective view of the social world. The results arising out of the first method, textual analysis, are presented in Chapter Six. Chapters Seven and Eight report the results of interviews with corporate managers and stakeholder groups. Given the importance of methodology in scientific research this chapter is intended to provide the link between the preceding conceptual chapters and the subsequent empirical chapters.

CHAPTER SIX

AN ANALYSIS OF SOCIAL DISCLOSURES BY BANGLADESHI COMPANIES

6.1 Introduction

The purpose of this chapter is to undertake a qualitative analysis of social and ethical disclosures made in the corporate annual reports of Bangladeshi companies. An attempt will be made to explore corporate attitudes towards the understanding and interpretation of the social, ethical and environmental impacts of Bangladeshi companies as portrayed in the texts of their annual reports. The chapter is organised in five sections. The next section will address the research question that this chapter attempts to address. A brief description of the analytical categories developed is provided in the third section which is then followed by evaluative comments in the fourth section. Finally, section five draws conclusions from the discussions in this chapter.

6.2 Research Question and List of Disclosure Categories

The central research question for this chapter is:

What are the corporate attitudes represented in the text of annual reports towards social, ethical and environmental issues?

The above research question can be explored under several themes. Firstly, given the claims of the major social accounting standards such as SA8000, AA1000 and the

GRI's Sustainability Reporting Guidelines as being international in nature and scope, an examination will be made as to whether companies in Bangladesh are making reference to these standards. Secondly, an attempt will be made to examine whether Bangladeshi firms have any long-term interest in social, ethical and environmental issues as reflected in their annual reports or whether scattered social disclosures are essentially short-term in nature and merely a one-off exercise. Thirdly, analysis will be made of corporate attitudes towards corruption, rural development, technological improvements, political strikes and other wider socio-economic issues at the national level. Fourthly, it will be examined whether Bangladeshi companies have any concern, as reflected in their annual reports, over eco-justice issues such as poverty alleviation, equal opportunities and use of child labour in industries. Finally, examination will be made of corporate attitudes toward key stakeholder groups.

In order to address the above research questions, categories of social disclosures are developed. The procedures followed for developing the categories were explained in Chapter 5. Following these procedures a final list of 20 categories has been produced, which are shown in Table 6.1 below. A brief description of the categories is given in the next section.

TABLE 6.1: DISCLOSURE CATEGORIES	
1	SA Standards
2	Mission/Vision Statements
3	Separate policy for social, ethical and environmental matters
4	Board level responsibility/committee to deal with these issues
5	Child Labour
6	Health and Safety of Employees
7	Equal opportunities towards women/broader gender issues
8	Industrial Relations
9	Human Resource Development
10	Poverty alleviation
11	Rural and agricultural development
12	Corruption
13	Other socio-economic issues
14	Observation of various national ceremonies
15	Value Added Statement
16	Contribution to National Exchequer
17	Technological factors
18	Attitude towards environmental matters
19	Recognition of relevant stakeholders
20	Welfare activities

6.3 Description of disclosure categories

(1) Social Accounting (SA) Standards

The purpose of including this category is to examine whether companies in Bangladesh are making reference to key social accounting standards such as, AA1000, SA8000, the Global Reporting Initiative's (GRI) Sustainability Guidelines, ISO9000 and ISO14000. This helps us to determine the relevance, or otherwise, of these SA standards within the context of developing nations such as Bangladesh.

As shown in Chapter one, all of the three major social accounting standards³⁹, SA8000, AA1000, and GRI's Sustainability Reporting Guidelines, are claimed to be international in nature and scope. Given such claims it could be expected that domestic Bangladeshi companies in general, and foreign subsidiaries in particular, would be making reference to these standards in the disclosure of social and ethical issues.

(2) Mission/Vision Statements

“The mission statement of an organisation is the most generalised statement of organisational purposes and can be thought of as an expression of its *raison d’etre*” (Johnson & Scholes, 1997, P.223). The elements of a mission statement may include, *inter alia*, product or service contribution, goals for survival, values and beliefs, public image and responsibility to stakeholders (David, 1989; Pearce, 1982). In Bangladesh, companies refer to mission statements by various names such as ‘mission statement’, ‘vision statement’, ‘value statement’, ‘our philosophy’, ‘corporate objectives’ etc. They are all taken to mean more or less the same thing as long as they relate to the long-term objectives and feature a condensed summary of the *raison d’etre* of the organisation (Rigby, 1993). Companies usually include mission statements in their corporate annual reports. The AA1000 principle of embeddedness requires a clear statement of social and ethical issues to be incorporated into the corporate mission/vision statement. Moreover, it requires a

³⁹ For a full discussion of these and other standards see Henrique & Raynard (2000). However, literature frequently considers SA8000, AA1000 and GRI's Sustainability Reporting Standards as the major standards because of their influence and use by companies adopting social reporting practices (see for example Adams, 2003; Belal, 2002; Owen et al., 2001; Owen et al., 2000).

clear link to be established between the mission statement and corporate objectives pursued (Adams, 2003).

(3) Separate policy for social, ethical and environmental matters

The purpose of this category is to examine whether any policy statement, or code of conduct, exists showing the firm's long-term commitment to social, ethical and environmental issues. Such a policy statement can provide some standard or benchmark against which, the firm's performance disclosures on social, and other, issues may be judged. Its absence may indicate that firms are unwilling to commit themselves to these issues, at least in the long term. The presence of such a policy statement will probably indicate commitment to social and ethical issues by senior management.

(4) Board level responsibility or committee to deal with these issues

Disclosure within this category may indicate the importance of social and ethical issues within the governance structure of companies. A board level committee, or a named director, with responsibility for these issues would probably demonstrate the level of importance attached to them. The absence of such a committee or director may, on the other hand, indicate a lack of seriousness on the part of the companies with regard to social, ethical and environmental matters.

(5) Child Labour

SA 8000 prohibits the engagement or support of the use of child labour in organisations. It requires appropriate policy and procedures in this regard. The

standard also requires that companies shall not expose children or young workers to hazardous, unsafe or unhealthy situations. The intention of including this category is to examine the attitude of Bangladeshi businesses towards the child labour problem.

In this regard, the role of export led businesses, such as garments and tanneries, are particularly important as their buyer companies and consumers in the Western world often claim that they are critical of the use of child labour by their suppliers in the developing countries. In the textile sector 13 percent of the workers have been found to be working children (Hossain, 2001b). In addition, in all 300 leather tanneries in Dhaka young children are employed under appalling conditions exposing themselves to corrosive chemicals and bacterial contamination (Hossain, 2001b; Priyangika, 1999). Moreover, children are found to be working in the tobacco growing, tea plantation and other sectors. In 1996 there were approximately 6.6 million working children in Bangladesh in the age group of 5-14 (BBS, 1996). This accounts for five percent of the world's total working child population, numbering 120 million (Hossain, 2001b). Around 8.2 percent of the total working children are employed in the manufacturing sector.

(6) Health and Safety of Employees

SA8000 also requires that employees should be provided with a safe and healthy working environment. Disclosure (or non-disclosure) in this category may be taken as an indication of the firms' attitude towards the issue of health and safety of their employees.

(7) Equal opportunities for women/broader gender issues

Article 23 of the *Universal Declaration of Human Rights* of The United Nations requires, inter alia, equality in respect of pay, work, free choice of employment, just and favourable working conditions. Similarly, ILO conventions 100 and 111 promote the principle of equal pay for both men and women for work of equal value whilst SA 8000 is also against any discrimination on the basis of sex, race or religion. Article 10 of the Constitution of Bangladesh states that the State will work to ensure the participation of women in all spheres of national life. The Government of Bangladesh (GoB) declared the National Policy for Development of Women in 1997 with a view to developing women as a human resource, to eliminate all discrimination against women and to encourage women's participation in all social and economic spheres.

However, in spite of the provisions of international standards, and government policy in this regard, discrimination against women remains widespread in Bangladesh. Although according to the Bangladesh Population Census 2001 approximately 50 percent of the total population are women, they are poorly represented in the workplace. Discrimination against women in the workplace is a noticeable phenomenon in Bangladesh in general, and in the textile and garments sector in particular. The discrimination can take many different forms. For example, long working hours and poor pay (9 to 20 cents an hour for a 87 hour week), mandatory pregnancy test for new employees, searches on the way in and out of the factories

and managements' preference for unmarried women as they have no family tangles (Newsware, 1999; Rashid, 1998).

Given the recent resurgence of 'new' social accounting, eco-justice issues such as fair treatment of all employees and equality of opportunity have been placed high on the agenda. Adams and Harte (2000) make a strong case for examining (and encouraging) corporate reporting of equal opportunities. In an examination of organisational accountability towards equal opportunity, their study concludes that firms are unwilling to present a 'full and frank account of' equality of opportunities in their employment practices. In order to promote equal opportunities reporting they propose a framework for corporate equal opportunities reporting (Adams & Harte, 2000).

In this context, this category will help to examine whether companies in Bangladesh are making equal opportunities disclosure and raise the implications of such (non) disclosures.

(8) Industrial Relations

This category captures the businesses' attitudes towards key industrial relations issues such as respect for the workers' rights in collective bargaining, freedom of association and the importance of a peaceful relationship. Both ILO conventions and SA8000 require that workers' rights referred to above be upheld. Given the poor labour conditions in Bangladesh, disclosures in this category might have important implications for understanding social disclosures in Bangladesh.

(9) Human Resource Development

According to the Human Development Index (HDI) 2001 Bangladesh ranked 132 out of 162 countries of the world. HDI measures a country's achievements in terms of life expectancy, educational attainment and adjusted real income. Given the shortage of skilled manpower, human resource development could be of immense importance in Bangladesh. In this regard businesses could play an important role in the development of human resources in Bangladesh. Disclosures in this category capture corporate attitudes as to what extent they consider their employees as 'human resource' and to what extent they are committed to their employees' developmental needs.

(10) Poverty alleviation

Bangladesh is one of the poorest countries of the world with a per capita income of \$370 a year. According to the Human Poverty Index 2001 published by UNDP it is placed on the rank of 74 out of the 90 countries for which the index is available. Disclosures made under this category may indicate the sincerity and genuineness of corporate commitment towards poverty elimination.

(11) Rural and Agricultural Development

Bangladesh is a village-based country with 75 percent of the total population living in the rural areas. For their living they depend primarily on agriculture. In spite of the present government's emphasis on rapid industrial development, agriculture

continues to be a dominating sector of the economy with a contribution of 30 percent towards the gross domestic product (GDP) of the country (BBS, 1998). Therefore, without empowering the rural peoples, and without visible developments in the agricultural sector, development of Bangladesh would be far from being a reality. In this regard, the role of some firms, particularly banks and insurance companies are noteworthy as they can provide the rural peoples required banking needs as well as financing services. The purpose of including this category is to examine the attitude of businesses towards the rural and agricultural development of the country. Disclosures in this category would perhaps indicate the contribution of Bangladeshi firms in the development of the rural economy.

(12) Corruption

In describing the socio-cultural profile of Bangladesh Parry & Khan (1984) noted the problem of widespread corruption. Every sphere of public life, particularly business and industry, is suffering due to the widespread corruption. This is evident from the following quotation:

“Corruption has become a widespread practice in Bangladesh. Very few institutions are free of corrupt practices. Bribery serves as a locomotive to get a job done. In order to implement a project or move a file concerned officials have to be bribed. Inhibition about bribery has almost disappeared. The negative impact of corruption can be felt at all levels of the society” (TIB, 2001, online source)

According to the Corruption Perception Index (CPI) 2001 published by Transparency International (TI), Bangladesh was shown as the “most corrupt” country of the world with a rank of 91 out of 91 countries for which the index is available and with a

rating of only 0.4 out of 10. The index relates to the perceptions of the degree of corruption as seen by business people, risk analysts and the general public and ranges between 10 (highly clean) and 0 (highly corrupt). The OECD Guidelines for Multinational Enterprises (OECD) require that “enterprises should not, directly or indirectly, offer, promise, give or demand a bribe or other undue advantage to obtain or retain business or other improper advantage. Nor should enterprises be solicited or expected to render a bribe or other undue advantage” (OECD, 2000, online source). In this context it could be interesting to see how the business community (who provided input to the CPI) looks at the problem of corruption in Bangladesh. Therefore, inclusion of this category would give us an opportunity of examining the attitude of the firms to the persistent corruption problem of Bangladesh.

(13) Other Socio-economic Issues

The purpose of including this category is to capture the attitudes of businesses towards the wider socio-economic issues of Bangladesh such as political instability, strikes, power shortage, deteriorating law and order situation (Huq, 2001), currency devaluation, export of Bangladeshi products and miseries of the public due to frequent floods.

(14) Observation of Various National Ceremonies

In Bangladesh business organisations traditionally participate and/or support various annual national ceremonies such as 16 December, the Victory Day, 21 February, the Martyrs Day and 26 March, the Independence Day. The purpose of including this category is to examine firms’ attitudes towards these days of national importance.

(15) Value added statement (VAS)

The value added statement was recommended in 1975 in *The Corporate Report* published by the UK Accounting Standards Steering Committee. It was seen as an indicator of social change whereby shareholders were no longer seen as the sole beneficiary of the company's wealth. Rather it was viewed that a company's wealth should be shared with the other stakeholders such as employees and government (Morley, 1975). This statement shows the distribution of value added by the firm amongst its various stakeholders. While VAS disclosure started to decrease from the beginning of 1980s in the UK, due to lack of statutory requirement, a number of companies still voluntarily publish this statement in Bangladesh. Therefore, it might be interesting to examine the message that the companies in Bangladesh are trying to convey by including this statement voluntarily within the annual report.

(16) Contribution to National Exchequer

The purpose of including this category is to examine the attitudes of Bangladeshi companies towards their contribution to the national exchequer in the form of various taxes such as income tax, value added tax and other indirect taxes and duties.

(17) Technological Factors

Technologically, Bangladesh is far behind the Western developed countries. However, the Government of Bangladesh is committed to achieving technological advancement. Evidence of this can be found in the Science and Technology Policy

and the recently framed draft Information Technology (IT) Policy. The vision of Draft IT Policy is: “To be an IT-driven nation comprising knowledge-based society by the year 2010”. Business organisations in Bangladesh are keen to take the benefits of technology in general and IT in particular. Businesses can play an important role in the technological development of Bangladesh. In this context, the purpose of including this category is to examine the attitudes of Bangladeshi firms towards technological factors.

(18) Attitude towards Environmental Matters

Industrial pollution is considered one of the notorious environmental problems in Bangladesh (Belal et al., 1998). Concerns are being expressed that if nothing is done to check industrial pollution, Bangladesh runs the risk of facing an ‘environmental catastrophe’ (Inam, 1995). The government has taken several steps for the protection of the environment which include the Bangladesh Environment Protection Act, 1995, National Environmental Policy and National Environmental Management Action Plan. Disclosures in this category may indicate the attitudes of Bangladeshi firms towards the environmental issues.

(19) Recognition of Relevant Stakeholders

It is a tradition for Bangladeshi companies to acknowledge the contribution of relevant stakeholder groups in the Chairman’s Statement and/or Directors’ Report. This category tries to ascertain the importance attached to a particular stakeholder group through such acknowledgements and also by counting the number of instances a particular stakeholder group is mentioned in any part of the annual report.

(20) Welfare Activities

Business organisations do get involved in various welfare schemes aimed at the well being of their employees and the surrounding communities. It could be argued that because of their welfare orientation, public sector companies are motivated towards achieving social gains rather than mere commercial profits (Hegde et al., 1997). Therefore, it could be expected that public sector companies would be disclosing more under this category. Disclosure in this category may indicate attitudes of Bangladeshi companies towards the welfare of their stakeholders, particularly employees.

The above categories can now be related to the research themes of this chapter as follows:

- Relevance of SA standards (Category 1).
- Long-term interest of the firm towards social and ethical issues (Categories 2–4: mission statement (2), ethical policy (3) and board level responsibility (4)).
- Corporate attitude towards wider socio-economic issues at the national level (Categories 11-14, 17 and 18: rural development (11), corruption (12), other socio-economic issues (13), national ceremonies (14), technology (17) and environment (18)).
- Corporate attitude towards eco-justice issues (Categories 5,7 and 10: child labour (5), equal opportunity (7) and poverty (10)).⁴⁰

⁴⁰ It is difficult to precisely allocate all categories amongst the research themes. For example, health and safety of employees (6) could have been allocated both to the eco-justice theme as well as the stakeholder theme. However, for the purpose of this study it was thought more appropriate for the latter theme as the issue is directly related to a particular stakeholder group, namely, employees.

- Corporate attitude towards stakeholder groups (Categories 6,8,9,15,16,19 and 20: health and safety (6), industrial relations (8), human resource development (9), VAS (15), contribution to national exchequer (16), recognition of stakeholders (19) and welfare activities (20)).

6.4 Analytical comments

The related issues in this section will be explored in two parts. In the first part brief observations will be made on Tables 6.2 and 6.3 as shown below. In the second part the research themes will be examined in detail.

TABLE 6.2: ANALYSIS BY COMPANY CLASSIFICATION

	DISCLOSURE CATEGORIES	Multinational (N=6)	Domestic (N=73)	Public Sector (N=8)	Total (N=87)
1	SA Standards	0(0)	9(12)	0(0)	9(12)
2	Mission/Vision Statements	2(33)	19(26)	0(0)	21(24)
3	Separate policy for social, ethical and environmental matters	1(17)	5(7)	0(0)	6(8)
4	Board level responsibility/committee to deal with these issues	0(0)	0(0)	0(0)	0(0)
5	Child Labour	0(0)	0(0)	0(0)	0(0)
6	Health and Safety of Employees	2(33)	1(1)	0(0)	3(3)
7	Equal opportunities towards women/broader gender issues	0(0)	0(0)	0(0)	0(0)
8	Industrial Relations	3(50)	13(18)	0(0)	16(18)
9	Human Resource Development	6(100)	39(53)	0(0)	45(62)
10	Poverty alleviation	0(0)	3(4)	0(0)	3(4)
11	Rural and agricultural development	1(17)	3(4)	0(0)	4(5)
12	Corruption	1(17)	0(0)	0(0)	1(1)
13	Other socio-economic issues	4(67)	35(48)	0(0)	39(45)
14	Observation of various national ceremonies	0(0)	0(0)	4(50)	4(5)
15	Value Added Statement	1(17)	19(26)	6(75)	26(30)
16	Contribution to National Exchequer	3(50)	15(21)	7(88)	25(29)
17	Technological factors	4(67)	23(32)	0(0)	27(31)
18	Attitude towards environmental matters	2(33)	9(12)	5(63)	16(18)
19	Recognition of relevant stakeholders	6(100)	57(78)	7(88)	70(80)
20	Welfare activities	0(0)	0(0)	8(100)	8(9)

(Figures in parenthesis indicate percentage of disclosing companies in each category)

Table 6.2 summarises the findings of the report analysis. It shows the number of companies that disclose issues related to a particular category. The first observation that can be made on the table is that no company disclosed board level responsibility to deal with social and ethical issues thereby indicating lack of long-term commitment to the issues. Secondly, virtually no company (excepting three domestic companies on poverty) disclosed under the categories dealing with eco-justice issues such as child labour, equal opportunity and poverty alleviation. Finally, the highest disclosed categories are human resource development and recognition of stakeholders. This probably indicates the importance of stakeholders to the company, particularly employees, whom companies often consider as 'human resource'. However, this interpretation is not consistent with the finding that only three companies disclosed health and safety issues. Arguably, no companies can ignore the health and safety needs of their employees if they want to develop them as 'human resource'.

If a comparison is made of multinationals v. domestic v. public sector companies it can be seen that there are certain categories (national ceremonies and welfare activities) which are only applicable to public sector companies. Moreover, as compared to multinational and domestic companies a significant majority of public sector companies disclosed under the category of VAS, contribution to national exchequer and recognition of stakeholders. While multinationals completely ignored the eco-justice issues, 3 domestic companies disclosed information on 'poverty alleviation' indicating that they are at least to some extent concerned about the

poverty situation in Bangladesh. However, on the employee related issues (Categories 6, 8 and 9) multinationals are well ahead of the domestic companies probably because of the influence of the parent companies in promoting adherence to Western employment standards.

Sector wise, analysis of the disclosures (see table 6.3 below) shows that the pharmaceutical and chemical sector is the leading discloser under various categories. Traditionally, this is a sector which is more sensitive to social and ethical issues⁴¹ (Adams, 1999). All companies in the banking sector disclose on human resource development but none of them disclose information on health and safety issues. Because of the importance of technology in the modern banking business it could be expected that they would disclose more in this category and indeed 10 out of 12 banks disclosed information on technological matters indicating their contribution to the much needed technological advancement of the country. Although the issues of child labour and health and safety are particularly relevant to the textile sector none of the companies in this sector disclosed information within these categories.

⁴¹ Because of the various political and ethical issues facing them and also because of the potential magnitude of environmental impacts of the sector. For a list of political and ethical issues concerning the sector see Adams and Kuasirikun (2000, p.54).

TABLE 6.3: ANALYSIS BY INDUSTRIAL SECTOR

	DISCLOSURE CATEGORIES	Bank (n=12)	Ins (n=1)	Text (n=24)	Pharma (n=19)	Fuel (n=2)	Food (n=8)	Eng. (n=7)	Service (n=1)	Jute (n=1)	Misc. (n=12)	Total (N=87)
1	SA Standards	0	0	1(4)	5(26)	0	1(12)	0	0	0	2(17)	9(12)
2	Mission/Vision Statements	2(17)	0	7(29)	7(37)	1(50)	2(25)	1(14)	1(100)	0	0	21(24)
3	Separate policy for social, ethical and environmental matters	2(17)	0	1(4)	2(10)	0	1(12)	0	0	0	0	6(8)
4	Board level responsibility/committee to deal with these issues	0	0	0	0	0	0	0	0	0	0	0(0)
5	Child Labour	0	0	0	0	0	0	0	0	0	0	0(0)
6	Health and Safety of Employees	0	0	0	2(10)	1(50)	0	0	0	0	0	3(3)
7	Equal opportunities towards women/broader gender issues	0	0	0	0	0	0	0	0	0	0	0(0)
8	Industrial Relations	0	0	4(17)	5(26)	2(100)	1(12)	0	1(100)	0	3(25)	16(18)
9	Human Resource Development	12(100)	0	8(33)	14(74)	1(50)	2(25)	2(28)	1(100)	0	5(42)	45(62)
10	Poverty alleviation	1(8)	0	0	1(5)	0	0	1(14)	0	0	0	3(4)
11	Rural and agricultural development	1(8)	0	0	1(5)	0	2(25)	0	0	0	0	4(5)
12	Corruption	0	0	0	0	0	0	1(14)	0	0	0	1(1)
13	Other socio-economic issues	9(75)	1(100)	9(37)	6(32)	1(50)	2(25)	5(71)	0	1(100)	5(42)	39(45)
14	Observation of various national ceremonies	0	0	0	4(21)	0	0	0	0	0	0	4(5)
15	Value Added Statement	0	0	8(33)	11(58)	1(50)	0	2(28)	1(100)	0	3(25)	26(30)
16	Contribution to National Exchequer	0	0	3(12)	15(79)	1(50)	1(12)	2(28)	0	0	3(25)	25(29)
17	Technological factors	10(83)	1(100)	6(25)	6(32)	2(100)	1(12)	0	0	0	1(8)	27(31)
18	Attitude towards environmental matters	0	0	3(12)	6(32)	0	2(25)	0	1(100)	0	4(33)	16(18)
19	Recognition of relevant stakeholders	10(83)	1(100)	20(83)	15(79)	1(50)	7(87)	5(71)	1(100)	1(100)	9(75)	70(80)
20	Welfare activities	0	0	0	8(42)	0	0	0	0	0	0	8(9)

(Figures in parenthesis indicate percentage of disclosing companies in each category)

6.4.1 Relevance of Social Accounting Standards in Bangladesh

Under this research theme exploration will be made of the extent of the use of social accounting standards by Bangladeshi companies. Given the claims of the major social accounting standards as being international in nature and scope, it could be expected that companies throughout the world, including developing countries like Bangladesh, would be making reference to such standards in the process of social reporting. But in reality, it is found that, in Bangladesh, none of the companies, including the multinationals, included in this study, made reference to these three

major standards. However, nine companies (10%) made reference to the quality-related standard ISO9000. One example is shown below:

“We are also vigorously working to receive the ISO-9001 certification award through appointing ISO consultants to recognise the company’s consistent and strict adherence to quality management” (Tallu Spinning Mills Limited, Annual Report 2000, P.13)

Out of these nine companies, five are related to the pharmaceutical sector. Such concentration of disclosing companies in one particular sector may be due to the stringent regulatory requirements and high customer expectations from life saving medicines. This is apparent from the following quotation:

“Ensure strict compliance with local regulatory norms in every phase of manufacturing, quality assurance and delivery of medicines. Ensure customer satisfaction by exceeding their level of expectations.” (Square Annual Report, 1999, P.1)

Lack of reference to the major social accounting standards by Bangladeshi companies raises doubts concerning the relevance of these standards, developed mainly in the Western countries, to the different socio-economic context of developing countries. Although domestic Bangladeshi companies did not make reference to such standards it could be reasonably expected that foreign companies might have made reference to them in line with practices in the developed countries where they are based.

Thus, it can be said that the enthusiasm created by the ‘new’ wave of social accounting⁴² in the developed Western countries such as, the UK and the USA has

⁴² There are three different strands of social accounting including the ‘new’ wave of social accounting (see Gray, 2001). The first strand refers to the ‘social audit’ movement initiated by Charles Medawar to improve organisational transparency and accountability (Medawar, 1976). According to Gray (2001), the second strand refers to the ‘silent social accounts’ whereby companies make scattered and somewhat patchy disclosures within the traditional annual report. The third and final strand relates to the ‘new’ wave of social accounting in large Western corporations via publication of stand alone social reports which has been more popularly termed as Social and Ethical Accounting, Auditing and Reporting (Gonella et al, 1998).

not yet made any impact on companies in developing countries in terms of encouraging them to make social and ethical disclosures which incorporate the provisions of social accounting standards. However, standardisation in social accounting is only a recent phenomenon and therefore, it may be too early for Bangladeshi companies to have incorporated the provisions of these standards in their recent reports.

6.4.2 Firms' Long-term Interest in Social and Ethical Issues

Although Bangladeshi companies are not making reference to the major social accounting standards they do disclose social and ethical matters within the annual report in addition to statutory financial information. By examining these disclosures an exploration can be made as to whether they are representative of any long-term interest in the social and ethical issues.

This has been done by examining whether companies integrate their social and ethical commitments in the mission/vision statements (category 2), whether the commitment has been written down formally in a separate policy statement (category 3) or whether there is a board level committee or responsibility to deal with these issues as an evidence of commitment from the top (category 4).

Only 21 (24%) companies incorporate social and ethical issues in their mission statements by disclosing their commitments to different stakeholder groups. Some examples are shown below:

“ACI’s vision is to play a leading role in improving the quality of life and well being of the people of Bangladesh through responsible application of knowledge and skills. To attain the vision ACI will devote its resources to providing products and services of high and consistent quality, which ensure value for money to its customers. To create an image for quality of its products and services, productivity of its operations and innovative abilities of its employees. To ensure superior return on investment through healthy and sustainable growth of the company. To contribute to the personal development and well being of our employees. To encourage and support qualitative improvement of the services of our distributors and suppliers. To participate in selected Government/NGO projects and in community services for the attainment of social goals.” (ACI Annual Report, 1999, Inside Front Cover, Bold – emphasis added)

“A public limited company working for the nation as a whole with pertinacious incitement and firm determination to ensure the quality and ethical standing attributing to sustainable growth and also to serve mankind.” (Ibn Sina Annual Report, 1999-2000, Inside Front Cover)

“Our mission is to improve the quality of life of people by providing comforts and conveniences at affordable prices. We will continue to honour and maintain high ethical standards. Continue to achieve growth in sales. Ensure attractive return on shareholders’ funds. Expand our marketing network all over the country to be nearer to the customers for their convenience. Continue to develop our human resources.” (Singer Annual Report, 2000, P.2-3, Bold – emphasis added)

“Each of our activities must benefit and add value to the common wealth of our society. We firmly believe that, in the final analysis, we are accountable to each of our constituents with whom we interact; namely: our employees, our customers, our business associates, our fellow citizens and our shareholders”. (Beximco Pharmaceuticals, Annual Report 1999, Inside Front Cover, Bold – emphasis added).

As stated earlier, the AA1000 principle of embeddedness requires a clear commitment be made to pursuing social and ethical objectives in the mission statement. Similarly, GRI’s Guidelines also require such a commitment as one of their six key elements of the sustainability report. However, in spite of these requirements the majority of Bangladeshi companies (75%) chose not to disclose it.

Although it is suggested that the mission statement is mainly intended for internal use (Klemm, Sanderson, & Luffman, 1991), the study by Campbell et al (2001) shows that 67 out of FTSE 100 companies disclosed mission statements within their annual reports and they are used to signal companies’ attitudes to different

stakeholders, many of which are external. The study also found that the most frequently noted stakeholder groups are shareholders, customers and employees, which are considered as dominant economic stakeholders while economically less dominant social stakeholder groups such as environment and community are mentioned less frequently.

This also appears to be the case in Bangladesh as shown by the following Table 6.4. The table shows that economically dominant stakeholders such as shareholders, employees and customers are more frequently noted in the mission statement than the social stakeholders such as the wider society. This indicates that companies, generally, are only interested in the stakeholder groups which can bring direct financial benefits to the company, a point which will be dealt with later. Another important finding here is that neither of the two multinationals (Singer and BOC) that included a mission statement within the annual report refer to social stakeholders. This suggests that multinational companies in particular attach far more importance to their economic stakeholders whilst ignoring social stakeholders in the developing countries in their pursuit of achieving economic objectives in preference to social objectives.

TABLE 6.4: STAKEHOLDER GROUPS NOTED IN MISSION STATEMENT

Name of Companies	shareholder	employee	customer	supplier	Government	competitor	wider society
Beximco Textile	1	1	1	1		1	1
Beximco Pharmaceuticals	1	1	1	1		1	1
Padma Textile	1	1	1	1		1	1
National Bank	1		1				1
Shinepukur Holdings	1	1	1	1		1	1
ACI Ltd.	1	1	1	1	1		1
Prime Bank	1	1	1				
<i>Singer Bangladesh</i>	1	1	1				
Prime Textile		1					
<i>BOC Bangladesh</i>		1	1				
Tallu Spinning			1				
Beximco Knitting	1	1	1	1		1	1
AMCL(PRAN)		1					1
Beximco Denims	1	1	1	1		1	1
Renata	1	1	1				
Bionic Seafood	1		1				
H R Textile	1	1	1				
The Ibn Sina							1
Beximco Infusions	1	1	1	1		1	1
National Polymer		1					
Libra Infusions Ltd.	1	1	1				
Total number of companies (n=21)	15	17	17	8	1	7	11

(Highlighted companies are multinationals while all other companies are domestic Bangladeshi companies)

In addition to adopting a mission statement, long-term commitment to social and ethical issues would also require companies to establish clear and concise social and ethical policies against which they can measure their social and ethical performance.

In this study it is found that other than six companies disclosing their quality policy⁴³ no company disclosed a social and ethical policy, indicating a lack of long-term

⁴³ This again indicates a focus on narrow economic objectives emphasising commercial quality while ignoring important social and ethical issues.

commitment on the part of companies to social and ethical issues. Two examples of quality policy disclosure are shown below:

“ SQUARE’S Quality Policy: Ensure all activities through documented Quality Management System (QMS) complying International Standard requirements of ISO9001 through continuously developing human resources by regular training and participation.” (SQUARE Pharmaceuticals, Annual Report 1999-2000, P.1)

“The quality of our products, processes and services is of paramount importance to the reputation and success of Glaxo Wellcome. It is the policy of the group that all parts of the business ensure that customers world-wide receive medicines that are safe, effective and of a standard of quality consistent with our leadership position in the global healthcare industry. This is achieved by integrating into business activities:

Customer focus - a perspective of quality throughout:

- the entire organisation of each operating unit and company
- all processes, systems and product design and development, through manufacture, supply and marketing

Compliance - with regulatory requirements, corporate quality requirements, group product and other applicable standards

Added Value – through continuous improvements and error-prevention to benefit customers and company.” (Glaxo Annual Report 1999 P.4)

Further, long-term commitment to social and ethical issues would require a clear governance structure with board level responsibility showing commitment from the top. Again, none of the companies included in this study disclosed such commitment probably indicating a lack of top management interest in social and ethical issues.

From the above discussion a clear picture is emerging which indicates that Bangladeshi companies lack long-term commitment to social and ethical issues. This is evident from the fact that most of the companies in the sample (75%) did not include mission statements incorporating social and ethical issues within their annual reports, none of them disclosed a separate social and ethical policy (other than

reference to quality issues by six companies) and none of them disclosed any board level responsibility for dealing with social and ethical issues.

6.4.3 Corporate Attitudes towards Wider Socio-economic Issues

“Business and industry, including transnational corporations, play a crucial role in the social and economic development of a country...Increasing prosperity, a major goal of the development process, is contributed primarily by the activities of business and industry. Business enterprises, large and small, formal and informal, provide major trading, employment and livelihood opportunities” (UNEP, 1992, online source). Therefore, it could be argued that businesses in Bangladesh should play an important role in the socio-economic development of the country.

Under this research theme examination is made of the attitudes of Bangladeshi businesses towards various national level socio-economic issues such as rural and agricultural development, corruption, technological development, environmental problems, observance of national ceremonies and other wider socio-economic issues.

Development of the agricultural sector is very important for Bangladesh as it makes a significant contribution (30%) to the national economy. In this regard, businesses in general, and banking and insurance companies in particular, can play an important role through various financing activities. Out of the twelve banks and one insurance company included in this study, only National Bank Limited (NBL) made disclosures in this regard. This indicates lack of firms' commitment to the development of the agricultural sector. However, NBL appears to be fairly

committed to the agricultural development of Bangladesh as shown by the following disclosures:

“The objective of NBL is not only to make profits but also to extend its social commitment by providing banking co-operation to the establishment of large-scale industries through consortiums and agriculture-based export-oriented small and medium sized enterprises.” (NBL Annual Report, 1999, Inside Front Cover, Translation from Bengali)

“As a private sector bank National Bank is first in actively participating in the Rural Loan Financing Schemes from 1992 in order to assist the largest rural communities of the country in their economic development. From the inception, the bank is working closely in collaboration with Barendra Multi-purpose Development Authority in operating Agricultural/Rural Loan Financing Schemes in Rajshahi i.e. the Northern part of Bangladesh. In the last eight years the bank distributed Taka 58.94 millions (in 1999 Taka 12.15 millions) as loans under this scheme to 8806 clients. The loan recovery rate is 93% (in 1999 83.1%). The scheme is the first of its kind for a private sector bank in the country. In addition, since 1996 the bank is taking an active part in the Agricultural, Industrial and Technological Development Project (AITDP) with financing from USAID. Under this project, the bank received Taka 140 millions from USAID. In 1999 the bank disbursed Taka 322 millions, including its own funds, under this project. The loan recovery rate is 98%.” (NBL Annual Report 1999, P22-23, Translation from Bengali)

However, in addition to NBL three other non-banking companies made disclosures in this category as shown below:

“The Food and Agricultural Organisation (FAO) has awarded British American Tobacco Bangladesh for pioneering the development of vegetable seed industry in Bangladesh. The company started its vegetable seed multiplication programme in 1990 with the technical support of FAO with a view to provide quality vegetable saplings for free distribution amongst farmers in the tobacco growing areas.” (British American Tobacco Bangladesh, Annual Report, 1999, P.23)

“Our comparative advantage as an economy lies in agriculture. We believe the way to economic prosperity is through agriculture and agro-business. PRAN is a testimony to our convictions. It stands for: Programme for Rural Advancement Nationally.” (Agricultural Marketing Company Limited, 1999-2000, P.3)

“Zamuna Fertiliser Company Limited has been established with an annual capacity of 561,000 metric tons in order to ensure the delivery of chemical fertiliser, in the least possible time, to the farmers of the northern part of Bangladesh.” (Zamuna Fertiliser Company Limited, Annual Report 1997-98, P.8, Translation from Bengali)

Another very important national issue that has raised much controversy recently is the problem of widespread corruption. As noted earlier, according to the CPI 2001 Bangladesh was identified as the “most corrupt” country of the world with a score of

only 0.4 out of 10. It is reported that foreign direct investment dropped by almost 50% in 1999 from that of 1998 due to the negative attitude of foreign investors towards corruption, political instability and lack of infrastructure (TIB, 2001). The attitude of Bangladeshi companies is also quite negative to this phenomenon of widespread corruption as shown by the disclosure on corruption by Singer Bangladesh, shown below, where it clearly notes the rising “hidden costs” of business due to corruption.

“One of the primary issues is that business confidence in the country appears to be waning because of the prevailing political conditions. It is an open secret, which you are all aware of, that the hidden costs of doing business is going up day by day because of corruption, toll collection and unmitigated smuggling.” (Singer Annual Report 2000 P.11)

From this quotation (Singer), it can be inferred that businesses do occasionally get involved in corruption in their interaction with the public officials in Bangladesh. Businesses’ involvement in corruption was also indicated by the TIB report noted above which scanned newspaper reports on corruption. It reported that 5% of corruption reports (96 reports in number) over the reporting period of July-December 2000 were related to industry and private sector service organisations (TIB, 2001).

Given such involvement, it could be expected that every ethical business would make its stance on corruption clear by framing an appropriate ethical policy in this regard. However, it is found that other than Singer, no company made any disclosure specifying its stance on corruption. This is simply not acceptable according to the principles of Islam, the dominant religion of Bangladesh, whereby any involvement with bribery or any other form of corruption is strictly prohibited.

Modern technology is required for the development of the country as well as for the efficient running of business. Technologically, Bangladesh is relatively underdeveloped as yet. In this regard, businesses, particularly multinationals and export-oriented companies, can play an important role in the technological development of the country. About one-third of the companies (27) whose reports were studied made disclosures in this category. Typical disclosures include,

“The company considers attainment and application of “Technology” as a prerequisite to commercial success. With this end in view the company is investing heavily in modern state-of-the-art science and technology which is expected to benefit the shareholders in the long run.” (Square Annual Report, 1999-2000, P.12)

“Computerisation of Operational Activities

In the process of our continuous efforts to attain excellence in customer service, the Bank have provided computers to 30 new Branches along with IBBS software during the year thereby raising the total number of Branches with computers from 80 to 110 i.e. all Branches of the Bank as at the end of the year 1999. Out of the 30 new Branches, 21 Branches are in live operation and the rest are either in Back Log Transaction or Back Log Data Entry and at present 101 Branches are in live operation.

The Bank has supplied additional Computers along with IBBS software for TDR, Hajj, and Investment operation to all Branches. The Bank has also arranged training programmes on IBBS for Managers, 2nd Officers and 2nd Operators of all Branches of the Bank. Additionally, the Bank has installed LAN at 20 new Branches including Local Office of the Bank. The Bank has supplied software for maintenance of MSS & MSB modules to all Branches of the Bank.” (Islami Bank Annual Report, 1999, P. 23)

“Commendable progress has been made in the computerisation process of your company over the last year. Local Area Network (LAN) has been commissioned at your factory site at the end of 1999. I am sure this computerisation process will make significant changes in working practice. I am pleased to inform that Tetra CS/3, an integrated software recommended by the Group, has been implemented in the finance function of your company. As a result generation of financial information has been accelerated to support and improve the decision making process.” (Glaxo Annual Report, 1999, P.12-13)

The above disclosures indicate that a number of companies in Bangladesh are using technology as a tool for the efficient running of business and thus helping the country in its technological development⁴⁴. The positive role of business in the country’s technological development needs to be commended. However, one criticism of the

⁴⁴ However, it has to be acknowledged that one motive behind a number of companies pushing the technology agenda lies in its direct financial benefits. This commercial motive is apparent from quotations noted above.

above disclosures could be that none of them quantified the disclosure by showing the amount of money spent on technological development which could help the reader of the annual report to determine the percentage of, for example, turnover, spent on technological development. Furthermore, a large majority of companies included in this study (two-thirds) did not disclose anything in this regard.

Another important issue to be considered here is the corporate attitude towards environmental matters. Less than 20% of companies (16) included in this study disclosed on environmental issues. The examples of disclosures include,

“The company is always active to keep its environment pollution free. In addition to the implementation of afforestation programmes in all mill areas steps have been taken to keep the internal environment of the factory pollution free by installing modern equipment.” (Saiham Textiles Annual Report, 1999-2000, P.8)

“In keeping with the national objectives, the company attaches the utmost importance to a congenial environment. We have taken adequate measures to control dust, which is generated during the process of manufacturing cement. Moreover, we have undertaken elaborate programmes within the factory premises and notable progress has already been made in this connection.” (Aramit Cement Annual Report, 1999, P.11)

“The company is continuously putting emphasis on environmental impact on the community. To make an environment friendly atmosphere around the factory the company has already set up environment friendly machinery. The management is fully responsive to the environmental role of the company and participates in all national programs for pollution control and other hazards.” (Confidence Cement Annual Report, 1999-2000, P.10)

“Shrimp processing industries have to be concerned with environmental pollution from the effluents of shrimp cleaning and processing. The company feels concerned and has made all necessary arrangements for proper disposal of effluents after treatment.” (Bionic Seafood Annual Report 1999 P.10)

The corporate attitudes that are apparent from the above disclosures are of a very cautious ‘softly softly’ approach. The companies are saying that they have taken environmental issues seriously but their sincerity may be questioned in the absence of the development of an appropriate long-term corporate environmental policy and quantitative indicators to measure performance against the policy. The above ad hoc

disclosures can, at best, be taken as a list of mere intentions without evidence of any appropriate action.

The environment of Bangladesh is degrading rapidly. The untreated disposal of industrial wastes, gases and fumes is considered one of the reasons for this (Belal et al., 1998; BEN, 2001). In spite of this, a large majority of companies (71) included in this study did not make any environmental disclosures.

There are specific allegations against the companies polluting the environment. For example, Khan (2001b, online source) reports,

“Residents of Hazaribagh and its adjoining areas are facing serious health hazards due to unabated release of untreated effluent from about 250 tanneries into the river Buriganga. Sources said due to release of effluents and emission of poisonous gases, various skin diseases have broken out in Katasur,Hazaribagh, and in Rayer Bazar areas.... Black spots are visible on the skin of the afflicted inhabitants of the area...gold ornaments, even chains of the wristwatches worn by the people of the area, get discoloured within a very short time due to release of gas from the tannery effluent.”

Apex Tannery is one such tannery company located in the Hazaribagh area. In its 1996 annual report it said, “If we are to attain sustained growth we need... more efforts in quality management and pollution control. Your company has already begun the process through investment in a new ‘green’ tannery” (P.8). In its 2000 report however it did not make any environmental disclosure excepting four words (‘Caring for the environment’) on its company logo shown on the middle of cover page and then on every page of the annual report. We are not told what the position is concerning that ‘green’ tannery now and how it is helping to mitigate pollution. All the company says is that it cares for the environment but what it does not say is how it cares for the environment when the peoples in the community of Hazaribagh

are suffering from serious fatal diseases due to the pollution created by the tannery companies (Khan, 2001a).

Karnaphully Paper Mills (KPM) is another public sector company seriously polluting the river Karnaphully. A recent newspaper article noted,

“The chemical wastage of the KPM is polluting water of the river Karnaphully and its surrounding environment at an alarming level. Effluents of the mills have been polluting the surrounding environment on the one hand and on the other hand, bad smell spreading from wastage is seriously affecting normal life of the people living near the mills” [*The Financial Express(online)*, 21st July, 2001, www.financial-express.com]

In spite of such adverse impact on the surrounding environment, like other non-disclosers, the company remained silent on the issue and preferred not to make any disclosure in this regard.

The observance of national ceremonies and its disclosure within the annual report is a traditional practice on the part of public sector companies. While none of the private sector companies disclosed under this category, four out of eight public sector companies included in this study made disclosures in this regard. Typical examples of disclosure under this category include photographs of various national ceremonies and the participation of company officials in their observance. This probably indicates the welfare motive of the public sector companies with a view to promoting the public good and contributing to national issues (Hegde et al, 1997).

Finally, attempts have been made to examine corporate attitudes towards other wider socio-economic issues (category 13). 39 companies made disclosures in this

category. Almost all of them referred to the poor law and order situation, strikes, power shortages, devaluation of the Taka and political instability as affecting the performance of the business adversely. Some examples are given below:

“In spite of the various adverse external conditions, such as political unrest, strikes, hartal [strike], power failures, heavy competition among the local producers and drastic devaluation of our currency, your company maintained its progress as the national leader in the field of cement production and, I am happy to say that, its performance during the year was excellent.” (Chittagong Cement Annual Report 1999-2000, P15)

“This year was perhaps the most difficult one in our corporate history of 27 years. The law and order situation was alarming, the economy was depressed and the political standoff was disheartening. In spite of the adverse circumstances the results of the company were satisfactory due to the loyalty and determination with which the employees at all levels carried on with their duties and faced the prevailing adversities.” (ACI Annual Report 1999, P. 6)

“Despite the adverse and negative factors and the political turbulence in the country during the year under review, your directors were able to make the best use of all available resources. During the year under review we have experienced strikes, the Chittagong Port crisis, frequent power failure, which caused us production interruption. This year we have also experienced two major currency devaluations that resulted in high materials cost.” (Confidence Cement Annual Report 1999-2000, P.9)

The message that we get from the above disclosures is that businesses blame political instability and its consequences as an adverse factor mitigating against running business smoothly. Business leaders have started to voice their dissatisfaction over the current political situation through their forums such as various chambers of commerce and industry associations (Chazan, 1999). In a recent appeal to both the ruling party and the opposition parties, the chief of country’s apex chamber body and leaders of two premier chambers urged them to stop strikes and violence in the national interests of the country [*News from Bangladesh (online)*, 14 February, 2001, www.bangladesh-web.com/news/feb/14].

Further, export earnings are very much needed in Bangladesh in order to improve the foreign currency reserves of the country. The Government of Bangladesh (GOB) provides various incentives to the export-oriented companies. A number of companies made disclosures on export performance. For example, Beximco Pharmaceuticals commented on its export performance as follows:

“Exports during 1999 amounted to US\$726,331 which is practically at par with that of 1998 if we exclude export of samples from total export. Export to Pakistan and Kenya is growing as expected, other markets are yet to be fully exploited as our marketing plans for these markets are to be fully implemented in the future.” (Beximco Pharma Annual Report, 1999, P.24)

The conclusion that can be drawn from discussion under this research theme is that although businesses make a substantial contribution to the socio-economic development of Bangladesh there seems to be lack of disclosure regarding rural and agricultural development and technological development. In addition, the companies in Bangladesh seem to be silent concerning their ethical stance on the issue of widespread corruption. Further, environmental disclosures made are far from being complete and significant majorities of companies do not disclose at all on environmental matters. All these facts probably indicate a very conservative attitude of Bangladeshi companies towards the wider socio-economic issues. They seem to be more interested in matters that affect their business interests and have direct financial implications.

6.4.4 Corporate Attitudes towards Eco-justice Issues

Under this research theme an attempt has been made to examine the attitudes of Bangladeshi businesses towards eco-justice issues such as poverty alleviation, child

labour and equal opportunities for women. Corporations can discharge their accountability towards mankind by addressing these issues through social disclosures. In the words of Gray, Owen & Adams (1996),

“.. a sustainable society is also probably going to need to know quite a lot about the justice of its decisions, how wealth is distributed among its peoples, how its decisions affect this distribution as well as the way in which future generations are affected by present practices. This is a role that social accounting and social disclosure can play.” (P. 295)

Given the businesses' impact on sustainable development, eco-justice issues such as poverty can no longer be ignored. Wealthy global corporations are increasingly being criticised for operating in the developing countries and yet leaving them in abject poverty (Rugman, 2001). Businesses should understand why poverty matters and they should share responsibility for eliminating poverty in the community in which they are operating (PWBLF, 2001). In this context, it is worthwhile to investigate the attitudes of Bangladeshi firms towards poverty alleviation – a major national problem of Bangladesh. It is found that only three companies made disclosures on poverty viz. Islami Bank Bangladesh Limited, Ibn Sina Pharmaceuticals and Rangpur Foundry. The disclosures are shown below:

“The Islami Bank Foundation was established for providing financial assistance to the poor and needy people through various income generating, health care, relief and rehabilitation, education, humanitarian, dawa and special programs. The Foundation has established three modern hospitals named **Islami Bank Hospital** in Dhaka, Rajshahi and Khulna The Foundation has also established four Vocational Training Institutes named **Islami Bank Technical Institute** in Dhaka, Bogra and Sylhet for imparting vocational training to the unemployed youths so that they can get jobs at home and abroad.

During the year 1998, the Foundation has established the **Islami Bank Model School & College** in Dhaka City laying stress on religious & moral teaching, which is essential for the students to become ideal citizens. The Foundation has established a sales centre at Dhaka named **Monoram**, which is playing a significant role for the economic upliftment of poor and distressed women through providing sales opportunities of their products.

The Foundation has also drawn up a plan to look after the education, health & medicare requirements of the people of the area where the Bank has launched Rural Development Schemes.

The Foundation spent Taka 58.66 million during the year 1999 for a) Income Generating Projects, b) Education, c) Health Care, d) Humanitarian, e) Relief & Rehabilitation, f) Dawa Activities etc.” (Islami Bank Annual Report 1999, P.24-25)

“IPI is committed to serve mankind as a part of its moral philosophy. In different disastrous conditions e.g. the recent flood of greater Jessore, Satkhira and also on some occasions like the Bishaw Iztema, IPI takes part in free medical treatment as well as distribution of free medicines to the distressed. IPI is also continuing a free medical service among the people surrounding the factory with the help of a qualified doctor.” (Ibn Sina Pharmaceuticals Industry Annual Report, 1999-2000, P.6)

However, as compared to the detailed disclosures by Islami Bank and Ibn Sina Pharmaceuticals the disclosure made by Rangpur Foundry is rather brief, patchy and vague in nature:

“As a member of PRAN Group, the company aims to promote the Group’s professed goals of poverty alleviation through employment generation and to earn dignity for all its compatriots.” (Rangpur Foundry Annual Report, 1999, P.8)

No multinational companies included in this study made any disclosures in this regard. This is consistent with the criticism of global corporations by Rugman (2001) for not taking part in poverty alleviation activities in the communities in which they operate. Similarly, no domestic companies, other than the three noted above, made disclosures again probably indicating that companies are quite happy to generate wealth for their already wealthy shareholders without considering their responsibility towards the poor folk of the communities surrounding them.

Child labour is a further highly contentious issue in Bangladesh as well as at the wider international level. It is suggested that the textile and garments sector is the biggest source of employment for child workers in Bangladesh. In spite of that none

of the companies included in this study, including the companies in the textile and garments sector, made any disclosure in this regard. It could be argued that the omission is probably intentional as disclosure might lead to adverse publicity and pressure being applied to conduct business operations more responsibly and transparently without doing injustice to the children. Therefore, it could be argued that the crucial accountability and transparency issues are probably neglected in Bangladeshi corporate disclosures.

In spite of widespread discrimination against women (Newswire, 1999; Rashid, 1998) Bangladeshi companies appear to remain indifferent towards the concept of equal opportunity as evidenced by the fact that none of the companies made any disclosures in this regard. Although almost all companies make a disclosure showing breakdown of their employees according to salary bands and ranks, none of them disclose information on gender distribution. Such a significant omission raises question about the transparency of disclosures made in the annual report.

Thus, other than disclosure by the three domestic companies on poverty alleviation, no companies in Bangladesh addressed the crucial eco-justice issues noted above. The total absence of disclosures in this regard points us to the unwilling attitude of Bangladeshi businesses to deal with these vital humane issues. It appears that in ignoring the wider eco-justice issues, companies are focusing on the narrow interests of the economically dominant stakeholders, shareholders in particular, a point which will be explored in more detail in the next sub-section.

6.4.5 Corporate Attitudes towards Individual Stakeholder Groups

Under this research theme we will examine the attitudes of Bangladeshi companies towards various stakeholder groups such as, shareholders, employees, customers, suppliers, government, competitor, wider society, lenders and the media.

In order to examine the attitude of companies towards various stakeholders it could be interesting to analyse how many instances a particular stakeholder group is mentioned, as compared to the other groups, in different parts of the annual report including the mission statement, chairman's statement and directors' report. The results are shown in Table 6.5 below:

STAKEHOLDERS	NUMBER OF INSTANCES	MULTINATIONAL (N=6)	DOMESTIC (N=73)	PUBLIC SECTOR (N=8)	TOTAL (N=87)	RANK
Shareholder	626	6	73	0	79	1
Employee	434	6	73	8	87	2
Customer	155	6	61	0	67	3
Government	95	5	54	8	67	4
Supplier	35	2	31	0	33	5
Lender	35	0	34	0	34	5
Wider Society	33	1	16	0	17	7
Competitor	9	1	6	0	7	8
Media	3	0	3	0	3	9

Table 6.5 shows that the highest ranked stakeholders (in terms of number of instances) are economically dominant stakeholders such as shareholders, employees, customers, suppliers, government and lenders, while economically weak social stakeholders such as wider society, competitors and media get the lowest rank.

While, in aggregate, domestic private sector companies recognise all possible stakeholders, public sector companies recognise only two stakeholder groups viz. employees and government (which is also their shareholder). Also it appears that domestic Bangladeshi companies give more recognition to social stakeholders than do multinationals as evidenced by the fact that only 16.6% of multinationals noted 'wider society' as a stakeholder compared to 21.9% for domestic companies. Moreover, while 3 domestic companies noted 'media' as stakeholder, no multinational noted it in any part of the annual report.

Traditionally, Bangladeshi companies acknowledge the contribution of various stakeholders to the operation of the company in the chairman's statement or directors' report in the form of a thanks-giving paragraph. 80 percent of the sample (70) included such a paragraph extending thanks to the stakeholders. Some examples are given below:

"The company is widely recognised at home and abroad for quality customer relationships, reliability as suppliers and maintenance of a high ethical code of conduct. Your company believes that it is the cumulative efforts of the management team, support of the financial institutions, co-operation of government and regulatory authorities, customers and other sections of the community that has made it possible to achieve success so far. I would like to thank the respectable shareholders for providing the company with continuous support and for providing it with strength and will to move ahead. I, therefore, on my behalf and on behalf of the board of directors thank you all concerned and look forward to the same degree of support in the future." (Apex Weaving Annual Report 1999-2000, P.5)

"With proud privilege and great pleasure your directors place on record the firm confidence the shareholders have shown in the management. The directors also express their heartiest thanks, pleasure and gratefulness to the Government, its agencies, PDB, REB, ICB, SEC, DSE, CSE, Banks and other financial institutions, Titas Gas, Customers, Suppliers, and Shareholders for their uninterrupted full-fledged co-operation and support. The directors also feel proud of the contribution made by the workers, employees and officers of the company who faced hard problems with fortitude and loyalty to the company." (Bangladesh Chemical Industries Limited, Annual Report 2000, P.3)

The disclosures under categories such as health and safety, industrial relations, human resource development and welfare activities relates to one important stakeholder group – employees. The issue of health and safety of employees became headline news several times because of the frequent accidents that happened in the textile and garment factories in Bangladesh. It has been reported that over the last five years 400 workers were killed in factory fires (Milne, 2001). In the worst factory fire in the history of Bangladesh on the night of 25 November 2000, 48 workers were killed and more than 150 injured. It is alleged that locked gates prevented workers from escaping death (Dharmasena, 2000). In the wake of severe public criticism and the threat of boycott by foreign buyers the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) has taken tougher steps for enforcement of fire-safety codes in its member factories. However, surprisingly it is found that out of 24 textile companies included in this study, none of them made any disclosures in this regard. Such an omission signifies that either they did not institute an appropriate policy for ensuring the health and safety of their employees or they do not realise the importance of making appropriate disclosures.

Of all the other companies included in this study only three made disclosures in this regard – Beximco Pharmaceuticals, Glaxo and BOC. The disclosure by BOC is shown as an example below:

“Safety standards pursued by the company are being continuously improved. In addition to general safety in the company installations the focus has been extended to engineering safety as well. The extent of awareness programmes and training has seen an increase during the year under review. In addition to constant monitoring, site audits have also been carried out. Safety standards in terms of NOSA ratings, the internationally recognised safety rating, have been certified to have improved in two production sites and two compression sites. They all moved up by one ‘Star’ from their previous rating.” (BOC Bangladesh Annual Report 2000, P.9-10)

In a recent speech, the founder of Grameen Bank, Professor Mohammad Yunus, emphasised the importance of human, gas and water resources in the development of Bangladesh. In this study more than 50% of companies (45) made disclosures on human resource development thereby showing their commitment to turn their employees into 'human resources' by providing necessary training and other opportunities for skill development. An example is given below:

“Development of manpower into human resource is the key to advancement. As such the company offers regular systematic training to its officers and workers through various workshop, seminar and job attachment methods. During the year under review the company provided in house training to 178 persons and sent 134 persons to local and foreign training centres, 7 expatriates were also invited to hold training for employees.” (Square Pharmaceutical's Annual Report 1999-2000, P.12)

However, it may be questioned to what extent companies consider their employees as 'human resource' when they ignore their health and safety needs in the workplace.

In this regard the role of public sector companies is commendable. The state policy of Bangladesh requires, inter alia, emancipation of workers from all forms of exploitation, provision of basic necessities of life, promotion of family planning and improvement of public health (BBS, 1998). All public sector companies included in this study made disclosures under the category 'welfare activities' by describing the facilities provided by them for their employees. Such facilities range from education to meeting the health needs of their employees. In this regard the attitude of public sector companies is indicative of the state policy geared towards the overall welfare of the employees. One example of disclosure is given below:

“It has been the persistent policy of the company to be generous in embarking on welfare activities to ensure an excellent living condition and healthy working environment for the employees. The facilities provided by the company are:

Housing: ...substantial accommodation facilities to all levels of officers, staff and workers with utility services at nominal charges.

School and Colleges: ... to providing proper education to the children and dependants of the employees.....

Medical:to provide free medical facilities to all officers, staff and workers....

Club: to provide rest and recreation and foster fellowship among the employees...

Canteen Facilities: to provide an excellent canteen facility to the employees.

Integrated Family Planning: ... to combat the menacing problems of population explosion and at the same time elevate the living condition of less fortunate members of the society (the company) has embarked on several activities under the family planning programme.” (Chittagong Urea’s Annual Report 1997-98 and 1998-99, P.29-31)

Given the poor labour conditions in the industrial sector of Bangladesh it could be expected that companies would try to legitimise their relationships with employees by making disclosures in this regard. In total, 16 companies made disclosures and all of them conveyed a positive message saying that the relationship is very good. Some examples are given below:

“The employee-management relationship in the company is one of the best in the country and the company is committed to employees’ welfare and ensuring a high professional environment to support our future growth.” (Chittagong Cement Annual Report 1999-2000, P.16)

“Employee relations were found satisfactory at the company’s registered and head office, corporate office, factory and district marketing offices.” (Glaxo Annual Report 1999, P.15)

But there are instances⁴⁵ of labour disputes and strikes often leading to deteriorating industrial relations, which are never disclosed in the annual report. One interpretation of this phenomenon could be that only companies with a good record of industrial

⁴⁵ For example, during the May Day of 2001 (1 May which is a public holiday in Bangladesh) 1.5 million garment workers (women) called a strike to protest at having to work on May Day [*Asian Labour Update*, www.amrc.org.hk/alu (13th July, 2001)]. In another instance a newspaper report referred to a violent nationwide strike on July 30, 1997 in support of a demand for a minimum monthly wage of \$68 (up from \$23) leaving at least 100 people injured [www.parsons.iww.org/~iw (1st October, 2001)].

relations make disclosures while the ones with a poor record preferred to remain silent.

Another important dimension of Bangladeshi social disclosures to be noted here is that while in recent times the Value Added Statement (VAS) has virtually disappeared from the annual reports of developed countries, particularly the United Kingdom, a number of companies in Bangladesh continue to include this statement within their annual reports. 30% of companies (26) included such a statement showing the distribution of value created by the company amongst its various stakeholders viz. government, employees, shareholders and lenders. In addition to shareholders' dividend and lenders' interest since a large portion of the value created goes to the government and employees in the form of various taxes and salaries it might be argued that companies include VAS to legitimise their existence by showing its contribution to various stakeholders. For example, Glaxo showed that 44% of its value created went to Government, 40% to employees and the rest to the shareholders. The fact that the highest contribution went to the Government Treasury was reinforced by the company again in a separate place by showing break-ups for different taxes and data for the last five years. Similarly, almost all companies that included VAS also disclosed contribution to the national exchequer separately to draw particular attention to their contribution to government. One typical example is as follows,

“During the year the company contributed Tk.219.5 millions to the national exchequer in the form of corporate tax, custom duty, VAT and statutory charges compared to Tk.246.4 millions in 1998-99.” (Padma Oil Annual Report 1999-2000, P. 7)

Thus, one purpose of including VAS and disclosing contribution to the national exchequer could be to legitimise relationships with government as it is a well known fact that it is difficult, if not impossible, to run a business in the developing countries without the blessing of the ruling government (Berg & Holtbrugge, 2001). However, the motivation for including VAS could not be clearly determined from studying disclosure within annual reports only.

From the above discussion it becomes evident that Bangladeshi companies attach far more importance to their influential economic stakeholders whilst neglecting the social stakeholders who could be affected by the organisation's activities. However, even within the dominant economic stakeholder group employees in the garments and textile sector may be considered as less powerful⁴⁶. This is evident from the fact that while shareholders may withdraw their investments, customers may switch to another company, government may impose tougher sanctions, it is not easy for unskilled women employees working in the garments and textiles sector to move to another company due to the problem of persistent unemployment. On the contrary, it appears that employees are more powerful not only in the public sector because of the established trade unions but also in the multinational companies because of the highly skilled employees which are in short supply in Bangladesh⁴⁷. Therefore it is not surprising that while textile companies made minimal disclosures on employee related issues (as noted earlier, significantly no company in this sector disclosed on the crucial issue of health and safety of employees), companies in the public sector

⁴⁶ In Chapter 3 it has been illustrated and argued that depending on the power relationship a particular stakeholder group (for example, employees) could belong to either powerful voluntary/economic/less dependent category or to the second category of less powerful/involuntary/social/more dependent stakeholders (See footnote 21 in Chapter 3).

⁴⁷ This point has been re-inforced in the managerial interview analysis of Chapter 7.

and multinational companies made much more disclosures on employees (See Table 6.2 and 6.3).

In this way companies engage in the management of economic stakeholders without necessarily discharging accountability to all stakeholders, particularly to the social stakeholders. This finding is consistent with the stakeholder models discussed in Chapter 3 (Belal, 2002; Campbell et al., 2001; Clarkson, 1994).

6.5 Summary and Conclusion

The qualitative analysis of Bangladeshi CSR undertaken in this chapter goes beyond the simple quantitative content analysis predominantly used in prior studies of social disclosure by looking at the meaning and implications of disclosures rather than just counts of disclosures. The present researcher believes that such an analysis provides a richer explanation of CSR practice in Bangladesh than a mere quantitative content analysis would do.

The findings of the study may be summarised as follows: Firstly, although the 'new' social accounting has gained momentum in the developed countries, particularly in the UK and the USA, leading to the development of social accounting standards and separate stand-alone social reports, the same level of enthusiasm could not be found in Bangladesh. There is no instance of separate stand-alone reports dealing with social and ethical issues. The only social disclosures are found within the annual report and none of the companies in the sample referred to the leading social accounting standards. Secondly, companies lack long-term commitment to the social

and ethical issues as evidenced by the absence of board level responsibility and lack of effort to embed social issues in the mission statement or in a separate policy statement. Thirdly, the majority of the companies did not address wider socio-economic concerns such as corruption, rural development, technological development and environmental issues thereby indicating their lack of willingness to engage with these national level issues. Fourthly, virtually none of the companies addressed the important eco-justice issues such as, child labour, equal opportunities and poverty alleviation. Finally, it is found that companies attach far more importance to the economically dominant stakeholders, such as shareholders, customers, government and employees, whilst ignoring the rights of social stakeholders, such as the local community, natural environment and the wider society. This latter finding is consistent with the managerial model of stakeholder theory as conceptualised in Chapter 3. In line with the core argument of that model it could be expected that corporations would pay more attention to the economic stakeholders because of their power and control over critical resources required by the firm. The more powerful those stakeholders are, the greater corporate attention they would receive.

In conclusion, given the claims of the social accounting standards as being international, it may be questioned whether these standards developed in the Western context are relevant to the context of developing countries like Bangladesh. The attitude of Bangladeshi companies towards social and ethical issues appears to be short-term in nature as evidenced by the lack of long-term commitment. Their sincerity in this regard is doubtful, as they are often unwilling to address important

eco-justice issues and sensitive company specific issues, such as the issues of child labour, and health & safety in the textile sector and also the issue of environmental pollution in the tannery companies. This attitude is also apparent from the level of importance attached to the economically dominant stakeholders while the concerns of social stakeholders remain unheard. Finally, consistent with the previous studies (Belal, 2001; Imam, 2000) the overall findings of this study suggest a very low level of disclosure. Further, the quality of disclosures made is poor as is evident from the reluctance of corporations to provide precise quantified information.

However, the lack of disclosures revealed in this study may not reflect actual corporate activities. It could be that they had undertaken social activities in a specific area but did not disclose their actions as the religious and cultural tradition of the country suggests that people should not boast of their good actions. Alternatively, lack of disclosure could also be attributed to poor social, ethical and environmental performance. The absence of disclosures (Choudhury, 1988) will be explored in more detail in the next chapter.

The discussion and conclusion of this chapter give rise to a number of further questions. To what extent are social accounting standards (often claimed as being international) relevant to a developing country like Bangladesh? What are the corporate motivations behind social disclosures made within the annual report? Why do companies not address sensitive company specific issues noted above or eco-justice issues that are of vital importance to the social stakeholders? What are the perceptions of different stakeholder groups towards the social reporting activities of

the companies? These are the questions that simply cannot be answered by the mere textual analysis of annual reports. Therefore, in the following two chapters attempts will be made to answer the above questions by analysing the results of interviews with corporate managers as well as with different stakeholder groups.

CHAPTER SEVEN

MANAGERIAL PERCEPTIONS OF CORPORATE SOCIAL REPORTING (CSR)

7.1 Introduction

Building on the insights developed in Chapter Six on corporate attitudes towards CSR as represented in the text of annual reports this chapter focuses on the description and interpretation of the results of interviews with corporate managers. The interview data will be described thematically in the following section under two separate respondent groups viz. multinationals and domestic companies. The domestic companies include two public sector companies. The reason for the multinational/domestic division is in order to develop a logical structure for organising the material in the chapter. The third section of the chapter includes a discussion and interpretation of the interview results across several key issues including the effects of particular industrial sector membership. Finally, the chapter concludes with a summary of the findings and their implications.

7.2 Description of interview results

7.2.1 Multinational companies

In total, six managers - one from each - of six multinationals were interviewed. Four of the multinational companies have their Head Offices in the UK while the other two are in the USA and Canada respectively. Although all of the respondents, except one, were company secretaries, in three cases they also held the position of finance

director. In one case the interviewee was additionally holding the position of chief financial officer. The interviews began with the some general questions followed by the exploration of specific themes⁴⁸. Findings of these general questions and specific themes will be discussed in turn.

7.2.1.1 The Need for CSR

All six respondents answered this question. Four respondents were of the opinion that there is a need for CSR in Bangladesh while the other two opposed it. The justifications given in favour of CSR include the sustainability argument (the argument that business cannot survive in the longer term without addressing the social and ethical issues), the need for corporate social responsibility and the leading role of multinationals in developing countries.

Corporations should be responsible not only to the investors but also to all relevant stakeholders, including the wider society (Belal, 2002). It is argued that the duty to undertake social activities must be accompanied by an honest account (CSR) of those activities (Gray et al., 1996). Such an argument may be more applicable to the multinational corporations due to their worldwide presence and political visibility, particularly in the developing countries. One respondent supported this argument saying,

The multi-national companies working in the third world countries like us should have some social responsibilities. (Finance Director, UK multinational)

⁴⁸ Please see Appendix Two for the full interview schedule.

Accounting technology is transferred from developed countries to developing countries (Hove, 1986) with multinational companies playing a leading role in this regard (Tang & Tse, 1986). In this case the operating subsidiaries based in the developing countries adopt ideas and technology from their head office based in developed countries. However, it may be questioned whether wholesale adoption of Western accounting technology (without regard to the local context of developing countries) is desirable. Gray & Kouhy (1993) argued against such adoption of Western environmental accounting technology in the different socio-economic context of developing countries. One respondent argued that there would be a need for CSR in Bangladesh but he emphasised that in the process of embracing the idea of CSR the local context of Bangladesh must be considered. He also highlighted the leading role of multinational companies in this regard.

Certainly I think there is a need. The need may not be the same as in the West. But certainly in the developing countries, where you have so many priorities, most of the companies especially multinational companies are already addressing a great deal of these in terms of employment, contribution through tax and other means to the economies. We are happy to see more and more companies getting involved in corporate social responsibility projects. They have not yet addressed the social reporting aspect, but I think as time goes on, and given the fact that most multinationals have branches here, more and more multinationals will come on board with the social disclosures. That's one way of looking at it. The other way of looking at it is the reality of social reporting and its definition, obviously, can't be the same for a developing country and a developed country. So we need adjustments and adaptations, so that the social reporting process does address the reality of a country. Yes. I do think there is a need for social reporting but the definition needs to be worked out. (Head, Corporate and Regulatory Affairs, UK multinational)

Those who opposed the idea of CSR argue that absence of even basic financial reporting and the low level of literacy and awareness make it superfluous and to some extent irrelevant at the moment.

I don't think it is necessary at the moment in Bangladesh. We need the basic disclosure of financial information first. That is not happening. The financial information provided does not reflect the true picture. Only after fulfilling the requirements for basic financial information can we think about CSR. (Finance Director, UK multinational)

Until the awareness increases, literacy level rises and the agenda is thrust from the government level I don't see any point in it. In Bangladesh where companies do not disclose the basic financial information properly and credibly I'm not sure whether we can talk about things like social disclosures. (Chief Financial Officer, Canadian multinational)

Thus, the response in support of CSR is mixed, although a majority of multinational respondents appear to be in favour of it.

7.2.1.2 The Role of Stakeholder Consultation in CSR

All six respondents replied on this point. When asked to prioritise the stakeholders, all respondents considered shareholders as one of the most important stakeholder groups. The following representative quotations illustrate the emphasis on shareholders.

We're working in a commercial environment so my first priority will be my shareholders because they've invested in this company for the desired return. They'll lose confidence in the company if they fail to get the required return. (Company Secretary, US multinational)

I'd like to mention that shareholders are the ultimate beneficiaries of the company. (Company Secretary, UK multinational)

Because they are the ones who have invested in this company. I take that for granted actually because shareholders are the owners. (Head, Corporate and Regulatory Affairs, UK multinational)

Customers were considered as another important stakeholder group by three respondents. Two of them are consumer-oriented companies to whom customers and shareholders are equally important.

As a commercial concern in our opinion another very important stakeholder is our customer because the business does not exist without customers. In fact we believe and say that we are a consumer-focused company. So we'll take on board as much as we can, what our consumer

wants and if we are lacking we need to raise our standard to reach that level. Consumers are as important as the shareholders. (Head, Corporate and Regulatory Affairs, UK multinational)

The customer is another important stakeholder. I would consider them at par with the shareholder. We want to add some value to our customer as well as shareholders. Adding value is our global vision. (Company Secretary, UK multinational)

It has been shown in the previous chapter that within the annual report disclosures companies claim that they consider employees as 'human resources' because of the important contribution employees make to their companies. Three respondents considered employees as an important stakeholder group. Given the shortage of a skilled labour force multinational companies in Bangladesh make particular attempts to recruit and retain skilled labour forces required by them. As a result, it can be expected that they would consider employees as an important stakeholder group.

I would put at par with the consumers our own people [employees]. To meet the expectations of the consumer, which is the reason, why we are here, we need our own people, our employees, to run the company effectively. So it's all about creating that enabling environment, so that our people are able to meet the demands of the consumer. (Head, Corporate and Regulatory Affairs, UK multinational)

Another respondent considered employees as an important stakeholder group and put them immediately after the customer group in order of importance to the company while ranking the shareholders first.

Then it'd be employees because they make everything happen at all levels of the company. (Company Secretary, UK multinational)

Three respondents also considered government as an influential stakeholder. It was noted earlier in Chapter 6 that it is difficult to do business in developing countries

like Bangladesh without the blessing of the government. Therefore it is not surprising that companies would consider government as a powerful stakeholder.

In our business one of the important stakeholders is government because the government can create regulations which have an impact on us. (Head, Corporate and Regulatory Affairs, UK multinational)

Government is another important stakeholder because they might suspect us if they fail to collect the required revenue in the form of various taxes. So we're accountable to the government as well. (Company Secretary, US multinational)

In addition to the above stakeholder groups, one respondent noted the media and the anti-smoking lobby as important to them:

It is an important stakeholder group because to get our message across and to get our point of view across we need the media. So they are very important group of stakeholders and you also need to remember that the media works in shaping opinion. So the more they understand us, the better they are equipped to provide information to the general public on perceptions of us as a company. Even in our case, the anti-smoking lobby - we consider them as stakeholder [because of the significant threat and bad publicity they pose to the company]. (Head, Corporate and Regulatory Affairs, UK multinational)

There was no, or very little, mention of social stakeholder groups such as community, environment or wider society. Thus, economic stakeholders received more prominence as opposed to the social stakeholders.

On the question of whether stakeholders should be consulted in the CSR process while four respondents agreed with reservations the other two replied saying 'not sure'. One respondent thought that investors and government agencies should be consulted:

Certainly investors can be consulted. We're working to satisfy their requirements, i.e. maximisation of shareholders' wealth. This is the main objective of the company. Secondly, various government agencies such as, the Securities and Exchange Commission (SEC) and the Department of Environment (DoE) monitor our performance so they can also be consulted. (Company Secretary, US multinational)

Another respondent noted the instance of suppliers saying that they could probably play an important role. However, the same respondent rejected any role for other stakeholders:

Suppliers can be consulted in the CSR process. They can only help us to sell our best products. They can help by educating our product users. If it is in our mutual interests that can be helpful. Otherwise, I don't think other stakeholders should play a role as to how we run the company because that will bring chaos to the company. (Finance Director, UK multinational)

Although some of the respondents conditionally agreed to the idea of stakeholder consultation there is very little evidence of any meaningful two way dialogue between the companies and the stakeholder groups, subject to the exception of one case where the respondent claimed to have conducted a stakeholder survey using both questionnaire and interview techniques. However, when the issue of empowering stakeholders via representation on the board as independent directors was raised, the same respondent sharply rejected the idea saying:

I don't think that's realistic. The reason why it's not realistic is that if you bring in people to the board level just on the basis of social expectations I think you then start diluting the focus of companies on the business. But I do believe that, contrary to what I just said, there are laws to protect stakeholders. I don't think bringing them onto the board of a company is necessarily the answer. It may be. But then you will have unmanageable boards because these people wouldn't understand business. They would come in with their agenda and the last thing you want is someone who is coming onto the board who has no clue about the business and will not discuss anything about the business, but would just talk about society and social things. In the first place, we are here to do business and any company here to do business has to earn profit but at the same time maintain a reasonable standard of social responsibilities. (Head, Corporate and Regulatory Affairs, UK multinational)

Thus, it appears that the multinational companies included in this study mainly concentrate on the interests of economic stakeholders, for example, shareholders, employees, customers and the government. On the issue of stakeholder engagement

companies adopted a very cautious approach.⁴⁹ It can only be acceptable to them so far as it does not hurt their commercial interests. They rejected the idea of empowering stakeholders via representation on the board as they think that will make the boards 'unmanageable' and 'chaotic'. In this way they would like to dictate the CSR process controlling the decision-making, information flow and its nature and content.

7.2.1.3 Information Provision/Disclosure

While accountants in the Western countries play minimum or no role in the process of environmental reporting (Bebbington et al, 1994), it appears that in Bangladesh it is the accounts and finance department which is mainly responsible for making social and environmental disclosures within the annual report (in addition to other financial disclosures). However, in the case of two companies it was the corporate affairs department that produced the annual report.

Other than the annual report most of the respondents do not use any other medium to communicate social and environmental information, except in one case where the respondent made extensive social disclosures in internal newsletters, brochures, press releases and videos. In two other cases respondents used internal newsletters to make non-financial disclosures including the provision of social and ethical information. It is surprising to note that none of the respondent multinational companies used websites in Bangladesh. Respondents expressed the opinion that given the poor level

⁴⁹ Stakeholders may be engaged at two levels. At one level, which is the most common and popular form, stakeholders may be engaged through dialogue sessions, focus group meetings, interviews and questionnaire survey. It appears that in this study respondents usually favoured this form of stakeholder engagement (to a limited extent). However, another form of stakeholder engagement, which received little or no support from the respondents, refers to the board level representation of stakeholders.

of access to computers and internet it might not be feasible to make internet disclosures.

On the question of external verification three out of six respondents supported the idea saying that it should be done to add credibility to the information provided and a panel of multidisciplinary experts (including accountants) should do it.

Yes. I think it is necessary. No. I don't think accountants alone can do it. Frankly speaking I don't think they are well equipped to do that job. A team of multi-disciplinary experts should do it. They can be accountants, lawyers and environmentalists. (Finance Director, UK multinational)

It can be verified externally. But who will do it? The regulatory bodies like the Securities and Exchange Commission (SEC) may take necessary steps. The existing accounting profession has got no credibility and expertise to do it on its own. However, the verification can be done by a multidisciplinary group of peoples led by the professional accountants. Accountants have got the expertise of gathering, processing and verifying the information. (Chief Financial Officer, Canadian multinational)

The remaining three respondents argued against the case for external verification. One of them thought that it could only be relevant when a stand-alone social report is produced. In the absence of legal requirements the other two respondents thought it was unnecessary, as it would increase costs.

There is no scope for such a thing. The disclosures are aimed at investors. There is no legal requirement for external verification. We don't want to do it voluntarily. I don't think it is necessary. (Company Secretary, US multinational)

I take your point. I'm not sure about the feasibility of such thing. All these social activities have some financial implications that are being verified by the financial auditor. Why another audit then? Why? Is it necessary? Is it very essential? At the moment I don't think it should be verified. Because it will increase costs without adding any value. Until, and unless, it is mandatory there is no point in it. (Finance Director, UK multinational)

Although the main target audience of the annual report is shareholders in one case it has been claimed that the company distributes the report to a wider section of society. In other cases it is made available to other stakeholders such as customers, employees, lenders, academics, regulatory bodies and business associations.

7.2.1.4 The Relevance of Social Accounting (SA) Standards

Given the claims of the major social accounting standards (e.g. AA1000, SA8000 and GRI Guidelines) to be international in nature it could be expected that at least the managers of the multinational companies operating in developing countries like Bangladesh would be aware of it. We found that two out of six respondents were not even aware of the standards. Of the remaining four, two respondents thought that it can be relevant but needs to be adapted to local circumstances. Another respondent replied saying that probably it is too early to talk about these standards in Bangladesh where even the basic financial reporting standards are not being complied with:

It is very relevant but not at the moment. It has to go through a process. We are still struggling with the basics. You see we have problems of a non-compliance culture. Companies are not even properly following the statutory requirements of providing basic financial information. This has to be established first. (Finance Director, UK multinational)

However, one particular company has adopted AA1000 and is planning to publish a separate social report in the year 2003. On enquiry it was found that the main driving force behind the move towards social accounting came from the parent company based in the UK as part of a group policy. The interviewee from this company appears to be concerned over the wholesale adoption of these standards in the developing countries. He expressed the opinion that it would be unfair and unrealistic to impose these standards on the developing countries:

I believe there is no such thing as one size fits to all as soon as people realise that the world itself is lopsided in its ability to deliver. What would you say? These standards were developed from a Western context, which may not be similar to our social and economic conditions here. Therefore, imposing those standards on the developing world would be unfair, unrealistic and you can never hope to achieve what you want to achieve. (Head, Corporate and Regulatory Affairs, UK multinational)

When asked why did they feel AA1000 as more appropriate than the other social accounting standards, the respondent replied that he could not answer the question as the decision was taken at head office level.

None of the respondents, except the one who had already adopted AA1000, are planning to adopt any of these standards in the near future. Thus, in spite of the claims to internationality these SA standards are yet to reach Bangladesh for the reasons discussed above. The main influence for adopting these standards comes from outside in the form of imposition (e.g. under parent company's instructions).

Although the respondents do not seem to be aware of the major social accounting standards earlier noted, the quality related standard ISO 9000 is known to most of them. Two companies have already adopted the standard because of the economic benefits associated with it.

7.2.1.5 Reasons for (Non) Disclosure

Unlike the developed countries where pressures from civil society groups, consumers, NGOs, media and other stakeholder groups are the main driving force behind CSR, the pressure to address social responsibility issues in the operating subsidiaries of multinationals in Bangladesh seems to be coming from 'outside' (i.e. from parent companies). It often comes in the form of instructions from the head office based in the developed countries. Four out of six respondents noted this as the

main driving force. For example, on the question of why did they engage in CSR activities one respondent said,

We have specific directives [in this regard] from our head office in Toronto. (Chief Financial Officer, Canadian multinational)

The other motivating factors seem to be the enhancement of corporate image and increased sales. As one respondent said,

Most of our disclosures are customer related and the main motivation behind it is to boost sales. (Company secretary, US multinational)

Two respondents mentioned the influence of key executives, such as the chief executive and the finance director, in undertaking CSR activities. One final motivating factor noted by the recipient of ICAB's (The Institute of Chartered Accountants of Bangladesh) award for one of the best published annual reports was to retain that title and encourage others to follow its reporting style.

For one respondent who adopted AA1000 as part of a group policy emanating from head office the following additional motivations influences the inclusion of CSR within the annual report:

In 1996 we did the first research. It showed we were unaware that people were not aware of things we did outside of our business. So that's one motivation. The second motivation essentially has been very simple; it's how you view the annual report. Now, as per laws, you don't need anything in the annual report except accounts, right. You don't even need the chairman's statement that's the law. What we thought is that we could set some standards. Can we set some standards by utilising all available means of communication? And if you think of this annual report going not only to our shareholder but also to other stakeholders because we distribute copies of these to a wider section of society, you then think what would I want from the normal average person who walks through the office door and finds this in reception. We want this to communicate to that person as much as possible about the company and the things we do. So that's the motivation. It's like communication through an existing tool. (Head, Corporate and Regulatory Affairs, UK multinational)

So this company would like to act as a standard setter in the field of CSR. Indeed it will become the leader in Bangladesh by publishing a separate social report for the first time in 2003. The desire to motivate others is also apparent from this company's recent attempt to train other company executives, particularly those in the textile and garments sector, by arranging training and workshops on safety, health and environment. This is not the only company which wants to motivate others, another respondent in the pharmaceutical sector noted that one of the reasons behind its disclosure is to encourage others to follow.

From the above discussion it appears that although parent company instructions in the form of guidelines and policies may be the dominant influencing factor behind CSR in Bangladeshi multinationals there are other noteworthy motivating factors such as corporate image, increased sales, influence of key executives and the desire for external recognition.

Several prior studies indicate that the extent and volume of social disclosures in Bangladesh is comparatively low (Belal, 2001; Imam, 2000). The results presented in chapter six also confirm this. In addition, chapter six indicates that Bangladeshi companies generally fail to address within their reports many important social, ethical and environmental matters including crucial eco-justice issues. The main reason for not disclosing matters like corporate attitude towards poverty, child labour, equal opportunity and other important disclosures such as corporate ethical stance on corruption, is the absence of legal requirement. Four out of six respondents

expressed this view. The attitude is: we will only comply if we are legally bound to do so.

There is no regulatory requirement for social disclosures in Bangladesh. Why should I talk more? (Finance Director, UK multinational)

The other reasons for non-disclosure are lack of awareness and knowledge amongst corporate managers regarding CSR and the additional costs involved in undertaking CSR activities. One respondent replied that a lot of issues were not covered in the annual report because they would be covered in the forthcoming social report later in 2003. Another company thought that one reason for not disclosing could be that companies were not actually undertaking enough social activities. Moreover, there are inherent dangers in disclosing certain things like donations because in this case more and more people may line up demanding donations from the company for their charity/community projects. These requests might be undesirable on the part of cost conscious companies and they may have to justify their decisions to shareholders in terms of impact on the bottom line profit:

We are not disclosing because we do not want to invite trouble. There is inherent danger in it. We don't want unsolicited invitations to participate in voluntary projects. In order to participate in these projects you need financial commitment. It must have a positive impact on the profit. In our country this is mostly done by the consumer oriented companies. They do a lot of sponsorship activities. (Finance Director, UK multinational)

7.2.1.6 Prospects for the Future Development of CSR

Under this theme we speculated by asking for respondents' views on the prospect of CSR in Bangladesh. In all cases, except one, respondents think that CSR will improve in future due to peer pressure and increased public awareness:

My opinion is that it will certainly improve in future. Some companies are already doing it on a limited scale. This will influence others to follow. (Company Secretary, US multinational)

Because people are becoming conscious on these issues, the corporate culture is also changing. You will find a lot of youngsters taking challenges of business. Bangladesh is also, you know, not very far away. These people were educated in the Western countries. They are now doing business here after having Western exposure. Definitely a change is about to come. Ours is a sort of confrontational society, it takes time to change the system, but it is bound to change. (Finance Director, UK multinational)

While CSR is set to rise in general it is also expected to rise in the specific companies included in the study. Three out of six respondents think that it will increase in their companies as well⁵⁰.

Only one respondent differed from the majority and expressed the view that CSR would not significantly improve unless literacy levels rise, public awareness increases and the 'push' comes from the Securities and Exchange Commission, the Department of Environment and other relevant government agencies.

When asked whether they foresee any future pressure building to make companies socially, ethically and environmentally responsible, four respondents were able to identify sources from where pressure might come. In two cases it is thought this will be from the Department of Environment and environmentalists groups⁵¹.

You see we are operating in the pest control sector. Naturally, we will give attention to environmental matters. Although it [the pressure] is not very significant as compared to the developed countries you can see the change. For example, a couple of years back you used to get tobacco smell when you were passing by the tobacco factory in the Mohakhali area. Now

⁵⁰ However, in none of these cases would such increase lead to a stand alone social and environmental report being produced except in one case where AA1000 has already been adopted leading to the publication of a separate report in 2003.

⁵¹ There are a number of environmentalists groups that have emerged in recent years. The most notable of them are the Bangladesh Poribesh Andolon (BAPA, Bangladesh Environment Movement), Forum of Environmental Journalists, Bangladesh (FEJB) and Bangladesh Environmental Lawyers Association (BELA). The author had the opportunity to speak to all of them (see Chapter Eight).

it has come down to the minimum level. How is it changed? Don't think they did it for the love of it. No. This was on the news. People showed their resistance. That's how it happens. At present, there is no legal requirement [for CSR]. No one can say you have to do it. But of course, there are certain unwritten things. Suppose we are in a campus, which we share with many other companies. If I do something wrong absolutely against the norm of the society, definitely, there will be resistance. People will come and protest. (Finance Director, UK multinational)

For one respondent the threat might come from industry specific pressure groups like the anti-smoking lobby and consumer groups.

The only thing we foresee is that consumers and other stakeholders are becoming more invasive. Consumers are no longer satisfied with the product. He or she wants to know about the company. The biggest threat comes from the anti smoking lobby and that's followed by the general awareness amongst the public as well. You know worldwide pressure is growing much more than before. What we're saying, hey! here is our product and you must know about it. There are real risks of disease associated with this product and we believe in making that information available to people. In Bangladesh we have been a little slow because of little public awareness of this issue..... We have shared this with the media in one attempt to get it out. We now publish this in our annual report and we want to do more to show that this product carries significant risk with it. However, if you know about it, then you want to make the choice, we believe that people should have that right. (Head, Corporate and Regulatory Affairs, UK multinational)

Finally, another respondent noted that pressure might come from international agencies like UNEP, OECD, UNDP, World Bank and IMF.

It [CSR] will have to go up. Bangladeshi companies, particularly the multinational companies, will have to address the issue of CSR sooner or later, not for any other reason but because of the pressure of the international agencies. (Finance Director, UK multinational)

7.2.1.7 Summary

The above discussion demonstrates that respondents pay particular attention to stakeholder groups serving the company's economic interests. There is little evidence of any effective stakeholder dialogue. The main motivation for CSR comes from the parent company in the form of instructions, policies and guidelines. Additionally, in

some cases the influence of key executives was important. The main reason for non-disclosure of eco-justice and other CSR issues appears to be lack of legal requirements. Regarding the SA standards most of the respondents expressed the view that these standards might not be relevant at the moment. However, in future the main inspiration for adopting these standards might come from outside in the form of imposition (e.g. parent company's instructions). According to one respondent, where AA1000 has already been adopted under the parent company's instructions, such imposition appears to be unfair and unrealistic. Regarding the prospects for CSR in Bangladesh, the majority of respondents feel that it will improve in future and that the main pressure in this regard might come from parent companies and international agencies.

7.2.2 Domestic companies

A total of 17 interviews were carried with domestic companies. In all but one case, where the general manager was interviewed, the interviewee was the company secretary. In addition to the listed private sector companies two public sector companies were included in the study for interview purposes.

7.2.2.1 The Need for CSR

All companies in this category, except two, think that there is a need for CSR. According to respondents, companies should recognise their social responsibilities and should be made accountable for them. CSR could be a way forward to discharge that accountability.

It is necessary because in addition to the shareholders there are many other stakeholders such as employees, customers, suppliers and lenders. We feel that we have an obligation to keep them informed through social disclosures. It is a sort of self-imposed accountability. (General Manager, Business Conglomerate)

It is particularly required in a country like Bangladesh where social exploitations are widespread. Government on its own cannot deliver all the contributions needed by the society. I feel that if the resources permit corporate organisations, particularly banks, should come forward. (Company Secretary and Senior Vice President, Bank based on Islamic Shariah)

Every company has a social responsibility, which needs to be communicated through social disclosures. In our country awareness in this regard has not been created as yet. If the listed companies come forward others will follow. (Company Secretary and General Manager, Cement Company)

Both respondents in the public sector agree that there is a need for CSR, providing the justification that, as a public sector company, they are mainly driven by welfare motives and through CSR they can report the social and environmental performance of their organisation which can get otherwise unnoticed through the financial statements. With the threat that reporting losses can create grounds for privatisation it is not surprising that these companies would like to legitimise their existence through CSR, highlighting, in addition to financial impact, the creation of a number of beneficial socio-economic impacts.

This is necessary to educate our future generations. Here profit is not our main motive. To survive we will run in break-even or we will strive for marginal profit. (Company Secretary, public sector fertilizer manufacturer)

Our organisation, a state owned public sector organisation, has some social impact in addition to the economic impact, which may be reported through the CSR mechanism. (Company Secretary, public sector paper manufacturer)

Two respondents disagreed on the need for CSR saying that very few people are indeed interested in it as they are still struggling with the basic priorities and, more importantly, probably the environment is not yet ready for adopting CSR practices.

CSR could be a nice idea. But very few companies in Bangladesh make social and ethical disclosures because shareholders and peoples in general are not interested in CSR. I'm not sure who is interested to know about the social and ethical activities of the company. Most of the shareholders are only interested in dividends and financial performance. (Company Secretary, Tannery Company)

7.2.2.2 The Role of Stakeholder Consultation in CSR

All respondents consistently emphasised the importance of investors/shareholders to the organisation. In addition, a large majority of respondents recognised other dominant economic stakeholders such as customers and employees as being very important. Here it may be noted that most of the domestic companies are closely held by family members and depend largely on various institutional investors such as banks and insurance companies for their finance. From this context within the 'shareholders' category the most important are probably the sponsor director shareholders, who control the majority of shares, followed by institutional investors. The general individual minority shareholders, who are less organised, hold very little power.

My first priority will be my shareholders because they invested their money here. They need to know about the company's performance. Similarly, lenders are interested to know whether we will be able to repay their money. So, definitely, investors – both equity and non-equity – are important. (Company Secretary, pharmaceutical company)

It is a family owned company. All major decisions are taken by the owners directly. They are the most influential stakeholders of this company. (Company Secretary, food manufacturer)

One respondent initially refused to prioritise the importance of stakeholders to his company claiming an equal accountability to all stakeholders. However, when pushed further he admitted the dominance of shareholders. He also underscored the importance of other economic stakeholders such as customers and employees.

We do not want to prioritise the stakeholders. Look at our mission statement included in the annual report. We noted several stakeholder groups some at first and some at last. But that does not mean we give priority to one group over the others. We firmly believe that in the final analysis we are equally accountable to each of the constituents mentioned in the mission statement. But yes if you are talking about disclosures in terms of the annual report then obviously shareholders come first. Our company also considers employees as an important stakeholder group because of their vital contribution to the company. If you look at our website you'll see that most of the disclosures are targeted towards the customers. (General Manager, Business Conglomerate)

For the public sector companies, respondents believe that the most important stakeholder is their parent corporation (Bangladesh Chemical Industries Corporation (BCIC)) and the different relevant government agencies to which they are responsible. For them another important stakeholder group is the employee who exercises significant power and influence in the public sector undertakings in Bangladesh via trade unions. Trade unions are particularly influential in the public sector because they are recognised as collective bargaining agents for the employees. Their power is further enhanced by their close liaison with the mainstream political parties.

BCIC and other relevant government agencies are the most important stakeholders for us. Because it's a state owned enterprise we're accountable to the Government for our actions. (Company Secretary, Public Sector Paper Manufacturer)

We're a state owned enterprise so obviously Government is our main stakeholder. However, we do care for our employees as well. In the public sector trade unions are particularly powerful. They play an influential role in the decision making of the company, particularly in employee related matters such as pay and working conditions. (Company Secretary, Public Sector Fertiliser Manufacturer)

Thus, we see that, like the multinational respondents, there was very little or virtually no recognition of the social stakeholders such as community, environment and the wider society from domestic company respondents.

Stakeholder engagement and dialogue assume central importance in the contemporary social accounting movement. However, in the context of Bangladesh there is very little evidence of any two-way stakeholder dialogue. Although a few respondents noted informal meetings with employees, most think that other than shareholders⁵² nobody else can have a 'say' in the way they run their business. In their opinion it will bring chaos to the boardroom and to the decision making process. Their sentiment in this regard can be understood from the following responses:

I think only shareholders can have a say because it is ultimately their company. They've provided the finance. I cannot even think of the fact that my supplier will interfere in my business affairs. (Company Secretary, Jute manufacturer)

There is no such legal provision other than for the shareholders in the annual general meeting. We don't want to invite problems by making such provisions. There is danger in it. (Company Secretary, Cable manufacturer)

No, legally they can't have a say in our business. (Company Secretary, pharmaceutical company)

They've no right to say anything in my business affairs. (Company Secretary and Finance Director, Textile Company)

No. I don't think so. It is run by the corporate management and owners. Nobody else should be represented on the board of directors. It may create chaos. (Company Secretary, pipe manufacturing company)

No, we have not yet thought about it. They will always be welcome if they want to make any positive contribution. At the moment we have no interaction with them. We don't know their opinions. We do not invite feedback from them. The system of dialogue is yet to be developed. (Company Secretary, food manufacturer)

Although no radical alternative views to the above position were found during the field trip, two respondents appeared to admit (albeit passively and rather reluctantly) that there could be a possible role for the non-shareholder stakeholders.

⁵² Here probably they mean sponsor director shareholders and institutional shareholders, although individual minority shareholders might also have a say through the annual general meeting.

In addition to the shareholders, customers and employees can have a voice in the corporate decision making system. (Company Secretary, Banking Company)

Legally shareholders are entitled to have a 'say' in the corporate policy making. Other than the shareholders, the Central Bank and customers, through various chambers of commerce, can have a 'say'. (Company Secretary, Banking Company)

7.2.2.3 Information Provision/Disclosure

Like the multinationals, for the domestic companies, the annual report (including the social disclosures therein) is mainly a product of the accounts and finance department, with inputs from other functional departments. However, there are two exceptions. In one case the preparation of annual report, and all disclosures within it, are compiled by the company affairs department and in another case it is prepared by the investor relations department. So it can be concluded that, unlike the West, CSR practice in Bangladesh is largely dominated by accountants.

For five respondents the issue of external verification was not relevant at all as they do not make any disclosures other than financial disclosures. Another two respondents were unsure concerning the question of external verification. The rest of the respondents (ten) rejected the idea of external verification as the law does not require it and as the present level of disclosures does not justify such verification.

One respondent challenged the idea of external verification as follows:

What would be basis of that? If there is any legal requirement then that could be a basis. How would you verify the qualitative statements? (Company Secretary, public sector fertiliser manufacturer)

Generally, respondents think it will create an additional burden for them, explained by one as follows:

Introduction of another audit would cause difficulty. It will be a burden for us. If it is introduced I don't think existing accounting profession has enough expertise to do it. There should be a multi-disciplinary team of experts. (Company Secretary and General Manager, Cement manufacturer)

One respondent expressed the opinion that CSR would not go very far until and unless it is made mandatory here. In his opinion not many people will do it voluntarily.

While in most of the cases the annual report is the only medium of communication with the outside world there are few instances where domestic companies used internal newsletters, press releases and the company websites to disclose other non-financial information. For public sector companies, other mediums of social disclosure includes the BCIC newsletter (containing profiles of individual plants and their welfare activities), MIS (Management Information System) reports⁵³ (containing mainly monthly financial figures but also some non-financial data such as employee numbers) and press releases (in response to specific instances such as reports of environmental pollution in the media). Regarding the use of newsletters and press releases one public sector respondent said,

We've a monthly newsletter published by BCIC. It includes some social disclosure on our company. From time to time we also use press releases to publicise our social welfare activities. Moreover, we disclose various information to the different Government Ministries in response to their queries. (Company Secretary, Public Sector Paper Manufacturer)

Use of a website as a disclosure medium is rare in Bangladesh because of poor access to the computer and internet (See Table 4.1 of Chapter 4). However, one bank

⁵³ An internal monthly report to the parent corporation BCIC in the prescribed format, which contains both financial and non-financial information.

in particular made extensive social disclosures in addition to putting their entire annual report on the website. On enquiry it was found that the bank is practising the Islamic-banking concept and wants to see itself as the leader in this field. For this purpose they want to make as many disclosures as possible highlighting their concepts, objectives, activities and achievements. It is not desirable to put all these disclosures in the annual report. Therefore, the bank decided to use their website to make extensive disclosures as they think it is cheaper and more effective than the annual report.

We are the first bank in Bangladesh who have developed a comprehensive website to provide disclosures. Many banks later followed our trend. This is particularly important in the banking sector as it provides instant access to information for interested parties including customers. Moreover, it is more effective, cheaper and can be continuously updated. (Company Secretary, Banking Company)

In addition to the annual report and website, the bank also made social disclosures in diaries, wall and desk calendars, brochures and numerous leaflets.

Finally, most respondents felt that annual reports should be made available to other stakeholders in addition to shareholders. In this case the list of other stakeholders included mainly the banks and financial institutions that provide loan finance to these companies. A large number of domestic companies depend on loan finance from banks so it is not surprising that they find it important to keep the lenders well informed about their performance by disseminating information through annual reports. However, the lists of other stakeholders to whom annual reports are made available also includes regulators, government agencies, academics and industrial and commercial associations.

7.2.2.4 The Relevance of Social Accounting Standards

In most cases (14) the interviewees were found to be skeptical concerning the relevance of the major social accounting standards, with a number not even having heard of them. Although these latter respondents appear to be unaware of the major social accounting standards they do seem to be aware of the ISO standards and indeed seven companies have adopted or are in the process of adopting the quality related ISO standard 9000. One particular motivation for adoption of this ISO standard is a desire to achieve customer confidence in terms of quality, particularly international buyers in the case of export oriented companies. In response to the question why their company adopted ISO9000 one respondent said,

As an export oriented company we are committed to quality and we want to compete in the international market on the basis of quality. This has given us a competitive edge over our competitors in neighbouring countries like Sri Lanka. (Company Secretary, pipe manufacturer)

On the question of the relevance of SA standards some respondents replied saying that in order to compete in the global market in future, companies (with export potential) will have to comply with these standards, like it or not.

It's not a question of relevance. If we want to compete in the global market we have to adopt some of these standards sooner or later. If you want to get business you have to comply with these standards. You have very little choice. (General Manager, business conglomerate)

One important motivation for adopting these standards could be to increase our acceptability in the international market where we want to compete. (Company Secretary, food manufacturer)

Two respondents claimed that although they did not formally adopt these standards they are already complying with some of their requirements as part of local legal requirements.

We are complying with some of the requirements already. You will be surprised to know that many of the requirements now embodied in ILO conventions and SA8000 were made compulsory here through the Factories Act, 1965. (General Manager, business conglomerate)

Some of the requirements of SA8000 could be relevant. We are already complying with some of the requirements as per local laws without even realising that these are required by SA8000 as well. (Company Secretary, food manufacturer)

For one respondent in order to be relevant these standards have to be adapted to the context of developing countries:

In order to be relevant international social accounting standards need to be tuned to our local circumstances. Only then might they be useful. Remember these standards were developed in the Western context. Before implementation it must be considered to what extent these standards can be applied to the socio-economic context of developing countries like Bangladesh. (Company Secretary and Finance Director, Tannery Company)

Finally, while most of the respondents seem to be skeptical about the relevance of the standards, one differing view came from a public sector respondent who thought that, like international accounting standards, social accounting standards could also be relevant as Bangladesh has not got the capacity and resources to develop its own standards.

It can be relevant. Bangladesh is adopting International Accounting Standards as its own financial reporting standards because we have not got adequate resources to develop our own standards. From that context International Social Accounting Standards may also be adopted in Bangladesh. (Company Secretary, Public Sector Fertilizer Company)

7.2.2.5 Reasons for (Non) Disclosure

For five respondents the question of reasons for social disclosure was not relevant as their annual reports mainly contained financial disclosures. The remaining 12 respondents explained the reasons for disclosure. For most of them, main motivations include publicity, corporate image and influence of key executives.

When we started business in 1983 we had some social commitments. Profit making was not the only motive. From the very beginning we were doing social welfare activities and tried to publicise it so that others feel encouraged. We wanted to spread the message that we are doing banking according to the Islamic Shariah. Our chief executive is influential in undertaking CSR activities in the bank. (Company Secretary, Bank based on Islamic Shariah)

Our chairman is very keen on the corporate social and environmental issues. He speaks on these issues at various forums and he encourages us to take these issues into consideration. We have started to address these issues on a limited scale. It will increase in future. We think that it will improve our corporate image. (Company Secretary and Finance Director, leather and footwear manufacturing company)

However, for two respondents with export potential the motivation came from the international market, with a view to be seen as more competitive and socially responsible. A domestic pipe manufacturer responded as follows,

One of the motivations is to make us competitive in the international market. It pays off to be able to be seen as a socially responsible company in the international market where we are expanding our position through exports.... In fact that is why we adopted ISO 9000 recently to improve our corporate image in terms of quality and also to boost our sales. (Company Secretary, pipe manufacturer)

One company is particularly keen to receive the ICAB's best annual report award. The respondent argued that the benefits of this award are enormous particularly the wide media publicity it provides to the receiving company.

The chairman of this company is very keen to receive the best annual report award in the ICAB's scheme. If Beximco Pharmaceutical [another competitor] can receive the award why not us? We are determined to get this award next time by improving our disclosures. (Manager, Pharmaceutical Company)

There are certain disclosure categories such as observance of national ceremonies that are quite unique to the public sector companies in Bangladesh. On enquiry it was found that the main motive behind this kind of disclosure came from a commitment to the nationally important events and the desire to inform future generations about the importance of these events in the history of Bangladesh. Respondents reported

that any omission in this regard is generally captured and criticised by the media. That is why they probably cannot afford to make such omission.

However, as we have seen in Chapter 6, there are instances of significant omissions or non-disclosures in the CSR practice of Bangladesh. The reasons for such non-disclosures were explored during the interviews with the managers. All interviewees replied on this point. For most of them, the main reasons for non-disclosure of social, ethical and environmental information are lack of awareness, financial resources and knowledge on the part of corporate managers.

There was some lack of awareness. Our previous management adopted a policy of as little disclosure as possible but under the new management we are changing now. We would include more and more non-financial issues in future to make ourselves more transparent and accountable. Even two years back this attitude was not there. (Company Secretary, banking company)

Larger companies are more likely to do it because they have got the resources. As a small company we do not have much resources to undertake additional disclosures which involve additional costs. Scarcity of resources is one of our main limitations. (Company Secretary, textile and garments manufacturer)

To be honest we do not have much idea about how to develop this sort of thing but we are moving slowly. You will see the difference between this year's report and that of ten years back. More disclosures are coming up. Eventually it will come. (Company Secretary and Finance Director, Tannery Company)

The other reasons given for not disclosing include absence of legal requirements and that compliance with statutory requirements constitutes enough disclosures.

In fact we do not report with much seriousness. The minimum disclosure we make is due to the legal compulsion so we do not make complete disclosures. We feel that compliance with minimum legal requirements constitutes enough disclosure. (Company Secretary, Textile Manufacturer)

Another respondent argued that additional disclosures can bring adverse publicity, particularly if the disclosures are not positive. Moreover, it was argued that a

company's main objective should be to make profits and there is little scope for diverting resources to non-essential activities.

I don't want to disclose anything beyond statutory minimum requirements. I think that's enough. Why should I go for extra disclosures that might create bad and adverse publicity? For example, if I disclose on welfare activities even the small shareholders might ask me why you are spending our money on welfare activities. That's why we don't disclose these things through the annual report. (Company Secretary, Textile Company)

For public sector companies there are two reasons for non-disclosure: Firstly, lack of awareness, skills and knowledge, and secondly, the fear of bad publicity arising out of negative disclosures. The first reason has already been discussed above. The second reason, noted by the paper manufacturer, probably refers to the criticism attracted from the media for environmental pollution created by the company. The company preferred to remain silent on this issue fearing further criticism. Another private sector textile manufacturer also refrained from disclosure fearing bad publicity:

.....on certain areas, for example, child labour and right to collective bargaining. we are not good performers. So we don't want to disclose this negative aspect because of the fear of bad publicity at home and abroad [foreign buyers]. (Company Secretary, textile and garments manufacturer)

7.2.2.6 Prospects for The Future Development of CSR

While all interviewees were optimistic about the future of CSR in Bangladesh in general, four respondents confirmed that specifically it would increase in their companies as well.

The main reasons noted by the respondents for this increase are the attractions of foreign investment, globalisation and the increase in peoples' awareness. Before

investing their money foreign investors will look at social and environmental track records in Bangladesh so in order to attract foreign investment these track records have to be improved. Because of globalisation and Internet technology CSR issues are crossing national boundaries very quickly. Consequently, the public in general and emerging pressure groups and NGOs in particular will become more aware and demand social, ethical and environmental disclosures with a view to making the corporations accountable and transparent.

You see Bangladesh is in need of foreign investment. Also if you want to export your products you need to be aware of these things. Foreign investors would look into the social and environmental aspects of this country before they invest. Moreover, the general awareness is increasing, as CSR is becoming a global issue. (General Manager, business conglomerate)

Because I feel that peoples' awareness on these issues is increasing. In this discussion with you I have learned about a number of issues, which I may consider for future disclosure purposes. (Company Secretary and General Manager, cement manufacturer)

If you look at our annual reports you will see that five years' ago there were no social disclosures. But now they are included although on a limited scale. It will gradually improve. (Company Secretary, pharmaceutical company)

It is bound to increase in general and also in our company because peoples' awareness is increasing. Moreover, it is becoming a global issue crossing the boundary. So you will certainly see it in Bangladesh as well. (Company Secretary, pipe manufacturer)

In line with the above discussion two interviewees in the export sector identified that the main pressure would come from international buyers.

For environmental matters there are already pressures from the international buyers. When they come to visit the factory they look into these issues. (Company Secretary and Finance Director, Tannery Company)

Yes, the pressure will increase. In the West people are pressing for disclosure of social conditions in the supply chains then this pressure is passed onto us. So that's the biggest pressure. Moreover, governmental pressure is there asking companies to be environmentally responsible. Donor agencies want reforms in these areas. Finally, civil organisations and NGOs are also becoming more active in raising the social and environmental standards of this country. (General Manager, business conglomerate)

Pressure from international buyers is even more significant for two garments manufacturers as evidenced by the following quotations:

In the wake of pressures from the foreign buyers the Bangladesh Garments Manufacturers' and Employers' Association (BGMEA) has framed certain guidelines on child labour, health and safety and minimum wages. BGMEA has asked its member companies to follow these guidelines. (Company Secretary, garments manufacturer)

I am already under pressure from the buyers. They are raising the issues of child labour, health and safety and working environment. They are saying if you want to get the order you have got to do it, so I had to implement these requirements to survive. I am thinking to include this in our future reports to let the buyers know about it. I will also send it to the different overseas exhibitions and embassies for the information of prospective buyers. (Company Secretary, garments manufacturer)

However, such pressures sometimes alienated the local garment manufacturers who felt aggrieved. One respondent explained his grievances as follows:

Some of the issues that you raised need to be considered from our local context not from the Western context. For example, the issue of child labours. If we do not give employment to these children they would have no earnings to feed themselves and their families. At least we are giving them work and minimum wages to live on. The Western buyers are forcing us not to employ child labour. If you eliminate the child labour then you have the moral responsibility to rehabilitate them and that involves costs. The buyers are asking for improved health and safety requirements and better working conditions for the employees, which often require additional cost, but *they are reluctant to increase the price*. They are facing pressure from the Western consumers to be socially and ethically responsible and then passing the burden onto us often at additional cost without adjusting the price. We are already working on a very tight margin. Consequently, *it's hurting us not them*. They are asking for disclosures only to monitor us. *They are not looking deeply at the root cause of the problem. It's not fair*. (Company Secretary, garments manufacturer, emphasis added)

For one respondent in the cement industry, pressure might come from the Department of Environment (DoE) to undertake more environment friendly measures. For the tannery company operating in an area seriously polluted by the industry the pressure could come from the environmental NGOs and community pressure groups. Therefore, it is more likely that, continuing the present trend, Bangladeshi companies will come up with increased disclosures within the annual report to respond to and thus help to manage these forthcoming pressures.

Finally, while both the public sector respondents agree that CSR will increase in Bangladesh to match increased societal expectations, the response of one interviewee was a little cautious:

It will increase but not in the way it developed in the West. Don't forget our priorities and motivations are different. But generally peoples' awareness is increasing and as a result, CSR is bound to increase in future. (Company Secretary, public sector fertiliser manufacturer)

One public sector company under scrutiny for its environmental pollution faces tremendous pressures from the DoE and the media. However, the pressure is generally to improve performance and not for disclosures within the annual report. It is reported that disclosures are made directly to the DoE from time to time in response to their queries. The company is seeking foreign assistance to improve its environmental performance and requested Government for land in the nearby places to start a reforestation programme in order to minimise its ecological impact.

7.2.2.7 Summary

Like the multinational groups, dominant economic stakeholders were consistently reported by the domestic companies to be the main stakeholders. There was no effective stakeholder dialogue. Most of the companies rejected the idea of having non-shareholder stakeholders play a role in the decision making process of CSR. The CSR agenda was largely driven by a motivation to manage powerful economic stakeholders such as shareholders, employees and customers. The main corporate motivation for CSR came from a desire to enhance corporate image and the influence of key executives. In this regard, one interesting finding is that for export oriented

domestic companies the main driving force comes from the desire to be seen as more competitive and socially responsible in the international market. So for them CSR seems to be driven by 'outside' forces. The main reason for non-disclosure of eco-justice and other relevant CSR items is a lack of awareness, and limited financial resources and knowledge on the part of corporate managers. Regarding the relevance of SA standards, the respondents did not seem in the main to be aware of these standards. However, seven out of seventeen respondents have either adopted or are in the process of adopting ISO9000. The main motivation in this regard was to gain customers' confidence, particularly that of international buyers for export oriented industries. According to one respondent the companies with export potential will have to take care of these standards at some point in time. All respondents think that CSR will increase in Bangladesh because of globalisation and international pressures and also because of the increase of peoples' awareness on these issues. The particular pressure for export-oriented industries (like textiles and leather and footwear) would come from the international buyers, for the cement industry from the DoE and for the tannery industry from environmentalists, community based groups and pressure groups. For garment manufacturers, significant pressure might come from their local industrial association, BGMEA.

7.3 Discussion and theoretical interpretations

In this section we are going to interpret and analyse the managerial perceptions of CSR in Bangladesh from the interview data described in the previous section 7.2. The analysis will proceed using the lens of stakeholder theory as conceptualised in Chapter 3. Using Clarkson's (1994) model of stakeholders it is argued that organisations in Bangladesh would attach more importance to the dominant

economic stakeholders (e.g. shareholders, employees and customers) who control the critical resources (such as capital, labour and buying power) required by the organisation. This argument is in line with the managerial model of stakeholder theory, which maintains that firms would adopt management strategies (including CSR) to legitimise relationships with powerful economic stakeholders (Belal, 2002). Thus, it could be expected that the more powerful the stakeholders are, the more attention they would receive from the firm. As opposed to the managerial model, the normative model of stakeholder theory argues that corporations should be responsible and accountable to all stakeholders (including the social stakeholders) who are affected by the corporate activities. This should be true irrespective of their (stakeholders) power. The core argument of the normative model is consistent with the central objective of social accounting, which is to hold powerful organisations to account by promoting democracy, transparency and accountability (Medawar, 1976). Using these theoretical arguments we will examine whether the recent CSR move in Bangladesh is likely to achieve the fundamental objective of social accounting by promoting accountability to all relevant stakeholders (including social stakeholders) or it is a public relations campaign on the part of Bangladeshi corporations with a view to serving their economic interests by managing relationships with powerful economic stakeholders only (Owen et al., 2001; Owen et al., 2000).

7.3.1 Exploring the presence of CSR

Broadly speaking, there seems to be a consensus amongst a majority of the respondents on the necessity for CSR in Bangladesh. To some respondents it appears to be a kind of self-imposed accountability to multiple stakeholders. From the

normative perspective of stakeholder theory this can be interpreted as the businesses taking cognisance of its responsibility to a wider set of constituents in society and discharging accountability to multiple stakeholders. Apparently driven by this perspective the public sector companies included in this study argue that social welfare is one of the espoused goals of their operations.

Most of the public sector enterprises in Bangladesh are being criticised for their economic inefficiency and the continual incurring of financial losses. Some of these enterprises already have been privatised and others are under the threat of privatisation. Respondents argued that their organisations did create some social impact in addition to the economic impact but that their performances are traditionally judged by economic impacts only. Through social accounting they can show the positive social impact created by their organisations thereby helping them to legitimise their continuous operations and push away the threat of impending privatisation. This is consistent with the third legitimisation strategy⁵⁴ (distracting attention away from the issue of concern, which is economic inefficiency and unsustainable financial losses in this case) suggested by Lindblom (1994).

While the public sector company respondents claimed their motivation for CSR comes from a desire to discharge accountability to the society, they failed to identify the important social stakeholder groups thereby casting doubt on their claims. It has been noted that the parent corporation (BCIC) influences their CSR practices by framing policies and guidelines on disclosure. In fact most of the social disclosures

⁵⁴ See section 3.3 of Chapter 3 for an outline of four legitimisation strategies suggested by Lindblom (1994).

seem to be aimed at informing powerful stakeholder groups such as BCIC and employee groups only. Therefore, it can be said that the disclosure motive is not entirely driven by the desire to discharge accountability to all relevant stakeholders.

The motive of discharging accountability to a wider set of stakeholders is also apparently evident from the activities of the bank, which runs a welfare oriented interest free banking system. The interviewee from the bank suggested that given the existence of massive social exploitation in Bangladesh, businesses should address social and ethical issues, as the government cannot effectively deliver all the contributions needed by the society. Inspired by this ideology the company declared its aims and objectives in the mission statement disclosed in its annual report:

To establish Islamic Banking through the introduction of a welfare oriented banking system and also ensure equity and justice in the field of all economic activities, achieve balanced growth and equitable development through diversified investment operations particularly in the priority sectors and less developed areas of the country. To encourage socio-economic upliftment and financial services to the low-income community particularly in the rural areas.

The company's objective of promoting social welfare and the desire to contribute to the development of poorer communities of the country is achieved by undertaking rural development activities under a Rural Development Scheme. Moreover, the company has undertaken a range of social welfare activities by establishing schools, colleges, hospitals and physiotherapy and disabled rehabilitation centres. In addition to undertaking such activities the company disclosed those activities in its annual report and website. However, in the absence of any form of external verification the credibility of these disclosures is not beyond question. Further, the company's motivation can also be questioned when the interviewee of this organisation admitted

the publicity motive behind these disclosures. Moreover, although the company recognised its social and ethical responsibilities explicitly in its mission statement its economic motivation could not be hidden as is clear from the following extract from its vision statement (published next to the mission statement):

Our vision is to always strive to achieve superior financial performance, be considered a leading Islamic Bank by reputation and performance.

Obviously, it is not easy to balance superior social, ethical and environmental performance with the superior financial performance. From the disclosures made it is not clear how the company has made the reconciliation between its social and financial performance. It was rather the paramount importance of financial performance that has been explicitly recognised in the above vision statement of the bank.

Such emphasis on financial performance is also paramount in another multinational tobacco company. Their mission statement states their objective is: “to double our net revenue by 2005”. For understandable reasons the company did not disclose this mission statement in the public domain. They argue that it is very much an internal target and does not need to be externally publicised. However, the company claims itself to be a socially responsible company. It has embarked on an extensive CSR programme leading to the publication of a separate social report for the first time in 2003. It might be worthwhile here to explore the background and motivation underpinning this venture.

While this particular company has been involved in various social activities, since commencing operations in Bangladesh it never embarked on any systematic CSR practice. In fact the process recently started at the head office in the face of severe criticism of the company's activities at home and abroad by the global anti-smoking campaign and cancer societies. In July 2002 the parent company of this particular subsidiary published its first ever social report together with separate reports from thirteen other overseas subsidiaries. In the second cycle of its reporting the operating subsidiary in Bangladesh is included. Therefore, it can be said that the agenda for starting systematic CSR was set at the head office. Reporting in individual developing countries separately is part of that agenda. The major decisions such as, selection of the social accounting standards to be followed and the social auditor or verifier to be appointed had been taken at the head office and the subsidiaries were asked to comply with head office decisions. So, the push for CSR came in from 'outside' or 'abroad' rather than spontaneously or indigenously from 'inside'.

This was not the case with this company only. Several other multinational interviewees described the same story although they had not yet embarked on a systematic CSR programme leading to the publication of separate social report. They said that corporate social responsibility programmes in Bangladesh were carried out as part of a group policy. In most cases policies on health, safety and environment were framed at the head office and operating subsidiaries were merely given a copy to follow. Significantly, such global policies are being followed without taking the local context into consideration.

Now the question of why this process started at the head office in the first place can be answered by pointing to the demands of ever conscious consumers, activities of pressure groups and the threat of legislation from the government in home countries. Consumers and pressure groups are not only questioning the activities of large corporations in developed countries but also increasingly their activities in the developing world. As a result, companies that disclosed initially about their activities in developed countries now have started to make some sort of managed disclosure about operating subsidiaries in developing countries as well.

Multinational companies in the West are often criticised for ignoring less powerful stakeholders in the developing countries. While they report extensively in their home countries they do not do so in their operating subsidiaries in the host countries. For example, referring to the UN (1995) survey of environmental reporting Gray et al (1996) noted that while reporting in the home countries had reached stages three and four of the UNEPIE (1994) typology⁵⁵, reporting in the host countries was disappointing and barely reached beyond stage two. The recent CSR strategy of operating subsidiaries seems to be targeted at averting that kind of criticism and the threat of regulation. Instead of promoting accountability and transparency the whole process is aimed at the legitimisation of global activities.

Stakeholder engagement is one of the central themes of the current social accounting movement. It is argued that accountability to stakeholders should be at the heart of

⁵⁵ It refers to a five stage model where stage 1 is the least sophisticated form of environmental reporting (Green glossies, newsletters, videos and short statement in annual report) and charts the transition of reporters over time to a more desirable form of sustainability reporting in stage 5 linking social, environmental and economic aspects of corporate performance. For more details see Gray et al (1996, P.133).

any social accounting exercise. But this objective is yet to be achieved, as management of stakeholders seems to be the predominant aim of current social accounting practice (Owen et al., 2001; Owen et al., 2000). This is also evident in this study from the emphasis placed by interviewees on the management of powerful stakeholders such as shareholders, customers, employees and government.

Most of the respondents argued that shareholders should be the most important stakeholders within the organisation. In their view, shareholders are the owners of the firm and provide the financial resources required by the firm. Further analysis shows that in the case of multinationals, as compared to the local minority shareholders, parent company shareholders holding the majority of shares, exert significant influence on the decision making of the operating subsidiaries in Bangladesh. Similarly, in most of the family owned domestic companies it is mainly the owners and their family members, who appear to be the most important stakeholder to the managers of these firms. The managers of the domestic firms interviewed pay enormous attention to the interests of these owner-cum-shareholders because of their significant influence over the firm both in terms of shareholding and board membership. By contrast, minority individual shareholders, who are large in number but hold insignificant power in terms of shareholding and board membership, receive the least priority from management.

Several respondents identified customers as another important group of stakeholders because of the buying power they hold. Sanction or boycott of a company's product by the customers could bring disaster to the company. Within this category,

international buyers exert significant influence on the corporate behaviour of export led firms (particularly those operating in the textile and leather sector) because of their enormous buying power and the sole dependence of the domestic companies on them. This is why a number of companies have voluntarily adopted quality related standard ISO9000 to gain competitive advantage and the associated economic benefits it can bring to them. As compared to the large international buyers, individual domestic customers are less powerful because of their small individual buying power and also because of the lack of any organised efforts to exercise collective power to control corporate behaviour. At present there is no consumer protection law in the country. As a group, domestic individual customers are not very organised to be able to influence corporate behaviour in an effective manner. As a result, the rights of individual domestic customers are being neglected as evidenced by several media reports on customer deception and provision of sub-quality adulterated goods (Aziz, 2002, The Independent (online), 7th August, 2001, www.independent-bangladesh.com [8th August, 2001]).

Employees represent another important primary stakeholder group providing critical resources (labour) required by the firm. Therefore, it could be expected that firms would attach due importance to this important stakeholder group. However, the influence of employees as a stakeholder group on corporate behaviour seems to be very much dependent on the level of power exercised by them. For example, employees working in public sector organisations are much more powerful because of the presence of established trade unions which have affiliations with the mainstream political parties. Similarly, skilled professional employees working in the

multinational companies hold significant power in the sense that their skills are in short supply in Bangladesh and it is not easy to replace them. Therefore, it is not surprising that public sector companies and multinational companies would disclose more employee related information. On the other hand, the poor women employees working in the textile sector are unskilled, cheap and abundant in supply. Garment factory owners do not find any difficulty in replacing them whenever needed. As a result, employees' rights in this sector are generally neglected (such as health and safety, right to collective bargaining, minimum wage and equal opportunity).

Several respondents considered the government as being an important stakeholder group as the government holds the regulatory power, which can affect the activities of the companies in Bangladesh. This is particularly true for the public sector companies, which are owned by the state. Naturally, government plays a dominant role in the decision making and control of public sector companies. The government also plays a dominant role in the control of the corporate behaviour of multinational and foreign companies so that their activities conform to the social norms and expectations of the country. This is why multinational respondents considered government as an important stakeholder.

The above stakeholder analysis indicates that corporate behaviour is influenced by the power differential of the stakeholders and one of the key motivations behind CSR is the management of key powerful economic stakeholders. This is consistent with the findings of previous studies (Deegan & Blomquist, 2001; Neu et al., 1998; Roberts, 1992). Although interviewees argued in favour of strategic management of

these powerful stakeholder groups they rejected the idea of empowering the stakeholder via reforms in the corporate governance structure of the companies. They totally disapproved the notion of stakeholder (other than shareholders) representation at board level as they believe it would bring chaos in the management of the company. There is also very little or no evidence of any effective two-way stakeholder dialogue. Because of the enormous disparity of power between the corporation and their stakeholders it is unlikely that current social accounting practices in Bangladesh will promote transparency and accountability to the latter.

It is, of course, difficult to explain CSR activities in terms of any single motivation. In addition to the above motive of managing the key powerful stakeholders there is evidence of other motivations such as promotion of corporate image, gaining external recognition and the influence of key executives.

‘Corporate image’ as an influential factor has already been identified in the CSR literature (Adams, 2002). Several respondents were of the opinion that enhancement of corporate image is a dominant influential factor behind social disclosure practices in Bangladeshi companies. The motive to improve public image and its consequential positive effect on sales is implicit in the voluntary adoption of quality related standards - ISO9000 - by several companies and its disclosure within the annual report. Thus it appears that disclosure is driven by the desire to influence stakeholders such as customers and thereby enhance economic objectives (Belal, 2002).

In two cases another related factor, which influenced CSR, was the desire on the part of companies to receive the best annual report award offered by the ICAB. In the UK, the ACCA (Association of Chartered Certified Accountants) through its annual award scheme and other activities has played an influential role initially in the development of environmental reporting, later social reporting and now sustainability reporting. A somewhat similar role is played by the ICAB's award scheme in Bangladesh although this scheme covers the entire gamut of corporate reporting rather than only social and environmental reporting. One of the multinational respondents operating in the pharmaceutical sector received the ICAB's annual report award in 2001. The respondent said that this would inspire the company to improve further on its reporting including non-financial disclosures incorporating social, ethical and environmental issues. This is not the only company inspired by the ICAB's award scheme. Discussion with other interviewees suggests that the scheme may inspire several other companies to include some social disclosures within their annual report, particularly those covered by the assessment criteria of the scheme such as mission statement, contribution to the economy, contribution to staff and society, environmental impact, value added statement and corporate governance disclosures. One respondent from a domestic company reported that their chairman was particularly keen to win the ICAB's award because of the reputation and the media publicity that comes with it. Thus instead of promoting accountability and transparency the disclosure seems to be motivated towards a reputation building exercise. This is consistent with the findings of Deegan & Carrol (1993) who found that Australian firms tried to win the reporting excellence awards for the positive publicity associated with it.

Influence of key executives appears to be another interesting explanation for Bangladeshi CSR, which has not gained much prominence in the CSR literature with the exception of Campbell (2000). Two respondents from multinational companies noted the influence of key executives behind their CSR activities. In addition, for six domestic companies, particularly those family-controlled larger companies, key executives appear to be a principal influencing factor. These key executives are well educated and have had exposure to Western ideas through education and export links with the international community. They appear to be more aware of corporate social responsibility issues which is why they are perhaps motivated to raise the profile of Bangladeshi companies by embracing the notion of CSR. Sometimes they hold the influential post of chairman, chief executive or other important board membership. They have enormous power and influence over the company's affairs and if they want to make anything happen within the company then that is more likely to happen. When they take the issue of corporate social responsibility seriously then it gets across the company. Like 'project champions' in the organisation theory literature (Pinto & Slevin, 1989) these key executives bring projects – in this case the corporate social responsibility agenda - to the table and encourage others to implement it for corporate interests. Several respondents noted their (key executives) influence in the CSR activities within the company.

From the above discussion on corporate motivations behind CSR it appears that there is no single explanation for Bangladeshi CSR. There is more than one motivating factor behind the CSR activities that are complex and difficult to explain. However,

it appears that CSR is mainly driven by a desire to effectively manage powerful stakeholders in the economic interests of the corporations. This is evident from the predominant emphasis by the corporations on the shareholders' interests. It is also evident from the fact that when it comes to empowering the stakeholders through reforming corporate governance mechanisms they are often reluctant to give a 'voice' to the non-shareholder stakeholders in the corporate decision-making process.

7.3.2 Exploring the absence of CSR

While we have so far been mainly concerned with explaining existing CSR practice this subsection explores the absence of CSR. As indicated in chapter 6 the overall level of disclosure in Bangladesh is very low. Most of the companies do not address the crucial eco-justice issues such as poverty, child labour and equal opportunity. According to the respondents, the main reasons for non-disclosure include lack of regulation and lack of knowledge/awareness. The other reasons mentioned are fear of bad publicity, lack of resources and lack of necessity.

The absence of CSR due to lack of regulation could be explained with reference to the argument that disclosure is often made in response to the demand from state agencies in the form of formal regulation (Boden, 1999; Jackobs & Kemp, 2002) as well as from the non governmental, or social, institutions in the form of informal regulation such as social pressures, sanctions and boycott (Tilt, 1994). While environmental reporting in some developed countries like Spain and France results from mandatory requirement, social and environmental reporting in the UK is, by

contrast, a response to demand from social constituents. In Bangladesh neither formal nor informal regulation is presently requiring companies to disclose. In the absence of effective legal enforcement mechanisms it is doubtful to what extent formal regulation will be helpful in this regard. On the other hand, the newly emerging pressure groups in Bangladesh are yet to be organised in a way so as to be able to demand this type of disclosure. Therefore, it is not surprising that companies get away without discharging accountability to the society through CSR. In this way, absence of CSR can be explained by the absence of key state and social institutions.

The absence of CSR, due to lack of knowledge/awareness, resources and lack of stakeholder demand, can be understood with reference to the theoretical framework for researching the absence of accounting in organisational settings (Choudhury, 1988). According to this framework accounting absence can be understood from two distinct perspectives. Firstly, the absence may be interpreted in a pathological sense. Secondly, the absence can serve a functional role and can be seen as a virtue. In this case the absence could be seen as helping to enhance trust, constructing ambivalence and sometimes playing a symbolic role. According to the first thesis the researcher explaining the absence assumes it as a management failure and makes an attempt to understand the reasons for such failure. From this perspective, Choudhury offered a taxonomy of accounting absence: need-based, awareness-based and possibility-based. These are described as follows:

A need-based interpretation of accounting absence relates to the situation where the researcher has, based on his or her understanding of the observed's goals, felt accounting to be necessary, but the observed deemed it was not required. Where the observed fails to draw on the extant stock of accounting knowledge because of ignorance of its existence or potential, the void is **awareness-based**. On the other hand, **possibility-based** absence refers to situations where the observed considers that, given the constraints faced, it is not feasible on economic, political or other grounds, to adopt a particular form of accounting. (Choudhury, 1988, Page.553, emphasis added)

Lack of awareness, in terms of knowledge, skill and training, as a reason for not disclosing provides support for the *awareness-based* argument of accounting absence. When the respondents say that they are not disclosing because there is no demand for such information from the shareholders and other stakeholders then probably it refers to the *need-based* absence where the respondent feels CSR is unnecessary, whereas the researcher in the first place thought it is necessary (at least in a normative sense). The *possibility-based* argument can be applied to explain lack of resources as a reason for reluctance to disclose where the company faces resource constraints – financial as well as non-financial (such as lack of knowledge).

According to Chowdhury's (1988) framework the absence of CSR could be interpreted from a "virtuous" perspective as well. One respondent said that they were not good performers on the issues of child labour and the establishment of rights to collective bargaining. By not making such negative disclosures the company was able to avoid bad publicity and to make its shortcomings less visible in the eyes of factory inspectors and the media. In this sense, there could be virtue (at least from the corporate perspective) in the absence of CSR because of the fact that the company was able to avoid criticism through non-disclosure of negative aspects.

Thus, another possible reason for the absence of CSR could be attributed to the poor social, ethical and environmental performance of companies as noted by the respondent above. It is likely that companies would not disclose negative information voluntarily. In this case a possible explanation may be found in political economy

theory (PET). One study that successfully used PET to explain corporate equal opportunities (non-) disclosure was that of Adams et al. (1995a). The study indicates that by refusing to disclose more, companies effectively control the disclosure agenda and information flow. They only disclose favourable news. As Adams et al. (1995a) note,

Accounting reports may selectively fail to communicate information where this is not consistent with business self-interest. Thus non-disclosure is seen as an effective means of intervention and confusion. (P.103)

Alternatively, it could be that companies do not comply with the provisions of Factories Act, 1965 relating to child labour, employees' welfare and health and safety. By disclosing such non-compliance it might alienate its employees and attract criticism. Also it could make the work of factory inspectors easy and might mobilise public opinion to challenge their illegitimate behaviour. Thus, while disclosers provide some limited information to legitimise their relationship with the society, by not disclosing companies can perhaps be able to avoid adverse publicity. Several interviewees reported such a fear of bad publicity.

Finally, a culturally based explanation may be offered to clarify why Bangladeshi companies do not disclose social, ethical and environmental information. As noted earlier, most of the companies in Bangladesh are family-controlled. Recent research suggests that level of information disclosure is likely to be less in this type of family company (Chau & Gray, 2002). Where the shares are closely held there will be a tendency to promote confidentiality and secrecy resulting in information retained within the family (Gray, 1988). As compared to the widely held companies in the

UK and the USA, with a consequent demand for public information, there will be little motivation to disclose in excess of legal requirements in the closely held companies because of weak demand for disclosure in the public domain (Chau & Gray, 2002). Moreover, unlike the companies in the Anglo-American countries, companies in the Asian countries, characterised by high levels of secrecy (Gray, 1988), collectivism and high power distance (Hofstede, 1980), have less incentives for transparent disclosure practices (Ball, Wu, & Robin, 1999). Further, Bangladesh is a Muslim dominated country. As explained in chapter four the religion of Islam plays a dominant role in the socio-cultural life of Bangladesh. Consistent with Islamic principles corporations should not boast of their good deeds. As a result, companies may choose not to disclose information about their social activities because of modesty. In a Malaysian CSR study Zain (1998) found a similar explanation for reluctance to disclose. However, it is likely that in future Bangladeshi companies will have to overcome such obstacles to disclosure mainly because of 'outside' international pressure to address the social, ethical and environmental issues. This is explained in the following section.

7.3.3 Prospects for the Future Development of CSR

While the previous subsections concentrated on the past and present context of CSR this subsection discusses the future prospects of CSR in Bangladesh from the corporate perspective.

As we have seen in the earlier section 7.2, an overwhelming majority of corporate respondents believe that CSR in Bangladesh will become more prevalent due to

increased pressure from a number of sources. Respondents were able to relate the pressure to the phenomenon of globalisation, expansion of international businesses to the developing countries, pressure from international agencies such as the International Labour Organisation (ILO), Organisation for Economic Co-operation and Development (OECD), World Bank and UN organisations, peoples' general awareness, emergence of pressure groups in developing countries with links to their counter parts in developed countries, increasing environmental pollution in Asian countries and the government's attempts to curb that pollution.

Thus, pressure to make organisations socially responsible and accountable would appear to come from both home and abroad. On the domestic front, local pressures are growing steadily to make organisations socially and ethically responsible. In the context of ever increasing industrial pollution and deteriorating labour conditions government is urging businesses to take preventive measures for curbing pollution [The Daily Star (Online), 29th April, 2002, www.dailystarnews.com]. A number of environmental pressure groups have emerged in recent times seeking to improve environmental conditions in Bangladesh. Industry wide pressure seems to be increasing in the garments and textile sector to improve working conditions of employees [The Bangladesh Observer (online), 17th August, 2001, www.bangladesh.net/observer]. Community wide protests are being made against the tannery companies in the Hazaribagh area of Dhaka City compelling their relocation (Khan, 2001a; Khan, 2001b). All these local pressures imply that companies will have to address the various social, ethical and environmental issues in the near future. However, as compared to the international pressures, local pressures have

not yet gained sufficient momentum to compel companies to respond at the present moment in time.

On the international front, international agencies such as the ILO, OECD and UN are urging multinational companies operating globally to take responsibility for their corporate behaviour in developing countries. In this regard ILO standards call for ensuring appropriate labour standards, the OECD have published guidelines for multinational enterprises and principles of corporate governance and the UN Global Compact urges global companies to adhere to the nine principles concerning human rights, labour standards and environment. Global companies are adopting social accounting standards such as SA8000, AA1000 and GRI's Sustainability Reporting Guidelines. Not only that, they are also implementing those standards in their operating subsidiaries in the developing countries. In addition, international companies like Nike, Addidas and Gap are trying to implement their own global codes of conduct throughout their supply chains which extend to the developing countries like Bangladesh.

Whether adoption of these standards or codes would improve the social, ethical and environmental performance of Bangladeshi companies is yet to be seen. However, the choice of whether or not to adopt these Western standards is limited for Bangladeshi companies. Bangladesh has long been pursuing an export led strategy with the textile and garments sector alone contributing 77.7% of total exports (CPD, 2001a). Due to the WTO (World Trade Organisation) regime and globalisation Bangladesh has to compete with others in the international market. In this context,

there is a fear amongst Bangladeshi suppliers of large Western corporations that unless they can project a socially responsible image they are bound to suffer adversely in the international market. Managers of several export-oriented firms confirmed that in the absence of home grown resources, adoption of these standards might help domestic firms to gain and retain access to the international market they serve. So, adoption of these standards makes a 'good business sense' to them.

On the other hand, a number of respondents appear to be cynical about the relevance of the standards and codes of conduct from the context of Bangladesh. They argued that these standards and codes were developed from the Western context and are being implemented via international social auditors. These international verifiers or social auditors will certainly have inadequate knowledge of the local context. It can be argued that appropriate local knowledge and expertise should be taken into account while implementing these standards instead of applying them mechanically.

How these codes and standards are failing in reality to make any difference can be illustrated by the findings of a British textile worker and two fellow trade unionists while visiting Bangladeshi factories. On one occasion they found several workers who looked barely 10 or 11 years old at a supplier of Wal-Mart and other Western brand-name buyers. The story was published in *The Guardian* (Milne, 2001). Publication of such a report concerned the corporate affairs director of Asda/Wal-Mart and in a reaction to *The Guardian* he claimed that they inspected the said supplier in April 2000 and did not find any evidence of child labour (Watts, 2001). He maintained that Wal-Mart operates a zero-tolerance policy towards child labour

and this is backed up by regular and rigorous inspections. However, the *Guardian* report at least raises the possibility that the company's code of conduct and related inspection mechanism may be deficient in detecting the use of child labour in the Bangladeshi factory.

In another instance the above British team of observers found Nike's code of conduct, proclaiming the company's support for workers' right to free association, along with other policies ensuring better wages and working conditions, prominently displayed at the entrance gate of a larger supplier, based in the export processing zone outside Dhaka. But the general manager of the zone notes, "trade union activities are banned here" (Milne, 2001). This story again illustrates the gap between claims made and actual performance.

Thus, it could be argued that instead of promoting transparency and accountability standards and codes are being used as a kind of legitimising tool without changing actual corporate behaviour. As a result, the very purpose of holding powerful corporations to account is being defeated. Instead these are causing economic burden to the domestic firms who view the current social responsibility movement as yet another instance of non-tariff barriers for developing countries like Bangladesh.

TNCs [Transnational corporations] ignore the principle of shared responsibility for code implementation and fail to provide suppliers with material assistance to raise their labour and environmental standards. Given their already tight margins, code compliance could pose an unacceptable economic burden on suppliers. As a result, many firms in developing countries, as well as local and national governments, see codes of conduct as a threat to development. International and Northern-led initiatives to promote codes of conduct needs to pay far more attention to the impact of codes on developing countries and the question of how to assist Southern firms with code implementation. (UNRISD, 2000, Page, 6)

The process of implementing these standards in the developing countries is far from being spontaneous, indigenous and motivated by enlightenment, rather the whole process is characterised by serious tensions, fear and threat of the cancellation of contract/orders. The tension has been illustrated nicely by Kemp (2001, Page, vi) saying:

There is clearly a tension between those in the developing countries who see this as yet another imposition of Western values, no matter how attractive, and those in the developed nations who, put cynically perhaps, wish to consume with conscience.

If social accounting has the potential of addressing inequality and the socio-economic emancipation of people then clearly the above situation is unlikely to achieve that. Therefore, if these standards are to be of any relevance at all to the developing countries like Bangladesh, then the current approach to their implementation needs to be replaced by a more appropriate, thoughtful and systematic one (UNRISD, 2000).

7.4 Summary and Conclusion

From the above description and analysis of managerial perceptions of CSR two principal conclusions can be drawn:

- a) The key motivation behind CSR in Bangladesh is the desire on the part of companies to manage powerful stakeholder groups, hence providing support for the managerial model of stakeholder theory.

- b) One of the main driving forces behind the current, and future, move towards CSR in Bangladesh is characterised by pressure from 'outside' forces.

It has been argued in the theoretical framework of chapter 3 that corporations would make attempts to influence their relationships with powerful stakeholders only to serve their economic interests. This is evident from the influence of the parent company shareholders on the operating subsidiaries of multinational companies in Bangladesh and the significant influence of the owner-cum-shareholder directors on the family owned domestic firms. In the absence of any consumer protection law in the country the rights of domestic consumers are being neglected, as evidenced by several media reports (Aziz, 2002, *The Independent* (online), 7th August, 2001, www.independent-bangladesh.com [8th August, 2001]), whilst international buyers are highly influential in compelling the export-oriented domestic firms to comply with SA standards/codes. While employees were found to be an influential stakeholder group in the multinational companies and in public sector companies, in the private sector, particularly in the garments and textile sector, they appear to be less powerful and vulnerable to exploitation due to the abundant supply of cheap unskilled labour in Bangladesh. Similarly, expectations of the social stakeholders like local communities and the natural environment are not being met as illustrated by several media reports on the sufferings of the peoples in the community due to terrible pollution caused by the tannery companies based in the Hazaribagh area (Khan, 2001a; Khan, 2001b). Public property like the river 'Buriganga' is being polluted by the industrial concerns, thus depriving the surrounding communities from their livelihood and use of river water for household purposes (Nurunnabi, 2002).

Business communities were also found to be reluctant to address major issues of national concern such as corruption, health and safety of workers and poverty. Several companies visited during the fieldwork have attracted the attention of the media for inappropriate corporate behaviour such as tax evasion and share scams although they claim themselves to be socially and ethically responsible (Hasan, 2002; Rahman, 2002).

It is observed that, unlike the pressures from the media (Brown & Deegan, 1999), NGO/pressure groups (Deegan & Blomquist, 2001; Tilt, 1994), ethical investors (Friedman & Miles, 2001) and regulation in the West (Larrinaga, Llena, Moneva, Carrasco, & Correa, 2002), the CSR agenda in Bangladesh appears to be driven by 'outside' forces. For multinationals the driving force is parent company's instructions, which came in the form of policies and guidelines. Basically the agenda is being set in the head office and subsidiaries asked to comply. For domestic export oriented companies the pressures come from international buyers as a set of conditions attached to purchase orders. In addition to the pressures from parent company/head office and international buyers, there are pressures from international agencies such as the OECD, ILO and UN organisations to improve the social, ethical and environmental performance of multinational companies operating in the developing countries like Bangladesh. It has been illustrated in this chapter that these pressures are powerful enough to compel the Bangladeshi companies to comply with the demands of these 'outside' forces.

The question is whether such compliance is leading to any change in actual corporate behaviour. The evidence presented in this study suggests that such response is in the form of mere compliance with SA standards/codes without any corresponding change in actual corporate behaviour. The corporate response appears rather at a surface level aimed at meeting demands of these powerful external pressures as non-compliance could lead to substantial economic damage to the local companies in the form of lost export orders.

This chapter has focused on the corporate views of CSR. In the next chapter views of various Bangladeshi stakeholder groups towards current CSR practice will be considered.

CHAPTER EIGHT

STAKEHOLDERS' PERCEPTIONS OF CORPORATE SOCIAL REPORTING (CSR)

8.1 Introduction

An attempt is made in this chapter to critically examine the emerging phenomenon of CSR in Bangladesh from the perspective of a wide range of stakeholder groups. It makes an important contribution to the achievement of the main objectives of this study (see sections 1.2 and 5.2 of chapters 1 and 5 respectively) by bringing a stakeholder perspective to the story of CSR in Bangladesh. In the previous chapter it was concluded that the main pressure on Bangladeshi companies for addressing social, ethical and environmental issues came from 'outside' although companies were generally sensitive to some stakeholders (for example, employees) in Bangladesh. In this chapter it is critically examined to what extent these stakeholders' expectations are met and how do they perceive CSR practice in Bangladesh. In other words, an evaluation is made of the extent to which stakeholders in Bangladesh are seeking to influence CSR practices in ways that are appropriate for the context of Bangladesh. An attempt will also be made to explore which stakeholder groups are more likely to act as a catalyst for change in the field of CSR.

The overriding purpose of CSR is to discharge accountability to all relevant stakeholder groups (at least normatively) (Belal, 2002). Previous research on CSR has mainly concentrated on corporate perceptions of CSR. Very few studies are

available which examine stakeholders' perceptions. The studies that have investigated stakeholders' perceptions mainly focused on investors (Epstein, 1994; Freedman, 1986; Jaggi, 1982; Ingram, 1978). Very little research has been carried out on the perceptions of other stakeholder groups (but see Deegan & Rankin, 1997; Tilt, 1994). In addition, most of these research studies were based on questionnaire survey and consequently were unable to investigate the issues involved in the greater depth that an interview based study could provide. This chapter contributes to filling that research gap by providing further evidence on stakeholders' perceptions of CSR based on in depth interviews.

For this purpose eleven (11) respondents from different stakeholder groups have been interviewed⁵⁶:

- Investors (Member of Stock Exchange)
- Employees (Trade Union Congress) (TUC)
- Consumers (Consumers' Association)
- Pressure groups (Environment NGO, Environmental Lawyers' Group, Environmental Journalists' Group, Social/Civil NGO promoting transparency in Bangladesh and one civil activist/academic)
- Regulatory body (having oversight on corporate affairs in Bangladesh)
- Professional accounting body
- Others (Accounting Practitioner/Financial Auditor).

The interview results are described in the following section together with an interpretation of the results in section three of the chapter. Finally, section four offers some concluding commentary.

⁵⁶ While from each group at least one interviewee was selected, under pressure groups category five different individuals were interviewed. For detailed justifications of the selection of respondents see Chapter 5.

8.2 Description of interview results

8.2.1 Stakeholders' General Perceptions towards CSR

Initially, the respondents did not seem to be much aware of CSR issues as six out of eleven respondents could not say what is meant by CSR. So the researcher gave brief explanations about CSR where it was necessary.

8.2.1.1 The Need for CSR

While a large majority (10 out of 11) supported the principle of CSR one respondent was found to be skeptical concerning the need of CSR in a poor country like Bangladesh. Those who supported CSR justified its need on several grounds. The justifications in favour of CSR varied from peoples' right to know, to the argument of increasing corporate accountability and transparency.

Some respondents argued that corporations should recognise their social and ethical responsibilities. They [corporations] should provide an account through CSR of how they have carried out their responsibilities. The fundamental objective here should be to promote transparency and accountability of the corporation. The respondents argued that such accountability should not be restricted to the shareholders only but should be extended to all other relevant stakeholders.

I think it is necessary because all corporate bodies have social responsibilities that should be reported through disclosures to make them more transparent and accountable to the stakeholders and to the society at large. (Member of Stock Exchange)

Because corporations, which sell product or services to the customers, should be responsible to the consumers for their acts or behaviours. There should be disclosure such as how they have carried out these responsibilities. (Consumers' Association)

Some environmental pressure groups demanded responsible behaviour from the companies to protect the unique eco-system and the environment of Bangladesh. They argued that companies should let people know, through disclosure, what measures they have taken to minimise the environmental impact of their operations.

It [CSR] is more essential in Bangladesh because you see our eco-system is quite unique and is very fragile. We need industrialisation, there is no doubt about that. But in the process of industrialisation we should not destroy the eco-system and pollute the river bodies. Any industrial units located along the bank of rivers should be responsible for taking appropriate environment-friendly measures to prevent pollution. They should let others know through disclosures whether they have taken such measures. (Environmental Journalists)

Certainly it is necessary. I think that CSR is rather more important to a developing country like Bangladesh. We are dependent on natural resources. We talk about industrialisation but can you tell me how many peoples are employed in these industries? A great majority of peoples who could not be employed in the industries are still dependent on the river for their livelihood. If you pollute the river in the name of industrialisation where will these general people go? We are dependent on this eco-system. We cannot afford to damage it. If it is damaged we would not be able to restore it. (Environmental Lawyers)

In a democratic framework, people should have access to information regarding the social, ethical and environmental impact of the organisation. People have the right to demand information in this regard. This was the view adopted by the respondent from the TUC:

It is necessary to meet the information requirements of employees. Since they have a vital interest in the organisation I think all good employers should disclose employee-related and other stakeholder information. People have got the right to know. For example, companies should disclose whether they are paying minimum wages, as per local law, to their employees.

Another respondent argued that CSR could serve as a tool for building partnership between business and the community in which it operates.

Because it is a sort of partnership - the business community should act in partnership with the community members for a harmonious relationship. So if they come forward through CSR then I think the understanding would be better. As a company they should develop a good relationship with the community. (Professional Accounting Body)

It is also argued that through social accounting it could be shown to what extent divergent corporate economic objectives and social objectives could be reconciled.

Every company has got an objective of maximising its wealth within the constraint of the legal framework. We need to see what additional social impact the company is creating on the society. Every society has got its own objective function. We want to see how the company's objective function fits within the societal objective function. There will be divergence. The task will be how much convergence can be created. (Civil activist and academic)

Finally, underscoring the importance of CSR another respondent argued in favour of CSR but questioned the sincerity of business in using CSR as a tool for promoting transparency and accountability.

This is the basic premise on which businesses have to develop in Bangladesh...But it seems to be that neither public pressure nor regulatory mechanism is there to make these things happen. Definitely that [CSR] would be a step in the right direction. But probably just a declaration or a statement in the annual report is not going to be sufficient if they really don't mean it. (Civil NGO)

However, one respondent (accounting practitioner) appeared to be skeptical about the necessity for CSR in Bangladesh. According to this respondent, there are priorities for many things in Bangladesh. He maintained that CSR should come with economic advancement.

There is a need for many things in Bangladesh. But many needs are being ignored in a poor country like Bangladesh. Some of the companies have started to think about these issues and have taken certain small steps. With the development of total economy of the country things will improve. (Accounting Practitioner)

From the above discussion it appears that a majority of the respondents acknowledge the need for CSR.

8.2.1.2 Stakeholders' Perceptions of Corporate Motivations for CSR

As part of the answer to the above theme on the need for CSR four respondents elaborated on corporate motivations for CSR. In the absence of stakeholders' involvement in the CSR process, corporate motivations for undertaking CSR activities needs to be explored from the stakeholders' perspective. In the previous chapter it was noted that one of the main driving forces behind CSR was to further the economic interests of corporations rather than discharging accountability to stakeholders. Some stakeholders also shared this view:

Businesses are basically motivated by profit. To be honest, you can't really expect much from the local small and medium sized enterprises. There is a greater possibility with the larger companies. With the changing societal expectations they might respond although in a very cosmetic fashion. (Civil NGO)

This [CSR] is in a way a marketing strategy. Maybe in the long run they are thinking that this would be a sort of attraction for their company. Profit making is still the main motivation. It's not that they are doing it [CSR] because they feel responsible and accountable to the society. (Professional Accounting Body)

Commenting on the motive of foreign investors in the export processing zone (EPZ) of Bangladesh one respondent with an audit client in the EPZ noted:

Profiteering is the main motive here. They want to do business and make profits to be able to pay dividends to their shareholders. These are the basic activities they are interested in..... You will be surprised to know that they are not even complying with the local standards. Their main motive is to make money and to send it abroad in any way they can. (Accounting Practitioner)

In line with the above views another pressure group respondent argued that it was international economic pressure which compelled the export-oriented companies in Bangladesh to address social issues. Although it can be questioned as to whether such pressure has changed actual corporate behaviour (as we will see later in section

8.3) in some cases it has generated positive outcomes. For example, in the face of such pressure, companies in the textile and garments sector of Bangladesh have eradicated child labour and to some extent improved health and safety performance.

You see whenever we talk about these social and environmental obligations businesses would complain about the lack of resources. But when they see that without complying with these requirements they cannot attract orders and make exports then they start to comply. Our businesses only bow down to the international [economic] pressures. Because of these pressures, child labour is being eradicated from the textile sector and they are now taking some measures on the health and safety issues. (Environmental Lawyers)

Thus, while respondents think that there is certainly a need for CSR, at present it is only addressed at a surface level. According to them, instead of promoting accountability and transparency it is being used conveniently as a tool to further the economic interests of corporations. Given the importance of stakeholders' dialogue and engagement in contemporary CSR, the potential role of Bangladeshi stakeholders in the CSR process is now explored.

8.2.1.3 The Role of the Stakeholder Consultation in CSR

All respondents thought that they could play an important role in the improvement of CSR practice. The accounting practitioner respondent talked about the potential role of ICAB's (The Institute of Chartered Accountants of Bangladesh) Annual Report Award Scheme:

The Institute of Chartered Accountants of Bangladesh has established an Annual Report Award Scheme. In its evaluation criteria of these reports some social disclosure items are also included. I think that's a step in the right direction. But still we have a long way to go. (Accounting Practitioner)

The respondent from the professional accounting body commented (with caution) on the potential role of the accounting profession through widening the scope of existing audit work:

The existing auditor's scope of work may be widened to play an important role. In this regard, the Institute of Chartered Accountants of Bangladesh can ask its members in practice to include examination of social and environmental impact in the scope of audit work. But then again that would be a difficult job and may require some time for the accountants to develop their skills in this regard. So I don't think that can be done immediately. Imperative may come from somewhere else – the government or the international agencies. Then the Institute may follow up the issue. Otherwise on its own it'll take some time unless it is superimposed by the government or the international agencies.

Then he went on to comment on the role of emerging pressure groups in this regard:

The newly developed pressure groups also can play a role here. But they're not yet very organised in order to make any impact on corporate behaviour.

In order to make the CSR process more inclusive and transparent, most of the other respondent groups argued that stakeholders' views should be effectively reflected in the decision making process of CSR. Respondents from the pressure groups felt that public pressure on the companies to be accountable and transparent could make a big difference. They are of the opinion that they can certainly play an important role in this regard.

If pressure groups are empowered with necessary information and rights they can play a role by putting pressure on businesses through public litigation and campaign. They should be involved in the reporting process. (Environmental Lawyers)

Yes. There is certainly a role to play If a particular company is creating pollution in a particular community then by mobilising public opinions we can put pressure on the company to be more socially and environmentally responsible and accountable. (Environmental NGO)

From the employees' perspective, the respondent for the TUC believes that they should be involved in the decision making process by including employee representatives on the corporate management committee.

There should be representation from the employees in the management committee so that they are involved in the decision making of companies. The whole CSR process should be transparent. At the moment it is neither transparent nor credible.

It is envisaged by the respondent of the investor group that investors can also play a significant role by asking for social disclosures in the annual report through the annual general meeting where they have a right to attend and speak. Thus, we see that stakeholders can certainly play an important role in the improvement of CSR practice in Bangladesh. A civil NGO respondent reinforced this view as follows:

Public pressure groups can definitely play a role. I think the pressure groups certainly will have to be the driving force behind either policy change or putting pressure on the business sector to take social responsibility more seriously. If you look at the West you will see public pressure really makes a big difference. Without pressure from the pressure groups the CSR process will be very slow here. At the moment, I don't think there is that kind of pressure. I don't think that kind of awareness is developed to create that pressure. But certainly they can play a role. For example, if you look at the role of media you will see that they have done a lot in terms of raising public awareness regarding social and environmental issues ... Still there is a lot to be done in terms of improving the role of the media in investigating issues of corporate misgovernance. I think organisations like the consumers' association can play a very important role.

However, that potential is yet to be realised. Stakeholders in Bangladesh are yet to be organised in order to exert any significant pressure on the corporations to become accountable for their social, ethical and environmental performance. Moreover, the existing mechanism for corporate governance does not contain adequate provision for stakeholders' voice to be heard.

8.2.2 CSR practice

8.2.2.1 The Relevance of Social Accounting (SA) Standards

Given the fact that for most of the corporate respondents SA standards did not appear to be relevant at this stage, the researcher explored stakeholders' views on their future relevance in the context of Bangladesh. Two respondents (consumers and regulatory body) had not even heard about these standards and hence could not comment further on their relevance.

The attitudes of the rest of the stakeholder groups towards SA standards were mixed. The respondents of stakeholder groups such as investors, employees and the media seemed to be in favour of adopting the standards, with employee groups particularly advocating SA8000 and the ILO conventions as they think it would protect their interests by raising employment standards in the country.

Of course these could be relevant more or less. It could be more or less because of the differences in the stage of economic development. For example, the minimum wage and health and safety standards of an American worker and a Bangladeshi worker cannot be the same. So in the light of our socio-economic context these standards could be modified and implemented. We have done a recent seminar on SA8000 to increase awareness amongst our members. It is absolutely necessary to protect the interests of employees and other stakeholders. Our opinion is that ILO conventions, which have been taken into account in SA8000, should be implemented here for the sake of employees as well as employers and for the greater interest of the country. There should be proper disclosure in this regard. (Trade Union Congress)

However, the respondent of the investor group appears to be cautious about the adoption of social accounting standards in Bangladesh. He thought that before adopting the standards the extent of their applicability to local circumstances should be considered.

On principle, I am in favour of CSR. I think that we should go for CSR whatever may be the level of reporting. In the absence of standards it would be very difficult for companies to report in a uniform and structured way. Now these standards were developed from the Western context, which is different from us. So these standards may not be applicable here fully, but they can be tailored to our local requirements. In the absence of any social accounting institution here, the Securities and Exchange Commission (SEC) and the Institute of Chartered Accountants of Bangladesh (ICAB) can come forward to frame guidelines for companies. Standards like SA8000 can certainly be relevant here particularly in the garment and textile sector. At present many international buyers are asking for compliance with these standards. Although many companies here will fail by these standards you still need to disclose that for the sake of transparency. (Member of Stock Exchange)

The respondent of the environmental journalists' group also appeared to be in favour of adopting the standards:

It is true that relevance of these standards is linked to the stage of economic development. But in a globalised world we would not be able to compete in the global market without taking care of these standards. So in that sense it could be relevant. You do not need to adopt them as it is. You are a fresh starter. So you can plan according to your resources. Yes, our context is quite different. Moreover, the argument could be that the adoption of these standards would involve costs. But I think in the long run these costs will be offset. Therefore, I think from that point of view this could be relevant. (Environmental Journalists)

In spite of the above arguments in favour of the SA standards some respondents argued strongly against their adoption. The accounting profession and some pressure groups appear to be skeptical and wary about the relevance of the standards. They are of the opinion that simply by adopting them no real difference can be made. Instead, it could simply create an additional cost burden for companies.

Today or tomorrow these standards will come to Bangladesh. Our export-oriented companies will be under pressure to rise up to that standard. But we should be careful about their adoption. It should not be too cumbersome for us. (Environmental Lawyers)

The respondents from the accounting profession seem to be dismissive of the idea of adopting the social accounting standards in Bangladesh for the reasons given below:

At the moment, I don't think they can be relevant because we don't know exactly how to measure and assess those disclosures. Moreover, in our country the skills for this type of reporting are lacking or may be the temperament has not yet developed. (Professional Accounting Body)

The West is trying to enforce their standards on developing countries without giving them the opportunity to come to a certain level. So enforcement of these standards will do more harm to a developing country than good because more than one third of the people of Bangladesh are living below the poverty level. So it is rather premature for a developing country like Bangladesh to go for these standards. (Accounting Practitioner)

While not entirely dismissive, generally the respondents of the pressure groups are of the opinion that if the standards cannot change actual corporate behaviour then their relevance has to be questioned.

I am very wary of these Western standards. I think they tend to be quite mechanical. It does not really affect the reality of the situation. If the people who come for inspection or if the owners are not fully committed, the system can easily be circumvented. So just mechanically applying the standards could be rather deceiving. I do not think they will go to the heart of the issues addressed. There is a danger that it can work as a kind of seal of approval without making much difference on the ground. We also need to think from the cost point of view whether we are creating additional burden, whether we are creating an industry for the sake of industry for a group of professionals and consultants to go round and give advice. It does add extra cost to the companies and really does not make much difference from the point of view of either consumers or from the point of view of employees. The gap between what is shown and what is really happening can be very wide. I think this is the downside of these international standards. (Civil NGO)

Thus, we see that although some respondents argued in favour of SA standards even more respondents, particularly the pressure groups, came up with sharp criticism of the idea of wholesale adoption of the standards in Bangladesh. They argued that these standards failed to change corporate behaviour in practice. Additionally, the appropriate skills for implementing these standards may not be present at the moment and moreover their adoption could be seen as an economic burden for domestic export-oriented industries.

8.2.2.2 CSR Principles/Issues to Be Covered

In the absence of legal requirements, and if SA standards are inappropriate for Bangladesh at this stage, we now explore what principles could guide CSR activities in Bangladesh. Only six respondents elaborated on guiding principles while others appear to have little knowledge of these matters. It appears that in the opinion of most of respondents accountability should be the overall guiding principle of CSR. Specifically, the respondent of consumer association and one social/civil NGO respondent emphasised the importance of peoples 'right to know'. Other principles noted by the civil NGO respondent are those of full disclosure and relevance. It was also mentioned that disclosure should reflect changing societal expectations. In this regard, participation from the NGOs might be effective.

I think at the moment peoples' right to information is not that much enforced here. Generally, in Bangladesh, the dissemination of information is very poor. Management does not disclose both in public and private sectors. I think the principle that needs to be stated very clearly is that companies should disclose. The practice of non-disclosure encourages lack of transparency and secrecy, so you need to establish the principle of full disclosure. Another important thing is the principle of relevance. We don't want too much of it or information that we don't need. Attempts to assess and determine public expectations should also guide CSR. NGOs operating in Bangladesh can provide a lot of information and inputs in this regard. I think there could be some ways to determine what stakeholders are looking for. (Civil NGO)

Two respondents from the environmental groups (environmental NGO and environmental lawyers) favoured the principle of legal compliance, whereby companies would be asked to disclose compliance with the existing legal provisions relating to social, ethical and environmental performance. According to the respondent of investor group, any social welfare activity should be disclosed as a matter of principle. The civil activist/academic noted the necessity of providing

social balance sheet showing social capital at the beginning as well as at the end of a particular period:

This is a difficult question. I want to see the social balance sheet of every organisation – the state of social capital at the beginning as well as at the end of the year.

He then went on to discuss the contents of social disclosure. Although he didn't elaborate on this point he hinted on the kind of broad issues he would like to see disclosed:

I want to see progress made on the social issues concerned. All issues related to consumers, employees and the environment should be disclosed.

Developing this issue further, the researcher explored the information requirements of the various stakeholders. Questions were asked concerning what specific issues they would like to see covered in corporate social disclosures. The respondents from the stakeholder groups such as investors, employees, consumers and regulators, who earlier commented on the eco-justice issues such as **child labour, equal opportunity and poverty alleviation**, are generally in favour of disclosure of these issues. While the respondents of investors and employee groups came up with specific suggestions on these issues others were not so specific. On the issue of child labour, the respondent of the investor group noted that,

There could be disclosure on the employment of child labour. You can disclose age profile of employees so that people can see whether you're employing child labour.

Taking it one step further, the TUC respondent suggested that disclosure should include rehabilitation of child labour:

It should be disclosed. Because of the international pressure, 95% child labour has been eliminated from Bangladesh. We can now say that the garment sector is more or less child labour free, although still there could be some problems. But that's not enough, you need to disclose whether you've taken adequate measures to rehabilitate them.

On the issue of equal opportunity he further commented,

There should be disclosure in this regard, because we need to know whether companies are paying fair wages to female employees and whether they are given equal employment rights. There should be disclosure according to sex, age and ethnic background of the employees.

The response of the investor group on this point was a little more cautious and pragmatic. Putting the issue of equal opportunity into the social context of Bangladesh he elaborated,

Here I think you need to take our social context into consideration. Ours is a male dominated society. Equal opportunity cannot be taken for granted here. We're used to see women as house wives and mothers who give more time to the family. The social attitude is changing but very slowly. We only see the employment of women in particular sectors like education, banks, garments and textiles. Moreover, we've not got enough employment opportunity, so if a vacancy arises then it is more likely to go to a man. But I think we should start disclosing. If you disclose then questions might be raised as to why you're not employing more women employees. So, if you disclose it'll make you more conscious and also it'll encourage others to follow.

Both investor and employee groups' respondents also seem to be concerned about corporate responsibility towards poverty alleviation in general, and poverty in the surrounding communities where they operate in particular.

I'd like to see more corporate involvement in community projects particularly those related to the poverty alleviation. They should make us aware about their involvement in this regard through disclosures. (Member of Stock Exchange)

You can't just come and make money leaving the surrounding communities in a pretty poor condition. We want to know what you have done to address the problem of poverty in the local communities. (Trade Union Congress)

However, the respondent from the professional body is particularly critical of these issues as he thinks child labour is a matter of international politics.

It is a controversial issue. I think it is a matter of international politics. Nobody wants child labour but what is our option? If they're employed at least they can earn something to live. If you just get rid of them without rehabilitating them properly then that could be even worse. (Professional Accounting Body)

According to this respondent, the concept of equal opportunity does not work in Bangladesh because of social barriers. Furthermore, poverty alleviation is such a huge macro economic problem that business organisations can hardly make any difference. Therefore, simple disclosures would not serve any purpose.

Again it'd be very subjective for us to discuss. I don't think disclosure would serve any purpose. For various reasons (social or religious) women do not actively seek employment. If you want to see whether a particular company is an equal opportunity employer you've got to apply the test. How are you going to do that? I don't think simple numerical disclosure, showing numbers of male and female employees, would serve any purpose.

In the context of several recent fire incidents in the garment factories the issue of **health and safety** has become very important in Bangladesh. Respondents from the majority of stakeholder groups such as investors, employees, consumers, pressure groups and regulator, want to see disclosures on this issue. For one respondent it is a human crime not to take proper health and safety measures and thus expose human lives to the risk of terrible death. For him it is totally unacceptable behaviour.

Truly speaking, the garment factory owners are very shrewd peoples. They buy labour at a very cheap rate. They don't care about the health and safety measures. As a result, we lost

hundreds of human lives in recent days due to factory fires. The victims who survived are not even getting proper compensation. The offenders go away without being brought to justice. Isn't it a human crime? They should be punished. (Consumers' Association)

From the employees' perspective the respondent of the TUC replied on the health and safety issue as follows:

Workers are working in a terribly poor condition. In some of the garment factories there is no adequate fire escape. If the companies were serious on this issue and had taken appropriate measures we could've saved some innocent lives of workers. Companies should be made accountable for their failure on health and safety performance. (Trade Union Congress)

However, the respondent from the professional accounting body again appears to be dismissive of disclosure in this regard as he believes that while most of the domestic companies do not have appropriate health and safety measures (such as a safe working environment and fire escapes) some foreign entities do more than what is required by law. They do care about their employees and take appropriate measures. There is no need to disclose it. In his opinion, the defaulting domestic companies would not disclose it anyway for the understood reason.

The Value added statement is another important dimension of CSR in Bangladesh. The respondents from the investor, employee, regulator and the professional body groups strongly supported the idea of including a value added statement, with the employee groups saying that it shows how much of the value added by a company is distributed amongst employees and other stakeholders. The respondent from the professional body also thinks that it could be a good reporting device and that through this statement companies can discharge their accountabilities to the various stakeholder groups.

Of course it should be disclosed. It can show how much employees and other stakeholders are getting out of the value added by the company. (Trade Union Congress)

Through the value added statement companies can show how the resources used by them created some value and how that was distributed. Through this statement they can partly discharge their accountability to the various stakeholder groups. So that could be a good reporting device. (Professional accounting body)

On the issue of disclosure of **corruption**, respondents from the investor group and regulatory body are generally in favour of disclosing the corporate ethical stance on this issue although the respondent from the investor group is unsure about the utility of such disclosure as it is an open secret that it is difficult to do business in Bangladesh without bribing the government officials.

Again I think it should be disclosed. But in Bangladesh it is difficult to do business without bribing government officials. So simply a disclosure like that wouldn't make much difference. (Member of Stock Exchange)

Corruption is a serious national problem in Bangladesh. One civil NGO in particular is dedicated to promoting transparency and a corruption free Bangladesh. The respondent from this organisation noted,

Business organisations in this country are not corruption free. We've seen corporate malpractices, which have been reported through various newspaper reports. One particular source of corruption arises from the business owners' close proximity to the politicians and lawmakers. We'd like to see a clear ethical policy in this regard. They should disclose their performance against that policy.

On the other hand, the respondent from the professional body rejected the idea of disclosure saying that unless corruption is cleaned up from the top, simple disclosure would hardly make any difference and would lead to mere compliance with codes/standards.

What difference would it make unless they change their mindset? I think corruption should be cleaned up from the top. The government and its officials must be corruption free, then society can be expected to follow. Simple disclosures would lead to mere compliance. The things underneath would remain unchanged. (Professional accounting body)

On the issue of **environmental disclosure**, strong support was, not surprisingly, found from environmental pressure groups. The environmental NGO and environmental lawyers' group seem to be very much in favour of compliance reporting, with details regarding where compliance is made, where it could not be made and future plans for compliance. The respondent from the environmental journalist group gave an example suggesting the following type of environmental reporting:

Say if a company is polluting the water bodies, what is the level of pollution in different years? What mitigation measures have been taken? It can even involve the local community in this process to increase the transparency and credibility of the whole process. (Environmental Journalist)

However, again the respondent from the professional body dismissed the idea saying that it could be a very significant issue for developed industrialised countries but not for Bangladesh.

That could be a very pressing issue in the developed countries. In Bangladesh it is not that important. We're mainly suffering from vehicular pollution not industrial pollution. (Professional accounting body)

In addition to the above disclosures, the consumers' respondent appears to be particularly concerned about the consumers' rights in Bangladesh and would like to see consumer related disclosures. Given the newspaper reports (Aziz, 2002, The Independent (Online Edition), 7th August 2001, <http://independent-bangladesh.com>)

on the provision of poor quality goods by some unscrupulous business organisations he particularly demanded disclosure on product quality.

I'd like to see honest disclosure from companies on the issue of product quality.

Thus, while respondents from the employee group, consumer group and environmental group appeared to be asking for disclosure in their respective interest areas, on a number of issues such as child labour, equal opportunity, poverty alleviation, health and safety, corruption and value added statement disclosures were demanded by more than one group. However, there was a common dissenting view from the respondent of accounting profession. He appeared to be dismissive of most of the disclosures excepting the value added statement. Perhaps this is not surprising given the accountants' close proximity to the corporate world and their cosy relationship with corporate management.

8.2.2.3 The Issue of External Verification

While ten out of eleven respondents from the stakeholder groups agreed that there should be external verification of social, ethical and environmental information provided, surprisingly the respondent from the regulatory body did not favour the idea on pragmatic grounds. He argued that the present disclosure levels do not justify such verification. Moreover, it would increase costs and hence could demotivate the companies further on this issue. Those who favoured the principle of external verification expressed the opinion that disclosures should be verified to ensure the provision of credible information.

It should be verified externally to give credibility and transparency of the information provided. (Member of Stock Exchange)

I think so. To increase the credibility and transparency of social and ethical information it should be verified and it should be made mandatory. (Trade Union Congress)

On the question of who should carry out the verification opinions seem to be divided. While the accounting profession and investor group would like to see accountants' lead in the verification process, other respondents favoured the idea of a multi-disciplinary audit panel, which may include accountants.

As expected, respondents from the accounting profession and investor group (who is also an accountant) argued that verification work should be done by the accountants as they have the expertise of generating, processing and verifying information in general. However, it is acknowledged that they also argue that accountants need specialised rigorous training to deal with this type of information and also they can benefit from inputs from other experts in the verification process.

What I feel is that the auditor would have to apply a multi-disciplinary approach. At the moment they may not have the expertise or skill of assessing the qualitative social aspects. In that case they can take advice from other experts, but overall the verification exercise should be led by the accountants because they are the expert in gathering, processing and assessing information. So I think accountants are in a better position because of their training and orientation. (Professional Accounting Body)

Even the respondent from an environmental pressure group supported the notion of accountants taking the lead in the verification process, indicating her own organisation's lack of expertise in this regard:

But companies here are not disclosing enough for justifying their verification. If they disclose then it should be verified. The question is by whom? We have not yet developed that expertise. We need to do that capacity building exercise first. If the accountants would like to come forward that will be a right move, but they need to develop their curriculum in that way. (Environmental Lawyers)

However, respondents of the other groups do not want to leave it to accountants only as they think that the job will be better served by a panel of independent experts.⁵⁷

That is related to the question of credibility and transparency. I think verification is necessary to establish credibility. Accountants can certainly play a role in this regard. I emphasise the point that they cannot be the only people. You see the example of Enron. You see what a mess they have made there. They can make a start. Then it is also necessary to invite other groups to come and have a look at it from the stakeholders' point of view. (Civil NGO)

A multi-disciplinary team of experts can oversee the whole process. It would not be wise to leave it with the financial auditor only. They might not have enough expertise. Here pressure groups have a role to play as part of that multi-disciplinary team. (Environmental NGO)

Given recent corporate scandals such as Enron and WorldCom and the damage consequently done to the accounting profession it is not surprising that a number of pressure group respondents do not want to leave the task of independent verification to the accountants only.

8.2.3 Prospects for the Future Development of CSR in Bangladesh

8.2.3.1 The Rise of CSR

All of the respondents excepting two (consumer association and civil NGO), think that in future CSR will improve because societal expectations concerning these issues are increasing. Moreover, to increase their competitiveness and access to the global market the export oriented local companies and, because of the pressure in their parent countries, multinational companies will come forward.

Of course it will increase. Because, you see, information crosses the border very quickly. So the West, whatever they are pursuing in disclosures, through Internet or media, it gets across other countries very quickly. So the impact or persuasive element of those things would come to Bangladesh very quickly. That may ultimately create the ground. (Professional Accounting Body)

⁵⁷ There is a similarity here to the concept of an 'audit panel' used by a number of UK companies.

It will not disappear this time because peoples are becoming more conscious. Because of globalisation if one part of the world is practicing it may influence other countries as well including Bangladesh. Moreover, for Bangladeshi companies it could be another selling point to compete in the international market. By becoming socially responsible, they could enhance their image in the global market. Some Bangladeshi companies are already disclosing although on a limited scale. It will encourage others. Further, the award scheme introduced by the Institute of Chartered Accountants of Bangladesh (ICAB) will motivate more and more companies to disclose in this area. (Member of Stock Exchange)

Yes, it will increase because of the international pressure. For example, we complained to our counterpart in the West regarding the working conditions here. They threatened to withdraw the quota from Bangladesh if companies here fail to improve working conditions and frame a code of conduct. It is the international buyers' pressure that will force them to do it. (Trade Union Congress)

I think it will increase because you see it is a globalised world. We have to survive. Our companies and entrepreneurs – they have to survive. If you are not competitive you simply will not be able to enter the global market because the international market will not accept your product if you do not take care of these international standards. Say, there are one hundred developing countries, if five countries can achieve that standard then certainly they will have a competitive advantage. Those five countries then wake up and say that we are the leaders. Everybody will respect them. The global market will give preferential treatment to them. (Environmental Journalists)

Although not completely pessimistic, the consumer group and civil NGO respondents had reservations over the prospects of CSR in Bangladesh. The respondent from the consumer group thinks that the future of CSR depends on the political situation and on the level of peoples' awareness on these issues.

It depends on the level of awareness of the peoples and also on the political situation. We did not have much awareness of human rights before. But now people know it. So peoples' awareness will increase. But it all depends on political transparency and improvement of political conditions. (Consumers' Association)

The civil NGO respondent expected that there would not be many disclosures from the small and medium sized enterprises. The lead will come from the large multinationals rather than local companies.

Given the level of corruption and lack of accountability and transparency I am not very hopeful. How do we begin to come out of this? That is really a big challenge. I feel that there will have to be some really brave risk takers in this area, who will have to make the breakthrough. You know it may not be the indigenous companies. To start with, it could be overseas multinationals. For example, British American Tobacco, Singer and other multinationals, may have to lead the way. They have more resources and also, I think, they may have the experience from other countries. They know that it is financially difficult; then world experience shows you come out of it and you do better. It is necessary to take that long-term perspective. They may have that kind of knowledge, which is not available with the local companies. (Civil NGO)

As noted in the previous chapter, a principal reason for non-disclosure was the lack of mandatory requirements. Therefore a potential driving force for disclosure could be regulation. A majority of stakeholder respondents (seven out of eleven) believe that CSR should be made mandatory, otherwise companies would not come forward voluntarily. In their opinion, although such legal requirements could generate some initial resistance on the part of some companies, compliance will follow ultimately.

If there is legal provision that also in some way helps to create awareness. For example, whenever there is any public litigation against a particular company it becomes lead news in the newspaper. So whether you win it or lose it - it creates some sort of awareness. Therefore, there should not be any chicken and egg type of debate here. CSR should form part of the legal obligations of companies. (Environmental Lawyers)

It can be made mandatory that in addition to financial disclosures companies would have to disclose other social and environmental information as an important element therein. Then I think the society would come forward and realise and thus develop positive attitude towards multinationals and other corporate entities. To ensure compliance government can offer some incentives or motivations, for example, tax rebates. So initially a way forward could be to legislate for it. (Professional Accounting Body)

It should be at some stage. Even if you pass a law right now things will not improve overnight. Then again it is also true that if you have law there will be a tendency to comply although there may be some non-compliance initially. But if there is no law then you are at liberty to do whatever you like – you may or may not take CSR seriously as it will increase costs. Therefore, some sort of legally binding provision should be there. (Regulatory Body)

However, there could be a counter argument to the case in favour of legal requirements. It can be argued that in the absence of an effective law enforcement mechanism (Khan & Belal, 1999) there is no guarantee that legal requirements will

necessarily lead to compliance. These concerns were shared by four out of eleven respondents who rejected the idea of legal requirements stating that it is probably premature for Bangladesh. Given the deteriorating law and order situation and widespread corruption in Bangladesh legal requirements in this regard could instead breed corruption. These concerns are evident from the following comments:

I am wary of more legal provisions because I think what we see is that laws are not being implemented. So by creating more laws, what difference will be made? I am not too sure. I don't think that should be the starting point. (Civil NGO)

Legal provisions sometimes may lead to corruption because the law enforcing agencies are corrupt here. Therefore, it may breed corruption. (Civil activist and Academic)

8.2.3.2 Other Ways of Promoting CSR

In the absence of legal requirements the researcher explored other possible ways of promoting CSR in Bangladesh. While two respondents (the accounting practitioner and one NGO) were unsure about alternative ways of promoting CSR, others suggested several ways, for example, making it an evaluation criterion for loan screening by the banks (1)⁵⁸, awareness building through the media (4) and dialogue with the key business bodies (4).

According to the respondent from the environmental journalists' group, CSR should be considered as a criterion for evaluating loan applications made to different banks and financial institutions. Given the fact that the capital market in Bangladesh is weak, and most of business financing comes from the lending institutions in the form of loans, this option for promoting CSR may be worthwhile to explore.

⁵⁸ Figures in parenthesis indicate number of respondents in favour of each suggestion.

Most of our entrepreneurs borrow money to set up their business. One criterion for lending by banks can be to check whether they are environment friendly. They also can check their track record on social and ethical issues. Various chamber bodies and the media can also play a role in increasing the awareness. (Environmental Journalist)

Four respondents argued that a public awareness-building programme should be used to promote CSR in Bangladesh. However, one of them (the civil NGO respondent) who did not support the idea of regulation for CSR argued that awareness building should precede any provisions for legal requirement. He also argued that in this regard, the media could play a significant role.

I think public awareness and public demand would have to precede any legal change. I think having laws and not having public opinion behind them really makes it dysfunctional. Certainly, greater dissemination of information is required in terms of how corporate misgovernance can affect our quality of life. In this regard, a public awareness campaign could be useful and the media has a significant role to play. As we are putting politicians on the spot we also need to put the businessman on the spot and ask them: what are you going to do about this and where is your social responsibility, your major commitment to consumers and to the public? So that sort of collective action is essential. I mean then whether you have law or you don't have law is not really an issue. Public opinion itself can make a big difference. The legal system is not very effective in this subcontinent. We have good laws but they are not being enforced. (Civil NGO)

In addition to increasing public awareness, business communities should also be made aware of their social responsibilities. Several respondents expressed the opinion that this could be achieved by arranging dialogues between pressure groups, corporate bodies and the government.

Awareness of these issues is yet to grow amongst the business community. To create awareness amongst the concerned parties there should be dialogue between the pressure groups, corporate bodies and the government. The Institute of Chartered Accountants of Bangladesh can coordinate the dialogue. They are more equipped in this regard. (Civil Activist and Academic)

The above discussion and comments show that awareness building and dialogue should help to promote CSR in Bangladesh. Moreover, given the credit-based business financing system in Bangladesh, companies in need of loans may be required to undertake CSR activities by banks as part of the loan screening process.

8.3 Discussion and theoretical interpretations

Having described the responses of different stakeholder groups towards CSR in Bangladesh it is now necessary to interpret the perceptions of stakeholders using the lens of stakeholder theory. As we have seen in Chapter 3, the ethical/normative branch of stakeholder theory argues that corporations should be accountable to all stakeholders for their social, ethical and environmental performance. On the other hand, the managerial perspective of stakeholders suggests that it is more likely that corporations would be motivated by economic interests. In order to achieve their economic objectives, managers would use CSR as a public relations tool for enhancing corporate reputation and image. Using these theoretical arguments we see in the following paragraphs that Bangladeshi stakeholders' expectations regarding CSR can be explained with reference to the ethical/normative perspective, while the managerial perspective can be employed to interpret their (stakeholders') views concerning the emerging phenomenon of CSR in Bangladesh. First of all we examine the expectations of stakeholders regarding the disclosure of information relating to the social, ethical and environmental performance of corporations. We then evaluate their perceptions regarding corporate motivations behind CSR.

8.3.1 Stakeholders' Expectations of CSR in Bangladesh

The interview results described in the previous section indicate that a large majority of respondents are in favour of CSR in Bangladesh. From a normative perspective they argued that the overriding purpose of social accounting and auditing should be to discharge accountability to all relevant stakeholder groups in a democratic and transparent manner (Medawar, 1976). According to them, the CSR process should be based on stakeholder engagement. In recent times a great deal of emphasis has been placed on the importance of stakeholder engagement in the CSR process (Belal, 2002; GRI, 2000; ISEA, 1999; Owen et al., 2001; Owen et al., 2000). Discussion with the respondent groups suggests that they can certainly play a positive role in the CSR process. However, in order to engage them meaningfully reforms in existing corporate laws and corporate governance structures are necessary. The reforms should be aimed at empowering stakeholders. Unless the corporate governance structures are reformed with a view to empower stakeholders CSR will fail to achieve the fundamental objective of social accounting and auditing (Owen, Gray, & Bebbington, 1997).

Most of the respondents felt that the requirements for CSR should be made mandatory. They argued that in the absence of legal requirements many companies would not come forward voluntarily. This finding accords with Tilt's (1994) study of Australian pressure groups, which revealed that 92% of respondents favoured standards or regulation for CSR. A strong case may also be made in favour of regulation by drawing attention to the limits of voluntary initiatives in developing countries, where pressure groups are not yet organised to the level of developed

countries. In a recent study of corporate social responsibility and reporting in Singapore and Malaysia Perry & Singh (2001) concluded that voluntarism could not be a substitute for effective government regulation. Other authors (Gray et al., 1987, 1988) also favoured regulation prescribing minimum disclosure requirement, as leaving it to the demands of market forces would serve the self-interest of business only. However, there was a minority view amongst respondents that did not endorse the idea of immediate legal requirements for CSR. They argued that in the absence of an effective legal enforcement mechanism such legislation would not bring any positive change. While the view that there should be an enabling legal structure to monitor the effective implementation of legal requirements is understandable the present author feels the necessity of some sort of legal intervention (for the reasons explained above) to bring about effective change in corporate behaviour.

Most of the key social accounting standards such as AA1000 and SA8000 require external verification of social reports. A large majority of interviewees expressed the view that social disclosures should be externally verified to enhance credibility and transparency. However, respondents were divided on the issue as to whether accountants alone should perform the verification exercise. While the respondent from the accounting profession is confident that accountants possess the potential capability of developing expertise in this area, the other respondents are mostly in favour of a multidisciplinary audit panel (which may include accountants). These respondents, particularly the pressure groups, are of the opinion that, given the track record of accountants in recent corporate scandals such as Enron and WorldCom, the task should not be left alone to the accountants. Thus, the century long trust placed

upon the accounting profession in the audit sphere seems to be in jeopardy. Moreover, the accounting profession in Bangladesh has so far failed to live up to the expectations of society by upgrading their education and training with a view to incorporating the crucial social and environmental issues.

According to the respondents, during the social accounting and reporting process certain principles should be followed including the principles of full disclosure, relevance and peoples' right to know. According to the principles of full disclosure and relevance, the disclosure process should include all material and relevant information relating to the social, ethical and environmental performance of the organisation. Respondents argued that not only the shareholders but also all other relevant stakeholders should have the right to know about the social performance of the organisation. The information disclosed should not be selective and should include all important information affecting different stakeholder groups including, inter alia, disclosures on poverty alleviation, child labour, equal opportunity, environment, health & safety and corruption. They believe that disclosure of all this information would help to increase the transparency and accountability of the organisation.

8.3.2 Stakeholders' Perceptions of Current CSR Practice and the Relevance of Social Accounting Standards

The current practice of CSR in Bangladesh is far from being satisfactory and does not promote the desired transparency and accountability. Interviewees were found to be highly skeptical about the corporate motives behind CSR. In their opinion, public relations concerns appear to be the primary motive. According to them, as opposed to

discharging accountability, the basic motive is to maintain and further the economic interests of the business. Questions were raised about the genuine intentions of corporations with regard to CSR. Similar results were found in a study of perceptions of Australian pressure groups where they viewed current corporate social disclosures in Australia as insufficient and less credible due to lack of external verification (Tilt, 1994). The results of this chapter are also supported by another recent study of corporate responsibility in Bangladesh, which found that 65.5% of the pressure groups surveyed expressed dissatisfaction over corporate responsibility practices (CPD, 2002). Total respondents of the survey conducted by CPD (Centre for Policy Dialogue) were 151, and included company managers (49), workers/employees (70) and pressure groups (32). The pressure groups surveyed included academia, gender activists, action researchers, chamber leaders, cultural activists and trade union leaders. It was found that there was a wide gap between corporate performance and the expectations of two major stakeholder groups (employees and pressure groups) on issues such as health and safety, child labour, minimum wages, human rights and environmental compliance. For example, while 71.1% of corporate respondents reported that there was no violation of health and safety standards, 83.1% respondents from the employee group disagreed, indicating particularly poor health and safety performance of companies in Bangladesh. The study recommended that corporations should address the stakeholders' concerns and made recommendations for voluntary disclosure of information to stakeholders with a view to promoting transparency and accountability.

While respondents from the present study were found to be confident about their possible role in the corporate governance and the CSR process, there was very little evidence of any effective two-way stakeholder dialogue, which is at the heart of social accounting standards such as AA1000 and the GRI's sustainability reporting guidelines. This is consistent with the findings of CPD's study, which indicated that 81.5% respondents were dissatisfied with the level of stakeholder consultation and interaction (CPD, 2002). Thus, the primary motive behind CSR appears to be the management of stakeholders, without giving them an effective voice in the CSR process, for economic advancement of corporations.

Respondents also discussed the problem of credibility of information provided. In the absence of independent third party verification, credibility of information provided is substantially reduced. Moreover, disclosures made appear to be selective and ad hoc, as evidenced by corporate silence over several crucial eco-justice issues such as poverty, child labour and equal opportunity. Companies also deliberately failed to address the controversial issue of corruption. Several media reports were found to feature corporate involvement in share scandals and tax evasion (Hasan, 2002; Rahman, 2002). Such omissions could therefore be regarded as an indication of lack of sincerity on the part of business community to address the issues that 'hurt'⁵⁹ (Gray, 2001). Given the presence of this scenario it may be questioned whether current social accounting practice is likely to promote transparency and accountability.

⁵⁹ Gray (2001) argues that the social accounting process must 'hurt' because it requires companies to address issues that they are normally reluctant to disclose until and unless they are forced to do so by legislation or otherwise.

As noted in the previous section, response on the relevance of SA standards to developing countries like Bangladesh was mixed. The principal argument in its favour is that corporations are interested in the adoption of SA standards mainly for economic reasons. They think that it would give a competitive edge to Bangladeshi companies in the global market. Moreover, from the social perspective the employee group argued that employment of social accounting standards like SA8000 might help to improve working conditions of employees in Bangladesh.

However, some pressure groups sharply criticised the adoption process of SA standards on several grounds. Firstly, they can create economic burdens on domestic suppliers leaving an adverse impact on the export performance of the country. Instead of helping developing countries in their development process these standards could instead create non-tariff barriers. Secondly, it could be argued that the standards might act as a seal of approval without making much difference on the ground. So the compliance certificate might actually endorse corporate activities and thus help them to run the business as usual by addressing the issues only at a surface level. These standards are voluntary in nature and are enforced by sending inspectors/verifiers from “abroad” who have little knowledge of the local context. This leaves the companies with ways of easily circumventing the system. There are many instances where standards or codes of conduct failed to achieve what they are intended to achieve (Milne, 2001). As Pearson & Syfang (2001, P. 68) note: ‘compliance with such codes [standards] is more significant in their breach’. The problem of compliance is aggravated by the absence of any enabling structure or agency provided by the local state which can effectively monitor the adoption and

the implementation of the codes' provisions and report back to the different stakeholders (NEF & CIIR, 1997 cited in Pearson & Syfang, 2001, p.68). Finally, these codes of conduct/standards do not address some crucial issues related to the local context and are mostly concentrated on issues that received widespread media coverage and the attention of northern consumers, such as child labour and health and safety issues. For example, SA 8000, which is considered more relevant to the garments sector and favoured by the employee group respondent does not address the issue of travelling to/from work, security in work, proper employment contracts, maternity leave and sick leave. These issues are significant to the women workers employed in the garments sector of Bangladesh given the fact that they face different forms of harassment in workplaces including beating, threat of dismissal and rape (Zohir, 2001). While the guidelines developed by the Bangladesh Garments Manufacturers and Employers Association (BGMEA) address the issue of proper employment contracts, child labour and health and safety, they did not provide for proper representation for workers in the development of such initiatives. Therefore, it would not be unfair to conclude that -

'To date such initiatives [codes/standards] have had a more visible effect on their market image in the north than on the actual pay and conditions of workforces in the south' (Pearson & Syfang, 2001, P. 66).

Regarding the prospect of CSR in Bangladesh most of the respondents think that there will be an increase in its practice. Respondents believed that companies would have to respond to the growing domestic, as well as international, pressures to undertake responsibility for corporate activities. As a response to these pressures companies would adopt strategic measures including CSR. However, the respondents

argued that CSR would be used as a strategic management tool to serve corporate interests rather than as a medium for discharging accountability to stakeholders. The interviewees also argued that the lead would come from large multinational companies rather than the smaller domestic companies. This is in line with the CPD's findings that the corporate responsibility practices of multinationals are better than those of their local counterparts (CPD, 2002) because, as compared to the local companies, multinationals have more of the resources, knowledge and skills that are necessary for undertaking CSR activities. Additionally, they exhibit greater political visibility in society. In the context of globalisation, the activities of larger multinational corporations in developing countries are under criticism from activists at home and abroad. Calls are being made to regulate the activities of multinationals on labour and environmental issues at a multilateral level as regulation at the national level in developing countries is considered inadequate (Fitzgerald, 2001). It could be that in the face of such criticism, and demand for legislation, multinational companies will pursue a CSR strategy voluntarily thus diverting the demand for such legislation. However, voluntary initiatives have two weaknesses which indicate the need for multilateral regulation:

First, to avoid the "free rider" problem, they should cover the entire sector, which would require an element of compulsion. Second, there must exist some plausible penalty for breaking rules – these can only be applied by governments or by legislation that empowers civil organisations, such as trade associations, to apply such penalties. (Fitzgerald, 2001, p. iii)

8.4 Summary and Conclusion

From the above description and analysis of interview data it appears that there are variations in stakeholders' perceptions towards the CSR process in Bangladesh.

While they broadly agreed on the need for CSR, variations were found in their information requirements. Although respective groups were found to be asking for disclosures related to their specific interests (for example, the employee group requiring disclosure on working conditions and the consumer group requiring disclosure on product quality), on a number of broader societal issues such as child labour, health and safety at work, equal opportunity and poverty alleviation, disclosures were demanded by more than one group. However, a note of dissent appeared to be coming from the accounting respondents as they remained unconvinced over the merits of disclosing a number of the social, ethical and environmental issues discussed in this chapter. As mentioned earlier, one possible explanation for such negative attitudes could be their cosy relationship with management and their tendency to be in alignment with corporate interests in Bangladesh (Rahman, 2003). Also, due to their traditional training and focus on the narrow economic performance of the organisations it could be that they fail to see the potential of accounting for addressing the broader societal issues (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980). This finding is not unique as similar results were found in earlier studies which examined accountants' attitudes towards environmental accounting and reporting (see for example, Bebbington, Gray, Thomson, & Walters, 1994; Deegan, Geddes, & Staunton, 1995; Lodhia, 2003).

Given the negative attitude of the accountants it is unlikely that they would play any significant role in the future development of CSR. Rather the catalyst for change in the field of CSR in Bangladesh is more likely to come from other broader social constituents (such as various NGOs) who generally appear to be supportive of the

emerging CSR agenda. Commensurate with their expectations, the desired form of CSR in Bangladesh should be aimed at the promotion of transparency and accountability to stakeholders. The CSR process should be based on stakeholder engagement and they should play a prominent role in the process. Ideally it should be mandatory. The information provided should be externally verified and comprehensive. The CSR process should be based on the principles of peoples' right to know, full disclosure and relevance. Thus stakeholders' expectations surrounding the emerging practice of CSR in Bangladesh appear to be grounded in the normative/ethical perspective of stakeholders. However, it is observed that current disclosure practice has largely failed to meet the expectations of stakeholders. This is evidenced by the lack of stakeholder dialogue, absence of external verification and ad hoc disclosure systems as opposed to a comprehensive disclosure system, which covers all aspects of social, ethical and environmental performance including the crucial eco-justice issues. Respondents generally perceived current CSR practice as a marketing strategy mainly motivated by corporate economic interests, which can be interpreted by drawing insights from the managerial perspective of stakeholders.

The chapter has made an important contribution to the CSR literature by providing a stakeholder perspective of CSR in Bangladesh, on which topic empirical evidence so far is very limited as the literature has mostly focused on the corporate perspective of CSR. It directly responds to the calls made by O'Dwyer (2002) for the study of the stakeholders' perceptions of CSR and by Tilt (1994) for investigation of the influence of all stakeholder groups (including the pressure groups covered in her study) on CSR practice. The findings and analysis of this chapter (together with

insights provided by the previous chapter) have also raised public policy issues for consideration, such as elimination of child labour, their rehabilitation, and imposition of social accounting standards/codes. These public policy implications will be explored further in the concluding chapter.

CHAPTER NINE

SUMMARY AND CONCLUSION

9.1 Introduction

This, concluding, chapter proceeds as follows. In the following section, the main conclusions from the three empirical chapters (6-8) are brought together so that section three may then draw out major implications of the study from the context of CSR practice in Bangladesh. The fourth section of the chapter summarises the major contributions of the study both to the CSR literature in general and to that relating to developing countries in particular. Finally, the chapter identifies limitations of the study and makes suggestions for future research.

9.2 Conclusions with regard to the Research Questions

The theoretical perspective of this study is anchored in the broader socio-political theories of CSR as discussed in chapter 3. In particular, a stakeholder theory perspective has been adopted in order to inform the findings and analysis of the study. The core theoretical argument of this study lies in the normative/ethical model and the managerial model of stakeholder theory. According to the normative model, organisations should be responsible and accountable to all relevant stakeholders irrespective of their power to make an impact on the organisation. By contrast, the managerial model suggests that organisations generally respond only to the needs of powerful economic stakeholders, often at a cost to the social stakeholders who might be adversely affected by organisational activities. In other words there is a tendency

to use CSR as a strategic management tool in order to legitimise their relationships with the powerful stakeholder groups.

Using the above theoretical arguments, the study examined emerging practice of CSR in Bangladesh. For this purpose, three objectives were set out in the form of research questions in section 5.2 of chapter five. The first objective was to critically examine corporate attitudes as represented in the social, ethical and environmental disclosures made in the annual reports of Bangladeshi companies. The second objective was to provide a detailed examination of managerial perceptions of current CSR practice in Bangladesh. The third, and final, objective was to examine key stakeholders' perceptions of current CSR practice in Bangladesh.

With regard to the first research objective/question it was concluded in Chapter 6 that corporate attitudes towards social, ethical and environmental issues (as revealed in disclosures within the annual report) reflect a managerial perspective of stakeholder theory. This was evident from lack of long-term commitment, reluctance to disclose information on crucial issues such as child labour and health and safety in the textile sector and environmental pollution in the tannery sector. A managerial perspective was also apparent from the emphasis placed on the interests of either the government or the other economic stakeholders, such as investors, customers and employees, with whom companies had a direct relationship while ignoring the interests of economically weak social stakeholders such as the local community, environment and the wider society.

Secondly, an attempt has been made to understand corporate motivations behind CSR by directly engaging with corporate managers through conducting a programme of interviews. Reinforcing the conclusions of chapter six discussed above, the principal conclusion of chapter seven indicated that CSR strategy was employed by corporations with a view to managing relationships with the economic stakeholders only. Another conclusion from the managerial interviews was that the CSR agenda in Bangladesh appears to be driven by powerful 'outside' forces such as parent companies, international buyers and international agencies such as the UN, the OECD and the World Bank. This influencing factor of CSR has not been generally identified in the CSR literature (but see Rahaman et al., 2004).

Finally, the study explored stakeholders' perceptions of CSR in Bangladesh. It was found that the current practice of CSR has largely failed to meet stakeholders' expectations of providing disclosure on social, ethical and environmental issues in a transparent and accountable manner. Stakeholders perceived the current phenomenon of CSR as a marketing strategy and no more than a public relations exercise mainly motivated by corporate economic interests.

Thus, the overall conclusion of this study implies that, in their pursuit of CSR, corporations are basically motivated by their desire to strategically manage key stakeholders. They achieve this, sadly, often at the expense of economically weak social stakeholders. This conclusion is consistent with the managerial model of stakeholder theory outlined in chapter three and is also consistent with a number of previous studies (Belal, 2002; Deegan & Blomquist, 2001; Gray et al., 1995b; Neu et al., 1998; O'Dwyer, 2002; Owen et al., 2001; Owen et al., 2000).

9.3 Implications of the Study

Results and analysis of the study imply that key pressures from ‘the outside’ drive the emerging CSR agenda in Bangladesh. Such pressure is powerful enough to compel Bangladeshi companies to address social, ethical and environmental issues via implementation of voluntary codes and standards. As a result of such pressure certain apparently desirable outcomes have been achieved. Notably child labour has been mostly eradicated from the garments/textile sector⁶⁰ (www.bgmea.com. /social, 1st August, 2003). However, it may be argued that if child labour is eliminated then domestic companies and their overseas partners should bear the moral responsibility of rehabilitating terminated children. Otherwise, there is a real danger that these children would be involved in various anti-social activities like prostitution in a desperate need to maintain their livelihood. One respondent indeed explicitly expressed concerns that simple elimination of child labour could make the situation even worse. It is therefore desirable that companies should be asked to make honest public disclosure on child labour and their rehabilitation. None of the companies included in this study did so. However, one respondent from the garments/textile sector expressed a desire to make social disclosures in future annual reports, and other promotional materials, to attract the attention of the international market. In that case it is more likely that companies like this would either disclose in glossy publications, which might not necessarily be supported by underlying corporate behaviour, or would disclose only if there is a good story to tell.

⁶⁰ However, one respondent of this study admitted the presence of child labourers in his garments factory. He argued that they are least expensive and can be used in light jobs in the factory. He maintained that these children depend on these jobs for their livelihood.

Thus, it may be said that, and indeed it has been illustrated in chapter seven, that voluntary standards/codes have failed to achieve the fundamental objective of social accounting, that of encouraging companies to disclose in a transparent and accountable manner. These codes/standards have also failed to change corporate behaviour in practice. In the face of pressure from 'outside' powerful sources, Bangladeshi companies have responded to some social, ethical and environmental issues. Unfortunately, such responses are often merely cosmetic, as one civil NGO respondent argued⁶¹. Pressure to comply with such standards/codes is seen by domestic companies as a manifestation of non-tariff barriers to the international market. Moreover, the reluctance of overseas partners to bear the additional costs of implementing these standards/codes has placed the economic burden of implementing them solely on the domestic companies. Given the failure of the voluntary standards/codes to achieve the fundamental objective of CSR noted above, it may be questioned whether some form of legal requirements of CSR would be desirable in Bangladesh.

In most of the developed countries, like the UK, CSR is predominantly a voluntary activity. Companies in these countries voluntarily disclose information relating to social, ethical and environmental performance due to pressures from the market and civil society actors (public pressure groups including NGOs) which can be

⁶¹ For example, in spite of the BGMEA's claims for eradication of child labour both the present researcher and a report from 'The Guardian' (Milne, 2001) identified the presence of child labour in the garment factories of Bangladesh (also see chapter seven). Moreover, several newspaper articles (Dharmasena, 2000; Milne, 2001; Zaman, 2001) have reported losses of hundreds of human lives due to fire incidents in the garments factories indicating the poor health and safety performance of these companies.

considered as part of a process of “civil regulation” (Parkinson, 2003). The term “civil regulation” refers to:

.... market and other forms of public pressure for improved corporate social and environmental performance, together with business responses to that pressure, involving self- and co-regulatory initiatives and compliance with “third party” voluntary codes [of conduct], that in turn largely depend on continuing public pressure and market sanctions as a means of enforcement. (Parkinson, 2003, P.23)

Parkinson (2003) proposes the idea of “civil regulation” to promote the cause of corporate social responsibility without depending completely on altruism or conventional regulation of corporate behaviour. While it cannot be left completely in the hands of business via voluntary mechanisms Parkinson argues that “civil regulation” might compensate for some of the limitations⁶² of conventional regulatory techniques. He, however, maintains that public availability of complete and reliable social, ethical and environmental disclosures is a pre-requisite for effective “civil regulation”. As voluntary reporting initiatives failed to generate the required response amongst the companies, he argues that mandatory reporting of social, ethical and environmental information is the way forward.

It may be argued that an effective “civil regulation” regime would presuppose the existence of powerful public pressure groups and institutions which can exert significant influence (via public available information on social, ethical and environmental performance) on corporations for improved social, ethical and environmental performance. None of these conditions (neither public availability of information, due to secretive business practices, nor existence of powerful pressure groups) are met in the context of Bangladesh. Therefore, initially some legally

⁶² For details of these limitations see Parkinson (2003, P. 29)

mandated social, ethical and environmental disclosures might be required as a way forward, which might, over time, be supplemented by “civil regulation” forces.⁶³ A number of stakeholder respondents also expressed opinions in favour of a disclosure regime, which is characterised by stakeholder engagement, mandatory reporting and external verification. According to them, CSR should be based on the principles of peoples’ rights to know, full disclosure and relevance, which are anchored in the broader principle of accountability.

However, one of the problems with the regulation based approach for CSR is that the law enforcement mechanism and institutions are not very efficient or effective in Bangladesh (Khan & Belal, 1999). In the absence of an efficient and effective legal mechanism, it is feared that legally mandated CSR requirements might breed further corruption. Nevertheless, while both voluntary and regulation based approaches have their own limitations, it appears that, as a way forward, initially some legally mandated disclosure requirements are necessary in Bangladesh. Such an approach is indeed imperative in order to introduce some sort of legal compulsion that forces the secretive Bangladeshi companies to start the process of public disclosure. Significantly, in the conclusion of his paper, Parkinson (2003) also suggested mandatory reporting as a way forward (P.39). There is a fear that otherwise companies may not come forward in large numbers with public disclosures, which provide the necessary pre-requisite for “civil regulation”. Through mandatory reporting it can be expected that there will be a regular and steady flow of public

⁶³ It may be argued that in order to put effective pressure on companies for improved social, ethical and environmental performance pressure groups can collaborate with each other to strengthen their activities. For example, civil/social NGOs and environmental NGOs can co-ordinate with each other to remove overlaps, if any, in their activities and thus, can increase the effectiveness of their operations significantly.

information from companies on their social, ethical and environmental performance which in turn would strengthen the ability of civil society actors and market forces to enforce “civil regulation”. However, instead of wholesale adoption of such legal requirements, initially they may be applied to selected companies and industrial sectors such as multinationals, large domestic companies and export oriented companies (including companies operating in the garments/textiles and leather sector). In the meantime, pressure groups might be mobilised in order to put effective pressure on businesses for improved social, ethical and environmental performance.

Finally, stakeholder engagement should be at the heart of any social accounting process, including the one in Bangladesh. In order to have an effective engagement, reforms in the existing corporate governance structure are necessary (Owen et al., 2000). Given the imbalance of corporate and stakeholder power the aim of such reforms should be to empower stakeholder groups so that they can protect their interests by influencing corporate decision making. Although detailed specification of such reforms is beyond the scope of this study, tentatively it may be suggested that stakeholder empowerment could be achieved by including non-shareholder stakeholder representatives, holding specific responsibilities for CSR issues, on the board of directors (Jones & Goldberg, 1982). In order to help the stakeholder director, a board level stakeholder committee or council may be formed with representatives from different stakeholder groups (Evan & Freeman, 1993). The primary responsibility of the committee would be to address stakeholder concerns including social, ethical and environmental issues (Cochran & Wartick, 1988). The committee could ensure transparency and accountability in the social accounting process by having an oversight over the entire process. The above recommendation

should be taken into consideration for reforming current corporate governance structures in Bangladesh.

9.4 Contributions of the Study

The study has made several contributions to the CSR literature in general, and to the CSR literature related to the developing countries in particular.

Firstly, this is the first comprehensive study on Bangladeshi CSR in that it has made a reasonably large survey of social, ethical and environmental disclosures contained within the annual reports of 87 economically significant Bangladeshi companies. In doing so it has also been innovative in departing from the tradition of simply measuring volume of disclosure via quantitative content analysis. Instead, the study has adopted a qualitative approach, which is able to provide a richer explanation by exploring the meaning and implications of CSR rather than just providing a count of disclosures. The study has also made an important contribution to the scant literature on CSR in developing countries by providing the perspective from such a country (i.e. Bangladesh). Thus, the study has responded to the need for an international perspective on CSR via a call made by Gray, Owen and Adams (1996) 'for further research on the extent and nature of reporting practices across countries' (P.164). In this regard, the study has not confined itself to report analysis only, but has moved beyond the textual analysis of annual reports by conducting a number of interviews with managerial and stakeholder respondents in Bangladesh.

Secondly, very few attempts have been made in the CSR literature to explore managerial perceptions of CSR via in-depth interviews (but see O'Dwyer, 2002).

This study has contributed to the CSR literature by exploring managerial perceptions via in-depth interviews with 23 corporate managers in Bangladesh. Thus, the study has made an attempt to respond to the recent call for “engagement” based research by Gray (2002).

Thirdly, given the scarcity of evidence on stakeholders’ perceptions of CSR the study has contributed to the CSR literature by exploring the stakeholders’ perspective on CSR in Bangladesh. Most previous CSR research has looked at the phenomenon of CSR from a corporate perspective only. Given the importance of stakeholder engagement and dialogue in contemporary social accounting it is important to examine stakeholders’ perceptions in order to understand whether CSR has achieved its fundamental objective of discharging accountability to stakeholders. Thus, the study has responded to calls made by O’Dwyer (2002) and Tilt (1994) for consideration of the stakeholders’ perspective on CSR.

Finally, most of the existing CSR research has focused on the presence of CSR. It may be argued that in order to develop a fuller understanding of CSR practice it is important to critically examine what is being missed in current CSR practice and what are the corporate motives behind it. Using Choudhury’s (1988) theoretical framework the present study has made an attempt in this regard to explore the absence of CSR from the context of Bangladesh.

9.5 Suggestions for Future Research

Findings of the report analysis presented in this study are related to a particular point in time (1999/2000). No claims are made that may be generalised to other periods. A

comprehensive longitudinal study over a longer time period might help to establish the trends of CSR in Bangladesh. Such trends might be interpreted by using appropriate CSR theories discussed in this study. Such a longitudinal study would help to develop an understanding of CSR practice in Bangladesh over time.

Findings in chapters seven and eight relate to particular managerial and stakeholders' perceptions of CSR in Bangladesh. If there is a desire to generalise these findings, a more comprehensive questionnaire survey could be undertaken. Insights provided by the interview data could be used to design an appropriate questionnaire in this regard. Use of survey methodology would help to generalise the findings of this study and thereby help to inform the future development of CSR in Bangladesh.

During the fieldwork stage of this study it was found that a particular multinational subsidiary was planning to publish a separate social report in 2003 for the first time in the history of Bangladesh. This development has raised the opportunity of undertaking an in-depth case study of the company in order to document the social reporting process embarked upon. This could motivate, and provide valuable lessons for, other companies aspiring to embrace the notion of CSR. The case study could also explore the motivations for undertaking such an extensive CSR programme by the company at this particular moment in time. Further, such a study might help to develop a theoretical understanding of CSR practice and thus would enrich the existing CSR research, which is still considered to be under-theorised (Gray et al, 1995b).

Finally, similar studies to the present one might be carried out in the context of other developing countries in general, and the South Asian countries in particular, in order to identify both similarities and varieties in the patterns found by this researcher. Such a comparative study would further provide an international perspective on CSR. Moreover, such a comparative study across the developing countries could provide important public policy implications for consideration by the relevant authorities, such as the SAARC (South Asian Association for Regional Cooperation), the UN and the OECD, for the purpose of drawing up appropriate recommendations and guidelines on CSR.

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APPENDIX ONE

LIST OF COMPANIES SURVEYED

SERIAL NUMBER	NAME OF COMPANIES	SECTOR
1	Padma Oil	Fuel & Power
2	British American Tobacco	Food & Allied
3	Square Pharmaceuticals	Pharmaceuticals & chemicals
4	Beximco Textile	Textiles
5	Beximco Pharmaceuticals	Pharmaceuticals & chemicals
6	Pubali Bank Ltd.	Bank
7	Padma Textile	Textiles
8	Bata Shoe	Miscellaneous
9	Islami Bank	Bank
10	National Bank	Bank
11	Eastern Bank	Bank
12	Apex Tannery	Miscellaneous
13	Chittagong Cement	Miscellaneous
14	Shinepukur Holdings	Service
15	AB Bank	Bank
16	Apex Weaving	Textiles
17	Alltex Industries	Textiles
18	ACI Ltd.	Pharmaceuticals & chemicals
19	Prime Bank	Bank
20	Southeast Bank	Bank
21	The City Bank Ltd	Bank
22	Singer Bangladesh	Engineering
23	Monno Fabrics	Textiles
24	Prime Textile	Textiles
25	IDLC Ltd.	Bank
26	BOC	Fuel & Power
27	United Leasing	Bank
28	Tallu Spinning	Textiles
29	Glaxo Wellcome	Pharmaceuticals & chemicals
30	Confidence Cement	Miscellaneous
31	Beximco Knitting	Textiles
32	Monno Ceramic	Miscellaneous
33	Aramit Cement	Miscellaneous
34	Alpha Tobacco	Food & Allied
35	AMCL(PRAN)	Food & Allied
36	Beximco Denims	Textiles
37	Ashraf Textile	Textiles
38	Rackitt & Benckiser	Pharmaceuticals & chemicals
39	Renata	Pharmaceuticals & chemicals
40	Atlas Bangladesh	Engineering
41	Olympic Industries	Miscellaneous

42	Al Arafah Islami Bank	Bank
43	Bionic Seafood	Food & Allied
44	Uttara Bank	Bank
45	Tripti Industries	Food & Allied
46	Aziz Pipes	Engineering
47	H R Textile	Textiles
48	Lexco Ltd. (Leather)	Miscellaneous
49	Eastern Cables Ltd.	Engineering
50	Sinobangla Industries	Miscellaneous
51	Mita Textiles	Textiles
52	Fu Wang Ceramic	Miscellaneous
53	Tamijuddin Textile	Textiles
54	The Ibn Sina	Pharmaceuticals & chemicals
55	Saiham Textile	Textiles
56	GQ Ball Pen	Miscellaneous
57	Apex Spinning	Textiles
58	Delta Millers	Textiles
59	Sonargaon Textile	Textiles
60	Beximco Infusions	Pharmaceuticals & chemicals
61	Safko Spinnings	Textiles
62	Sreepur Textile	Textiles
63	Bd. Dyeing	Textiles
64	Rangpur Foundry	Engineering
65	BEXIMCO Ltd.	Miscellaneous
66	Bangladesh Lamps	Engineering
67	National Tea Co.	Food & Allied
68	Mithun Knitting	Textiles
69	CMC Kamal	Textiles
70	Anwar Galvanizing	Engineering
71	Alhaj Textile	Textiles
72	Reliance Insurance	Insurance
73	Sonali Aansh	Jute
74	Fu Wang Foods	Food & Allied
75	BLTC	Food & Allied
76	National Polymer	Pharmaceuticals & chemicals
77	Libra Infusions Ltd.	Pharmaceuticals & chemicals
78	BCIL	Pharmaceuticals & chemicals
79	Sajib Knitwear	Textiles
80	Zamuna Fertiliser	Chemical
81	Zia Fertiliser	Chemical
82	Urea Fertiliser Factory	Chemical
83	Chittagong Urea Fertiliser	Chemical
84	TSP Complex	Chemical
85	Karnaphully Paper Mills	Chemical
86	North Bengal Paper Mills	Chemical
87	Natural Gas Fertiliser	Chemical

APPENDIX TWO

A. INTERVIEW SCHEDULE (CORPORATE)

GENERAL

- What do you understand by the terms “Social Accounting” or “Corporate Social Reporting”?
- Do you feel that there is a need for CSR in Bangladesh? Why?

STAKEHOLDERS

- Which stakeholder groups do you consider most important for your company and why?
 - Shareholder
 - Employee
 - Customer
 - Supplier
 - Government
 - Competitor
 - Wider Society/Public in general
 - Lender
 - Media
 - Local Community
 - Others (specify)

- Do you consult them in your social accounting process? How? If not why?
- To what extent do you think they should have a say in the way you do your business?

MOTIVATIONS

- You make a lot of non-financial social and ethical disclosures within the annual report although it is not statutorily required. Why do you disclose those social and ethical issues voluntarily?

- Criticism/ pressure from above interest groups and/or their representatives
 - Corporate philosophy
 - Philosophy of specific corporate officers
 - Government policy
 - Public image
 - Directive from parent company
 - Demand of foreign investors
 - Other companies/countries disclosing
 - Others (specify)
- While you disclose a lot you don't disclose some vital issues (see Table 6.1, Chapter 6). Is there any explanation for not disclosing these issues related to interest groups other than shareholders?
 - The company's sole objective is to make profits.
 - Profit levels are not high enough to commit resources to non-essential activities.
 - Costs exceed benefits to the company in short or long term.
 - Annual report has always been kept very brief
 - Compliance with statutory requirements constitutes an adequate level of disclosure.
 - The company is active with regard to social concerns, but sees no reason for telling others what it is doing.
 - Social disclosures are of no use to stakeholders.
 - Lack of social and environmental awareness.
 - Others (specify).

RELEVANCE OF SA STANDARDS

- Currently there are a number of social accounting standards available to help companies in their social accounting process but they are all developed in the Western context. Do you consider them relevant to your company and to the developing countries like Bangladesh? If no, why not?
- If yes, which one and are you going to apply them to your company?

INFORMATION PROVISION/DISCLOSURE

- Who determines the content of the annual report?
- Should these disclosures be externally verified (like financial information)? By whom?
- Other than shareholders to whom should annual report be made available? Why?

SPECIAL PRESSURES

- Is the industry in which the company is located subject to any pressure regarding social and ethical issues from the interest groups identified above?
- Does the company perceive these pressures as increasing?

PROSPECT OF CSR IN BANGLADESH

- Regarding the prospect of CSR in Bangladesh do you think there will be a rise of social reporting in future in general and in particular to your company?
- Do you have any specific plan for increased social reporting in your company?
- Do you think that in future there will be increased pressure from outside the organisation to make it socially and ethically accountable? Where from?

OTHERS

- Other than the annual report does your company use any other medium to disclose social and ethical information?
 - Advertisements
 - Company magazine/newsletter
 - Employee report
 - Website
 - Reports to other stakeholders
 - Press release
 - Others (specify)
- Is there any other thing that you want to mention in this regard?
- Would you recommend that I should speak to anyone else who could provide additional insights into these issues either in your company or elsewhere?

B. INTERVIEW SCHEDULE (STAKEHOLDERS)

GENERAL

- What do you understand by the terms “Social Accounting” or “Corporate Social Reporting”?
- Do you feel that there is a need for CSR in Bangladesh? Why?
- To what extent do you think you should have ‘say’ in the way companies do their business?

RELEVANCE OF SA STANDARDS

- Currently there are a number of social accounting standards available to help companies in their social accounting process but they are all developed in the Western context. Do you consider them relevant to the developing countries like Bangladesh? If no, why not?
- What principles do you think should guide CSR in Bangladesh?

INFORMATION PROVISION/DISCLOSURE

- What should be the contents of social disclosures?
- Should these disclosures be externally verified (like financial information)? By whom?

PROSPECT OF CSR IN BANGLADESH

- Regarding the prospect of CSR in Bangladesh do you think there will be a rise of social reporting in future in general? Why?
- Do you think that there should be legal provision for the disclosure of social and ethical issues?
- In what other ways it can be promoted?

OTHERS

- Is there any other thing that you want to mention in this regard?
- Would you recommend that I should speak to anyone else who could provide additional insights into these issues either in your organisation or elsewhere?