



**UNIVERSITI  
MALAYSIA  
PERLIS**

**ASSESSING THE DETERMINING FACTORS OF  
CORPORATE SOCIAL AND ENVIRONMENTAL  
RESPONSIBILITY REPORTING IN  
BANGLADESH: MODERATING EFFECT OF  
INDUSTRY SECTOR AND COUNTRY OF ORIGIN**

by

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## DEDICATION

I would like to dedicate my thesis

To

**The Lord of the Universe Almighty ALLAH**

His Beloved Messenger Our Prophet Muhammad S.A.W

My Parents- Kazi Rowshan Ara Begum and Kazi Mehrab Hussain

*"And your Lord has decreed that you worship none but Him; and that you be dutiful to your parents. If one of them or both of them attain old age in your life, say not to them a word of disrespect, nor shout at them but address them in terms of honor" (The Qur'an, 17:23)*

My Husband- Md. Kutubuddin Sardar (Nirjon)

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## LIST OF ABBREVIATIONS

AA	AccountAbility
ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BAS	Bangladesh Accounting Standard
BAU	Business-as-Usual
BB	Bangladesh Bank
BRPD	Banking Regulation & Policy Department
BSEC	Bangladesh Securities and Exchange Commission
CAF	Charities Aid Foundation
CEO	Chief Executive Officer
CERES	Coalition for Environmentally Responsible Economies
CFP	Corporate Financial Performance
CLT	Central Limit Theorem
CPD	Centre for Policy Dialogue
CR	Corporate Responsibility
CRI	Climate Risk Index
CSA	Corporate Societal Accountability
CSER	Corporate Social and Environmental Responsibility
CSOs	Civil Society Organizations
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
D/E	Debt/ Shareholders' Equity

Deloitte	Deloitte Touche Tohmatsu Limited
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
EMAS	European Union Eco-Management and Audit Scheme
EPI	Environmental Performance Index
ERM	Environmental Risk Management
ETP	Effluent Treatment Plants
EU	European Union
EY	Ernst & Young
FCBs	Foreign Commercial Banks
FEM	Fixed Effects Model
FIDH	International Federation for Human Rights
FRC	Financial Reporting Council
GB	Green Banking
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GNI	Gross National Income
GOB	Government of Bangladesh
GRI	Global Reporting Initiative
HHK	Hybrid Hoffman Kiln
IASCF	International Accounting Standards Committee Foundation
ICPAS	Institute of Certified Public Accountants of Singapore
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council

ILO	International Labour Organization
ILRF	International Labour Rights Forum
INDCs	Intended Nationally Determined Contributions
ISO	International Organization for Standardization
KLD	Kinder, Lydenberg, Domini, & Co.
KPMG	Klynveld Peat Marwick Goerdeler
L/C	Letter of Credit
LDCs	Least Developed Countries
LM	Lagrange Multiplier
LMIC	Low-Middle-Income Country
MACH	Management of Aquatic Ecosystems through Community Husbandry
MNC	Multinational Corporation
MNE	Multinational Enterprise
MOEF	Ministry of Environment and Forest
MSIs	Multi-Stakeholder Initiatives
NBR	National Board of Revenue
NCPs	National Contact Points
NGOs	Non-Governmental Organizations
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
PCBs	Public Commercial Banks
PwC	PricewaterhouseCoopers
RBC	Responsible Business Conduct
REM	Random Effects Model
RMG	Ready-Made Garment

ROA	Return on Asset
ROE	Return on Equity
SA	Social Accountability
SCBs	State-own Commercial Banks
SDBs	State-own Specialized Development Banks
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SME	Small and Medium-Sized Enterprise
SRO	Statutory Regulatory Order
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
USAID	United States Agency for International Development
VIF	Variance Inflation Factor
WBCSD	World Business Council for Sustainable Development
WHO	World Health Organization
WTO	World Trade Organization
WWF	World Wide Fund

# Meneliti Faktor Penentu Terhadap Laporan Tanggungjawab Sosial dan Alam Sekitar Korporat di Bangladesh: Kesan Moderasi Sektor Industri dan Negara Asal

## ABSTRAK

Legitimasi organisasi menjadi subjek perbincangan disebabkan oleh faktor-faktor seperti beberapa kes salah laku korporat, percanggahan antara retorik tanggungjawab sosial dan alam sekitar korporat (CSER) dengan praktis serta amalan budaya memanipulasi perniagaan untuk mencapai jangkauan sosial yang wujud dalam kalangan masyarakat telah membangkitkan isu legitimasi tidak sah ataupun jurang legitimasi. Jurang yang semakin besar akan menyebabkan sesebuah organisasi kehilangan legitimasinya dan mencetuskan beberapa isu sosial dan alam sekitar. Keadaan berikut membolehkan sebuah organisasi mengamalkan beberapa strategi pendedahan awam untuk mengekalkan organisasi tersebut bertahan lama. Sehubungan itu, objektif kajian ini adalah untuk mengkaji faktor yang mempengaruhi laporan CSER sekaligus mengenalpasti sama ada sektor industri dan negara asal dapat memoderasikan hubungan tersebut. Dalam usaha untuk mencapai objektif kajian, data yang diperolehi adalah dari sumber data sekunder : laporan tahunan, laporan kemampanan dan laman sesawang syarikat. Sampel kajian ini terdiri daripada 207 pemerhatian daripada 69 syarikat selama tiga tahun dari tahun 2012 sehingga 2014. Analisis data panel telah digunakan dan kesan tetap serta kesan rawak telah dilakukan dengan menggunakan STATA versi 13 untuk memerhatikan hubungan antara pemboleh ubah. Penemuan regresi pelbagai menunjukkan bahawa saiz organisasi, jawatankuasa CSER, pemilihan pengurusan, pemilihan kerajaan, pemilihan asing dan firma audit mempunyai hubungan yang positif dan signifikan dengan laporan CSER manakala dualiti Ketua Pegawai Eksekutif (KPE) mempunyai hubungan negatif yang signifikan. Sebaliknya, kajian tersebut tidak menemui bukti yang meyakinkan untuk menyokong kesan keuntungan dan keseimbangan atas laporan CSER. Selain itu, dengan menggunakan regresi hierarki, kajian ini juga menganggarkan kesan moderasi oleh sektor industri dan negara asal. Kajian ini telah menunjukkan bahawa sektor industri dapat memoderasikan hubungan antara penyeimbangan jawatankuasa CSER, pemilihan pengurusan, pemilihan kerajaan, dualiti KPE dan laporan CSER manakala negara asal mempunyai kesan moderasi terhadap hubungan antara keuntungan, jawatankuasa CSER, dualiti KPE dan laporan CSER. Justeru itu, kajian ini mengenalpasti tiga konsep yang walaupun berbeza, namun saling berkaitan – faktor peringkat institusi, faktor peringkat organisasi, dan faktor peringkat individu. Ini dilakukan dalam konteks di mana kajian dahulu tidak mengaitkan konsep-konsep tersebut antara satu sama lain dan juga tidak menggabungkan konsep-konsep tersebut ke dalam satu rangka kerja. Sintesis faktor ini yang menyumbang kepada prestasi dan pelaporan sosial alam sekitar adalah sumbangan empirikal dan teoretis yang besar dalam kajian ini. Selain memberi sumbangan kepada badan pengetahuan, kajian ini juga berpotensi untuk mewujudkan perubahan sosial positif bagi beberapa pihak pemegang kepentingan sebagai sumbangan serantau. Oleh itu, kajian ini mempunyai pelbagai implikasi terhadap dasar dan praktis sepertimana dasar-dasar mempunyai impak ke atas syarikat-syarikat dan bagaimana syarikat-syarikat tersebut bertindak balas terhadap jangkauan sosial dan persekitaran masyarakat dalam mencapai legitimasi.

# **Assessing the Determining Factors of Corporate Social and Environmental Responsibility Reporting in Bangladesh: Moderating Effect of Industry Sector and Country of Origin**

## **ABSTRACT**

Organizational legitimacy become subject to much deliberation due to several cases of corporate misconduct, significant discrepancies between Corporate Social and Environmental Responsibility (CSER) rhetoric and practices and manipulation of business practices to meet social expectations existing in society which raised up the issue of illegitimacy or legitimacy gap. A widening gap will cause an organization to lose its legitimacy and thus create several social and environmental issues. Under such circumstance an organization can adopt a number of public disclosure strategies for its survival. Therefore, the objectives of this study are to investigate the factors affecting CSER reporting as well as to identify whether industry sector and country of origin are able to moderate those relationships. In order to achieve the study objectives, the data have been collected from secondary data source: annual report, sustainability report and company's website. The sample of this study consists of 207 observations from 69 companies for three years from 2012 to 2014. Panel data analysis has been used and fixed effects and random effects have been performed using STATA version 13 to observe the association between the variables. The multiple regression findings have shown that size of organization, CSER committee, managerial ownership, government ownership, foreign ownership and audit firm have positive and significant relationship with CSER reporting while CEO duality has a significant negative relationship. On the other hand, the study has found no convincing evidence to support the effect of profitability and leverage on CSER reporting. In addition, by using hierarchical regression, this study also estimates the moderation effect of industry sector and country of origin. The study has revealed that industry sector is able to moderate the relationship between leverage, CSER committee, managerial ownership, government ownership, CEO duality and CSER reporting while country of origin has moderation effect on the relationship between profitability, CSER committee, CEO duality and CSER reporting. Thus, this study identifies three conceptually distinct, but interrelated concepts-institutional level, organizational level, and individual level factors. This is done in a context where prior studies do not relate these concepts to each other nor incorporate them into a single framework. This synthesis of the factors that contribute to social environmental performance and reporting is the study's substantial empirical and theoretical contribution. Apart from contributing to the body of knowledge, this study also has potential to create positive social change for a number of stakeholders as regional contributions. The present study, therefore, has implications for policy and practice, as such policies has impact on companies and how companies respond to social and environmental expectations of society in achieving legitimacy.

## 1.1 Introduction

“The 2030 Agenda holds the promise of a better, safer, greener future for all. We will achieve transformational change only with the help of responsible business, investment and civil society,” (Ban Ki-Moon, UN Secretary-General, 2015).

In view of that, the 1992 United Nations (UN) Conference on the “Earth Summit” has recognized a novel path for social and environmental welfare, which is known as “Sustainable Development”. The idea of sustainable development has been accepted by UN that “Economic development must be balanced with growth that meets present generations’ needs and protects the environment, without jeopardizing the ability of future generations to meet their own needs” (Drexhage & Murphy, 2010).

Thus UN outlines that poverty abolition, moving consumption, manufacturing arrangements and to protect the natural resource for societal development, and managing the organization's objectives and requirements are essential for sustainable development. However, overall prosperity, safety and stability are under threat due to the growing discrepancy between the industrialized and the unindustrialized world (Atapattu, 2015). The worldwide environment is continuously suffering. The damage of ecosystem is still depleted, deforestation dues additional productive land, the hostile impacts of environmental degradation are now obvious, regular calamities are continuing and overwhelming, developing countries are more susceptible, air and water pollution are still taking away millions of lives (Bernard & Semmler, 2014).

In line with this, worldwide integration has added a novel aspect to these challenges. The speedy incorporation of investment movements and the enormous rise

in capital market flows all over the world have unlocked different challenges and chances to chase sustainable development. However the advantages of worldwide integration are unequally disseminated and emerging economies face particular problems in meeting this challenge (Ravenhill, 2014; Saunier & Meganck, 2012; Callway, 2012).

Thus, the interaction between business and society is changing where new environmental and social threats are emerging and the challenge of sustainable development becomes clearer than before (Street, 2015) which has led to the development of the notion of corporate social and environmental responsibility (CSER) (Morschett, Schramm-Klein, & Zentes, 2015).

Accordingly, CSER is usually defined as the combination of societal and environmental concerns towards corporate functions in order to solve those challenges (Gjolberg, 2012); therefore Herrmann (2004) stated that CSER is recognized as a possible antidote for the challenges of globalization that hold back sustainable development, such as disparities in prosperity (Dypdahl, 2015).

Consequently, regardless of sizes and industries, business organizations have become increasingly aware that "business as usual" does not take into account the needs of all stakeholders and that more efforts should be made to cover the needs of all affected by their activities (Dypdahl, 2015).

In view of that 2030 established as the target year in achieving the Sustainable Development Goals (SDGs), unique fresh plan, 17 novel Sustainable Development Goals (SDGs) have been introduced to state the three interrelated fundamentals of sustainable development: economic, social and environmental development (United Nations, 2015b). Nevertheless, 17 new SDGs are generally applicable to all countries by