Drivers and barriers of corporate social and environmental reporting (CSER) practices in a developing country: Evidence from Bangladesh

BY

Md. Moazzem Hossain*
Graduate School of Business
Curtin University
78, Murry Street, WA 6000
Australia
Email: mdmoazzem.hossain@postgrad.curtin.edu.au
Tel: +61430150305

Dr. Anna Lee Rowe
Graduate School of Business
Curtin University
78, Murry Street, WA 6000
Australia
Email: Anna.Rowe@gsb.curtin.edu.au

Professor Mohammad Quaddus
Graduate School of Business
Curtin University
78, Murry Street, WA 6000
Australia
Email: mohammed.quaddus@gsb.curtin.edu.au

*Corresponding author
Abstract

Purpose - The purpose of this paper is to provide insights into the drivers and barriers of corporate social and environmental responsibility (CSER) practices and reporting in Bangladesh by seeking the views of twenty senior managers of listed companies in Bangladesh. This paper explores the CSER phenomena in a developing country such as Bangladesh.

Design/methodology and approach- This study is part of a larger project that followed a qualitative research approach. Semi-structured interviews were utilized to explore the perceptions of twenty senior managers in Bangladeshi listed companies. Observations along with local working experience also provided rich sources of information in this paper. Thus, understanding CSER practices and reporting phenomena, particularly drivers and barriers, constructivist ontology and interpretivist epistemology have been chosen.

Findings- The findings of the study reveal that motivations for CSER mainly derived from management leadership, regulators, external stakeholder pressure, branding corporate image, poverty alleviation motive and social obligation motive. The barriers of CSER are attributable to lack of regulatory framework, tendency to non-compliance of the laws, socio economic problems, lack of awareness and education in sustainable development, and lack of initiatives from government. Whilst CSER practices and reporting in Bangladesh are in its infancy, senior managers are optimistic.

Research implications- Most of the previous studies of CSER concentrated on the Western developed countries. This study takes on an engagement-based approach from an 'emic' perspective, which explores CSER phenomena in a developing country, particularly in Bangladesh. The findings are useful in informing the regulators, standard setters, stakeholders, as well as provide a benchmark for CSER managers and organizations in Bangladesh. The findings have also contributed significantly to the body of knowledge about CSER in developing countries.

Limitations- Interviewees were selected on a voluntary basis. Due to the perceived sensitivity of social and environmental reporting issues, some respondents’ ‘politically correct’ responses may have prevailed either intentionally or unintentionally.

Original Value- Most studies of CSER in Bangladesh mainly examined the volume of disclosure and are descriptive in nature using secondary data. However, this research followed the engagement based semi-structured in-depth interviews in seeking tacit knowledge from senior managers in order to understand the drivers and barriers of CSER in a rapidly emerging nation, such as Bangladesh.

Keywords- Corporate social and environmental reporting, corporate social responsibility, drivers and barriers, developing countries, Bangladesh.

Paper Type- Research paper

1. Introduction

This paper investigates the drivers and barriers of corporate social and environmental responsibility (CSER) practices and reporting in Bangladesh. Like most developing countries, there are no regulatory requirements for CSER under the Company’s Act 1994; the companies are not required to provide any social and environmental information in their annual reports in Bangladesh. The Company act only covers the financial reporting aspects and other general matters of organizations, such as company directors, company business, directors’ remuneration, company location, corporate governance. Similarly, the Securities and Exchange Commission (SEC) of Bangladesh and Dhaka Stock Exchange (DSE) oversee the rules and governance matters of the listed companies. The SEC released corporate governance guidelines in 2006, but no social and environmental reporting issues were included there.

Globally, there is a growing concern about the social and environmental impact of the organization's activities (Farneti and Guthrie 2009; Parker 2005), which leads to scholars’ interest in seeking to understand what drives these organizations to embrace or not to practice CSER. Many Organizations are now practicing CSER as a result of pressure from various stakeholder groups (Gao 2009). Subsequently, social and environmental responsibility practices and disclosure have been increasingly embraced by organisations (Gray, Kouhy, and Lavers 1995; Guthrie and Parker 1989). The main focus of CESR is to make the firm more transparent and accountable to its stakeholders (Tilt 2007). A recent research by Azim et al., (2009) reveals that only 15.45% of listed companies disclosure some form of CSER in Bangladesh. This begs the question as to why only a few companies practice and
report on social and environmental issues. If we understand the underlying assumptions behind CSER practices and reporting, as well as the lack of CSER, then we can make sense of the CSER phenomena in Bangladesh.

There is an increasing pattern of CSER studies by accounting and management researchers as community groups, government, NGOs and other stakeholder groups expressed their growing concerns on organizations’ social and environmental issues (Parker 2005). Previous research examined the motivation behind environmental reporting practice (See for example, Annandale and Taplin 2003; Bansal and Roth 2000), the motivation behind social responsibility reporting (See for example, Bichta 2003; O'Dwyer 2002, 2003). Most CSER studies have concentrated on the western developed countries (See for example, Adams 2002; Deegan 2000; O'Dwyer 2002; Gray 2000; Gray, Kouhy, and Lavers 1995; Gibson and Guthrie 1995; Imam 1999; Mathews 1995). However, there is little attention being given to developing countries like Bangladesh in CSER research (Belal and Owen 2007; Islam and Deegan 2008). The socio-economic realities as well as the corporate motivations for undertaking CSER are possibly different in developing countries. The commonly known BRICs (Brazil, Russia, India and China) countries are also considered as emerging countries because of their recent economic growth (Wilson and Purushothaman 2003). Such growth will inevitably have social and environmental effects. The BRICs, some Eastern European countries, and other less developed countries are facing massive problems, such as climate change, poverty, human rights violations, child labour, corruption and other social exploitations (Goldman Sachs 2005).

Similar to many other developing economies, the Bangladeshi corporate sector is characterized by high ownership concentration, lack of quality workforce, unsatisfactory legal enforcement and poor working conditions (Siddiqui 2010).

CSER studies in Bangladesh are mainly descriptive in nature and generally determined by the volume of disclosure using secondary data (See for example, Belal 1997; Belal 2000, 2001; Imam 1999; Imam 2000; Khan, Halabi, and Samy 2009). Several scholars (Belal 2009; Islam and Deegan 2008; Parker 2005) have called for more direct engagement-based studies by using primary data. In addressing the gap in the literature, this study investigates the underpinning drivers and barriers of CSER in Bangladeshi listed companies by undertaking constructivist approach in employing in-depth interviews with senior managers of 20 companies. This study contributes to the less focused area of managerial views towards CSER within the context of developing countries. In this study, Corporate Social Responsibility (CSR) and CSER are used interchangeably because of senior managers’ response about the concept.

The next section reviews prior literature in this area followed by CSER research in Bangladesh, and research methods including data collection and data analysis used in this study. The next section of the paper presents findings of this research followed by a brief discussion that concludes with recommendations for future research directions.

2. Literature of CSER

The emergence of CSER has taken place over several decades, most notably during the era of ‘social accounting’ in the early 1970s. Scholars argue that some conception of social responsibility and responsiveness practices started in 1920s (Windsor 2001). Others argue that the concept of CSER developed during the 1930s when the managerial role debate occurred between AA Berle and E Merrick (Post 2003; Turner 2006). According to Maignan and Ferrell (2004) in 1953, Bowen conceptualized CSER as a social obligation – “the obligation ‘to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society’” (Maignan and Ferrell 2004, P. 4). Carroll (1999) described Bowen as the father of corporate social responsibility (CSR). Bowen took a broad approach to business responsibilities, including responsiveness, stewardship, social audit, corporate citizenship and rudimentary stakeholder theory. However, as ‘social accounting’ is the root of CSER research (Gray et al. 2001), it would be appropriate to flashback the literature of social and environmental accounting for the purpose of this research.

Social and environmental accounting research gained increasingly popular during the 1970s because of its empirical published work, together with a significant amount of papers explaining the building
models to foster social accounting disclosure (Mathews 1997). However, the literature suggests that environmental matter did not typically come into research focus exclusively at that time, rather it was considered as a broader part of social accounting research (See for example, Dierkes and Presort 1977; Ullmann 1976) and this literature reflected the importance of social matters to economic growth (Jones 2003). Moreover, the majority of the social and environmental accounting research during that time lead to reporting unsophisticated empirical work, which attempt to measure the amount of new information being produced and published by a limited number of organizations (Mathews 1997).

Even, in Western Europe such as UK witnessed the social accountability movement which flourished briefly in the 1970s (Bartolomeo, Daga, and Familiari 2003). The concepts of accountability to external stakeholders, social justice, environmental degradation, accounting politics, morality, political nature of linguistic dualisms and labour (See for example, Everett 2004; Lehman 1999; Tinker and Gray 2003) came into the scene during this period.

Prior studies on voluntary reporting have attempted to examine the nature and patterns of CSER. The growing literature has attempted to explore the relationship between social and environmental reporting by large corporations and corporate characteristics - notably size, profit, and industry (See for example, Gray, Kouhy, and Lavers 1995; Mathews 1997; Ullmann 1985a). Some researchers have found a positive relationship between social disclosure and financial performance (Bowman 1978) whilst Hackson and Milne (1996) found no relationship, and Ullmann (1985a) found an inverse relationship. There are empirical evidences that large companies and those from environmentally sensitive industries are more likely to provide environmental disclosures (See for example, Deegan and Gordon 1996; Guthrie and Parker 1990). Gibson and O’ Donovan (2007) using content analysis, examined the trend of social and environmental reporting taking a sample of 40 Australian companies, covering 20 years of published reports. The results indicated that an increasing number of companies were disclosing social and environmental information, but no attempt was made to determine the quality of the disclosures. Adams et al., (1998) argued that there are significant differences in both the types and the amount of information disclosed by companies from different countries. They also argued that voluntary disclosure on social and environmental issues may be seen as a way of demonstrating social acceptability. Therefore, organizations practice CSER not only to improve reputation but also to create a positive image before the government.

The period of 1990s was thoroughly dominated by the environmental accounting literature over social accounting (Mathews 1997), with the exception of works of Gray et al., (1995; 1996). The disappearance of interest in social accounting, as distinct from environmental accounting has been noted by other researchers (See for exampleGray, Kouhy, and Lavers 1995). A number of empirical studies continued to expand with the formal use of theorizing and positivist method to determine the extent of environmental disclosures (See for example, Deegan and Rankin 1996; Gibson and Guthrie 1995; Roberts 1991; Roberts 1992); and environmental auditing (Tozer and Mathews 1994). These empirical studies illustrate how dominant the research method can be when appropriately informed by theory (Gray, Kouhy, and Lavers 1995; Gray, Owen, and Adams 1996). Some important contributions to environmental accounting from other fields include management and control, and strategic planning (Mathews 1997). Environmental management systems (EMS) as a part of total quality management (TQM) emerged in this period. Countries like Australia, New Zealand, Canada, United Kingdom developed clear ‘environmental regulatory’ framework during this time (See for example, Bates 1992; Collier, Doolittle, and Broke 1993; Hackston and Milne 1996). Legislative pressures contribute to increasing diffusion of CSER. Adams et al., (1998, P. 3) state that:

“...Corporate social accountability is likely to be an increasingly important element of the western European Psyche in the years to follow, evidenced not only by corporate, professional and academic developments, but also by the increasing legislative developments of the European Union and European Economic Area requires greater corporate social responsibility and accountability.”

Under the umbrella of sustainability and/or ‘triple bottom line’ (i.e., social, environmental, and economical issues) CSER is witnessing a continuous escalation in the 21st century. Developed countries such as USA, Australia, UK, Norway, Sweden, Netherlands, France, Germany, Canada, Denmark and Japan have adopted mandatory legislations in relation to social and environmental issues (Deegan 2009). The speeding up of interest in CSER among different stakeholders, such as
accountants, organizational management, governments, and researchers has re-emphasized a creative approach to both environmental management systems and environmental reporting (See for example, Schaltegger and Burritt 2000). As Gray (2002, P. 691) argued that:

...The business and management literature which had generated the basic terms of debate about ‘social responsibility’ was increasingly interested in the accountants, audits and metrics of social accounting.

There have been a number of academic studies on CSER from a managerial perspective regarding communication to external stakeholders (O’Dwyer, Unerman, and Bradley 2005). O’Dwyer (2002) interviewed 29 senior managers in 27 Irish Public limited companies and found that corporate social disclosure (CSD) may occasionally form part of a legitimacy process, and consequently for many managers, the continued practice of CSD is deemed somewhat perplexing. He further argued that in many instances, attempts at legitimating, especially through environmental and social disclosures, greeted with increased skepticism and heightened public demand for action regarding social and environmental issues. Environmental managers do perceive different values for various stakeholder groups and are able to assess the importance of diverse corporate concerns (Cormier, Magnan, and Velthoven 2005). Bronn and Vidaver-Cohen (2009) examined the corporate manager’s motives for engaging in social and environmental initiatives. They found three different motives of corporate managers, namely: legitimacy motive, profitability motive and finally sustainability motive.

Managerial perception towards social and environmental responsibility reporting has been solicited mainly in the western developed countries such as Ireland (O’Dwyer 2002, 2003, 2005; O’Dwyer, Unerman, and Bradley 2005), Australia (Cummings 2007; Deegan and Blomquist 2006), and the USA (Frost and English 2002; Shafer 2006). The cultural value of universalism is positively associated with general support for CSER and gender has a significant impact on support for government enforcement of social and environmental accounting standard (Fukukawa, Shafer, and Lee 2007).

However, it would not be appropriate to generalize the results of developed countries to developing countries because of their economic, social, environmental, and political differences. Many researchers focus on the motivation behind social and environmental disclosure and seek views from managers and stakeholders to explore social and environmental responsibility disclosure within the context of developing countries (See for example, Belal and Owen 2007; Islam and Deegan 2008; Jaggi and Zhao 1996; Jamali 2008; Kuasirikun 2005; Lodhia 2003; Naser and Baker 1999; Rahman, Lawrence, and Roper 2004; Rowe and Guthrie 2010). Rahman (2000) identified remarkably little or no disclosure of social and environmental issues in Ghanaian companies. In another study, Rahman et al., (2004) explored driving forces of CSER in the Volta River Authority, and found positive external pressure from international lending institutions such as the World Bank. Lodhia (2003) in Fiji explored the views of accountants and found that Fijian accountants’ involvement are conspicuously absent from environmental management accounting and reporting in organizations. It has been attributed to their lack of competence in environmental matters and the voluntary nature of the present environmental accounting practice. Lodhia further argued that environmental legislation and greater awareness could improve the situation. Kausirikun (2005) observed that the government could be the most influential factor in compelling companies to be more socially and environmentally responsible. The findings of Kausirikun (2005) also showed that the overall attitude towards social and environmental accounting is most likely positive among the accountants, auditors and accounting-related professionals in Thailand. She also reported that ‘companies which claim to have environmentally-friendly practice may not generally want to make an issue out of it by disclosing their environmental activities’ (p. 1049). To understand the nature of relationships in terms of managerial interpretation and practical application Jamali (2008) interviewed top managers of eight Lebanese companies and found very little CSR activities.

3. Bangladesh Context

Bangladesh is a sovereign state located in South Asia. It is bordered by India in all sides except for a small border with Burma (Myanmar) to the far southeast and by the Bay of Bengal to the south. The country is listed among the Next Eleven economies and Global Growth Generator countries (Goldman
Sachs 2005). It is a founding member of the South Asian Association for Regional Cooperation, the D-8 and BIMSTEC, and a member of the Commonwealth of Nations, the Organization of the Islamic Conference and the Non-Aligned Movement. However, Bangladesh continues to face a number of substantial challenges, which include widespread political and bureaucratic corruption, economic competition relative to the world, serious overpopulation, widespread poverty, and an increasing danger of hydrologic shocks brought on by ecological vulnerability to climate change (World Bank 2009). According to United Nation’s human development index, it is classified as a least developed country (LDC). Bangladesh continues to attempt in improving its overall governance in various aspects. Currently, efforts are underway to improve core governance systems in areas such as public procurement, financial management, fiscal reporting, and watchdog institutions (World Bank 2002).

3.1 Some social and environmental issues

3.1.1 Poverty: Not unlike many other developing and least developed countries, poverty is a crucial and challenging issue for Bangladesh. Since 1990s, there have been continuous progresses in achieving poverty reduction. According to the World Bank report (2005), the extreme poverty rate has declined by 27 percent in urban areas and 25 percent in rural areas. Recent report released by the World Bank (2011) reveals that Bangladesh has reduced poverty from 40 percent to 31.5 percent between 2005 and 2010. Despite the best record of accomplishment, with around 56 million people still below the poverty line, Bangladesh faces considerable sustainable development challenges. It is one of the most vulnerable countries to climate change and natural calamities like cyclones and floods; 60% of the total worldwide deaths caused by cyclones in the last 20 years were in Bangladesh. Inadequate power and gas supplies are a leading constraint to growth in economic activities. Only 47% of households have an electricity connection. Growing urban congestion is reducing the benefits of urbanization. Malnutrition has been persistent, and the quality of governance has hampered the effectiveness of expenditure and the delivery of public services. And the labour force is set to grow faster, posing a challenge of an adequate employment generation (World Bank 2011).

3.1.2 Environmental issues

In recent years, Bangladesh has experienced severe environmental degradation. Several factors contribute to Bangladesh’s vulnerability to environmental damage. Serious environmental degradation issues in Bangladesh include urban air pollution, ground water contamination, surface water pollution, encroachment of rivers and other water bodies, improper disposal of industrial wastage, medical and household wastage, loss of biodiversity, natural disaster and land degradation (Islam 2000). Most of the corporate manufacturing plants in Bangladesh are situated near the banks of major rivers: the Burigonga, the Sitolokha, the Turag, and the Karnofuli. Although there is a provision from the Ministry of Environment that every factory (those having chemical wastage) must have Effluent Treatment Plant (ETP), these factories are disposing their untreated wastage to the rivers. The discharged pollutants are mainly mercury, lead, chromium, and arsenic and iron. Inhabitants living nearby these rivers are suffering from different types of diseases. Thousands of tanneries and textile mills are located on the bank of the Burigonga River, which produces a larger amount of wastage. Similarly, hospital and chemical industries also dispose their waste directly into the river. More recently, the Ministry of Environment has exerted pressure on the polluting industry to use ETP. Section 12 of the Bangladesh Environment Conservation Act 1995 (ECA 1995) states that no industrial unit or project can be established or undertaken without obtaining an Environmental Clearance Certificate (ECC) from the Ministry of Environment. The ECC ensures that the industry or the project meets all the prescribed standards in terms of the quality standards of air, water, noise, odor and other environmental components (Ministry of Environment 2012) set by the Government of Bangladesh.

3.1.3 Child labour

Child labour in Bangladesh has drawn international and local attention among stakeholders such as International Labour Organization (ILO), Bangladesh government, local and international NGOs, human rights groups. In 2003, according to the survey carried out by Bangladesh Bureau of Statistics (BBS), among 42.39 million children aged 5-17 years, 7.42 million children are economically active, of which 3.18 million or 43 percent considered as child workers. The highest number of economically
active children (4.41 million) is in the age group of 10-14 years. The survey results also shown that about 77 percent of child labour, which is close to 2.4 millions, are from the rural areas of Bangladesh. The ratio of male to female child labour is 3:1 (Bangladesh Bureau of Statistics 2003). The survey results also noticed that about 1.29 million children (or 3%) of the total child population are working in a hazardous and risky condition, about 90% of them are male child worker. The highest child labour is engaged to the agricultural sector (4.5 million) compared to 2 million in the service sector and 1.4 million in the industrial sector (Bangladesh Bureau of Statistics 2003).

According to the ILO, UNICEF and UNESCO country report on Bangladesh (2008), child labour is mostly coming from the poorest households whose net monthly income is 3000 BD taka or less. The main reasons elucidated by parents for sending their children to work instead of school, is to increase the family income (Bangladesh Bureau of Statistics 2003). Child labour is a complex and multi-dimensional issue generated by economic weakness, inadequate legal systems and labour laws, institutional barriers, cultural and social inequalities as well as the result of in-accessible and low quality education systems. Education is considered as the key to combat child labour as it ensures the developments of children's rights for education and protection from harm. It also enhances children’s ability to live a valuable life (ILO, UNICEF, and UNESCO 2008). The Ministry of Labour and Employment in Bangladesh recently introduced an action plan for promoting and implementing occupational safety, health, and workplace improvement programs towards hazardous child labour-free workplaces. The main beneficiary of child labour is the corporate sector who are earning massive export revenues but paying them low wages. However, it is not possible to remove child labour completely from the workforce without ensuring proper alternative arrangements for them because of the socio-economic factors present in Bangladesh.

3.2 CSER Research in Bangladesh

CSER research started in Bangladesh in late1990s. However, there has been a number of academic research conducted on CSER in Bangladesh by using content analysis of annual reports (See for example, Azim, Ahmed, and Islam 2009; Belal 1997; Belal 2001; Imam 2000; Khan, Halabi, and Samy 2009). As far as social and environmental reporting is concerned, most of the companies in Bangladesh are reluctant to provide any social and environmental information in their reports. However, there has been considerable improvement made in the 1990s (Imam 2000). Analysing the annual reports of 50 companies in 1995, Belal (1997) examined the volume of disclosure of environmental issues by the companies. The survey shows that only 6 per cent companies disclosed environmental issues in their annual reports, under the heading of chairman statements or directors’ report. Imam (2000) studied the annual reports of 40 listed companies collected from the Dhaka Stock Exchange. The findings reveal that 25 per cent of sample companies made community and 22.5 per cent environmental disclosure, whereas only 10 per cent companies provide consumer related disclosure. Belal (2001) examines the social reporting practices of Bangladeshi companies using samples of 30 annual reports. The research results represent tremendous improvements of disclosure practices, for instance, environmental disclosure has increased by 90 percent by sample companies. The research also found 97 per cent on employee disclosure and 77 percent on ethical disclosure of sample companies. Recently Sobhani et al. (2009) carried out content analysis of 100 companies listed on DSE and CSE. The findings reveal that 100% of companies disclose at least one item related to HR, followed by Community involvement (47%), consumer (23%), environment (19%), and others (18%). More emphasis on employees’ disclosure indicates that they are the most influential stakeholders. They also found that Banking companies disclose more items of CSER compared to other listed companies, though overall nature and disclosure pattern is poor. The user groups of banking companies are interested to see more social and environmental related disclosure (Khan, Halabi, and Samy 2009). More recently, a further contribution offered by Azim et al., (2009) who investigated the extent of CSR practices of Bangladesh by analysing 38 listed companies from DSE. Their result indicated that 76.32 per cent of disclosures made generalized qualitative statements without supporting evidence. Director’s reports are highly used to report on social and environmental issues, followed by various other specific sections to the annual report, and company chairman’s statement. Azim et al., (2009) also argued that companies are not doing CSR in Bangladesh because
they do not have the information, not willing to disclose this information for fear that it may indicate unsatisfactory performance, and consider it an expensive process.

While most of the previous studies used content analyses and questionnaire survey, Belal and Owen (2007) conducted qualitative research to examine managerial perceptions of Bangladeshi companies, using 23 semi-structured interviews. The findings reveal that the main motivation of corporate social reporting practices in Bangladesh is driven from powerful stakeholders such as international buyers. The research also found that there is growing pressure on export-oriented ready-made garment companies from international buyers. The research asserts that social reporting practice has the potential to enhance corporate accountability, and found that social reporting standards are imposed by the western developed countries without considering the reality of local culture, economic and social issues. Their engagement-based research is one among a few small number of research that uses in-depth interviews to examine the social and environmental accountability practices within the context of developing countries like Bangladesh.

Following the current flourish of qualitative research by using primary data on CSER practices more recently, Islam and Deegan (2008) examined social and environmental reporting practices in Bangladesh. The context of their work was a major clothing export oriented body called Bangladesh Garments Manufacturers and Exporters Association in Bangladesh (BGMEA). They used legitimacy theory and stakeholder theory to explain social and environmental practices of BGMEA. Data were collected via both content analysis and interviews of 12 senior managers of BGMEA. They found that BGMEA faced pressure from particular stakeholders like international buyers that resonates well with Belal and Owen’s (2007) findings. The findings also indicated that international labour organizations, the environmental NGOs, local media influence the improvement of social and environmental performance of BGMEA. The above two qualitative research contributes in the literature, but still fail to explore the overall CSER phenomenon in Bangladesh. Therefore, this engagement-based study uses in-depth interviews with 20 senior managers of Bangladeshi listed companies, which adds value to the body of knowledge of social and environmental accounting research.

4. Theoretical perspective

In terms of theoretical perspectives, numerous scholars have applied different theories to explain social and environmental responsibility motivations from managerial point of views. A number of researchers used legitimacy theory to explain social and environmental responsibility reporting practices (O’Donovan 2002; Deegan 2002), whereas others used stakeholder theory to explain CSER and environmental audits (Gray et al. 1997; Deegan and Blomquist 2006). Other groups of researchers used institutional theory, which is different from legitimacy theory, and stakeholder theory that views the organization as part of the larger social systems in which it operates (DiMaggio and Powell 1983; Rowe and Guthrie 2010). These theories deriving from the broader political economy theory are under the umbrella of a system-oriented theory (Gray, Owen, and Adams 1996). Political economic theory accepts society, politics, and economics are inseparable so that economic issues cannot be considered in isolation from social and environmental issues (Deegan and Blomquist 2006). According to Qian, Burritt and Monroe (2011) legitimacy theory, at its simplest, emphasises that an organization’s activities need to be, or appear to be, congruent with social values in a broader social system (Dowling and Pfeffer 1975; Deegan 2002). An organization is considered legitimate and can survive and grow if society perceives that the organization operates within the bounds of a value system acceptable to society (Qian, Burritt, and Monroe 2011). Freeman (1984) developed stakeholder theory that highlights the interplay and communication between an organization and its stakeholders. The implication of Stakeholders theory is important for organizations because organizations need to put their best effort for stakeholder analysis and make sure the effective communication with the stakeholders.

Stakeholder theory can be classified into two branches - an ethical branch and a positive (managerial) branch (Donaldson and Preston 1995). The normative branch of stakeholder theory views stakeholders as “those to whom the organization has a moral obligation, an obligation of stakeholder fairness, over and above that due to other social actions simply by virtue of them being human”
(Phillips 2003, 31). On the other hand, managerial branch of stakeholder theory is based on the premise that an organization and its stakeholders are interdependent upon one another for resources and managers are responsible for maintaining this exchange relationship for the organization’s survival (Islam 2009). According to Deegan and Blomquist (2006) the organization will not respond to all stakeholders equally, but rather, will respond to those deemed to be ‘powerful’. Organizations survival depends upon the demand of vested interest groups deemed to be powerful (Ullmann 1985b). Mitchell, Agle and Wood (1997) used managerial branch of stakeholder theory for engaging and prioritizing stakeholders and also explained theoretical underpinnings of the stakeholders view. In the social and environmental responsibility reporting literature, various researchers focused on powerful stakeholders whose need is prioritized simply because the stakeholders’ actions can impact upon the organization (see for example, Deegan and Unerman 2006; Gray et al. 1997; O’Dwyer 2005; Unerman and O’Dwyer 2006). Mitchell, Agle and Wood (1997, 865) note that “stakeholder power exists where one social actor, A, can get another social actor, B, to do something that B would not have otherwise done”. This is in a similar vein to institutional theory (DiMaggio and Powell 1983). Boesso and Kumar (2009) also support stakeholder salience concept in engaging and prioritizing stakeholders. In seeking institutional legitimacy by conforming with changing norms and expectations of ‘relevant publics’ (i.e., stakeholders), there is a tendency for organisations within a particular field to assume similar structures and practice (Suchman 1995; DiMaggio and Powell 1983). Whilst these theories appear plausible in understanding CSER within a generalized Western model, the current study does not intend to test any specific theory, rather allowing ‘emic’ data to emerge and explain CSER phenomenon within the context of Bangladesh.

5. Research methods

To investigate drivers and barriers by exploring senior managers’ perceptions on CSER and understanding the social construction of reality and the way to overcome of CSER barriers in Bangladesh, the researchers require ‘emic’ analysis. Qualitative research is emic and idiographic as opposed to ‘etic’ and nomothetic (Morrow 2007). Qualitative research is characterized by categories that emerge from the “insider” or emic perspective of the participants and is idiographic in that it “produces knowledge claims about one or a very few individuals, groups, or institutions” (Morrow and Smith 2000, p. 200). Most accounting and management research in this arena is ‘etic’. ‘Emic’ research describes the unique values of a particular society; ‘etic’ analysis however, applies to generalised theoretical model across several societies (Brislin 1976; Marshall. 1998). Thus, to investigate the emerging phenomenon of CSER in Bangladesh to explore the drivers and barriers, a constructivist ontology and interpretivist epistemology were chosen. The methods used in this study included in-depth interviews via semi-structured questionnaire, documentary evidence and observations. The constructivist paradigm can help senior managers and policy-makers discover what is happening, and why organizational actors do what they do, thereby contributing to an ‘emic’ understanding of the CSER phenomenon (Parker and Roffey 1997).

The primary aim of employing semi-structured interviews is to gain in-depth insight into the perceptions of the individual interviews and to develop a greater understanding of the drivers and barriers of corporate social and environmental responsibility practices and reporting in Bangladesh (Soh and Martinov-Bennie 2011; Turley and Zaman 2007) rather than to draw generalizations from this study. In exploring the CSER phenomenon in Bangladesh where there is a paucity of research in this arena, purposeful and theoretical samplings were utilized. 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). Participants (senior managers) were selected from the top 100 listed companies in DSE, Bangladesh. Both formal letters and email communication were initially sent to top 100 companies addressing Heads of Finance and Accounts requesting for interviews. The researcher also requested that if heads of finance and accounts were not available for an interview, they could nominate someone who is responsible for CSER related issues of the company. Fifteen companies provided positive responses for the interview. Following the above procedure, another five interviewees were drawn from personal contacts of the researchers. All interviews held with senior managerial positions who were directly involved with the CSER policymaking and report preparation. Finally, 20 senior managers were interviewed. The
average managerial experience of the participants was more than 10 years at the time of interview. Participants and their organizations were identified by a code in order to ensure anonymity in view of the confidential and sensitive nature of the information collected. Twenty senior managers were interviewed between September and November 2010. There was a brief outline explained to each interviewee before starting the interview. This outline helped participants to mitigate their confusion about the project objectives. The interviewer immediately answered any questions raised by the interviewees during interview time. In addition, interviewees were also ensured that they could quit the interview at any time without any prejudice, if they wish to do so. The interviewees were assured of confidentiality of the data. Finally, a written confirmation was made between interviewer and interviewee in each case to avoid unexpected incident.

Familiarisation of the local cultural, social, and religious context is essential to achieving the best success in interview. Open communication between the interviewer and interviewees arguably was encouraged by sharing views of the same cultural background (Belal and Owen 2007). The average interview time was around forty-five minutes to one hour. In some cases, informal conversations continued after the formal tape-recorded interviews. In each interview, reliability was achieved by using the same interview protocol. Short notes were taken as a process to remind particular comments. Short notes also helped researchers to recall particular gesture, posture, body language and eye expression of interviewees. It also helped the interviewer to note a prompt question to be asked at a later suitable time without interrupting the participants.

Interviews and field notes were immediately documented within 24 hours in Dhaka, Bangladesh so as not to lose the vital nuances and cues observed. Later, the taped interviews were transcribed and reviewed repeatedly for any potential error. The emotional content of the interviews, especially on social and environmental issues and non-verbal communication that were not captured on audiotape records were taken into consideration in field notes in accordance with Poland (1995). N*Vivo 9 software was used to organize and manage the data. N*Vivo 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.

6. Analysis and findings

Findings from interviews in this study highlight managerial views of the drivers and barriers for CSER practice and reporting. The collapsing of codes of analysis of the semi-structured interviews, established six key drivers and six key barriers of CSER in Bangladesh context. This section describes the detailed results of the interview.

6.1 Drivers of CSER

6.1.1 CSER as part of social obligation

All senior managers interviewed perceived social obligation as the primary driver for the need to embrace CSER as they are working within the community. Most of the companies undertake social and environmental responsibilities reporting practices in response to their personal convictions to do something for the society. One interviewee from one of the leading pharmaceutical companies argued that business is not all about making profit, rather helping the community to make their lives better. Responsibility towards society, in which these organizations operate, should be given preference. Interviewees from multinational companies claimed that social and environmental responsibilities are part of their global strategy. A number of interviewees reported that internal human resource policy could have a bigger impact on social and environmental reporting practices. Participants believe that employee turnover can be reduced by ensuring job satisfaction and that ultimately ensures organizations long-term sustainability. Interview 18 noted that organizations create value for society as well as value for themselves. Participants believed that companies using the resources given by society must ensure the benefits flow to the community and its surroundings. After all, companies do not operate in a vacuum as interview 14 and interview 19 explained:

It has been the support of many people like the stakeholders, depositors, investors and many outsiders – that has made us such a prominent company today. We are earning a lot of profit today, and behind this success lies the support of all these people. I believe that since we have grown so large because of the support, we have a
responsibility towards all those people who were there beside us. Therefore, this is how a responsibility towards all these people has developed in us, (Interviewee No.14).

Well…our driving force for CSR activity is that we always think that we have a commitment towards the community and towards the employees of the organization. So, we feel that a certain portion of the profit which we earn should be shared with the society and also used in the organization’s human resource development, (Interviewee No.19).

In summary, respondents attributed social obligation as one of the drivers of CSER in the Bangladesh context. Bangladesh as a country of natural disaster tends to attract general sympathies from all organizations in Bangladesh; and social obligation is largely driven from this sense of the country’s emergency requirements, which leads the organizations practice CSER in Bangladesh. However, these social obligation activities do not necessarily translate to CSER disclosure.

6.1.2 Management influences on CSER

It became evident during the interviews that a number of interviewees highlighted extraordinary powers of the board of directors in making immediate CSER decisions. It is worthwhile to mention that the board of directors in Bangladesh are also significant shareholders with substantial influence in embracing CSER if they wish. The views shared by interviewees 5 and 6, who argued that investing money for social and environmental responsibility/reporting largely depends on the management decision and their enthusiasm to do so. They emphasized about the board of directors’ educational qualifications, family background and other personal attributes in making CSER decisions. For example, those directors who are highly educated are more aware of social and environmental issues, and the impact of global climate change. For instance, interviewees 10 and 6 provide some insight into the reasons for this:

Our motivation comes from the internal stakeholders like the board of directors in our organization. They are very generous. They come from very distinguished family backgrounds as well as from very distinguished educational backgrounds. Therefore, they have a long glorious history of being in the business and being social in the business. They have a positive mindset about all these things and so does the management. So on the whole, the wavelength is in a positive direction. It is working as a team (Interviewee 10).

The culture and philosophy of our organization has driven by the ‘Board of Directors’ attitudes towards social and environmental matter. The board of the directors decides the shape, the culture and the daily routines of our organization. The chairperson’s wish may become binding on the others. Therefore, the onus of corporate social or environmental responsibility mainly depends on their will or wish (Interviewee 6).

A few senior managers agreed that organizations do try to reduce their employee turnover by providing good salary, good career progress, and ensuring good working conditions. However, they did not mention specific aspects of human rights and trade union agenda. More surprisingly, organizations disclose this information in their website and annual reports to portray positive management attitudes about social and environmental responsibility.

6.1.3 Poverty alleviation and economic sustainability as a means of CSERA number of interviewees emphasized their motivation for CSER to reduce poverty through micro financing. These micro-financing organisations from various sectors in Bangladesh are directly or indirectly involved with the capacity building of poor rural people through their activities. Interviewee 11 argued that by helping those below the poverty line to build up their capital could be the best way to ultimately reduce their poverty; thereby empowering them to become more economically sustainable. The interviewees identified the following reasons for the nation’s endeavour towards poverty alleviation and economic sustainability:

- Build up capacity of poor rural people;
- Educate them for future challenge;
- Healthy and hygienic life;
- Educate the indigenous people.

A number of interviewees have shown their annual reports and newsletters about their poverty alleviation related disclosures. However, the extent, to which the organizations perceive that there are
benefits deriving from CSER, is likely to influence CSER in Bangladesh. For instance, below is a comment by one of the interviewee when asked what drives them to engage in CSER:

It is the largest NGO in the world and the largest finance provider for the rural poor. The sponsors of organization gradually realized that they are catering to the needs of the poorest of the poor who are entirely at the bottom of the pyramid. Normal commercial banks are operating at the top of the pyramid. If you ask me, I would say it was not from any personal motivation. I would say it is motivation of the institution. Our Bank was established to alleviate poverty. If you look at the vision statement...let me just read that out for you...“Building a profitable, socially-responsible, financial institution focused on markets and businesses with growth potential, thereby assisting our parent organization and its stakeholders to build a just, enlightened, healthy, democratic and poverty free Bangladesh”. That is the vision of the bank (Interviewee 2).

Some interviewees also highlighted about the UN Millennium Goals (MDGs) which has focused on eradicating poverty and hunger, achieving universal primary education, promoting gender equality, reducing mortality, improving health, and ensuring environmental sustainability. Poverty alleviation is an issue that is more social than economic.

The society can grow if poverty is alleviated. We, like a typical South Asian country, don’t move till we are forced to and till there is a binding framework. Before these instructions were issued, the balance sheets had contained a line or a paragraph on CSR activities in the notes or in the Chairman’s address or in a leaflet. But now there is a competition between companies to enrich that particular chapter in their respective balance sheets. A significant portion of the 150 or 160 million strong population of Bangladesh, live below the subsistence level. There is a disparity in income level, infrastructure and in social thinking process. So we believe we are reducing such disparities by getting involved. When we find that our stakeholders are immensely encouraging, surely that fosters our thinking level. All the employees feel encouraged. Local integration occurs when we receive spontaneous support from the top level (Interviewee No. 10).

Social and environmental responsibility, poverty alleviation, and sustainable economic growth are interrelated. Managers in the pharmaceuticals sector believe that community engagement is important to reduce poverty. Examples mentioned included: training for disadvantaged people about clean water, training on vegetable gardening, and training on how to earn some extra money through fish farming, weaving, and modern farming methods. One highly experienced senior manager from the textile sector expressed the view that women used to be “totally outside of the economy”, but now they are being empowered by job opportunities. Organizations are now taking initiatives to employ the disabled. These initiatives ultimately reduce poverty and enhance economic growth of the country.

6.1.4 CSER enhances corporate image

The results also indicated that gaining competitive advantage in the market by building strong corporate image is one of the focal reasons for organizations involvement in CSER. It would appear that those organizations practicing CSER and disclosing their activities tend to display better financial performance. As a result, they have strong market share. For example, one organization in Bangladesh spends 3 million Australian dollars only for student scholarships and people around the country know them well because of their social and environmental initiatives. Therefore, firms can try to promote their reputation by engaging in corporate social and environmental responsibility and reporting. At least five of the interviewees admitted that one of their main motivations for CSER practice and reporting is the preservation of corporate image or brand value as indicated in extracts from the following quotes:

The corporate bodies are emphasizing more towards brand management. Therefore, essentially CSR has now come as a focus for brand management rather than the underlying conceptual implication of the CSR (Interviewee 10).

First driving force is the brand; there is a branding motive. I believe that the employees themselves are a marketing tool. It is because if the employees are satisfied and have smiled faces, automatically an image is created for the company (Interview 18).

The researcher often argues that CSER can improve the competitiveness of a company (Burke and Logsdon 1996). This implies a positive relationship between the CSER involvement of a company and its financial success. Positive effects on company image and reputation: Image represents “the mental picture of the company held by its audiences” (Gray and Balmer 1998, P. 696), which is
influenced by communication messages such as CSER. Both, image and reputation can influence company competitiveness (Gray and Balmer 1998) and that is the reason why organizations in Bangladesh do CSER.

6.1.5 CSER as an influence from regulators

The concept of CSER is relatively in its infancy among the developing countries including Bangladesh. A number of interviewees claimed that they became motivated because of a recent circular from the Bangladesh Bank (central Bank of Bangladesh). Although there are no mandatory regulations from the central bank regarding CSER, but after the circular was issued in 2008, investments in CSER increased from 226 million BD taka in 2007 to 553 million BD taka in 2009 (Bangladesh Bank 2010). This was a tremendous improvement in the amount allocated to CSER activities by banking organizations. The banking sector of Bangladesh has a long history of involvement in benevolent activities like donations to different charitable organizations, to poor people and religious institutions, city beautification and patronizing art and culture. Recent trends of this engagement indicate that banks are gradually organizing these involvements in more structured CSR initiative format, in line with Bangladesh Bank (BB) circular no. 01 of 2008. The June 2008 BB Guidance circular suggests that banks should begin reporting their CSR initiatives in a modest way as supplements to usual annual financial reports, eventually to develop into a full blown comprehensive report on compliance with GRI guidelines. Other than Banking sectors, organizations working in chemical and Pharmaceuticals sectors are controlled by the ‘Drug Administration Department’ for ensuring product quality, health safety and other environmental issues as they deal with the life sustaining products. In general, the interviewees claimed that there is no pressure from Securities and Exchange Commission (SEC), Bangladesh or Dhaka Stock Exchange (DSE), rather they motivate the listed organizations to embrace CSER, though they did not issue any formal guidelines. Indicatives by the regulators that encourage CSER are viewed positively by interviewees from the Banking and Finance sectors, as indicated by interview 11:

These bodies inspire us, but never place any obstacles in our way. Recently, the Central Bank talked a lot about ‘green energy.’ They said they have installed solar panels on a certain portion of their roof, through which they generate green energy. The Central Bank advised us to do the same. They have also told us to keep our air conditioners switched off when we are not working. They encourage us to finance projects that are not harmful to the environment. They inspire us but never impose anything on us. They have told us to invest a certain portion of our profit in CSR activities.

One of the Interviewees argued that employees have limited power in comparison to regulators in regards to CSER. The interviewees from banking sectors were extremely in favour of the central bank’s initiatives, particularly for organisations operating in Bangladesh, a country where natural calamity-prone like floods, cyclones are part of daily life. The banking sector has the highest number of participants in disaster relief, and rehabilitation to help ease the sufferings of those affected. It is evident that whenever natural disasters or emergency prevail, the central bank has taken initiate to help the disadvantaged by appealing to all schedule banks who have responded positively and provide voluntary assistance.

Five interviewees from pharmaceuticals and chemical companies indicated how they feel pressured by the drug administrative authority to ensure product quality and sound working environment. These companies produce life-sustaining products, which has different requirements from other industries. So, they are subjected to high quality compliance monitored by the drug administrative department. Sometimes this pressure creates more or less impact on social and environmental responsibilities:

You cannot operate in the pharmaceutical industry unless your plant certified by the drug administration. In case of raw material procurement, it imposes restrictions when it deems the materials hazardous to the environment (Interviewee No.2).

The above findings suggest the facilitating and endorsing roles of regulators. Regulatory bodies not only raise awareness of sound corporate citizenship, regulators also encourage CSER practices that benefit the community in which they operate. However, Bangladesh Bank (2010) (Central Bank of Bangladesh) published a review reports about CSR practices and disclosure by financial companies in 2010. This publication reviews recent CSR activities of banks, in light of the BB guidance circular
issued in June 2008 for mainstreaming CSR practices in the financial sector in Bangladesh. Subsequent issues also reviewed the activities of non-bank financial institutions as well. The incipient practices in banks as reviewed, shows that there are understandably deficiencies in: stakeholder consultation; incompleteness of coverage (particularly in adoption of energy efficient ‘carbon neutral’ internal processes and practices); and in comprehensiveness of reporting. The review reports indicate the progress in CSER practice and reporting.

6.1.6 Pressure from international buyers

Concerning the ready-made garments and textile companies, interviewees were highly aware of some of the sensitive CSER issues in their industry, such as, health and hygiene and employment standards. As supply chain management becomes the norm in business operations globally, it has a significant social and environmental responsibility requirement for the textile and apparel industry in Bangladesh. International buyers are required by industry-code to source their materials and products from socially responsible suppliers. Extracted quotes below are examples attesting to pressures from international buyers to operate in a CSER manner.

We are putting exceptional care and paying much attention to factors like on-time delivery, quality of products and commitment. And when our buyers get concerned about whether or not the internal work environment is being properly maintained, the child labour laws are being followed and social activities are being performed, then we too will turn our eyes in that direction. We pay a lot of importance to their views. In our country, buyer is like the second God. The international buyers are putting pressure on the garments factories but not on the backward linkages. They have not yet started check-ups on the backward linkages like the suppliers who supply the factories with various accessories, yarn or fabric. When buyers start scrutinizing these suppliers as well, and put forward some conditions which have to be fulfilled if their goods are to be purchased, then everyone will forced to follow rules (Interview 15).

We are highly concern about international buyer expectation towards social and environmental issues. They give us continuous pressure to ensure that we are following appropriate labour standards and paid standards salary for labour those are working overtime. They also asked to ensure proper work environment like health and safety issues. If we do not meet this compliance we goanna lose our buyers (Interview 20).

Adams (2002) argued that companies report on social and environmental issues in response to stakeholders’ pressure. She also found that companies are unwilling to report in counties where there is no pressure from stakeholders. There is mixed opinion found by Maignan and Ferrell (2004) even though stakeholder pressure stimulates socially responsible corporate behaviours, it is not sufficient to ensure that the organization will systematically behave responsibly in a social and environmental manner.. They argued that organizations might choose to avoid complying with stakeholders’ norms and demands. However, in our findings the result indicated that organization's response positively as interviewees from Textile and clothing industry ensure CSER for the sake of their business.

6.2 Barriers of CSER

6.2.1 Lack of the regulatory framework or guidelines

A number of reasons may explain why companies in Bangladesh are doing little or no CSER. There is a lack of regulatory framework or guideline towards CSER practices and reporting. The corporate governance in Bangladesh is still at initial stages (Siddiqui 2010). The Security and exchange commission (SEC) of Bangladesh released a circular on corporate governance in 2006 for Bangladeshi firms. Such notification does not require companies to engage in CSER reporting. Rashid and Lodh (2008) found that companies, which adopted corporate governance tend to practice and disclose more social and environmental information. It can be argued that there is a positive relationship between corporate governance and CSER reporting. Interviewees (i.e., 5, 6, and 17) expressed the important roles of the SEC and DSE towards social and environmental issues. As a regulator of listed companies, the SEC and DSE have an influence over the companies to provide guidelines and framework towards CSER reporting. Interviewee 13 believes that regulatory bodies can impose law for a certain percentage of profit of a company to be spending on CSER activities. One interviewee remarked that:

...Those countries have regulatory frameworks and guidelines. Companies there decide right at the beginning of the year on where to spend money. They allot a portion of their profit for CSR activities while forming their
budget. Our country is lacking such organized tools and knowledge. If the government or regulatory bodies bring such knowledge from abroad and provide guidelines to the corporate bodies, then CSR activities will be smoother and better-organized (Interview 12).

Companies in the USA, Canada, Japan, Germany, UK and Australia practice and disclose more CSER through their websites, annual reports and separate sustainable reports because of strict laws and regulations towards sustainable issues. However, developing countries like Bangladesh need such strict laws to embrace CSER reporting.

6.2.2 Lack of enforcement of existing laws

On the contrary, interviewees 15 and 20 expressed their concern about the ineffectiveness of the laws, which is a result of the complex bureaucratic systems. Therefore, these interviewees assert that if the laws were enforced strictly, then ships containing harmful, toxic materials would not even touch Bangladeshi coast. Like many other developing countries, CSER practice or even reporting is not mandatory in Bangladesh. However, the managerial attitude is positive towards CSER. At the same time, several interviewees are concerned about the implementation of existing laws, which contains the rules, and regulations of social and environmental standards.

…There is no legal barrier. There are laws but we are more prone to violate those laws than follow them. For example, nowadays, many garments in our country are following child labour laws and laws related to in-house maintenance and body fitness because, they are being pressurized to do so by the foreign buyers. Nevertheless, they do not have waste treatment or effluent treatment plants. They dispose their wastes in the surrounding land and rivers. The crop fields destroyed and the river water polluted. Not a single river got clean water. However, there was lack of initiative from law enforcing agencies (Interview 15).

Environmental ministry is responsible for the implementation of the environmental laws. For example, Belal and Cooper (2011) findings support these above quotations. Interviewee 20 irritably expressed his views that The Ministry of Environment is aware of all the reports in the newspapers that talk about the hazardous impact of ship breaking; several people have also died. If the ministry intended to, it could easily have controlled this. There is an important law regarding ship breaking in Bangladesh. Even then, organizations involved in ship breaking are continuously violating the laws. Subsequently, such a lack of existing law enforcement is a barrier to CSEAR. It can then be argued that if the practice of CSER is sparse, then there is a lack of regulatory expectation for reporting on CSEAR.

6.2.3 Lack of sustainable education

CSER is a new jargon in Bangladesh. Most of the organizations’ senior managers have yet to appreciate and least of all, conceptualize the theme of CSER practice and its benefits for disclosure. Interviewees (11, 14, and 15) pointed that there is a need for education on sustainable development. Education systems should incorporate social and environmental awareness.

…Many people are uneducated in the sense that they have not studied in the conventional way. But, for awareness building that is not really needed. It is also one kind of education when you just tell them about something that is hazardous to the environment and ask them not to do that. For such education it is not necessary to learn A, B, C, and D. You can also educate people in ways other than the conventional system (interview 11).

Several interviewees emphasized about the internal sustainable education policy of organizations, which could help an organization itself, as well as external stakeholders in understanding the importance of CSR. Internally, director’s awareness and education is crucial. Interviewee 14 views “We are not a manufacturing company, and we are not creating any pollution, Then why should we do CSR?” He also focused more attention in building awareness and education on sustainable development among management and directors. After all, all the decisions come from the board or management.

…Recently, our country celebrated the Global Hand washing Day. The corporate houses could provide the required toiletries for hand washing; after all, these toiletries are beyond the range of many low-income workers. On the other hand, we can see in our country, that the consciousness level of the people is very low because of the low education rate. Once again, the corporate houses can raise this rate through various donations to educational institutions. For those who cannot attend educational institutions, the corporations could arrange for
some social education during off time. In this way, awareness will develop and automatically the environment where these people live in will develop (Interview 15).

Media, NGOs and civil society can play a vital role to create awareness for sustainable education, which enhance CSER practices of companies in Bangladesh. As CSER is a new concept in Bangladesh, not only uneducated, people but also educated people are unaware about this relatively new concept. A number of interviewees stressed that media have to work closely with government, NGOs and civil society to improve on CSER practices in Bangladesh. Islam and Deegan (2008) advocated similar views in their recent studies. They found that NGOs do consider the media as a vital channel of their strategies to create change, and both the media and the NGOs agree that the media agenda has been responsible for creating real changes in CSER in Bangladesh.

6.2.4 Lack of motivation from Government

Most of the interviewees argued that lack of motivational forces such as incentives need to enhance CSER in Bangladesh. Government can provide tax incentives and protection for all social activities and not just for some specific activities. One interviewee claimed, “I will get tax advantage if I donate 10 million in government fund. But if I donate to local people I will not get the tax advantage”. Therefore, the government and the regulatory bodies have a lot to do. The award –giving bodies can also motivate the corporate sectors to do more CSER.

Interviewee 5, 6 and 7 indicated the critical role of the National Board of Revenue (NBR) on CSR. NBR deals with the tax matter of individuals and companies. Interviewee 6 comments that, “if Expenditure on CSR activities is tax exempted then we can come forward to contribute more for CSR”. The external organizations also can come forward to motivate corporate sector to enhance their CSR activities. They can arrange awards such as CSR awards for organizations, which could help to motivate companies to do more CSR. Interviewee 14 argued that such award giving initiatives would energies companies to provide more efforts on their CSR activities and they will reports on social and environmental issues.

6.2.5 Socioeconomic and cultural problem

A number of the interviewees strongly focused on the socio-economic and cultural factors as important barriers for CSER in Bangladesh. At the grass-roots level, people do not get to have proper meals; many people still do not have a proper living place. In certain socioeconomic groups, a woman does not even own a minimum of four sarees (traditional Bengali attire) to wear during her lifetime. This group of the population is quite large. These findings resonate well with the background literature within the Bangladeshi context as discussed broadly in section 3.1.1 Poverty. Initiatives from corporate sectors in terms of social and environmental responsibility could help them to improve their lifestyle. Organizations are working in a traditional way and focuses mainly on profit. Senior managers cannot do whatever they like because of bureaucratic decision process.

...There are still no proper sanitation and urbanization like the ones we see in the developed countries like America and in the European countries. A minimum standard of living has to be there for a full-fledged family. A decent house, a proper environment for education, schools, and hospitals needed. These are very minimum requirements, what we term as ‘physiological needs’ in Maslow’s hierarchy of needs framework. We, as a country, have not been able to satisfy the basic physiological needs yet, let alone the social needs, esteem needs and self-actualization needs. So in such a scenario if the private sector does not step forward then how will the country develop (Interviewee 4)?

As a nation, Bangali always tend to adopt contemporary issues far later than others because of their laggard habits.
6.2.6 Lack of awareness

All the interviewees argued that there is no alternative for creating awareness to enhance CSER and the concept of CSER is perceived as a new jargon in Bangladesh and still at an infancy stage. One interviewee (Interview 8) noted that the money they invest for CSER is not giving any financial benefit to the company; rather they decided to make more profit. According to Hemingway and Maclagan (2004), managers’ personal values and their awareness towards CSER are important. Those managers have a clear idea about the concept, they do embrace CSER and they have written policies. Interviewee 14 argued that if managers are aware about the pollution that they cause for the environment and society as well as the impact of the pollution, perhaps that will help them to appreciate the importance of CSER. Several interviewees blamed the government and other stakeholders’ lack of motivation for the low uptake of CSER. Organizations only respond to CSER in an emergency. For example, during the time of natural disasters such as flood, cyclone and accident from fire, most of organizations have provided aids and assistance during such situations, but not necessarily adopting an ongoing policy for CSER. Interviewee 19 commented:

[...] I have seen that the regulatory bodies just influence and try to make us work for social and environmental issues during the natural calamities.

From the above result, it is clear that the main barriers for CSER in Bangladesh include lack of awareness, lack of the regulatory framework, lack of education for sustainable development, tendency to disobey the laws, lack of motivational incentives and lack of combined initiatives from NGO, media and other pressure groups of the society.

7. Discussion and conclusions

A key finding of this study is that there are significant internal and external contextual factors, which are likely to drive CSER. The findings also identified the reasons, why they are not practicing CSER. This study provides insight into the phenomena of CSER within the Bangladesh context through the lenses of the senior managers. From the results, there is no doubt that large and highly visible companies interviewed in this study are more responsive to CSER for various reasons. The main driving forces for CSER as identified by these participants are social obligation; the board of directors’ influence; poverty alleviation; corporate image and brand; regulatory influence to conform to social and environmental reporting. Whereas, lack of the regulatory framework; failure to implement existing laws; lack of education for sustainable development; lack of motivation from government; socio economic problems; and lack of awareness are considered to be the main constraints for embracing CSER.

The findings resonates well with the literature pertaining to corporate ‘social contract’ concerning a firm’s indirect societal obligations and resembles the ‘social contract’ between citizens and government traditionally discussed by the researchers who identified the reciprocal obligations of citizen and state (Lantos 2001). Similarly, the research result of Davis (1983) identified that organizations practice social responsibility from the concept of obligations and acceptance towards the wider community. ‘Social obligation’ as portrayed by most interviewees leads us to believe that the continued success of a corporation depends on the support of the stakeholders, and the operations of the company must be adjusted to meet their approval (Donaldson and Preston 1995; Roberts 1992; Ullmann 1985a). This is due in part to the implied ‘social contract’ that these companies have with stakeholders at large. Most of the companies in Bangladesh are either family owned or controlled by substantial shareholders such as a corporate group or government. Al Farooque et al.,(2007) assert that on average, the top five shareholders hold more than fifty percent of the firm’s outstanding stock. That provides board of directors with their ability to make instant decisions concerning CSER. Zahra and Stanton (1998) assert that the board of directors can play an influential role in enhancing CSR. He also found that board members’ education, experience and knowledge are decisive factors for CSR. It seems reasonable to assume, for example, that the board of directors or management attitudes towards CSER depends on their background and cultures (Hemmingway and Maclagan 2004). Moreover, Wood, writing in the context of CSR refers to “Ethical training, cultural background, preferences . . . and life experiences . . . that motivates human behaviour” (Woods 1992, P. 700), which is in the same line of findings with this research.
Poverty alleviation as a CSER activity is one of the major objectives of every nation, international organization, non-governmental organization, and local community. Organizations in Bangladesh (both profit-making and non-profit making) have been attempting to alleviate poverty since its independence. About forty percent of its population is living below the poverty line (World Bank 2011). It is not possible for government alone to achieve sustainable economic growth and improve the standard of living. Corporate sectors see CSER as a bridge connecting business and economic development. Jenkins (2005) pointed that one of the main ways in which business can help reduce poverty is through job creation or raising wages or providing stability of income. He also argued that in developing countries, CSR could play a significant role in poverty reduction. International development agencies also adopt CSR as a means of poverty alleviation. Newell and Frynas (2007) also suggest that the world of CSR would look terribly different if the priorities of poorer groups were put first. These research findings are also in line with previous studies (Merino and Valor 2011) to reduce poverty by building local health facilities and medical supports, and providing cleaner water for disadvantaged community.

Many authors have stressed the importance of a company’s image or reputation (Arendt and Brettel 2010; Dowling 1986). Similarly, Gray et al. identify the inclusion of stakeholders in corporate affairs and CSR reporting as “. . . mechanisms by which the organisations satisfy (and manipulate) . . .” pressures on them to demonstrate satisfactory CSR performance (Gray, Kouhy, and Lavers 1995, P. 65). Thus, Social and environmental reporting can be viewed in terms of corporate image management and strategy to gain market share by increasing sales and service over competitors. Fomburn and Shanley (1990) contend that well reputed companies have a competitive advantage within their industries, whereas poorly reputed companies are disadvantaged. Freeman (1984) and Fombrun (1996) affirm that the most obvious link of CSR to overall corporate performance is through its reputation aspect as it reflects upon a firm’s relative success in fulfilling the expectations of multiple stakeholders. Hence, image can form a competitive advantage for organizations. It seems that a company’s reputation is affected by, among others, the quality of the management, company’s financial soundness and its demonstration of social responsibilities (Fomburn 1996).

The study finds that regulatory authorities have much influence on the listed companies to accelerate their CSER activities. However, it was mentioned in the previous section, there is no mandatory rule or compliance for CSER in Bangladesh, rather some environmental laws related to certain industries within the highly sensitive chemical industries. The interviewees from Banking and financial sectors claimed that they are influenced by the central bank, whereas pharmaceuticals and chemical companies derives more or less motivation from Drug Administration Department (DAD). Similarly, the textile industry in Bangladesh is subject to external pressure from the Department of Environment, in relation to operations of the Effluent Treatment Plant (ETP). Progress in CSER reporting depends on the regulators’ desire to impose and enforce guidelines, as well as regulators’ capacity to stimulate companies to do so by introducing several motivational incentives (Fukukawa, Shafer, and Lee 2007; Rowe and Guthrie 2010). Some interviewees argued that motivation from regulators could have positive and tremendous impact of CSER in Bangladesh, which resonates well with the findings from previous research (See for example, Frost and English 2002; Rowe and Guthrie 2010). Fox et al., (2002) argued that regulators can raise awareness and provide incentives through capacity building.

It would appear that viewing from an institutional theoretical perspective, coercive regulatory institutions has the effect of encouraging CSER. The results of this study also reveal that external powerful stakeholders like international buyers, especially those operating or outsourcing products from developing countries such as Bangladesh could have extreme influence on CSER. Social issues such as child labour, working condition, employee safety and security, employee payment structure and environmental issues (e.g., damping industrial dump, eco-friendly production facility) affect international buyers’ decision to outsource their products from Bangladesh. Belal and Owen (2007) also found similar results regarding external pressures from international buyers in the textile industry. The findings of this research in relation to barriers of CSER, predominantly illustrated the lack of understanding about CSER coupled with inadequate regulatory framework and lack of enforcing laws. A number of interviewees also highlighted socio-economic problems and the need for government incentives to encourage the infusion of CSER. It can be argued from the findings that
Managers need greater awareness and education on sustainable development to appreciate the concept of CSER. The corporate sectors in Bangladesh are facing diverse issues such as education, health care, rural development, poor sanitation, women empowerment, etc. However, the organizations understanding about CSER is also depending on the greener organizational culture. There are some laws relating to the environment, but law enforcement is limited because of the bureaucratic systems and corruptions by the law enforcing agencies.

Some interviewees commented about resource limitation and lack of incentives from government authority, such as the tax benefit for CSER activities. Most of the interviewees believed that companies are not adopting CSER because they perceived that they do not get any direct benefits from CSER. However, they claimed that institutional motivation could influence them. Mixed views were observed regarding mandatory guideline for CSER. Belal and Cooper (2011) asserts that current process of CSER in Bangladesh fail to consider local socio-economic context.

In understanding ‘why’ the listed companies in Bangladesh ‘voluntarily’ embrace CSER, and why they do not, the findings of this research resonates well with the broad social systems based theory (Gray, Kouhy, and Lavers 1995) - such as legitimacy theory, stakeholder theory and institutional theory. In accounting literature, scholars attempt to explain social and environmental reporting by using the above-mentioned theory. Deegan and Blomquist (2006) noted that broader social system based theory accepts society, politics and economics as an inseparable and that cannot be considered in isolation from social and environmental issues. In particular, legitimacy theory and stakeholder theory best reflect the results of this study, as they tend to complement each other; both take into consideration how organizational behaviours respond to demands of divergent interest groups, and act to legitimise their actions (Guthrie and Parker 1989; Patton 1992). The legitimacy criteria are met by the corporation through its ability to compete for resources in the marketplace and through conducting its operations within the legal constraints imposed by the social system within which it operates (Sethi 1975). Under legitimacy theory, these companies’ existence is based on society’s perception that they are operating in a manner that is consistent with the norm of public expectation. ‘Social obligation’ if viewed from the altruistic personal value of moral obligation, then this sits well with the normative branch of stakeholder theory. However, legitimacy theory also considered a self-interest strategy by using CSER to influence stakeholders with whom they interact. Similarly, the managerial branch of stakeholder theory advocates the manipulative actions of companies to satisfy the needs of powerful stakeholders. In social and environmental accounting, legitimacy assumes a manipulative logic based on self-interest also relates to the coercive structure of institutional theory (Deegan 2002). In seeking institutional legitimacy by conforming to changing norms and expectations of ‘relevant publics’ (i.e., stakeholders like government and international buyers), there is a tendency for companies within a particular sector to assume similar structures (DiMaggio and Powell 1983; Suchman 1995) and CSER practices.

This study investigated the perceptions of senior managers in the context of CSER including drivers and barriers. However, this study is not without limitations. Each industry has its own identical characteristics, which may vary the managerial attitudes towards CSER. The generalisability of the study is also limited in view of the potential interviewee selection bias. Respondents were selected on a voluntary basis, and this may skew the results in favour of organizations in which the interviewees work or represent than wider population. Due to the perceived sensitivity of CSER issues for some interviewees, ‘politically correct’ responses might have prevailed either intentionally or unintentionally (Rowe 2006). Caution should be exercised when considering the possible application of the results to a larger project with more participants. Further research may consider the key stakeholders’ views and their expectation in relation to CSER. For example, studies may focus on different key stakeholder groups such as regulatory authorities, NGOs, Media, and other potential social pressure groups expectations.
References


Islam, M. 2009. Social and environmental reporting practices of organizations operating in, or sourcing products from, a developing country: evidence from Bangladesh, School of Accounting and Law, RMIT university, Melbourne.


Jones, C. 2003. As if business ethics were possible: within such limits. *Organization* 10 (2):


