THE POLITICS OF CSR REPORTING PRACTICES:
A TRADITIONAL ECONOMY PERSPECTIVE

A thesis submitted to the University of Manchester for the degree of
Doctor of Philosophy (PhD) in the Faculty of Humanities

2018

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<th>Abbreviation</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>BAS</td>
<td>Bangladesh Accounting Standards</td>
</tr>
<tr>
<td>BDT</td>
<td>Bangladeshi Taka</td>
</tr>
<tr>
<td>BEI</td>
<td>Bangladesh Enterprise Institute</td>
</tr>
<tr>
<td>BGMEA</td>
<td>Bangladesh Garments Manufacturer’s and Exporter’s Association</td>
</tr>
<tr>
<td>BSAs</td>
<td>Bangladesh Standards on Auditing</td>
</tr>
<tr>
<td>CDS</td>
<td>Central Depository System</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFC</td>
<td>Chlorofluorocarbon</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>CSD</td>
<td>Corporate Social Disclosure</td>
</tr>
<tr>
<td>CSRD</td>
<td>Corporate Social Responsibility Disclosure</td>
</tr>
<tr>
<td>CSRDI</td>
<td>Corporate Social Responsibility Disclosure Index</td>
</tr>
<tr>
<td>DFID</td>
<td>Department of International Development</td>
</tr>
<tr>
<td>DSE</td>
<td>Dhaka Stock Exchange</td>
</tr>
<tr>
<td>ETP</td>
<td>Effluent Treatment Plant</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>ICAB</td>
<td>Institute of Chartered Accountants of Bangladesh</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication and Technology</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>MDIs</td>
<td>Meter Dosed Inhalers</td>
</tr>
<tr>
<td>MP</td>
<td>Member of Parliament</td>
</tr>
<tr>
<td>NBFI</td>
<td>Non Banking Financial Institutions</td>
</tr>
<tr>
<td>NBR</td>
<td>National Board of Revenue</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Governmental Organization</td>
</tr>
<tr>
<td>OLS</td>
<td>Ordinary Least Squares</td>
</tr>
<tr>
<td>RMG</td>
<td>Ready Made Garments</td>
</tr>
<tr>
<td>RJSC</td>
<td>Register of Joint Stock Companies</td>
</tr>
<tr>
<td>SEA</td>
<td>Social and Environmental Accounting</td>
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<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
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<tr>
<td>SER</td>
<td>Social and Environmental Reporting</td>
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<tr>
<td>SRO</td>
<td>Statutory Regulatory Order</td>
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<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<td>VIF</td>
<td>Variance Inflation Factor</td>
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ABSTRACT

This study explores the political perspectives of Corporate Social Responsibility (CSR) reporting practices in a traditional economy. Previous studies on CSR reporting have identified a number of drivers/motivations of CSR disclosures including market, community and stakeholder influence. It is also argued that CSR may provide a setting for political patronage and interests, which may eventually lead to the absence of accountability. The possibility of exploiting CSR disclosures in developing countries/ traditional setting as characterized by Weber (1978) is even greater due to the prevalence of family controlled firms, political interference and favoritism, absence of rational corporate governance mechanisms and institutional investors, and inefficient and underdeveloped capital market. Yet, the role of political influence in CSR disclosures still needs to be explored and theorized. This study fills in this gap by drawing on the disclosures of corporations.

Borrowing Weber’s notion of traditionalism and traditional society and using the Weberian framework developed by Colignon and Covaleski (1991), this thesis explores deeply into the underlying nature of CSR practices of public limited companies in Bangladesh. Based on the Weberian framework and using the interacting methodologies of Weber, the study analyzes the structural, historical, economic and political conditions of the research site, Bangladesh, sets the tension between tradition and modernity, and identifies whether elements of traditionalism such as personal loyalty, obedience, family domination and kinship provide richer insights into the political aspects of organizations’ CSR practices.

The researcher employs mixed methods in this study. The study conducts OLS multiple regression to investigate the influence of political connections on CSR disclosure index. The second part of the research conducts in depth interviews with the current and former Board of Directors, CEOs, current and former policy makers in the government to provide explanatory powers as to why and how the companies use CSR as a political tool to express their allegiance towards the ruling power. The research documents association of political connections with CSRDI and also reports the presence of political motivations behind the CSR practices. The findings show that companies express their loyalty publicly by contributing to the ruling leader’s programs and personal projects as CSR. The interview findings also reflect the presence of elements of traditionalism such as obedience, master-servant relationship, and family domination to understand the politically motivated CSR disclosures. As expected in a traditional setting, accountability and transparency would not transpire from imposed regulations and institutions, rather from the familial political power.

This research contributes to the CSR literature by using a novel and alternative theoretical lens to understand the motivations of CSR in traditional societies. In addition, it provides a diverse methodological perspective by introducing mixed methods to critical accounting research. It also provides empirical evidence to a critique of CSR as an accountability mechanism in an arena where business depends fundamentally on political connections and familial power. Thus, the power of accounting as an articulation of accountability relationships is muted, if not ignored, in traditional societies (Dyball, Chua and Poullaos, 2006). This research opens up the scope to use the wealth of the Weberian framework to understand the accounting practices in both traditional as well as modern rational society.
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ACKNOWLEDGEMENTS

I cannot thank the Almighty enough for making this journey possible for me. This PhD thesis is an output of immense sacrifice of a number of people in my life.

I am extremely grateful to my supervisors, Dr. Javed Siddiqui and Prof. Pam Stapleton for their continuous support and guidance throughout the last couple of years. Their constructive encouragement, yet critical feedback always kept me moving and motivated and challenged my potential. I feel very privileged and blessed to have them both as my supervisors. Thank you both of you for believing in me and taking me through this incredible journey.

I would like to thank all the members of my PhD committee, especially, Professor Christopher Humphrey and Professor Stuart Turley, for their valuable suggestions during the reviews. I also thank Professor Jeffrey Unerman for his suggestions during the BAFA conference.

I express my sincere gratitude to the Commonwealth Scholarship Commission in the United Kingdom for providing financial support for undertaking this research and enabling me to call myself a Commonwealth scholar for the rest of my life. I thank my friends and PhD colleagues, especially Shabnam, Mostafa, Miguel and Nikoas for helping me out whenever I needed their help. I am extremely grateful to the University of Dhaka for nominating me for the scholarship and also for granting me leave for the degree.

Well, I owe this PhD to my family, who has given me four years of their life to fulfill my dream. I am grateful to my parents and my sister, who always believed in me and have supported in every step of my personal and professional life. I must acknowledge my mother, who, leaving her work and family, shuffled between Manchester and Bangladesh whenever I needed her. The person who has made the most sacrifice was my little daughter, Ayesha, who has been with me every moment in the last four years of my PhD life in Manchester. She has been the constant inspiration for me to finish what I started with. I am also thankful to my little son, Afraz, who was born during this journey to make it even more eventful. Last, but not the least, I am indebted to my husband, Moin, and would like to say that this has only been possible because of him. Thank you Moin for being there against all odds. I am grateful to all of you and this PhD is dedicated entirely to all of you!
This PhD thesis is dedicated to my family.
CHAPTER 1  INTRODUCTION

1.0  Purpose of the Research

The purpose of this research is to explore and demonstrate the political perspectives of corporate social responsibility (CSR) reporting in a setting, where companies fundamentally depend on political ties and connections. The objective of this study is to investigate if political affiliations or ties of organizations influence the CSR disclosure practices of public listed companies in Bangladesh. It also explores, whether and if, the CSR disclosures are politically motivated or whether the companies use the CSR disclosures or activities as a political tool to seek out or strengthen their political ties.

CSR reporting is “the process of communicating the social and environmental effects of organizations’ economic actions to particular interest groups within society and to society at large” (Gray, 1996). CSR reporting has attracted significant research attention in recent decades due to increased societal interest in CSR. The concept of CSR, along with Corporate Governance (CG) has attracted even more attention among researchers and academics over the past decade especially after the corporate collapses of some large companies in the world (for example, Enron, World.com, Harris Scarfe, One Tel and Andersen). Like many other developing countries, CSR in Bangladesh has also gained heightened momentum for quite some time due to rapid industrialization and foreign investment especially in the ready-made garments and textiles sector (Muttakin, Mihret and Khan, 2018). According to the World Bank statistics, the contribution of the industrial sector to the national GDP was 15% during the period 1991–2000 which doubled to 30% during the period 2001- 2010. Foreign direct investment (FDI) has also remarkably increased during the last two decades, as several more-developed Asian countries have outsourced their factory production, mainly textiles, to Bangladesh.

However, rapid industrialization and investments by overseas investors have generated concerns about corporate accountability regarding employee, environmental and ethical issues, which has led to increased demands for enhanced

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1The term corporate social responsibility (CSR) reporting /corporate social reporting or social and environmental reporting (SER) are used interchangeably/synonymously in the thesis.
transparency in business practices (Belal and Owen, 2007) as well as reporting and its impact on the stakeholders. Despite the rapid economic progress and development in Bangladesh, political instability and corruption are two major factors hindering the economic development. Nepotism, corruption, bribery, and superseding management positions appear to be the key activities of the political leaders in power. Active participation in politics by businessmen is also quite common in Bangladesh, which has been reflected in past parliamentary elections (Daily Star, 2015).

In addition to this, the recent controversies of misuse of CSR spending and expenditures in some large corporations in Bangladesh have raised questions about the credibility of CSR as an accountability mechanism (Daily Star, 2014). There are allegations that the Board of Directors has political motives and has used the CSR funds of the organizations violating rules and regulations (New Age, 2015). These incidents also reveal an interesting politics-business nexus in Bangladesh and its implications for socially responsible corporate behaviors. Given this backdrop, the purpose of this research is to investigate the political perspectives of CSR reporting in Bangladesh.

This chapter commences with section 1.1 explaining the research background, which drives the motivation for this research. Section 1.2 discusses the research context, which leads to the research questions in section 1.3. Section 1.4 introduces the theoretical framework adapted for this study followed by the methods employed in section 1.5. Section 1.6 presents the expected contribution of the thesis. Section 1.6 outlines the structure of the thesis.

1.1 Research Background

Research on CSR disclosures, in general, has received attention from academics, policymakers, practitioners and wider stakeholder groups (Mathews, 1997; Parker, 2005; Owen, 2008; Deegan, 2014). As businesses have gradually recognized the broad duties of accountability implied by their stakeholders' (non-financial) expectations, the role of corporate social reporting takes on increasing importance as a mechanism through which such duties of accountability may be discharged (Gray, Owen, and Adams, C., 1996). This significant role played by CSR has attracted academic interest in studying CSR practices, with many empirical research studies
analyzing the content of corporate reports for disclosures in respect of one or more categories of social, environmental and/or ethical matters. An increasing body of literature analyzes the factors that may govern voluntary CSR disclosures, with most of the papers examining company characteristics such as size (Domench, 2003; Roberts, 1992), industry (Moneva and Llena, 2000; Reverte, 2009), profitability (Ghazali, 2007) or contextual factors such as media exposure (Reverte, 2009) or internal factors such as shareholder structure (Brammer and Pavelin, 2008; Chan, Watson and Woodliff, 2014) as potential antecedents to CSR disclosure. Furthermore, limited studies have investigated how a particular type of internal factor, namely, family influence on a business organization, affects CSR reporting (De Massis et al., 2012).

Previous studies on CSR disclosures have reported a number of drivers and motivations, including market, community and stakeholder influence on CSR disclosures (Ness and Mirza, 1991; Dhaliwal et al., 2011; Cooper and Owen, 2007; Islam and Deegan, 2008; Deegan and Blomquist, 2006) both in developed and developing countries. While early CSR disclosure studies focused on the general nature of social and environmental reporting issues (Hackston and Milne, 1996; Mathews, 1997), a growing body of research is focusing on specific CSR issues and associated disclosures. For instance, recent CSR disclosure studies have drawn attention to sustainability reporting (Byrch et al., 2015; Higgins, Stubbs and Love, 2014; Tregidga, Milne and Kearins, 2014; Milne and Gray, 2013), climate change and accounting for bio-diversity (see special issues of Accounting, Auditing & Accountability Journal in 2013 and 2014, respectively), human rights accounting (see special issue of Accounting, Auditing & Accountability Journal in 2016), and anti-corruption or anti-bribery disclosures (Islam, Dissanayake and Haque, 2016).

It has been argued that, while CSR may be a strategy for redistributing income from corporations to the general public, surprisingly, CSR disclosures may potentially provide a setting for political interests and patronage (Cooper and Owen, 2007). The possibility of exploiting CSR disclosures in developing countries is even greater due to the prevalence of family controlled firms, political interference and favoritism, absence of rational corporate governance mechanisms and institutional investors, and
inefficient and underdeveloped capital markets (Berglöf and Claessens, 2006; Uddin and Choudhury, 2008).

The prevalence of political interests and patronage in corporations has been well noted in the literature (Muthuri and Gilbert, 2011; Chapple and Moon, 2007; Prechel and Morris, 2010; Walker and Rea, 2014; Lux, Crook and Woehr, 2011). The political ties of corporations and their influence on corporate conduct take different shapes and forms, depending on the institutional and political settings of the countries in which they operate (Matten and Moon, 2008; Dieleman and Boddewyn, 2012). The political ties may involve formal position interlocks in which business leaders serve as political actors (Faccio, 2006) or may involve informal social linkages between corporate leader and friends or family of political leaders (Bertrand et al., 2004; Siegel, 2007). For instance, the political ties of business firms to Suharto, who ruled Indonesia in a highly centralized and personalized manner, came in different forms. His family members were often shareholders or directors in large companies, and the companies at times invested in companies belonging to the Suharto family. In addition to formalized ties, there were also regular informal meetings between the board members and the Suharto family (Dieleman and Boddewyn, 2012).

Previous studies have argued that countries with under-developed democratic institutions, family-led politics and poverty, which are more likely to be prevalent in traditional settings\(^2\) (Tsamenyi and Uddin, 2008), create the necessary conditions for strong political ties between political elites and businesses, primarily family business groups (Berglöf and Claessens, 2006; Dieleman and Boddewyn, 2012).

The political strategy literature commonly argues that firms with political ties gain benefits such as regulatory favors and investment resources (Faccio, 2006; Fisman, 2001). At the same time, the benefits of political ties in emerging economies cannot

\(^2\)In this thesis, the term “‘traditional setting’” is used interchangeably with “‘emerging economy’” or “‘poorer country/ developing country’”. Weber (1968) articulates traditional settings as those in which traditional values supersede a rational and legalistic model of society and economy. Democracy, politics and state machineries are overpowered by family values and connections, leading to under-developed markets and institutions. Personal loyalty, obedience, obligations to personal chief and being subject to a superior are necessary elements to maintain a traditional society and economic activities. This is particularly true in emerging economies, which are ‘low income, rapid growth countries using economic liberalization as their primary engine of growth’ (Hoskisson, Eden. Lau and Wright, 2000, p.249), where the institutions that assist economic transactions are underdeveloped and where firms typically form ties with political actors (Henisz and Zelner, 2003).
be obtained without incurring significant risks – for instance, where the political regime changes (Leuz and Oberholzer-Gee, 2006; Siegel, 2007) or political agents extract excessive rents from the benefitting firms (Fan, Wong and Zhang, 2007; Shleifer and Vishny, 1994). Dieleman and Boddewyn (2012) have found that business groups in Indonesia are both highly dependent on governments to secure key resources, and face a unique set of risks associated with political ties. Similarly, Yadav (2011) has argued that the close relationship between political parties and business groups enables political elites to strongly influence corporate conduct in emerging economies.

Previous studies have demonstrated that the social, economic, cultural and political context of corporations is an important factor leading to differences in CSR across nations (Matten and Moon, 2008; Chapple and Moon, 2007). Matten and Moon (2008) report that CSR differences in Europe and the USA are largely due to the underlying institutional and contextual features embedded in businesses. Focusing on the human rights practices of ten Chinese state-owned enterprises, Whelan and Muthuri (2017) find that pressures at national and intra-organizational levels are critical to conforming to international guidelines on human rights. Given that corporate conduct is often influenced by state politics and political elites, corporations are often likely to employ CSR disclosures to seek out and manage political ties (Gu et al., 2013; Muthuri and Gilbert, 2011; Chapple and Moon, 2007). However, the political perspectives of CSR are under researched (Whelan, 2012) and have rarely appeared in disclosure studies (Gu et al., 2013).

There are some studies conducted on ‘Political CSR’, but they are mainly focused on the political duties and activities of MNCs in particular (Crane et al., 2008; Hsieh, 2009; Scherer and Palazzo, 2007, 2011). Within this normative tradition, researchers find that Western MNCs play positive roles in societies (Scherer, Palazzo and Matten, 2009; Scherer, Palazzo and Baumann, 2006). It has been suggested that increased globalization has resulted in a decline in the power of the state, thereby allowing MNCs to step into that role (Whelan, 2012). There are not many studies conducted on the critical aspect of Political CSR except for Whelan (2012) and Gu et al. (2013). Whelan (2012) offers a robust critique to this stream of research and calls for ‘critical’ research into the political CSR agenda.
This thesis provides support to Whelan’s (2012) agenda and takes a critical approach to examine the political perspectives of CSR reporting. It investigates whether political connections influence the CSR disclosure practices. This current study further explores the motivations of the organizations to conduct and disclose CSR activities in a traditional setting with strong political interference and family control.

1.2 Research Context

Given the traditional socio-political settings, and the prevalence of fragile democracy and political instability, Bangladesh provides an ideal research site for this kind of a study. Several studies in less developed countries including Bangladesh have shown that the socio-historical context, societal structure, global capitalism and politics have significant influence on organizational practices, including disclosure practices (Jones and Sefiane, 1992; Ouibrahim and Scapens, 1989; Uddin and Hopper, 2001, 2003; Uddin and Tsamenyi, 2005; Wickramasinghe and Hopper, 2005). Uddin and Tsamenyi (2005) reveal that local societal and political structures, alongside other factors, render the rational governance and disclosure practices, derived from Western models and prescribed aid agencies, ineffective. Besides, the socio-cultural and political context, which are derived or assumed to be derived from its long history of political change – from a British colony to an independent democratic country – provides interesting grounds to study how the development of capitalism in Bangladesh can be deployed to understand the accounting practices and its relations to organizations and society. The rationales for using Bangladesh as a useful research site for this study are stated below:

- Firstly, the nature of politics and democracy in Bangladesh provides a distinctive opportunity to shed light on the use of CSR disclosures and its connection with political regimes (Uddin and Hopper, 2001). The country has a fragile democratic system, and is subject to recurrent confrontations between two family-led political parties (Uddin and Choudhury, 2008). Since independence, Bangladesh has been ruled pre-dominantly by two major family-led political parties: the Sheikh Mujib family leads the Bangladesh Awami League (BAL), and the Zia family leads the Bangladesh Nationalist
Party (BNP). Neither political party is known for practicing democratic norms. The parties appear to be controlled mainly by their kin and relatives (Mannan, 2006; Sobhan and Ahmad, 1980). Heredity politics shape both local and national leadership, politics and economy. The eldest sons of both leaders of the ruling party and the opposition party have been brought into politics and groomed to take over from their ‘mothers’ (Mannan, 2011). This national level political confrontation trickles down to the state institutions resulting in the widespread politicization of such institutions, especially in their bureaucracy. The increasing influence of tribunes (protectors/champions/heads of clan) and their family members puts pressure on the existing public institutions of state and civil society, resulting in disorganization and deinstitutionalization (Mannan, 1992, p.52). Previous studies have argued that, when these families come into power, they themselves erode the constitution and institutions at all levels (Hydén, 1983; Mannan, 1992).

- Secondly, a striking feature of businesses in Bangladesh is the existence of political patronage. Bangladesh is often characterized by widespread corruption at all levels resulting from the interesting politics-business nexus. While many politicians think the easiest way to earn money is through business, many businessmen believe seeking and maintaining political ties will help them expand their business (Zaman, 2011). It is claimed that political identity or inclination plays a crucial role in the process of granting licenses to businesses (Uddin and Hopper, 2003; Kochanek, 2000). The industrial elites in Bangladesh either become part of the political process or develop strong personal and/or business relationships with political leaders and their families. The success of the business tends to depend upon MPs sitting in the current parliament who are also owners of large businesses. For instance, in the 9th parliament, 59% of the elected MPs were businessmen with 44% of having assets worth at least BDT 800 million (US$ 10 million) (Chowdhury, 2009). The presence of such a state-business nexus allows these politicians in the parliament to receive favors from the government. Naturally, it is possible that such favors may be reciprocated by the businessmen in terms of covert

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3 In the main, there are three political parties in Bangladesh, but the BAL and BNP has been ruling the country predominantly. The details of the political power are explained in the institutional context in chapter four.

4 Bangladeshi Taka represented by (BDT) is the local currency of Bangladesh. (US$1= 80 BDT)
donations to the political parties\textsuperscript{5}. Thus, this current research explores whether CSR is used as a tool for such political activities.

- Thirdly, Bangladesh is also characterized by less developed capital market (World Bank, 2009) and a weak efficient stock market (Islam and Khaled, 2005). Conditions such as under-developed democratic institutions, poverty, family ownership of businesses, lack of institutional investors, and weak capital markets in Bangladesh are well noted in the literature (Uddin and Choudhury, 2008). In addition to this, like many other developing countries such as Turkey (Ararat and Ugur, 2003), South Korea (Joh, 2003), Taiwan (Yeh, Lee and Woidtke, 2001), Thailand (Wiwattanakantang, Kali and Charumilind, 2002), most companies in Bangladesh are either family owned or controlled by substantial shareholders (corporate group or government). Farooque \textit{et al.} (2007) report that, on average, the top five stockholders hold more than 50\% of a firm's outstanding stocks. This family dominance in the corporate sector focuses the accountability of the organizations towards the dominant family rather than the general shareholders (Uddin and Choudhury, 2008). Previous studies have reported the presence of rational, Western-styled corporate governance mechanisms in Bangladesh (Siddiqui, 2010). However, the efficacy of such rational mechanisms can potentially be affected by the traditional nature of the relationship between the owners and managers of the companies.

The rationale stated above makes Bangladesh an ideal site for this kind of research. The presence of such collusion between the government and businessmen, coupled with poor market mechanisms and family dominance, may make it possible for firms to abuse CSR activities to gain privileges from the government. While previous studies (Islam and Deegan, 2008; Cooper and Owen, 2007) have identified pressures for CSR disclosures from powerful stakeholders in developing nations, the role of political patronage/favoritism in CSR disclosures still needs to be explored further and theorized. This provides the context for the study.

\textsuperscript{5}Political parties and politicians are not permitted to receive large corporate donations in Bangladesh
1.3 Research Questions

Under the above research context, this study addresses the following research questions:

1. Given the *traditional nature* of the society in Bangladesh, is CSR reporting influenced by political connections and family control and governance of corporations?

In relation to this research question, it is important to identify if political connections have any association with CSR disclosure. Political connection here is identified as any formal political ties or informal social ties between the Board of Directors and political actors (Mahmood, Chung and Mitchell, 2017). Since the majority of the listed companies in Bangladesh are family dominated, it might be interesting and useful to identify if family controlled firms/family businesses have any influence on CSR disclosure practices. In addition, given the strong prevalence of family firms and also the business-politician nexus in terms of having political personnel as directors in exchange for favors (see for example, Sobhan and Werner, 2003), it also provides an understanding of whether politically connected family firms have any influence on the CSR disclosure practices.

In the social-network literature, there has been interest in the phenomenon of negative ties and of ties as a social liability (Labianca and Brass, 2006). The corporate governance mechanism is assumed to reduce the negative effects of political ties. Corporate governance is regarded as “*the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity*” (Solomon, 2007, p.14). The thesis also considers the ownership structures of firms since concentration of ownership is considered an important determinant for CSR disclosures. Therefore, it might be interesting and useful to identify if corporate governance and ownership variables in a traditional society have any impact on the CSR disclosures.

2. *In a country with underdeveloped markets and institutions, weak and unstable democracy, strong family domination and political interference in*
the business, what are the motivations of organizations to conduct and disclose CSR information?

This research question provides an in-depth insight into the motivations of organizations in a traditional society to conduct CSR activities and disclose the CSR information.

Various studies have linked the type and extent of social reporting to various legitimacy threatening events (such as major social or environmental incidents, major media campaigns, or successful environmental prosecutions); to the apparent information demands of powerful stakeholders; or, to various institutional pressures. However, most studies infer a relationship by looking at the apparent associations between social and environmental reporting and particular independent variables (for example, using secondary data, the researchers relate social and environmental disclosure practices to the extent of media coverage, the occurrence of particular social or environmental incidents, or the membership of environmental lobby groups) rather than gathering primary data by explicitly seeking the views of management about the factors that motivate them to report (Islam and Deegan, 2008). The thesis explores in details into the underlying nature of the CSR reporting practices of the public limited companies in Bangladesh and investigates if and whether the corporations disclose CSR information to seek out and manage political ties. The primary contribution of this research is to develop a critique of CSR as an accountability mechanism in an arena where business depends fundamentally on political connections/ties.

1.4 Theoretical Motivation and Framework

In order to address the research questions in section 1.3 and to provide a wide understanding of the CSR reporting practices in a developing country like Bangladesh, this thesis draws on Weber’s (1968, 1978) work on traditional society and a Weberian framework of accounting, developed by Colignon and Covaleski, (1991) to understand CSR reporting practices in public limited companies. The thesis highlights Weber’s distinction between rationality and traditionalism and uses the notion of traditionalism to provide an insight into the political perspectives of CSR activities and disclosures.
Most studies in the field of CSR disclosure/reporting studies have predominantly used Legitimacy theory or Stakeholder theory or even Political theory. The concepts of these theories have been applied to studies in ways that are most suited for developed countries that are by nature rational/capitalist societies. Without denying the benefits of Legitimacy or Stakeholder theory in CSR studies, this thesis takes an alternative approach since the application of these theories might not be sufficient in a society with political interference and links, fragile democracy, underdeveloped markets and a weak institutional environment.

This study also responds to the call for research in social and sustainable accounting by Unerman and Chapman (2014) in their editorial in the Accounting for Organizations and Society. They also shared Bebbington and Thomson’s (2013) observation and concern that a much wider range of theoretical perspectives, including some from outside accounting and management studies, need to be drawn upon if the accounting academy is to provide more powerful evidence based upon which more effective accounting for sustainable development is to be built (see also, O’Dwyer and Unerman, 2016).

The Weberian framework is considered appropriate for this study because of the importance of structural conditions such as political institutions, culture and economic uncertainties in developing countries like Bangladesh. Colignon and Covaleski (1991) drew a broad framework of Weber’s work, presenting his work on accounting in a multilayered format, with each layer providing insights into the context of examining accounting practices and procedures (Roth and Schluchter, 1979; Antonio, 1984; Collins and Turner, 1986; Lloyd, 1986). Weber’s work addresses multiple levels of analysis, from micro social actions to broad macro socio-historical structures and processes. The questions raised, problems addressed, and methods used distinguish each layer. Yet, these separate, but interacting levels and methodologies, when taken together, are Weber’s definition of the appropriate socio-historical methodology (Roth, 1979, cited in Roth and Schluchter 1979).

Theoretically, Weber’s framework provides a critical and political basis for evaluating management control practices, including accounting. In this research, the framework has been used to understand disclosure practices, namely the political perspectives of CSR disclosures and activities and examines whether elements of traditionalism such
as family domination and control, kinship, and display of loyalty to the master provide profound insights into political aspects of CSR reporting practices of public limited companies in Bangladesh. Weber emphasizes the importance of social, economic, cultural and historical factors in shaping a particular form of society (such as traditionalist), and their implications for organizational accountability and transparency.

Weber’s framework has three layers of analysis: the first two layers (1) the structural conditions and (2) the historical conditions examine the external layers in which the organizations are situated and the third layer examines the organizational/institutional context. Each of these layers provides distinctive insight into the accounting practices, including disclosure practices.

At the external level, the structural and historical context, Weber (1978) predicted that the structural conditions for rational capitalism would not be fully as developed in traditional societies as it is in the West and would be shaped and transformed by the strong presence of family and clan culture (Dyball and Valcarcel, 1999; Dyball, Chua and Poullaos, 2006). Weber also recognized the effects of familial/clan ownership upon internal organization and external accountability and reporting. This thesis conducts a comprehensive analysis of the structural and historical background of the research site and its implication in the accounting practices, specifically CSR reporting practices of organizations in Bangladesh.

At the organizational level, Weber (1968) develops two axes of tension that, when taken together, serve to frame his analysis of the interplay of forces, agencies and interests as they relate to accounting practices. The first axis is formal and substantive rationality⁶ and the second is dominance and resistance. These two axes help to understand certain accounting practices, including disclosure at the organizational level. Weber describes modern organizations as systems based on formal rationality with no inherent connection to specific substantive ends or outcomes. Weber’s framework implies the empirical variability of domination and resistance between different social groups (the families and clans being the largest social groups) in traditional settings with different substantive rationalities. The tension between the

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⁶The definition and explanation of formal and substantive rationality is provided in Chapter Three: Theoretical Framework
formal and substantive rationality, the presence and prevalence of personal loyalty at every level of hierarchy, the effects of familial political power and family/clan culture in every aspect of the society provide the basis for examining the CSR disclosure practices as both an outcome and process.

Previous accounting research, especially on the accounting profession and auditing, has applied Weber’s (1958, 1968) works to understand the development of accounting knowledge and professions and its influence upon the development of capitalism (Auyeung and Ivory, 2003; Caramanis, 2005; Chua and Poullaos, 1998; Radcliffe, 1997). Radcliffe (1997) applies Weber’s notion of formal and substantive control to understand how substantive rationalities restrict the formal, rational tasks of government auditors. However, accounting research that draws upon Weber’s works is focused on accounting history and professional conflicts in the West (Bryer, 2000; Caramanis, 2005; Chua and Poullaos, 1998; Covaleski and Aiken, 1986).

A few studies (Dyball, Chua and Poullaos, 2006; Dyball and Valcarcel, 1999; Auyeung and Ivory, 2003; Uddin, 2009; Uddin and Choudhury, 2008) are located in traditional settings. These studies employed Weber’s notion of the traditional vs. the rational to understand why modern models or rational ways of doing things do not seem to capture local complexities and intricacies. Uddin (2009) has used the Weberian framework developed by Colignon and Covaleski (1991) to understand the management control system in a traditional society. Uddin and Choudhury (2008) apply Weber’s notion of traditionalist domination (family/clan) in understanding accounting practices, namely the corporate governance practices in traditional societies. He even argued that the wealth of the Weber’s thought has not been fully utilized in understanding the accounting practices in both capitalist and traditional societies. Recently, Uddin, Siddiqui and Islam (2016) use Weber’s notion of traditionalism to provide an understanding into the nature of CSR disclosure practices in the banking sector in traditional setting like Bangladesh.

This current study, drawing on Dyball and Valcarcel (1999), Dyball, Chua and Poullaos (2006), Uddin and Choudhury (2008), Uddin (2009) and Uddin, Siddiqui and Islam (2016), seeks to use the wealth of Weber’s thought in trying to understand the CSR disclosure practices in the public listed companies, especially in a traditional society. This thesis borrows from Weber’s work on traditionalism and traditional
society along with the Weberian framework developed by Colignon and Covaleski (1991) to provide a comprehensive understanding and insight into CSR reporting practices as well as the CSR activities in a traditional setting and explore how the elements of traditionalism such as familial political power, personal loyalty and family domination affects the CSR disclosure practices of organizations. This research also captures the tensions and struggles prevailing in a traditional society between the formal rationality and different substantive rationalities and how it influences the CSR disclosure practices.

1.5 Research Methods

The researcher calls for whatever philosophical and/or methodological approach works to identify the important determinants of CSR disclosure in terms of political connections and also explore whether and if the CSR disclosure in a traditional setting is politically driven (see, Tashakkori and Teddlie, 1998, p.5). Thus, mixed research methods are employed in this study: quantitative section, where the researcher constructs a disclosure index and identifies whether political connections influence the CSR disclosures, and qualitative section, where interviews are conducted to explore the motivations of CSR disclosure in a traditional setting. A vast majority of the CSR studies have been conducted using only one of the methods, namely either content analysis or interview. The details of the methodological approaches in the empirical studies are discussed in the literature review in chapter two.

The first research question in this study calls for quantitative research, which involves deduction, theory/ hypothesis testing, explanation, prediction, standardized data and statistical analysis. Data is collected from the annual reports of the public listed companies in the Dhaka Stock Exchange (DSE). The objective of the quantitative strand of the research is to associate political connections with corporate social responsibility disclosure index (CSRDI). OLS multiple regression is conducted using CSR disclosure index as the dependent variable and political connections and family controlled firms as the independent variables. The various corporate governance elements and ownership structures have been controlled in the analysis as effective corporate governance is assumed to mitigate the negative effects arising due to the political connections of firms.
The qualitative part involves traditional characteristics of qualitative research of induction and exploration. Twenty-eight in-depth interviews have been conducted with the Board of Directors of public listed companies, regulatory agencies, and state bodies like the ministries, former regulators and civil society. The interviews were conducted to provide a wider understanding of the CSR reporting practices in Bangladesh.

The interviews were analyzed following the procedures of data reduction, data display and conclusion gathering (Miles, Huberman and Saldana, 2013; O’Dwyer, 2004). The empirical data were structured based on the Weberian framework of accounting and weber’s works on traditional society. The themes were identified and informed by the theoretical framework adopted in this study. In order to identify and derive analytical themes relating to political activities, Skippari’s (2005) framework and Lord’s (2000b, 2003) components of political activities and political strategies were used as guidelines. The theoretical approach adopted here directed the presentation of empirical findings to achieve a flow of arguments in the thesis.

1.6 Expected Contribution of the Research

This thesis intends to make some important contributions to CSR and disclosure studies in the accounting arena. The key empirical and theoretical contributions of the thesis are given below:

- This study addresses an important gap in CSR research by linking the political connections of the firms with the level of CSR disclosures in a traditional setting. The overall findings of the thesis intend to contribute to CSR literature in accounting by examining the political perspectives of CSR, which has been under researched as well as under theorized (Whelan, 2012).

- Given the ubiquity of family firms, CSR scholars could benefit theoretically and empirically considering how family firms’ influence might affect CSR reporting. The findings of the research could also benefit family business scholars. Family business scholars have only recently begun to investigate the socially responsible behavior of family firms (De Massis et al., 2012). This thesis provides empirical evidence of the influence of public listed family firms in CSR reporting practices in a traditional setting.
• At the same time, most studies in accounting literature focus on only the CSR disclosure practices, but this study considers both disclosures and the CSR activities of organizations to provide a comprehensive understanding of the corporations’ motivations of conducting CSR as well as disclosing the information.

• Without denying the benefits of the dominant theories in CSR research, this thesis aims to contribute to CSR literature by responding to the call for novel theoretical framing in social and sustainability research. This thesis acknowledges the difference between Weber’s “rationality” and “traditionalism” and uses Weber’s notion of traditionalism and traditional society and a Weberian framework of accounting developed by Colignon and Covaleski (1991) to associate disclosure practices to political connections and familial power in a traditional society. The Weberian framework of accounting developed by Colignon and Covaleski (1991) has been used by Uddin (2009) to understand the management control practices including accounting in a traditional society. This thesis uses this framework to analyze the CSR disclosure practices in a traditional setting like Bangladesh. In addition, the research also integrates the elements of traditionalism to provide an in-depth insight into the motivations of CSR disclosures and activities in developing countries with traditional settings such as political interference and linkage, fragile democracy and weak institutional environment.

• Drawing on previous studies such as those of Weber (1978), Dyball and Valcarcel (1999), Dyball, Chua and Poullaos (2006), Uddin and Choudhury (2008), and Uddin, Siddiqui and Islam (2016), this research further provides empirical evidence and develops a critique of CSR as an accountability mechanism in an arena where business depends fundamentally on political connections and ties.

• From the methodological perspective, this research contributes by providing methodological diversity in critical research by employing mixed methods in critical accounting research (Richardson, 2015). This fills an important gap in the CSR and accounting literature since the critical accounting community has rarely used quantitative research methods (Richardson, 2015), although this method can provide a wider and richer understanding of the observed
phenomena. While, complementing critical research with quantitative methodology provides generalizability of conclusion through large samples, (Patten, 2015; Richardson, 2015), at the same time, qualitative approach provides an in depth and comprehensive analysis of the CSR processes in a traditional setting.

1.7 Organization of the Thesis

The theoretical approach adopted in this research directed the organization and presentation of the chapters of the thesis and analysis of the empirical findings to achieve a flow of arguments in the thesis. The thesis is organized as follows:

*Chapter 2:* Chapter two provides an overview of the approaches of CSR studies in terms of theoretical perspectives and methodological approaches and reviews the empirical studies undertaken in the context of developed countries and developing countries. It identifies the research gap in the CSR literature in terms of political perspectives and stresses the need to explore the political connections and political motivations of CSR reporting especially in the context of developing countries with strong political ties and family domination.

*Chapter 3:* Chapter three discusses the theoretical framework developed for this study. This chapter provides an explanation of the Weberian framework of accounting and Weber’s concepts of traditionalism and how they can be used to explain the CSR disclosure practices in Bangladesh. The theoretical chapter also introduces the framework and guideline of Skippari (2005) and Lord (2000b, 2003), which is used in this current research to complement the theoretical framework. Finally, this chapter also covers the different dominant and popular theories used in CSR studies and the rationale for not using them in this study.

*Chapter 4:* This chapter discusses the institutional context of the research site, Bangladesh. Based on Weber’s methodologies of analysis, it discusses the external layers of the Weberian framework, the structural conditions and historical background of the research context, Bangladesh. The discussion of the external environment and historical background provides the context of the development of capitalism in Bangladesh and how it affects the accounting and management of businesses, including the disclosure practices. This chapter further describes the legal framework
for disclosure, the prevalent corporate governance mechanism and the CSR reporting practices in Bangladesh in details.

**Chapter 5:** This chapter presents the research methods and methodology employed for this study. In order to address the research questions, the researcher uses mixed methods to conduct the research. The research design and strategy and the data collections and analysis of both the quantitative and qualitative strands of the research are discussed in details in this chapter.

**Chapter 6:** This is the first empirical chapter, which presents the quantitative empirics of the association of political connections and family controlled firms with CSR disclosure and discusses the empirical evidences using a Weberian lens. This chapter also discusses the different corporate governance and ownership variables controlled in this study in details.

**Chapter 7:** This qualitative empirical chapter presents the findings of the interviews and explores the motivations of CSR disclosures and activities in a traditional setting. It provides a wide understanding of whether elements of traditionalism and traditional society such as family domination and control, personal loyalty to master, kinship etc. provide richer understanding of the CSR disclosure practices in public listed companies. The theoretical framework is used to inform the findings in this chapter.

**Chapter 8:** The final chapter of the thesis infers to the empirical results and discusses the overall finding of the politics of CSR reporting in a traditional context. It reiterates and discusses the empirical findings of chapter Six and Seven informed by the theoretical arguments. This chapter concludes the thesis by presenting the main contribution of the thesis and how it could be developed further for future research.
CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

This chapter presents a systemic review of CSR literature undertaken in various contexts over the last few decades. Since CSR reporting is a vast and multidisciplinary concept, this chapter considers the related literature from the accounting perspective. The objective of the literature review is to identify key areas/ideas in the CSR research and review those to understand the contemporary issues in CSR to highlight the research gap that needs to be filled/bridged. This chapter also reviews the concept of political connections and the relevant literature on political connections to identify the gap of the political perspectives of disclosure practices.

Section 2.1 of the chapter defines CSR reporting and gives an overview of the approaches to CSR research in terms of theoretical perspectives and methodological approaches. Section 2.2 identifies the determinants and motivations of CSR reporting by reviewing the relevant studies in the context of developed countries. Section 2.3 identifies the determinants and motivations of CSR reporting in the context of developing/emerging countries and section 2.4 identifies the issues and gap in the CSR literature and how this study intends to address the gap. Section 2.5 defines the concept of political connections and the relevant literature on politics and political connections. This section also identifies the research gap in terms of political influence on CSR reporting. Section 2.6 summarizes the chapter and reinforces the research questions for this study.

2.1 CSR Reporting: Theoretical Perspectives and Methodological Approaches

The term corporate social reporting or CSR reporting has been variously defined and used. It has been commonly referred to as sustainability reporting, social responsibility accounting (see Mathews, 1984), social accounting (Gray, 2000), social and environmental accounting (SEA) and corporate social disclosures (Belal, 2001). Such a variety of terminology requires clarification (Gray, 2000; Mathews, 1984). Therefore, before moving on to reviewing the literature of CSR reporting, it is useful to define the term as used in this current study. Simply speaking, it may be defined as
the external reporting of social, ethical and environmental aspects of a business organization (Belal, 2008). 7

(Gray, Owen and Maunder, 1987 p. ix) defined CSR reporting as:

“…. the process of communicating the social, ethical and environmental effects of organizations’ economic activities to particular interest groups within society and to society at large. As such, it involves extending the accountability of organizations (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.”

Given the importance of stakeholder engagement in contemporary CSR, (Gray, 2000, p. 250) refined the earlier definition as follows:

“…the preparations and publications of an account about an organization’s social, environmental, employee, community, customer and other stakeholder interactions and activities. The social account may contain 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 organization’s accountability to its stakeholders must be the clearly dominant of those reasons and the basis upon which the social account is judged.”

The latter definition clearly recognizes the discharge of accountability to a wider group of shareholders as the main purpose of social accounting. The definition is in line with Medawar (1976) who argued that democracy, transparency and accountability should be the fundamental objective of social accounting.

In the accounting literature, CSR has a history stretching back over many decades (Gray, Kouhy and Lavers, 1995b). A wide variety of studies on CSR have been conducted, engaging alternative theoretical perspectives and employing many different research methods while raising a wide range of research questions and issues covering different geographical boundaries and time periods. Despite the diversity of approaches and concerns regarding CSR, there were no unanimous conclusions drawn

7 The terms CSR reporting/corporate social reporting and social and environmental reporting (SER) has been used interchangeably and synonymously in this chapter
about CSR practice for a long time. A number of reasons have been cited for this in various literature, but Ullmann (1985) cited the absence of agreed theoretical perspectives to drive systematic research as one of the main reasons for the lack of substantive logical conclusions about corporate social reporting (Mathews, 1987; Mathews, 1993; Mintzberg, 1983). In addition, the absence of systematic reporting by organizations has made traditional “positive” research more difficult.

Given this, two different approaches of CSR research have emerged in the literature (Gray, Kouhy and Lavers, 1995b):

1. It can be treated as an extension to the mainstream accounting research and researched with the same assumptions and preconceptions of the mainstream accounting research or,

2. It can be treated as the heart of the examination of the role of information of organization society dialogue.

When CSR research is treated as an addendum to the mainstream research, the financial community is considered to be the main users of the annual reports and thus limits the perception of the social accounting research. Several studies have been conducted (for example, Belkaoui, 1984; Benjamin and Stanga, 1977; Firth, 1978, 1979; Bowman, 1973; Jaggi and Freedman, 1982), where the usefulness of CSR as information was considered as moderately important. The decision usefulness theory, perhaps, produces two different types of inquiries: ranking studies and information effect on share price (Gray, Kouhy and Lavers, 1995b; Tilt, 1994; Mathews, 1993). However, the main problem with the decision usefulness theory is with the word “usefulness”. Thus, the use of the decision usefulness to understand the importance of CSR has been an unsatisfactory one. This is partly due to the doctrine itself, but mostly because the interest in CSR is not motivated by the needs, wants and whims of the financial community (Booth, Moores and McNamara, 1987; Mathews, 1987).

In response to the unsatisfactory conclusion of the decision usefulness studies, emerged the economic theory studies, which were primarily based on the doctrine of positive accounting theory or economic agency theory. Henderson, Peirson and Brown (1992) in an attempt to define positive accounting theory, provide the following description:
A positive theory begins with some assumptions and, through logical deductions, enables some predictions to be made about the way things will be. If the prediction is sufficiently accurate when tested against observations of reality, then the story is regarded as having provided an explanation of why things are as they are. A positive theory of accounting may yield a prediction that, if certain conditions are met, then particular accounting practices will be observed (Henderson, Peirson and Brown, 1992, p.326).

Positive Accounting theory is embedded on the notions of a ‘rational economic person’ who would be primarily motivated by self-interest (Watts and Zimmerman, 1986). Ryan, Scapens and Theobald (2002) note that neo-classical economics and especially, agency theory has a significant role in the development of PAT.

Despite positive accounting researchers’ proclaimed aversion to theoretical speculation in the design of their empirical studies, neoclassical economics and agency theory are taken for granted. They are used as instrumental theoretical frameworks, which are not themselves subjected to empirical test, although their predictions are tested against empirical data (Ryan, Scapens and Theobald, 2002, p.107).

In particular, these theories do not emphasize ‘what should be’; they are based on market-based literature. More specifically, the assumption that all activities are motivated by short-term interest is not the underlying assumption this study is based on. The principal of “free” markets and rational economic person run entirely opposite to the concerns of CSR research, which is primarily motivated by market failures especially injustice; anti-democratic; asymmetric and externalities and desire to change current practices (Gray, Kouhy and Lavers, 1995b, p.51), thus turning the CSR research into the second approach, a part of social accounting.

The second approach provides a wider view to the advances in understanding of CSR and also a critique of the CSR. The most interesting and insightful theoretical perspectives under this approach include the theories drawn from the social and political studies (Gray, Kouhy and Lavers, 1995b). This approach to CSR research provides much of the penetrating analyses of CSR. The particular perspectives are the ones derived from Stakeholder theory, Legitimacy theory, and Political Economy theory perspectives. Each of these theories has a distinct point of reference, although
there are overlaps and commonalities between them. 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 organizations to legitimize their relationship with the society. On the contrary, 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 manage their relationship with powerful economically dominant stakeholders. The details of the alternative and competing theoretical perspectives will be provided in the next chapter in order to develop the theoretical framework for this study.

In terms of methodological approaches, CSR studies have primarily been descriptive in nature. Prior studies have adopted content analysis methods in examining the possible links between general contextual factors and the dynamics of SER practice within developed and developing country contexts (Beattie and Thomson, 2007; Beck, Campbell and Shrives, 2010; Gao, 2011; Krippendorff, 1980; Kennedy Nyahunzvi, 2013). Researchers adopting content analysis methods normally tend to calculate the volume of disclosure related to SER. For instance most of the studies analyze the number of lines, paragraphs in relation to social and environmental issues and the proportion of SEA within corporate external reports such as annual reports and website disclosure, and then contrast the fluctuation of SER volume with a set of corporate characteristics (e.g. firm size, age and ownership) (Adams, Hill and Roberts, 1998; Adams and Kuasirikun, 2000; Cowen, Ferreri and Parker, 1987; Deegan and Gordon, 1996; Gray et al., 2001; Guthrie and Parker, 1989; Hackston and Milne, 1996; Haniffa and Cooke, 2005; Patten, 1990; Roberts, 1992; Trotman and Bradley, 1981).

While content analysis of corporate external reports serves as an important method in the social and environmental research area and continues to provide interesting knowledge, more in-depth engagement with research methods (e.g. interviews with corporate managers and observations of the SER process) has been called for to help
ascertain the internal factors which are capable of influencing SER practice (for example, see, Adams and Larrinaga-González, 2007; Correa and Larrinaga, 2015; Parker, 2005). Adams (2002, p. 246) explicitly calls for research on CSR reporting to consider corporate internal factors by engaging with reporting organizations:

“...if improvements in the extensiveness, quality, quantity and comprehensiveness of reporting are to be achieved, then perhaps academic researchers should be engaging more with the companies that do it in order to gain a better understanding of their internal processes and attitudes to communicating this type of information and how they influence reporting”.

In response to the call for a diverse research method in CSR, a number of studies have been conducted which involves interviews and observations with both internal managers and also external stakeholders. The later sections of this review highlight some of the most cited studies (table 1 and table 2) using various methodologies across different regions.

As noted, over the last few decades, the focus of empirical studies on social and environmental accounting/CSR studies has shifted from being descriptive in nature to making use of analytical approaches through use of sophisticated research methods. In particular, prior SER research has been undertaken based on quantitative and qualitative content analysis of corporate external accounts, such as annual reports, face-to-face interviews with those familiar with SER, such as corporate management and external stakeholders, and observations of the production of reports (Abeysekera and Guthrie, 2005; Adams, 2002; Adams, Coutts and Harte, 1995; Adams, Hill and Roberts, 1995; Adams and Kuasirikun, 2000; Adams and McNicholas, 2007; Bebbington, Larrinaga and Moneva, 2008; Belal and Owen, 2007; Belal and Cooper, 2007; Brammer and Pavelin, 2006; Cho, 2009; Cho, Roberts and Patten, 2010; Contrafatto, 2014; Cormier, Magnan and Van Velthoven, 2005; Correa and Larrinaga, 2015; O'Dwyer, Unerman and Hession, 2005; Owen, 2008; Unerman and Bennett, 2004; Unerman and Chapman, 2014; Villiers and Van Staden, 2011).

Such SER research work, as listed above, has provided valuable insights into the emergence, development and effects of SER practices by business organizations operating in various industries within different countries. In particular, the extant
literature has documented that corporate characteristics such as firm size, age and ownership, external contextual factors and organizational internal dynamics have been found to have an impact upon SER practices (Cowen, Ferreri and Parker, 1987; Guthrie and Parker, 1989; Trotman and Bradley, 1981).

Due to the great variety of empirical studies on CSR reporting, literature reviews have taken different approaches. Studies on CSR disclosure have incorporated different classification frameworks to present their literature. Belal and Momin (2009) classified CSR disclosure studies into three categories: (1) extent and level of CSR disclosure and their determinants, (2) managerial perceptions studies, (3) and other stakeholders’ perceptions studies. Mathews (1997) offered a chronological categorization to structure the existing CSR disclosure literature. Gray, Kouhy and Lavers (1995b) structured the extant literature into (1) the subject areas of disclosures and (2) the volume of disclosures. Adams (2002) also reviewed studies on the determinants of CSR disclosure and he divided the literature into three groups: (1) company characteristics, (2) general contextual factors, and (3) internal contextual factors. This chapter uses the framework of the above literature review studies, as guidelines to focus on the relevant studies for this research.

It is acknowledged that there are alternative categorizations of CSR literature, such as chronological categorization (Mathews, 1997). Such categorization is not adopted in this chapter as it pays too much attention to different time periods, whereas the purpose of this current review is to capture significant concerns, trends and developments within the CSR literature from the perspective of developing/emerging nations.

After reviewing the literature, the following key areas of CSR disclosure relevant to this study and the research questions have been identified which are discussed in details in the following sections. The key themes/areas identified are:

Determinants and motivations of corporate social responsibility reporting in terms of:

- Firm specific characteristics
- General contextual factors
- Internal contextual/organizational factors.
- Other factors
These themes are discussed in the context of both developed and developing countries. The following section discusses the CSR literature in developed countries.

2.2 CSR Reporting in Developed Countries

This section presents the empirical CSR research conducted in the context of developed countries using the different theoretical perspectives and employing the various methodological approaches mentioned in section 2.1. The literature on CSR reporting has increased over the years, although it has predominantly been conducted in the context of developed countries settings like Western Europe, USA and Australia (Adams, Hill and Roberts, 1998; Gray, Owen and Maunder, 1987; Gray, Kouhy and Lavers, 1995a, 1995b; Guthrie and Parker, 1989; Mathews, 1997; Roberts, 1992; Fifka, 2013). As described in the previous section, studies conducted in developed countries primarily used the content analysis research methods in determining the factors influencing CSR disclosures. Furthermore, these studies largely examined the determinants of environmental disclosure or CSR disclosure using quantitative (e.g. extent or level) measures (Ali, Frynas and Mahmood, 2017).

Most of the disclosure studies conducted in the developed countries mainly considered (i) firm specific characteristics and (ii) general contextual factors as primary determinants of CSR disclosure and (iii) other factors/determinants, which primarily include internal organizational determinants and external influences of CSR reporting.

**Firm Specific Determinants:** In addition to the prior studies that involve an examination of information types within CSR reporting undertaken by various organizations, social and environmental accounting scholars have made a substantial effort through content analysis methods to ascertain the relationships between SER and corporate characteristics, such as profitability, gearing, size, age, industrial classifications and listing locations. Company size has been found to have a positive significant relationship with social and environmental disclosure (Brammer and Pavelin, 2008; Reverte, 2009; Chih, Chih and Chen, 2010; Bouten et al., 2011; Hou and Reber, 2011). Studies have also found a strong relationship between industry sector and disclosure (Cormier, Magnan and Van Velthoven, 2005; Brammer and Pavelin, 2008; Reverte, 2009; Tagesson et al., 2009; Hou and Reber, 2011; Bouten et al., 2011).
The third most commonly examined determinant of CSR disclosure is corporate financial performance, where some of the studies find a significant positive relationship (Patten, 1992; Cormier and Magnan, 1999; Tagesson et al., 2009), while others find an insignificant relationship (Patten, 1991; Hackston and Milne, 1996; Cormier, Magnan and Van Velthoven, 2005; Reverte, 2009; Chih, Chih and Chen, 2010). The most recent study investigates the market reaction to SER and demonstrates a positive correlation between the nature, quantity and quality of SER and the changes in share price in the UK (De Klerk, de Villiers and van Staden, 2015; Parsa and Deng, 2008; Parsa, Kouhy and Tzovas, 2007), and in the US (Clarkson et al., 2013).

General Contextual Factors: In addition to the examination of the extent to which firm specific characteristics influence the dynamics of CSR reporting, prior studies have also adopted content analysis methods to investigate the possible links between general contextual factors and the dynamics of SER practice within developed and developing country contexts (Beattie and Thomson, 2007; Beck, Campbell and Shrives, 2010; Gao, 2011; Krippendorff, 1980; Kennedy Nyahunzvi, 2013). Disclosure studies in developed countries examined a range of external factors/contextual factors influencing CSR disclosure. Studies have shown that differences in social, political, economic and cultural contextual factors resulted in the variation in CSR practices in general and CSR disclosure, in particular (Adams, Hill and Roberts, 1998; Van der Laan Smith, Adhikari and Tondkar, 2005; Matten and Moon, 2008; Jackson and Apostolakou, 2010).

Most notably, comparative institutional studies have revealed substantial differences between the United States and Europe in terms of the effects of the national institutional context on CSR (Doh and Guay, 2006; Matten and Moon, 2008; Sison, 2009), while others also have found significant institutional variation between European countries (Schlierer et al., 2012; Fassin et al., 2015; Knudsen, Moon and Slager, 2015).

Smith et al. (2005) conduct a comparative CSR disclosure study of Norway/Denmark and the United States and found that contextual factors (i.e., ownership structures, governance systems, and cultural systems) result in a significant variation in CSR disclosure in these countries. Adams, Hill and Roberts (1998) conduct a CSR
reporting study in six European countries and report a significant influence of the country of domicile (proxy of country context) on CSR disclosure.

Despite Adams, Hill and Roberts (1998) suspecting that there are possible ties linking cultural influence and SER practice, they argue that the increasing business globalization and the harmonization and standardization of international accounting and reporting standards might diminish the influence of local cultures upon corporate decision-making. It is interesting to note, though, that Adams and Kuasirikun (2000), drawing on the cultural classification of Gray (1988) and Hofstede (1980), actually find that the German accounting and reporting systems possess a much more secretive posture inherited from its culture in comparison with its Anglo counterparts in respect of SER practices.

In regard to decision making in SER, many SER researchers have examined the impact of the morality of corporate managers that has been shaped by the local culture (Buhr and Freedman, 2001; Haniffa and Cooke, 2005; Maali and Napier, 2010; Orij, 2010) – this is based on the assumption that culture is seen as influential in raising public awareness of environmental concerns and in facilitating the necessity for corporations to operate in a socially and an environmentally responsible manner (Adams, Hill and Roberts, 1998; Adams and Kuasirikun, 2000; Douglas and Wildavsky, 1982; McCormick, 1991; Müller-Rommel, 1989).

**Internal Contextual Factors:** Compared to the factors discussed here, a relatively small number of SEA scholars have studied the internal contextual factors. Within this category most attention is focused on investigating the corporate executives’ attitudes toward disclosure (Adams and Harte, 1998; Adams, 2002; O’Dwyer, 2002). These studies have shown that corporate executives have overall positive attitudes toward CSR disclosure. Furthermore, some studies have shown that companies disclose CSR information to gain a competitive advantage (Chih, Chih and Chen, 2010; Nikolaeva and Bicho, 2011), to enhance corporate reputation (Adams, 2002), and/or to present a socially responsible image to the outside world (O’Donovan, 2002). Corporate governance structures are also found to positively influence CSR disclosure in developed countries (Jo and Harjoto, 2012).

Campbell (2000) examined the annual reports of Marks & Spencer from 1967 to 1997 and discovered that the change in Chairman at Marks & Spencer had implications for
social reporting. In addition, the presence of SER related committees is found to have a positive relationship with social reporting practice (Cowen, Ferreri and Parker, 1987). A study by Bebington, Higgins and Frame (2009) in a New Zealand context noted that despite the influence of external institutional pressures placed on organizations’ sustainability reporting practices, the corporate leaders’ personal values, traditional corporate culture and organizational pursuit of awards in relation to notions of sustainable development have an evident impact upon the initiation of sustainable development reporting in some organizations.

**Other factors:** In addition to the national contextual factors and internal organizational factors described, the concerns of specific stakeholders, for example, regulators (Neu, Warsame and Pedwell, 1998; Cormier and Magnan, 1999; Chih, Chih and Chen, 2010), shareholders (Neu, Warsame and Pedwell, 1998; Toms, 2002; Thorne, S. Mahoney and Manetti, 2014), creditors (Roberts, 1992; Oh, Chang and Martynov, 2011), investors (Wilmshurst and Frost, 2000), environmentalists (Deegan and Gordon, 1996; Neu, Warsame and Pedwell, 1998) and the media (Neu, Warsame and Pedwell, 1998; Deegan, Rankin and Tobin, 2002; Reverte, 2009; Nikolaeva and Bicho, 2011) in a given country are also found to influence CSR disclosures. Managers in developed countries also pay attention to the concerns of the local community, suppliers, and customers in their decision to disclose CSR information (Wilmshurst and Frost, 2000).

There are empirical studies contending that corporate sustainability initiatives and approaches must be tailored to fit in with the local circumstances (Steurer et al., 2005; Van Marrewijk, 2003). Through an analysis of environmental disclosure in the corporate annual reports made by Canadian public companies operating in the mining, forestry, oil and gas and chemical sectors from 1982 to 1992, the results of a study by Neu, Warsame and Pedwell (1998) indicates that these companies tend to increase the volume of environmental disclosure in response to the pressure arising from the concerns of financial stakeholders and government regulators, whereas they ignored the voice of social activists and environmentalists. Tilt (1994) summarizes that the environmental movement, which is capable of influencing changes in the attitudes of pressure groups and in the attention of the media on social and environmental issues, has distinct implications for SER.
Furthermore, some studies have shown that companies in developed countries disclose social and environmental information due to public pressures (Belkaoui and Karpik, 1989; Patten, 1992; Cormier, Magnan and Van Velthoven, 2005). The influence of external stakeholder groups on SER practice has been investigated. The existence of stakeholder power in motivating organizations to report on social and environmental information is initially examined by Ullmann (1985) and Roberts (1992), and is followed by many other studies ascertaining the stakeholder demands for business environmentalism and more transparent SER (Bremmers et al., 2007; Darnall, Seol and Sarkis, 2009; Deegan and Blomquist, 2006; Delmas and Toffel, 2008; Elijido-Ten, Kloot and Clarkson, 2010; González-Benito and González-Benito, 2010; Henriques and Sadorsky, 1999; Onkila, Joensuu and Koskela, 2014; Sharma and Henriques, 2005; Tilt, 1994). For example, Deegan and Blomquist (2006) find that the revised industrial codes, which are influenced by the championing of the World Wildlife Foundation in 1999, exert pressure on members within the Australian mining industry to introduce SER practice.

In addition to investigating the existence of external general influences upon the initiation of SER, recent SER studies have begun to articulate the way by which corporations utilize SER to be responsive to the pressures originating from the external environment of organizations (Bebbington and Larrinaga, 2014; Cho, 2009; Laine, 2010; Milne, Tregidga and Walton, 2009; Tregidga, Milne and Kearins, 2014; Unerman and Chapman, 2014).
The following table provides a snapshot of some of the most cited CSR studies conducted in the context of developed countries using mostly quantitative analysis methods:

<table>
<thead>
<tr>
<th>Authors</th>
<th>Geographical Locations</th>
<th>Theoretical perspectives</th>
<th>Determinants/ Motivations</th>
<th>External Contextual Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belkaoui and Karpik (1989)</td>
<td>USA</td>
<td>AT</td>
<td>Size (+), Systematic Risk (+), Social Performance (+)</td>
<td>Political Visibility (+) proxied by size and systematic risk, leverage (-), External Pressure (+)</td>
</tr>
<tr>
<td>Guthrie and Parker (1989)</td>
<td>AUS</td>
<td>LT</td>
<td>Size (+), Industry (+), Financial Performance (0)</td>
<td>External Pressure (+)</td>
</tr>
<tr>
<td>Patten (1991)</td>
<td>USA</td>
<td>LT</td>
<td>Size (+), Industry (+), Financial Performance (0)</td>
<td>Public Pressure (+), Leverage (+)</td>
</tr>
<tr>
<td>Roberts (1992)</td>
<td>USA</td>
<td>LT</td>
<td>Financial Performance (+), Systematic Risk (+)</td>
<td></td>
</tr>
<tr>
<td>Gray, Kouhy and Lavers (1995b)</td>
<td>UK</td>
<td>LT/ST/PE</td>
<td>Size (+)</td>
<td>Political Development (+)</td>
</tr>
<tr>
<td>Deegan and Gordon (1991)</td>
<td>AUS</td>
<td>LT</td>
<td>Size (+), Industry (+)</td>
<td>Environmental Concern (+) proxied by membership of environmental group</td>
</tr>
<tr>
<td>Adams, Hill and Roberts (1998)</td>
<td>6 European Countries</td>
<td>LT</td>
<td>Size (+), Industry (+)</td>
<td>Country (+)</td>
</tr>
<tr>
<td>Adams and Harte (1998)</td>
<td>UK</td>
<td>PE</td>
<td></td>
<td>Country (+) Longitudinal Study, Shareholder (+), Creditors (0), Environmentalists (+), Regulators (+), Media Concerns (-)</td>
</tr>
<tr>
<td>Deegan, Rankin and Tobin (2002)</td>
<td>AUS</td>
<td>LT</td>
<td></td>
<td>Media Attention to social issues (+)</td>
</tr>
<tr>
<td>Patten (2002)</td>
<td>USA</td>
<td>LT</td>
<td>Size (+)</td>
<td></td>
</tr>
<tr>
<td>Adams (2002)</td>
<td>UK</td>
<td>N/A</td>
<td>Atitudes towards reporting perceived costs and benefits of reporting. (Qualitative analysis)</td>
<td>Governance Structure (Qualitative analysis)</td>
</tr>
<tr>
<td>Harjoto and Jo (2011)</td>
<td>USA</td>
<td>AT &amp; ST</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 1: CSR Studies in Developed Countries**

(Adapted from Ali et al., 2017)
The below table shows some of the studies in CSR research using Interview/survey/questionnaire methods:

<table>
<thead>
<tr>
<th>Authors</th>
<th>Geographical Locations</th>
<th>Theoretical perspectives</th>
<th>Determinants/ Motivations</th>
<th>Firm Specific</th>
<th>External Contextual Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>O’Dwyer (2002)</td>
<td>Ireland</td>
<td>LT</td>
<td>Industry (+)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>O’Donovan (2002)</td>
<td>Australia</td>
<td>LT</td>
<td>Country of Origin (+) to manage public relations (+)</td>
<td>To present positive picture of social and environmental performance (+)</td>
<td></td>
</tr>
<tr>
<td>Thorne, S. Mahoney and Manetti (2014)</td>
<td>Canada</td>
<td>Multiple Theoretical Perspectives</td>
<td>Response to scrutiny by external shareholders (+) (for issuing separate CSR reports) Lack of external pressures, lack of perceived benefits and lack of regulatory requirements (for not issuing separate CSR reports)</td>
<td>Management Attitudes</td>
<td></td>
</tr>
<tr>
<td>Adams (2002)</td>
<td>UK and Germany</td>
<td>N/A</td>
<td>Response to Public Pressure (+), fear of public reaction to bad news is considered a reason for absence of CSR disclosure</td>
<td>Managers’ attitudes towards reporting, reporting impacts and audit (+)</td>
<td></td>
</tr>
</tbody>
</table>

**Table 2: CSR Studies in Developed Countries.**

This table was adapted from (Ali, Frynas and Mahmood, 2017) and modified by the author.

AT*= Agency Theory, LT= Legitimacy theory, ST= Stakeholder Theory
Tables 1 and 2 show some of the most cited CSR studies, which have reported the determinants and motivations of CSR using different theoretical perspectives and methodological approaches. As noted, most early CSR studies use content analysis method to examine the motivations and determinants of CSR adoption. While this trend still continues, CSR researchers have moved on to examine managerial and other stakeholders’ perceptions of CSR more directly by using methods such as in-depth interviews (Belal and Owen, 2007; Owen, 2008) which study the motivations of the companies for CSR reporting and the reasons for the absence of CSR disclosure.

After reviewing the above CSR research in the context of developed countries, it might be noticed that CSR does not relate to profitability in the same period (Belkaoui and Karpik, 1989; Cowen, Ferreri and Parker, 1987; Freedman and Jaggi, 1988; Singh and Ahuja, 1983), although there is some evidence to suggest that it might be related to lagged profits (Roberts, 1992). CSR does appear to be related to company size. However, this is not the most reliable of results, when other factors are not considered (see for example, Andrew et al., 1989; Belkaoui and Karpik, 1989; Cowen, Ferreri and Parker, 1987; Singh and Ahuja, 1983). There is some evidence of industry effects, but the studies are not clear or consistent enough to assess exactly what, if any, these effects might be (Aupperle, 1984; Cowen, Ferreri and Parker, 1987; Freedman and Jaggi, 1988; Singh and Ahuja, 1983; Zeghal and Ahmed, 1990). The country in which the organization is reporting and the country of ultimate ownership seem to have a significant effect (Andrew et al., 1989; Guthrie and Parker, 1989; Teoh and Thong, 1984), which might explain the inconsistent results between studies in different countries (Ullmann, 1985).

The development of SER in developed countries has brought CSR concepts to the less developed and developing countries where growing commercial organizations have embarked on reporting on their social and environmental performance in their annual reports and, more recently, on official websites and in many cases, stand-alone CSR reports. The economic growth in developing countries and emerging economies, in particular, has had an unprecedented impact on societies, the environment and ecological systems as a whole. Therefore, a number of SEA scholars have begun to investigate the potential of SER practice to correct such unsustainable corporate economic activities in these contexts (Abeysekera and Guthrie, 2005; Adams, Hill and Roberts, 1995; Amran and Haniffa, 2011; Azim, Ahmed and Islam, 2009; Azizul Islam and Aminul Islam, 2011; Belal, 2001; Belal and Momin, 2009; Belal and Roberts,
2010; Belal, 2008; Belal and Cooper, 2011; Belal, Cooper and Roberts, 2013; Belal and Owen, 2007; Hassan and Kouhy, 2013; Islam and Deegan, 2008; Lu and Abeysekera, 2014; Momin and Parker, 2013; Teoh and Thong, 1984). The following section discusses the CSR literature in the developing countries in terms of: firm specific characteristics, general contextual factors, internal organizational factors and other factors.

2.3 CSR Reporting in Developing Countries/Emerging Economies

Activities related to social and environmental responsibility was not initially at the center of attention for the corporate sector managers in many developing countries (Belal and Momin, 2009). This was primarily because CSR disclosure is voluntary and the investors in developing countries were not concerned about where the CSR money was being spent, thus raising the issue of relevance of CSR disclosure in emerging/developing economies. However, the importance of developing countries as contributor to global growth has significantly attracted global investors and the capital flows towards them, thus raising the issue of appropriate corporate governance and corporate social responsibility codes to be in place.

While the studies on CSR have been initiated in the developed countries, however, the focus has shifted to the developing or emerging economies in the recent past mainly as a growing number of MNC’s subsidiaries have adopted SER as a response to the increased awareness of the social and environmental impact of their economic activities in the international market (Belal, Cooper and Roberts, 2013; Momin and Parker, 2013) CSR disclosure studies in developing countries initially focused on a narrow range of emerging economies including Malaysia, Singapore, South Africa, and China (Belal and Momin, 2009; Fifka, 2013). Previous studies investigating CSR in developing countries find CSR disclosures to be significantly low, (for example, Belal, 2000) and of rather descriptive in nature, mostly reporting positive news (Imam, 2000) and no attempts for independent verification are made.

Consequently, this raises a number of issues and questions in CSR research regarding both theories and methodological approaches. In the context of developed countries, the initial evolution of CSR research was primarily based on empirical studies in the Western countries, which was not theorized until Ullmann (1985) developed the conceptual framework. Later on, different theories, both in the mainstream accounting as well as critical accounting research explained the determinants and motivations and
the underlying assumptions of CSR disclosures. Research investigating CSR within the context of developing or emerging economies also started growing (Khan, Muttakin and Siddiqui, 2013; Islam and Deegan, 2008; Belal and Roberts, 2010; Belal, 2008; Belal and Owen, 2007; O’Dwyer, 2002; De Villiers and Van Staden, 2006; Lodhia, 2003; Belal, 2001).

In terms of methodological approaches, the studies conducted in developing countries also made extensive use of the content analysis research method of mostly published annual reports and CSR reports, in ascertaining the determinants/motivations of CSR disclosure (or non-disclosure) (Belal and Momin, 2009; Fifka, 2013; Ali, Frynas and Mahmood, 2017). Furthermore, consistent with the studies in developed countries, these studies mainly focuses on social and environmental disclosure measured in a quantitative manner (Mathews, 1997; Gray, 2002; Parker, 2005; Belal and Momin, 2009; Parker, 2011; Ali, Frynas and Mahmood, 2017).

In contrast to the studies in developed countries, the majority of the studies reviewed in developing countries did not use a specific theory to explain the determinants/motivations of disclosure (Ali, Frynas and Mahmood, 2017), which is consistent with the findings of Belal and Momin (2009) who reports that CSR disclosure research is under-theorized in developing countries. However, when used, Legitimacy theory still remains a dominant theoretical framework among the studies (Ali, Frynas and Mahmood, 2017; Belal and Momin, 2009). The determinants/motivations can be categorized into the following factors:

**Firm Specific Characteristics:** Consistent with the developed countries, firm specific characteristics, such as corporate size, is found to have a significant positive relationship with disclosure (Singh and Ahuja, 1983; Branco and Rodrigues, 2008; Tagesson et al., 2009; Buniamin, 2010; Ahmed Haji, 2013; Chiu and Wang, 2015; Kansal, Joshi and Batra, 2014). Similarly, industry sector and corporate financial performance, except for a few studies, though shows an insignificant relationship (Alsaeed, 2006; Monteiro and Aibar-Guzmán, 2010), is found to be associated with CSR (or environmental) disclosure (Gao, Heravi and Xiao, 2005; Haniffa and Cooke, 2005; Amran and Devi, 2008; Buniamin, 2010; Kansal, Joshi and Batra, 2014; Tagesson et al., 2009; Khan, 2010). Furthermore, some studies show that a company’s media exposure influences disclosure in developing countries (Branco and Rodrigues, 2008; Chiu and Wang, 2015).
**General Contextual Factors:** Consistent with the studies in the developed world, differences in national contextual (e.g. social, political, and cultural) factors also result in the variation of CSR disclosure in developing countries (Williams, 1999; Kamla, 2007; Wanderley et al., 2008), which is consistent with the argument made in prior studies that argues that CSR is a socially constructed and dynamic concept (Carroll, 1979; McWilliams and Siegel, 2001; Muthuri and Gilbert, 2011). This means that the same corporate behavior, which is considered acceptable in one place may not be acceptable in another place and this may result in the variation in the types of CSR disclosure. As in developed countries, some studies have shown that government initiatives (or regulations) have influenced the CSR reporting agenda in developing countries (Tsang, 1998; Amran and Devi, 2008).

For instance, political and social dynamics in the 1990s are found to relate to the changes in SER in South Africa, according to SER studies by De Villiers and Van Staden (2006) and De Villiers (1999). De Villiers and Van Staden (2006) state that the increases in corporate environmental reporting by South African organization represent responses to the focus of the African National Congress on the environmental issues which were reflected in the election manifesto in 1994; however, in 1999, the decline in environmental reporting and increase in social reporting was due to the shift of national policy from environmental issues to social problems.

A study of SER in the Singaporean banking, food and hotel industries by Tsang (1998) also indicate that the variations in SER patterns could be a function of the dynamic social and economic environments during the 1980s and 1990s when the Singaporean government augmented its focus on issues of human resources and energy saving due to its evident lack of natural resources. As such, it is only within that ten-year period that most Singaporean corporations consistently report on their performance according to these two themes, attempting to make visible their commitments to governmental propaganda.

Williams (1999) international study of social reporting in seven Asia-Pacific countries (Australia, Singapore, Malaysia, Philippines, Indonesia, Thailand and Hong Kong) finds that two cultural factors, uncertainty avoidance masculinity, and the political and social systems seem to have a significant impact on corporate management’s perception of what information should be incorporated into SER. The findings indicate that SER appears not simply to comply with legal systems but rather corporations use SER to try
to delay the issuance of rigorous legislation and capture the voluntary reporting agenda (Williams, 1999).

In addition, the negative media attention devoted to corporate economic activities is found to be an important determinant for two global clothing and sports retail companies in Bangladesh to issue SER, and it is strategically used to mitigate pressure from the outside world as a result of unfavorable media coverage of social and environmental information (Islam and Deegan, 2010). This finding concurs with the studies on SER of top Fortune Global 200 companies based in South Africa (Dawkins and Ngunjiri, 2008) and sixteen governmental and non-governmental organizations in Malaysia (Elijido-Ten, 2011).

The question of whether or not relationships exist between economic development and SER practice in emerging markets has received mixed answers from SER studies undertaken in developing countries (Adhikari and Tondkar, 1992). Williams (1999) and Nazli Nik Ahmad and Sulaiman (2004) did not find relationships between the degree of economic development and the dynamics of SER, whereas Cooke and Wallace (1990), Salter (1998) and Elsayed and Hoque (2010) state that economic growth would raise public awareness of corporate socially responsible activities other than financial responsibility, which in turn strengthens the power of increased pressure and monitoring from stakeholder groups in that context in regard to corporate SER practice.

With regard to the association of cultural influence with SER practice in Malaysia, Haniffa and Cooke (2005) reports that the presence of Malay Board Directors and Malay shareholders is an indispensable determinant of the motives, values and choices of SER. Similar findings are also found in Kamla’s (2007) study on SER in nine Arab countries, namely Saudi Arabia, Kuwait, Qatar, United Arab Emirates, Syria, Bahrain, Oman, Jordan and Egypt, where it is found that while many aspects of reporting practice (including SER) are inherited from the UK, it is also characterized by the social, religious, and cultural characteristics of the reporting context.

From this post-colonial perspective, there have been some other studies that have suggested that the particular local society, history and culture within which SER takes place needs to be taken into account (Chand and White, 2007; Gallhofer, Haslam and Kamla, 2011; Mala and Chand, 2012). Newson and Deegan (2002) also conduct research on SER in 150 multinationals from Australia, Singapore, and South Korea. They conclude that the SER of these multinationals is not aimed at satisfying the needs
of host countries but is in response to global expectations in terms of their social and environmental performance, although the results indicate an inconsistency between the actual CSR performance and the content of CSR disclosure.

**Internal Contextual Factors:** In contrast to developed countries, internal contextual factors are given equal importance to other factors (i.e., company’s characteristics and general contextual factors) discussed above in developing countries. In this category, more attention is paid to investigating the relationship between corporate governance structures and disclosure. The disclosure studies have shown that corporate governance characteristics, for example multiple directorships of the Chairman of the Board (Haniffa and Cooke, 2005), the presence of non-executive directors on the board (Khan, 2010), the independence of the directors (Khan, Muttakin and Siddiqui, 2013), the existence of foreign nationals on the board (Khan, 2010), board size (Ahmed Haji, 2013), the presence of an audit committee (Khan, Muttakin and Siddiqui, 2013) and the existence of an independent CSR department in a company have positively influenced CSR disclosure (Chiu & Wang 2014).

Some studies, consistent with those in developed countries, have shown that companies in developing countries also disclose information to enhance corporate reputation (Belal and Owen, 2007; Momin and Parker, 2013) and/or to win corporate awards (Kansal, Joshi and Batra, 2014). Furthermore, some studies have shown that corporate executives have a positive attitude towards CSR disclosure (De Villiers, 2003; Kuasirikun, 2005).

Certain studies have explored the internal reasons for the non-disclosure of CSR information. The studies have found that the non-availability of CSR data, the lack of motivation for CSR disclosure (De Villiers, 2003; Mitchell and Hill, 2009), the cost of CSR reporting (Belal and Owen, 2007; Mitchell and Hill, 2009), and poor corporate performance (Belal and Owen, 2007) are major internal reasons for the non-disclosure of CSR information in the developing world. In one paper, Belal and Cooper (2011) report that the Bangladeshi companies stay away from more compelling CSR activities such as child labor, equal opportunities and poverty alleviation.

**Other factors:** In addition to government regulations, ownership structure influences CSR disclosure in developing countries (Rizk et al., 2008). Some studies have shown that government ownership (Amran and Devi, 2008; Ahmed Haji, 2013), institutional ownership (Saleh, Zulkifli and Muhamad, 2010) and foreign ownership (Teoh and
Thong, 1984; Khan, Muttakin and Siddiqui, 2013) each has a positive relationship with CSR disclosure, while managerial ownership (Ahmed Haji, 2013; Khan, Muttakin and Siddiqui, 2013) has a negative relationship. In terms of ownership structure, the empirical literature analyzing the effect of family involvement on CSR reporting provides mixed results and most of the studies simply use an ownership criterion when considering family control and influence (See, for example, Prado-Lorenzo, Gallego-Alvarez and Garcia-Sanchez, 2009). However, ownership criteria might not be the only factor to determine family control, but the studies mentioned above do not take that into account. The presence of the family members in the board might also influence family control and domination. Furthermore, a corporation’s presence in a global value chain also influences its CSR practices in general and disclosures in particular (Lund-Thomsen and Nadvi, 2010; Chiu and Wang, 2015).

In contrast to developed countries, recent studies suggest that the CSR reporting agenda in developing countries is mainly influenced by the external forces/powerful stakeholders, for example, international buyers (Belal and Owen, 2007; Islam and Deegan, 2008), foreign investors (Teoh and Thong, 1984; Belal and Owen, 2007; Khan, Muttakin and Siddiqui, 2013; Chiu and Wang, 2015), international media concerns (Islam and Deegan, 2008) and international regulatory bodies such as the World Bank (Rahaman, Lawrence and Roper, 2004). Furthermore, in contrast to developed countries, firms in the developing world perceive relatively little pressure from the public with regards to CSR disclosure (Belal and Owen, 2007; Belal, Cooper and Roberts, 2013; Momin and Parker, 2013), since families dominate most firms in the developing world.

There are crucial differences between the determinants of CSR disclosure in developed and developing countries. In developed countries, the concerns of specific stakeholders, for example, regulators, shareholders, creditors, investors, environmentalists, and the media are considered very important in disclosing CSR information. In developing countries, the external forces/powerful stakeholders, for example international buyers, foreign investors, international media concerns, and international regulatory bodies such as the World Bank, influence CSR reporting. Furthermore, in contrast to developed countries, firms in developing countries perceive little pressure from the public for CSR disclosure, which suggests that the public primarily the shareholders in developing countries is less informed about social and environmental issues.
Table 3 on the next page highlights some of the most cited CSR disclosure studies in the developing/emerging economies. It can be noted from the table that the studies in developing countries have not used theoretical perspectives to inform the determinants. It also reiterates the fact that Legitimacy theory has been the prominent theory in CSR studies in both developed and developing countries.
<table>
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<tr>
<td>Belal and Owen (2007)</td>
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<td>Interview with 23 managers</td>
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<tr>
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<td>Bangladesh</td>
<td>N/A</td>
<td>Content Analysis</td>
<td>Industry (+)ve</td>
</tr>
</tbody>
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Table 3: CSR Studies in Developing Countries

Adapted from Ali, Frynas and Mahmood (2017) and modified by the author.

* LT= Legitimacy Theory, ST= Stakeholder Theory, PE= Political Economy
2.4 Research Gap in CSR Reporting Practices: Political Perspectives of CSR

In the previous sections, several determinants and motivations of CSR disclosure have been reported in both developed and developing countries. In general, previous studies on CSR disclosures have identified a number of drivers/motivations, including market, community and stakeholder influence (Dhaliwal et al., 2011; Deegan and Blomquist, 2006; Cooper and Owen, 2007). Pressure from national and international media, pressures from foreign partners and donors has been found to be significant drivers of CSR disclosures (Siddiqui and Uddin, 2016; Islam and Deegan, 2008) especially in the developing country’ context. A noteworthy number of studies have been devoted to understanding CSR disclosures in relation to legitimacy in the wider society and stakeholder interests (Guthrie and Parker, 1989; Deegan, 2002; Bebbington, Larrinaga and Moneva, 2008; Deegan, 2014). Laine (2009, 2010) has demonstrated how companies have changed the rhetoric of environmental disclosures and sustainability related concepts over the years in order to maintain a legitimate position in the wider society. While longitudinal studies offer opportunities to research potential links between changing political ideologies and CSR disclosures, the politically motivated CSR disclosures of corporations remains under-researched within the accounting literature.

Interestingly, as described in the previous sections, while early CSR disclosure studies focused on the general nature of social and environmental reporting issues (Hackston and Milne 1996; Mathews 1997), an increasing body of research is focusing on specific CSR issues and associated disclosures. For instance, it is mentioned in Uddin, Siddiqui and Islam (2016) that the recent CSR disclosure studies have drawn attention to sustainability reporting (Byrch et al., 2015; Higgins and Larrinaga, 2014; Tregidga, Milne and Kearins, 2014; Milne and Gray, 2013), climate change and accounting for bio-diversity (see special issues of Accounting, Auditing & Accountability Journal in 2013 and 2014, respectively), the special issue of Accounting, Auditing & Accountability Journal in 2016 on human rights accounting focusing on the Rana Plaza disaster (Siddiqui and Uddin, 2016; Sinkovics, Hoque and Sinkovics, 2016) and anti-corruption or anti-bribery disclosures (see Islam et al. 2016).

However, the political motivations/ influence of CSR disclosures is not captured in the above studies, with the exception of Gu et al. (2013) and Muttakin, Mihret and Khan
(2018). While Gu et al. (2013) demonstrate that stronger political connections lead to greater adoption of CSR disclosures, Muttakin, Mihret and Khan (2018) report less CSR information with political connections. Another study by Uddin, Siddiqui and Islam (2016) on CSR in Bangladesh argued that the CSR disclosures in Bangladesh are to some extent, politically motivated. The paper uses thematic analysis to review annual reports of 23 banks in Bangladesh and argues that the CSR disclosures are politically charged. Uddin, Siddiqui and Islam (2016) call for more in depth research considering the political perspectives of CSR reporting/ disclosures in developing countries where traditional attitudes supersede rational bureaucratic decisions. They have highlighted the gap in this area in terms of theorizing and researching. Muttakin, Mihret and Khan (2018) call for research on the issues of political donations by politically connected members in a firm.

This current research idea emerges from Uddin, Siddiqui and Islam’s (2016) and Muttakin, Mihret and Khan’s (2018) argument and provides further evidence of political influence in the CSR disclosure practices of public listed companies in Bangladesh. The current study fills in this gap in CSR literature in accounting by exploring the influence of politics in the CSR disclosures in terms of political connections/ties of firms, influence of large businesses, primarily family controlled businesses in the context of developing nation where CSR can be used a political tool to gain political favoritism or patronage. The political influence in CSR reporting practices can be more prominent in developing countries due to the weak regulatory environment, absence of efficient capital market and shareholder activism, and more importantly due to the presence of family domination both at the national and the organizational level. Thus, this research fills in the gap in CSR literature by exploring the motivations of organizations to conduct CSR activities and disclose the information, where the nature and capacities of the state or family-led state (in case of traditional societies) continue to exert a strong influence over corporate conduct, including CSR (Uddin and Choudhury, 2008). Although not involving CSR, similar corporate behavior is reported in Dieleman and Boddewyn’s (2012) work. This also runs contrary to the established normative understanding of the political roles of corporations (Scherer, Palazzo, and Baumann, 2006; Scherer, Palazzo and Matten, 2009). Thus, this current research extends the debate on politics and CSR in the disclosure studies and explores the issues of political activities by politically connected members in the name of CSR.
The section below discusses some of the literature related to political connections and accounting practices and helps to identify how and why political connections might influence the accounting practices, namely the CSR disclosure practices in a traditional setting.

2.5 Politics, Political Connections & CSR Disclosure Practices in Developing Countries

This section of the chapter defines the concept of political connections as used in various literatures, namely management and political science literature and also the social network literature. This section identifies the issues and importance of the political perspectives of disclosure practices and how political connections might influence the CSR disclosure practices.

Political connections are linkages between individual business leaders and political actors such as party leaders, senior government officials, and elected legislators (Fisman, 2001; Siegel, 2007). This reflects the idea in the social networks literature that interpersonal linkages can serve as conduits of resources (Coleman, 1988; Granovetter, 1985).

Political ties may involve (1) formal position interlocks or (2) informal social linkages between corporate leaders and family, friends, or members of social organizations who hold political posts (Bertrand et al., 2004; Siegel, 2007). The social network literature highlights the distinction between formal position interlocks and informal social relationships (Mizruchi, 1996; Uzzi, 1997). Formal position interlocks arise when the same person occupies two distinct positions, thereby creating a linkage between different domains: for example, a major corporate shareholder who is also a central figure of the dominant political party or government. Informal social ties are based on face-to-face interactions involving different people (Adler and Kwon, 2002). An informal political tie in this setting would be a relationship between a corporate leader and a leading political figure. The ties commonly create strategic benefits for connected firms, where strategic benefits are resources that a firm can use to facilitate its business activities.

Prior studies such as Gomez and Jomo (1999), Johnson and Mitton (2003) and Wahab et al. (2009) defined political connections as the firms having an influential individual from key government officials. Faccio, Masulis and Mcconnell (2006) identified a firm as connected through a minister or head of state when the politician or a close relative
(son or daughter) holds the office and is a large shareholder or senior officer. Similarly, political connections are also defined as connections with individuals who have power in the government (Riahi-Belkaoui, 2004), through state ownership of enterprises (Bushman et al., 2004; Nee, Opper and Wong, 2007) and through golden (special) shares held by the government (Hanousek, Kočenda and Svejnar, 2007).

Faccio (2006, p.369) defined a politically connected company in the following way:

“… a company is identified as being connected with a politician if at least one of its large shareholders (anyone controlling at least 10% of voting shares) or one of its top officers (CEO, president, vice-president, chairman, or secretary) is a member of parliament, a minister, or is closely related to a top politician or party.”

However, for this study, the definition has been broadened by following Goldman, Rocholl and So (2013), who include an examination of all members of the Board of Directors, and classifies a firm as connected if any one member of the board is formally politically connected or has strong informal social ties (Mizruchi, 1996; Uzzi, 1997).

The measurement of political connections of firms as a test variable is discussed in detail in later chapters of the thesis while developing the hypothesis and measuring the variable.

Politically connected firms are commonplace around the world (Faccio, Masulis and Mcconnell, 2006), although they are less common in countries that apply stringent regulations against conflict of interest (Faccio, 2006). Various studies, mostly in the management and political science literature have examined corporate political connections within a country: for instance, Fisman (2001) for the case of Indonesia, Johnson and Mitton (2003) for the case of Malaysia, Ferguson and Voth (2008) and Niessen and Ruenzi (2010) for the case of Germany, and Agrawal and Knoeber (2001) for a sample of outside directors in the United States. Their investigations are shaped by the institutional structure of the country including the country's legal/judicial system, social and political economy.

Strong political connections are pervasive in countries with under-developed democratic institutions, family-led politics and poverty, corruption\(^8\), which are more likely to be prevalent in traditional settings (Tsamenyi and Uddin, 2008; Farooque et al., 2007; Berglöf and Claessens, 2006; Dieleman and Boddewyn, 2012). Given that

\(^8\)According to the corruption perception index for 2015, Transparency International has ranked Bangladesh 139 out of 167 countries.
corporate conduct is often influenced by state politics and political elites, corporations are likely to employ CSR disclosures to seek out and manage political ties (Gu et al., 2013; Muthuri and Gilbert, 2011). The political strategy literature commonly argues that firms with political ties gain benefits such as regulatory favors and investment resources (Faccio, 2006; Fisman, 2001). It is possible that such favors are returned in the forms of covert donations by the organizations. Therefore, companies might use their CSR to reciprocate their favors and thus, exploit CSR politically.

This research fills in the gap in CSR and disclosure literature by examining whether corporations in traditional settings exploit CSR disclosures to seek out and manage political ties and, if so, how. It also explores the nature of CSR disclosures to identify if they are politically motivated and the motivations of the companies to conduct CSR activities and disclose the information in a society where political ties are an inherent part of the society.

A recent strand of the auditing and accounting literature has conducted a number of studies, which investigate how political connections of the client companies affect their performance, the audit pricing, the quality of accounting information and the director’s remuneration. Prior literature has also examined the relationship between political connections and quality of accounting information (Chaney, Faccio and Parsley, 2011), corporate bailouts for politically-connected firms (Faccio, Masulis and Mcconnell, 2006) examination on performance of politically connected firms (Johnson and Mitton, 2003; Leuz and Oberholzer-Gee, 2006; Bliss, Gul and Majid, 2011) and political favoritisms in relation to access to finance (Faccio, Masulis and McConnell, 2006; Khawaja and Mian, 2004) and the value of such connection (Fisman, 2001). Some studies have examined the impact of political connections on corporate and financial disclosure (Bushman et al., 2004), capital structure (Fraser, Zhang and Derashid, 2006) and director remuneration (Wahab et al., 2009). However, these studies, with some exceptions, have been criticized for using a wide sample, such as cross-country level data, and for including a small sample size (Miller, 2004).

Within the business ethics and business and society literature, research has increasingly been conducted on political CSR, although this has concentrated mainly on the political duties and activities of corporations, and MNCs in particular (e.g. Crane et al., 2008; Hsieh, 2009; Palazzo and Scherer, 2006; Scherer and Palazzo, 2011). Political CSR suggests an extended model of governance with business firms contributing to global regulation and providing public goods. It goes beyond the instrumental view on politics
in order to develop a new understanding of global politics where private actors such as corporations and civil society organizations play an active role in the democratic regulation and control of market transactions.

Within this normative tradition, researchers have found that Western MNCs play positive roles in societies (Scherer, Palazzo and Baumann, 2006; Scherer, Palazzo and Matten, 2009). It has been suggested that increased globalization has resulted in a decline in the power of the state, thereby allowing MNCs to step into that role (Whelan, 2012). Whelan (2012) offers a robust critique to this stream of research and calls for ‘critical’ research into the political CSR agenda. He critiques three aspects: (i) wrongly equating globalization with diminished capacities of the state; (ii) assuming that MNC motivations can, do or might oscillate between a rational profit-seeking and pro-social logic; and (iii) the existence of a political model of corporate governance facilitating MNCs’ CSR activities (Whelan, 2012, p.710).

The current research takes into account all listed companies, both national and MNCs to articulate the political aspects of disclosures, and provide support to Whelan’s (2012) wider views on political CSR which argue that different CSR contexts and challenges, such as poverty, labor standards, bases of governmental power and legitimacy, cultural traditions and historical factors, are likely to be crucial to corporations’ CSR activities (Chapple and Moon, 2007). The figure below highlights the literature map and the research gap identified in this literature review.

**Figure 1: Literature Map and Research Gap**
Figure 1 highlights the research gap in the CSR literature in terms of identifying political connection as a determinant of CSR disclosures and exploring the motivations of CSR reporting in a developing nation. The political perspectives of CSR have rarely appeared in the disclosure studies as highlighted in the literature review. This research fills in this gap by drawing on the CSR disclosures of the corporations in a developing nation.

2.6 Summary

This chapter describes the relevant CSR literature from both developed and developing economies perspectives. The key issues between advanced and emerging economies appear to be significantly different. In developed countries, the concerns of specific stakeholders, for example, regulators, shareholders, creditors, investors, environmentalists, and the media are considered very important in disclosing CSR information. In developing countries, the external forces/powerful stakeholders, for example international buyers, foreign investors, international media concerns, and international regulatory bodies such as the World Bank, influence CSR reporting. Furthermore, in contrast to developed countries, firms in developing countries perceive little pressure from the public for CSR disclosure, which suggests that the public, primarily the shareholders in developing countries, is less informed about social and environmental issues. Though a number of drivers/motivations have been identified as important determinants in both developed and developing countries, none of the studies considered political connections/affiliations of firms as a factor to influence CSR disclosures. Thus, this research bridges this gap by identifying whether political affiliations/ties of firms have any influence on the CSR disclosure practices in a developing country/setting where, traditional values supersede a rational and legalistic model of society and economy. Democracy, politics and state machineries are overpowered by family values and connections, leading to under-developed markets and institutions. Given this backdrop, the political motivations of CSR disclosures need further examination and theorization, given the critical role that politics play in shaping corporate conduct (Berglöf and Claessens, 2006; Yadav, 2011).

Therefore, the literature review identifies and highlights the gap in terms of the political perspective of CSR and reiterates the importance of the following research questions in this study (as previously presented in Chapter 1):
RQ1: Given the traditional nature of the society in Bangladesh is CSR reporting influenced by political connections and family control of corporations?

RQ2: In a country with under developed markets and institutions, weak democracy and political interference in business, what are the motivations of organizations to conduct and disclose CSR information?

In order to address the research questions posed above, this study develops a theoretical framework to provide a deeper insight into politically motivated CSR disclosure practices in Bangladesh. The next chapter explains the theoretical framework adapted for this study and the assumptions underlying the theories.
CHAPTER 3 THEORETICAL FRAMEWORK

3.0 Introduction

This chapter provides a comprehensive overview of the main theoretical concepts underlying the framework developed for this research and explains how they are relevant to the study and the formulation of research questions. In order to provide an understanding of the CSR reporting practices, this thesis draws on notion of traditionalism and traditional society of Weber (1958, 1961, 1968, 1978) and the Weberian framework of accounting developed by Colignon and Covaleski (1991) to provide an insight into the political perspectives of CSR reporting practices in a traditional setting like Bangladesh.

The literature review in chapter two revealed that most research in the field of CSR reporting has largely been dominated by Legitimacy theory, Stakeholder theory or Political Economy theory. The concepts of these theories have been applied to studies in ways that are associated with Western developed countries, which are by their nature rational/ capitalist societies. The idea of legitimacy to the wider society or identifying important stakeholders is centered on a capital market view of companies. Possibly, this application is not sufficient to provide an explanation for the CSR disclosure practices of a traditional setting like Bangladesh. Therefore, this study uses distinction between rationality and traditionalism and uses the notion of traditionalism and traditional society to provide a richer insight into the CSR disclosure practices from a traditional economy perspective. The Weberian framework developed by Colignon and Covaleski (1991) is shown to provide a meaningful framework for examining accounting practices, including CSR in their socio-historical context. This research uses their arguments and suggestion of three analytic layers within which to situate the study of the relations of accounting to organizations and society. This also responds to the calls for the need of novel theoretical framings in sustainability accounting research (See also, O’Dwyer and Unerman, 2016 Unerman and Chapman, 2014). O’Dwyer and Unerman (2016) in their paper call for enhanced theorized engagement to provide simplification of complex world and transform accounting for social sustainability data into robust evidence to influence policy and practice.

The rest of the chapter flows as follows: Section 3.1 briefly describes the importance of a theory in research and then section 3.2 moves on to explaining the popular theories in CSR studies and the justification for not utilizing them for this research. Section 3.3
introduces the theoretical framework adopted for this study. Section 3.4 introduces Skippari and Lord’s classification of corporate political activities and strategies to complement the theoretical framework of this research and section 3.5 summarizes the chapter.

3.1 Importance of Theory

In any research approach, theory represents an exercise of simplification in relation to an infinitely complex world. According to Deegan (2013), different researchers can study the same phenomenon using alternate theoretical perspectives. Theory plays a vital role in the interaction between observation and insight by providing an explanatory framework that helps to: (i) simplify a highly complex world; (ii) structure the idea of meaningful insights from messy data; and (iii) communicate these insights to different audiences. Therefore, greater theoretical sophistication can play a crucial role in the provision of robust evidence and understandings upon which existing practices can be evaluated and critiqued, and new and sounder practices developed (Unerman and Chapman, 2014)

Theory also plays a critical part in articulation of research questions, in identification of appropriate methods to collect data to address these questions and in analysis of this data (see, for example, Ahrens and Chapman, 2006; Alvesson and Sandberg, 2013). Theory offers a vital tool in the transformation of data from a description of ‘what is’ into in-depth insights, surfacing the drivers underlying ‘what is’ and providing perspectives on ‘what could be’ (Unerman and Chapman, 2014). There are many views on theories in the social sciences (Alvesson and Sandberg, 2013, p.51). Ahrens and Chapman (2006, p.823) characterize ‘theory’ as meaning ‘an orienting set of explanatory concepts . . . [where] events in the field may best be explained with reference to multiple theories’. Similarly, Silverman (2011, p.52) explains that the role of a theory is to:

....arrange sets of concepts to define and explain some phenomenon...without a theory, such phenomena as ‘gender’, personality’, ‘talk’ or ‘space’ cannot be understood by social science [we would add accounting and sustainability to this list]. In this sense, without a theory there is nothing to research...theories provide the impetus for research.

Based on the above discussion, the term ‘theory’ in this research has been defined as a framework of concepts that help to structure the observations and the understandings of
these observed elements of the world and to communicate this understanding (see, Unerman and Chapman, 2014; Ohlson, 2011).

3.2 Different Theoretical Perspectives used in CSR

CSR studies have been conducted using different theoretical perspectives/ lenses across various geographical locations. While the earlier CSR research employed mostly decision usefulness or economic theories; recent CSR studies have embraced systems oriented theories that allows researchers a relatively comprehensive understanding of the nature of social and environmental practices (Gray, Kouhy and Lavers, 1995; Owen, 2008). Prior to discussing the theorizing for the practice of SER, it is noteworthy that there is no one all-embracing theory that can fully explain the complex nature and evolution of voluntary SER/CSR practices, and therefore the theories should be viewed as complementary to each other, rather than mutually exclusive or opposite (Gray, Kouhy, and Lavers, 1995b). Nonetheless, the systems oriented theories are regarded as being able to make sense of organizational behaviors such as SER in the particular social contexts in which it emerges.

According to Gray, Owen and Adams (1996), “a systems-oriented view of the organization and society permits us to focus on the role of information and disclosure in the relationships between organizations, the state, individuals and groups” (p. 45). It is from this perspective that the variants of systems-oriented theories, such as Political Economy theory, Legitimacy theory, Stakeholder theory and Institutional theory, have developed and been widely employed by SEA researchers in the explanation of why, how and when voluntary SER is conducted by organizations with different features under different circumstances (Deegan, 2002; Deegan and Blomquist, 2006; Laine, 2009; Orij, 2010; Roberts, 1992; Soobaroyen and Ntim, 2013).

There are a number of competing theories used in the CSR literature explaining the different motivations and drivers of disclosure. The literature review in Chapter two discussed that the theorizing in sustainability accounting and accountability research, and primarily CSR studies has been dominated by rather broad versions of stakeholder and legitimacy theories (Bebbington, Unerman and O'Dwyer, 2014; Deegan, 2014; Rinaldi, Unerman and Tilt, 2014). Employment of these theories was effective in developing useful insights in earlier stages of the development of social and environmental accounting practice and research – particularly when research focused on external reporting practices. Later on, other theories like the Political Economy
theory and the institutional theory emerged in the SEA literature to identify the determinants and explain the motivations of CSR reporting. This section of the chapter briefly explains the different theories used in CSR studies and discusses the limitations of the theories in terms of its application in this study.

3.2.1 Legitimacy Theory

Over the last two decades or so, social and environmental research studies have relied on Legitimacy theory as a dominant perspective to interpret the drivers, nature and development of SER in varied contexts (Deegan, 2002; Owen, 2008). The notion of legitimacy is generally defined as “a condition or a status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part” (Lindblom, 1994, p.2). According to Suchman (1995),

*Legitimacy is a generalized 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*” (Suchman, 1995, p.574).

Legitimacy theory asserts that organizations continually seek to ensure that they are perceived as operating within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being “legitimate” (Gray, Kouhy, and Lavers, 1995). These bounds and norms are not considered to be fixed, but change over time, thereby requiring organizations to be responsive to the ethical (or moral) environment in which they operate. Lindblom (1994) distinguishes between legitimacy, which is considered to be a status or condition, and legitimation, which she considers to be the process that leads to an organization being adjudged legitimate. According to Lindblom (1994, p.2), legitimacy is:

\[\ldots\] a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy.

“Threats” to an entity’s perceived legitimacy are predicted to lead to responsive actions by management who will endeavor to minimize the impacts of such legitimacy threats. Within Legitimacy theory, “legitimacy” is considered to be a resource on which an organization is dependent for survival (Dowling and Pfeffer, 1975; O’Donovan, 2002). It is something that is conferred upon the organization by society, and it is something
that is desired or sought by the organization. However, unlike many other “resources”, it is a “resource” that the organization is considered to be able to impact or manipulate through various disclosure-related strategies (Woodward, Edwards and Birkin, 1996).

Legitimacy theory posits that corporate disclosure reacts to environmental factors (economic, political, and social) and that disclosures legitimize actions (Preston and Post, 1975; Hogne, 1982; Lehman, 1983; Lindblom, 1983). This theory is based on the notion that business operates in society via a social contract where it agrees to perform various socially desired activities in return for approval of its objectives and vision, and its ultimate survival. It therefore, needs to disclose enough social information for society to assess whether it is a good corporate citizen. In legitimizing its actions via disclosures, the corporations hope ultimately to justify its continuous existence (Lehman, 1983).

Many researchers have used a legitimacy perspective (Deegan, 2002; Deegan et al., 2002), which suggests that organizations require legitimacy to be able to continue to operate, and that organizations use CSR reporting to legitimize their relationship with the society and various stakeholders. The results from empirical studies based upon this legitimacy perspective are mixed. A number of studies (Campbell, 2004, Deegan et al., 2002) support a legitimacy perspective whilst others have suggested that a legitimacy perspective fails to sufficiently explain levels of corporate social disclosure and non-disclosure (Guthrie and Parker, 1989; O’Dwyer, 2002).

3.2.2 Stakeholder Theory

The second theory often utilized by researchers to explain what motivates organizations to disclose social and environmental information is Stakeholder theory. As Deegan (2006) explains, Stakeholder theory has two major branches – these being the ethical and managerial branches. There is a great deal of overlap between the managerial branch of Stakeholder theory and Legitimacy theory. In this regard, Gray, R., Kouhy, R. & Lavers (1995a, p. 67) state:

“The different theoretical perspectives (legitimacy theory and stakeholder theory) need not be seen as competitors for explanation but as sources of interpretation of different factors at different levels of resolution. In this sense, Legitimacy theory and Stakeholder theory enrich, rather than compete for, our understandings of corporate social disclosure practices”.
It is the managerial branch of Stakeholder theory that is used by a number of researchers to explain why organizations produce social and environmental information. A successful organization is considered to be one that satisfies the demands (sometimes conflicting) of the various powerful stakeholder groups (Ullmann, 1985). The disclosure of particular type of information is used as a strategy to win or maintain the support of powerful stakeholders. As Deegan and Blomquist (2006, p. 349) state:

According to Stakeholder theory, the disclosure of particular types of information can be used to gain or maintain the support of particular groups. For example, if a potentially powerful group is concerned about the social or environmental performance of an organization then that organization might perceive a need to publicly disclose information about particular social or environmental initiatives that it has, or is about to, implement so as to alleviate some of the concerns held by the powerful stakeholders.

Whilst Legitimacy theory focuses upon the expectations of ‘society’ in general, Stakeholder theory explicitly refers to issues of stakeholder power. The focus of Stakeholder theory is therefore narrower than that utilized within Legitimacy theory, given that Legitimacy theory tends to consider the expectations of society in general. Nevertheless, and as indicated earlier, there is a great deal of overlap between the two theories.

The use of ‘Legitimacy’ and ‘Stakeholder’ theory have advanced the CSR literature, but in countries with traditional settings, where the companies have concentrated family ownership and tend to be loyal to the familial power (the owner-managers in this case) and the owners in turn express their loyalty to the ‘master’ (the familial political power), it is difficult to identify particular important stakeholder groups who influence the disclosure practices of the companies, given the fact that the disclosure practices does not have any impact on the capital market. In addition, it is also questionable whether the idea of legitimacy to wider stakeholders has any attraction for corporation in traditional settings, given the nature of power of state and state like bodies are personified in familial politics (Uddin, Siddiqui and Islam, 2016).

3.2.3 Political Economy Theory

“Political economy is the study of the interplay of power, the goals of power wielders and productive exchange system” (Zald, 1970, p.233). The Political Economy theory has been divided into two broad categories, which (Gray, Owen and Adams, 1996, p.
have categorized as ‘classical’ and ‘bourgeois’ political economy. Based on the works of the philosophers like Karl Marx, the classical Political Economy theory considers the sectional (class) interests, structural inequity, conflict and the role of the state at the heart of its analysis. One of the most prominent Political Economy theories, amongst others is the Gramsci’s theory of hegemony. Using a broad Marxist point of view, Gramsci was concerned with the interactions among three sets of social relations: the economic base, the political society, and the civil society. Societal change was initiated and implemented by the political and civil elements of the society. Whereas the political society would consist of various institutions of the state, the civil society would include ‘private’ organizations, such as churches, political parties, and other organizations not possessing the coercive powers of the state. Spence (2009) uses Gramsci theory of hegemony to explain the CSR practices promoted by civil societies. (Momin, 2010) have studied the civil society’s perceptions on corporate social responsibility disclosure using Gramscian explanation of civil society, political society and structural hegemony. In his study, Momin explores the perceptions of NGOs on CSD based on the hegemonic analysis since NGOs are considered a powerful constituent of civil society in influencing social policy of the ruling political party. Spence, Husillos and Correa-Ruiz (2010) in a contemporary critique of social and environmental accounting studies, argued that social and environmental accounting researchers generally failed to address the wider issues of politics and power in society.

Hegemony would warrant attempts to forge unity among economic, political and intellectual objectives of different elements within the society on the basis of ‘shared ideology’. To secure hegemony, a group must take intellectual and moral leadership and maintain an allegiance that is based on ideology. Thus, ideology is at the core of Gramsci’s concept of hegemony. (Hall, 1983) defines ideology as a mental framework that defines how individuals construct their subjectivity, and enable them to understand the world around them. Yee (2009) argues that due to bonding based on ideology, individuals willingly choose the values and actions necessary for the continuation of a particular set of beliefs. On winning governmental power, the ruling political force is able to exercise its coercive power over subordinate groups and social forces. However, to secure its hegemony, it must continue to exercise what Gramsci called ‘intellectual and moral leadership’ through political and ideological alliance. The notion of power is thus intertwined between the civil and political societies, and once a hegemonic class is created by combining political and civil elements of the society, a ‘historical bloc’ is established that might endure an entire historical period (Simon, 1982).
Given the socio-political context in Bangladesh described in chapter two, it is questionable whether the political ideology of a social group/class is relevant where, the demonstration or display of loyalty at every level of the hierarchy of the society to the ‘master/ chief or its kin/clan’ (familial political power) is so evident in the social and cultural lives of the people.

3.2.4 Institutional Theory

Apart from theories explained above, another theory that emerged in the social and environmental accounting literature is the Institutional theory. Institutional theory is most typically associated with DiMaggio and Powell (1983) and Scott (2005). It concerns itself with organizations and organizational fields. The initial and key insights offered by the theory derive from this context offered by the notion of organizational fields that comprise both cultural and network systems [which give] rise to a socially constructed arena within which diverse, interdependent organizations carry out specialized functions.

Institutional theory, with its long and varied tradition in social sciences (see Scott, 2001) has been a useful theoretical lens for understanding the effects of the institutional environment on CSR behavior of firms (Aguilera and Jackson, 2003; Campbell, 2006, 2007). It provides a complementary perspective, to both Stakeholder theory and Legitimacy theory to understand how organizations understand and respond to changing social and institutional pressures and expectations. Institutional theory tends to be used to explain existing organizational structures and has been used to show that particular operating or reporting policies and structures might be employed because of pressures from stakeholders who expect to see particular (and somewhat homogeneous) practices in place. Institutional theory advocates posit that organizations are substantially influenced by the institutional settings in which they operate, and as such, economic explanations such as financial performance and competition are insufficient to fully account for organizations’ CSR behavior (Doh and Guay, 2006; Marquis et al., 2007). There are two dimensions to Institutional theory:

(1) Isomorphism: Organizational isomorphism is defined as the resemblance of a focal organization to other organizations in its environment (DiMaggio and Powell, 1983). According to DiMaggio and Powell (1983), the greater the dependence of an organization on another organization, the more similar it will become to that organization in structure, climate, and behavioral focus. DiMaggio and Powell (1983)
emphasized on institutional isomorphism and identified three mechanisms through which institutions become similar: coercive isomorphism, mimetic isomorphism, and normative isomorphism. According to them, coercive isomorphism generates from political influence and problems of legitimacy; mimetic isomorphism is a result of a standard response to uncertain environments; and normative isomorphism is associated with professionalism. They acknowledge that these types are not empirically distinct, and may overlap each other.

(2) Decoupling: Meyer and Rowan (1977) define decoupling as a deliberate disconnect between organizational structures that enhance legitimacy and organizational practices that are believed within the organization to be technically efficient. When organizations are pressured to adapt to societal rationalized myths about what organizations should look like and do, they face two problems: First, the rationalized myths may not comprise an efficient solution for the organization, and second, competing and internally inconsistent rational myths can exist simultaneously. Meyer and Rowan (1977) proposed that organizations decouple their practices from their formal or espoused structure to solve these two problems of institutional pressures. In effect, decoupling means that organizations abide only superficially by institutional pressure and adopt new structures without necessarily implementing the related practices.

Both these dimensions can be of central relevance to explaining voluntary corporate reporting practices. However, current approaches to CSR, with their origin in developed countries, ‘may not sufficiently relate or respond to the context and circumstances encountered in developing economies’ (Hamann, 2006, p. 179). Due to the colonial history of several developing countries, some similarities do exist in the systems followed. However, it has been argued that accounting practices and techniques tailored to suit the needs of developed countries cannot be applied successfully to the context of developing countries (Hoarau, 1995; Larson and Kenny, 1996; Eccher and Healy, 2000).

Thus, the notion of legitimacy and accountability could be different in different social and cultural contexts. Thus legitimization strategies, if employed, may vary between countries and general comments made about how managers react to particular events need to explicitly consider the specific national, historical and cultural context (Deegan, 2002). The institutions of the community, market and state are conjoined in traditional societies. This feature makes accountability relationships lean towards the personal and
the perpetual as opposed to the objective and transitory (as found in modern variants of market and state).

This is where the notion of traditionalism seems more appropriate and provides deeper insights into the political aspects of the CSR reporting practices.

3.3 Theoretical Framework for the Study

The theoretical framework developed for this study is described elaborately in this section of the chapter. The Weberian framework of accounting and Weber’s work on traditional society provides an insight into the political perspectives of CSR reporting in a traditional society. Weber emphasizes the importance of social, economic, cultural and historical factors in shaping a particular form of society (such as traditionalist or rational), and their implications for organizational accountability and transparency (Uddin and Choudhury, 2008). Weber’s framework provides a specific and heterogeneous view of the socio-historical context of accounting and the contingent relations of accounting to organizations and society (Colignon and Covaleski, 1991, p. 155).

Few studies such as Dyball and Valcarcel (1999), Dyball, Chua and Poullaos (2006), Auyeung and Ivory (2003) are located in traditional settings. These studies employed Weber’s notion of the traditional vs. the rational to understand why modern models or rational ways of doing things do not seem to capture local complexities and intricacies. Uddin (2009) has used the Weberian framework developed by Colignon and Covaleski (1991) to understand the management control system in a traditional society.

The current research, drawing on previous studies in traditional societies/ settings (Dyball and Valcarcel, 1999; Dyball, Chua and Poullaos, 2006; Uddin, 2009; Uddin, Siddiqui and Islam, 2016) adopts the Weberian framework to understand the accounting practices, namely CSR disclosure practices in a setting where traditional values supersede a rational model of society and economy. Democracy, politics and state mechanisms are overpowered by family values and connections, leading to underdeveloped markets and institutions.
Figure 2: The Theoretical Framework of this Study

The above figure reflects the framework adapted to analyze the empirical findings of this research. In Economy and Society (1968), Weber, having first specified rational capital accounting as a distinguishing feature of modern capitalism, shows how deeply it was implicated in the cultural and institutional instability incident to the rise of European capitalism. As developed and argued by Colignon and Covaleski (1991), Weber's writings suggest three distinct analytic layers within which to situate the study of the relations of accounting to organizations and society. Each of these layers provides unique insights into the context in which accounting practices are examined. According to Weber, they are separate, but interacting methodologies.

1. First, the structural conditions; i.e. the configuration of institutional features of society facilitating the development of capitalism, the corporate enterprise, and accounting practices.

2. Next, they consider the historical dynamics following from the tensions between formal and substantive rationalities as they apply to these institutional foundations.

3. Third, these previous layers of analysis are shown to situate the examination of important tensions within the analysis of organizations generally and accounting practices, including disclosure practices more specifically.
Weber's framework suggests that although accounting practices may be considered analytically rational, their substantive rationality and the rationality of organizational operations are only understood as rational in their socio-historical context. The different layers in the Weberian framework is used to explain the rationalities in different societies, i.e. modern societies and traditional societies and provide insight into the CSR reporting practices in organizations in traditional societies. The below section discusses each of these layers in details.

3.3.1 **External Layers: Structural Conditions**

An important feature of the Weberian framework is that it problematizes the relationships between accounting itself, organizations using it and the larger society (Meyer, 1986; Hopwood, 1987; Miller and O'Leary, 1987). Weber focuses on two interdependent elements, which shaped the unique development of capitalism in the West: its use of money, and the presence of societal conditions that facilitated its accumulation and use (Weber, 1947).

For Weber, money promoted capitalism by providing a common denominator, or metric, that facilitated the calculation of the economic significance of exchange (Weber, 1947, 1981). His *General Economic History* (1981) argues that the use of accounting as a calculus for the provision of daily needs is a basic criterion for identifying the presence of capitalism. He describes the profit-making capitalist enterprise as one ‘which is rationally oriented to capital accounting with the goal of increasing the monetary resources at the command of the enterprise’ (Weber, 1947, p. 51). Capitalism, the economic enterprise, and capital accounting thus form an inseparable trinity, with rational capital accounting as a crucial tool for the enterprises that supply everyday wants to estimate rationally the profitability of their economic actions.

In *General Economic History* (1981), Weber specifies six structural conditions of Western society that contributed to a rational use of capital accounting, the emergence of the rational enterprise providing for everyday needs of society and modern capitalism. The optimal operation of this accounting requires several institutional features of society found together only during the “modern era” and only in the West.

- First, all the physical means of production, such as land, buildings, machinery, tools, etc. had to be appropriable as disposable property by autonomous private
industrial enterprises.

- Second, markets had to be free of arbitrary limitations on trading.
- Third, technology had to be applied rationally to the production, marketing, and preparation of goods.
- Fourth, a legal system had to operate under a calculable legal code and to provide predictable and enforceable adjudication that private industrial enterprises could depend upon.
- Fifth, workers had to be legally free to change their employment in response to demand for their labor.
- Sixth, economic life had to be fully commercialized.

At the first level of analyzing the structural conditions, Weber makes important theoretical and methodological implications. First, he addresses the issue of the nature of accounting by setting up a chain of equivalences among practices, institutions and society by linking rational accounting practices, rational enterprise and modern capitalism. This also represents Weber’s analysis of the institutional features, whose configuration uniquely occurred in the West and facilitated the rise of capitalism. These idealized dispositional institutional features, taken together, provide the basis for the rise of the rational capitalistic market. These structural features are not additive, but interactive (Collins, 1986), coevolving to produce not only the modern capitalist marketplace, but simultaneously to make rational capital accounting not just possible but indispensable. These institutional features, which produced the modern capitalistic market, provide the basis for maximum calculation for the industrial enterprise. By implication, this same configuration of features facilitated the development of use of rational capital accounting and is also a methodological strategy of ideal type.

The idealized institutional model provides the first layer of the framework for examining market conditions influencing the economic action of the modern industrial enterprise and accounting practices. This model also focuses on other surrounding social institutions (political, ideological, cultural) that determine in what sense a market exists and how it might be transformed. This brings us to the next layer of Weber's framework. Weber sees rational capitalism as only partially realized in the Industrial Revolution of the 18th and 19th centuries. At this second layer, Weber focuses on specific cultural and historical details to identify specific features of society that facilitate the full development of rational capitalism, the modern enterprise, and rational capital accounting (see Auyeung and Ivory, 2003).
3.3.2 **External Layers: Historical Background**

The second layer of Weber's framework is ideational and involves the tension among ideas resulting in the creation and changes in capitalism in the West. This layer is historical and dynamic, addressing the issue of how the social institutions of society provide the basis for different and potentially competing ideas and practices concerning the appropriate nature and direction of capitalist markets, the rational enterprise, and accounting (Lloyd, 1986, p. 17).

According to Guenther Roth, a Weber scholar, this layer of Weber's analysis is an "open ended trend analysis" involving Weber's dynamic notion of rationalization (Roth, 1979). Many consider rationalization the key concept in Weber's work, that rationality or rationalism represents the master trend in history or at least the history of the West are often discussed by Weber in reference to Western civilization’s distinctive modernization path (Collins, 1986; Sehiuchter, 1979; and Casanova, 1984).

Weber oriented his investigations of why rationalized societies arose only in the West and addresses the issue of why the Chinese, India and ancient near east civilizations did not adopt those types of rationalization process. For example, Weber's (1923) work on Indian societies argues that the suppression of intra-community (terms it ‘Demiurgie’) and promotion of inter-community division of labor under the patrimonial political domination have strengthened traditional societies and subverted the money economy and rational capitalism. The development of intra-community division of labor (Demiurgie) in Europe gradually changes its form into the Demiurgie of a money economy. In India and other Asiatic societies, the patrimonial states/tribal lords blocked the development of Demiurgie at its first beginnings. Instead inter-community division of labor was promoted within the political domain of a patrimonial state or a tribal lord. In India, it was later reinforced by the caste system (Otsuka, 1966).

Weber's analysis of rationalization may be generally discussed in its two distinct forms of ‘rationality’ that underlie economic actions: *formal rationality* and *substantive rationality* (Roth, 1979, Colignon and Covaleski, 1991).

According to Weber (1978, p. 85), the term “formal rationality of economic action” designates the extent of quantitative calculation or accounting that is technically feasible and that is actually applied. The “substantive rationality”, on the other hand, is the degree to which the provisioning of given groups of persons (no matter how
delimited) with goods is shaped by economically oriented social action under some criterion (past, present or potential) of ultimate values, regardless of the nature of these ends. These criteria of ultimate ends could be ethical, political, utilitarian, hedonistic, feudal, egalitarian or whatever, and measure results of economic action, however formally “rational” in the sense of correct calculation they may be against these scales of “value rationality” or “substantive goal rationality”. Formal rationality of economic action refers to matters of fact, to a scientific-technical sphere of life, and is considered value neutral (Collins, 1986; Brubaker, 1984; Schluchter, 1979). This form of rationality refers to the capacity to control the world through calculation. Here rationality is a consequence of empirical knowledge, its mathematical form, and its presumed universal application. Formal rationality is value neutral in that market relations imply no moral approval of these relations. Market exchanges are formally rational to the extent they involve calculating economic activity to exploit market opportunities for exchange (Brubaker, 1984, p. 11). This form of rationality is closely associated with the practice of accounting and engineering. Thus, formal rationality is value neutral, empirically based knowledge calculation with universal application. The calculation based on empirical knowledge was not exclusive to the West, but the type of calculation, the purpose of calculation, and predominance of calculation were (Wiley, 1987). This brings us to formal rationality's complement: substantive rationality.

Substantive rationality of economic action is an inherently evaluative concept denoting the degree to which an economic system (capitalist markets, rational enterprises, accounting) provides for the needs, ends, or values of a specific social group (Brubaker, 1984, p. 11). This is rationality of “ultimate ends” (Weber, 1968, p. 499). This form of rationality addresses the substance of the values, ends, needs of social groups and the institutions that promote them. Thus, economic action is substantively rational if it is consistent with the values or ends of a specific social group or institution, and irrational if it is inconsistent with their values or needs (Collins, 1986; Brubaker, 1984; Schluchter, 1979; Clegg, 1989).

However, the meaning of the concepts of formal and substantive rationality is not so discreet. Eisen (1978) mentions that the distinction is meant to show the relativity of rationality; Weber’s demand for clarity seems to be part of his insistence that facts and value judgments be kept separate. For instance, he mentioned that worker participation in management causing substantive interests to take precedence over formal
functioning of the enterprise reduces its formal rationality. Similarly, the ownership of a firm by outside interests attending to maximize short term profits at the expense of the firm’s long term viability is likely to impede formal rationality.

The richness of the distinction between formal and substantive rationality is in the tension between the two sources of orienting economic action (Collins, 1986; Brubaker, 1984; Schluchter, 1979). Formal rationality may come into conflict with the substantive values of social groupings. The needs of a society may not correspond with effective demand in the market.

The role of this dichotomy is to focus attention on the features of a society that at any stage of its history tend either to facilitate or to obstruct the all-round development of rational capitalism, the economic enterprise and rational capital accounting. This layer serves to extend and complement the list of institutional requirements identified in the first layer.

The tension between formal and substantive rationality is both a tension between conflicting values and a tension between social groups with divergent interests. Weber (1968, 1978) recognized these tensions in a more traditional form of society and their implications for organizational bureaucracy and accounting rationality. In Weberian terms, traditional domination of economic activities tends to strengthen traditional attitudes (Uddin and Choudhury, 2008). Traditional domination restricts the development of markets (labor, product and capital), but develops a consumptive economy, making rational capitalism difficult. Dyball, Chua and Poullaos (2006), drawing on Weber’s (1978) characterization of rational and traditional societies, further highlight the differences between rational and traditional societies. They argue, in Weberian terms, that the institutions of the community, market and state are conjoined in traditional societies, but modern/rational societies aspire to keep them separate and autonomous. The conjoined nature of the traditional society ‘makes accountability relationships lean towards the personal and the perpetual as opposed to the objective and ephemeral (as found in modern variants of market and state). This would suggest that the power of accounting as an articulation of accountability relationships is muted, if not ignored, in traditional societies’ (p. 53).

3.3.3 Organizational Analysis

The previous two layers of Weber's framework - structural and historical - do not explain a specific set of social circumstances or a specific organizational enterprise.
These first two layers serve as a basis for situating a specific organization.

The socio-historical models as well as the secular theories are not intended to explain what is happening in a given situation. There, utility lies in serving as base lines for identifying the distinctiveness of an organization. Hence, the need for situational analysis, which probes into the contemporary play of forces -- apart from the necessary recourse to models (Roth, 1979, p 198).

Thus, layers one and two situate the object of explanation for the further analysis of a specific organization and its accounting practices within a shorter span of time. Weber (1958, 1961, 1968) argues for separate organizational analyses that are nonetheless interactive, with external layers of analysis to understand the accounting practices. To Weber, researchers need to go beyond the internal forces to gain a broader understanding of organizational practices, including disclosure practices.

At the organizational level, Weber (1968) develops two axes of tension that, when taken together, serve to frame his analysis of the interplay of forces, agencies and interests as they relate to accounting practices. The first axis is formal and substantive rationality and the second is dominance and resistance. These two axes provide a framework that locates accounting procedures as formal rationality at the organizational level; provides analytic dimensions of tensions about accounting procedures and identifies areas of emphasis that help us to understand certain accounting practices at the organizational level.

<table>
<thead>
<tr>
<th>Axes of Tension</th>
<th>Organizations in Modern /Rational society</th>
<th>Organization in a traditional society</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st axis: formal vs. substantive</td>
<td>Rely on bureaucratic mechanisms or formal processes</td>
<td>Rely on family type/informal disclosure mechanisms</td>
</tr>
<tr>
<td>2nd axis: domination vs. resistance</td>
<td>Domination via rational accounting processes (subject to resistance)</td>
<td>Domination via familial relationships (subject to resistance)</td>
</tr>
</tbody>
</table>

**Figure 3:** Weber’s Axes of Tension in Accounting Practices

The above framework has been developed by Colignon and Covaleski (1991) and adapted from Uddin (2009).

The figure above highlights the axes of tension suggested by Weber. This framework has been used by Uddin (2009) to explain the axis of control in a traditional society.
This research uses this framework to analyze the tensions in a traditional society and how it relates to the disclosure practices of an organization.

**Axis of formal and substantive rationality**

Weber describes modern organizations as systems based on formal rationality with no inherent connection to specific substantive ends or outcomes. According to Weber, the modern organizational enterprise represents formal rationality in economic action and is one of the original sites of Weber's notion of rationalization.

This formal rationality of the organization links the organization to larger societal conditions (markets) and internal distributions of resources and authority (Zald, 1970). Further, Weber's statement identifies the analytic position of corresponding to organizational accounting that opposes substantive rationality on the social action of organizations.

Weber emphasizes the importance of understanding the relation between the formal and substantive rationality of the organization. Organizations can serve the interests of social, political or economic elites, the general needs of the community or some combination, but the analysis of formal rationality alone tells us nothing about its directions or outcomes.

Colignon and Covaleski (1991) argue that although these two forms of rationality are analytically separate, with each being subject to the forces of the other, interpretation follows from the examinations of particular institutional circumstances. Multiple rationalities are characteristic of the modern enterprise and are the basis of conflicts, which make the distinction between formal and substantive rationality important in their application to issues of accounting practices (Hindess, 1987; Antonio and Glassman, 1985; Russell, 1985). Recognition of the analytic separation of formal and substantive rationality draws attention to accounting procedures as tools of decision-making. Contemporary accounting research viewing accounting systems as only technical and objective features fails to appreciate the analytic tension between formal and substantive rationality (Kaplan, 1983, 1984, 1986; Johnson and Kaplan, 1987; Pattel, 1987; Kaplan and Cooper, 1987). This focus neglects tensions among social forces embedded in accounting procedures as instruments of decision making, strategy, and policy by substantive interests (Schutz, 1967; Bernstein, 1976, 1983; Van Maanen, 1979; Willmott, 1983; Chua, 1986b).
Axis of domination and resistance

According to Weber, the domination of persons and groups by organizational mechanisms and the resistance of these social actors to these mechanisms is the second axis of analysis in accounting including disclosure practices. These organizational mechanisms of domination include the formally rational practices of accounting. Parkin (1982, p. 71) describes the issue of domination as the "leitmotif" of Weber's political sociology. Weber (1968, p. 53) defines domination by authority of office as a specific form of power: "The probability that a command with a given specific content will be obeyed by a given group of persons".

According to Weber (1968, p. 941), all spheres of social action are profoundly influenced by structures of dominancy, where it’s unfolding is decisive in determining the form of social action and its orientation toward a goal. This notion of domination is inherent in organizational administration because every domination both expresses itself and functions through administration. Every administration, on the other hand, needs domination, because it is always necessary that some powers of command be in the hands of somebody.

As Weber argues, domination based on authority is exercised over those who have a duty to obey. Under organizational domination, the ruler’s command becomes the objective of the social action of the ruled. Bureaucracy is a means of domination whose use and direction are distinct and whose consequences for social action are central to organizational analyses. Accounting practices are key elements of the bureaucratic means of domination.

Weber (1968) argues that ‘strict capital accounting is further associated with the social phenomena of “shop discipline” and appropriation of the means of production, and that means: with the existence of a “system of domination”’ (p. 108). This quote highlights accounting’s normal tendency to favor one social group within the organization and society. However, much of Weber’s construct of domination is as an ideal type non-evaluative tool. Weber is also of the view that the merely external fact of the order being obeyed is not sufficient to signify domination in our sense: we cannot overlook the meaning of the fact that the command is accepted as a valid norm (1968, p. 946).

Weber suggests that accounting practices are mechanisms of domination, constraint and control. Weber has also used the term “Herschaft” to explain domination and
authority, which has been translated by Parson (1964, p. 152) as “imperative control”, “authority” or “leadership. He rejected the interpretation of the term “Herschaft” as domination, because this suggests arbitrary or coercive force “rather than the integration of the collectivity in the interests of effective functioning”.

This framework of tension between domination and resistance applies to tensions, struggles and conflicts among social groups with different substantive rationalities over the construction and application of different accounting procedures and practices. Accounting practices and procedures are objects of tension between different social groups representing different interpretations, interests or substantive rationalities within a specific organization.

However, these tensions, struggles and various rationalities may take a new form if the organization is situated in a traditional society, as presented in the above table. Bureaucratic domination in enterprises in a traditional type society is often superseded by direct control from the dominant owners of the companies (who are often part of a family) (Uddin and Hopper, 2001, 2003). Weber identifies this as traditional domination. According to him, traditional domination, exercised by individual or family, is primarily based on relations of personal loyalty. This has been demonstrated in many societies, including Bangladesh (Uddin and Choudhury, 2008). Personal loyalty, obedience, obligations to personal chief and being subject to a superior are necessary elements in maintaining a traditional society and economic activities. In case of traditional domination by traditional authority, obedience is owed to the person or the chief, who occupies the traditionally sanctioned position of authority and who is (within) its sphere bound by tradition. Here, a traditional chief exercises authority with or without an administrative staff. The typical administrative staff is recruited from traditional ties of personal loyalty like kinsmen, dependents etc. The administrative staff can also be recruited based on purely personal loyalty such as all types of ‘favorites’ people standing in a relation of fealty to their chief.

Weber states:

“The person exercising authority is not a ‘superior’, but a personal ‘chief’. His administrative staff does not consist primarily of officials, but of personal retainers. Those subject to authority are not ‘members’ of an association, but are either his traditional ‘comrades’ or his ‘subjects’. What determine the relations of the administrative staff to the chief are not the impersonal obligations of office, but
personal loyalty to the chief. Obedience is not owed to enacted rules, but to the person who occupies a position of authority by tradition or who has been chosen for such a position” (Weber, 1947, p. 341).

In contrast to the rational hierarchy of authority in the bureaucratic system, the decision in a traditional society is either taken:

- On the basis of the authority of particular received legal norms or precedents.
- Entirely on the basis of the arbitrary decision of the chief. Whenever he intervenes personally, all others give way to him.

The obligation of obedience is based on personal loyalty within the area of accustomed obligations (1978). Dyball and Valcarcel (1999, p.307), referring to Weber’s work, argue that:

\textit{Obedience is to the “master”, not to “enacted rules”. The master” is expected to do good turns, governed by an ethical common sense of equity or of utilitarian expediency. His exercise of power is bound only by resistance from his “subjects” It is impossible then for an “impartial” law or administrative rule to be intentionally created by legislation}

Weber’s work consequently expects that accountability and transparency in public limited companies in a traditional society would not transpire from imposed regulations and institutions. Owner-managers are expected to resist rational/formal regulations that do not serve the family’s interests (Dyball and Valcarcel, 1999). Legalistic (based on rational ideas) models would remain constricted in books and documents.

The Westernized model of governance and disclosure practices by policy makers for stock exchange listed companies may be perceived as a condition of the stable economic calculation of a “rational” society (Dyball and Valcarcel, 1999). Its efficacy is dependent on knowledge of techniques (that is, accounting, auditing and reporting standards) and facts. The audit is also a by-product of money accounting, which, according to Weber (1978), attains the highest level of rationality.

But in a “traditional” society, the “rational” and “traditional” economically oriented action is likely to have a very low level of rational calculation giving rise to a different substantive rationality for compliance, even though the motives are fully self-conscious, such as controls to serve dominant owners. Dyball, Chua, and Poullaos, (2006, p. 53) highlight further differences between the two, arguing, in Weberian terms,
that the institutions of community, market and state are conjoined in traditional societies. Several key elements of traditionalism appear to constitute traditional societies, including personal loyalty and the public display of loyalty, the master–servant relationship, and obedience to personal rather than formal authority.

The above axes of tension developed by Colignon and Covaleski (1991) has been used by Uddin (2009) to understand the management control systems in a traditional society. In a traditional setting, Weber (1978) expects the property and productive capacities of individual economic units to be primarily geared towards satisfying the master’s needs and preferences: that is, they are governed by a substantive rationality of economic action (Dyball and Valcarcel, 1999, p. 307). Under such circumstances, it might be possible that the accounting practices, including CSR disclosure practices might be geared towards satisfying the preferences of the owners of the organizations (The master in this case), which again, is targeted towards the preferences of the political power/“master”. Given the prevalence of the above elements of traditionalism, it might be interesting to understand if the CSR guidelines and regulations in traditional society like Bangladesh are also focused on the preferences of the master. The influence and domination by the politically connected members in the board decision-making and its impact on the disclosure practices can also be understood.

Thus, this research, based on the characterization of Weber’s rationality and traditionalism and drawing from Uddin (2009), uses the elements of traditionalism and traditional society (Dyball and Valcarcel, 1999; Dyball, Chua and Poullaos, 2006; Uddin and Choudhury, 2008; Uddin, Siddiqui and Islam, 2016) to understand the conflicts and tensions between substantive rationalities and domination and resistance (Colignon and Covaleski, 1991) of various social groups in a society to provide a better understanding to the issues of CSR disclosure practices in Bangladesh.

While the Weberian framework is deemed appropriate for the analysis of accounting practices, including CSR disclosure practices in a traditional society, however, the researcher also wants to identify if the organizations conduct corporate political activities in the name of CSR. The Weberian framework provides an insight into the motivations of the organizations to disclose CSR information, however, this framework can be extended to incorporate the various CSR reporting into different political activities. In other words, it might be interesting to know whether the companies use CSR a vehicle or means of their corporate political strategies.
Therefore, while understanding the different multiple rationalities of organizations for CSR disclosure, the current study provides an understating of various substantive rationalities of different social groups to conduct politicized actions in the name of CSR. In order to do that, this research also tries and analyzes the types of political activities conducted in a traditional society in the disguise of CSR. In order to do that, this research also tries and analyzes the types of political activities conducted in a traditional society in the disguise of CSR. This provides a richer explanation of the nature of politicized actions in the name of CSR. This research uses Skippari’s (2005) components of corporate political activities and Lord’s (2000b, 2003) corporate political strategies to categorize and analyze whether the CSR disclosures and activities are politically motivated.

The empirical findings in chapter six and seven will be informed by integrating the above-mentioned components and strategies of corporate political activities with the Weberian framework in a traditional society. The following section introduces the components and brief explanations of the various types of corporate political activities. The analytical themes developed in the next chapter is informed by the various components of corporate political activities.

3.4 Skippari’s Framework to Classify Politically Motivated CSR Disclosures

In order to frame the analysis in chapter six and seven, this research mobilizes Skippari’s (2005) components of corporate political activities and Lord’s (2000b, 2003) corporate political strategies as guidelines to identify the politically motivated CSR disclosures in a traditional society. The introduction chapter briefly presents the influence of having political connections of organizations in Bangladesh. The later chapters of the thesis will explain the political ties and connections more elaborately while developing the hypotheses and the analytical themes.

In order to identify if the organizations are disclosing CSR information to strengthen their political ties with the ruling party, it is important to identify if they are conducting corporate political activities in the name of CSR. The study conducted by Uddin, Siddiqui and Islam (2016) used Skippari’s framework as a guideline only to identify politically motivated CSR disclosures. Besides developing analytical themes, this research further uses Skippari’s framework and also Lord’s corporate political strategy more elaborately and informs and theorizes the empirical findings of the research.
Skippari (2005) identifies five categories of corporate political activity: election funding and petitions, executive lobbying, advocacy, advertising and coalition building. Skippari’s paper provides examples of political actions that fall under each of these categories. For example, ‘petitions’ involve sending formal communication to government as a response to increased government regulations; ‘coalition building’ includes actions taken to build a coalition with the government; ‘advocacy advertising’ involves attempts to indirectly support political views by influencing broader public opinion; ‘executive lobbying’ refers to actions taken by executives to personally contact political decision makers.

Lord (2000b, 2003) examines five different components or tactics of corporate political activities: Political Action Committees (PAC) contributions, advocacy advertising, professional lobbying, lobbying by senior executives, and constituency building. Lord defines PAC contributions as direct contributions to corporate affiliated political action committees, “constituency building” involve targeted effort to motivate certain stakeholders, namely the grassroots stakeholder base. Here, professional lobbying means the same thing as executive lobbying in Skippari’s definitions. Thus, the researcher uses Skippari’s executive lobbying in this thesis.

In Bangladesh, election funding, petitions or PAC contributions are not present. There is covert lobbying, but professional lobbying is not there. Therefore, the following categories are used in this thesis to identify the politically motivated CSR disclosures and activities.

- **Coalition Building:** According to Skippari (2005), ‘coalition building’ is a tactic to improve collective power. Skippari (2005) notes that coalitions between business executives and politicians can be of a temporary, issue-by-issue nature or a more permanent nature (for example, formulating a trade association that supports a particular political view). This is where the company executives and the politicians take collective actions to pursue a particular agenda.

- **Executive Lobbying:** Executive lobbying refers to attempts made by corporate executives to ‘personally’ contact political decision makers. Skippari (2005) notes that the executive lobbying strategy can be more commonly observed in some countries (mainly traditional settings), in which ‘personal connections between business executives and politicians’ have been traditionally close (Katzenstein 1985; Murtha and Lenway 1994).

- **Constituency Building:** Constituency Building involves targeted effort to
motivate certain stakeholders, namely the grassroots stakeholder base. The political actors can either take an altruistic view (i.e. listen and respond to grassroots feedback because they sincerely want to serve constituent interests) or a primarily self-interested view (i.e. listen and respond to grassroots feedback simply because they want to get elected and re-elected) (Lord, 2000b).

These definitions and categories serve as a complement to the Weberian framework for the analysis of the CSR disclosure practices in a traditional society.

The institutional features and structural conditions in a traditional setting reiterated that the conjoined nature of the traditional society makes accountability relationships lean towards the personal and the perpetual as opposed to the objective and ephemeral (as found in modern variants of market and state). In that case, it is possible that the organizations will conduct their economic and social activities to serve the objective of the familial power both at the organizational level and at the national level through corporate political activities in the name of CSR.

While the purpose of this research is not understanding how the organizations conduct their corporate political strategies or its implications, but the study uses the categorizations of the political strategies/actions to understand better how CSR reporting or disclosures can be identified as politically charged or motivated. This is integrated in the Weberian framework to enable the researcher to have a better understanding of how family led state politics influence the businesses and demonstrate whether and how personal loyalty and display of loyalty is important.

The next chapter will develop the analytical themes based on these categories and the findings in chapter six and seven will be informed by the framework adapted in this chapter.

3.5 **Summary**

This chapter develops the theoretical framework used in this study. The thesis uses Weber’s work on traditionalism and traditional society and the Weberian Framework developed by Colignon and Covaleski (1991) to provide an alternative theoretical explanation to the CSR disclosure practices of organizations in a traditional setting. The chapter discusses the different theoretical perspectives used in CSR studies over time across different context and presents the rationale and appropriateness of the chosen framing to explain the phenomenon.
Weber's work provides a basis for examining accounting practices in the socio-historical context of the Western capitalism. Colignon and Covaleski (1991) argued that Weber's work suggests three analytic layers within which to situate the study of the relations of accounting to organizations and society. First, they discussed the configuration of institutional features of society that facilitates capitalism, the enterprise, and accounting. Second, they discuss the historical dynamics that follow from the ideational tensions between formal and substantive rationalities. Third, the framework suggests the organizational analysis, including the accounting practices and procedures. This framework of understanding Weber's work suggests that accounting and enterprise operations are understood as rational only in context (Hindess, 1987).

Theoretically, Weber's framework provides a critical and political basis for evaluating accounting. This framework suggests that accounting practices are transcendent and inherent; compelling and constructed. Thus, the tensions between formal and substantive rationality provides a basis for examining accounting practices as both input and outcome of social processes. On the one hand, this tension provides the basis upon which to examine social problems as an outcome of accounting practices. Weber's use of accounting indicates that although accounting calculation may be considered neutral in its execution; accounting is not neutral in its consequences, which raises the issue of the social impact of accounting practices on organizations, industries, and society. On the other hand, this tension suggests accounting practices and procedures are mechanisms of domination and objects of struggle among social groups. This interpretation places the control of organizational accounting mechanisms at the center stage of organizational analysis by incorporating the issues of substantive value-interests, conflicts, coercion and resistance and legitimacy and membership.

Weber's work on traditional society and traditionalism suggests and acknowledges that these tensions, struggles and various rationalities may take a new form if the organization is situated in a traditional society.

Bureaucratic domination in enterprises in a traditional type society is often superseded by direct control from the dominant owners of the companies, who are often part of a family (Uddin and Hopper, 2001, 2003). Weber identifies this as traditional domination. According to him, traditional domination, exercised by individual or family, is primarily based on relations of personal loyalty. This has been demonstrated in many societies, including Bangladesh (Uddin and Choudhury, 2008). Personal
loyalty, obedience, obligations to personal chief and being subject to a superior are
necessary elements in maintaining a traditional society and economic activities. In case
of traditional domination by traditional authority, obedience is owed to the person of
the chief who occupies the traditionally sanctioned position of authority and who is
(within) its sphere bound by tradition. The framework developed by Colignon and
Covaleski (1991) of understanding Weber's work suggests that accounting and
enterprise operations are understood as rational only in context (Hindess, 1987).

In order to understand the political perspectives of CSR reporting practices in
Bangladesh, this chapter introduces the guidelines of Skippari (2005) and Lord (2000a,
2000b 2003) to understand the political activities in the name of CSR. This
complements the theoretical framework developed and helps to identify themes from
the empirics, which is explained in the research methods chapter later in the thesis.

Based on Weber’s methodologies, the next chapter discusses the first two layers of the
Weberian framework; structural conditions and historical background of the research
context and how it helps to situate the organizational analysis.
CHAPTER 4 INSTITUTIONAL CONTEXT OF BANGLADESH

4.0 Introduction

This chapter discusses the institutional context of the research site, Bangladesh. Corporate reporting, in general, and CSR, in particular, is greatly influenced by social, political, cultural, legal, economic and technological factors (Perera and Mathews, 1990; Mathews, 1993; Tsang, 1998). Said (1978) advocated incorporating the particular history and culture of a country in social accounting research and adopting a more critical approach.

Several studies in less developed countries including Bangladesh have shown that the socio-historical context, societal structure, global capitalism and politics have significant influence on organizational practices (Jones and Sefiane, 1992; Ouibrahim and Scapens, 1989; Uddin and Hopper, 2001, 2003; Uddin and Tsamenyi, 2005; Wickramasinghe and Hopper, 2005). Uddin and Tsamenyi (2005) revealed that local societal and political structures, alongside other factors, render the rational control and performance model, derived from private management practices and prescribed aid agencies, ineffective.

The Weberian framework chosen for this study acknowledges the importance of analyzing the structural conditions such as political institutions, culture and economic uncertainties in developing countries (Uddin, 2009). Weber’s methodologies of analysis encouraged the researcher to examine the external layers (structural and historical conditions), which profoundly influenced the understanding of the organizational practices; in this case, CSR reporting practices. In order to understand the influence of traditionalism and traditional society on CSR disclosure practices, the researcher reviewed relevant articles published in national and international newspapers and also the political and social literature to gain an understanding of the historical and structural contexts in which the organizations were located. According to Weber, these are separate but interacting methodologies.

The rest of the chapter is organized as follows: section 4.1 discusses the external layers of the Weberian framework; i.e. structural and historical dynamics of Bangladesh. In order to provide a better coherent discussion of the socio-historical context, the discussion of the institutional features of society that facilitates capitalism and the historical dynamics have been discussed together in the next section. Section 4.2
explains the familial political power and control and the prevalence of political connection and ties in Bangladesh. Section 4.3 discusses the presence of family controlled firms in the corporate sector of Bangladesh. Section 4.4 describes the legal framework for disclosure in Bangladesh along with the corporate governance mechanism. Finally, section 4.5 discusses the corporate social reporting practices and policies in Bangladesh followed by the summary of the chapter in section 4.6.

4.1 External layers: Structural Conditions and Historical Background

The development of capitalism in Bangladesh, as argued, is shaped by colonialism, exploitation, religious interventions and families (Uddin and Hopper, 2001), which portray the traditionalist feature of capitalism. This is also reflected by the size and nature of capital market in Bangladesh (Uddin and Choudhury, 2008).

The historical, cultural and socio-political background of the country provides evidence of that as well. Bangladesh (then called East Bengal), a part of India, was ruled by both Muslim and Hindu emperors for centuries. Thus, the historical culture and society of Bangladesh have been dominated by external influences. From the third century onwards, the Mauryas, the Guptas, the Pals, the Senas, Portuguese, French, English and the Muslims came one after the other to rule the land, grafting their way of life and culture into indigenous society (Choudhuri, 1992). However, the Muslims were able to root the Islamic culture deeply in Bangladeshi society (Choudhuri, 1992).

On the political arena, The British East India Company captured Bengal in 1757 and Bengal was eventually ruled by Britain from 1757 to 1947. The socio-economic structure of India changed during that period. Bengal, as a part of India also changed. Export, import and tax holidays were the initial strategies of the British East India Company. The colonial British regime became formally involved in the Indian affairs in 1857. The colonial British regime was not interested in setting up any industries for the economic development of British India. Rather, they were interested in producing raw materials for the industries in Britain (Sobhan and Ahmad, 1980) and providing structural conditions such as free markets (labor, product and capital) and other means of production for capitalists, especially non–indigenous people (Prasad and Negandhi, 1968). Sobhan (1980) pointed out that during the colonial period, not a single large-scale enterprise in East Bengal (now Bangladesh) was controlled by the Bengali Muslims (locals). However, most of the workers were from local villages and towns.
This form of colonial capitalism was racial and physically coercive, which led to its demise (Burawoy, 1985; Uddin and Hopper, 2001).

During this period, major changes occurred in the economy (Burawoy, 1985) communications, education and law structure (Parry and Khan, 1984). The communication structure was also improved with the introduction of the railway. Social changes occurred with the introduction of private property rights through a Permanent Settlement Order in 1793, which in turn created distinct classes i.e., peasant and Zaminder (rich land owners). During the colonial period, British rulers also shaped the legal structure according to the English legal system.

On the partition of India in 1947, Bangladesh became part of Pakistan and was known as East Pakistan. Following the British tradition, the Pakistani government encouraged the private sector and limited the public sector. However, due to lack of private capital, the strategy did not work well (Uddin and Hopper, 2001). Thus, the public sector was encouraged later, particularly in East Pakistan (now Bangladesh). The then new country began to industrialize by encouraging families, through various incentives, to make protected investments. This was to create an ideal typical capitalistic mode of production in an attempt to increase the state’s accumulation. The emergence of family entrepreneurs was not surprising given the strength of families/clans in societies even in the twentieth century West and East Pakistan (now Bangladesh). However, discriminatory economic development programs of West Pakistan promoted few West Pakistani families to own most of the industrial assets of Pakistan (Humphrey, 1987).

The country was controlled by the West Pakistani army personnel, bureaucrats and politicians. Many believed that there was a conscious and deliberate political and bureaucratic hand in promoting West Pakistani ownership (Ahmad, 1976; Sobhan, 1982). The Pakistani government policies of giving direct and indirect facilities to the private sector did help to create a generation of mostly non-Bengali capitalists, who were highly successful in transferring resources from East Pakistan to West Pakistan to the amount of US$ 6000 million (Khan, 1986). As a result, only a handful of West Pakistani families/capitalists dominated the corporate sector of the then East Pakistan (present Bangladesh) during the 24 years of the Pakistan period.

The attempts made by the state during the Pakistan period were based on race, politics and nepotism (Sobhan and Ahmad, 1980). At one stage, 22 families (all Pakistani) were controlling the majority share of Pakistan’s industrial assets (Sobhan and Ahmad,
Kochanek (1996) pointed out that only 18% of all industrial assets belonged to Bengalis, whereas Pakistani families owned 47%. Economic exploitation and political suppression by West Pakistani bureaucrats, politicians and the army led first to disenchantment, then to bitterness and finally to resistance, leading to the birth of Bangladesh in 1971 (Sobhan and Ahmad, 1980).

This is similar to Weber’s arguments for ideal capitalism, where structural conditions are favorable to the emergence of capitalism. However, he also argued that the ideal form of capitalism would be transformed into a substantive form as a result of country-specific cultural, political and historical conditions. Weber also recognized the traditional forms of capitalism in other developing countries such as Bangladesh (Uddin, 2009).

The demise of the Pakistani rule was seen as a threat to the physical security of the West Pakistani capitalists, forcing them to leave East Pakistan. This eventually created a conspicuous shortage of private capital and a huge governance vacuum in East Pakistan (present Bangladesh). This vacuum and shortage of private capital, coupled with the socialist ideology of the first Bangladeshi government led to the nationalization of the limited private sector owned companies resulting in an underdevelopment of local capital markets and a lack of private capital (Khan, 1986).

The industrial policy of the Bangladesh Awami League government, (the first government in Bangladesh) was intended to prevent the growth of the bourgeoisie and elite business class while developing labor intensive small scale industries as the base of industrial sector (Islam, 1977; Ahmed, 1989). In the first Five Year Plan of the Bangladesh government, 85% of the total investment was made in the public sector (Ahmed, 1989).

A four-tier management structure was implemented to link business enterprises and the cabinet, with the aim of making business accountable to the cabinet and ultimately to the general people. However, the administration, which oversaw these industries and businesses suffered from lack of transparency and developed close ties with politicians and business people (Ahmed, 1989; Islam, 1977). It has been suggested by some authors that in this way, a few groups of Bangladeshi capitalistic and bureaucratic elite developed from the political elite of the AL government. These elite groups were

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9 The first government of the Bangladesh was the Bangladesh Awami League led by Sheikh Mujibur Rahman, the father of the nation. The current Prime Minister of the People’s Republic of Government of Bangladesh is Sheikh Hasina, the elder daughter of Sheikh Mujibur Rahman.
capable both of dominating the industrial sector on one hand, and influencing the politics of Bangladesh on the other (Ahmed, 1989, Islam, 1977). Such elite groups exist in all societies, but in Bangladesh, a small socially important elite developed, which dominated the upper reaches of the government, industry, commerce and education. These elites usually operated in a system of mutual favor with the politicians. These people managed big business and contracts, committed financial crimes and provided low quality work in the public regime (Islam, 1977; Choudhuri, 1992). Thus, indigenous elites adopted a view that political positions were platforms to accumulate personal economic wealth. In Weberian terms, this reflects affirmation of a traditional view of state governance, where private house transactions are mixed with the public.

Consequently, the nationalization programme of Bangladesh enabled the state to hold almost 92% of the industrial assets. However, the ideal capitalism did not materialize, though it shaped the new form of capitalism. (For details, see, Uddin and Hopper, 2001). Strong trade unions, political turbulence and severe resource constraints led the state’s accumulation into serious financial difficulties (Murshed, 1989; Sobhan and Ahmad, 1980; Uddin, 1987).

Eventually, the Bangladeshi government came under increasing economic and political pressure from international lending agencies and the West to reorient its economic policies (Adam, Cavendish and Mistry, 1992; Cook and Kirkpatrick, 1995).

After a short period of ‘state capitalism’ in Bangladesh (Uddin and Hopper, 2001), the state, governed by family led political parties (Uddin and Choudhury, 2008) and dictated and pressurized by global, political and economic conditions, adopted a ‘privatization policy’ and began to sell public enterprises to individuals/families with strong political ties (Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005), giving rise to ‘crony capitalism’ (ADB, 2003). Protection for trade unions and workers was drastically reduced in order to create compliant labor markets for private capital (Sobhan, 1982). State enterprises were sold to families at low prices, giving rise to family capitalism in Bangladesh (Uddin and Hopper, 2003). This trend of capitalism emerged in the context of family-led politics, a poor regulatory framework, weak enforcement of existing corporate laws and a generally very weak capital market (Uddin and Choudhury, 2008).

With the change of government and emergence of the military rule following the assassination of Sheikh Mujibur Rahman in 1975, there was a policy shift toward
privatization and the promotion of the private sector. Mahmud, Ahmed and Mahajan (2008) mention that it was out of pragmatism that the shift in policy away from socialism to private sector development was initiated within a few years after independence. The denationalization of the earlier abandoned enterprises still continued at varying speed into the 1980s, when a second wave of divestment was initiated under the next military government. The operation of the nationalized industries was primarily driven by the objective of enriching a few politically favored private individuals (Momin, 2006).

As Uddin and Hopper (2003) report, ‘coupled to poor financial regulation and legal enforcement and weak capital markets, it was a breeding ground for crony capitalism associated with familial transactions, patronage, and irregular financial practices’ (Uddin and Hopper, 2003, p.768). Uddin and Choudhury (2008) argued that the poor form of governance and accountability is also linked with post-independence Bangladesh’s family-led political parties. Weber (1978) predicted these outcomes in a traditional form of society. The prediction was that structural conditions for rational capitalism will not be fully developed, and will be shaped and transformed by the strong presence of family and clan culture (Dyball and Valcarcel, 1999; Dyball, Chua and Poullaos, 2006). Weber (1968, 1978) recognized the effects of familial or clan ownership upon internal organization and external accountability.

The changes in the political and economic policies over the period suggest that in Bangladesh, the colonial regime was replaced by an autocratic state (Uddin and Hopper, 2001). This despotic state did not improve the quality of life of the people of the country; rather it only improved the life of a small portion of the society, basically, the state and the political, social and business elites (Uddin and Hopper, 2001; Momin, 2006). Thus, it is evident that, like other traditional societies, colonization, exploitation, religious interventions and social elite groups, particularly families have shaped the development of capitalism in Bangladesh (Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005).

The social and political conditions set the context for familial and arbitrary decision-making regarding disclosure, one form of substantive rationality, at the organizational level. This tends to be associated with external reporting and disclosure practices, that transmit the owner’s whims rather than the professional decision-making systems of the
large, institutionally owned and professionally managed companies that characterize Western and global capitalism. Similar instances are captured in Uddin (2009), where he describes the management control systems in a traditional society.

Given the structural conditions and historical background, which developed the traditional capitalism in Bangladesh, the following section describes the confrontational political power and control and the various forms of political connections and ties present in Bangladesh.

4.2 Familial Political Power & Control and Political Connections in Bangladesh

Family and kinship ties are deeply rooted in Bangladesh’s political and economic history. The power of family and friends often shapes the political power within the Bangladeshi state. Many studies have shown that weak state power is linked with strong family power over various institutions (Jiggins, 1979; Sobhan and Ahmad, 1980; Mannan, 1992). The following section describes the familial political power in Bangladesh.

Since its liberation from Pakistan in 1971, Bangladesh has lacked a strong and effective political environment (Ali, 1999). In the main, two families have shared power in Bangladesh’s political history. The major two political party leaders in Bangladesh, The Bangladesh Awami League and the Bangladesh Nationalist Party (BNP) came into the political arena due to their inheritance from the deceased leaders. Previous studies have also argued that the core decision structure in major political parties and elected government has always been influenced and controlled by their kin (Mannan, 1992; 2006; Sobhan and Ahmad, 1980). Mannan (2006) reported that major political parties in Bangladesh which vow to establish democracy lack inner-party democracy. When these families come to power, they devote themselves to eroding constitution and institutions under the disguise of protecting them (Hyden, 1983). Mannan (1992, p.52) argues that political factionalism, derived from family politics, essentially undermines the rule of law and institutions to maintain their loyal supporters in various positions within the institution. According to Uddin and Choudhury (2008),

*This is also termed the personification of the institutions. The increasing influence of the tribunes and their family members put pressure on the existing public institutions of state and civil society, which has resulted in disorganization and deinstitutionalization (Uddin and Choudhury, 2008, p. 1031).*
The Institute of Governance Studies (2008) reported that, in a culture of political confrontation leading to patron–client relationships, the ruling party attempts to create loyalty and allegiance to state institutions, resulting in the widespread politicization of such institutions, especially in their bureaucracy. Political division is so deeply rooted that even candidates contesting elections of a non-political nature (for example, elections for professional bodies such as a university teachers’ association, doctors’ association, engineers’ association, supreme court bar association, journalists’ association, etc.) will need to have direct backing from one of the parties. Both parties have student factions in higher educational institutions and labor unions in all state-owned entities (Uddin and Hopper, 2001). Either the Awami League or BNP backs all the trade and professional associations. This political club is glued by kinship and its members are protected by primordial loyalty. Tribunes protect corrupt kin, enabling them to accumulate wealth, and allow kin to interfere in the governance of the state. Thus, political families play an instrumental role in pulverizing state institutions. The continuous interference renders the state dysfunctional and unaccountable to the people. This is also reflected in the historical background of Bangladesh, which developed this crony capitalism.

While conducting the fieldwork of this research, evidence in terms of political ties were found, which is discussed in detail in later chapters with connection to the CSR disclosure practices in organizations.

The confrontational politics pursued by these two leading political parties have led to the creation of a culture that permits only wealthy influential people to be elected to public offices. While many politicians think the easiest way to earn money is through business, many businessmen believe seeking and maintaining political ties will help them expand their business (Zaman, 2011). Active participation in politics by businessmen is quite common which has been reflected in past parliamentary elections in Bangladesh. According to the declarations of candidates, 68 per cent of members of parliament elected in 2008 were businessmen (The Daily Star, 2015). Mahmud, Ahmed and Mahajan (2008) point out that a parliament dominated by businessmen contributed to the strong political ties between family-led political parties and businesses. This transformation in politics has had an important impact on the policy-making process. A parliament dominated by businessmen would try to enact or prevent laws to protect their sources of income, legal or illegal. Examples have been cited in Mahmud, Ahmed and Mahajan (2008), which show how businessmen-turned-politicians exercised
political influence to earn illegal incomes, but later moved into legitimate businesses. The social and political elites are so powerful that nobody can challenge them and it is nearly impossible to find any documentation or evidence against them because they abuse the whole system (Bangladesh Observer, 1996). Lack of evidence is expected in a traditional society as characterized by Weber (1968). Accountability and transparency and governance as defined in the modern rational society are absent.

Consequently, political patronage has become almost a necessary condition for obtaining government permission to operate in major industries such as banking, media, power and energy, textile and the emerging telecommunications sector (Uddin, Siddiqui and Islam, 2016). Under such circumstances, it may be possible for companies to gain and maintain legitimacy by using CSR as a vehicle through to demonstrate loyalty to the elected party/family. Uddin, Siddiqui and Islam (2016) present evidence from the annual reports of CSR disclosure being politically motivated.

4.3 Family Domination in the Corporate Sector

In Bangladesh, under the Companies Act 1994, a maximum of 50 percent of the total issued capital can be retained by sponsor directors (i.e. the promoters of the company who also act as directors until the first directors are elected) while going public. The remaining portion is distributed to the general public, financial institutions, non-resident Bangladeshis, and employees of issuing companies.

However, the corporate sector in Bangladesh is predominantly controlled by founder families or groups of families. Research has also shown, that, like other least developed countries (LDCs), the ownership structure of the large listed companies in Bangladesh is primarily dominated by families (Dyball and Valcarcel, 1999; Dyball, Chua and Poullaos, 2006). More interestingly, but not surprisingly, the Board of Directors in most of the listed companies in Bangladesh comprise of very close family members.

Muzumdar (2006) comments that most of the listed companies, except multinationals, are dominated by family members, as the head of the family becomes the Chairman and other family members occupy the important posts such as CEO or Managing Director. Hence, as expected in a traditional setting, the listed companies are not free from this prototype of governance, which is fittingly called ‘family capitalism’ or ‘crony capitalism’ (ADB, 2003), and is reflected in the historical dynamics and colonial legacy of Bangladesh.
Farooque *et al.* (2007) found that approximately 78 percent of CEOs are shareholders of Bangladeshi firms, either as founder shareholders or as descendants of founding families. The study also found that the five largest shareholders hold more than 50 percent of the shares in Bangladeshi companies. They even reported that corporate governance systems in Bangladesh are firmly based on family ownership, and in most firms, controlling families dominate the boards, filling positions of executive directors, and CEOs. In their study, they also mentioned that,

“The Corporate governance system in Bangladesh is firmly based on family ownership and insider domination. In most firms, majority shareholders are family groups and in a few firms, government is the major shareholder. Controlling families dominate the boards in most companies, filling positions of executive directors, and CEOs” (Farooque *et al.*, 2007, p.132).

A survey conducted by Sobhan and Werner (2003) found that an overwhelming majority (73 percent) of the boards of non-bank listed companies was heavily dominated by sponsor shareholders ‘who generally belong to a single family-the father as the Chairman and the son as the Managing Director is the norm’ (Sobhan and Werner, 2003 p.34).

The table below provides a glimpse of the top 20 listed companies of category A excluding banks, financial institutions, insurance and MNCs. in the Dhaka Stock Exchange and their shareholdings:
Table 4: Breakup of Shareholdings of Category A Listed Companies

Adapted from Uddin and Choudhury (2008)

4.4 The Legal Framework of Disclosure and the Corporate Governance Mechanism in Bangladesh

The Bangladesh corporate sector is characterized by a relatively unsophisticated legal and regulatory framework (Farooque et al., 2007). This section discusses the legal framework of disclosure, the corporate governance mechanism and the role of the relevant regulatory bodies in Bangladesh. The regulatory framework, which governs the disclosure in Bangladesh mainly, consists of the Companies Act 1994, the Securities and Exchange Commission (SEC) Rules 1987 and the International Accounting Standards adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). The other distinct sets of regulations are the Nationalized Order 1972, The Banking Companies Act 1991, and the Income Tax Ordinance 1984 (GOB, 1984) for banking, railways, electricity and insurance companies.

Bangladesh adopted the Companies Act 1913 from the then British India. The accounting reports were mainly drafted and audited along the lines of regulations set
out in two sets of regulations: the Companies Act 1913 and the stock exchange listing requirements. This was changed in 1993. Being advised and funded by the donor agencies, the SEC, as an autonomous body, was established in order to strengthen the capital market. Soon after, the Companies Act 1913 was replaced by a new Act in 1994 with major amendments made in disclosure requirements and financial reporting for limited corporations. Section 185 of the Companies Act 1994 provided the mandatory disclosure items on the balance sheet and income statement and section 186 provided a list of information items that must be disclosed in the directors’ report. (GOB, 1994).

The following table shows the mandatory and voluntary disclosures in Bangladesh.

<table>
<thead>
<tr>
<th>Issues</th>
<th>Mandatory/Voluntary</th>
<th>Origination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Data*</td>
<td>Mandatory</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Originated in the Companies Act and the Securities Exchange Rules 1987</td>
</tr>
<tr>
<td>Employee Cost and Number**</td>
<td>Mandatory</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Originated in the Companies Act and the Securities Exchange Rules 1987</td>
</tr>
<tr>
<td>Charitable Donations</td>
<td>- Voluntary</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Director’s information</td>
<td>Mandatory</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Originated in the Companies Act 1994</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Mandatory</td>
<td>-</td>
</tr>
<tr>
<td>Pension</td>
<td>Mandatory</td>
<td>-</td>
</tr>
<tr>
<td>Consultants/Employees</td>
<td>- Voluntary</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>- Voluntary</td>
<td>Though Factory Act 1965 requires information on health and safety, but providing this information in the annual report is not mandatory in Bangladesh</td>
</tr>
<tr>
<td>Employee share ownership</td>
<td>- Voluntary</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Disabled Information</td>
<td>- Voluntary</td>
<td>Voluntary</td>
</tr>
<tr>
<td>Contribution to PF fund</td>
<td>Mandatory</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Originated in Worker’s Profit Participation Fund</td>
</tr>
<tr>
<td>Contribution to National Exchequer</td>
<td>Mandatory</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Originated in the Companies Act 1994.</td>
</tr>
<tr>
<td>Value Added Statement</td>
<td>- Voluntary</td>
<td>Voluntary</td>
</tr>
</tbody>
</table>

Table 5: The Mandatory and Voluntary Disclosures in Bangladesh

Adapted from (Momin, 2006) and modified by the author.

The listed companies must comply with the rules of the SEC to be listed on the stock exchanges and thereby they fulfill the listing requirements in addition to the requirements of the Companies Act 1994.
The financial reporting environment in Bangladesh (i.e., general disclosure framework in accounting is not in accordance with full conformity with international standards. In fact, financial disclosure is made primarily to satisfy the tax authorities rather than meet the needs of investors, and markets do not necessarily reward more transparent firms. The SEC in Bangladesh has made it mandatory for listed companies to comply with International Accounting Standards (IASs/IFRSs) and International Standards on Auditing (ISAs) as applicable in Bangladesh in form on Bangladesh Accounting Standards (BASs) and Bangladesh Standards on Auditing (BSAs) respectively. In relation to the reliability and comparability of financial information, Ahmed and Karim (2005) noted that the general level of compliance of Bangladeshi firms to IASs is at satisfactory level.

Corporate governance is identified as one of the determinants of CSR disclosure in the literature review and thus, it is useful to understand the corporate governance mechanism prevalent in Bangladesh. Also, this study examines the efficacy of rational Western corporate governance mechanisms in a traditional context and how the traditional social structures, characterized by families, may affect Western solutions in Bangladesh.

Although Siddiqui (2010) highlighted that Bangladesh has adopted an Anglo-Saxon model of corporate governance, the corporate governance system prevailing in Bangladesh is arguably a hybrid of outsider-dominated market-based systems (i.e. the market or compliance based model of the U.S.A. and the U.K.) and the insider-dominated bank-based systems (i.e. the control or relationship-based model of Germany and Japan) (Farooque et al., 2007). In Bangladesh, corporate governance regulations currently stem mainly from four established institutions: the accounting profession, the Securities and Exchange Commission (SEC), stock exchanges and the Registrar of Joint Stock Companies (RJSC) – a government organization. These institutions enforce various regulations and standards, such as the International Auditing Standards adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Companies Act (1994), the Securities and Exchange Commission, and stock exchange listing requirements (Zaman and Rahaman, 2005).
Figure 4: Corporate Governance Mechanisms in Bangladesh.

Adapted from (Uddin and Choudhury, 2008)

The primary government regulator in the Bangladesh corporate governance scenario is SEC. Established in 1993, the SEC’s objective is to “protect the investors, promote and develop capital markets in Bangladesh, and regulate the securities market” (Hossain, Perera and Rahman, 1995). The government funds the SEC; the government also recruits the Chairman and three members in the board. Overall, the SEC has been given the responsibility for conducting the business affairs of the capital market. The SEC has the power to contact companies to obtain more information, to request explanations of accounting items and for other reasons, such as an abnormal share price, etc. The SEC, in case of any default, has the power to impose penalties. The SEC also oversees the operating affairs of the stock exchanges in Bangladesh. For example, the stock exchanges are required to consult the SEC before the appointment or removal of their chief executive officers (CEOs). The SEC also keeps a close eye on the daily affairs of the stock exchanges. Being advised by the ADB, the SEC encouraged stock exchanges to reform the daily transaction system.
The Dhaka Stock Exchange (DSE), being financed by the ADB, introduced an automated, on-line, screen-based trading system like their Western counterparts in 1998. In 2004, the Central Depository System (CDS) for electronic settlement of share trading made its debut in the DSE. These reforms were to achieve transparency and enable rapid transactions. In 2013, the exchange demutualization act was passed by the parliament and transformed into a demutualized exchange on the 21st November 2013.

Besides the above-regulatory actors, the government, via the Ministry of Finance, continues to influence the capital markets, often at the behest of aid agencies and indeed international financiers. The ministry/government is the appointing authority for the top officials of the SEC. The corporate governance structure presented above is not far from that in Anglo-American countries in an idealist form, albeit with some forms of government intervention (Singh and Zammit, 2006).

In addition to the above-mentioned established regulatory institutions, there are a number of civil society think-tanks that have from time to time provided guidance on corporate governance in Bangladesh, the Bangladesh Enterprise Institute (BEI) being the most prominent. The BEI conducted the first major study on corporate governance in Bangladesh in 2002. The project, funded by the Department for International Development (DFID) and the Commonwealth Secretariat, compared the existing corporate governance practices in South Asian countries. Having identified the lack of governance in the corporate sector in Bangladesh, and lack of legitimacy of the professional and regulatory bodies, the BEI set about developing a code of corporate governance in Bangladesh (BEI, 2004). It is important to note that the BEI is strictly a private-sector entity with no statutory or regulatory power. Also, unlike the Cadbury Code (1992) or the Combined Code (FRC, 2003) in the UK, the BEI code has not been adopted by any stock markets. Nevertheless, the BEI code is the first comprehensive set of corporate governance guidelines in Bangladesh.

Surprisingly, even though the BEI is an independent private-sector body, the BEI’s taskforce on corporate governance included members from the Bangladesh Government and other important regulatory agencies, including the Chairman of the SEC. Consistent with corporate governance codes in other parts of the world (for example, the OECD guidelines (1999) and the Combined Code (2003) in the UK), the BEI corporate governance code (2004) incorporated notions of independent directors on the board, separation of the Chairman and the CEO and the formulation of audit committees.
4.5 CSR Reporting Practices in Bangladesh

This section of the chapter discusses the CSR reporting practices in Bangladesh. The section in divided into two sub sections: (i) the first sub section discusses the regulatory support and incentives of the Government of Bangladesh to encourage CSR activities as well as their reporting (ii) the second one talks about the nature of CSR disclosures in Bangladesh.

4.5.1 Regulatory Support and Incentives

The regulatory framework in Bangladesh requires corporations to disclose a minimum amount of information primarily financial in nature. CSR disclosure, in general, is voluntary in nature for both listed and non-listed companies in Bangladesh with the exception of disclosure of expenditures on energy usage. The energy usage disclosure is required under the Companies Act of 1994 and the Securities and Exchange Rules of 1987, which entail the total amount spent on energy to be shown as a separate expenditure in the notes to the financial statements (Belal, 2001).

The government of Bangladesh is set to formulate common guideline for CSR. The draft guideline titled “Developing the National CSR guidelines in Bangladesh” is jointly prepared by the ministries and the CSR center in Bangladesh. The guideline will focus on encouraging CSR processes at the company level and emphasize on how CSR should be integrated into business practices. However, the guideline is currently at the preliminary stage of development (Kallol, 2016). Nevertheless, in order to encourage organizations to conduct CSR activities, certain incentives have already been put in place by the government, especially for banking companies, through fiscal regulations and central bank directives.

In 2008, in order to mainstream CSR in the corporate sector, the government through the National Board of Revenue (NBR) has set out fiscal incentives for all CSR expenditure in all public limited companies. The NBR issued a statutory regulatory order (SRO) that allowed companies to claim 10% tax rebate on the actual amount spent on CSR activities (GOB, 2008). This SRO was published in 2009 identifying 17 items that would qualify as CSR activities (SRO 270—Law/2009, 15 January 2009, Government of Bangladesh). The SRO identified specific economic, environmental and social development activities that would qualify for such exemptions. The current political regime led by the Awami League government subsequently extended the scope of the rebate in 2011, issuing a new government directive, SRO 229—
Law/Income tax/2011, which includes new areas of CSR activities qualifying for CSR tax rebates. The list of the CSR activities qualifying for tax rebates is included in the appendix (Appendix B). The new order set a maximum threshold of BDT 80 million or 20% of total income of the companies for CSR-related activities that qualified for the 10% tax rebate. The three new areas of CSR activities qualifying for CSR tax rebates are: donations to the liberation war museum, donations to the Father of the Nation memorial and contributions to the Prime Minister’s Education Fund. However, the first two categories incorporated in the fiscal incentives list of CSR is argued by Uddin, Siddiqui and Islam (2016) to be the government’s pre-election manifesto / personal agenda. Interesting, this is expected in a traditional setting as characterized by Weber. Regulations and policies might be set in such a way that it served the interests of the master (here, the ruling party). The empirical evidence in chapter seven provides support to this argument.

According to the government order, any company will have an exemption of income tax at the rate of 10% for actual cost/money expended in corporate social responsibility. However, the organizations need to fulfill certain conditions and criteria in order to be eligible for tax exemptions. For example, companies must pay the salary allowance of their staffs regularly, they must pay their value added tax (VAT), they must comply to all regulations of Bangladesh Labor Act, 2006 and so on. (The full list of the conditions that is needed to be fulfilled is given in appendix B). In addition to fulfilling the conditions, the tax exemption will not be applicable for the amount expended in excess of 20% of gross income of the company or BDT 80 million, whichever is lower.

These fiscal incentives of the government, on one hand, encourages CSR activities of organizations, but on the other, creates an environment where the CSR activities of the organizations can potentially be abused. Companies need to donate to organizations approved and preferred by the government in order to get tax rebates and exemptions. This is typical of traditional setting where the master creates rules and regulations according to their preferences. The regulations are formulated by the political power to maximize their self-interests and the companies also comply in order to express loyalty or satisfy the “motivational ethos of the leaders”. The details of how the regulations can potentially be abused and how the organizations respond to the regulations and incentives are discussed in details in the empirical analysis (chapter seven and eight).
The financial sector of Bangladesh has been actively participating in various social activities especially, in the areas of education, health, sports, benevolent activities like donations to different charitable organizations, to poor people and religious institutions, city beautification and patronizing art & culture, etc. (Khan, 2010). However, these efforts were hardly recognized and labeled as CSR activities since most of the financial institutions have not integrated CSR in their routine operation; rather these were in the form of occasional charity or promotional activities (Bangladesh Bank, 2012).

The central bank has taken initiatives in respect of formalizing CSR in the banking sector of Bangladesh and issued an elaborate directive to the banks and financial institutions on June 1, 2008 in this regard. Bangladesh Bank issued a comprehensive circular titled ‘Mainstreaming Corporate Social Responsibility (CSR) in banks and financial institutions in Bangladesh’. In that circular, CSR was defined as activities which (i) consider the economic, social and environmental consequences of a business, (ii) mitigate the negative impacts and bolstering the benign effects, (iii) initiate action programs and community investments to trim down social exclusion and inequality as well as to address the core sustainable development challenges. The agreed meaning of ‘sustainable development’ in this definition is:

...fulfilling the requirements of the current generation without cramping the capacity of future generations.

The comprehensive circular also defined the strategic objective for CSR engagement, provided some priority areas with a suggestion to foster CSR in their client businesses, and suggested a first time CSR program indicating some likely action plans. In the 2008 memorandum, the Bangladesh Bank instructed banks and financial institutions to:

a) address key sustainable development challenges,

b) follow the Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI) and

c) initiate CSR programs

While the adoption of these initiatives was voluntary, the reporting and disclosure of information on CSR activities was mandatory. In addition, the Bangladesh Bank continues to monitor CSR adoption and performance of banks and financial institutions as an additional measure of bank’s management performance. This memorandum stimulated banks and financial institutions to undertake CSR activities.
Bangladesh Bank also formed a partnership with the International Finance Corporation (IFC) soon after the Copenhagen climate change conference in 2009. Bangladesh has been identified as one of the most vulnerable countries to climate change. Financing incentives were declared by the IFC and Bangladesh Bank to encourage commercial banks to engage with environmentally friendly projects (The Financial Express 2009). Green Banking is also encouraged and promoted under the CSR umbrella. Additionally, the Bangladesh Bank issued a circular identifying a number of priority areas for CSR (Bangladesh Bank 2008). The priority areas include financing programmes to encourage biomass and solar power projects, credit programmes for the diversified production of crops, programmes to support the prompt delivery of remittances from migrant workers and programmes to finance folk arts, music and crafts (Section 1.2, DoS circular no 01, 1 June 2008, Bangladesh Bank). A comprehensive guideline on CSR has been issued where banks have been asked to concentrate hard on linking CSR at their highest corporate level for ingraining environmentally and socially responsible practices and engaging with borrowers in scrutiny of the environmental and social impacts (Financial Express, 2015). In this way, social and environmental responsibility is also encouraged in all other sectors. The Bangladesh Bank also provides leadership and influences the banking sector and all other sectors through the banks by enacting regulations/guidelines. In addition, it stimulates new and existing business associations to engage in CSR activities by organizing joint seminars, workshops and presentations.

Besides, mainstreaming CSR in all other commercial banks and financial institutions, the central bank also streamlined their own CSR activities. In November 2009, the Bangladesh Bank introduced seventeen key strategies for the next five years (2010-2014) to pursue its mission and vision and to address needed developments and changes (Sadeq, 2002). The Bank promoted CSR activities as one of the key strategies to implement environmentally responsible and socially equitable business practices for the sustainable development of Bangladesh. As part of its CSR strategy, they decided to make CSR a mainstream practice of banks and financial institutions in Bangladesh. To achieve this objective, the bank undertook four action plans: a) monitoring the CSR efforts of banks and financial institutions, ii) adopting energy efficient, environmentally friendly and harmless emissions in Bangladesh Bank installations, iii) initiating steps to attain the skills and knowledge needed to measure the carbon footprint of the Bank’s organizational practices and processes and iv) exploring new areas for CSR activities and identifying the need and scope for policy support.
Given the regulations and incentives to mainstream CSR in Bangladesh, it is useful to see if the incentives provided by the government of Bangladesh and the central bank, in any way, influence the nature of CSR disclosures or the motivations of the organizations to conduct such CSR activity. The following sub section presents the nature of CSR disclosures primarily in the annual reports of Bangladesh.

4.5.2 Nature of CSR Disclosures

Given the regulatory incentives provided by the Government of Bangladesh to encourage CSR expenditures in various sectors, it might be reflected in the nature of the CSR disclosures of the organizations. Previous studies investigating CSR disclosure in Bangladesh have found such disclosure levels to be significantly low (for example, Belal, 2000) and of rather descriptive in nature, mostly reporting positive news (Imam, 2000) and indicating no attempts for independent verification. The study by Belal (2000) also reports that the highest level of CSR disclosures prevailed in the banking sector. A major limitation of his study is its failure to locate social disclosures in Bangladesh in a broader socio-political and economic context (Belal and Momin, 2009). However, Belal (2000) described social reporting practices in Bangladesh in such contexts.

The companies in Bangladesh voluntarily report social and environmental activities in their annual reports, corporate magazines and/or any other form. They incorporate information regarding employees, community, environmental, or product-related issues. Belal (2001) reports that a significant portion of the CSR related disclosure-involved information regarding employee related information. The study helps explain why a particular social disclosure category is more prevalent in Bangladesh. For example, the reason for the highest number of disclosures in the ‘employee’ category is probably due to unionized labor forces and the emphasis on workers’ welfare in the Labor Policy of Bangladesh. This is also due to the international pressure and scrutiny in the export oriented industry (Islam and Deegan, 2008). The paper also questioned the credibility of such information, as the disclosures were mostly descriptive in nature. Azim, Ahmed and Islam (2009) in a study of CSR disclosures by listed public companies in Bangladesh in 2007, revealed that only around 16% companies made such voluntary disclosures. Another study by Rashid and Lodh (2008) adds another dimension to existing CSR research on Bangladesh by examining the influence of ownership structure and board composition (measured by the percentage of independent directors) on CSR. Their findings suggest a smaller influence of ownership
structure but a significant influence of board composition. On the basis of these findings, Rashid and Lodh (2008) recommend mandatory CSR in Bangladesh.

Researchers also attempted to identify the underlying perceptions and motivations for CSR disclosures in Bangladesh. Belal and Owen (2007) conducts an interview-based study to capture the views of corporate managers regarding the current state and future prospects of CSR reporting in Bangladesh. Interviews with managers working in public and private sector entities and multinational companies operating in Bangladesh reveal the desire to satisfy key stakeholder groups to be the principal motivation for CSR reporting in Bangladesh. Managers working both in private and public entities identify government as a major stakeholder as it has the power to regulate the companies. Instructions from parent companies and concerns raised by buyer groups are also recognized as significant sources of pressure, especially for multinational companies and export-oriented industries. Other stakeholders mentioned by the respondents include media and influential lobby groups, and stakeholder groups such, as the community, environment and wider society were either ignored or virtually unheard of. The role of ‘powerful’ stakeholder groups is also mentioned by Islam and Deegan (2008) as the principal driving force for CSR disclosures in Bangladesh. This is consistent with findings in other developing countries for example, Rahaman et al. (2004) which identify constant pressure from World Bank as a major influence for environmental reporting in Ghana. Belal and Roberts (2010) expressed concerns that the motivation and practice for CSR in Bangladesh stems from international pressure, and the tendency to adopt stricter CSR regulations may lead to corruption or other unintended consequences, given the social and political environment prevailing in Bangladesh. Belal and Cooper (2011) in their paper reports the main reasons for not disclosing the social and environmental information is the absence of legal requirements, lack of awareness, shortage of resources and fear of bad publicity. They highlighted in their paper that CSR disclosures are often made in response to the demand from state agencies in the form of formal regulation (Jacobs and Kemp, 2002) as well as from non-governmental, or social institutions, in the form of informal regulation, such as social pressures, sanctions and boycott (Tilt, 1994). In Bangladesh neither formal nor informal regulation presently requires companies to disclose. While these studies captured a number of determinants, none of them explored the influence of the political power in Bangladesh. Given the historical and socio-political dynamics, the interesting nexus between the political elites and businesses might have impact on the nature of disclosures. This research explores whether this is so.
The disclosure pattern also depends on the type of industry. For example, industries in the textile and garments sectors disclose different type of social and environmental information that the companies in the pharmaceutical sector. The garments and textile industries disclose more information on the health and safety, child labor, training and development etc. (See, Islam and Deegan, 2008). However, pharmaceuticals companies tend to disclose more on R&D and product related information while the telecom sector includes more on inclusion.

One of the major components of CSR disclosure in the annual reports of the listed companies is charitable donations and philanthropic activities/ community involvement. Companies donate a substantial amount of money in education, health, arts and cultural sector as part of the philanthropic activities under CSR (see Bangladesh Bank Annual Report, 2008, 2010, 2011, 2014, 2015). The concept of philanthropic activities as CSR practices in Bangladesh is deeply rooted in the country’s heritage. Bangladesh’s culture of philanthropy was influenced over many years by religious values of Hinduism, Islam, Buddhism and Christianity (Uddin, Siddiqui and Islam, 2016). According to Bangladeshi historical background discussed in previous sections, both Hindu and Muslim Zaminders (kings of small estates and rich citizens) established temples, mosques, schools, colleges, medical centers, water tanks, etc. Devoted Muslims in Bangladesh are also influenced by the Islamic culture of charity (Khair and Khan, 2007).

Though all listed companies, to certain extent, disclose CSR information, but the amount of disclosure is more in the financial sector and banks. This reflects the influence of the regulations and initiatives by the central bank to encourage CSR activities. As described in the section above, the central bank has taken the leadership in mainstream CSR in Bangladesh. In terms of disclosures and reporting also, the central bank has been publishing CSR review report annually to trace the CSR activities conducted by the financial institutions. According to the central bank CSR annual report, the most common CSR activities (mainly donations and philanthropic activities) disclosed in the annual report by all financial institutions primarily include:

- **Disaster relief and rehabilitation:** This includes donations and relief in the form of cash and kind during national crisis like natural disasters or even manmade disasters (Bangladesh Rifles (BDR) Carnage, Nimtoli Fire etc.)\(^\text{10}\).

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\(^{10}\)On 3 June 2010 a tragic fire in Nimtoli, a densely populated part of Dhaka, the capital of Bangladesh, killed 116 victims. Owing to the gravity of the incident and its politically sensitive location (in an
Every company, as part of their CSR activities, contribute to help the affected victims and also in the rehabilitation.

- **Education:** Where more and more organizations have taken long-term or renewable scholarship programs for under-privileged but meritorious students for the persuasion of their studies instead of providing one-time recognition awards to good performers.

- **Healthcare:** Where companies provide continued financial support for maintaining operating costs of health care organizations, providing medical equipment, funding research and development in the medical units. For instance, Uddin, Siddiqui and Islam (2016) mentioned that several banks made donations towards infrastructural development in established private hospitals owned by powerful political leaders. Donations were also made to organizations owned by or closely associated with ministers and political leaders. For instance, one large local bank donated one million BDT to an eye hospital owned by the prime minister’s health advisor.

- **Arts and Culture:** Which ranges from promoting the traditional Bengali culture to sponsoring clubs and institutions.

- **Helping poor and destitute in winter:** Which primarily involves donating and distributing winter blankets and warm clothes or donations during crisis. It also includes donations to the poor people in rural areas. (Bangladesh Bank, 2012).

Usually, the organizations disclose the CSR activities in their annual reports. Very few companies, primarily the MNCs publish stand-alone CSR reports. The most common disclosures are statements describing the activities the companies have conducted or photographs of the event displaying the CSR activities. None of the companies publish the total CSR expenditures. Nevertheless, due to the proactive role of the central bank, only the financial institutions have to report the amount of CSR expenditures to the central bank, which eventually publishes it in the annual report of the central bank. The central bank has issued a new circular directing all financial institutions to report their CSR activities every quarterly.

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Electoral constituency held by the ruling party), it received huge media publicity. In an address to parliament, the prime minister also asked for donations for the Nimtoli tragedy. Although less significant than other natural calamities that occur frequently in Bangladesh, the tragedy received huge attention owing to the involvement of key political figures (Uddin, Siddiqui and Islam, 2016).

On 25 February 2009, a mutiny by a section of BDR personnel resulted in the killing of 74 victims, including 57 army officers. The incident received worldwide media attention, and the government was criticized for its failure to limit the number of casualties.
Some of the statistics of the CSR expenditures by financial institutions published in the annual CSR review of the central bank is given below. The table below shows the CSR expenditure amount of the banking sector in Bangladesh from 2010-2015.

<table>
<thead>
<tr>
<th>Years</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR Expenditure in Million (Mln) BDT</td>
<td>2188</td>
<td>3046</td>
<td>4471</td>
<td>5105</td>
</tr>
</tbody>
</table>

**Table 6: Total CSR Expenditure of Banks from 2011 - 2014**

(Source: Bangladesh Bank, 2015 CSR Report)

Table 6 shows that the total CSR expenditure in the banking sector has been increasing over the years. The breakdown of CSR expenditure in different sectors is shown below:

<table>
<thead>
<tr>
<th>Years</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors</td>
<td>Mln</td>
<td>%</td>
<td>Mln</td>
<td>%</td>
</tr>
<tr>
<td>Education</td>
<td>612</td>
<td>28%</td>
<td>984</td>
<td>32%</td>
</tr>
<tr>
<td>Health</td>
<td>520</td>
<td>24%</td>
<td>435</td>
<td>14%</td>
</tr>
<tr>
<td>Disaster Relief</td>
<td>188</td>
<td>8.6%</td>
<td>788</td>
<td>26%</td>
</tr>
<tr>
<td>Sports</td>
<td>359</td>
<td>16%</td>
<td>184</td>
<td>6%</td>
</tr>
<tr>
<td>Arts and Culture</td>
<td>171</td>
<td>8%</td>
<td>21</td>
<td>7%</td>
</tr>
<tr>
<td>Environment</td>
<td>138</td>
<td>6.3%</td>
<td>140</td>
<td>4.6%</td>
</tr>
<tr>
<td>Others</td>
<td>199</td>
<td>9.1%</td>
<td>301</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>2188</td>
<td>100%</td>
<td>3046</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Table 7: Sectoral Pattern of CSR Expenditure by Banks**

(Source: Bangladesh Bank Annual Report)

The tables and graph above reflects that the CSR expenditure in the banking sector has been increasing over the past five years. A significant proportion of the banks’ CSR disclosures were devoted to the education, health, disaster management, arts and culture, and sports sectors.
From the graph, it can be noticed that there were significant successive increases in the CSR disclosures of the banks in 2010 and a slight decrease in 2011. In 2011, total CSR expenditure amounted to 2.40% of after tax profits. The most significant increase in CSR disclosures was in 2010, when CSR expenditures experienced a three-fold increase compared with 2009. This is probably because in 2009, the Bangladesh government issued a regulatory order identifying 17 items that would qualify as CSR activities (SRO 270—Law/2009, 15 January 2009, Government of Bangladesh). This might indicate that the companies have been spending more in CSR and disclosing those information.

The highest increase in the CSR expenditure was in 2010 in the arts and culture segment. This increase was primarily due to the donations made to the Liberation War Museum included in the arts and culture category. In addition to this, donations were made to sports club, Father of the Nation Trust Memorial etc. (see Uddin, Siddiqui and Islam, 2016).

Similarly, the other increase in CSR disclosures can be attributed to donations to different schools, colleges, universities in the education sector, sponsoring national and international sports, one off donations to crisis, national and international relief to natural disasters etc. (See Bangladesh Bank annual report and Uddin, Siddiqui and Islam (2016)).

Thus, this section of the chapter highlights the nature of CSR disclosures in Bangladesh. While the common disclosures are more or less similar for all companies, the donations disclosed for community involvement or philanthropic activities are, to some extent, controversial. The donations can apparently be seen as philanthropic ventures. Yet, it may also be argued that they do not necessarily concern wider stakeholders and local communities but focus firmly on the ruling party and its leaders (Uddin, Siddiqui and Islam, 2016).

The empirical chapters provide evidence on whether and why the companies would conduct such activities and the intent of disclosing them. The following section discusses the regulatory support of the government to encourage CSR activities, which helps to better understand the organizational perspectives of disclosing politically motivated CSR activities. It also helps to examine if and whether the incentives and regulations have any influence on the nature of CSR expenditures of the organizations.
4.6 Summary

Based on Weber’s methodologies, this chapter discusses the external layers of the Weberian framework introduced in chapter three. It discusses the structural conditions and historical background of the research site Bangladesh, which help to further understand why and how organizations in Bangladesh tend to conduct and disclose politically motivated CSR disclosures. It also explains in detail how the nature of family capitalism in Bangladesh is linked with the colonial legacy of Bangladesh’s political and socio-economic history. The later sections of the chapter describe the corporate governance mechanism prevalent in Bangladesh, which helps to understand how the efficacy of such mechanisms can potentially be affected by the traditional nature of relationship between the owners and managers of the companies. The discussion on the family domination in the corporate sector and the familial political power portrays the dominant presence of a business-politician nexus in Bangladesh.

Finally, the chapter describes the CSR reporting practices in Bangladesh. This section describes the nature of CSR disclosures as well the fiscal incentives and regulatory requirements of CSR reporting in Bangladesh. CSR disclosure, in general, is voluntary in nature for both listed and non-listed companies in Bangladesh with the exception of disclosure of expenditures on energy usage. Other than this, the companies disclose information on employees, product, health and safety and community involvement or philanthropic activities the companies have conducted. Given the nature of disclosures, it might be argued that the donations apparently look like philanthropic activities, but it might not serve the interests of the wider society, rather satisfy the preferences of the ruling leader/master.

Nevertheless, in order to encourage CSR activities, certain incentives have been put in place by the government. The government provides tax incentives for all listed and non-listed companies in Bangladesh (GOB, 2009, GOB 2011). The ruling party subsequently extended the scope of the rebate in 2011, issuing a new government directive which includes three new areas of CSR activities qualifying for CSR tax rebates: donations to the Liberation War Museum, donations to the Father of the Nation memorial and contributions to the prime minister’s Education Fund. Interestingly, the first two items were pre-election commitments. The empirical chapter presents description of some of the disclosures and provides evidence of their likely links with politics and the political intent of disclosing such information as CSR.
The central bank of Bangladesh (Bangladesh Bank) also provides incentives and directives to encourage and mainstream CSR in the financial sector. Bangladesh Bank formed a partnership with the International Finance Corporation (IFC) soon after the Copenhagen climate change conference in 2009. Financing incentives were declared by the IFC and Bangladesh Bank to encourage commercial banks to engage with environmentally friendly projects (The Financial Express 2009). Furthermore, the Bangladesh Bank issued a circular identifying a number of priority areas for CSR (Bangladesh Bank 2008). This chapter basically sets the scene to characterize the CSR disclosure practices of the organizations.

The next chapter elaborates the research methods and methodologies employed to address the research questions posed in chapter one of the thesis.
CHAPTER 5 RESEARCH METHODS AND METHODOLOGY

5.0 Introduction

This chapter discusses the research methods and methodology employed in this study to provide an in-depth insight into the CSR disclosure practices in Bangladesh. Articulation of compelling research questions (or problems) and use of research methods suited to collection of data in a form appropriate to address those questions are central to the potentials for academic contribution (Mahmud, Ahmed and Mahajan, 2008).

Figure 6 highlights the research methods and methodologies adapted in this study. In formulating description of reality, both quantitative and qualitative knowledge is important to the researcher (Lewis and Cullis, 1990, cited in Kreander, 2002). Moreover, O’ Dwyer (1999) argues that knowledge can also be gained by studying the perception of individuals, rather than by only studying an event that is external to the individual’s perceptions. This, in order to address the research questions in this thesis, this study employs mixed methods of research. The researcher conducts both quantitative and qualitative research in order to identify the determinants of CSR disclosures and the motivations of CSR.

The later sections of the chapter discuss the rationale for using mixed methods research as the natural complement to traditional qualitative and quantitative research, the philosophical assumptions of the researcher to conduct mixed methods research and the framework for designing and conducting the research. Section 5.2 discusses the research methods of the quantitative strand of the research, the hypotheses developed for this study, research design, the measurement of the variables and the models used to test the hypothesis developed. Section 5.3 then moves on to explain the research design for the qualitative part which involves the data collection methods and data analysis. Finally, section 5.4 summarizes the chapter.
5.1 Use of Mixed Methods

The choice of research methodology depends upon the philosophical assumptions embraced by the researcher and which are based on the nature of the subjects studied (Miles and Huberman, 1994; Saunders, Lewis and Thornhill, 2007; Silverman, 2013). There are pros and cons for both qualitative and quantitative research methods. However, both quantitative and qualitative research is not polar opposites even though they are based on different epistemological and ontological assumptions (Denzin and Lincoln, 1998; Morgan and Smircich, 1980; Patton, 2002). Both methods can be used in a single study, depending on how the researcher chooses to explore the research question. It has been argued that it is beneficial to use both quantitative and qualitative methods to explore particular research issues. Using both methods can achieve an element of triangulation (Jick, 1979; Alderson, 1999; Leedy, 1997). Moreover, Jick (1979) suggests that qualitative and quantitative methods are complementary and that “most books underscore the desirability of mixing methods” (Jick, 1979, p.602).

While quantitative study can be helpful to answer “what”, it is less helpful in answering “how” and “why” a particular phenomenon exists. Thus, while the quantitative study could answer, what are the determinants of CSR disclosures in a traditional society in terms of political connections, it is difficult to assess “why” and “how” the companies disclose the CSR information. Since the research questions of this study seek to address these issues in particular. Quantitative methods alone are not adequate. Thus, the
researcher in this research combines both qualitative and quantitative methods of research to understand the phenomenon.

The objective of this research is to identify the drivers of CSR reporting in terms of political ties and family domination and to explore the motivations of such reporting in public listed companies in Bangladesh. The first research query calls for identifying the drivers of CSR reporting and this calls for quantitative research.

The second research query, with an exploratory nature due to the scarcity of previous research literature, requires an understanding of the social contextual factors of a traditional society like Bangladesh and the internal organizational dynamics of the limited companies in a traditional society, thus necessitating interaction with organizational members in order to interpret the motivations for CSR reporting in this particular organizational context being investigated at a particular point in time (Hessler, 1992). Thus, the researcher employs mixed methods research for this study.

Mixed methods research is defined here as:

“The class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language in to a single study” (Rocco et al., 2003).

Mixed methods research has developed rapidly in recent years. Championed by writers such as John Creswell, Abbas Tashakkori, Burke Johnson, Anthony Onwuegbuzie, Jennifer Greene, Charles Teddlie and David Morgan, the ‘Mixed Methods approach’ has emerged in the last decade as a research movement with a recognized name and distinct identity. It has evolved to the point where it is ‘increasingly articulated, attached to research practice, and recognized as the third major research approach or research paradigm’ (Johnson, Onwuegbuzie and Turner, 2007) besides the two major paradigms: positivist (the manner in which knowledge is sought) and interpretivist (that is how knowledge is put to use) (Thomas, 2009). Interpretive research approaches are common in accounting for sustainable development research studies, perhaps because of the nature of the complexity and nuances underlying the issues being researched. As a research paradigm, the mixed methods approach incorporates a distinct set of ideas and practices that separate the approach from the other main research paradigms.
5.1.1 **Philosophical Assumptions of Mixed Methods Research**

A paradigm may be best defined as a “worldview.” As such it is a basic set of beliefs or assumptions that guide a researcher’s inquiry (Creswell, 1998, p. 74). Every researcher brings to his or her research a “set of interlocking philosophical assumptions and stances” (Greene and Caracelli, 1997, p.6). These include the researcher’s ontological beliefs, those about the nature of reality. The nature of reality is explored through a researcher’s answers to problems such as what is the nature of the world, including social phenomena; if reality is orderly and lawful; the existence of a natural social order; if reality is fixed and stable or constantly changing, and whether it is unitary or multiple; and if reality can be “constructed by the individuals involved in the research situation” (Creswell, 1998, p. 76).

Philosophically, mixed methods research is the third wave or third research movement, a movement that moves past the paradigm wars by offering a logical and practical alternative.

Mixed method research is inclusive, pluralistic and complementary and it suggests that researchers take an eclectic approach to method selection and conduct of research. What is most fundamental is the research question --- research methods should follow research questions in a way that offers the best useful answers. Many research questions and combination of questions are best and most fully answered through mixed methods research (Rocco et. al., 2013). Thus, mixed methods research should use a method and philosophy that attempt to fit together the insights provided by qualitative and quantitative research into a workable solution. Based on the explanation and on the distinction provided by Rocco et.al (2003), the researcher calls for whatever philosophical and /or methodological approach works to identify the important determinants of CSR disclosure and also explore why and how the CSR disclosure in a traditional setting is politically driven (see Tashakkori and Teddlie, 1998, p.5).

5.1.2 **Mixed Methods in Critical Accounting**

Weber’s framework used in this study, developed by Colignon and Covaleski (1991), provides a critical and political basis for evaluating management control practices, including accounting and disclosure practices in the company. Given the commitment of critical theoretical perspectives to qualitative methods, the use of critical theory to theorize mixed methods research has its own barriers (Richardson, 2015) due to the reluctance of critical accounting project to use quantitative methods. Richardson (2015)
in his paper identified the space where the critical accounting theory could make contribution. He mentioned that if the purpose of empirical work is to explain observed phenomenon besides theory testing, then obviously much remains to be explored. It is in this space of unexplained variance that the critical accounting project could make a contribution. Richardson (2015) also emphasized that given the commitment of the critical accounting project; it may be easier and more productive to introduce quantitative methods as part of mixed methods research strategy. Mixed methods provide a way to allow quantitative methods to enter the critical accounting project without abandoning its roots in qualitative methods. The use of mixed methods also ensures that quantitative methods are not used as “empirical-technical minutiae” (Horkheimer, 1993). When used to its theoretical potential, mixed methods may be the most appropriate way for the critical accounting project to (re)engage with quantitative methods. This research makes a contribution in this area by providing an alternative theoretical explanatory powers to the independent variables used in this study such as political connections, family firms and corporate governance elements on the CSR disclosure practices of organizations.

One of the interesting developments in sociology and organizational theory has been the recognition that social phenomenon are influenced by the institutional environment in which they are embedded and which they reproduce. The institutional environment, however, is diverse with multiple rationalities competing for attention and managers struggling to negotiate their way through potentially conflicting demands to maintain the flow of resources and social legitimacy (Annisette and Richardson, 2011; Thornton, Ocasio and Lounsbury, 2012). This implies that even stock prices are based on multiple logics and not just the market logic on which most “mainstream” research is premised. This is important as it means that the use of quantitative methods in critical accounting does not need to directly challenge ‘mainstream’ results to make a contribution to our understanding, i.e. it is not necessary to show that market logic does not exist to show that accounting and market phenomenon are affected by other logics.

5.1.3 Mixed Methods Design Strategy

This section discusses the mixed method research design. The first research question in this study examines if CSR disclosure is influenced by the political connections or family domination of firms. This calls for quantitative research, which involves deduction, confirmation, theory/hypothesis testing, explanation, prediction,
standardized data and statistical analysis. Section 4.3 discusses the quantitative research methods in order to address the first research question.

The second research question further explores the motivations of the organizations to disclose CSR information. Here the researcher explores the political perspectives of the CSR disclosures and activities as well.

This qualitative part of the research involves traditional characteristics of qualitative research of induction, exploration, theory generation and the research as the primary instrument of data collection and qualitative analysis. The researcher collected multiple data using different strategies, approaches and methods in such a way that the resulting mixture or combination is likely to result in complementary strengths and non-overlapping weaknesses.

In addition to approaches to how quantitative and quantitative methods are to be combined, multi-strategy research also involves making decisions regarding the priority and sequence of such a mix. Morgan (1988) proposes four strategies involving such priority and sequence decisions, where decisions have to be made regarding whether the quantitative or qualitative method will be used as the dominant research design, and whether a particular method will be used as a preliminary or a follow up study. However, Morgan points out that it is not necessary for a research method to be picked as the dominant one. It is possible to combine qualitative and quantitative research designs without making any of the two particularly dominant. Based on this, this study does not make any strand of the research more dominant. Rather, different research question makes use of different research methods. Each method complements the use of other.

The complementarity in mixed methods research can be conceptualized as combining quantitative and qualitative research in concurrent, sequential, conversion (Tashakkori and Teddlie, 2003; Teddlie and Tashakkori, 2006), parallel (Onwuegbuzie and Leech, 2004) or fully mixed manner (Leech and Onwuegbuzie, 2005; Teddlie and Tashakkori, 2006).

As explained and categorized in Onwuegbuzie and Johnson (2006), in basic concurrent mixed designs, the following conditions hold:

a) Both quantitative and qualitative data are collected separately and approximately the same point in time.
b) Neither the quantitative nor the qualitative data analysis builds on the other during the data analysis stage.

c) The results from each type of analysis are not consolidated at the interpretation stage, until both sets of data have been collected and analyzed separately.

d) After collection and interpretation of data from the quantitative and qualitative components, a meta-inference is drawn which connects the inferences made from separate quantitative and qualitative data and findings.

In order to increase this study’s validity, complementarity not only measures “overlapping”, but also different facets of a phenomenon (Greene, Caracelli and Graham, 1989, p.258). The quantitative disclosure index developed and tested in this study identifies if there is any association with political connection of firms and CSR disclosures, whereas; the qualitative interview provides an in depth understanding on the political motivations of both CSR activities and its disclosures. Each part of the research is complementing the other part. In other words, the mixed methods design of this research is concurrent mixed designs.

This research associates political connections and CSR disclosure in a traditional setting and used the theoretical framework developed in Chapter three to provide explanations to the variances and then explores why the firms conduct and disclose politically motivated CSR information. It provides a wide understating of the motivations of firms in a country characterized by traditionalism (as defined by Weber) to disclose social and environmental information. Finally, a meta-inference is provided through connecting the inferences obtained from both the quantitative and qualitative strands of the research.

Based on this research design, the following sections discuss both the quantitative and qualitative part of the research, the methods of data collections and analysis.

5.2 Quantitative Research Methods used in the Study

The quantitative part of this research identifies if the CSR disclosures of an organizations is influenced by the political connections of the firms. It involves testing hypotheses that are constructed before the data are collected. This section of the chapter discusses the development of the hypothesis, data collection and sample, the construction of the dependent and independent variables and the control variables and the models used to test the hypothesis developed.
5.2.1 **Hypotheses Development**

This subsection of the chapter discusses the development of the hypothesis. The CSR literature review in chapter two highlights the research gap in terms of political connections as a determinant of CSR disclosure.

**Political Connections and CSR Disclosure – a traditionalist hypothesis**

Conceptualizing the demonstration of loyalty to master/chief in traditional society permits exploring the empirical possibilities regarding CSR disclosure practices of firms in a traditional setting. This calls for the departure from the notion of legitimacy to the wider stakeholders and that firms disclose CSR information to legitimize their actions to the wider society.

From a non-traditional economic perspective, it might be possible to relate higher CSR disclosure with political connections. Politically connected firms, owing to higher political costs, are more likely to engage in more CSR activities and disclosure. However, in a traditional society like Bangladesh with strong political ties, ineffective corporate governance and imperfect markets, the firms are focusing more on other political interests than allocating resources to CSR activities. Thus, it might be possible that the companies are disclosing less CSR information since appeasing to wider stakeholders is of no interest to them.

Contrastingly, it can also be possible that the politically connected firms might be engaged in more CSR disclosure. Firms might be interested to maintain relationship with the political power in order to express their loyalty and so a reciprocal relationship develops between the firms and the political power and firms (Aronson et al., 2015) in which corporate social activities serve firms to pay back the government for support and to gain continuous political benefits in the future (Li et al, 2015). According to Weber, firms express their loyalty to the master/political power (in this research, the leader of the ruling party is the master) and CSR disclosures may be used as a vehicle to display that loyalty. Uddin, Siddiqui and Islam (2016) in their study identified politically motivated CSR disclosures and argued how the companies seek to establish relationship with the ruling party through politically charged CSR disclosures.

In a traditional setting like Bangladesh with strong politics-business relationship, political connection of firms may undermine the need to garner legitimacy through genuine engagement in CSR activities and disclosure. Thus, the following hypothesis is proposed in this study:
**H1: Politically connected firms report significantly more CSR disclosure than non-politically connected firms.**

**Family Controlled Firms and CSR Disclosure – a traditionalist perspective**

Family firms’ unique characteristics have important implications for their social responsibility performance (Dyer and Whetten, 2006) and for their voluntary disclosure practices (Chen, Chen and Cheng, 2008).

A growing body of literature (for example, Faccio and Lang, 2002; Villalonga and Amit, 2006) suggests that families have powerful incentives to expropriate wealth from minority shareholders, and pursue their own interests at the expense of non-controlling shareholders (referred to as the ‘type II’ agency problem). However, the primary assumptions of agency theory are rational actor model, which involves rational decision-making. In a traditional society where the traditional culture and values supersedes the rational decision making, the agency theory is probably not sufficient enough to provide an explanation to the extent of disclosure practices in companies.

In regard to CSR performance, for example, Block and Wagner (2014) report for a sample of large U.S. listed firms that family ownership is negatively associated with community-related CSR performance and positively linked to diversity, employee, environment and product-related aspects of CSR; Block and Wagner (2014), also for a sample of large U.S. public companies, find that family and founder ownership reduces CSR concerns, whereas family and founder CEO presence increases them. Amann, Jaussaud and Martinez (2012) for Japanese listed firms, find that family business identity does not influence CSR in general. The empirical literature analyzing the effect of family involvement on CSR reporting provides mixed results and most of the studies simply use an ownership criterion when considering family control and influence (see for example, Prado-Lorenzo, Gallego-Alvarez and Garcia-Sanchez, 2009). Besides, these studies are all conducted in the developed countries’ context.

Family firms are characterized by family altruism (Karra, Tracey and Phillips, 2006; Schulze, Lubatkin and Dino, 2003), which might lead them to engage more in philanthropic activities targeted at their local communities in order to be recognized as good corporate citizens (Dyer and Whetten, 2006; Uhlmaner, van Goor-Balk and Masurel, 2004). In fact, the socio-emotional wealth perspective implies that families may have stronger preferences for non-financial objectives, for affective endowments such as the pursuit of legitimacy (Berrone, Cruz and Gomez-Mejia, 2012), or a long-
term view (Anderson and Reeb, 2003; Berrone et al., 2010) that may shape family firms’ voluntary CSR disclosures. For instance, family owners may prevent their companies from engaging in reputation-damaging activities and generally try to maintain a good image (Block and Wagner, 2014); due to their long-term orientation, family firms may behave differently than non-family companies and may nurture personal relationships with some stakeholders such as employees or clients (Uhlaner, van Goor-Balk and Masurel, 2004); and family businesses may be more inclined than non-family firms to be good corporate citizens, with family firm reputation partially mediating the relationship between citizenship behavior and company performance (Binz et al., 2017). Cabeza-García, Sacristán-Navarro and Gómez-Ansón (2017) found in their study family control and influence, one of the five dimensions of socio-emotional wealth (Berrone, Cruz and Gomez-Mejia, 2012), negatively impacts CSR reporting, contradicting the view that disclosure brings significant socio-emotional gains that justify revealing the information. This is in contrast to the results that families’ desire to preserve socio-emotional wealth impels them to disclose CSR information as a way to achieve legitimacy or enhance their image or reputation. However, this is in line with the traditional secrecy attributed to family firms (Kets de Vries, 1993), and is also similar to those of McGuire, Dow and Ibrahim (2012), who report that family firms achieve worse social performances than non-family firms.

Like many other developing countries, most companies in Bangladesh are either family owned or controlled by substantial shareholders either corporate group or government (Khan, Muttakin and Siddiqui, 2013). Farooque et al. (2007) report that, on an average, top five stockholders hold more than 50% of the firm’s outstanding stocks. As of December 31, 2011, more than 70 percent of the top performing companies on the DSE, the country’s premier stock exchange, were family-owned firms, making this the dominant form of listed companies in Bangladesh (Khan, Muttakin and Siddiqui, 2015). The dominance of family-owned business groups means their treatment of minority shareholders can be less than satisfactory and is a pressing corporate governance issue in countries with concentrated ownership. A survey conducted by Sobhan and Werner (2003) found that sponsor shareholders heavily dominated an overwhelming majority of the board of non-bank listed companies.

In a traditional society, organizations rely more on informal family control rather than formal bureaucratic administration. Thus, based on the same assumptions from the traditional perspective as political connections influence on CSR disclosures, it might
be possible that the large family dominated firms tend to establish political links with the ruling party and thus use CSR disclosures as a vehicle to display their support. Now, this is possible in a traditionalist society like Bangladesh since CSR disclosure is not audited nor appreciated by the wider stakeholders. Thus, it might be possible that the family dominated firms will disclose more CSR information for political allegiance, hence proposing the following hypothesis:

**H2: Family firms report significantly more CSR information than non-family firms.**

**Politically Connected Family Firms and CSR Disclosure**

Corporate political connections play an important role in many of the world’s largest and most important economies (Fisman, 2001). Prior literature primarily in the area of management studies and political science, has examined the relationship between political connections and quality of accounting information (Chaney, Faccio and Parsley, 2011), corporate bailouts for politically-connected firms (Faccio, Masulis and McConnell, 2006), examination on performance of politically connected firms (Johnson and Mitton, 2003; Leuz and Oberholzer-Gee, 2006; Bliss, Gul and Majid, 2011) and political favoritisms in relation to access to finance (Faccio, 2006) and value of such connection (Fisman, 2001).

Family owned large group of firms, namely the business groups have enjoyed close ties with the government in many countries for survival and prosperity because the latter controls access to major business opportunities and can provide crucial support through subsidies, favorable regulation, government contract, protection against competition, tax benefits and the like (Baron, 1995; Boddewyn and Brewer, 1994; Hillman and Hitt, 1999; Oliver and Holzinger, 2008; Salorio, Boddewyn and Dahan, 2005; Schuler, Rehbein and Cramer, 2002). This is particularly true in emerging economies defined as ‘low-income, rapid growth countries using economic liberalization as their primary engine of growth’ (Hoskisson et al., 2000, p.249), where the institutions that assist economic transactions are less developed and where firms typically form ties with a variety of actors, including government. The Political Economy literature has viewed government supported business groups as “rent-seeking” parasites (Khanna and Yafeh, 2007). This argument on rent seeking is further supported by influential paper of Krueger (1974) or Bhagwati (1982). The interaction between large family-owned firms and political power is based on personal loyalty and favoritism.
The institutional characteristics of emerging economies/traditional society can influence the roles of political connections in driving and disclosing the corporate social responsibility and accountability information of the companies.

For traditional society like Bangladesh, the confrontational politics pursued by the two leading political parties have led to the capture of state-run institutions while in power (Uddin and Choudhury, 2008). The family-led state dominates both private and public corporations (BEI, 2004). Weber’s traditional societies exhibit a similar feature, so it would be useful to examine whether the political connections of the firms might have an impact on the CSR disclosures. Based on the classification of Skippari (2005) and Lord (2000b, 2003) introduced in the theoretical framework, it might be possible that once the family firms are politically connected, it is not necessary to display loyalty at an extent when they were not politically connected. According to Weber, when the companies have strong political ties, they might draw in power from the ruling party and are often able to ignore the rational measures introduced by regulatory bodies/institutions (Uddin and Choudhury, 2008). Thus, the companies will have little interests in appeasing the wider stakeholders or society by conducting social activities. Rather, the companies might conduct more corporate political activities by investing and disclosing activities, which are only preferred by the master. Under such circumstances, it might be possible that the companies are disclosing less CSR information, and hence the proposed hypothesis. Since the CSR disclosure index used in the study captures the variety of information, it is likely that politically connected large family firms might only disclose the types of information, which are preferred by the leader rather than a wide variety of different CSR information.

In some cases, as mentioned in the thesis earlier, that many politicians themselves own businesses, and thus does not need to disclose more CSR to establish links, rather disclose focused and preferred political activities of the master.

**H3: Politically connected family firms report significantly less CSR disclosure than non-politically connected family firms.**

### 5.2.2 Data and Sample

The sample consists of 109 companies listed with the DSE in Bangladesh from 2010 to 2015, excluding the financial institutions, banks and insurance companies. All banks, insurance and mutual funds were excluded from the quantitative analysis because of different statutory requirements, which calls for separate data analysis. This is in
consistent with previous studies, which have excluded the financial institutions (for instance, see, Haniffa and Cooke, 2002; Haniffa and Cooke, 2005; Khan, Muttakin and Siddiqui, 2013; Muttakin et al., 2015; Muttakin, Mihret and Khan, 2018). Table 7 represents the industry wise distribution of the firms. The sample comprises the remaining companies with a total of 654 firm-year observations. The sample consists of various sectors such as: engineering, food and allied, jute, cement, ceramics, miscellaneous, pharmaceuticals, tannery, and textile. The data for the analysis comes from multiple sources: financial, ownership and corporate governance data are handpicked from the annual reports of the sample companies listed on DSE.

Social responsibility information was hand-collected from the CSR disclosures in the annual report, corporate governance disclosures, directors’ report, chairman’s statement, and notes to the financial statement contained in annual reports and to certain extent from the company websites.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>109</td>
<td>16.67</td>
</tr>
<tr>
<td>Food and Allied</td>
<td>71</td>
<td>10.86</td>
</tr>
<tr>
<td>Fuel and power</td>
<td>70</td>
<td>10.7</td>
</tr>
<tr>
<td>Jute</td>
<td>12</td>
<td>1.83</td>
</tr>
<tr>
<td>Power</td>
<td>2</td>
<td>0.31</td>
</tr>
<tr>
<td>Textile</td>
<td>126</td>
<td>19.27</td>
</tr>
<tr>
<td>Cement</td>
<td>36</td>
<td>5.5</td>
</tr>
<tr>
<td>Ceramic</td>
<td>24</td>
<td>3.67</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>30</td>
<td>4.59</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>108</td>
<td>16.51</td>
</tr>
<tr>
<td>Real Estate and Hospitals</td>
<td>18</td>
<td>2.75</td>
</tr>
<tr>
<td>Tannery</td>
<td>18</td>
<td>2.75</td>
</tr>
<tr>
<td>Telecom</td>
<td>30</td>
<td>4.59</td>
</tr>
<tr>
<td>Total</td>
<td>654</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 8: Industry-wise Classifications

In order to identify the political connections of firms, this research used publicly available sources. For formal position interlocks as defined in (Mahmood, Chung and Mitchell, 2017), this study looked at the profiles of the BOD and their explicit political links. This is in consistent with (Faccio, 2006), who also used publicly available sources to identify political connections and found that large shareholders and top officials have substantial relationships with parliament members and governmental ministers in many countries. For informal social ties, this research sought to identify family, friendship, and social organization relationships between group executives and political figures. Multiple published sources were used to identify three major types of
social ties: (1) family/intermarriage ties; (2) close friend/same hometown ties; and (3) trade associations/social club membership. The major publicly available sources were the biographies of the board members in the annual report, the websites, company profiles etc. Family relationships and shareholding patterns were collected from prospectuses of the listed companies, annual reports and company websites. Under the Bangladesh Security and Exchange Commission (SEC) notification, listed companies are required to disclose the pattern of shareholdings. This includes a number of shares held by parent/subsidiary/associate companies, the directors, CEO, company secretary, chief financial officer, head of internal audit and their spouse and minor children.

5.2.3 Measuring Political Connections (PCON) and Family Firms (FAM FIRMS)

In a traditional setting like Bangladesh formal political connections are usually two different types: (1) government officials could serve as members of the boards of directors at numerous listed companies, or retired politicians (ruling party or opposition) may be assigned as directors arguably in exchange for favors (see, for example, Sobhan and Werner, 2003) (2) current members of the parliament sit on the Board of Directors of large business groups. In the ninth parliament, 59% of the elected members of parliament were businessmen, with 44% having assets worth at least 10 million BDT (Chowdhury, 2009).

When it comes to informal social ties, many industrial elites in Bangladesh either become part of the political process or develop strong personal and/or business relationships with political leaders and their families and hence make financial contributions to the major political parties (Chowdhury, 2009), through various community and philanthropic activities directly associated with the ruling party.

The political connections (PCON) of firms include an examination of all members of the Board of Directors (Goldman, Rocholl and So, 2013) and classify a firm as connected if any one member of the board is politically connected explicitly through formal interlocks or implicitly through informal social ties. This variable is represented by a dummy variable of “1” if there is at least one politically connected member (formal ties or informal ties), otherwise “0”.

This study uses multiple criteria to identify family controlled firms (Khan, Muttakin and Siddiqui, 2015). Since prior literature provides no commonly accepted measure or criterion for identifying a family firm, La Porta et al. (1999) argue that the 20 percent
cut-off point is usually enough to have effective control of a firm and that this cut-off point is used by a number of studies (see, Bartholomeusz and Tanewski, 2006; Setia-Atmaja, Tanewski and Skully, 2009; Setia-Atmaja, Haman and Tanewski, 2011). Following Cascino et al. (2010), this study uses a more refined definition of family firms that does not uniquely rely on ownership concentration as major determining criteria. Cascino et al. (2010) argued that choosing a certain threshold would not allow any difference in terms of family and non-family firms to be captured because a certain percentage threshold only represents high ownership concentration rather than family ownership and management. So, the researcher identifies family firms as: (1) firms in which family block holders hold 20 percent of a firm’s share or voting rights (either direct or indirect), and (2) at least one member of the controlling family holds a managerial position such as board member, CEO or chairman. Employing this methodology allows the researcher to identify not only direct and indirect family ownership, but also family shareholdings as ultimate owner Cabeza-García, Sacristán-Navarro and Gómez-Ansón, 2017) and at the same time the effect of family governance on CSR reporting (Cabeza-García, Sacristán-Navarro and Gómez-Ansón, 2017).

We use a dummy variable to represent family firms (FAMFIRMS) and set it equal to “1” if the firm is considered a family firm using the mentioned criterion and “0” otherwise. In order to measure politically connected family firms, the study has taken an interaction variable of political connections and family firms (PCON*FAMFIRMS).

5.2.4 CSRDI – Dependent Variable

CSR disclosure Index (CSRDI) is the dependent variable of the study. In order to assess the level of CSR disclosure in the annual reports, a checklist of 28 items has been identified which is reported in table 9. The checklist is prepared based on checklists used in previous studies such as (Haniffa and Cooke, 2002; Haniffa and Cooke, 2005; Ghazali, 2007; Khan, Muttakin and Siddiqui, 2013; Muttakin and Khan, 2014; Muttakin, Mihret and Khan, 2018) and considering the relevance and applicability to the context of a traditional setting like Bangladesh in terms of disclosures.

The twenty eight (28) items comprise five categories, i.e. community involvement, environment, employee, product and service, and value added statement. Gray, Kouhy and Lavers (1995b) and Guthrie (1982) embraced six categories of disclosure: these being, environment, energy, human resources, product and safety, community involvement and others. Disclosure of energy usage is mandatory in Bangladesh; thus,
it is excluded from the categories. Within each of these five broad categories, sub-classifications of disclosure are also identified.

As table 9 suggests, the community involvement comprises of the charitable donations, sponsorship and advertising, community programs and participation in government social programs etc. The environment basically comprises of environmental policies, energy conservation policies and programs. Investment in green technology as part of the green banking policies of the government is included here. The employee information covers nine aspects, such as, no of employees, disclosure of employees’ education, training and development, health and safety, remunerations, welfare and benefits. The products and services information include: types and quality information, marketing and distribution, customer services, satisfaction and awards and recognition. The value added statement includes the disclosure of a value added statement. Additional sub-classifications such as child labor, gender equality and related actions were added to the employee information. The issue “community social programs: health/program” was added to the community involvement category. The reason for the inclusion of these issues is that these issues are believed to be key corporate social performance indicators in developing countries. This is consistent with Islam and Deegan (2008), who also conducted content analysis and included categories relevant to the context of the study.

A number of precautionary steps were taken to address potential data reliability issues that could arise. While developing the CSR disclosure index, the researcher read the annual reports thoroughly and conducted content analysis (Islam and Deegan, 2008) before any decision was made about scoring (Haniffa and Cooke, 2005). To avoid the potential danger of categorizing the same disclosure to more than one item, the researcher defined each of the items in the disclosure index. The details of the categorization and definition of each of the items are included in the appendix.

The researcher also conducted a pilot study of 50 companies of two years 2011 and 2012 initially and discussed the coding with the supervisor. Once the coding was agreed, the researcher continued the same process with the complete data sample.

The items identified in the checklist is scored using a dichotomous method where a company is awarded a score of 1 if an item is disclosed and 0 if the item is not disclosed. This is consistent with the previous studies in CSR disclosure and is based on the assumption that each item of disclosure is equally important to the average users.
(Wallace, 1988). Besides, there is no penalty for non-disclosure of items, which are not relevant for the company. According to Cooke (1992), such judgment can be made after reading the entire annual report of the company.

<table>
<thead>
<tr>
<th>CSR Disclosure Scoring Items</th>
<th>Definitions and categorizations of each item in the disclosure index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Involvement</strong></td>
<td></td>
</tr>
<tr>
<td>Charitable donations and subscriptions (arts, culture, Sports etc.)</td>
<td>Donations made to arts, culture and sports (e.g. sports club, arts club, Bangladesh cricket board, football club etc. arts and cultural event recognized as CSR)</td>
</tr>
<tr>
<td>Sponsorships and Advertising</td>
<td>Include sponsorships and advertising disclosed in the CSR report/annual report. (e.g. golf tournament, SAF games sponsorship of students programs etc.)</td>
</tr>
<tr>
<td>Community program (Health and/or Education)</td>
<td>Health support, community health service, educational programs in local villages, institutions etc.</td>
</tr>
<tr>
<td>Participation in government social programs including contribution to government relief funds</td>
<td>Donations to PM fund, PM relief fund, PM Education fund, participation in CSR activities of government, program or circulars etc.</td>
</tr>
<tr>
<td>Beautification of roads, highway, parks etc.</td>
<td>Include plantation and beautification of roads and highways throughout the country</td>
</tr>
<tr>
<td>Trust or Foundation to provide training and education to non-privileged people</td>
<td>Include CSR foundations or trust to donate to underprivileged people, or educational institutions etc.</td>
</tr>
<tr>
<td>Establishment of educational institutions/medical facilities.</td>
<td>Establishment of schools, colleges, hospitals, nursing homes, hostels etc. as part of CSR</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
</tr>
<tr>
<td>Environmental policies</td>
<td>Include disclosure of the policies and strategies for environment, reducing pollution etc.</td>
</tr>
<tr>
<td>Support for public/private action designed to protect the environment</td>
<td>Support to government initiative in environment protection like green banking, climate change policies etc.</td>
</tr>
<tr>
<td>Installation of ETP</td>
<td>Include companies who have installed ETP. (Government encouraged installation and many manufacturing companies installed it as part of their environmental concerns)</td>
</tr>
<tr>
<td>Energy Conservation Programs/Policies</td>
<td>Awareness/implementation of policies of environment protection, alternative sources of energy etc.</td>
</tr>
<tr>
<td><strong>Employee Information</strong></td>
<td></td>
</tr>
<tr>
<td>Number of Employees/Human Resources</td>
<td>Include the total no of employees in the organizations</td>
</tr>
<tr>
<td>Employee Relations</td>
<td>Include disclosures of company values and relations with the employees.</td>
</tr>
<tr>
<td>Employee welfare and Benefits</td>
<td>Employee benefits like provident fund, gratuity, leave fare allowance, welfare funds etc.</td>
</tr>
<tr>
<td>Employee Education</td>
<td>Higher education support and leave provided for educations</td>
</tr>
<tr>
<td>Employee Training and Development</td>
<td>Training and development programs for employees national and international</td>
</tr>
<tr>
<td>Employee Profit Sharing /policies of profit sharing</td>
<td>Include reporting of whether the companies have any profit sharing scheme</td>
</tr>
<tr>
<td>Managerial Remuneration/compensation package</td>
<td>Include the minimum salaries and compensation to employees, directors etc.</td>
</tr>
<tr>
<td>Worker's Occupational health and safety</td>
<td>Include reporting of any safety measure, occupational hazards of employees</td>
</tr>
<tr>
<td>Child labour and related actions</td>
<td>Any mention of the company regarding non employment child labour, human rights, and related issues</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Employees’ leave and fringe benefits</td>
<td>If there is additional employee leave benefits and also if there is car allowance, rent allowance, or any other fringe benefits</td>
</tr>
</tbody>
</table>

**Product and Service Information**

<table>
<thead>
<tr>
<th>Types of product disclosed</th>
<th>The different types of products the company produces /sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Development and Research</td>
<td>Any disclosure on product development or research conducted /to be conducted by the companies</td>
</tr>
<tr>
<td>Product quality and Safety</td>
<td>Any mention of product of the quality of the product or any safety measures</td>
</tr>
<tr>
<td>Discussion of marketing network (including foreign market)</td>
<td>The marketing distribution network of the company, both countrywide and international export or subsidiaries</td>
</tr>
<tr>
<td>Focus on Customer service and satisfaction</td>
<td>Any recognition from customers for customer service and satisfaction</td>
</tr>
<tr>
<td>Customer award/rating received</td>
<td>Any award, accolades or recognition received by the company</td>
</tr>
</tbody>
</table>

**Value Added Information**

| Value Added Statement | Includes the value added statement provided in the annual report |

**Table 9: CSR Disclosure Scoring Items**

The CSR disclosure index is derived by computing the ratio of the actual scores of the company to the maximum scores attainable (28) for that particular company (Ghazali, 2007; Khan, Muttakin and Siddiqui, 2013). The scores of each of the item will be added and equally weighted to derive a final score for each company. The formula for calculation is:

\[
\text{CSRDI} = \frac{\sum_{i=1}^{n_j} X_{ij}}{n_j}
\]

Where CSRDI = Corporate Social Responsibility Disclosure Index

- \( n_j \) = Number of items expected for \( j \)th firm (\( n \leq \) Total no. of items possible to attain)
- \( X_{ij} = 1 \) if \( i \)th item is disclosed and 0 if \( i \)th item is not disclosed.

The study uses the Cronbach’s coefficient alpha to assess the internal consistency of the disclosure index (Cronbach, 1951), the degree to which the items in a test measure the same construct. The Cronbach alpha is found to be 0.7791. This is in consistent with the previous studies on disclosure index (Botosan, 1997; Gul and Leung, 2004; Muttakin, Mihret and Khan, 2018). These studies use Cronbach’s alpha as a reliability statistics useful to assess the degree to which correlation among the number of items in the disclosure index is attenuated due to random error. OLS multiple regression
analysis is used to test the hypotheses developed. The assumptions underlying the regression model were tested for multicollinearity based on the correlation matrix as well as the variance inflation factor (VIF). None of the variables have a VIF value in excess of 10, which suggest that multicollinearity is not a problem in interpreting the regression results. The model is run for robust standard error in order to control for heteroscedasticity.

5.2.5 **Control Variables used in this Study**

The study is controlled for corporate governance variables, various ownership structures and firm specific variables. The discussion of the corporate governance and ownership variables and the rationale for using the variables in this research is discussed in details in the next chapter (chapter six), where the empirical findings are discussed. In this chapter, the researcher only explains the measurement and operationalization of the control variables in the study. The operationalization of all variables measurement is presented in table 9.

Following the convention in the audit research literature, the researcher uses auditor firm size and reputation for audit quality (Teoh and Wong, 1993). Audit quality literature notes that an important development in audit quality research is based on the premise that audit quality differentiation exists (Francis, 2004). In many cases, such differentiation is attributed to different classes of auditors, predominantly based on size. A number of studies (DeAngelo, 1981; Simunic and Stein, 1987) consider audit firm size to be an important measure of audit quality, as larger firms would have a greater reputation to lose. Francis (2004), however, notes that such arguments do not necessarily establish that Big4 audit firms are superior, as evidenced by high profile audit failures. Nevertheless, the paper suggests that Big4 firms generally earn an audit premium of about 20 percent around the world. Francis (2004) indicates that a higher fee generally means higher audit quality, either through greater audit efforts or through higher billing rates charged by the auditors due to their greater expertise and reputation. The paper provides confirmatory evidence that, on average, audit firms charging higher audit fees actually provide higher quality audits, measured in terms of observable outcomes such as the auditors' propensity to issue modified audit opinions, and the quality of audited financial statements.

At present, three categories of audit firms operate in the Bangladeshi audit market: the Big4 member firms KPMG and E&Y, Big4 affiliate firms, and local audit firms. Like
other South Asian countries, most of the Big4 accounting firms do not operate directly using their own company name (See for example, Muttakin, Mihret and Khan, 2018). Currently, only Big 4 member audit firms, KPMG and E&Y are present in Bangladesh through their member firms. The rest of the Big4 firms operate through their associates or cooperating firms. Two additional international audit firms, Moore Stephen and Binder and Dijker, Otte & Co. also operate in Bangladesh, again through local affiliates.

The local representations are: (1) Rahman Rahman Haque member of KPMG and (2) A Quasem and Co., member of Ernst & Young. The other large audit firms, who were at some point in time affiliate of Big4 or international audit firm are Hoda Vasi Chowdhury (currently no affiliation), Howlader and Younus (Grant Thornton), A Quasem and Co. (member firm of E&Y), S.F. Ahmed and Co. and M J Abedin (affiliate of the international audit firm Moore Stephenson). The researcher assigns “1” when the firms are audited by one of the above mentioned auditors, or “0” when they are not.

Based on prior literature, this study also controls for firm specific variables as size of the firm measured as natural logarithms of the total assets (l_TA), the age of the firm, (AGE); profitability measured as the return on equity (PROFROE), complexity (COMPX) measured in terms of subsidiaries the firm has and leverage (LEV) measured as long term debt/ total assets (Lang and Lundholm, 1993; Dhaliwal et al., 2011).

The researcher uses total assets as a measure of size, which has been adopted in several studies (Cerf, 1961; Singhvi, 1967; Cooke, 1989a, 1989b,1991, 1992; Wallace, Naser and Mora, 1994). Size has been found to be a significant variable in previous CSR research studies (see Cerf, 1961; Buzby, 1975; Courtis, 1978; Cooke, 1989b; Cooke, 1989a; Cooke, 1991, 1992). Previous studies have indicated a positive relationship between the extent of corporate social disclosure and company size (Haniffa and Cooke, 2005; Khan, Muttakin and Siddiqui, 2013; Muttakin and Khan, 2014). One explanation for the association is that large companies undertake more activities and have greater impact on society (Trotman and Bradley, 1981; Teoh and Thong, 1984; Andrew et al., 1989). Larger companies are also subject to greater scrutiny by various groups in society and therefore would be under greater pressure to disclose their social activities to legitimize their business (Cowen, Ferreri and Parker, 1987).
Large firms do have a bigger effect on the community, and therefore normally have a bigger group of stakeholders that influence the corporation (Hackston and Milne, 1996).

Dowling and Pfeffer (1975) argue that larger firms are more politically visible and sensitive, thus they are expected to engage more heavily in managing their political cost and legitimizing their behavior (Ghazali, 2007). Previous studies document a positive relationship between CSR disclosure and firm size (Adams, Hill and Roberts, 1998; Cullen and Christopher, 2002; Ghazali, 2007; Haniffa and Cooke, 2005; Reverte, 2009; Khan, Muttakin and Siddiqui, 2013; Muttakin and Khan, 2014).

The study used return on equity (ROE) as a measurement for profitability. This measurement had been widely used by other researchers (Bliss and Balachandran, 2003; Eng and Mak, 2003; Nasir and Abdullah, 2004; Haniffa and Cooke, 2005; Willekens et al., 2005; Barako, Hancock and Izan, 2006). Unlike size, the relationship between profitability and CSR disclosure is inconclusive (see Mangos and Lewis, 1995; Patten, 1991; Roberts, 1992). A possible explanation for a positive association between CSR disclosure and profitability is that management has the freedom and flexibility to undertake and reveal more extensive social responsibility programs to shareholders. Profitable companies disclose social information to demonstrate their contribution to society’s well-being (legitimize their existence). Previous research has tended to find a positive association between profitability and voluntary disclosure. Managers are motivated to disclose more detailed information to support the continuance of their positions and remuneration (Singhvi and Desai, 1971; Courtis, 1978) and to signal institutional confidence (Ross, 1979). However, in a traditional society characterized by inefficient capital markets, it might be useful to investigate whether profitable companies disclose more information. As predicted by Weber, legitimacy to shareholders in a traditional setting does not make any difference.

Older firms provide more social responsibility disclosures (Roberts, 1992). A more matured firm is concerned about its reputation and hence discloses more social responsibility information. It could also be possible that older firms are more close to the political party and thus draw in power from the master, thus does not require the need to disclose more.

Gearing has been found to be an important explanatory variable by Belkaoui and Kahl, (1978), Malone et al. (1993) and Wallace, Naser and Mora (1994). Highly geared
companies disclose more information to assure creditors that shareholders and management are less likely to bypass their covenant claims (Myers, 1977; Schipper, 1981) as well as to meet some of the needs of lenders (Cooke, 1996). In a highly geared company, management needs to legitimize its actions to creditors as well as shareholders. Purushothaman et al. (2000) predict a negative relationship between leverage and CSR disclosures in that companies with high leverage may have closer relationships with their creditors and use other means to disclose social responsibility information.
### Operationalization of the variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political Connections (PCON)</strong></td>
<td>Dummy variable of “1” if one or more members of the board is a current or former MP/minister</td>
</tr>
<tr>
<td></td>
<td>Director or Chairman appointed have political background and had served or is currently serving</td>
</tr>
<tr>
<td></td>
<td>as government officer in state owned enterprises</td>
</tr>
<tr>
<td></td>
<td>If one or more members is politically linked (e.g. advisor or close connection known to</td>
</tr>
<tr>
<td></td>
<td>the public) to a major political party</td>
</tr>
<tr>
<td></td>
<td>If one or more members, including the Chairman is a sibling/kin/relative of the current or</td>
</tr>
<tr>
<td></td>
<td>former minister/MP; otherwise “0”</td>
</tr>
<tr>
<td><strong>FAMFIRMS</strong></td>
<td>Proxied by family ownership and control and measured as Dummy Variable of “1” when the firms</td>
</tr>
<tr>
<td></td>
<td>has 20% or more family ownership and at least one person of the family is holding the important</td>
</tr>
<tr>
<td></td>
<td>posts of the board like CEO or Managing Director</td>
</tr>
<tr>
<td><strong>Corporate Governance</strong></td>
<td></td>
</tr>
<tr>
<td>Board Independence (IND_DIR)</td>
<td>Ratio of independent directors to total number of directors on the board</td>
</tr>
<tr>
<td>CEO and Chairman Related (CEO and CHAIRREL)</td>
<td>Whether the CEO and Chairman of the board are related to each other</td>
</tr>
<tr>
<td>Size of the board (BOARD_SIZE)</td>
<td>Number of directors in the board</td>
</tr>
<tr>
<td>Quality of Audit (TYPE_AUD)</td>
<td>Measure by Type of Auditors. Dummy Variable of ‘1’ if the auditors are associate of Big 4/</td>
</tr>
<tr>
<td></td>
<td>internationally linked; otherwise ‘0’</td>
</tr>
<tr>
<td>Qualifications of the Chairman of Audit</td>
<td>Qualification of the Chairman of the Audit Committee measured by the no. of professional</td>
</tr>
<tr>
<td>Committee (AUDCOMCHAIR_QUALI)</td>
<td>experience, educational background, important positions held etc.</td>
</tr>
<tr>
<td>Role Duality (RDUAL)</td>
<td>Dummy Variable of ‘1’ if the same person is the CEO/MD and Chairman of the Board; otherwise</td>
</tr>
<tr>
<td></td>
<td>‘0’</td>
</tr>
<tr>
<td>Presence of Audit Committee (AUDCOM)</td>
<td>Dummy Variable of ‘1’ if an audit committee is present; otherwise ‘0’.</td>
</tr>
<tr>
<td><strong>Ownership Structure</strong></td>
<td></td>
</tr>
<tr>
<td>Government Ownership (GOWN)</td>
<td>Ratio of total shares owned by government to total number of shares issued</td>
</tr>
<tr>
<td>Public Ownership (POWN)</td>
<td>Ratio of total shares owned by general public to total number of shares issued</td>
</tr>
<tr>
<td>Foreign Ownership (FOWN)</td>
<td>Ratio of total shares owned by foreigners/parent company to total number of shares issued</td>
</tr>
<tr>
<td>Institutional Ownership (INSOWN)</td>
<td>Number of shares owned by institutions to total number of shares issued</td>
</tr>
<tr>
<td><strong>Firm Specific Characteristics</strong></td>
<td></td>
</tr>
<tr>
<td>Size of the firm (l_TA)</td>
<td>Total Assets measured as the ln of total assets</td>
</tr>
<tr>
<td>Age of the firm (AGE)</td>
<td>Calculated as the year of the data from the actual listing year</td>
</tr>
<tr>
<td>ROA</td>
<td>Profit after tax/total assets</td>
</tr>
<tr>
<td>Leverage (LEV)</td>
<td>Long Term Debt/Total Assets</td>
</tr>
<tr>
<td>Complexity (COMPX)</td>
<td>Number of subsidiaries of the firm</td>
</tr>
<tr>
<td>Profitability (PROFROE)</td>
<td>Measured as the profit after tax/ total equity</td>
</tr>
</tbody>
</table>

| Table 10: Operationalization of the Variables |
5.2.6 **Models Specified**

This study uses the following models to test the CSR disclosure of public listed companies:

**Model 1**

The following model tests the association of political connections (PCON) with CSR disclosure index (CSRDI).

\[
\text{CSRDI} = \alpha + \beta_1 \text{PCON} + \beta_2 \text{AGE} + \beta_3 \text{IND_DIR} + \beta_4 \text{BOARD_SIZE} + \beta_5 \text{RDUAL} + \beta_6 \text{AUDCOM} + \beta_7 \text{TYPE_AUDITORS} + \beta_8 \text{AUDCOMCHAIR_QUALI} + \beta_9 \\
\text{CEOCHAIR_REL} + \beta_{10} \text{GOWN} + \beta_{11} \text{POWN} + \beta_{12} \text{FOWN} + \beta_{13} \text{InsOwn} + \beta_{14} \text{COMPX} + \beta_{15} \text{LEV} + \beta_{16} \text{PROFROE} + \beta_{17} \text{ROA} + \beta_{18} (I_{TA}) + \beta_{19} (\text{YEAR DUMMIES}) + \beta_{20} \\
\text{INDUSTRY DUMMIES} + \epsilon
\]

**Model 2**

The following model tests the association of Family firms with CSR disclosure index (CSRDI).

\[
\text{CSRDI} = \alpha + \beta_1 \text{FAMFIRMS} + \beta_2 \text{AGE} + \beta_3 \text{IND_DIR} + \beta_4 \text{BOARD_SIZE} + \beta_5 \\
\text{RDUAL} + \beta_6 \text{AUDCOM} + \beta_7 \text{TYPE_AUDITORS} + \beta_8 \text{AUDCOMCHAIR_QUALI} + \beta_9 \\
\text{CEOCHAIR_REL} + \beta_{10} \text{GOWN} + \beta_{11} \text{POWN} + \beta_{12} \text{FOWN} + \beta_{13} \text{InsOwn} + \beta_{14} \text{COMPX} + \beta_{15} \text{LEV} + \beta_{16} \text{PROFROE} + \beta_{17} \text{ROA} + \beta_{18} (I_{TA}) + \beta_{19} (\text{YEAR DUMMIES}) + \beta_{20} \\
\text{INDUSTRY DUMMIES} + \epsilon
\]

**Model 3**

The following model tests the association of politically connected family firms (PCON_FAMFIRMS)

\[
\text{CSRDI} = \alpha + \beta_1 \text{PCON_FAMFIRMS} + \beta_2 \text{AGE} + \beta_3 \text{IND_DIR} + \beta_4 \text{BOARD_SIZE} + \beta_5 \\
\text{RDUAL} + \beta_6 \text{AUDCOM} + \beta_7 \text{TYPE_AUDITORS} + \beta_8 \text{AUDCOMCHAIR_QUALI} + \beta_9 \\
\text{CEOCHAIR_REL} + \beta_{10} \text{GOWN} + \beta_{11} \text{POWN} + \beta_{12} \text{FOWN} + \beta_{13} \text{InsOwn} + \beta_{14} \text{COMPX} + \beta_{15} \text{LEV} + \beta_{16} \text{PROFROE} + \beta_{17} \text{ROA} + \beta_{18} (I_{TA}) + \beta_{19} \text{PCON} + \beta_{20} \text{FAMFIRMS} + \beta_{21} \\
\text{YEAR DUMMIES} + \beta_{22} \text{INDUSTRY DUMMIES} + \epsilon
\]

While this section elaborately described the quantitative research methods and models used in the study, the following section explains the qualitative part of the study.
5.3 Qualitative Research Methods

While the CSR disclosure index model and structured hypothesis was used to identify the determinants of CSR disclosure presented in chapter six, the qualitative strand of the research involves conducting interviews to elicit the views of the companies on CSR activities and disclosures and what motivates them to conduct such CSR activities and disclose the information (empirics presented in chapter seven).

5.3.1 Qualitative Data Collection: Interview

The interview method was deemed to be appropriate as the research required access to the relevant experiences and knowledge of the managers of companies regarding their own CSR reporting practices (O'Dwyer, Unerman and Bradley, 2005). The interviews were also intended to understand if there was political interference, which in turn influenced the decision by managers to disclose social responsibility information, and then the most direct way to access the information was to interview the Board of Directors within the targeted organization. As (Burgess, 1982, p.107) states:

*Interviews provide the opportunity for the researcher to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, inclusive accounts that are based on personal experience.*

Research studies make use of different types of interviews such as structured interview, unstructured interviews and semi-structured interviews. Semi-structured interview is a method that allows a fine balance between the structure of the interview and the quality of data collected through the interview. This qualitative part of the research uses semi-structured interviews since it helps gain insights from the participants’ point of view, while maintaining the frame of the pre-established research questions informed by the theory. Structured interviews are too rigid and could narrow indefinite interpretations down to predetermined scales or sets of possible answers (Cassell and Symon, 2004).

On the other hand, unstructured interviews consist of several general questions, topics or themes but the results could be complicated and difficult to be summarized and compared, and therefore not suitable to a novel researcher who lacks experiences and ability to control the interviews flow. Also, the questionnaire based interview or survey is avoided because it is suitable for standardized questions.

The interview questions, therefore, need to be loosely structured. Therefore, given the qualitative and exploratory nature of the present study, a series of face-to-face semi-
structured interviews were conducted as the data collection method to understand why the companies in traditional society like Bangladesh conduct CSR activities and disclose the information (Adams, 2002; Belal and Cooper, 2011; Cho, 2009; Deegan and Blomquist, 2006; O'Dwyer, Unerman and Bradley, 2005).

Although undertaking interviews is considered one of the more effective ways to explore the perceptions and understandings of respondents with regard to a particular organizational behavior such as the initiation of CSR reporting and related practices, this method also has its limitations in terms of validity and reliability. Taylor and Bogdan (1984) critique interviews as being “subject to the same fabrications, deceptions, exaggerations and distortions that characterize talk between any persons”, and “although people’s verbal accounts may lend insight into how they think about the world and how they act, there can be a discrepancy between what they say and what they actually do” (p. 81)

However, similar to any other research method, despite the imperfections of interviews, their role in gaining more in-depth knowledge about an organizational activity can be fulfilled by a cautious design of the interview questions and the interview process.

Moreover, the researcher, as a native Bangladeshi, is familiar with the organizational culture of Bangladeshi companies and the mind-set of managers. Thus, in order to gain their trust, and hence to ensure communication of their genuine perception, motivations, and understandings regarding the CSR reporting practices in their organizations interviews were considered a suitable method for engaging with them to understand their CSR reporting process.

The interviews were carried out in 2 stages: (i) the pilot study and (ii) main interviews. In order to enhance the reliability and validity of the interviews, initially a pilot study was conducted where a total of seven interviews were conducted with BOD of 3 listed companies, central bank Governor and other officials, the state Minister of Finance and Planning and the Commerce secretary. The objective of the pilot study was to test whether the questions in the interview protocol could result in responses of pertinence to the research objectives (King, 1994). Contacts were made through researcher’s personal association and contacts. The pilot study was conducted during the April-May 2015. The interviews were translated and transcribed into word documents to derive empirical themes. The pilot interview provided information, which was used to modify the scope of the initial interview guide/protocol prepared. The questions involved in the
subsequent formal interviews were then revised in accordance with the issues encountered in the pilot study. The interview guide in enclosed in the appendix for reference.

The Board of Directors was the most appropriate member of the organization to be interviewed since they are the ones taking major decisions in the board. Besides, interviews were also conducted with government officials at the policy level, critics and civil society, former Board of Directors of companies, the CSR Centre, the corporate governance wing of IFC.

A total of twenty-eight interviews were conducted in person between July-September 2015. A few more interviews were later added which was conducted in April-May, 2016. The number of interviews were determined by the concept of data saturation, which is the point at which data gathered in subsequent interviews no longer produces new thematic insights (Guest, Bunce and Johnson, 2006).

Since access to Board of Directors of organizations and also the senior members of the policy level who could actually speak freely on the possible political influence of CSR activities and disclosure might be an issue, the sampling methods was primarily opportunistic sampling or convenience sampling. Convenience sampling involves the selection of samples that are easy to access (David and Suthur, 2011). During the pilot study, the researcher used the social network and contact to get access to 7 interviewees and then later used snowball sampling method to access the potential interviewees during the fieldwork. Snowball sampling is especially useful if the aim of the study is explorative, qualitative or descriptive (Atkinson and Flint, 2011). Snowball sampling is also useful to gain initial knowledge about the research population (here the interviewees), thus allowing the researcher to avoid surprises and overcome the difficulties that might arise later during the research.

However, the researcher acknowledges the limitation of convenience sampling in terms of bias and variability, but this was the most appropriate method used in this research since access to the BOD of organizations and high government officials and policy makers, regulators are easier if referred by another interviewee (Heckathorn, 2002). The interviewees at the policy level, both current and former provided valuable insights on the firms’ motivations of CSR disclosure and the drivers of those motivations.

In addition to this, since the researcher wanted to explore the motivations of CSR reporting practices, and the interviewees guided the relevant sample, it was found that a
significant number of interviewees were from the financial sector. The primary reason for this is perhaps the fact that the central bank has been pioneering the CSR policy and guidelines in Bangladesh. In June 2008, Bangladesh Bank issued a comprehensive circular titled, “Mainstreaming Corporate Social Responsibility (CSR) in banks and financial institutions in Bangladesh”.

At the same time, because the financial sector is the engine room and key to economic development and poverty alleviation (Beck et al., 2011) and operates within the strict guidelines of various regulatory bodies including central bank, the CSR reporting practices are more visible and transparent than the other companies.

However, this does not affect the integration and interpretation of the empirical results. The quantitative part merely identifies association of political connections with CSR disclosure index, but does not explore any political motivations of the disclosures. The quantitative research question explores the motivations of CSR reporting and activities in a traditional society, irrespective of the industry sectors.

Table 11 and 12 show the details of the different interviewee groups and their codes used in the study.

<table>
<thead>
<tr>
<th>Groups</th>
<th>Designation of Member</th>
<th>No of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>Managing Directors</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Directors, Independent and Nominated Directors</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Deputy Managing Directors</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Chairman</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Corporate Affairs Head</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Company Secretary</td>
<td>1</td>
</tr>
<tr>
<td>State Bodies, Regulatory Agencies</td>
<td>Central bank</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Ministries</td>
<td>2</td>
</tr>
<tr>
<td>Experts, Development Organizations and Civil Society</td>
<td>IFC</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>CSR Centre</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ex Deputy Governor</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ex-Governor and Academic</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Ex Advisors to the caretaker government</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 11: List of Interviewee Groups
<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Interviewee Position</th>
<th>Industry</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Company</td>
<td>Managing Director</td>
<td>Pharmaceuticals</td>
<td>MD1</td>
</tr>
<tr>
<td>2 Company</td>
<td>Head of Corporate Affairs</td>
<td>Pharmaceuticals</td>
<td>CR1</td>
</tr>
<tr>
<td>3 Company</td>
<td>Managing Director</td>
<td>Food and Allied</td>
<td>MD2</td>
</tr>
<tr>
<td>4 Company</td>
<td>Independent Director</td>
<td>Food and Allied</td>
<td>ID1</td>
</tr>
<tr>
<td>5 Company</td>
<td>Managing Director &amp; Head of Communications</td>
<td>FIs</td>
<td>MD3</td>
</tr>
<tr>
<td>6 Company</td>
<td>Managing Director</td>
<td>Leather and Tannery</td>
<td>MD4</td>
</tr>
<tr>
<td>7 Company</td>
<td>Head of Corporate Affairs</td>
<td>Telecom</td>
<td>MD5</td>
</tr>
<tr>
<td>8 Company</td>
<td>CEO and Director</td>
<td>Textile</td>
<td>CEO1</td>
</tr>
<tr>
<td>9 Company</td>
<td>Finance Director</td>
<td>Power and Energy</td>
<td>FD1</td>
</tr>
<tr>
<td>10 Company</td>
<td>Deputy Managing Director</td>
<td>FIs</td>
<td>DMD1</td>
</tr>
<tr>
<td>11 Company</td>
<td>Head of Corporate Affairs</td>
<td>MD and Head of FIs</td>
<td>CR2</td>
</tr>
<tr>
<td>12 Company</td>
<td>Communications</td>
<td>FIs</td>
<td>MD6</td>
</tr>
<tr>
<td>13 Company</td>
<td>MD and CSR Head</td>
<td>FIs</td>
<td>DMD2</td>
</tr>
<tr>
<td>14 Company</td>
<td>DMD</td>
<td>FIs</td>
<td>ND1</td>
</tr>
<tr>
<td>15 Company</td>
<td>Nominated Director</td>
<td>State owned FIs</td>
<td>CH1</td>
</tr>
<tr>
<td>16 Company</td>
<td>Chairman</td>
<td>State owned FIs</td>
<td>CS</td>
</tr>
<tr>
<td>17 Company</td>
<td>Company Secretary</td>
<td>Food and Allied Planning and Finance</td>
<td>SM</td>
</tr>
<tr>
<td>18 State Bodies</td>
<td>State Minister</td>
<td>Central bank</td>
<td>GCB</td>
</tr>
<tr>
<td>Regulatory Authorities</td>
<td>Governor</td>
<td>Central bank</td>
<td>ExGCB</td>
</tr>
<tr>
<td>20 Regulatory Authorities</td>
<td>Ex-Governor</td>
<td>Central bank</td>
<td>ExDGCB</td>
</tr>
<tr>
<td>21 Regulatory Authorities</td>
<td>Ex Deputy Governor</td>
<td>Central bank</td>
<td>ExAD</td>
</tr>
<tr>
<td>22 Regulatory Authorities</td>
<td>Ex Advisor</td>
<td>Care Taker Government</td>
<td>ExAD</td>
</tr>
<tr>
<td>23 Regulatory Authorities</td>
<td>Ex Advisor</td>
<td>Care Taker Government</td>
<td>ExAD</td>
</tr>
<tr>
<td>24 Regulatory Authorities</td>
<td>Corporate Governance Analyst</td>
<td>IFC</td>
<td>CGIIFC1</td>
</tr>
<tr>
<td>25 Regulatory Authorities</td>
<td>Corporate Governance analyst</td>
<td>IFC</td>
<td>CGIIFC2</td>
</tr>
<tr>
<td>26 Regulatory Authorities</td>
<td>Executive</td>
<td>Central bank</td>
<td>ExCB1</td>
</tr>
<tr>
<td>27 Regulatory Authorities</td>
<td>Executive</td>
<td>Central bank</td>
<td>ExCB2</td>
</tr>
<tr>
<td>28 State Bodies</td>
<td>Commerce secretary</td>
<td>Ministry of Commerce</td>
<td>COM</td>
</tr>
</tbody>
</table>

Table 12: Interviewee list with their codes used in this study

Interviews lasted between 30 minutes and one-and-half hours. Questions asked during the interview comprised basic questions and probe questions (King and Horrocks, 2010; Roulston, 2010; Shank, 2002) to elicit further explanations, examples, and more detail (Kvale and Brinkmann, 2009; Silverman and Marvasti, 2008; Simons, 2009). An interview guide was used to focus upon issues and themes central to this research and to ensure consistency of questions between interviews (appendix). The interview guide helps the researcher ensure that the same information was obtained with the basic themes identified. It also helped the systematic and comprehensive collections of issues/ themes across a number of interviews (O’ Dwyer, 2000). Knowledge gathered
from contextual analysis, CSR literature review, corporate political activities literature and pilot interviews prior to the main interviews, were drawn on in designing the interview guide.

All interviews took place at the interviewees’ place of business and were generally conducted in Bengali (the native language of Bangladesh). In few cases, the interview began in English and ended up in Bengali. However, this did not make the conversation difficult; instead, it made it more understandable to the researcher. All interviews were tape recorded, except two. Two of our interviewees did not agree to tape recorded interviews. Where the interviews were not recorded, interviews were conducted by note taking with the consent of interviewees. The taped interviews were transcribed, translated and reviewed. The researcher listened directly to each recorded interview, following the method reported by O’Dwyer (2004). Translation and transcription were carefully scrutinized against the tape recordings and amendments made where necessary. Each interview transcript was then input into Nvivo10 for further analysis. Nvivo as a data management tool for managing transcriptions and field notes in different formats from various sources (e.g. interviews, field notes and content analysis) provided a more streamlined structure for discovering emerging themes.

5.3.2 Data Analysis: Interview

All interview transcripts were listened to several times to form a deeper understanding of the issues covered in the interviews and to take one of particular relevant aspects. A coding system was developed based on the theoretical framework developed for this research. The coding was revised according to the emergent issues in the data (i.e. add, drop or merge). The coding process was repetitive and iterative; each piece of empirical material was revisited at least twice to ensure that the emerging themes are accounted for and coded appropriately and in accordance with the theoretical framework developed.

The interview transcripts were subject to several rounds of reading. The purpose of the first round of reading was to capture the overall message from the interviews, the interview transcripts were analyzed using three sub processes: 1) data reduction 2) data display and 3) conclusion drawing (Miles and Huberman, 1994). Data reduction, conducted during the first round of reading, includes the process of selecting, focusing and simplifying the data from the transcripts. Data reduction, conducted during the first round of reading, includes the process of selecting, focusing and simplifying the
data from the transcripts. Data display involves organizing and assembling the excerpts from the transcripts to support the analysis and conclusion/verification. The comments from the interviews were supported by documentary including evidence from the newspaper and company documents, disclosures from the annual report, which are presented in chapter six under recurrent themes.\(^\text{11}\)

### 5.3.3 Analytical Themes

Weber's framework provides a methodological strategy for the socio-historical analysis of the relations between accounting and organizations and society. Weber's advocacy of multiple methodologies, alternatively employing nomothetic institutional analysis with more ideographic historical and cultural features, provides the guidelines for bringing sociology and history together for the study of accounting (Alvesson and Sandberg, 2013; Broadbent and Unerman, 2011; Silverman, 2011). The framework adopted in this research provides methodological guidelines for both situating the analysis of organizational accounting in a larger institutional and cultural context and incorporating the specific tensions related to organizational accounting into industrial and societal structures and processes. Weber's emphasis on the ideographic nature of rationality suggests the development of accounting is not an evolutionary or holistic process, but emergent, open-ended and contingent (Mommsen, 1987).

The purpose of identifying analytical themes here is to develop a theoretically informed thick narrative (Quattrone, 2006) on corporate social reporting practices and the political motivations behind conducting such activities. The researcher believes that the themes best describe the empirical results and enable the researcher to accomplish the research objective.

Interviews were analyzed following the procedures of data reduction, data display and conclusion gathering (Miles, Huberman and Saldana, 2013; O'Dwyer, 2004). Data was analyzed initially and presented upon overarching themes such as the CSR reporting or disclosure for opportunistic intent and CSR reporting for normative intent. Based on the theoretical framework developed, the main motivations of organizations in a traditional setting to disclose CSR information is to get political patronage through public display of loyalty to the Master. The analysis takes demonstration of loyalty as the focal point because it aims to explore why the organizations would disclose politicized actions as

\(^{11}\) Weber (1990) defines themes as a cluster of words with different meanings or connotations that, when taken together, form an issue.
CSR. However, the research also explores the motivations for conducting such activities as this provides a complete understanding of the process as well as the outcome.

Under these broad empirical themes, given the nature of the CSR activities and disclosures described in chapter two and the findings from the interviews, recurring themes emerged which are informed by the theoretical framework developed for this research. In order to further identify and categorize the recurring themes as corporate political activities in the name of CSR, Skippari’s (2005) framework and Lord’s (2000b, 2003) components of corporate political activities (introduced in the theoretical chapter) have been used as guidelines.

The motivations of the company’s CSR activities and disclosure can be grouped into the following categories. This is also consistent with Uddin, Siddiqui and Islam, (2016) who used the framework only to identify politically charged CSR disclosures in Bangladesh. Based on the findings of the interviews, this research categorized the CSR activities and disclosures into:

- **Coalition Building:** Where the companies use their CSR activities and disclosures to try and endorse the agendas and priorities, ideologies and sentiments of the ruling party/regulators and policy makers and use CSR to build coalition with the political power and display their loyalty to the Master. For example, the pro liberation sentiment of the ruling government party is being used by the organizations to express coalition and loyalty to the government by contributing in activities, which reflects pro liberation sentiment (See also, Uddin, Siddiqui and Islam, 2016).

- **Executive Lobbying/Lobbying by Senior Executives:** Where the Board of Directors or senior management tends to express their support to the political power/their kin or family by contributing to their personal/ pet projects. This includes contributions to personal projects of leaders indicating close/personal relationships with leading political families. Under this theme, the researcher includes disclosure items such as one-off payments to organizations named after members of the ruling party, and contributions to projects actively supported and sponsored by such members (Uddin, Siddiqui and Islam, 2016). Under this analytical theme, the researcher includes CSR activities and disclosures which are preferred by the political power /ruling party (in this research, these the special projects led by the PM herself or her family/kin).
- **Constituency Building**: Where the Board of Directors target and nurture the grass root stakeholder base through CSR activities in order to gain personal political benefit. These primarily include CSR activities targeted towards the beneficiaries of the constituency of the board member or, their kin or even the political leaders and their kin. For instance, helping poor people in their own villages and constituency, donating to constituency of political member and also PM with the purpose of creating a positive impact for election.

Though the CSR disclosures have been categorized into the above three different corporate political activities, but, at the same time, this research also acknowledges the potential overlapping among them. The empirical results in chapter six and seven have been informed by the above analytical themes. The Weberian framework further provides evidence of how the organizations tend to disclose CSR activities, which are primarily corporate political activities of the organizations.

### 5.4 Summary

This chapter discusses the research methods and methodology used in this research to understand the corporate social responsibility reporting practices in Bangladesh. In order to address the research questions, the researcher employs mixed methods in this research. The chapter discusses the philosophical assumptions and rationale behind mixed methods research and presents the research design strategy.

The study conducts quantitative research to identify if CSR disclosures are influenced by political connections. The researcher develops the hypotheses for the study in this chapter. The models specified to identify the determinants of CSR disclosures and the variables measurements are also discussed in details in this chapter. The models are controlled for corporate governance and ownership variables.

The second part of the research is based on interviews, which were conducted to explore the motivations of CSR reporting in a traditional society. This chapter also explains the data collections thorough interviews and how the data was structured and interpreted using the notion of traditionalism and traditional society in consideration. Analytical themes were developed, which were informed by the theoretical framework and the concepts of political activities.

Given the models and the hypotheses discussed in this chapter, the next chapter (chapter six) presents the empirical results of the quantitative strand of the research.
The regression results of the models specified in this chapter are discussed using the Weberian lenses.
CHAPTER 6 QUANTITATIVE ASSESSMENT OF POLITICAL CONNECTIONS AND CSR DISCLOSURES

6.0 Introduction

This chapter describes the empirical results of the quantitative strand of the research. The objective of the chapter is to identify if politically connected firms influence CSR disclosures. It also captures the influence of family controlled firms and politically connected family firms with CSR disclosures. The hypotheses developed in chapter five are tested using the models specified in that chapter and the empirical results are presented and discussed in this chapter. While the results are discussed, this chapter also explains the rationale for using the corporate governance and ownership variables considered and controlled in this study.

Section 6.1 describes the corporate governance variables followed by the different ownership structures in section 6.2. The subsequent section (section 6.3) explains the descriptive statistics and section 6.4 presents the correlation matrix. Section 6.5 reports the regression results of the three models tested. Section 6.6 discusses the results using the theoretical framework developed for the study and section 6.7 summarizes the chapter.

6.1 Corporate Governance as a Mitigating Factor

This section of the chapter explains the corporate governance elements used in the study. Corporate governance relates to the effective management of the business. While most definitions of corporate governance focus on the Board of Directors, other definitions are broader, and include the firms’ ownership structure as well (Denis and McConnell, 2003). This study considers both the Board of Directors and the ownership structures (in the next section) in order to identify the determinants of CSR disclosures in Bangladeshi companies.

The literature review on CSR in chapter two presents the importance of corporate governance as a determinant of CSR disclosures. However, in a traditional society, it is assumed that politically connected members in a weak regulatory environment might try to keep the internal corporate governance weak and resist any measures that impinge on their rent-seeking behavior (Muttakin, Khan, and Subramaniam, 2015). As Klapper and Love (2004) argue, firm level effective corporate governance provisions can potentially compensate for weaknesses in the legal environment further. These
provisions become more important in traditional society. Thus, the corporate governance variables are controlled in the models specified in chapter five. Here, the researcher explains each of these variables and their applicability in this research.

The Board of Directors has been recognized as a major corporate governance mechanism in Anglo-American corporate governance models (Uddin and Choudhury, 2008). Their role is fundamental in a traditional corporate governance environment with concentrated ownership structure, absence of a well-developed capital market, established professional bodies and democratic institutions. The board has the responsibility of leading an organization, with effective decision-making and proper monitoring on behalf of the principals of the firm (Reaz and Arun, 2006).

For Bangladesh, the Companies Act, 1994, defines the rights and liabilities of the Board of Corporate Directors; it also defines a company’s corporate governance attributes, its ownership structure and its company characteristics. According to Section 90(1) of the Companies Act 1994, every public limited company, and every private company that is a subsidiary of a public limited company, must have at least three directors representing the shareholders. Directors are elected by the shareholders at the Annual General Meeting (Companies Act, 1994, Section 91) and can also be removed by the shareholders under Section 106 of the same act.

As discussed in John and Senbet (1998), the effectiveness of a board in monitoring management is determined by its composition, independence, and size. Composition and independence are closely related, since board independence increases as the proportion of independent outside-directors increase

6.1.1 Board Size

Past studies proposed that board size will increase communication and coordination problems, decrease ability of the board to control management, which eventually results in poor decision-making. Jensen (1993) found that large board results in less effective coordination, communication and decision-making and are more likely to be controlled by the CEO. It is predicted that ineffective coordination in communication and decision-making will lead to low quality of financial disclosure since the Board of Directors are unable to carry out their roles efficiently. Thus, the size of the board has an implication on the decisions to be made regarding disclosure of information.
In Bangladesh, board size is an important factor in corporate governance mechanism. Legally, the Board of Directors is also accountable to the shareholders for the overall affairs of the business (Companies Act, 1994, Schedule 1 Section 104). In most of the cases, the majority of the board members are either direct family members or friends or kin except the multinationals. Uddin and Choudhury (2008) report that even if non-family members are elected to the boards, the majority of these external directors have hardly any involvement in the true affairs of the companies they serve.

According to Weber (1978), it is very common for the most important posts to be filled by members of the ruling family or clan in traditionalistic organizations. This is a “rational” action as far as the family is concerned. The selection of close family members also enables family domination within the enterprise to continue (Uddin, 2009). Non-family members, on occasions, have been elected to the boards, often due to loan conditionality from the banks or equity participation. However, as respondents claim, the majority of these external directors (non-family members) have hardly any involvement in the true affairs of the companies they are elected to serve. Under such circumstances, the board size might not be as important since the decision making process is concentrated in the hands of one or two.

6.1.2 Board Independence

The presence of independent directors in the board is considered to be a major corporate governance mechanism. Chen and Jaggi (2000) find that the ratio of independent board directors is associated with mandatory disclosures. It is generally believed that the presence of independent directors will strengthen the board by monitoring the activities of the management, and ensure that interests of the investors are protected (Petra, 2005). Again, Harjoto and Jo (2011) report CSR disclosures to be significantly correlated with board independence, measured in terms of the percentage of independent directors in the board. Thus, it can be argued that the presence of independent directors in the board will enhance CSR disclosures.

Interestingly, in the context of Bangladesh, ‘independent directors’ may have an entirely different meaning. Consistent with the Western styled corporate governance guidelines, the Securities and Exchange Commission Guidelines (2006) require at least 10% of the members of the Board of Directors to be independent. This reflects the fact that the regulations and guidelines are imported from Western rational governance models, which assumes that, rationality is in place in Bangladesh. However, most
independent directors represent current or former government officials or bureaucrats. They are appointed directors to assist company in getting licenses or as payback for previous favors (Sobhan and Werner, 2003). This is also consistent with Uddin and Choudhury (2008), who find that in most Bangladeshi companies, independent directors were appointed for ‘name’ only, and personal connections, rather than skill and expertise, were the major criteria for such selection.

This is expected in a traditional society, where the owner-managers are expected to recruit their “favorites” people. In fact, it is found that in most of the local companies, independent directors are chosen from friends or someone who will always act as per the directive of the sponsor. In this context, independent directors do not act as an advocate for minority shareholders or as a source of innovative ideas (BEI, 2003). Thus, in Bangladesh, the influence of independent directors in the board might be doubtful.

6.1.3 Role Duality and Relations of CEO and Chairman

Firms that have one individual who serves as both Chairman and CEO/Managing Director (role duality) are considered to be more managerially dominated (Molz, 1988). It is believed that the person who occupies both roles would tend to withhold unfavorable information to outsiders. Forker (1992) asserts that a dominant personality in both roles poses a threat to monitoring quality and is detrimental to the quality of disclosure. He finds a significant negative relationship between the existence of a dominant personality and the quality of share-option disclosure.

In case of developing countries also, Haniffa and Cooke (2005) provide two views on this aspect. The first view supports the separation of the two roles to provide checks and balances for the performance of management, while the second view argues that the separation is not important since many companies are well run even with the roles combined and have an effective and capable board meeting. In any case, companies with role duality invariably offer greater power to the person which might enable him to take decisions which are at the self-interest rather than at the greater interests of shareholders and eventually resulting in less involvement of social activity or commitment and hence less disclosure of CSR activities.

In case of Bangladeshi businesses, though the SEC guidelines (2006) and the Code of Corporate Governance proposed the separation of CEO and Chairman, but in many cases, the two roles are actually performed by two different members of the same
family (Sobhan and Werner, 2003). However, the SEC (2012) guidelines have made it a requirement for the Chairman and the CEO to be separated. However, interestingly, the boards of directors in most of the listed companies in Bangladesh comprise very close family members. The BEI survey indicates that family members dominate most of the listed companies, except multinationals, and the head of the family becomes the Chairman and other family members occupy the important posts such as CEO or Managing Director, reported in Uddin and Choudhury (2008).

These circumstances can be theoretically explained in Weber (1978). Weber emphasizes that it is very common for the most important posts to be filled by members of the ruling family or clan in traditionalistic organizations. But at the same time, this poses a question as to whether the physical separation of the role of Chairman and CEO actually has any effect on the financial reporting and disclosures of information. Given these circumstances, besides the dual role of Chairman and CEO in the companies, it might also be interesting to explore the impact on the CSR disclosures when then Chairman and Managing Director/CEO are from the same family.

6.1.4 Presence of Audit Committee and Quality of Audit

Audit Committees are expected to influence the reporting and disclosures of the information since they check and approve the choices of the accounting policies and all. There are studies conducted on the existence of audit committees and the financial reporting quality in emerging economies (see Bradbury, Mak and Tan, 2006 in Singapore and Malaysia; Rahman and Ali, 2006 in Malaysia). According to Weber, the presence of an audit committee is a product of rational action. However, in Bangladesh where the family dominance is very high, the effect of the existence of audit committee tends to be ignored. Besides, in many cases, the family members are the members of the audit committee. Thus, it might be possible that the audit committee may not have a significant influence on the corporate disclosure practices in Bangladesh.

Like other rational societies, the Bangladesh Companies Act (1994) also requires the annual accounts of companies to be audited by an independent auditor. The auditors, as per Section 213 of the Companies Act 1994, are required to give their opinion as to whether the accounts give a true and fair view of the state of affairs of the company and its operating results for the financial year. There are also disciplinary mechanisms in place to ensure that the auditors act in a professional manner. Thus, the role of an independent auditor is vital in ensuring transparency.
This notion of an “independent” auditor is based on the assumption, developed in modern states, that an audit is a product of rational calculation. However, it is questionable as to what extent is this rationality appropriate in a traditional setting? As Weber (1978) points out, traditionalism mediates the process of rational behavior, so the question remains as to whether auditors can maintain independence and quality in Western terms.

Despite the presence of ‘rational’ regulatory mechanism and disciplinary procedures in plays, the auditors do not seem to be expressing professional skepticism in their expressions of opinions. Khan, Muttakin and Siddiqui (2015) find that the dominant family firms in the corporate sector in Bangladesh tend to choose poor quality auditors and pay low audit fees, possibly explaining the overall poor level of audit quality in Bangladesh. Therefore, it might be useful to explore if the rational accounting calculation such as auditing plays any influence in the CSR disclosure practices.

6.1.5 Qualification of the Chairman of Audit Committee

The qualification of the Chairman of the audit committee might be an interesting variable to look at. Cooke and Wallace (1990) posit that ‘an increase in the level of education in a country may increase political awareness and demand for corporate accountability’. However, Parry and Groves (1990) in their assessment of whether the employment of qualified accountants had any impact on the quality of financial reporting find no significant relationship. Abayo and Roberts (1993) argue that an accounting qualification alone is not the solution to problems faced by developing countries with respect to inadequate accounting systems. An analysis of the qualification of the members of audit committee in Bangladesh shows that there are not many professional accountants present in the audit committee. As mentioned in Haniffa and Cooke (2002), this is usually the case in case developing countries. It is true that like other emerging economies, there is shortage of competent AC members in Bangladesh to work for around 250 listed companies and thousands of private limited companies. According to the SEC’s record (as of January 31, 2010), a total of 185 (out of total 241 listed companies on the DSE) companies had an audit committee in place. In an emerging capital market there is a smaller pool of experienced audit committee members and, therefore, many AC members may be busy serving on numerous committees and boards and have less time to develop informal communication channels (Zain and Subramaniam, 2007).
Based on the Weber’s traditionalism, it is assumed that in traditional society, the rational behavior of qualified audit committee Chairman is mediated by the prevalence of traditional culture and values. As Weber (1978) points out, traditionalism mediates the process of rational behavior, so the question remains as to whether qualified audit committee Chairman can influence the disclosure decision of CSR information. In addition to this, many of the Chairmen of the audit committee are actually family members holding important positions in the board (CEO/Chairman) and thus they will take decisions in favor of their political ‘master’ for patronage.

6.2 Ownership Structures

Previous studies have reported that ownership structure of companies is also associated with the level of CSR disclosure. Based on the traditional perspective of the principle-agent model, Brammer and Pavelin (2006) find a positive relationship between the dispersion of share ownership and CSR disclosure, consistent with, Ullmann (1985), Roberts (1992) and Cormier, Magnan and Van Velthoven (2005). Previous literature indirectly supports the argument that when firm’s ownership gets more dispersed, the CSR level gets higher (Keim, 1978; Ullmann, 1985). Keim (1978) states that as the distribution of ownership of a corporation becomes less concentrated, the demands placed on the corporation by shareowners become broader. Dispersed corporate ownership, especially by investors concerned with corporate social activities (e.g., social responsibility mutual funds, church, and civic pension plans, and ethical investors), heightens pressure for management to disclose social responsibility activities (Ullmann, 1985). Moreover, Cormier, Magnan and Van Velthoven (2005) find a negative association between foreign ownership and the quality of environmental disclosure in a German sample. They argue that this is because environmental concerns are higher in Germany than in many other countries. The following section discusses the different types of ownership structures examined in this study.

6.2.1 Public Ownership

A widely held company means that the shares of the company are not concentrated in the hands of a few large shareholders. This type of companies may be having a large number of shareholders each holding a small portion of the company’s shares. Accordingly, when a company is widely held, the issue of public accountability may become more important. A higher level of public accountability may necessitate additional involvement in social or community activities and hence disclosure of these
activities. Thus, ownership dispersion across many investors contributes to increased pressure for voluntary disclosures (Chau and Gray, 2002; Ullmann, 1985). However, in Bangladesh, the accountability to general shareholders is minimal (Uddin and Choudhury, 2008) as expected in a traditional society.

Though prior studies have found public ownership to be significantly positive to CSR disclosure, but in countries like Bangladesh, where the ordinary shareholders are not very active, the capital market is not efficient, and the shareholders are not aware of their rights or benefits, ownership dispersion across many investors may not result in greater CSR disclosure. Besides, the average non-controlling shareholder does not possess significant level of education, understanding and sophistication required to exert pressure on a company to change behavior. The number of shareholders with sufficient knowledge and skills to understand company operations and to hold management and the Board of Directors accountable is very low. Moreover, general shareholders do not pay attention on issues of performance, business strategy, future business plans, disclosures and processes that could give them a greater voice in the policy decisions of a company. In fact, there is very little awareness about shareholders’ rights and responsibilities. Shareholders’ activism is still an illusion in Bangladesh (Hossain, 2005). Therefore, ownership dispersion in a developing economy like Bangladesh might not result in higher CSR disclosure as in the developed countries.

6.2.2 Foreign Ownership

Foreign Ownership has been found to have positive association with CSR disclosure since foreign investors are likely to have different values and knowledge regarding social and environment decisions, thus is expected to disclose more information on CSR. The demands for disclosures are usually higher when foreigners, due to the separation between management and owners geographically, hold a high proportion of shares (Schipper, 1981; Bradbury, 1992). Thus, a company with foreign ownership is expected to disclose more information including social and environmental information to help them in decision-making. Prior studies in developing countries found positive association of foreign ownership with CSR disclosure. Haniffa and Cooke (2005), in their study, indicate a positive relationship between foreign ownership and CSR disclosure in Malaysia indicating that Malaysian companies use CSR disclosures as a proactive legitimizing strategy to obtain continued inflows of capital and to please ethical investors.
In case of Bangladesh, based on the distinction of rationality and traditionalism of Weber, it is rational for the firms with foreign ownership or subsidiaries of foreign companies to disclose more CSR information. Weber also acknowledges the tensions of coexistence of rationality and traditionalism in the capitalist firms located in a traditional society. Thus, it might be useful to explore whether the foreign ownership of firms has any impact on the CSR disclosure of the companies.

6.2.3 **Government Ownership**

It is usually expected that government owned organizations will have better disclosure in order to mitigate the agency costs and weaker governance of those organizations (Eng and Mak, 2003). In their study, Eng and Mak (2003) found that the government ownership in Singapore is associated with increased voluntary disclosure. Ghazali (2007) also explains in his study that a government owned company is more politically sensitive as the activities of these companies are more in the public eyes. That is because ownership by the government indirectly means that the company is owned by the public at large. Thus, this type of companies may engage in more socially responsible activities and hence more disclosure of social activities to legitimize their existence. These studies are based on the assumptions of rational expectations, which might be different in case of traditional society like Bangladesh where the state like bodies are personified in familial politics. Mannan (1992) argues that in Bangladesh, political parties maintain their loyal supporters in various positions within the institution and thereby personalize the state bodies. For instance, in Bangladesh, the government owned organizations, due to their nature of the linkage with the political clan directly, might be involved in more CSR disclosure in order to demonstrate the personal loyalty towards the master.

6.2.4 **Institutional Ownership**

Many scholars suggest that institutional owners have significant influence on organizational decisions. For instance, Shleifer and Vishny (1997) argue that institutional owners are influential in organizational decisions by exercising substantial voting power as well as having asymmetric information advantage over other shareholders. With respect to organization on social investment, the good management theory (Graves and Waddock, 1994) suggests that the effect of institutional ownership on CSR activities and hence its disclosures should be positive. It is explained that since the firm’s long-term performance can be enhanced by good management practices,
institutional investors are likely to be more willing to support CSR activities and disclosures. In most capital markets, institutional investors like insurance companies, pension funds, and mutual funds hold power over substantial sums of investment capital and demand strong performance and transparent corporate governance.

Uddin and Choudhury (2008) report that unlike developed countries, the influence of institutional investors is almost absent in Bangladesh. There are only a few institutional investors in Bangladesh, most of which are state-owned enterprises (SOEs) and they often do not exercise the power they hold. State-owned institutional investors have no performance motivation to force companies to improve performance, voluntarily disclose information, or improve corporate governance. The only major institutional investor in Bangladesh is the Investment Corporation of Bangladesh (ICB). Substantial proportion of the shares is held by dispersed individuals who are unable to influence the controlling shareholders. According to Weber (1978), family or clans take precedence over the legal authority. Due to the strong presence of family members on the board, institutional ownership might or might not have any effect on the extent of social disclosure of information.

The above corporate governance and ownership variables are controlled in the models specified in chapter five and OLS regression is run to identify the determinants of CSR disclosures. The next sections discuss the statistical results.

6.3 Descriptive Statistics

Table 13 presents the descriptive statistics for the variables used in the study. The variables used in this research have been described in details in chapter five. This chapter presents the results of the quantitative analysis.

The average CSR disclosure index score is 0.238, which is similar to Khan, Muttakin and Siddiqui (2013) and Muttakin and Khan (2014), who report an average CSR disclosure score of 0.223 for non-banking companies in DSE from 2005-2009. The studies conducted by Muttakin, Mihret and Khan (2018) report an average CSRDI of 0.245. 50.5% of the firms in the sample are politically connected and 52.7% the firms are family firms. This is similar to Muttakin, Mihret and Khan (2018) who report a political connection (PCON) of 56%. The average board independence (IND_DIR) is 17%, which is higher than the one reported in Khan, Muttakin and Siddiqui (2013). 14.6% of the CEOs in our sample firms are also the Chairman of the board (RDUAL), while 47% of the CEOs and Chairmen of the board are related to each other.
(CHAIR_CEO_REL). The average public ownership (POWN) of firms is 37.5% and the Managerial Ownership (MOWN) is 38.7%. The average board size (BOARD_SIZE) is 7.4. The table below presents the descriptive statistics.

<table>
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<th>p50</th>
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**Table 13: Descriptive Statistics**

### 6.4 Correlation

Table 14 presents the correlation matrix among the variables. The Pearson correlations coefficient in table 14 suggests that the multicollinearity is not serious for the independent variables. Gujarati (2009) and Kennedy (2003) suggest that collinearity should not be considered harmful until the correlation coefficient exceeds 0.8 or 0.9. Tabachnick, Fidell, and Osterlind (2001) propose a more stringent cut-off point of 0.7. Since the highest Pearson correlation between independent variables in this study range “between” 0.0001 to 0.40, multicollinearity does not appear to be a serious problem in interpreting the regression results.

Table 14 shows that CSRDI is positively correlated with political connections (PCON), but negatively correlated with family firms (FAMFIRMS). CSRDI is negatively correlated with role duality (RDUAL) and the presence of independent directors (IND_DIR). The presence of audit committee (AUDCOM) and quality of audit (TYPE_AUDITORS) is positively correlated with CSRDI.
Table 14: Pearson correlation matrix

CSRDI = corporate social responsibility disclosure score/index; PCON is an indicator variable set equal to “1” for politically connected firms and “0” otherwise. The study considers a firm to be politically connected when at least one of its member of its board is/was a member of the parliament, a minister or closely associated with a political party or a politician; FAMFIRMS = when the firms has a ownership of 20% or more and 1 or more otherwise 0.

Table: Pearson correlation matrix

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<th>4</th>
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<td>BOARD SIZE (6)</td>
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<td>-0.155</td>
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<td>-0.084</td>
<td>0.262</td>
<td>0.001</td>
<td>0.052</td>
<td>0.361</td>
<td>0.276</td>
<td>-0.207</td>
<td>0.326</td>
<td>-0.244</td>
<td>0.141</td>
<td>-0.087</td>
<td>0.278</td>
<td>0.001</td>
<td>0.103</td>
<td>0.007</td>
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</tr>
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</table>

Bold numbers = statistically significant at less than 0.05.
6.5 Regression Results

This section presents the OLS multiple regression results of the models specified in chapter four using CSRDI as the dependent variable.

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
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<tbody>
<tr>
<td>PCON</td>
<td>0.0264**</td>
<td></td>
<td>0.0920***</td>
</tr>
<tr>
<td></td>
<td>[1.98]</td>
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<tr>
<td>FAMFIRMS</td>
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<td>0.0776***</td>
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<td>[3.77]</td>
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<tr>
<td>PCON_FAMFIRMS</td>
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<td>[-3.78]</td>
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<td>-0.0412</td>
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<td>0.0002</td>
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<td></td>
<td>[0.35]</td>
<td>[0.84]</td>
<td>[0.09]</td>
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<tr>
<td>RDUAL</td>
<td>-0.0344**</td>
<td>-0.0372**</td>
<td>-0.0346**</td>
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<td>0.0553**</td>
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<td>[2.05]</td>
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<td>TYPE_AUDITORS</td>
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<td>0.0527***</td>
<td>0.0547***</td>
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<td></td>
<td>[3.03]</td>
<td>[3.04]</td>
<td>[3.16]</td>
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<tr>
<td>AUDCOMCHAir_QUALI</td>
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<td>0.0637***</td>
<td>0.0532***</td>
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<td></td>
<td>[4.22]</td>
<td>[4.48]</td>
<td>[3.71]</td>
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<td>CEO and Chairman R~d</td>
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<td>0.0029</td>
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<td>GOWN</td>
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<td>POWN</td>
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<td>FOWN</td>
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<td>0.1190*</td>
<td>0.1107*</td>
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<td>COMPX</td>
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<td>0.0090**</td>
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<td></td>
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<td>-0.001</td>
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<td></td>
<td>[0.07]</td>
<td>[-0.08]</td>
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<tr>
<td>ROA</td>
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<td>0.0119</td>
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<td></td>
<td>[0.31]</td>
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<tr>
<td>l_TA</td>
<td>0.0256***</td>
<td>0.0268***</td>
<td>0.0261***</td>
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<tr>
<td></td>
<td>[6.08]</td>
<td>[6.41]</td>
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<tr>
<td>Constant</td>
<td>-0.4456***</td>
<td>-0.4973***</td>
<td>-0.4867***</td>
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<td>[-4.83]</td>
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<td>Included</td>
<td>Included</td>
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<td>Industry Dummies</td>
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<tr>
<td>R-squared</td>
<td>0.3982</td>
<td>0.397</td>
<td>0.4135</td>
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<tr>
<td>N</td>
<td>654</td>
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</tbody>
</table>

* p<0.1,   **p<0.05,   ***p<0.01

Table 15: Regression Results

Table 15 presents the regression results. Model 1 reports positive significant association between political connections (PCON) and CSR disclosure index (CSRDI),
thus (\(\beta=0.026, p<0.05\)). Similarly, in Model 2, family firms (FAMFIRMS) are found to have a positive significant association with CSRDI (\(\beta=0.0271, p<0.10\)), thus supporting the hypotheses H1 and H2. This is contradictory to the results reported in Muttakin, Mihret and Khan (2018), who report a negative significant association with CSRDI. It could be possible that the current study considers a number of corporate governance variables and ownership structures, which might have an impact on the political connection variable and thus the results are not consistent with Muttakin, Mihret and Khan (2018).

The results of model 1 means that politically connected firms disclose more CSR information than non-politically connected firms. According to the 1st axis of the Weberian framework, from the organizational analysis, this reflects the substantive rationality of the firms. The politically connected firms perhaps want to express their loyalty and support to the political power and hence disclose a wide variety of CSR information. This might be possible that in a traditional society, the companies are disclosing a wide variety of CSR information in order to build coalition (Skippari, 2005) with the ruling party. Companies might want to express their loyalty by donating to projects or programs, which are aligned with the wider ideology or agenda of the ruling party. Thus, it is rational for the organizations to disclose the information as CSR and hence the CSR disclosure index is more. This is expected in Weber’s traditional society like Bangladesh where political connection is extensive (Muttakin, Khan and Subramaniam, 2015). Business owners can easily obtain party nominations for parliamentary elections by making large donations, thereby placing them in a position to use the government system to maintain, defend and advance business interests. Thus, it might be possible that the politically connected firm invest in strengthening the bondage with their leader and hence, conduct CSR as a political activity and disclose that information.

Similarly, in model 2 this might also mean that in a traditional society family controlled firms disclose more CSR information than non-family firms perhaps to establish links with the ruling party/government (Hillman, 2005) through CSR disclosures. Previous studies on family firms and CSR reporting have reported mixed results. Family firms were found to disseminate a wider range of CSR reports than non-family firms since these ‘explicit’ CSR reporting initiatives enable them to meet the informal expectations of proximate external stakeholders (Wilkund, 2006). However, García, Sacristán-
Navarro and Gómez-Ansón (2017) suggest that both family ownership and/or family governance have a negative influence on firms’ commitment to CSR reporting.

From the traditional society perspective, this reflects similar arguments as the variable political connections. This might be expected that the family firms might be engaged in more CSR disclosure in order to express their allegiance to the political power, which in Weberian terms the ‘master/ chief’. This reflects the substantive rationalities of the firms according to the 1st axis of Weberian framework since establishing political ties to gain benefits such as regulatory favor or investment resources (Faccio, 2006; Fisman, 2001). As Weber (1968) states, the ‘master’ is expected to do good turns, governed by an ethical sense of equity or of utilitarian expediency. The CSR disclosure index used in this study uses a variety of items of social and environmental information. Therefore, family firms tend to disclose a wide variety of social and environmental information in order to publicly display their loyalty to master/leader and strengthen their relationship with the ruling power through building coalition with the government agenda and programs (Skippari, 2005). This is consistent with Campopiano and De Massis (2015), who in their study use institutional theory to examine how family influence on a business organization affects CSR reporting. Their findings show that in comparison to non-family firms, family firms disseminate a greater variety of CSR reports, are less compliant on CSR standards and place emphasis on different CSR topics. The results reported in the current study also support the argument in Uddin, Siddiqui and Islam (2016), who examine the politically motivated CSR disclosures in the banking sector of Bangladesh. It has been argued that the CSR disclosure in Bangladesh is not just appeasing to the wider shareholders; it is used as a tool to demonstrate loyalty to the political power (Uddin, Siddiqui and Islam, 2016).

Model 3 presents the results when the family firms (FAMFIRMS) are politically connected. The study derives an interaction variable of (FAMFIRMS*PCON). Model 3 reports significant negative association between family controlled politically connected firms (PCON_FAMFIRMS) and CSRDI ($\beta=-0.1011$, $p<0.01$), thus supporting hypothesis H3.

This result can be interpreted using the theoretical arguments of Weber’s traditional perspective. Family dominated firms, which are politically connected, might invest or direct CSR more in activities only preferred by the ‘master/ chief possibly through investing in pet projects of the master or his kin. This is termed as executive lobbying.
(Skippari, 2005)/ lobbying by senior executives (Lord, 2000b) as categorized from the recurring themes hence, does not feel the need to disclose a wide variety of CSR information. They might tend to disclose only the focused political activities as CSR in their annual report. Since the index captures only the variety of CSR information rather than the amount, it might be possible that the large politically connected family dominated firms are investing more CSR expenditure in focused political activities preferred by the master or their family/kin. This might indicate close personal relationships with the master.

This can be further explained using the 1st axis of the organizational analysis of Weber’s framework described in chapter three. In a traditional society, as expected, individual economic units are geared primarily towards satisfying the needs and preferences of the “master” or family/clan governed by substantive rationality. Thus, it is rational for firms to engage in CSR activities particularly favored by the ruling familial power, while the needs and preferences of state institutions fail to attract the same attention. This is possible in traditional setting since the actors (i.e. the companies) have strong political ties, they will draw in power from the ruling party and are often able to ignore the rational measures (i.e. CSR disclosure guidelines and policies) introduced by regulatory bodies/ institutions. Thus, the companies will have little interests in appeasing the wider stakeholders or society by conducting social activities and disclosing the information in the annual reports.

In terms of the corporate governance and ownership variables, all three models report role duality (RDUAL) to have a negative significant relationship with CSRDI indicating less disclosure of social information when the CEO and Chairman is the same person. Presence of audit committee (AUDCOM), qualification of the Chairman of audit committee (AUDCOMCHAIR_QUALI), and audit quality measured/proxied by the type of auditors (TYPE_AUDITORS) report positive significant relationship with CSRDI in all three models.

All these results seem to resemble Weber’s rational calculations of accounting and auditing. The audit may be viewed as a condition of the stable economic calculation of a “rational” society. Its efficacy is dependent on knowledge of techniques (that is, accounting and auditing standards) and facts (client’s accounts). The audit is also a by-product of money accounting, which according to Weber (1978) attains the highest level of rationality. However, in a “traditional” society, this rational auditing does fit in with the substantive purposes of the organizations and the different social groups in a
traditional society. Spence et. al. (2016) in their paper on the transnational audit profession reflects the influence of family dynasties and nepotism and informality in the audit firms in Bangladesh.

Weber acknowledges the co-existence and tensions between the “rationality” and “traditionalism” in a traditional setting (Dyball, Chua and Poullaos, 2006). The rational governance mechanism of quality audit and the traditional cultural and social values of Bangladesh are operating simultaneously. Since the reputed auditors are associated with the Western rational internationally linked firms, it is likely that the auditors tend to disclose more CSR information.

Results identify the ownership structures as determinants of CSR disclosures. The study documents a positive significant relationship between foreign ownership (FOWN) and the extent of CSR disclosure in all the models, which implies that higher percentage of foreign ownership results in higher CSR disclosure. This is also consistent with previous studies (Haniffa and Cooke, 2005; Khan, Muttakin and Siddiqui, 2013). Mahmood, Chung and Mitchell (2017) also indicate that foreign investors may moderate the negative influence of family ownership (but not of governance) on CSR reporting.

This indicates that foreign investors are likely to have different value and perceptions regarding the context of CSR activities in Bangladesh and would take rational strategic decisions in terms of social accountability. The results suggest that it is assumed that rationality is in place in Bangladesh.

Public ownership (POWN) reports negative but not significant association in all three models, indicating that widely dispersed companies do not influence CSRDI in traditional societies. This reflects that perhaps the general shareholders do not have any influence in CSRDI since majority of the public limited companies are actually family controlled firms. Thus, few, but major shareholder group, dominate decision-making.

In terms of the control variables in this study, large firms measured as the natural logarithms of total assets (l_TA) is found to be significantly positively related to CSR disclosure, indicating higher CSR disclosures. Similarly, firms with subsidiaries (COMPX) report positive significant relationship with CSRDI in all three models. The results of size (l_TA) and COMPX are consistent with the previous studies (Roberts, 1992; Haniffa and Cooke, 2005; Ghazali, 2007). This can be interpreted as the large firms are more prone to political patronage and thus disclose more CSR information.
strategically to gain the trust of the ruling family and favoritism in return. However, AGE (firm’s age) reports a negative and significant associating indicating that older the firm, the extent of CSR disclosures is less. Profitability (PROFROE) does not have any significant association with the CSRDI. This is inconsistent with the previous CSR literature. However, in a traditional society, it might be argued that profitability does not matter to firms when they want to display their loyalty to the master. This can be argued using the 1st axis of tension of the Weberian framework. The companies express their allegiance to the political power in their bad times in order to strengthen their political ties for the long run so that they get their patronage when they need the most. Thus, their actions are governed by the substantive rationalities.

6.6 Discussion

The objective of this chapter was to explore whether political affiliation of firm’s influence the voluntary disclosure of social and environmental information. Previous CSR and accounting literature have taken into consideration the impact of political connections (Muttakin, Mihret and Khan, 2018), corporate governance and ownership structures (Khan, Muttakin and Siddiqui, 2013; Muttakin and Khan, 2014) with CSR disclosure in developing countries, but rarely any studies considered the impact of political connections of family firms on the disclosure of CSR in developing countries. This chapter adds to the CSR and accounting literature by providing empirical evidence on political interference on CSR disclosure in large corporate houses dominated by families in traditional setting. The Weberian framework provides an alternative lens to interpret the relationship between political connections and CSR disclosure index. Additionally, it provides an understanding and insight into the CSR disclosure practices of organizations in a country with familial political power and weak institutional environment. This chapter also provides empirical support to Uddin, Siddiqui and Islam (2016), where it is argued that the CSR disclosures in a traditional setting like Bangladesh might be conducted to please the ‘master’ or political power.

The overall finding in the study states that political connections of firms have positive significant impact on the CSR disclosure of firms. Family firms as defined both in terms of ownership and governance disclose more CSR information than non-family firms. But when the family firms are politically connected, CSR disclosure is significantly less. Based on the characterization of Weber’s rationality and traditionalism, this study uses Skippari’s (2005) framework of corporate political activities and Lord’s (2000b, 2003) corporate political strategies as guidelines to
support the theoretical standpoint of the Weberian framework of accounting developed by Colignon and Covaleski (1991) and Weber’s work on traditional society.

Thus, the family controlled firms in a traditional setting might disclose more CSR information to display their support and allegiance to the ruling political party through coalition building (Skippari, 2005). But, when the family controlled firms have political members present in the board (both formal and informal political ties), the need to disclose a variety of CSR information to express public loyalty reduces and they might be disclosing only preferred actions by the ‘chief’ in the form of executive lobbying (Skippari, 2005) or lobbying by senior executives (Lord, 2000b) instead of disclosing a wide variety of social and environmental information. In Weberian terms, economic actions in traditional society are targeted towards the preferences of the master. Skippari (2005) notes that the executive lobbying strategy is more common in developing countries where there is unstable democracy and absence of rational bureaucracy and in which personal connections between business executives and politicians have been traditionally close (Katzenstein, 1985; Murtha and Lenway, 1994). Additionally, it might also be possible that the usually large family firms draw in power from the political members present in the board and does not feel the need to disclose variety of CSR information.

The regression results also suggest that the rational corporate governance elements and ownership structures have influence on the social and environmental disclosures in a traditional society. Some of the results (quality of auditors, presence of audit committee etc.) also show positive association indicating the presence of rationality in Bangladesh hence reflecting the tension between “rationality” and “traditionalism” of the capitalist firms locating in a traditional society.

The corporate governance mechanism prevalent in Bangladesh is based on the assumption that rationality is in place in Bangladesh (Uddin, 2009). But however, the strong presence of family dominance and the political affiliation of the firms disrupt the rational assumptions and rational mode of action. The presence of politically linked personnel on the board perhaps manages to stop the rational measures of the organizations, thus resulting in accountability and legitimacy to the political power rather than to the wider stakeholders. The result that role duality being significantly negatively associated with the CSR disclosures reiterates that the companies in traditional setting express their loyalty to a handful of owner–managers rather than general shareholders (Uddin, 2009). In addition, the companies draw in power and
influence from the familial political power, thus making accountability a minor issue in terms of disclosing CSR information.

This part of the study contributes to the existing CSR and accounting literature by associating political connections/affiliations and family firms in an emerging economy (Muttakin, Khan and Subramaniam, 2015) by examining the relationship between politically connected family firms and CSR disclosures practices.

This part of the research also responds to the call of Richardson (2015) and introduces quantitative methods to critical accounting research. This provides a diverse and enriched theoretical lens in terms of critically explaining the quantitative results reported in this part of the study. The contribution of this quantitative part of the research is to establish the association of political connections and family firms with CSR disclosures. Agency theory has informed such results, but the use of the Weberian framework and the notion of traditionalism provide a deeper understanding of the accounting practices, namely the CSR disclosure practices in a weak institutional environment with familial political power and domination.

However, some of the results reflect the tension of different substantive rationalities in a traditional setting, which opens up the research to explore further into the motivations of why and how the public limited companies of Bangladesh disclose CSR information. It might be useful and interesting to explore and understand the motivations of organizations in traditionalist society to conduct CSR activities and disclosure when the ultimate accountability might not be to wider stakeholders rather to the familial political power. The next empirical chapter discusses the motivations using in depth interviews to examine the CSR disclosure and activities in Bangladesh in details.

### 6.7 Summary

This chapter presents the quantitative findings of the research. The chapter explains the rationale for the corporate governance and ownership variables considered in this study. The descriptive statistics, correlation and the OLS regression results are presented in the chapter. The regression results show that when firms are politically connected, they tend to disclose more CSR information perhaps to express their loyalty to the political chief. Similarly, when firms are family controlled, they seem to disclose a wide range of CSR activities in the annual reports for political patronage and coalition building with the ruling party. However, politically connected family firms tend to disclose less CSR information than non-politically connected family firms. This reflects the fact the
majority of the family controlled firms are big business groups and they being politically connected does not need to disclose more CSR, they only conduct and disclose activities which are preferred by the master/chief. They tend to draw in power from the powerful political members in the board and do not feel the need to disclose social and community activities.
CHAPTER 7  POLITICS OF CSR REPORTING PRACTICES

7.0  Introduction

This chapter presents the findings of the interviews conducted for this research. The objective of this chapter is to explore the motivations of the CSR disclosures in a traditionalist society. Using the Weberian framework developed by Colignon and Covaleski (1991) and drawing on the work of Dyball, Chua and Poullaos (2006), Dyball and Valcarcel (1999) and Uddin (2009) in traditional societies, this chapter explores whether the organizations in a traditional society with strong family domination exploit CSR in order to seek out and manage political ties. Weber’s notion of ‘traditionalism’, embodying elements such as family, kinship, personal loyalty and master–servant relationship has been used to theorize the arguments and provide deeper insights into the operating practices of corporations, including CSR.

The previous empirical chapter investigates the association of CSR disclosure with politically connected firms in a traditional setting. The findings report political connections of firms and family controlled firms to be positively significant with CSRDI, but negatively significant when family controlled firms are politically connected. It was hypothesized that in a traditional setting, it is possible that when family firms have political members on the board, the firms might be conducting more direct and focused corporate political activities preferred by the master rather than conventional CSR. Thus, it is rational for organizations to disclose only the CSR activities, which are preferred by the master; rather than a wide variety of CSR information. This is also possible that when family firms are politically connected, they tend to draw in power from the familial political power, thus do not feel the need to be accountable to the wider stakeholders. This is expected in Weber’s traditional society, where family interests and desires dictate the organizational practices Uddin (2009).

In order to provide support to the empirical results derived in the previous chapter, this chapter explores in detail into the underlying nature of the CSR disclosures and their practices of the public limited companies in Bangladesh and examine whether elements of traditionalism provide richer insights into political aspects of CSR. The findings from the interviews demonstrate the motivations of the organizations for CSR reporting and explain how and why the companies strategically exploit CSR to strengthen their bond to the party in power.
The theoretical approach adopted in this study directed the presentation of empirical findings to achieve a smooth flow of arguments in the chapter. According to the Weberian framework, there are three layers of analysis: the structural conditions, historical background and the organizational context. Chapter four of this thesis describes the structural and historical context and sets the scene for a broader understanding of the organizational practices including accounting and disclosure practices. This chapter focuses on the analysis of the organizational context.

This chapter is divided into the following sections: section 7.1 discusses the underlying nature of CSR disclosures in Bangladesh. Section 7.2 explains how CSR is being used as a political tool to express loyalty to the ruling party through various corporate political activities. This section is divided into several sub sections to clarify the different ways of conducting politicized actions in the name of CSR. Section 7.3 presents the findings of the motivations of CSR reporting practices for normative reasons, which reflect rational attitudes in a traditional society. Section 7.4 presents the reasons for non-disclosure of CSR followed by discussion and summary in section 7.5.

### 7.1 CSR Reporting Practices: Nature and Regulatory Requirements

As mentioned in chapter four, CSR disclosures are voluntary for both listed and non-listed companies in Bangladesh. The CSR information is primarily disclosed in the annual reports of the organizations and sometimes, in the newspapers, websites and company brochures. The companies in Bangladesh voluntarily report social and environmental activities in their annual reports, corporate magazines and/or any other form. They incorporate information regarding employees, community, environmental, or product-related issues.

Besides these common CSR spending, all companies also have their own areas and categories of CSR reporting. Pharmaceutical companies usually disclose and contribute more to the health sector (e.g. providing medicines to poor, conducting research and development in health sector, training to nurses and health practitioners, conducting seminars and workshops for the doctors, information about their products and medicines etc.; companies in the power and energy sector donates more to projects or initiatives related to power (e.g. funding and sponsoring electricity week); awareness of alternative energy sources; telecom industries contribute more to access to information and financial inclusion.

For instance, one respondent from a large local pharmaceutical company comments,
“…..we, being, one of the largest pharmaceutical companies in Bangladesh, need to cater to the needs of the doctors and nurses in the country. We also donate to the doctor’s associations, seminars and workshops arranged by them ….”(MD1)

Some companies have massive projects of afforestation program, access to pure drinking water, solar and other renewable energy etc. These CSR activities are disclosed in annual reports, CSR reports, news bulletins, and sometimes newspapers.

“…the afforestation program, which is our long-standing program. The need mainly arises from the philosophy that due to tobacco curing, the wood that was used, we wanted to ensure that we would actually remain positive in terms of contribution to the society. Whatever firewood is being used for curing purposes, the number of trees that we will plant and make them survive should be more than whatever is used to cure the tobacco. At the same time, it is more than 30 years, and over the years, we are also encouraging the tobacco farmers to come out of use of wood fire/fuel, and make use of alternative sources of firewood”. (MD2)

Besides all this, the researcher conducted an archival analysis of the annual reports. Below are some excerpts from the annual reports of different companies, which show the nature of CSR disclosures and reporting by public limited companies in Bangladesh.

Summit Power Limited supports various Government, Non-Government Organizations (NGOs) and community capacity development institutions and contributes towards many social and humanitarian causes as part of its Corporate Social Responsibility. Such activities are in favor of education, sports, underprivileged and handicapped children & youth, electrification to the remote char dwellers and so on. (Annual Report, 2013, p. 31)

We provide scholarship to the meritorious children of our employees, ensure free medical services to employees in need including meeting the cost of consultation by specialist physicians. We also offer low cost medical diagnostic services to our employees through the services of the FRF foundation sponsored by the Beximco group. ………. Besides all these, being a responsible manufacturer, the Company remains committed to protecting the environment and takes great care in reducing carbon footprint by managing wastes and emissions, and promoting eco-friendly operations and business practices. (Annual Report, 2012, p.42)
The researcher also found that one of the frequent and recurrent disclosure of most of the companies is donating funds to the PM Relief Fund. All organizations deposit a significant amount of CSR expenditure in the PM fund for the purpose of sudden crisis like natural disasters, manmade disasters or even international crisis where Bangladesh wants to contribute as a country. However, the companies, besides directly contributing to the affected areas or beneficiaries, rather route it through the PM fund. This is also supported by Uddin, Siddiqui and Islam (2016), who report that a number of banks made significant donations to the Prime Minister’s relief fund for victims of the 2009 cyclone. This was further supported by the interviews conducted by the researcher.

One of the respondents also mentions this during the interview:

“…when the earthquake happened in Nepal, government wanted us to send medicine, government wants to help financially, and we go ahead then. We can do it directly, but we do it through government. This is our CSR. We think we should participate”. (MD1)

The companies express normative intent in helping the earthquake victims of Nepal, but at the same, “…we do it through government….” does imply political intent as well. It might be mentioned here that the Managing Director is the son of the late former president of Government of Bangladesh and the Chairman of the company is the political advisor of the PM. Thus, theoretically, it might be argued that the actions of donating relief through the government are governed by the substantive rationalities of the MD and the Chairman as well. It is very rational for the politically connected members to focus their activities towards the preferences of the master. In addition, the disclosures of these activities in the annual report also project greater positive image of the company both to the society as well as to the ruling party. However, it can be argued that the motivations of such CSR activities are politically charged.

The regulatory authority or the PM’s office circulates directives or circulars to the companies requesting to donate to the PM fund as part of their CSR activities. These donations are usually disclosed as photographs with the PM in the annual reports, CSR reports, websites and sometimes in the newspapers. Some of the disclosures of these in the annual reports of different companies are shown below.
**Figure 7:** Companies donating to PM Fund as CSR

(Source: Annual Reports)

_In the left image, one large local corporate is donating winter blankets to PM as part of their annual CSR activities. In the right image, donations are given by Bangladesh Independent Power Producers' Association (BIPPA) led by its President Md. Latif Khan of Summit Power for Prime Minister's Relief Fund, Prime Minister's Education Assistance Trust Fund and Father of the Nation, Sheikh Mujibur Rahman Memorial Trust Fund. This is useful to mention here, that Summit Power is the largest independent power company in Bangladesh and the Chairman of the board is the brother of current minister._

These donations are intended for the purpose of helping the society in times of their need. But it can be easily argued that the underlying motivations of these donations lean towards satisfying the ruling power. The institutional context and the empirics of chapter six provide indication of political influence in the CSR disclosure practices. The following subsections in this chapter discuss in detail the political motivations of such CSR disclosures.

Apart from the CSR reporting in the annual reports, the central bank produces a yearly review of CSR disclosures made by commercial banks and financial institutions in Bangladesh. This yearly review is a compiled report of the quarterly reports of all banks and financial institutions in Bangladesh. The central bank requires the banks and financial institutions to do quarterly reporting of the amount of CSR activities the banks have conducted and the sector where they have contributed. The purpose of this reporting is to ensure that the CSR budget is being spent efficiently and not misused.

The central bank has categorized the sectors and specified the proportion of CSR budget to be spent in a particular sector (This has been covered elaborately in chapter four).
During the interview with the central bank Governor, the researcher asked whether the companies report correctly, the central bank Governor positively responded saying that the companies report to the regulators willingly, but when the same question was asked to the executive director of the central bank, he revealed interesting facts about the reporting. He mentioned that the companies have to report quarterly, but:

“Companies sometimes report information, which is wrong. They show expenditures, which they have actually not spent. Because there are specific categories and specific sectors where they are asked to spend certain proportion of their CSR budget, even if they have not spent in the particular sector, they report it to us (ExCB1)

When asked how they deal with that, he said they only informally speak to them and warn them. There are no actions taken against the organizations since the regulators want to encourage the culture of CSR among the companies.

Interestingly, the Governor is not aware of the misreporting and the executive directors do not let him know. They do not want to project negative impression of the CSR initiatives of the Governor. The Governor, on the other hand, assumes the success of his leadership and control.

This reflects the traditional attitudes of the employees of the central bank, coupled with pragmatic concern such as promotion and progress in career enables the leader to maintain control over the organization. This also supports the statement in Dyball and Valcarel (1999) as they point out; secrecy is part and parcel of a traditional society.

During the discussion, the researcher queried about why a company would do that knowing that the central bank is the ultimate regulatory body.

“……we have given them instructions and they follow them because we are their regulators. It is an extra work for them. Every quarter, they have to report. But sometimes, they try and find ways to avoid it. But we work together and we have good relations, we initially do not say anything, rather try and encourage doing the correct reporting. But if it continues for long time, we take actions” (EXCB1).

The organizations, on the other hand, suggested that the central bank was being too political to categorize the CSR activities. For instance, they mentioned that 30% of the CSR budget has to go to education. Now, when they need to look for places to give out the funds, the organizations receive political requests to provide to different preferred places. Sometimes, in order to meet the 30% criteria, some proportion of the budget
goes to educational institutions where it is not needed. This supports Uddin, Siddiqui and Islam (2016) when they mention that some banks provided CSR funds to financially support a student, who actually studies in one of the expensive private universities in the country. One former central bank Governor, in fact, mentioned that if all organizations start giving out 30% of their budget to education, then the other sectors will be underdeveloped and education will be saturated. Everything needs to be properly balanced.

When the organizations were asked if they report everything correctly, the respondents did not mention anything about misreporting. Rather, they emphasized their regularities about reporting and disclosing their activities.

This might be expected in a traditional society where the regulations are made in such a way that it serves the interests of the master. The government has specified the criteria for tax exemptions, specified the proportion of money to be given out and also classified the types of institutions the firms need to invest in order to be eligible for tax exemptions. The firms, on the other hand, in order to express their allegiance, follow the regulations.

Thus, this section argues that some of the CSR disclosures and reporting is politically charged. The following section presents the interviews and supports the arguments of how the companies are conducting politically motivated activities and disclosing the information as CSR in their public annual reports.

### 7.2 Politically Motivated CSR Disclosure: Loyalty to Master

The CSR disclosure index constructed in the previous empirical chapter captures a variety of information, however, a substantial portion of the disclosures is found to be philanthropic and social activities. Given the nature of the CSR activities and disclosures discussed in the previous section and also in chapter four along with the findings from the interviews, recurring themes emerged which are informed by the theoretical framework developed for this research. Based on the categorizations of Lord (2000b, 2003) and Skippari (2005) introduced in chapter five, this chapter presents and discusses the different intent of the organizations to conduct and disclose politically motivated CSR disclosures.

It presents the interview findings, which reveals whether and why the companies in Bangladesh, to certain extent, pursue politicized actions in the name of CSR. The
archival analysis of the CSR disclosures in the annual report of listed companies, the CSR reports, company websites, and newspaper provides evidence that the organizations contribute to different projects as CSR activities, which are either political agendas or priority agendas of the ruling party. This is consistent with Uddin, Siddiqui and Islam (2016), who argues that the banks in Bangladesh contribute to different activities, which are priority agendas/election manifestos of the government.

The following table shows some of the most frequent CSR disclosures captured from the annual reports of the banks in 2009-2012.

<table>
<thead>
<tr>
<th>CSR disclosure</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation to liberation war museum</td>
<td>19</td>
</tr>
<tr>
<td>Donation to BDR tragedy</td>
<td>17</td>
</tr>
<tr>
<td>Donation to victims of Nimtoli tragedy</td>
<td>16</td>
</tr>
<tr>
<td>Contribution to autism causes</td>
<td>14</td>
</tr>
</tbody>
</table>

Table 16: Most frequent CSR Disclosures in Bank Annual Reports (2009-2012)
Adapted from Uddin, Siddiqui and Islam (2016)

Some of the above mentioned projects are, undoubtedly, good initiatives from the government and it makes absolute sense to contribute and be a part of the cause, but in this chapter, the researcher argues that the underlying motivations of the organizations to conduct and disclose such information in the name of CSR is to gain political patronage. Since directly funding the political parties is not legal in Bangladesh, and because CSR is not audited and monitored, it is easier for firms to divert the CSR funds to political activities and use these activities to show their loyalty to the ruling party. The Weberian framework used in this research can be used to provide more insights and explanations of such practices. The 1st axis of tension as described in the chapter three indicates that organization in a traditional society like Bangladesh are more likely to rely on informal/familial and personal relationships which gives rise to different substantive rationalities for disclosing CSR activities. This section describes how and why corporate political activities are conducted in the disguise of CSR in Bangladesh.

7.2.1 Coalition Building with the Ruling Party

According to Lord (2000a), ‘coalition building’ is a tactic to improve collective power. Skippari (2005) notes that coalitions between business executives and politicians can be of a temporary, issue-by-issue nature or a more permanent nature (for example, formulating a trade association that supports a particular political view). This is where
the company executives and the politicians take collective actions to pursue a particular agenda. In Bangladesh, organizations may use their corporate social disclosures to try and endorse the activities, agendas and priorities, ideologies and sentiments for coalition building with the ruling party. This coalition building, according to Weber, is also displaying loyalty to the master. Weberian framework provides further explanation to the motivations of these companies for such politically motivated disclosures.

The ruling party in Bangladesh, the Bangladesh Awami League has initiated a number of projects and agendas, which were committed to the people before the election in 2009. Some of these projects and agendas utilized the pro liberation sentiment of the ruling party. One such project is the renovation and refurbishment of the liberation war museum. Table 16 in this chapter shows that the highest frequency of CSR disclosure in the banking sector between 2009 and 2012 is the liberation war museum. It might be mentioned that the ruling party claims itself to be a pro-liberation force and brands its opposition as an anti-liberation force (Uddin, Siddiqui and Islam, 2016). This pro liberation sentiment is being used by the organizations to express their loyalty towards the PM and endorse her activities.

The liberation war museum was established in 1996 but its renovation became one of the prime social activities promised by the ruling party during the election in 2009. In order to renovate the liberation war museum, government started collecting money from the corporate houses as CSR. The trade associations and regulatory bodies through circulars carried out the directives from the government. These are recurring CSR disclosures of the organizations since 2009. Uddin, Siddiqui and Islam (2016) argue how donations in the name of CSR to liberation war museum are actually politically motivated. Interviews conducted with companies reveal diverse perspectives when asked about the motivations of donating to liberation war museum. Some companies expressed their patriotic spirit and sentiment as the primary reason for donations. Thus, the values of the companies, their normative approaches/behavior are reflected there. Many companies believed that participating in such a virtuous cause is definitely commendable. A former advisor to the Caretaker Government of Bangladesh commented on this,

“Donating to a good cause is great! All companies are doing here. But at the same time, you understand why they are doing it. Just to be in the good book of the PM” (ExAD2).
This clearly demonstrates that the organizations, to some extent, manipulate the normative intent and try to get political mileage from the activities. According to the 1st axis of the Weber’s organizational analysis, this action is governed by substantive rationality. When the companies are contributing to a cause, which is patronized by the ruling power, it is rational for the organizations to publicly disclose such information. Since the shareholders are not concerned about the companies’ CSR disclosure, companies disclose activities, which portrays their allegiance towards the ruling power.

The regulators also encouraged the organizations to contribute and to be a part of the activities. This is, according to Weber, is imperative control of the administrative staffs, who are, in many cases, in the traditional society, are personal comrades of the master, rather than formal administrative authority. Thus, they serve the interests of the master. While speaking to the central bank Governor, he clearly mentioned that despite being loss-making organizations, he encouraged all financial institutions to donate to liberation war museum.

“Liberation War Museum is a big ticket CSR. 300 million BDT project...we involved all banks...even the loss making organizations...Today, they don’t have profit, but they will have. That is a very good project.”(GCB)

This also reflects the “power” and “influence” of traditional authority of the administrative staff in Weberian terms. While interviewing, one former Finance Secretary critically commented on this saying:

“Loss making organizations are anyways liabilities for the societies, how do they contribute to make positive changes to the society? (ExAD2)

The inclusion of all organizations in the Liberation War Museum reiterates that the traditional master-servant relationship of Weber in a traditional society. The organizations do not want to jeopardize the relationship with their master and thus contribute to be a part of the big project. Now, this is very natural and rational from the organizations’ point of view to disclose this information since this will ensure their coalition and support to this noble cause. This rational activity does fit in the substantive purposes of the organizations in the traditional society. The disclosures are not only made in the annual reports, but also in public daily newspapers in order to display their coalition with the government. One interesting point can be mentioned here, that the government of Bangladesh has suspended the CSR expenditures of few
companies due to misuse of CSR\textsuperscript{12} budget by the BOD. Yet, the annual report reflects disclosures of CSR contribution to liberation war museum. Those organizations have contributed to the liberation war museum in order to display their coalition to the leader. Regulators are also aware of this and commented that donating to the Liberation War Museum will keep the PM happy since this will prove them as being pro liberation war.

“This liberation war museum is again another thing. Some people only give money here to get their names to the PM. I am telling you the truth, don’t know if you will write it or not.” (ExCB1)

The pro-liberation sentiment is being used by the organizations to strengthen the relationship with the ruling party in other areas as well. “Lakho konthe Sonar Bangla” (“lakho” meaning hundred thousand and “konthe” meaning voice; Sonar Bangla is the national anthem of Bangladesh. So, this is national anthem sung by hundreds and thousands of people together) provides an evidence of companies expressing their loyalty to an individual, (the PM, in this case) rather than wider stakeholders and demonstrates how CSR is being used as a vehicle to do that. In 2014, in order to recreate and reignite the spirit of nationalism and liberation, three hundred thousand people celebrated the 43rd Independence Day of Bangladesh by singing the national anthem of Bangladesh. The Ministry of Cultural Affairs initiated the program. Later on, the PM of Bangladesh was given a certificate from the Guinness Book of Records for having the highest number of people singing the national anthem together. A large number of companies donated a substantial amount of money as part of their CSR program to organize and conduct the program successfully. The donations were given to the PM fund (like other donations) in a ceremonial manner and the pictures of handing over the cheques have been disclosed in the annual reports. The following disclosure are taken from the annual report of a company.

IFIC Bank contributed Tk.1.00 crore to “Lakho Konthe Sonar Bangla Tahbil” through Bangladesh Association of Banks (BAB). The Bank contributed the said amount for the celebration of the Independence Day -2014 & to register a place in the Guinness Book of World Records through rendering national anthem by hundreds of thousands of people. (IFIC Bank, Annual Report, 2014, p. 65)

\textsuperscript{12}The details of this are described in the following section.
During the interview with a former Advisor to the Care Taker Government, he mentioned that:

“....the huge money spent by big companies to finance minister’s programs for patronage. For example, National Anthem song, “Lakho Konthe gaan”. All companies jumped off to give money to celebrate this.” (ExAD1)

Companies mentioned that this was not initially in their planned CSR activities. Later, when the Ministry of Cultural Affairs planned this, they issued circulars inviting companies to participate in this celebration and companies participated, as this will give them good impression to the PM. The Minister, who is a personal comrade of the PM demonstrate his loyalty and in turn issue circulars to the companies to contribute to this event as CSR. The Ministry's issuing orders reflects the ‘imperative control’ of the administrative staff. The companies, by virtue of habit, obeyed the orders and contributed to be a part of the celebration.

In Weberian terms, the companies obey the instructions, not because they obey the ‘impersonal order’, but because they owe the obedience to the individual. This obligation of obedience is only on the basis of personal loyalty in Weberian terms.

Surprisingly, even companies, patronized by the opposition party, who were controversial and were claimed to be of the anti-liberation sentiment came forward to participate in the cause. Photographs were published in the annual reports as CSR. This “national anthem” was a one off CSR disclosed in the annual reports of many companies. Weber’s axis of domination and resistance is useful here, although resistance in a traditional society takes different shapes and forms. In this case, resistance by other groups or even the opposition party is hardly visible. The overwhelming power of the ruling party, may have contributed to this non-existent resistance.

“We did not have CSR budget to contribute to the lakho kanthe Sonar Bangla. But you know, when every company is giving, we also had to give and since it is a government thing, we have to participate...so we had to cut our CSR budget in other sectors and contribute here”. (CR2)

The interviewee here also mentioned that the whole concept was managed and organized by the Ministry and the Bangladesh army and since the Chairman of the Board was an army official, they were obliged to contribute.
In order to exhibit coalition with the governments’ pro liberation ideology and agendas, one of the companies interviewed actually published a book with the name and addresses of all freedom fighters they could locate. They have employed a field workforce to look for the freedom fighters and then finally they distributed their CSR budget to them.

“Janata Bank Limited sets top priority on health initiatives……emphasis is given on the treatment of sick, poverty stricken freedom fighters and their families…………….in time of dire need”. (Janata Bank Limited, Annual Report, 2014, p.180)

When speaking to the Chairman of the company, he indicated that the organization had only 1 million BDT CSR budget when he took the position as chairman, but later in his tenure, he has increased the budget and has spent 43 million BDT CSR in a year. It might be mentioned here that the appointment of the Chairman of the said company was made by the PM office. Thus, being directly appointed by the master, he has no reservations in showing loyalty to the PM. This is another example of master-servant relationship in Weberian terms. Now, this demonstration of loyalty to the ruling authority is a way to gain and maintain legitimacy for organizations. Banks made photographs with the PM a recurring annual theme in their CSR reports. According to Weber, the ultimate accountability seems to lie with familial political power rather than the shareholders, exhibiting features of traditionalism in action.

7.2.2 CSR used for Executive Lobbying/Lobbying by Senior Executives

According to Skippari (2005), executive lobbying refers to the actions taken by corporate executives to personally contact political decision-makers. Lord (2000) defines this term as lobbying by senior executives. Skippari (2005) notes that the executive lobbying strategy can be more commonly observed in some countries (mainly traditional settings), in which ‘personal connections between business executives and politicians’ have been traditionally close (Katzenstein, 1985; Murtha and Lenway, 1994). In this thesis, executive lobbying is used as a theme to include the politically motivated CSR disclosures, which include contributions to personal projects of leaders or their kin indicating close/personal relationships with the ruling family (Uddin, Siddiqui and Islam, 2016).

While conducting the research it was revealed that companies with either formal political ties or informal social ties tend to conduct political activities in the form of executive lobbying and disclose the information as CSR in the annual reports. The
respondents mentioned giving donations to a number of pet projects, which are either directly led by the PM, or her family or kin. During 2009-2012, a large number of companies donated funds to “Nimtoli Tragedy”\textsuperscript{13} and “BDR Carnage”\textsuperscript{14}. These two incidents were, indeed, very tragic and donations to such tragedies are common in many settings, perhaps demonstrating their philanthropic activities to appease wider stakeholders. However, Uddin, Siddiqui and Islam (2016) in their study argue why these disclosures are considered politically motivated. While interviewing, one Managing Director of a large local financial institution mentioned,

“... anything happens, natural or manmade, the CSR responsibility comes to us...” (MD4).

While questioning the motivations of the organizations to do such activities, he clearly stated,

“what else, impressing the PM!” (MD4).

While he was talking in general for all organizations, he also mentioned that they did the same thing since the bankers’ associations expected that. This suggests the ‘imperative coordination’ and obedience on the part of all the corporate houses. According to Weber, “…obedience is to the master, not to enacted rules …” The obligation of obedience is based on personal loyalty within the area of accustomed obligations.

A large number of companies’ annual reports disclosed donations to “SEID Trust” and “Proyash”, two of the many NGOs in Bangladesh. SEID Trust is a non-governmental voluntary development organization working for social inclusion and promoting rights of underprivileged children with disabilities including intellectual and multiple disabilities as well as autism. PROYASH is an institute run under the patronization of Bangladesh army dedicated for the wellbeing of persons and children with special needs. Both these organizations support autistic children. When asked, how they chose these organizations and not other non-profit organizations, they mentioned that autism is one of the priority areas of the ruling government and the corporations want to be a

\textsuperscript{13}On 3 June 2010 a tragic fire in Nimtoli, a densely populated part of Dhaka, the capital of Bangladesh, killed 116 victims. Owing to the gravity of the incident and its politically sensitive location (in an electoral constituency held by the ruling party), it received huge media publicity (Uddin, Siddiqui and Islam, 2016).

\textsuperscript{14}On 25 February 2009, a mutiny by a section of BDR personnel resulted in the killing of 74 victims, including 57 army officers. The incident received worldwide media attention, and the government was criticized for its failure to limit the number of casualties (Uddin, Siddiqui and Islam, 2016).
part of this good cause. It might be mentioned here that the daughter of the PM has been leading the awareness of autism in Bangladesh since 2011 when she was appointed the Chairman of the National Advisory Committee of autism. Since then, Bangladesh came under the spotlight of autism campaign. Under her leadership, Dhaka hosted a mega international conference on autism in 2011.

Most organizations mentioned contributing to autism is definitely a noble and humanitarian cause, however, when asked how long they have been doing it, it appears that the CSR contributions to autism was the highest in 2012. This reiterates the traditional attitudes of conducting activities preferred by the master and his kin, governed by the substantive rationality. The organizations are motivated to express their personal loyalty to the family or kin of the leader by associating themselves with their personal dream projects.

Similarly, “Digital Bangladesh” is another pet project of the PM’s son, which is a recurring CSR disclosure in the annual reports of organization. Contributing to the development of ICT in Bangladesh is definitely a vision, but when asked the primary motivations of the organizations to conduct such activities and disclose the information, some organizations mentioned that the directors want to contribute to any projects in “Digital Bangladesh” to make the PM and his son happy.

In fact, one director (who happens to be an active politician) commented:

“You know, I took donations from other companies and distributed in my village. I have given overhead projectors, laptop and computers to 35 schools, 20 madrasas\(^{15}\). Those companies have given the money as CSR. This is how we can fulfill the dream of “Digital Bangladesh” (ID2)

After donating the laptops, projectors and computers, he actually trained some of the school teachers in his own village as part of a government program and then took them to the PM office to do a presentation. This, he said, gave him a big mileage to the PM office for enabling and facilitating a government initiative and at the same time, in his own electoral constituency for providing educational support. This is a typical example of how a politically connected member in the board uses CSR as a political tool thus using his position and power to dominate the accounting practices. This is similar to the findings in traditional society like Philippines, where the holding of an office by a political person is not the end in itself or a means of promoting public interest, but

\(^{15}\)Madrassas are Islamic religious schools.
rather as a means to the end of promoting self, family or kinship interests (Dyball, Chua and Poullaos, 2006).

Apart from this, financing the golf tournament or providing financial rewards to the cricket players/ cricket series are also recurring CSR disclosure in the company annual reports. Every corporate house, whether directly politically linked or not, tend to use CSR to associate with cricket since cricket in Bangladesh, in recent years, is very close to PM. The respondents in this research commented that despite golf being the “game of the riches”, most companies every year contribute to arrange the annual golf tournament as part of the CSR activities and disclose the pictures in the annual report only to be associated with the Bangladesh army.

One of the reasons the respondents mentioned is that there is no specific definition of particular CSR activities, which makes it easier for companies to exploit them for their own advantage. This portrays traditional society despite having the regulations and guidelines in place; the companies tend to bend the rules.

7.2.3 CSR for Constituency Building

Besides coalition building and executive lobbying, some companies in Bangladesh tend to use their power as political members in the board and conduct political activities for their own constituency building. These political activities are then reported as CSR. Such instances have been recorded during the interviews with the companies’ BOD. The politically connected directors in the board tend to conduct CSR activities in their own electoral constituency. These activities are disclosed in the annual reports as CSR. Sometimes, they are publicized even in the social media and websites.

Elected politicians are naturally interested in and motivated by the perceptions of their constituent interests; that is, the interests of their reelection constituency. Consequently, whether one takes an altruistic view (i.e., politicians listen and respond to grassroots feedback because they sincerely want to serve constituent interests) or a primarily self-interested view (i.e., policy makers listen and respond to grassroots feedback simply because they want to get elected and re-elected), the net result is similar (Lord, 2003).

The result of conducting CSR in the election constituency serves both purposes as explained by Lord (2003). It helps the poor people of the area and at the same time, the people feel grateful enough to vote for the person in future election. One of the directors of a state owned bank mentioned that he distributed the CSR of the bank to
the poor freedom fighters in his own constituency. He used the company resources to serve his political purpose.

“Me as a director distributed CSR money in my constituency, to the freedom fighters there. I have participated in the election. I went to each and every freedom fighter’s house and gave them money. I called them to my house and gave them money. I have taken pictures of all these. There are 600 pictures in Facebook. I also videotaped them.” (ID2)

When asked why he chose to conduct CSR activities in his own electoral constituency, he mentioned,

“This is my area. I have to visit my village anyways. So, if I do CSR here, everybody knows me and I know everybody. This is a win-win situation. I help the poor people of my constituency and in return they will vote for me”. (ID2)

While discussing, he also mentioned that most of the directors of the organization have CSR fund allocated to them to spend at their discretion. Though it is discussed in the board, but the board at most times approve it. The organization conveniently discloses these political activities as CSR in the annual reports.

These are exploitation of CSR. This sort of unrestricted domination and control as explained in the 2nd axis of the Weberian framework is exactly what is expected in a politically connected enterprise in a traditional society. The enabling conditions of rational bureaucratic and accounting practices are absent. This also reflects the domination vs. resistance in a traditional society. The power of the dominant director makes any types of resistance from the other directors or even the management of the company invisible. It might also be possible that the management willingly do no resist since the accountability is to the owners, rather than the shareholders.

However, there has been a number of controversial news in the national newspaper regarding the CSR expenditure and reporting of state owned organizations. The state owned banks have at times fallen victim of political exploitation. The finance minister has particularly commented on the said bank that the directors and Chairman has been misusing the CSR of the bank and eventually suspended their CSR expenditure until further notice.

Many organizations, while not being politically connected, conduct CSR activities in the constituency of the political leaders of the ruling party. At times, the organizations
are instructed by political leaders through the regulators to contribute in their constituency so that it builds their vote base at the grass root level. Some organizations sometimes voluntarily conduct CSR in the constituencies of the politicians expressing their personal loyalty towards the leader. These disclosures are reported in the annual report for display of their allegiance to the power.

“You know we also give “bidhobabhata (widow allowance)” to Matiya Chowdhury’s constituency. We are giving every year for the last 5 years. Our ex-Governor sir requested and we started to give”. (DMD1)

While helping the widows in the society is invariably a good initiative, but the process of choosing the electoral constituency of a particular widowed minister to conduct such social activities reflects underlying motivation of political interest. The comment from the respondent also resonates the “imperative control” of the central bank Governor who uses his traditional authority and power to request the organizations to donate to the constituencies of the minister. In a traditional society, obedience is owed to the person of the chief who occupies the traditionally sanctioned position of authority and who is (within its sphere) bound by tradition. The obligation of obedience is based on personal loyalty within the area of accustomed obligations (Weber, 1978). The central bank Governor, in order to express his loyalty to the minister herself, instructed specific organizations to provide donations. The organizations following the instructions of the Governor is providing the allowance for the last 5 years, indicating that in a traditional setting like Bangladesh, obedience is to master, than to enacted rules.

There are also circumstances when the Board of Directors of the organizations accepts these requests at their own will due to their personal relationships with the political leader. The traditional attitudes and values of the society make the companies devote significant effort to individuals rather than wider stakeholders. Family and chief kin, fictive kin and relatives are the essential fabric of traditional society. Thus, it is unsurprising to see CSR directed towards individual or family. Traditionalism drives a subject to be loyal to the chief in order to be seen to be trustworthy (Weber 1947). Such instances were recorded during the interviews conducted. One deputy Managing Director of a large local corporate commented during his interview that -

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16Matiya Chowdhury is the agricultural minister of the ruling government and she herself is a widow. Therefore, widow allowance in her constituency provides social support and sympathy to the women, thus building an image.
“For example, that day MP Asaduzzaman called me and said “Shahid Bhai (brother Shahid), I am going to my constituency, will you be able to give 500 winter blankets for the villagers?” Well, then he said, you can give it to me, or you can directly give it through your branches. I gave it and I did not think it as a pressure. It is ok. He is a minister; he is visiting his village and wanted some blankets from me. I would anyways distribute the blankets” (DMD2).

The reference to the word “bhai” (very close relations between two men usually use this salutation to talk to each other) portrays the warmth in the relationship between the politician and the deputy-managing director. When asked if the minister asked any other organization to do the same, he clearly mentioned that because they knew each other, the minister approached him. This is expected in traditional society where relationships, kinship etc. takes priority over professionalism. The point that “....I would anyways distribute the blankets” reflects the fact that the organizations sometimes use CSR as a political tool to help in “constituency building” for the politicians as well.

This finding also supports the evidence in Uddin, Siddiqui and Islam (2016), which states that Basic Bank donated funds to institutions in Gopalganj district, the prime minister’s electoral constituency, “on behalf of the prime minister”.

7.3 **CSR to Satisfy the Ethos of Master/Leader**

The CSR expenditure has considerably increased in Bangladesh from 2009 onwards, especially in the financial sector after the CSR guidelines came into place. This is also reflected by the amount of disclosures in the annual reports. It is revealed from the fieldwork that when it comes to CSR activities, some organizations’ have strategies in line with the companies’ vision and objectives as well as the country’s priority development areas and millennium development goals. At the same time, many companies try and align their strategies with the regulators and policy makers and their agenda. In fact, CSR activities conducted in Bangladesh initially starts to satisfy the “motivational ethos of the leaders”. During the interview with the central bank Governor, he mentioned that he believes that if the companies have the right motivations, then the CSR can be institutionalized in the value system of companies. In fact, given his background as an academic, his personal ethos played a vital role to encourage CSR activities and disclosure in the whole business community through the

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17 Asaduzzaman is a MP and the minister for the Ministry of Cultural Affairs.
banking and financial sector. In fact, in Bangladesh, “CSR activities have gained momentum, particularly in the banking sector, due to the enthusiasm of Dr. Atiur Rahman – Governor of Bangladesh Bank” (The Financial Express, September 2014).

One of the former Governors of the central bank commented on this:

“Why is BB so much into CSR? They are the regulatory authority; they should be monitoring the financial sector. What BB is doing about CSR is only because of the Governor’s enthusiasm. These are companies’ own things”. (ExGCB)

Even the officials of the central banks indicated that the primary motivations of companies are initially to endorse the ethos of the Governor. One of the executive directors of central bank commented:

“The companies primarily conduct CSR activities to impress the central bank Governor and then eventually, it gets instilled in the system. We don’t force the banks. In the banking sector, the culture is such that Bangladesh Bank says anything they listen; this has become a culture. Not that we always punish. They anyways listen because eventually, they have to come to us. They need support in a lot of things.”(ExCB2)

One of the deputy Managing Directors of a large local bank stated that the CSR activities have only been streamlined in recent times under the leadership of the central bank Governor.

“Before the current Governor took power, people were not bothered about CSR much. Everybody used to do it in a segregated way. He introduced the concept of humanity, and said that, you can’t only work in a bank; you should have responsibility towards society. You will do profit as well as contribute to society. They have given us a target for CSR. We have to fulfill the CSR target and we have to submit the report quarterly to BB where and how much we spent”. (DMD2)

This reflects that the notion of legitimacy in traditional societies is different from that in the “rational societies”. In a traditional society, as expected, individual economic units are geared primarily towards satisfying the needs and preferences of the “master” or family/clan governed by substantive rationality (Dyball and Valcarcel 1999). Thus, it is “rational” for organizations to engage in CSR activities particularly favored by the central bank Governor. As Weber (1968) states, the ‘master’ is expected to do good turns, governed by an ethical sense of equity or of utilitarian expediency. That the ‘master’ looks after his ‘subjects’ is clearly evidenced by response of the executive
director when he mentioned that the banks need support from the regulator in a lot of things.

Interestingly, it is not only the financial institutions and banks that want to impress the Governor. One of the largest steel maker companies in Bangladesh has implemented a social development project, which eventually won the CSR award. The project was jointly implemented by a local NGO and the objective was to train women who are victims of violence and trafficking. The project was launched in the presence of the Governor as the Chief Guest. The central bank Governor highly appreciated the joint initiative of the company and the NGO in using CSR funds to address poverty. He termed it as an important step towards building partnership between corporate and civil society organizations for optimum utilization of CSR funds in development. (Dhaka Tribune, September 25, 2013). Undoubtedly, this is a great initiative and benefit the poor people of the society, but this also clearly shows that companies want to endorse the initiatives and motivation of the Governor by involving him in the project. The photographs of the launching ceremony were not only disclosed in the annual report, but also in the national newspapers, reflecting public display of loyalty to the leader. This public display of loyalty to the leader is a common element of traditionalism. The CSR activities are even conducted according to the categories mentioned by the Governor. When examined, these categories are again priority areas of the ruling government. Thus, the Governor also demonstrates his loyalty by endorsing the priority areas of the ruling party.

Another nationwide CSR initiative primarily led by the central bank Governor is the winter blanket distribution. This is also one of the many categories classified in the CSR guideline. During winter season, all organizations, both listed and non-listed are asked to distribute warm clothes and blankets to the poor and destitute in Bangladesh. This is a major CSR activity disclosed in the annual reports of the companies. Though the amount of winter blanket distributed by all companies are not published anywhere, the banks and NBFIs information is available in the CSR report of the central bank.
The table below shows the division\textsuperscript{18} wise winter blankets distribution of all banks and financial institutions.

<table>
<thead>
<tr>
<th>Divisions</th>
<th>2013</th>
<th>2014</th>
<th>Rate of Increase (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dhaka</td>
<td>193,433</td>
<td>362,371</td>
<td>87.34</td>
</tr>
<tr>
<td>Khulna</td>
<td>31,886</td>
<td>109,438</td>
<td>243.22</td>
</tr>
<tr>
<td>Rajshahi</td>
<td>56,254</td>
<td>232,555</td>
<td>313.40</td>
</tr>
<tr>
<td>Sylhet</td>
<td>34,300</td>
<td>55,200</td>
<td>60.93</td>
</tr>
<tr>
<td>Barisal</td>
<td>25,970</td>
<td>47,071</td>
<td>81.25</td>
</tr>
<tr>
<td>Rangpur</td>
<td>49,652</td>
<td>174,914</td>
<td>252.28</td>
</tr>
<tr>
<td>Chittagong</td>
<td>95,253</td>
<td>196,43</td>
<td>106.76</td>
</tr>
<tr>
<td>Bangladesh Bank</td>
<td>15,700</td>
<td>49,000</td>
<td>212.10</td>
</tr>
<tr>
<td>Prime Minister’s Relief Fund</td>
<td>160,000</td>
<td>563,495</td>
<td>252.18</td>
</tr>
<tr>
<td>Total</td>
<td>662,448</td>
<td>1790,987</td>
<td>170.36</td>
</tr>
</tbody>
</table>

\textbf{Table 17: Location-wise Winter Blanket/Clothes Distribution in 2013-2014}

(Source: Bangladesh Bank Annual Report)

In table 17, it is noticed that there has been an increase in the distribution of winter clothes in different regions of Bangladesh. This is due to the severe cold experienced during that year in Bangladesh, especially in the northern region like Khulna, Rajshahi and Rangpur. This is a very positive step. The central bank takes the initiative and involves all organizations to donate the winter clothes and blankets to different regions. The organizations spontaneously respond to the call of the Governor and contribute as part of their CSR programs. This portrays the normative intent of the organizations. However, it might be noted that there has been a 252.18\% increase in the PM relief fund. This reflects that the normative intent of the Governor as well as the organizations are somewhat compromised here since a number of companies donate to the PM relief fund, thus creating a favorable impression and visibility of the company to the government. Again, since there is no specifications regarding choosing the location to distribute, companies tend to choose the constituency of the political leaders, thus building the constituency (explained in previous section). While interviewing the executive directors of central bank, they mentioned:

\textit{“Apparently, only the people of Gopalganj (the home town and the constitutional area of the Prime Minister) feel cold since most of the blankets and warm clothes tend to go there. (ExCB1 and ExCB2)”}

\textsuperscript{18} There are seven (7) divisions in Bangladesh: Dhaka, Khulna, Sylhet, Rajshahi, Barisal and Chittagong
He also mentioned that sometimes the central bank officials accompany them to the locations and distribute with them. Photographs are taken while distributing the warm clothes and disclosed in the annual reports and sometimes in the national newspaper as CSR activities. This public display of allegiance to the PM is common in traditionalism. Organizations willingly express their support and loyalty to their master/chief. The companies, in turn, endorse the passion of the central bank Governor and obey the rules and regulations imposed by the regulatory body. The obedience is not to the enacted rules, but to the Governor himself, his motivational ethos. The central bank Governor, despite his pro CSR attitudes, himself expresses his loyalty towards the master (The Prime Minister or Ministers, in this case). Thus, the display of support is reported at every level of the hierarchy in the society.

![Image](image.jpg)

Figure 8: Beximco Pharmaceuticals Limited and IFIC Chairman handing over 25000 pieces of blankets to PM Relief Fund

(Source: Annual Report 2014, IFIC Bank Limited)

As part of the CSR activities, IFIC Bank handed over a total of 25000 pieces of blankets to PM Relief Fund and also distributed among the poorest people in 30 districts through bank branches and also in the constituency of the Chairman, who is also the political advisor of the PM.

This highlights that organizations gain and maintain legitimacy in traditional societies by demonstrating their loyalty to the “personal chief” rather than wider stakeholders. This is unlike the Western rational societies where legitimacy to the state and wider
stakeholders are of significant value to corporate managers (Uddin, Siddiqui and Islam, 2016).

Appeasing wider stakeholders may be significant for corporations in Western countries (Deegan, 2002). But in a traditional society, appeasing shareholders or the society is perhaps not valued rather displaying loyalty to the master is of importance. These public displays of contributions signal that the companies sought to gain or strengthen political ties and also gain trust with the ruling party from particular CSR activity.

The interviewees in the fieldwork responded to this issues saying that the CSR activities needs to be notified to the PM and Governor. For instance, when the winter blankets are distributed, even if the companies distribute the clothes themselves, the first few blankets are handed over to the PM in her office in a ceremonial manner, which are publicized every year in the newspaper, websites and also in the annual reports as CSR. While explaining how the process works, the Managing Director of a large local bank conveyed:

“Now this year, we still haven’t distributed the money because the PM still hasn’t given us time for the photo session and the so the money is not given out.” (MD5)

The organizations always hand over the cheques to the PM in a ceremonial manner in the presence of the finance minister or central bank Governor or the presidents of the associations or trade bodies. This ensures the support and endorsement of the Governor and the finance minister to the PM thus reflecting the display of loyalty at every level.

In rational economies, political links and patronage in not uncommon, but explicit public display of the relationship between the ruling party and the corporations is perhaps unique to traditionalist societies where the shareholders are not appreciative of the social activities conducted by the companies. In Weber’s terms, this public display of loyalty to the ruling family puts companies in good stead.

As reported in this section, philanthropic activities have considerably increased in Bangladesh and companies have, to some extent, institutionalized CSR in their value system. However, the presence of elements of traditionalism, to a certain extent, motivates the companies to disclose CSR information in order to legitimize their actions to the political power, thus maintaining and stretching their ties. Due to the strong business-politicians nexus, the normative behavior of the companies, are to some extent, being manipulated to please the political power, thus reflecting the traditional attitude of expressing loyalty to the master.
Another example, which, the respondents mentioned during the interview, was the tragic accident of Rana Plaza, where more than 1200 garments workers were killed in a building collapse. This accident reflects how both politicians and the businessmen were exploiting the politics-business nexus.

During the fieldwork, more than one respondent mentioned that when the government instructed to donate funds to Rana Plaza victims as part of their CSR activities, all corporate houses contributed to become a part of the initiatives. However, the administrative authority published circular to deposit the funds into PM relief fund and eventually it became a ceremonial thing. The organizations donated their funds as instructed. Later on, some organizations were worried because there was no accountability of the money being spent and there were controversial news on the newspaper regarding transparency of the CSR funds allocated for Rana Plaza.

“…..what happened in Raza Plaza, Savar, we gave, each bank 50 lakh, where BGMEA itself gave 25 lakh. It was not a natural disaster; it was a man-made disaster. It was their fault. But their main stakeholder, BGMEA gave only 25 lakh….PM Office directives come to BAB and immediately they ask us to do it and we do it to please the government. But there is no accountability to it. I don’t have any problem in giving money. It is not going from my personal pocket. You give me a proper fund where I should be giving. For instance, Raza Plaza victims, there are still victims who still haven’t got anything, but we have raised millions of taka. We have not seen it being utilized effectively” (MD5)

![Figure 9: Chairman of Janata Bank, handing over a cheque of BDT 20 million to honourable PM for Rana Plaza Victim](Source: Annual Report, 2013, Janata Bank Limited)
This photo is an example of the nature of CSR disclosure of organizations. This reflects how organizations disclose their CSR information to satisfy the master and strengthen their political allegiance.

Weber’s work suggests that accounting practices are key elements of the bureaucratic means of domination in an advanced society. In a traditional society, as expected, accounting practices in the Western sense plays no role in ensuring accountability or transparency, but is a vital element of domination, especially for communicative purposes. Weber’s axis of the tension between domination vs. resistance is useful here. However, the resistance in traditional society takes different forms. Here, the resistance from the corporate houses is hardly visible. The overwhelming power of the political power and the administrative staff (the PMO office) coupled with politicized and inefficient institutions (BGMEA) contributes to the non-existent resistance.

The following section describes how CSR can be exploited for the self-interest of the dominant directors or other associations.

### 7.4 CSR Disclosure for Self Interest/Personal benefit

The previous section explains how CSR can be used a vehicle to express loyalty to the political power in Bangladesh. In such a traditional setting, it is also possible that the BOD exploit the CSR practices of the company for their own benefit, thus abusing it.

In order to describe the potential abuse of CSR, it is important to highlight the corporate governance practices in the context of traditional setting like Bangladesh. The effectiveness of the legal framework and the corporate governance mechanism prevalent in Bangladesh is potentially affected by the traditional nature of relationship between the owners and managers of the companies. In the previous chapter, it has been highlighted that family firms significantly disclose more CSR information than non-family-firms whereas; politically connected family firms disclose significantly less CSR information than non-politically connected family firms. When exploring the motivations of family firms to disclose and conduct CSR, the researcher found that there are instances of exploitation of CSR practices, primarily in family dominated firms.

This section describes how and why the CSR activities and disclosures can presumably be abused by the Board of Directors/dominant shareholders in the company.
7.4.1 **CSR Exploited by the Board of Directors**

The Board of Directors has been recognized as a major corporate governance mechanism in Anglo-American corporate governance models. It is the same case in Bangladesh. The board is responsible to lead the organization with effective decision-making and proper monitoring on behalf of the principals of the firm (Reaz and Arun, 2006). By law, the Board of Directors is also accountable to the shareholders for the overall affairs of the business (Companies Act, 1994, Schedule 1, Section 104). According to Section 90(1) of the Companies Act 1994, every public limited company, and every private company that is a subsidiary of a public limited company, must have at least three directors representing the shareholders. As expected in a traditional society, dominant shareholders as in dominant family members, or directors who are politically connected usually dominate the firm and major decisions. The social and political conditions of Bangladesh set the context for familial and arbitrary control, one form of substantive control, at the organizational level. The CSR activities and disclosures are arbitrary and informal often at the discretion of the dominant or powerful board members. The rational decision making process is overwhelmed by traditional relationships.

“*Activities are selected by the Board of Directors, at times, the powerful board member*. (ExGCB)

Donations as scholarships to poor students are usually made in the name of the family members of the Chairman or MD, charitable donations are made to schools, colleges, hospitals, or other institutions in the name of the directors’ or their kin, financial assistance is given to the villagers in their own area or constituency. Hospitals, schools, colleges are built in the name of the dominant family members, their family or kin.

“We give out some scholarships in the name of our Chairman, his mother, his father and we do it regularly.” (MD1)

This reflects that the CSR is a personal privilege of the chairman. When asked if the Board of Directors or management of the organization resist, it seemed that the decision-making is informal and arbitrary and has no formal resistance from the board or management. Interestingly, the regulatory authorities are also aware of it, but they tend to ignore this since they want to encourage the culture of CSR. This is not unexpected as the state institutions are also personified in familial politics.
“This is an inherent problem, not only for CSR, but also for loan. We can’t even stop this in this case of giving out the loans. This is a basic governance issue. They do things in the name of CSR, but they are actually not CSR activities. They use it for their own benefits. We also identify, but we cannot do anything. Their own directors, their areas, their relatives, they are the ones who are getting them mostly. This cannot be mentioned anywhere.”(ExCB2)

This is a typical example of the 2nd axis of Weber’s framework of domination and control by the family members in traditional society and shows how it is different from the modern rational society.

Some respondents even claim that, may be this is unethical, but this is not harmful as long as it is helping the poor.

“Yes, this is happening, but as long as it is helping the poor, I think it is ok”.(ExAD1)

“Well, this might be unethical, but it is not harmful or crime”. (ExDGCB)

On the other hand, other respondents said that this is unhealthy practice in the organization and this might encourage abuse of CSR:

“This is the shareholder’s money, you have no right to take this money and give it to whoever without concerning the shareholder or without explaining to me how this benefits the shareholder” (MD4)

Now, this abuse and exploitation of resources by the Board of Directors can also be explained by the agency perspective. The BOD has powerful incentives to expropriate wealth from minority shareholders, and pursue their own interests at the expense of non-controlling shareholders (referred to as the ‘type II’ agency problem) (see for example, Faccio and Lang, 2002; Villalonga and Amit, 2006). However, the underlying assumptions of Agency theory of being a rational actor model is not sufficient enough to explain the traditional attitudes of the nature of an economic action. Though previous CSR studies have used agency perspective to explain the CSR disclosure practices, this thesis uses Weber’s framework to provide a critical perspective of CSR disclosure.

Weber acknowledges the tensions and struggles of formal rationality and substantive rationality in a traditional setting. There are times, when directors actually conduct other political activities in the name of CSR and thus abuse it. Despite the guidance and regulations provided by the authorities, the companies tend to get away with anything. As expected in the traditional society, owner-managers are expected to resist
rational/formal regulations that do not serve the family’s interests (Dyball and Valcarcel, 1999). It was published in a newspaper that the Board of Directors of a private bank disbursed BDT 20 million in CSR fund in favor of its former chairman, violating rules and regulations. (New Age, Sept 13, 2015).

During the fieldwork, the responses from the interviewees revealed facts of how the CSR activities were abused. Although the central bank has a CSR policy on which sector to contribute, it cannot monitor the banks’ activities in this regard and in some cases it overlooked the banks’ CSR activities because of the connection of influential people, they added. Weber’s work consequently expects that accountability and transparency in public limited companies in a traditional society like Bangladesh would not transpire from imposed regulations and institutions. Owner-managers are expected to resist rational/formal regulations that do not serve the family’s interests (Dyball and Valcarcel, 1999).

7.4.2 CSR Exploited by the Associations and Professional Bodies

Researchers have argued that the interrelationship between the state and professions is an important element of corporate governance (Morck and Steier, 2005). Chapter four of this thesis explained that the political division is so deeply rooted in Bangladesh that even the professional bodies and associations such as a University Teachers’ Association, Doctors’ Association, Engineers’ Association, Supreme Court Bar Association, Journalists’ Association, etc. will need to have direct backing from one of the parties. Both parties have student factions in higher educational institutions and labor unions in all state-owned entities (Uddin and Hopper, 2001). The Chairmen of these associations, as expected in traditional society, serves the interests of the familial political power for their own self-interest.

Associations or trade bodies, as defined in Weberian terms as ‘corporate groups’ (Verband) usually elect the Chairmen, who is politically inclined with the ruling party. Any change in the composition of state political leadership invariably leads to a reshuffling of every sector, including banking, in such a way that party loyalists receive maximum benefits (Khan, 2003). It is expected in a traditional society that loyalty to families, rather than the application of professional judgment, skills and expertise, play an important role in career advancement (Uddin and Choudhury, 2008). The regime of ‘favorites’, according to Weber is a characteristic of traditionalistic authority. Thus, it would be unsurprising to see the leaders of the associations or professional bodies in
Bangladesh might be tempted to utilize the chance of fulfilling his personal ambition by maneuvering CSR as a medium.

A number of respondents mentioned in the interviews that the Banker’s Association of Bangladesh (BAB)\(^{19}\) gives all kinds of directives regarding CSR. It is also noticed from the disclosures of different annual reports that the Chairmen of BAB is present in all occasions of donating funds to PM or central bank Governor. Some respondents even claim that, in order to impress the PM and Governor for his own personal benefits, the chairmen of BAB provides directives and guidelines for CSR in all sorts of crisis. In Weber’s terms, this is “imperative control” in traditional society, where certain specific command from a given source will be obeyed by a given group of persons. As the notion states, the motives of obedience to command can rest on considerations varying from simple habituation to most purely rational calculation of advantage. The chairman/ presidents of different associations provide instructions in the form of circulars to all organizations to exert their imperative control to them.

*BAB every moment comes (gives letters) and say give money... Come on....this is the shareholder’s money, you have no right to take this money and give it to whomever without concerning the shareholder or without explaining to me how this benefits the shareholder.* (MD5)

*Government will buy laptop and we have to give money, why? In the winter, if you have to give blanket you give it yourself...then why do you have to give that money to somewhere where we have no control of how the money is being spent. Again, these are very uncomfortable questions.* (MD5)

This might happen in traditional society where the administrative staff formulates the circulars and guidelines so that they maximize their self-interests and the companies also comply in order to express loyalty and from habit. Here, the companies are governed by substantive rationality to obey the rules imposed by the associations. This also reflects the presence of coercive control rather than formal bureaucratic control.

Instead of serving the interests of the organizations they represent, these professional bodies/associations ‘make an effort to rationalize particular politics, trying to expand the political support of the parent organization at all three levels: grassroots, local, and national’ (Quadir, 2003, p. 433). Any change in the political regime at the national level

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\(^{19}\)The BAB is the bank owner’s association. The members of the associations are the chairmen of all banks. There is another association called ABB, Associations of Bankers, Bangladesh, which is led by the CEOs/MDs of all banks.
triggers similar changes in the leadership of these professional bodies/associations. Usually, supporters of the ruling party are elected as the chairmen of the Associations. However, discussions with different organizations disclosed that apparently, the political ideology of the candidate does not matter. They will always listen to the ruling head. Usually, these posts tend to fulfill their own self-interest rather than the wellbeing of the industry.

“The current Chairman of BAB used to support BNP (the opposition party), but when this government came in power, I don’t know how, but he became very close to the PM. If you go to PM office, you will always find him there. He would impress PM by asking “Madam, what do you need? We have got so much money in the banking sector. In which sector do you need?” Then he would get verbal consent from PM and arrange circular and circulate among all banks to donate money to PM fund from their CSR budget.” (ExDGCB)

7.5 CSR Reporting for Normative Intent: Rational Attitudes

In the previous sections, it has been argued that CSR disclosures are politically motivated in Bangladesh and are primarily conducted to show allegiance/loyalty to the master/chief. Weber’s elements of traditionalism have been used to understand the motivations behind such disclosure practices. However, besides the political and self-interested intent for CSR, a number of companies actually expressed their normative intent as well. Interviewees were first asked about their company practices in reporting to external groups in general. The interviewees (the company directors and CEOs), across different industries, responded positively in that they voluntarily reported CSR activities in their annual report, corporate magazine and/or any other form. They incorporated information regarding employees, community, environmental, or product-related issues. Some companies published CSR reports, which included all the major social and environmental activities conducted by the companies. All these points seem to resemble Weber’s rational attitudes towards disclosure practices. However, these rational attitudes do fit in with the substantive purposes of dominant Board of Directors.

There are normative intents of organizations to contribute to the society. Within this normative tradition, researchers find that Western MNCs play positive roles in societies (Scherer, Palazzo and Baumann, 2006; Scherer, Palazzo and Matten, 2009). The
normative intent is also sometimes driven by the cultural and religious belief and ideology and institutions of the host country (Momin and Parker, 2013).

My interview findings revealed that different factors have underpinned the respondent companies’ motivations for their involvement in CSR activities and its disclosures in the annual reports. Some of the factors are: the industry in which the particular company operates, the values and philosophies of the directors and owners, the strategy and vision of the parent company, the tradition embedded in the history and the culture its senior managers had been exposed to in the past.

The industry in which a company operates plays a significant role vis-à-vis how its stakeholders, perceive it. For instance, one of the largest manufacturing companies in Bangladesh has a long-standing afforestation program. Over the past 30 years, they have been planting trees with the philosophy that the number of trees that is planted and survive should be more than the number of trees they use as wood fuel for curing of tobacco. The Managing Director of the largest MNC in Bangladesh said that they follow their parent company’s philosophy, but the CSR activities are strategized according the millennium development goals and also country priority agendas. This is consistent with the findings of (Momin and Parker, 2013), who state that the MNC subsidiaries informed that they did not report many of the same issues as their parent corporations did at group level, and that they had a different emphasis in terms of the social and environmental issues. Based on the parent companies’ philosophy, they customize their CSR strategy locally. For example, in Bangladesh this subsidiary has been primarily operating in the northern part of the country. The primary reason being that tobacco grows in the northern region and a large number of farmers work in the tobacco fields in those regions. So, most of their CSR activities are concentrated in that region. They have done massive afforestation program, access to pure drinking water, solar energy and also education support to the children of the farmers who work for them. These activities are disclosed in their regular CSR reports and occasionally publicized in newspapers. The company MD mentioned that their CSR activities are aligned with the millennium development goals and the parent company philosophy. Apparently, this normative approach of the MNCs reflects the coexistence of rationality and traditionalism in a traditional setting. The companies, though have normative approach, still wants to legitimize internally to the parent company (Momin and Parker, 2013).
When asked if there are any political requests or interference, the MD denied saying that they have not received any remarkable political request, but in any case, they manage even if there are. However, he did mention about pressure from the localized area like the Chairman or other local government or politician.

...if you maintain your integrity, you do get support from the government as well. If you maintain your purpose right, a bit of challenge comes, but you can manage that. (MD2)

When asked how the government support is channelized, he stated that though the organization is a foreign owned company, a portion of the shares are owned by the Government of Bangladesh and there are nominated government officials as directors on the board. These directors represent the company in the government.

...They are the ones who have relationship with the ministers and they are directors of the company. So, they go and explain it to the ministers that look this is what the company is trying to do and we need support from the government. (MD2)

The government representations do not bring in any unreasonable requests; they maintain their discretion. But they do play a role in communication and representation the company in the government arena. (MD2)

This is an interesting example of the presence of rationality in the traditional setting, which Weber acknowledges in his discussion. This also supports the empirical results that the presence of foreign ownership also reports a high CSR disclosure in the previous empirical chapter. This might be interpreted that the Western philosophies and rationality of the parent company plays an important role in the disclosures practices of the subsidiary.

While discussing the motivations of the CSR disclosure in Bangladesh, the head of Corporate Affairs in the largest telecom company in Bangladesh mentioned that, it is the parent company’s strategy and they only follow in as a subsidiary. However, he clearly mentioned that we do contribute and help the victims during natural disasters like flood, cyclone every year. When asked whether they contribute through the PM fund, he declined saying, we have partnership and networking with a number of NGOs, who help us distribute and reach the underprivileged people.

The respondent discussed about Digital Bangladesh and they, being the largest telecom company play a crucial role in developing the ICT sector and contributing to the vision
of Digital Bangladesh 2021. However, their operational strategies are different from that of the local companies.

They provide laptops and computers to the village schools and colleges and at the same time train them. They work with their distribution team and local NGOs to implement it. These activities are disclosed in the CSR reports and annual reports.

When asked about the motivations, the primary motivation seemed to be following the parent company’s vision and mission and at the same time contribute to the wider society of the host country. Here, the rationality of the foreign ownership is prevalent, thus supporting the argument of co-existence of rationality and traditionalism in a traditional society.

Some of the local companies also conduct and disclose CSR for normative intent. The Finance Director of the largest power company in the country mentioned that the Board of Directors has all the good intent to contribute to the society and thus CSR is institutionalized in the organizational values.

She also commented that:

“In Bangladesh, it is in the value system of the people to help others and it also plays a role in the organizations. People believe in helping others and making change in other’s lives”. (FD1)

The investment amount and area of contribution is solely dependent on the board and their personal values. The CSR activities conducted and disclosed are absolutely BOD driven, not due to any government regulations. This reiterates the substantive rationality of the domination of family members in public limited companies. For instance, the said power company supports the electricity week in the country along with Bangladesh Power Development Board (BPDB). For this, the Chairman of BPDB requests them to contribute and participate with them. She mentioned:

“We contribute to it because we are one of the largest power companies in the country and we work very closely with BPDB. There is no additional benefit for participating, nor is there any problem if we do not contribute. This is absolutely the Board of Directors’ discretion and we do it based on relationship and belongingness.” (FD1)

She commented that:
“CSR in Bangladesh is very much personal desires. Lot of people does it due to social justification and recognition. Some people do it for personal and private reason. For instance, we are three sisters and our parents, the directors of the firms choose to support all girls’ schools absolutely due to personal reasons.” (FD1)

It can be mentioned here that this is a family controlled firm, with the Managing Director being the brother of the home minister.

Another DMD of a large local bank, who claims to provide more than 1000 million BDT in education scholarship to different level of education mentioned that the Board of Directors believe in helping people in education. He mentioned that, educating the young generation ensures that these people will eventually be customers or employees of the organization. This will definitely create a favorable reputation of the organization. Every year, the company holds a scholarship distribution ceremony to give out the cheques to the students.

One of the respondent companies stated that they started as a tannery family business and like many similar businesses; its founder believed that it had a role in society over and above delivering profits. They saw CSR as an attempt to continue the tradition started by its founder. At the same time, the Managing Director mentioned that since the company cannot do something really big, they would rather do things that would benefit the workers and the employees. So, they set up water pumps in the tannery area, where all tannery industries are situated. This industry is notoriously the highest water polluter—it alone pollutes 26% of the total river water of Bangladesh (Rasul et al. 2006). None of the members of this industry have an effluent plant, and most of their 30,000 workers work in chemical-prone environments without the required safety gear and equipment. Since tannery industries create pollution to the society, they want to add value to the society by giving access to pure drinking water to the employees. The Managing Director of the company mentioned during the interview,

“...have you been there? The Hazaribag Tannery place is a terrible place. There are companies from 20 people owner-driven to big public limited companies and the workers work in a very unhygienic condition. We cannot do much even if we want to. There is no standardizations ....so what we thought was ... since we are creating pollution and also because the access to pure drinking water is a huge challenge in that area, ....What we did, we supplied water pumps, and then filtration...so now, the
employees have access to pure drinking water there ..This was a very strong point for us ....”(MD4)

When asked if the company donated funds to the PM relief for sudden disasters or crisis, he said no, and explained that they do contribute to disasters like Rana Plaza, BDR carnage or natural disasters, but they do it directly. For instance, he mentioned that he had selected affected people from the Rana Plaza incident, trained them and gave them jobs at their factory.

“The voice of Bangladesh is RMG. Bangladesh cannot be perceived as one block. There are good practices as well. We are a very small industry sector. We wanted to help these people, we wanted to put these people back into work, so we offered, training to get them back to work’’ (MD4)

While asking if they had given any money to the PM fund, he mentioned,

Well, I could have given 500 crore\textsuperscript{20} BDT (5000 million BDT) to PM just to make her happy….but these are unhealthy practices... (MD4)

These normative practices of the some MNCs and large local corporates in Bangladesh reflect the prevalence of different substantive rationalities of various social groups.. It describes the concerns of the Western MNCs philosophy of social reporting while respecting the tradition of Bangladesh. The normative approach of CSR disclosure practices of large local corporate is somewhat also influenced by the background, education and values of the Board of Directors. In companies where the Board of Directors have past experience of working in MNCs, reputed bureaucrats or professionals, the effectiveness of corporate governance mechanism of the organization influences the decision making and disclosure practices and hence the possibility of being politically abused is less. For instance, one Managing Director of a large local corporate mentioned,

\textit{Our board has been quite clear that our primary responsibility is to create wealth/value to the shareholders. If that wealth is created ethically and if you operate within the norms of the society and create your wealth ...then comes the question, how do we equitably distribute that wealth among the shareholders, to our stakeholders, to our suppliers and most importantly to our employees. In this case, our primary focus is “Let’s take care of our employees”. We don’t have the resources to do something huge,}

\textsuperscript{20} Crore is a unit of calculation. 1 crore= 10000000 million
we cannot build university and so on. We don’t think that is our focus. We wanted to make the life of our workers easy. (MD4)

Thus, in Bangladesh, the rational framework of CSR guidelines and corporate governance code of conduct exists, but the efficacy of the framework is sometimes compromised with the traditional opportunistic intent and traditional attitudes of the society.

One of the companies also mentioned that they conduct some CSR activities because they want to project the image of the country to the external world. For instance, one of the largest pharmaceutical companies in Bangladesh, have introduced CFC (Chlorofluorocarbon) free Inhaler metered dose inhalers (MDIs). While mentioning the motivations for such a big step towards the environment, he mentioned,

“…why did we do that? It has become expensive for us. Why did we do it? Now, everyone from abroad, environmentalists and all, everyone came to Bangladesh to see it. This is promoting Bangladesh. We did it for the country. There was no profit motive”.

7.6 Non-disclosure of CSR Information

Bangladesh’s culture encourages CSR activities, but to some degree discourages disclosure in annual reports. A number of organizations mentioned that they conduct a lot of philanthropic activities or community services as CSR, which they do not disclose anywhere. When asking the reasons for non-disclosure, the finance director of one of the large power company mentioned,

“It is our culture that we help the poor and underprivileged. In fact, it starts from our home. We support the domestic help in our home and their family. Similarly, our organization also helps a lot of people, but those we don’t disclose anywhere.”(FD1)

She proactively mentioned that, “…in our religion also we have to donate to people compulsorily, so it’s like that …we help.”

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21Beximco Pharmaceuticals Limited, the leading manufacturer of pressurized Metered Dose Inhalers (MDIs) in Bangladesh has announced the introduction of country’s first CFC (Chlorofluorocarbon) free MDIs, used in asthma and COPD – Azmasol® HFA (Salbutamol) and Decomit® HFA (Beclomethasone). The currently manufactured MDIs in Bangladesh contain CFC as a propellant, which is safe for human use but is considered as a major culprit of ozone depletion. Ozone depletion poses a serious environmental threat, as it reduces the amount of ozone in the ozone layer that acts as a shield to protect the earth against the sun’s harmful rays.
This is an interesting point and it supports the evidence found in Momin and Parker (2013), which documents how the institutional legacies such as region and cultural traits influence the legitimizing environment and strategy of MNC subsidiaries. As Momin and Parker (2013) mentions, within Bangladeshi culture, certain cultural traits, particularly Islamic values regard self-disclosure of good deeds in a negative light. It might be mentioned here that the influence of Islam has been evident at government level in Bangladesh (Momin and Parker, 2013).

In 1984, the Bangladeshi government established the semi-official Zakat fund committee to collect Zakat (Amran & Ali, 2007). According to Islamic jurisprudence or Sharia Law, Zakat was to be treated as a mandatory or obligatory payment of surplus wealth by an individual or corporation (Qardawi, 2011). Commercial banks and other financial institutions were encouraged to create Zakat funds and collect Zakat. The revenue generated through the Zakat fund was to be spent on the poor: orphanages, schools, children’s hospitals, and other charitable institutions and projects. This imposed a philanthropic responsibility on individuals and corporations in Bangladesh based on an Islamic principle: poor people’s rights to rich peoples’ savings. However, there was no emphasis on disclosure of Zakat as a part of corporate accountability. In other words, corporations had a responsibility to pay Zakat, but were not expected to disclose it in their corporate reporting as part of their accountability. This may be a reason why people and businesses in Bangladesh or in other Islamic-dominated countries, whilst engaged in philanthropic activities, have been reluctant to engage in CSR reporting activities (Momin and Parker, 2013).

They clearly mention the existence of dual heritage, the existence of rational legal system and the traditional cultural traits. The legal system operating in Bangladesh is a modified Anglo-Indian civil, commercial and criminal legal system, established during the British colonial period, rather than one based on Islamic jurisprudence (Parry & Khan, 1984). The formal reporting regulatory framework in Bangladesh is based on English company law, security exchange law and International Accounting Standards (IASs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). Security exchange law requires listed companies to disclose minimum CSR information in terms of certain employee, director and corporate governance information. The enacted rules and regulations for accountability are based on assumptions that rationality is at work in Bangladesh. However, the rational measures are somewhat thwarted by the traditional values and traits of the people in the country.
Another large local bank mentioned that they do a lot of community activities, which they do not disclose as part of the CSR activities only because the amount is not significantly large. Besides, sometimes the beneficiaries do not want to be disclosed. So, we do not disclose their identities. When asked for an example of such instances, he mentioned:

“we help a lot of renowned artists and professors financially for their treatments. But they do not want to let people know that they took help from us”. (DMD1)

When asked about how they account for it, another local bank said:

“We include them in the other expenses, that way, it helps us in tax as well. You see, we do much CSR, but we don’t get any tax benefits. We have to give CSR on before tax profit and then again the CSR is not tax exempted all the time.” (MD6)

Interestingly, since there is not accountability to the wider stakeholders, primarily shareholders, the companies are not bothered to disclose the good community work as part of CSR reporting. But, instead the political activity is disclosed as CSR perhaps since the notion of legitimacy in traditional societies is to the power than to the general shareholders. This observation is in line with previous studies on accounting practices in traditional societies (Uddin, 2009; Dyball and Valcarcel, 1999). Mannan (1992) argues that political parties maintain loyal supporters in various positions within the institution. Organizations have little interests to appease wider stakeholders given the nature and power of the state and state-like bodies. This is much more convenient for firms to focus on political leaders, parties and families. Corporation’s wider stakeholder legitimacy for CSR is very weak in Bangladesh.

Uddin, Siddiqui and Islam (2016) argue that it is unsurprising that bankers use disclosures to demonstrate their loyalty to the family in power as this is seen as the ultimate accountability. Accountability to the wider public or state bodies is seen as formal and symbolic, whereas loyalty to individuals and families in power is real. This action is governed by substantive rationality as explained in the 1st axis of Weber’s framework. Though the company’s disclosure of CSR information in the annual report does not have any impact of the share price, but CSR might be a good tool to get into the good book of the power in democratically unstable traditional economies like Bangladesh.
7.7 **Discussion and Summary**

The empirical findings in this chapter can be summarized into the below figure:

![Motivations of CSR Reporting in Bangladesh](image)

**Figure 10: Motivations of CSR Reporting in Bangladesh**

The figure above summarizes and presents the motivations of the organizations as described in the chapter. The companies in a traditional society have both normative intent and opportunistic intent in conducting CSR activities and disclosing CSR information. Organizations tend to have political interests in both conducting and reporting CSR information. This chapter presents the findings of the interviews conducted for the research. The main contribution of the empirical work lies in understanding if and why companies in a fragile democratic country characterized by family domination, political interference, and underdeveloped markets are using their CSR disclosures and activities in displaying their allegiance and loyalty to the familial political power.

The theoretical framework developed for this study offers a richer insight into the complete process of CSR reporting and conducting politicized actions in the disguise of CSR. The empirical findings are informed by the Weberian framework developed by Colignon and Covaleski (1991) and draw on works of Dyball and Valcarcel (1999), Dyball, Chua and Poullaos (2006), Uddin (2009) and (Uddin, Siddiqui and Islam, 2016) on traditional societies. The nature and motivations of CSR disclosure practices
by organizational activities is better understood through Weber’s contrast between tradition and modernity and the way/manner in which the system might be described as substantively, as opposed to formally rational.

Weber argues for separate organizational analysis, which are, nonetheless, interactive with external layers of analysis (discussed in chapter four), to understand the voluntary disclosure practices in Bangladesh. The interview findings show that the interests and desires of the familial political power dictate the organizational practices, including disclosure practices. Organizations tend to satisfy the desires of the owners and the owners in turn display their loyalty to the political power. This is consistent with Uddin (2009) who states that the management control system in traditional societies is dictated by the desires of family and dominant owners.

Overall, it appears from the interviews that the companies in traditional societies like Bangladesh perceive CSR as a vehicle to establish and strengthen the political ties with the ruling party; more specifically, the master/chief to get into the good books of the power. Thus, organizations are more likely to rely on either formal or social political ties which gives rise to different substantive rationalities for compliance and disclosures practices. The presence of the elements of traditionalism in the society influences the rational accounting disclosure practices of the organizations. For example, there are formal CSR guidelines and policies, but it does not reflect the actual scenario. Companies try to conduct politicized actions in the name of CSR and disclose the information in the annual reports, CSR reports and even in the national newspaper. This reflects public display of allegiance of the organizations to the ruling party.

Companies also conduct corporate political activities in the disguise of CSR. Using the Lord (2000b, 2003) and Skippari (2005) as guidelines to categorize the corporate political activities and corporate political strategies, the interviews reflect how organizations are using the CSR to impress the government. It presents how organizations express their coalition with the leader’s ideology/agenda and demonstrate their loyalty by being part of the activity and portray that as CSR disclosures. Companies also conduct executive lobbying by donating to the pet projects of the leader or kin. This is expected in a traditional setting like Bangladesh. (Weber,1978) expects that the productive capacities and economic units are geared towards the preferences of the master; that is, they are governed by a substantive rationality of economic action (Dyball and Valcarcel, 1999, p.307).
Under such circumstances, it is possible that the CSR disclosure practices might be geared towards satisfying the preferences of the owners of the organizations (the master in this case), which again, is targeted towards the preferences of the political power/master. This is reflected in the evidence that these donations are easily disclosed as CSR since there is no accountability to the wider stakeholders of the company. The CSR disclosures are publicly displayed to reinforce their allegiance and also portray their power to the wider stakeholders. Expressing their loyalty to the ruling party would, in turn put them into the good book of the power and get the companies privileges and political benefits in terms of expanding their branches of companies, licenses, and even personal career progression. While this contradicts the Western or modern rationale for CSR disclosures and activities, this is entirely consistent with a version of capitalism which views the organizations as a means of familial support, a familiar picture in a traditional setting. This analysis fits in well with the discussion of the development of capitalism in Bangladesh. After the independence of Bangladesh, economic activities were primarily conducted to support the kin and relatives of the then political power. This is supported by Uddin and Hopper (2001), when they argue that tribunes protect kin, enabling them to accumulate wealth, and allow kin to interfere in the governance of the state.

The economic units are glued by kinship and its members are protected by primordial loyalty. The interview findings also revealed that this display of personal loyalty is at every level of the hierarchy. In fact, regulatory authorities, which is defined in Weberian terms as “administrative staff” publish circulars exercising their power and authority. The prevalence of dominance and control of the administrative staff to the organizations is evident from the findings. The associations and trade bodies also have imperative control and at times, coercive control over the organizations, which they exercise to influence the CSR practices. This sort of domination is expected in a traditional setting, where the enabling condition of rational bureaucratic and accounting system are absent.

Domination vs. resistance is explained by the 2nd axis of tension as suggested by the Weberian framework. Bureaucracy is a means of domination whose use and direction is distinct and whose consequences are central to organizational analysis. However, this domination takes a different form in traditional society. (Dyball and Valcarcel, 1999), referring to Weber’s work, argue that: “Traditionalist domination is commonly exercised by the members of ruling famil(ies), or clans and, unlike legal authority, is
primarily based on personal loyalty”. This is consistent with the empirical evidence presented in the chapter. The organizations response to the call of the regulators and participate in the CSR activities willingly in order to impress the master/leader.

According to Weber, this willingness/consent to the ad hoc regulations or circulars published by the associations or the government office is not due to impersonal order, rather due to personal loyalty. This is also expected in Weber’s view of domination. As Weber argues, domination based on authority is exercised over those who have a duty to obey. Under organizational domination, the ruler’s command becomes the objective of the social action of the ruled. Weber is also of the view that the merely external fact of the order being obeyed is not sufficient to signify domination: it also means that the command is accepted as a valid norm (Weber, 1968, p.946). This also reflects the substantive rationality of the organizations in a traditional setting and implies that rationality varies according to the socio-political context.

In a traditional society, as expected by Weber, the bureaucratic domination is often superseded by direct control from the dominant owners of the companies, in this research, it can be argued that the bureaucratic domination is being superseded by the personal domination of the traditional chief; in this research this is exercised by the political elites or the administrative staffs. This is reflected in the above findings when the administrative staffs publish ad hoc circulars or gazettes asking the organizations to donate in specified funds in the name of CSR. This is also possible that the typical staff is also recruited from the traditional ties of personal loyalty. Thus, his activities are governed by substantive rationality. It is very rational for him to express his personal loyalty to his ‘master’. Though the primary contribution of the thesis is to explore the political motivations of CSR disclosure, but the findings also reveal that some companies disclose information, which are not politically motivated. In fact, the normative intent of the companies reflects and reiterates the assumptions of coexistence of rationality and traditionalism in a traditional society like Bangladesh. The companies’ motivations for such activities lie in the personal values, culture and ideology and mindset of the Board of Directors governed by the substantive rationality, and really wants to make some changes to the society. The findings reveal that a significant amount of CSR goes unreported only because the beneficiaries perhaps don’t want to be disclosed; religious reasons of secrecy and also sometimes, the organizations include them in other expenses for tax benefit. Thus, it might be noticed
that despite doing philanthropic activities, which are benefiting the community, organizations tend to disclose the political activities as CSR.

Weber’s works suggest that accounting practices including disclosure practices are key elements of the bureaucratic means of domination in a modern or rational society. In a traditional society, as expected, disclosure practices in the Western sense plays minimal role in ensuring accountability and transparency to wider stakeholders, but is a vital element of public display of loyalty to the master. Weber’s axis of substantive vs. formal rationality is useful in explaining this, although substantive rationalities in traditional society take different shapes and forms.

The next chapter discusses and provides concluding remarks to the findings in this chapter and chapter five and highlights the contribution of the thesis.
CHAPTER 8 CONCLUSION

8.0 Introduction

The research commenced with the objective of studying the political perspectives of CSR reporting in public limited companies in Bangladesh. A significant number of research has been conducted on CSR reporting, but very few studies considered the political influence of CSR reporting. In addition to this, this study took a traditional perspective to provide a profound understanding of the disclosure practices in a traditional setting where business fundamentally depends on political ties and connections.

This last chapter of the thesis summarizes the empirical evidence presented in chapter six and seven and highlights the contributions of the study. This research seeks to extend the CSR literature by adding new theoretical and empirical insights to the understanding of the CSR disclosure practices in a developing nation. The study not only focuses on the CSR disclosures at an outcome, but also examines the CSR activities as the process in order to provide a comprehensive understanding of the process and outcome.

This chapter is organized as follows: section 8.1 summarizes the context for this research; section 8.2 states the rationale for selecting the chosen theoretical framework. Section 8.3 briefly reiterates the choice of the research methods and methodology and section 8.4 summarizes and discusses findings of the empirical chapters. The subsequent sections then discuss the contributions made by the research, followed by a section that identifies the limitations of the study and future scope of the research.

8.1 Context of the Research:

This research stems out of the interest of the researcher in CSR and politics and the dynamics of CSR disclosure, politics and accountability in a developing nation. Previous studies on CSR disclosures have identified a number of drivers and motivations, including market, community and stakeholder influence on CSR disclosures (Ness and Mirza, 1991; Dhaliwal et al., 2011; Deegan and Blomquist, 2006; Cooper and Owen, 2007; Islam and Deegan, 2008) both in developed and developing countries. It has been also been claimed and argued that, while CSR may be a strategy for reallocating income from organizations to the general public, contrastingly CSR disclosures may possibly provide a setting for political interests and patronage (Cooper...
and Owen, 2007). The possibility of exploiting or manipulating CSR disclosures in developing countries is even greater due to the prevalence of family controlled firms, political interference, absence of rational corporate governance mechanism and institutional investors and inefficient and underdeveloped capital market (Berglöf and Claessens, 2006; Uddin and Choudhury, 2008).

Political patronage and political ties or connections are common phenomenon around the world (Faccio et. al., 2006) though they are less common in Western rational societies where the legal framework and the corporate governance mechanism are more effective. Strong political connections are more pervasive in underdeveloped countries with fragile democracy, familial power, poverty, weak and inefficient institutional and capital market. In other words, countries with a traditional setting as defined by Weber (1978) are more prone to political abuse than the rational capitalist societies.

Given the characteristics of a traditional setting, this thesis takes Bangladesh as an ideal case of traditional society. Following the Weberian methodologies, this thesis examines the historical and political conditions of Bangladeshi society, showing that social and political lives are heavily influenced by family culture.

Bangladesh has a rational /legalistic administrative framework, but a traditionalist /familial culture. Kinship networks compete with the legal framework as legitimate sources of authority. Family kin and fictive kin are the powerful leaders of the party. Heredity politics are the backbone of Bangladeshi democracy, and ultimate accountability seems to lie with family, exhibiting features of traditionalism in action. Politics pursued by the two leading political parties have also led to the creation of a culture that many businessmen believe actively seeking and maintaining political ties will help them expand their business.

Under the above context, the thesis posed the following research questions:

1. *Given the traditional nature of the society in Bangladesh is CSR reporting influenced by the political connections and family control of corporations?*
2. *In a country with underdeveloped markets and institutions, weak and unstable democracy, strong family dominations and political interference in the business, what are the motivations of organizations to conduct and disclose CSR information?*
8.2 Chosen Theoretical Framework of the Study

This study focuses on issues derived from the Weberian framework introduced by Colignon and Covaleski (1991) and draws on the works of Dyball and Valcarcel (1999) and Dyball, Chua and Poullaos (2006) on traditional societies. The theoretical framework adopted in this research not only focuses on the organizational level, but also beyond the organization.

Weber’s work provides a basis for examining accounting in the socio-historical context of Western capitalism. However, Colignon and Covaleski (1991) argue in their paper that Weber’s work suggests three layers of analysis in which to situate the relations of accounting to organizations and society. They are: (1) structural conditions (external layers), which discusses the configurations of institutional features in society that facilitates capitalism, the enterprise and accounting; (2) the historical context (external layers), which follows from the ideational tensions between formal and substantive rationality and (3) the examinations institutional/organizational practices including accounting practices. Each of these layers provides distinctive insights into the context in which accounting practices are examined. According to Weber, they are separate but interacting methodologies. This framework of understanding Weber’s work suggests that accounting and enterprise operations are understood as rational only in context (Hindess, 1987).

According to Weber, the rational calculations of economic actions and accounting depend on the structural conditions for e.g. free labor, markets and technology. Weber focuses on specific cultural and historical details to identify specific features of society that facilitate or obstruct the full development of capitalism, modern enterprise and capital accounting.

Weber identifies two forms of contradictory economic actions: formal and substantive rationality and acknowledges and discusses the tensions between them. Weber recognizes that the tension between formal and substantive rationality is not only reflected in the conflicting values, but also between social groups and divergent interests. Weber (1978) implies that this tension is more prevalent in a traditional form of society, which has an implication in the organizational bureaucracy and rationality.

According to Weber, family domination is traditional. Bureaucratic domination in enterprises in a traditional type of society is superseded by direct control from the
dominant owners of the companies, who are usually often part of a family. According to Uddin and Hopper (2001), According to Weber (1978),

“...familial domination is traditionalist. Traditionalist domination is commonly exercised by members of a ruling family (ies) or clan(s) and, unlike legal authority, is primarily based on personal loyalty. There is a “personal master”, not a “superior”, served not by an “administrative staff”, but by “personal retainers”. Instead of “members of an organization”, there are “traditional comrades”. Obedience is to the “master”, not to “enacted rules”. The “master” is expected to do good turns, governed by an ethical common sense of equity or of utilitarian expediency. His exercise of power is bound only by resistance from his “subjects”. It is impossible then for an “impartial” law or administrative rule to be intentionally created by legislation (Weber, 1947, p.341).

Weber’s work consequently expects that accountability and transparency in public limited companies in a traditional society would not transpire from imposed regulations and institutions. Owner-managers are expected to resist rational/formal regulations that do not serve the family’s interests (Dyball and Valcarcel, 1999). Legalistic (based on rational ideas) models would remain constricted in books and documents. The Westernized model of governance and disclosure practices by policy makers for stock exchange listed companies may be perceived as a condition of the stable economic calculation of a “rational” society (Dyball and Valcarcel, 1999). Its efficacy is dependent on knowledge of techniques (that is, accounting, auditing and reporting standards) and facts. The audit is also a by-product of money accounting, which according to Weber (1978) attains the highest level of rationality. But in a “traditional” society, the “rational” and “traditional” economically oriented action is likely to have a very low level of rational calculation giving rise to a different substantive rationalities for compliance, even though the motives are fully self-conscious, such as controls to serve dominant owners.

8.3 Research Methods Employed in the Study

The thesis employs mixed methods research in order to address the research questions. The researcher combines both quantitative and qualitative methods.

The first research question in this study is to identify the determinants of CSR disclosure in terms of political connections and thus calls for quantitative research, which involves deduction, confirmation, theory/ hypothesis testing, explanation,
prediction, standardized data and statistical analysis. The results indicate association of CSR disclosure with political connections and family controlled firms. The results also report the impact of corporate governance in CSR disclosure practices and reflect the tension between formal and substantive rationality in a traditional setting. In order to explore into the nature of CSR disclosure practices further and understand the motivations of the organizations to disclose and conduct CSR activities, 28 face-to-face semi-structured interviews are conducted with the Board of Directors of the organizations, regulators and policy makers, former regulators and civil society etc. The different stakeholders groups were selected in order to provide a broader perspective of the issues related to CSR practices in Bangladesh.

This qualitative part of the research involves traditional characteristics of qualitative research of induction, exploration, theory generation and the research as the primary instrument of data collection and qualitative analysis. The researcher collects multiple data using different strategies, approaches and methods in such a way that the resulting mixture or combination of both qualitative and quantitative methods is likely to result in complementary strengths and non-overlapping weaknesses. The interview data is translated, transcript and uploaded into Nvivo 10 for analysis. The data is analyzed by identifying recurring themes informed by the theoretical framework developed for this study.

8.4 Discussion of the Findings

This section summarizes the research findings from the two empirical chapters (chapter six and chapter seven) and provides additional discussion of the findings. As stated, this thesis focuses on political perspectives of CSR practices using the Weberian framework developed by Colignon and Covaleski (1991) and Weber’s study of traditional society and traditionalism. The theoretical framework adopted in this study not only focuses at the organizational level, but also goes beyond the organization. Weber argues for separate analysis of organizational context, which are interactive with the external layers of analysis, namely, the structural and historical analysis in order to understand the accounting practices, including the disclosure practices. Chapter four of the thesis provides the institutional context of the research site and sets the context of the research. The discussion on the structural, historical and socio-political context of Bangladesh fits in well with the external analysis of Weber’s methodologies.
According to Weber (1968) the structural and historical background helps to locate the organizational perspective in a wider context for a broader understanding of organizational practices including accounting and disclosure practices. Weber (1968, 1978) recognized the effects of familial power, family and clan culture (Uddin, 2009; Dyball and Valcarcel, 1999). As argued earlier, the intentions of the state (at development stages) to facilitate the development of a rational form/ideal type of capitalism were transformed into a different form ( politicized state capitalism) in Bangladesh as a result of social, political and cultural clashes (Uddin and Hopper, 2001). The nature of family capitalism in Bangladesh is linked with the colonial legacy of Bangladesh’s political and economic history. After independence in 1971 from Pakistan, the power in newly formed Bangladesh transferred from the Pakistani families to the Bangladeshi families (Sobhan and Ahmad, 1980). Since independence, two families primarily shared power in Bangladesh’s political history. The major two political party leaders in Bangladesh, The Bangladesh Awami League and the Bangladesh Nationalist Party (BNP) came into the political arena due to their inheritance from the deceased leaders. Previous studies have also argued that the core decision structure in major political parties and elected government has always been influenced and controlled by their kin (Mannan, 2006,1992; Sobhan and Ahmad, 1980).

The ineffective regulatory framework became conducive to this particular type of capitalism. As previous studies revealed, and as Weber predicted, in a traditional society, regulatory frameworks are often not enforceable in the presence of familial relationships and politics (Uddin and Hopper, 2003; Uddin and Choudhury, 2008). The relative autonomy of profession, state, regulatory bodies and institutions and powerful others cannot be taken for granted in the case of traditional societies like Bangladesh. In particular, ‘family’ links cut across or break down the distinction inherent in the autonomy hypothesis. Families, both at the national and organizational level, as social organizations act as sources of authority that compete with the state’s authority.

Obligations to the state become insignificant in the face of obligations to family and friends (Dyball and Valcarcel, 1999). This ideological and institutional context provides sufficient support to introduce one particular form of substantive rationality i.e. rationality to serve families. Serving families in a traditional society ranges from organizations to the political power at every level of the hierarchy. The research findings in both chapter six and seven provide empirical evidence to support this
particular form of substantive rationality; i.e. rationality to serve the political familial power.

Thus, the nature and motivations of CSR reporting practices and CSR activities and the potential inherent in connecting traditionalist societies with the politicized nature of actions pursued in the name of CSR is better understood through Weber’s contrast between tradition and modernity and the manner in which the system might be described as substantively, as opposed to formal, rational.

In order to explore the potential political perspectives in CSR activities and reporting practices, this research initially provides evidence of CSR disclosures and its association with political connections/ties and family controlled firms. The chapter reports that politically connected firms disclose more CSR information than non-politically connected firms. It further reports that family firms disclose more CSR information than non-family firms. Nevertheless, politically connected family firms disclose significantly less CSR information than non-politically connected family firms. This finding reflects interesting insights into the CSR disclosure practices in a traditional society.

Based on Weber’s notion of traditionalism, it might be interpreted that the politically connected firms and family controlled firms tend to disclose more social and environmental information in order to establish and strengthen the ties with the ruling party and thus disclose a variety of CSR information in order to display allegiance to the power. Low-level CSR disclosures are norm in Bangladesh (Uddin and Choudhury, 2008). This is also termed as coalition building in Skippari’s (2005) framework, where the companies tend to build coalition with the ruling power by publicly disclosing a wide variety of CSR information and gaining political mileage out of it. Given the political and social historical dynamics of Bangladesh, it is evident that, since its birth, Bangladesh has an intertwined political and business relationship, which is reflected in the accounting practices, namely the disclosure practices of the organizations.

Weber’s 1st axis of tension between formal and substantive rationality is useful in providing explanation to the motivations of CSR disclosure practices. Given the dependency of the businesses to have a strong political link in Bangladesh, it is rational for the organizations to use CSR as a vehicle to get close to the political power. CSR is a vehicle to get close to the government since the shareholders are not concerned about the social and environmental disclosures of a business. This also supports that
accounting and enterprise operations are understood as rational only in context (Hindess, 1987). Similarly, in case of family firms too, since a number of the public listed companies are family controlled firms, it can be argued that the family firms also tend to build coalition with the ruling power (“master” as defined by Weber) to display their loyalty through CSR disclosures.

But when the family firms are politically connected (i.e. a politically connected member is a member of the board), it can be argued that they draw in power from the already politically connected member in the board and do not feel the need to disclose a variety of CSR information to build or strengthen political bonding. They rather focus on conducting and disclosing activities, which are preferred by the master, in this case, the ruling power. Weber (1978) expects that the property and productive capacities will be primarily geared towards satisfying the preferences of the master; that is, they are governed by substantive rationalities. Under such circumstances, it is rational for the organizations to only disclose that CSR information, which are preferred by the master. Thus, the underlying motivation for the disclosure could be political patronage. This is consistent with the argument of Uddin, Siddiqui and Islam (2016), who say that public display of political connections seem to be more important in Bangladesh than the low profile donations to political parties, which are common in Western countries.

This focused political strategy is termed as “executive lobbying” Skippari (2005) or “lobbying by senior executives” (Lord, 2000b). This means that it is rational for organizations to conduct political activities in the disguise of CSR activities and disclose that information in order to express their loyalty to the master. Since the shareholders or any other stakeholders are not active in terms of their rights, the organizations tend to get away with this. This is common in a traditional setting, where power and influence play an important role in decision-making. It might also indicate and reflect the power of the organization to other stakeholders.

Using the 1st axis of tension of Weber’s framework, it can be interpreted that the organizations in a traditional society like Bangladesh are more likely to rely an informal, familial and personal control and relationship and are governed by different substantial rationalities. Weber discusses about how different institutional environment and setting (like traditional and modern setting) facilitates different substantive rationalities. As Weber explained, multiple rationalities are characteristic of the modern enterprise and are the basis of conflicts which make the formal and substantive
rationality distinction important in their application to issues of accounting practices (Hindess, 1987; Antonio and Glassman, 1985).

Interestingly, some of the corporate governance variables indicate the struggles and tensions of the coexistence of rationality and traditionalism simultaneously. Some of the corporate governance variables such as audit quality and qualification of the audit committee Chairman are significantly positively associated with the CSR disclosure index, indicating higher disclosure of CSR information when there are internationally linked auditors and qualified audit committee chairman. This indicates that the corporate governance mechanism, to some extent, has a positive impact on the CSR disclosure even in a traditional society. Similarly, foreign ownership also indicates higher CSR disclosure. Since foreign ownership basically consists of, primarily, the subsidiaries of the multinational companies reflecting the rational values of the Western parent companies. This supports the empirical evidence of Dyball and Valcarel (1999), which presents the duality of rational regulatory framework and the traditional culture of Philippines.

The presence of the tension and coexistence between rationality and traditionalism in a traditional society is further explored through interviews with the organizations, regulators, and policy makers. The interview findings are presented in chapter seven. One of the primary reasons of disclosing CSR information in the annual reports in a traditional setting like Bangladesh is to appease the familial political power/leader. Given the nature of the CSR disclosures, the qualitative part of the research explores the underlying motivations to conduct such politically motivated CSR activities. Companies conduct and disclose CSR information in order to build coalition or executive lobbying with the government or even to build their own political electoral constituency.

According to Weber, the historical and structural conditions of the research site provide an important perspective for a broader understanding of organizational practices including accounting and disclosure practices. Most of the public listed companies in Bangladesh are family owned and controlled. This crony capitalism, as explained and discussed in chapter four is deeply rooted in the history of Bangladesh or even before that. This family domination is not only evident at the organizational level, but also at the national level. The presence of entrenched and dominant political and business elite group is evident in the political history of Bangladesh who literally manages the country, economy and administration.
The family businesses in order to gain patronage from the political party either incorporates a politically connected member in the board, or build strong political ties through lobbying or coalition. This creates an environment where the companies can use the CSR activities as a political tool to express their allegiance to the government. The interview findings also reveal such instances.

The interview findings reveal that CSR activities are conducted and disclosed for different motivations: (1) normative intent, where the organizations conduct CSR for the wider society and disclose the information to inform the stakeholders (2) opportunistic intent, where the CSR disclosures are used/abused by different stakeholders to maximize their self-interest.

Many organizations, mostly the MNCs have CSR policies and disclose information as part of their strategic objectives of the parent company. This normative intent of the companies is consistent with the quantitative results, which reflects the presence of rational attitudes in traditional setting and mindset of the people. Some large local corporates also conduct CSR activities and disclose the information for the wider society. The interview findings reveal the influence of the Board of Directors of those organizations, their values in terms of contributing to the society. This normative approach reflects the assumption of the presence of rational/legalistic framework in Bangladesh. However, the efficacy of this approach is interrupted by the presence of the familial culture. Kinship networks compete with the rational authority, thus manipulating this normative intent to some extent.

A number of organizations tend to abuse the CSR practices by contributing to projects and agendas of the ruling party. They either conduct corporate political activities in the name of CSR or use CSR disclosures and activities to achieve political benefits. The empirical evidence provided in the thesis categorized the CSR disclosures and activities into different political activities based on the framework and guidelines provided by Lord (2000a, 2000b, 2003) and Skippari (2005). The empirics also report that the organizations tend to satisfy the motivational ethos of the leader by demonstrating their loyalty to the leader publicly. This display of loyalty has been reported at every level of the hierarchy. It is unsurprising that organizations use disclosures to demonstrate their loyalty to the family in power as this is seen as the ultimate accountability.

One interesting evidence in the study shows that some organizations, despite conducting community and social activities do not disclose them in their annual reports.
Rather they disclose the political activities conducted as CSR, thus reflecting that accountability to the wider public or state bodies are seen as formal and symbolic; whereas loyalty to individuals and families in power is real. This is also supported by the empirical evidence in chapter six, which reports that family firms that are politically connected disclose less CSR information than non-politically connected family firms. It might be possible that these firms, despite conducting a wide range of community services disclose only the corporate political activities, which is targeted towards the preferred choices of the master/chief in order to express their personal loyalty. This reflects substantive rationality of the organizations according to the 1st axis of tension.

In an ideal/rational setting, the state plays the conventional roles of controller, provider of external infrastructure and receiver of levies (Fassin and Gosselin, 2011). In a traditional setting, the state or state-like bodies are overpowered by family and their kin. The organizations draw power from the ruling party and are often able to ignore/avoid rational measures introduced by state bodies such as the central bank in Bangladesh. Actors within the company are not always necessarily related to families leading the political parties, but manage to exploit the familial relationships of the political parties. This observation is in line with previous studies on accounting practices in traditional societies (Dyball and Valcarcel, 1999; Uddin, 2009). Mannan (1992) argues that political parties maintain loyal supporters in various positions within the institution and thereby personalize state bodies. Thus, companies have little interests to appease wider stakeholders given the nature and power of the state and state-like bodies. This is much more convenient for the organizations to focus on political leaders, parties and families. This is expected in Weber’s traditional society. Dyball, Chua and Poullaos (2006), drawing on Weber’s (1978) characterization between a rational and a traditional setting further highlight the differences between rational and traditional societies. According to Weberian terms, the institutions, state and market are conjoined in traditional societies. This makes the accountability relationships skewed towards the personal and perpetual as opposed to the objective and ephemeral.

Some organizations even exploit the CSR for self-interest. The BOD of the organizations tends to use the CSR for their personal benefits, thus reflecting the domination and control in a traditional society. This is explained in the 2nd axis of tension in the organizational analysis of the Weberian framework. While the framework discusses the dominance and resistance in a bureaucratic rational society, the form of
dominance and resistance in a traditional society takes a different form. The resistance from the management is almost invisible in a traditional society. Weber’s work expects that accountability and transparency in public limited companies in a traditional society would not transpire from imposed regulations and institutions. Owners-managers are expected to resist rational/formal regulations that do not serve the family’s interests (Dyball and Valcarcel, 1999). Organizations have clearly ignored the national and global priority area of CSR but rather focused on disclosures associated with the personal projects of leaders or the ruling party agendas. The organizations have neither adopted nor implemented IFC’s suggested social and environmental performance frameworks, nor have they considered Global Reporting Initiatives (GRI) as their reporting framework. The existing CSR structure in Bangladesh is very loosely coupled and cannot even be grouped in line with the social and environmental reporting categories considered in developed nations (for example, Hackston and Milne, 1996).

Weber’s framework has informed the above analysis and conclusion and together, enhances our broader understanding of the phenomenon of CSR reporting practices in Bangladesh. From the Weberian perspectives, it is noticed that there are tensions of both formal and substantive rationality. According to Weber, the power of accounting as an articulation of accountability relationships is muted, if not ignored, in traditional societies (Dyball and Valcarcel, 1999).

8.5 Contribution of the Thesis

This thesis makes several key empirical and theoretical contributions to both disclosure studies and also in the broader accounting literature.

- This study addresses an important gap in CSR research by linking CSR disclosure with the politically connected firms, family firms, and politically connected family firms in traditional setting. The overall findings of the thesis contribute to the relatively small body of literature on ‘Political CSR’ by examining the political perspectives of CSR, which has been under researched as well as under theorized (Whelan, 2012) in CSR literature. In addition to this, the thesis adds to the accounting literature by linking political connections into the sustainability and social accounting. In addition, most CSR studies have studied mainly disclosures, but this research focuses both on disclosures and the activities, thus provides a comprehensive understanding of CSR practices as an accountability tool in a traditional economy. Recent study conducted my Muttakin, Mihret and Khan
(2018) investigates the relationship between corporate political connections and CSR disclosure, but however the current study considers the corporate governance variables in consideration to understand if corporate governance mechanism mitigates some of the negative impacts of political connections in traditional society.

- Without denying the benefits of the dominant theories in CSR research, this thesis contributes to CSR literature by responding to the call for novel theoretical framing in social and sustainability research (Unerman and Chapman, 2014) and invoking explanations from the notion of traditionalism and traditional society of Weber (1968, 1978) and using Weberian framework developed by Colignon and Covaleski (1991). This framework has been used by Uddin (2009) to understand the management control system in traditional society. Weber’s notion of traditionalism has been used by Uddin, Siddiqui and Islam (2016) to understand the politically motivated CSR disclosures in the banking sector of Bangladesh. However, none of these studies in CSR literature have used the Weberian framework to understand the motivations of CSR disclosure practices in traditional society. This thesis acknowledges the difference between Weber’s “rationality” and “traditionalism” and uses the notion of traditionalism to associate CSR disclosure practices to political connections and familial power in a traditional society. It examines whether the elements of traditionalism provide an in depth insight into the motivations of CSR disclosures and activities in developing countries with traditional settings such as political interference and linkage, fragile democracy and weak institutional environment. This framework of understanding Weber's work suggests that accounting practices including disclosure practices are understood as rational only in context.

- Weber's framework provides a methodological strategy for the socio-historical analysis of the relations between accounting and organizations and society. Weber's advocacy of multiple methodologies, alternatively employing nomothetic institutional analysis with more ideographic historical and cultural features, provides the guidelines for bringing sociology and history together for the study of accounting (Hindess, 1987).

- This framework provides methodological guidelines for both situating the analysis of organizational accounting in a larger institutional and cultural context and incorporating the specific tensions related to organizational accounting into industrial and societal structures and processes. Weber's emphasis on the
ideographic nature of rationality suggests the development of accounting is not an evolutionary or holistic process, but emergent, open-ended and contingent (Mommsen, 1987).

- In addition, drawing on previous studies such as those of Weber (1978), Dyball and Valcarcel (1999), Dyball, Chua and Poulhaos (2006), Uddin and Choudhury (2008) and Uddin, Siddiqui and Islam (2016), this research further provides empirical evidence and develops a critique of CSR as an accountability mechanism in an arena where business depends fundamentally on political connections.

- From the methodological perspective, this research intends to contribute by providing methodological diversity in critical research by employing mixed methods in critical accounting research (Richardson, 2015). This fills in an important gap in the CSR literature since the critical accounting community has rarely used quantitative research methods (Richardson, 2015), although this method can provide a wider and enrich understanding of the observed phenomena. While, complementing critical research with quantitative methodology provides generalizability of conclusion through large samples (Patten, 2015; Richardson, 2015), at the same time, qualitative approach in the form of interviews provides an in depth and comprehensive analysis of the CSR processes in a traditional setting.

- This thesis also has important implications in policy and research. Although CSR literature provides empirical evidence on a range of determinants and factors and motivations with the level and extent of CSR disclosure, if and how political connections and family dominations is associated with such disclosures has not been empirically explored from a traditional perspective. At the same time, the politics–business relation merits attention in any regulatory effort directed at fostering organizational accountability pertaining to CSR.

- This thesis also challenges the donor agencies’ expectations of implementing the Western Anglo American models which are based on the belief/ assumptions that strong and rational corporate governance institutions, such as capital markets and accounting infrastructure, will facilitate the creation of thick equity markets (World Bank, 2002; Mueller, 2006). Donor agencies took efforts to create an “enabling environment” for limited companies in Bangladesh by financing capital market institutions and providing incentives for investors. However, the obsession with Western governance models has led to insufficient regard for how traditional social structures, characterized by families, may affect Western solutions in Bangladesh.
8.6 Limitations of the Research

Although the thesis makes key contributions and has policy implications, the researcher acknowledges certain limitations of the findings of the study.

Firstly, the total amount of CSR expenditure by listed companies in Bangladesh is not disclosed in the annual reports or in any other reports. Only the banks provide their CSR expenses to the Bangladesh Bank quarterly, which is published in the annual CSR report of Bangladesh. From the traditional perspective as described by Weber (1978), this is expected in a traditional society. Lack of documentary evidence is a major stumbling block as far as the validation of evidence goes in traditional settings (Dybball and Valcarcel, 1999; Uddin and Hopper, 2001). Since the organizations are not accountable to the shareholders, the availability of CSR information does not have any impact on the organizations’ capital market performance. Thus, the researcher was unable to identify the proportion of politically motivated CSR disclosures since the amount of CSR in specific activity are not disclosed.

Secondly, this study established an association with political connections as represented by one or more political members present in the board. However, there are companies, who have more than one political member. This thesis does not take into account the proportion of political members, which might have an influence on the control and decision-making in the board and as a result influence the CSR disclosure practices. This was not included within the scope of this research as the objective was to investigate whether any political connection has any influence on the CSR disclosures.

8.7 Future Scope of this Research

This current study opens up future scope of research on Political CSR. This research raises questions about policy makers’ beliefs about disclosure practices especially in developing countries and it calls for more research employing Weber’s social theories on accounting. The wealth of Weber’s distinction between rationality and traditionalism might be used more extensively in CSR studies linking them with political motivations, human rights abuses, bribery and corruption and the role of state. It would be useful and interesting to examine cross-cultural studies on CSR disclosures in both modern societies and traditional societies and see whether elements of traditionalism provide deeper insights into the CSR practices. The Weberian framework can be used more extensively to understand the accounting practices and governance of organizations in both modern and traditional societies. Extensive case studies can be
developed to understand the differences in the development of capitalism in Western society and traditional society and how that profoundly influences the understanding of accounting practices, namely disclosure and reporting practices and its impact to organizations and society.

Quantitative research can also be conducted on whether the political controls in terms of representation by both ruling party and opposition party in the corporate board have any influence in the CSR disclosure practices. Case studies can be conducted to provide deeper insight into the accounting practices of the organizations including CSR and corporate governance. It has also been suggested that CSR activities and disclosures vary with different legal, political and economic contexts across countries. One aspect of these differences may be the way in which domestic regulatory regimes have historically been shaped by colonial regimes. Weberian concepts such as rationality versus traditionalism may help shed light on differences in corporate social behavior in different contexts. We need to gain a better understanding of the role of familial relationships and traditions in broader governance issues, including CSR disclosures. These areas, though important, remain under-investigated and under theorized.
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Appendix

Appendix A

Interview Protocol

This is the interview guide prepared before the fieldwork. However, it must be mentioned here that it was a just a guideline and the actual interview questions have changed slightly depending on the answers of the interviewee.

Introduction

My research is on Corporate Social Responsibility Disclosure. The objective is to explore the determinants and motivations of CSR disclosure in Bangladeshi public listed companies. The questions below are used to interview, but prompts and probes are used during the interviews depending on the answers of the participants.

Respondent Group

<table>
<thead>
<tr>
<th>Policy Makers</th>
<th>Central bank Governor, ex Governors etc., policy makers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR Centre</td>
<td></td>
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<tr>
<td>Officials in the Finance and Planning Ministry, Ministry of Commerce</td>
<td></td>
</tr>
<tr>
<td>Companies</td>
<td>Board of Directors, Independent Directors (including political members in the board)</td>
</tr>
<tr>
<td>Regulators</td>
<td>CSR Committee Members</td>
</tr>
<tr>
<td>Others</td>
<td>Bangladesh Bank</td>
</tr>
<tr>
<td></td>
<td>Civil Society, Ex directors, Politically linked personnel, experts in CSR</td>
</tr>
</tbody>
</table>
**Respondent Group: Companies**

Date: ______________________________

Company/Institution: ______________________________

Name: ______________________________

Main Topics: ______________________________

Documents obtained: ______________________________

Post interview comments: ______________________________

Tentative Time: ______________________________

**Introduction:**

To facilitate the note taking, I would like to audio tape our conversations today. For your information, only researchers on the project will be privy to the tapes, which will be eventually destroyed after they are transcribed. The interview will be divided into

**Section A: Personal Information of the Interviewee**

*Objective – to gather information relating to the interviewee*

- What is your position in the company/team?
- How long have you been working in the company/position?
- What are the different roles you have performed over the last _____ years in this company?
- What is your specific role in the CSR disclosure process/committee?

**Section B: Corporate Social Responsibility Activities and Disclosure Practices**

*Objective – to investigate the determinants of CSR disclosure (relevant to RQ1)*

- Could you tell me about the process of CSR disclosure policy/strategy of the company? Budget/activities etc.
- What are the major CSR activities undertaken in the last couple of years? Are those recurring or one off? (I will provide some examples from the annual reports and talk about how and why they have chosen those activities to invest and disclose. This might have some prompt questions such as:
  - How do you decide on the CSR activities? Is it decided in the board meeting?*
Can we talk about some of the recurrent or major CSR activities disclosed in your annual report?

Why did you invest in the activities that you mentioned (as in the annual reports)? (This might lead to probe questions based on the answers)

Some companies disclose their CSR activities in newspaper as well. (I will mention some of them and discuss why they disclosed?)

- How do you align the company CSR strategies with the priorities of the national CSR agenda/priority? Could you give me an example of how that happens?

- (Some companies have CSR committee chaired by the independent director) Your company has a CSR committee, which is chaired by the independent director). Could you please discuss the role of the CSR Committee in planning and implementing the CSR policy/strategies? How are the members of the committee selected?

- (In case of MNCs) What role does the parent company have on the decision-making strategy/process for CSR activities and their disclosure? I mean there are global CSR guidelines by the parent company and there are also local CSR policy/agenda/priority of the national government. Under such circumstances, how do you reconcile the national agenda/priority regarding CSR activities with that the parent company/foreign investors in your company. Could you give me examples of how that works?

- The Bangladesh Government has categorized the CSR activities into various sectors: arts and culture, health and education, disaster management etc. There is also Prime Minister relief fund where the companies donate funds as CSR. Your company has also donated funds in the prime minister’s fund in the past. How does this process work with the company CSR strategies? Are these decisions usually taken in the board meetings?

- Do u disclose the total CSR expenditures in your company? (Yes/NO) Where do you disclose? (Annual reports / public information / regulatory bodies??

**Objective – to understand the motivations of the CSR disclosure practices (RQ 2)**

- What most motivates your company to disclose the CSR activities in the annual reports/CSR reports? (I will mention some of the disclosers from the annual reports). What are the most important factors you take into account when disclosing the information.
  - Are the shareholders of your company concerned about what CSR activities are disclosed in the annual reports?
  - You have government representatives in the board and the govt. owns a substantial share of your company. Are the govt. representative concerned about what CSR activities are being disclosed?
  - You also have foreign nationals present in the board. Are they concerned about the CSR activities that the company is undertaking?

- Who are the primary users of the information? How important is it for the company’s top management to disclose the CSR information?
• The government of Bangladesh has categorized some CSR initiatives; like disaster management, arts and culture, etc. and the central bank encourages to invest in these areas. The central bank has also introduced fiscal benefits and tax rebates to encourage spending and disclosing in those areas. How does your company comply to the government requirements?
  (E.g. I will mention 2/3 activities which they have disclosed according to the criteria set by the central bank and ask them why they have disclosed those and why not something else).

• How to respond to the government circulars and regulations? Do u receive ad hoc requests or political request for donations?
• How does the process of donations work? I mean how to select the beneficiaries and the amount of CSR expenditures

Section C: Corporate Governance in the Board

Objective – To explore the corporate governance structure and the influence of Political connection/affiliation of the board

• What is the process that you would go through to select your board members, primarily the independent directors in the board? Are there any criteria that are considered essential or desirable? Then offer suggestions like profession background, qualification, representation of any institutions etc.
• When the govt. representatives, or other institutional representatives (for instance, Investment Corporation of Bangladesh (ICB) sit on the board as representative directors, what role do they play in relation to CSR strategies/policy (company strategies)? Do they contribute in the strategic decision making process?
• How important is it to have influential government officials (bureaucrat, ex bureaucrats, politically influential people etc.) to have as (independent board members?
• (For the family controlled firms, referring to the previous questions, will talk about having family members in the board). Your family members are the directors of the company (son, daughter, wife as I know from the annual report). What role do they play in the strategic decision making of the company?
Section A: Personal Information of the Interviewee

Objective – to gather information relating to the interviewee

- What is your position in the company/team?
- How long have you been working in the company/position?
- How long have you been working in this current role? What are the different positions/role you have performed in this organization?
- What is your specific role in the CSR disclosure policy?

Section B: Corporate Social Responsibility Activities and Disclosure Policy

Objective: To understand the Government's CSR agenda and priority and the strategies at the policy level

I will initially ask and encourage them to talk about their visions and strategies and plans on CSR in Bangladesh. (For example, any plans of CSR national policy or anything like that.

- The central bank has taken a number of initiatives to encourage CSR activities in the last couple of years. In fact, central bank has introduced the introduction of tax rebates and fiscal incentives to encourage CSR Activities. Do you think the initiatives have been successful in encouraging the companies to invest in CSR activities? What were the challenges you faced in implementing the initiatives?
- I understand that most of the initiatives and guidelines developed by the central bank are targeted towards the banking and financial institutions sectors. What about the other listed companies? There are a lot of disclosures in their annual report. What guidelines are there to guide them?
- How do you select/decide the categories of the CSR activities for instance; disaster management, arts and culture etc. and what are the definitions? Are there any definitions for the categories? What are the priority areas for the Government currently in terms of CSR activities?
- The website of central bank contains the new CSR monitoring guidelines which is almost at the final stage of publication. Could you say something about that? How will you ensure the proper monitoring of the guidelines? Who is
responsible for monitoring the CSR activities? How do you ensure proper monitoring of the activities and their disclosure?
   o (Here, I will try and ask questions regarding past issues with CSR activities and their disclosures). In the past there has been issues with the proper allocation of CSR budget and the disclosures of some of the companies’ CSR activities indicate that the activities are not free of the interests of the board members or top management. How will the new guidelines ensure monitoring of the proper utilization and disclosure of CSR? I mean if central bank imposes the guidelines and if they monitor it, how will the process be free of the interests of the government? How will the wider stakeholders (shareholders, employees, customers, etc. benefit from it?)
   - What are the challenges and concerns you face while implementing the guidelines?
   - How do you incorporate these agendas of the companies investing in CSR activities in the guidelines /policy that you are undertaking? The companies might also have their strategies and agendas in relation to CSR.
   - In terms of regulations, voluntary disclosure is highly unregulated since the auditors only audit the financials? In that case, how do you ensure or monitor proper utilization of CSR investments and disclosure?
   - I understand that the Government of Bangladesh is working on the national CSR policy under the Ministry of Planning funded by the Danish Government. Could you please tell me something about the national CSR policy that is being drafted? When will it be implemented? What are the major challenges you are facing? How will you overcome the challenges? Is this an integrated policy for all listed and non-listed companies / banks / etc. (This question was removed in later interviews since there is nothing much happening regarding this)
   - There are controversies regarding the CSR expenditures especially in ……… organizations. Can you comment on this?

Section C: Corporate Governance Mechanism and Guidelines (Policy Makers, Regulators)

- Do you agree that the corporate governance model is replicated from the Western culture and is being implemented in the Bangladeshi listed companies? How do you implement the models? What are the challenges? Why are these the most challenging problems?
- Some of the items in the corporate governance model for instance, role duality and audit committee has been made mandatory rather than comply or explain. It has been noticed that the companies have complied with the requirements, but how do you ensure effectiveness of the model when both the CEO and the Chairman of the board are from the same family?
Appendix B

Income Tax Regulations in Bangladesh

The National Board of Revenue (NBR) of Bangladesh issued Statutory Regulatory Order (SRO) by providing tax exemptions on the expenditures made by corporations for CSR activities in 2011.

SR0-229-Law/Income Tax/2011
National Board of Revenue
People’s Republic of the Government of Bangladesh

The conditions implied for the companies, which are interested to attain tax exemption facility as corporate entity, are that they--

- have to pay salary-allowance of their employee-staffs regularly and must have waste treatment plant in their factory/industry especially if industrial goods are manufactured.
- must pay income tax, VAT, duty and repay institutional debt/obligations regularly.
- can donate to the institutions under CSR only approved by Government.
- must comply with all regulations of Bangladesh Labor Act, 2006.
- cannot treat the amount expended under CSR as an accredited expenses in manufacturing account, commercial account or profit- loss account.
- have to submit necessary documents/evidences for claiming the tax exemption on CSR to the concerned deputy tax commissioner.
- have to submit CSR Work Plan by the company to NBR in written for availing income tax exemption certificate.
Field / Sectors applicable/eligible for tax exemption

1. Aid through any government body for reducing mass crisis in natural disaster (Hurricane, Tremor, Cyclone and Flood) affected area.
2. Aid to organizations establishing and operating old homes.
3. Aid to any social organization pursuing welfare activities for mentally and physically challenged persons.
4. Aid to education institutions operating for teaching rootless children.
5. Aid to organizations pursuing housing projects for slum dwellers.
6. Aid to social organizations pursuing women empowerment and anti-dowry campaign.
7. Aid to organizations pursuing subsistence and rehabilitation of orphan and rootless children.
8. Aid to organizations involved in independence war related research, recovery and expanding of independence war spirit and honorable living of freedom fighters.
9. Aid to organizations involved in healthy sanitation activities Hilly Chittagong, Char region and river-eroded regions.
10. Aid to institutions providing medical treatment to cleft lip, cataract and cancer.
11. Aid to people and organization involved in medical treatment activities of acid victims.
12. Aid to hospitals providing free medical services to poor patients and specialized hospital improving medical treatment like cancer, liver and kidney diseases, thalassemia, ophthalmology, cardiology etc.
13. Aid to public universities.
14. Aid to government affiliated educational institutions in order to provide scholarship or financial aid to children of poor freedom fighter including poor brilliant students for technical or vocational education.
15. Aid to government or MPO listed non-government educational institutions to set up laboratory for computer or IT training or English language training.

16. Aid to institute providing technical or vocational training to unskilled or semi-skilled labors for manpower export.

17. Aid to institute providing sports training or development services at national level.

18. Aid to museum (built or under construction) for preserving memory of independence war.

19. Aid to any institution at national level involved in preserving memory of the father of the nation.

20. Aid to the fund formed under Prime Minister's Education Assistance Trust Act, 2012

21. Aid to non-profitable and non-government voluntary social welfare organization working for operating rehabilitation center for medical treatment and awareness building on HIV, AIDS and Narcotics.

22. Aid to non-profitable and non-government voluntary social welfare organization working for operating rehabilitation center for recovered children and women from trafficking.