Md. Abu JAHID, Md. Harun Ur RASHID, Syed Zabid HOSSAIN, Siswoyo HARYONO, Bambang JATMIKO /
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61

Impact of Corporate Governance Mechanisms on Corporate Social Responsibility Disclosure of Publicly-Listed Banks in Bangladesh

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Abstract

The study examines the impact of corporate governance mechanisms, such as board characteristics on corporate social responsibility disclosure (CSRD). The data on CSRD items and board characteristics have been collected by content analysis of the annual reports of 30 publicly-listed banks in Bangladesh covering six years, from 2013 to 2018. More specifically, the directors' report, the chairman's statement, notes to the financial statement and CSR disclosure reports included in annual reports were used to collect the CSRD data. The empirical analysis applies the ordinary least square and the generalized method of moments. The results of the study have revealed that board size, board independence, female board member, and foreign directors have a significant positive impact on CSRD. By contrast, political directors and audit committee size have a negative impact on CSRD. Interestingly, accounting experts on boards ensure more CSRD as they curb the influence of politicians on the board. Thus, it is better to increase accounting experts and decrease politicians on the board. These findings provide valuable insights into the process of forming a suitable CSR policy by connecting the efforts of the board, government, and regulatory bodies to enhance the performance of banks to CSR as well as to CSRD.

Keywords: Corporate Social Responsibility Disclosure, Corporate Governance, Banking Industry, Bangladesh

JEL Classification Code: M41, M14, G32, G34

1. Introduction

The principal responsibility of corporate managers is to maximize shareholder's wealth within the legal limit.

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Such a duty forces corporate managers to neglect other stockholders, for instance, the environment, the ecosystem, and society at large, in which the firm operates (Masud et al., 2019). Banks' contribution to the social and environmental cause is remarkable because of their unique position in the economy (Rashid & Uddin, 2018). Their CSR practices not only enhance their social standing but also influence the social behavior of other business entities. The World Bank observed 'CSR as an institutional commitment to support economic development by working closely with the workers, their families, local communities, and wider society in a way that is essential for business and development' (Starks, 2009).

CSR knowledge is essential for assessing the risk of investors and lenders, protecting the goodwill of the regulators, and strengthening the trust of the common people on the financial system. But less attention has been paid by scholars in establishing a link between corporate governance and corporate social responsibility. Still, separately, corporate governance (CG) and corporate social responsibility (CSR) have established themselves as a well-researched and

Md. Abu JAHID, Md. Harun Ur RASHID, Syed Zabid HOSSAIN, Siswoyo HARYONO, Bambang JATMIKO /
Journal of Asian Finance, Economics and Business Vol 7 No 6 (2020) 061 – 071

62

highly-debated area (Khan, Muttakin, & Siddiqui, 2013). However, CSR disclosure is influenced by corporate governance mechanisms, particularly the board composition; it could be an essential factor for study. The corporate board takes crucial decisions about CSR and CSRD as it is responsible for formatting sustainable business strategies and supervising the use of assets of the company (Khan et al., 2013; Khan et al., 2019; Muttakin, Khan, & Subramaniam, 2015).

1.1. Corporate Social Responsibility Disclosure Practices in Bangladesh

Earlier studies in the context of Bangladesh witnessed modest CSR disclosures and provided mostly employee-related descriptive information that raised the question of data integrity (Rashid et al., 2019). Moreover, Azim et al. (2009) also reported that only one-sixth of the publicly-traded companies in Bangladesh disclosed CSR issues voluntarily. Another study by Belal and Cooper (2011) reported that the publicly-listed companies in Bangladesh stayed away from the most compelling CSRD.

CSR in Bangladesh is very low compared to developed nations, and, thus, the social, environmental, and economic problems are escalating. In agreement with global mobility, CSR has been acknowledged as the root of the corporate competitive edge in Bangladesh. As an emerging economy, it requires more enhanced CSR to remain competitive in the global platform. Though many studies merely explored CSR and environmental disclosures in Bangladesh (Sobhani, Amran, & Zainuddin, 2012), a few studies showed the association between CG mechanisms and CSRD in the banking industry. Hence, this research strives to answer the following question. Do the board characteristics have an impact on CSRD in banking companies in Bangladesh? The answer to the question remained unexplored in prior studies. Thus, to address this research question, the study aims at investigating the extent of CSRD by the banking companies in Bangladesh and the impact of leading CG mechanisms on CSRD.

The second section reviews the contemporary literature related to CSR and discusses different theories related to the research and hypotheses. Section three presents the research design and methodology, while section four deals with the analysis and interpretation of results. Finally, chapter five includes findings, policy implications, limitations, and conclusions.

2. Literature Review and Hypotheses Development

The stakeholder, legitimacy, and agency theories are frequently used in CG and CSR disclosures. The stakeholder theory holds that disclosures are to satisfy the data needs of various stakeholders (Freeman, 2010). The legitimacy theory supports companies to generate and execute voluntary social and environmental disclosures to legitimize their presence and operations (Lindblom, 1994), while agency theory is used to resolve conflicts of interest between principals (shareholders) and their agents (managers) and confirms that managers are inclined to disclose gladly in the presence of adequate incentives for them (Haniffa & Cooke, 2002). Based on the stakeholder-agency theory, agency conflicts are relieved when decisions of managers about voluntary disclosure are aligned with the interest of all stakeholders (Grassa, Chakroun, & Hussainey, 2018). From the agency theory perspective, executive directors are agents of the shareholders, while nonexecutive and independent directors owe the shareholders a fiduciary duty that pushes the BOD to disclose more corporate news voluntarily to reduce information asymmetry (Gul & Leung, 2004). Based on the above theoretical foundation, the study proposes the following hypotheses between CG and CSRD.

2.1. Board Size and CSRD

A couple of studies observed that large boards are positively associated to CSRD (Bae, Masud, & Kim, 2018; McGuinness et al., 2017). Large boards contribute positively to a company's reputation as it has a more generous blending of proficient knowledge and robust interests that enhance CSR demand and ensure higher transparency. Large boards improve corporate reputation as these are linked with a more comprehensive mixture of expertise, knowledge, and stakeholder representation. The need for more meaningful CSR exercises is ensured by the presence of diverse stakeholders on boards, and hence, larger boards are supposed to engage in CSRD (Ntim & Soobaroyen, 2013). For example, Zaid et al. (2019) showed that board size was positively related to the dissemination of information as larger boards satisfy stakeholders' expectations of enhanced transparency and disclosure. Moreover, the study by Donnelly and Mulcahy (2008) showed that board size and clarity were positively related to Irish companies. However, the study by Khan et al. (2019), Ismail Khan et al. (2019), and Nguyen et al. (2020) did not find any association between board size and CSRD. Therefore, it is crucial to examine the impact of board size and CSRD. Thus, we set the following hypothesis.

H1. There is a positive relationship between board size and CSRD.

2.2. Board Independence and CSRD

The main feature of corporate governance is the independence of boards, as the provision for independent directors, is to address the interests of all stakeholders, not only the shareholders (Haniffa & Cooke, 2005). Prior studies

showed that boards warrant better decisions in the presence of an independent director, especially in CSR strategy and disclosure (Khan et al., 2013; Zaid et al., 2019). In this sense, companies that have more board independence are more likely to provide indemnity to executives in the form of CSR (Hong, Li, & Minor, 2016). With the increase in the number of independent directors on the board, CSRD increases (Zaid et al., 2019), since the independence of management positively affects the CSR behavior (Huynh, 2020). The findings of some studies did not report the relationship between independent directors and CSRD (Esa & Anum, 2012), while some other studies showed positive effects based on the governance environment (Khan et al., 2013; Zaid et al., 2019). Therefore, it is necessary to examine the influence of board independence on CSRD. Thus, we set the following hypothesis.

H2. There is a positive relationship between board independence and CSRD.

2.3. Women on Board and CSRD

Most of the previous studies affirmed that the quality of CSRD is positively influenced by the presence of women members on board. For instance, Liao, Luo, and Tang (2015) examined 568 companies from 15 countries and found that the presence of women on boards was one of the leading factors for the diffusion of information, and affirmed that there was an increasing trend to be eco-friendly and transparent with the presence of female directors on boards in British firms. The study by Khan et al. (2019) also found that females are more engaged in social practices than males. Similarly, the social performance of Chinese firms is enhanced with the presence of female members on boards (McGuinness et al., 2017). Based on the literature, this study proposes that the presence of women on boards positively reinforces CSRD.

H3. There is a positive relationship between women directors on the board and CSRD.

2.4. Foreign Board Members and CSRD

Usually, the presence of foreign members on corporate boards may improve the clarity and commitment of members to the good governance of corporate entities. They also try to act more independently to achieve control over corporate leverage and contribute more to CSR (Grassa, 2016). Besides, foreign directors on the board, with more valuable and diverse expertise, may ask for higher CSRD (Muttakin et al., 2015). In Bangladesh, foreign ownership and foreign directors are increasingly common on the board due to the growth in the number of multinational ventures (Muttakin et al., 2015), along with the continuous growth

in the economy, though the percentage of foreign directors on boards is still quite low. Nevertheless, it is also possible that foreign directors, with their diversified knowledge, may demand more disclosure and monitor over the managerial decision on the board in Bangladesh. It, in turn, may lead the board towards CSR disclosure practices. Based on the discussion, the study posits the following hypothesis.

H4. There is a positive relationship between foreign directors on the board and CSRD.

2.5. Accounting Experts on Board and CSRD

In the present study, accounting experts must have professional degrees in their respective fields. Accounting experts of a company always focus on the profitability of the company instead of sustainability (Rashid et al., 2020). For instance, accounting experts always strive to maximize the firm's profit and prevent corporate managers from investing in CSR drives (Khan et al., 2019). But the study by Masud et al. (2019) documented that accounting experts help to reduce corruption in the management level and ensure all types of disclosure. They also supposed a positive relationship between board educational diversity on CSRD, though, the study by Khan et al. (2019) found an insignificant relationship between board education and CSRD in Pakistan. The board of directors must need proper accounting knowledge to comply with international standards by ensuring better quality supervision and consultancy. It is not possible to ensure the compliance of many standards due to the absence of professional knowledge. Hence, the study assumes that the board comprising of accounting experts can influence CSR disclosure positively.

H5. There is a positive relationship between accounting experts on the board and CSRD.

2.6. Political Board Member and CSRD

The existence of politicians on the board helps a company to keep good relations with the government (Cheng et al., 2017; Masud et al., 2019). Cheng et al. (2017) documented that political relations enable a company in rent-seeking, a way to keep a close relationship with the government to have more preferential policies and government resources. To create a good image of the company, the board may hide damaging information and magnify more useful information in CSR disclosure. Most of the prior studies found a negative impact of political connection on the quality of CSR disclosure (Rahman, Jamil, & Ismail, 2019). The political board members are less willing to follow the rules regarding equal employment, environmental policies, and regulative policies. More revealing is that the government cannot create

Md. Abu JAHID, Md. Harun Ur RASHID, Syed Zabid HOSSAIN, Siswoyo HARYONO, Bambang JATMIKO /
Journal of Asian Finance, Economics and Business Vol 7 No 6 (2020) 061 – 071

64

any pressure to force them. Therefore, the study proposes the following hypothesis.

H6. There is a negative relationship between the political board member and CSRD.

2.7. Size of the Audit Committee and CSRD

The audit committee size is defined by the number of members in it. Based on the advice of the ASX corporate governance council (2010), an audit committee should be comprised of at least three members with sufficient accounting and legal knowledge to deliver the monitoring and reporting responsibility, such as CSRD. A larger audit committee has enough strength and diverse expertise to ensure appropriate monitoring that is essential for CSRD (Buallay & Al-Ajmi, 2019; Imran Khan et al., 2019). However, an extra-large committee leads to some added costs like the possible cost of poor communication, coordination, and control (Jensen, 2010). Studies have shown that the free-rider problem also arises when there exist extra-large committees and dispersed responsibilities, that could undermine CSRD (Li, Mangena, & Pike, 2012). Hence, the study anticipated the following hypothesis.

H7. There is a positive relationship between the size of the audit committee and CSRD.

3. Research Methodology

3.1 Sample Size and Data

The annual report of 30 publicly-listed banks in Bangladesh covering a period of six years, from 2013 to 2018, and hence, the final sample (30 banks x 6 years) totals 180. This study was mainly based on secondary data collected from annual reports and websites of listed banks. Social responsibility data were collected from the CSR disclosures, corporate governance disclosures, directors report, Chairman's statement, and notes to the financial statement included in annual reports. Necessary data were collected from annual reports and websites of the sample banks. The CSRDI was constructed after combining both corporate social responsibility items disclosed in annual reports and websites. Earlier studies have confirmed that the annual report is a more trustworthy source to measure corporate disclosure than other information channels, such as the corporate website (Khan et al., 2013).

3.2. Dependent Variable

The study conducted a content analysis. It is a method by which one can codify the text or content (Weber, 1988).

The content analysis largely relies on the coding method (Hsieh & Shannon, 2005). The disclosure items classified into five environmental categories, community involvement, human resource/employee information, product and service information, and energy (Haniffa & Cooke, 2005; Khan et al., 2013; Khan et al., 2019; Khan et al., 2019). The corporate social responsibility disclosure index was developed by collecting all the information in 22 items presented in Table 1. This CSRDI was developed by using the scores of '1' if a company disclosed the corporate social responsibility items, and '0' if not. In this study, we used CSRDI as a dependent variable calculated as follows:

$$CSRDI = \sum_{i=0}^{n} ci$$

Where, c = 1 if item ci is disclosed
0 if the item ci is not disclosed
n = number of items

Table 1: CSRD items

1. Community involvement
Charitable donation and subscription
Sponsorship and advertising
Health service
Education facilitating
Cultural practices
2. Environmental
Environmental policies
Energy consumption
Green banking
Climate financing
Waste management
3. Employee information
Number of employees
Freedom of association
Employee turnover
Employee training and development
Employee profit sharing
Equal opportunity
Occupational health and safety
4. Product and service information
Types of product disclosure
Product development and research
Product quality and safety
Focus on consumer service and satisfaction
5. Value-added information
Value-added statement

3.3. Independent Variables

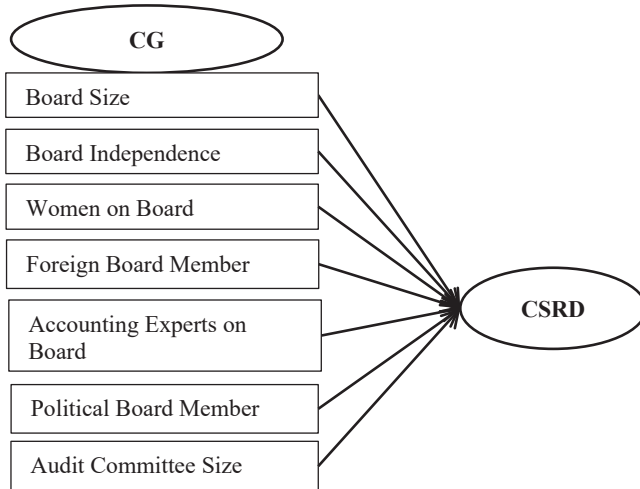The independent variables, a part of corporate governance shown in Figure 1 of the study, are defined in Table 2.

Figure 1: CSRD Model:

3.4. Control Variables

In this study, we have used four control variables: the firm's size (log of total assets), profitability (ROA), leverage, and age of the firms, presented in Table 2. If these variables are controlled, the relationship between corporate governance characteristics and CSRD can be adequately measured. The previous studies used the logarithm of the total asset as a proxy of firm size, and ROA as an indicator of profitability. The study uses the banks' size, age, and leverage as control variables in the line of the prior studies since the larger firms are under the massive pressure of stakeholders to report more disclosure to their activities (Buallay & Al-Ajmi, 2019; Katmon et al., 2019). Moreover, the study uses ROA as a control variable as firm financial performance has a significant impact on the level of voluntary disclosure as per the signaling theory (Muttakin et al., 2015).

3.5. Measurement Instrument

Descriptive statistics used to evaluate the overall summary of a set of data. It is an essential measurement for any research to have an overall idea about the data

Table 2: Variables measurements

Variables	Form	Sign	Measurements
Dependent variable			
CSR disclosure index	CSRDI		CSRDI was developed by using the scores of "1" if the company discloses the corporate social responsibility items and "0" if it is not.
Independent variables			
Board characteristics			
Board size	BOARD	+	Numbers of directors sit on the board
Independent board member	IBM	+	Number of independent directors on the board
Women board member	WBM	+	Number of female directors on the board
Foreign board member	FBM	+	Number of foreigners on the board
Accounting experts	AE	+	Number of accounting experts on the board who hold professional degrees like CA and CMA
Political board member	PBM	-	Number of politicians on the board
Audit committee size	AUDIT	+	Number of members in the audit committee
Control variables			
Firm size	SIZE		Log of total assets of the individual firm
Return on assets	ROA		Net income divided by total assets
Leverage	LEV		Total long term debt divided by total assets
Age	AGE		Number of years in business
Year dummy	YEAR DUMMY		Year dummy was created for the six-year period, where 1 is for the current year and 0, otherwise.

66

Md. Abu JAHID, Md. Harun Ur RASHID, Syed Zabid HOSSAIN, Siswoyo HARYONO, Bambang JATMIKO /
Journal of Asian Finance, Economics and Business Vol 7 No 6 (2020) 061 – 071

set. Moreover, we checked multicollinearity among the variables. Multicollinearity is a problem that occurred when a correlation among the independent variables is very high. High multicollinearity can bias a model. We also used correlation to indicate the relationship between two variables. Finally, we run the OLS regression test to investigate the impact of corporate governance on CSRD.

3.6. Data Estimation Model

We used the following Ordinary Least Square (OLS) regression model to examine the relationship between the dependent and independent variables. We also took the aid of some alternative variables to check the robustness of our model. Finally, the study applies GMM regression to check the endogeneity issue and confirm whether the relationship found from the OLS is firmly fitted or not.

$$CSRDI_{it} = \alpha_0 + \beta_1 BOARD_{it} + \beta_2 IBM_{it} + \beta_3 WBM_{it}$$
$$+ + \beta_4 FBM_{it} + \beta_5 AE_{it} + \beta_6 PBM_{it}$$
$$+ \beta_7 AUDIT_{it} + \beta_8 SIZE_{it} + \beta_9 ROA_{it}$$
$$+ \beta_{10} LEV_{it} + \beta_{11} AGE_{it}$$
$$+ \beta_{12} YEAR\ DUMMY_{it} + \varepsilon_{it}$$

Where, CSRDI = Corporate social responsibility disclosure index received by each sample bank;

α_0 = the constant, ε_{it} = the error term, β_1 to β_{12} = the coefficients of the variables defined in Table 2, and 'i' and 't' = the number of banks and period respectively.

4. Results and Discussion

4.1. Descriptive Statistics

Table 3 shows the descriptive statistics of the sample banks where the mean and standard division (SD) are used to measure the separate as well as the overall performance of the 30 listed banks. The dependent variable CSRDI has a mean of 17.22, which is within the range of 11 to 21 percent, and the SD of 2.07. Most of the banks disclosed CSR related information as the mean value is near to the maximum score. Moreover, the average board size of the banking industry in Bangladesh is high (nearly 14 members per bank), while the number of independent, female, foreign, and expert members on the board is inadequate.

4.2. Correlation Matrix

Table 4 shows the correlations coefficient between any pair of variables used in this study. It explores the interrelationship between two variables negatively or positively at a certain level of significance. CSRD is positively related to board size, independent board members, women directors, bank size, leverage, and financial performance, while negatively related to the audit committee, accounting expert, and age of the banks. The results imply that the larger the total number of directors, independent directors, and women on the board, the higher the possibility is to disclose CSR. By contrast, the higher the number of accounting experts and audit committee reduces the CSRD.

4.3. Multicollinearity Test

Multicollinearity is a phenomenon in which one predictor variable in a multiple regression model can be linearly predicted from the others with a substantial degree of accuracy. The multicollinearity problem exists when the correlation coefficient between any two variables is above the threshold of 0.90 (Black, Babin, & Anderson, 2010). The highest correlation coefficient in this study is between CSRD and bank size is 0.527, presented in Table 4, which is less than 0.90. Thus, the study has no collinearity problem. Furthermore, the study deals with the variance inflation factor (VIF) test to confirm whether the collinearity exists in the model. Table 5 represents all the values less than the threshold value of 10 (Hair et al., 1984), which indicates that there is no multicollinearity among the variables in the study.

Table 3: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
CSRD	180	17.22	2.07	11	21
BOARD	180	13.84	3.78	6	21
IBM	180	2.57	1.02	0	8
WBM	180	1.39	1.28	0	5
FBM	180	0.31	0.98	0	7
AE	180	1.01	1.31	0	8
PBM	180	0.33	0.71	0	3
AUDIT	180	4.42	0.94	3	6
SIZE	180	12.23	0.66	9.34	13.81
AGE	180	24.51	9.58	12	46
ROA	180	0.79	1.03	-4.97	2.81
ROE	180	10.91	4.97	-7.62	22.16
LEV	180	0.68	0.07	0.47	0.84
BIG4	180	0.43	0.50	0	1

Table 4: Pair-wise correlations

	CSRD	BOARD	IBM	WBM	FBM	AE	PBM	AUDIT	ROA	LEV	SIZE
CSRD	1										
BOARD	0.295***	1.000									
IBM	0.500***	0.405***	1.000								
WBM	0.181**	0.000	0.049	1.000							
FBM	0.014	-0.082	0.144*	-0.095	1.000						
AE	-0.178**	0.152**	0.027	-0.108	0.121	1.000					
PBM	0.000	0.296***	0.085	0.275***	-0.051	0.166**	1.000				
AUDIT	-0.205***	0.415***	-0.020	-0.192***	0.037	0.121	0.134**	1.000			
ROA	0.382***	0.117	0.167**	-0.088	-0.365***	-0.226***	-0.121	-0.108	1.000		
LEV	0.356***	-0.010	0.152**	0.015	0.154**	-0.343***	0.026	-0.018	-0.040	1.000	
SIZE	0.527***	0.306***	0.467***	-0.006	-0.173**	0.233***	0.043	-0.170**	0.436***	0.084	1.000
AGE	-0.231***	0.013	-0.064	-0.129*	0.109	0.462***	-0.189**	0.033	-0.156**	-0.323**	0.185**

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

4.4. Regression Analysis

The OLS regression results are exhibited in Table 5. The result of column 1 in Table 5 signifies that there is a significant relationship between CG and CSRDI. Among the CG attributes, the board size, board independence, and the presence of women and foreigners on the board have a significant positive impact on CSRDI. The results are consistent with the prior studies (Zaid et al., 2019; Nguyen et al., 2020). On the other hand, political board member and audit committee have a significant negative impact on CSRD, while accounting experts on the board do play any role in the issue of CSR as they have an insignificant effect. Of seven hypotheses, therefore, the study supports five hypotheses, H1, H2, H3, H4, and H6. Further, among the control variables, firm size and profitability have a significant effect on CSRD, while age has a negative impact.

4.5. Sensitivity Analysis

Columns 2, 3, and 4 in Table 5 present the robustness of the study. Several alternative models have been run to check the robustness. First, the study has used BIG4 instead of ACTM as an alternative measurement of audit quality. BIG4 denotes companies audited by one of the world's top four audit firms (KMPG, PwC, Deloitte, and Ernst & Young) or their local agents to ensure transparency and reliability of corporate financial statements (Cheng et al., 2017). The study found an insignificant impact of BIG4 on CSRD, while all other results remain unchanged as opposed to model 1. The result implies that external auditors cannot influence CSRD, whereas the study revealed that the internal auditor form the corporate board plays a negative role in CSRD. Second, the

study used ROE as a financial performance measure instead of ROA. Likewise, the study found a significant positive impact of ROE on CSRD, while the effects of all other independent variables on CSRD remain unchanged except the negative effect of accounting experts on CSRD. Third, the study used an interaction effect of accounting experts and politicians on the board, and surprisingly, the study found a positive and significant impact of such interaction on CSRD. The accounting experts can create pressure on the politicians to reduce the control over boards that eventually drives banks towards more CSRD. Finally, the study used the year dummy in all models to have more robust results. Overall results of models 2, 3, and 4 are almost consistent with the baseline model 1, which proves the consistency and robustness of main findings across the alternative models.

4.6. Endogeneity Issue

Prior literature suggests that most variables in corporate governance are endogenous because companies select their board members or subcommittee members to match their company and environment (Katmon et al., 2019; Khan et al., 2019). The study has applied the two-steps system GMM regression to deal with the endogeneity issue (Khan et al., 2019). Columns 6 and 7 in Table 5 represent the results of GMM regression on the association between CG and CSRD. Necessary diagnostic tests such as estimated coefficients and their *p*-value, Sargan' test and Hansen test of validity, AR (1), AR (2), and *F* test were also performed to confirm the strength and validity of the model and instrumental variables used in the study as well (Khan et al., 2019). As documented in Table 5, the results of the GMM regression 5 are similar to the baseline model. Similarly, the results of the GMM 6 column

Table 5: OLS and two-steps system GMM regression results on the relationship between CG and CSRD

Variables	VIF	OLS 1	OLS 2	OLS 3	OLS 4	GMM 5	GMM 6
BOARD	1.79	0.130*** (0.036)	0.083** (0.033)	0.136*** (0.037)	0.121*** (0.036)	0.098** (0.040)	0.091** (0.038)
IBM	1.66	0.319** (0.129)	0.349*** (0.131)	0.302** (0.131)	0.309** (0.126)	0.268** (0.112)	0.284** (0.115)
WBM	1.21	0.264*** (0.089)	0.302*** (0.089)	0.255*** (0.090)	0.256*** (0.087)	0.245*** (0.048)	0.180** (0.083)
FBM	1.36	0.330*** (0.125)	0.309** (0.130)	0.276** (0.124)	0.393*** (0.124)	0.168** (0.076)	0.152** (0.062)
AE	1.82	-0.145 (0.108)	-0.159 (0.111)	-0.223** (0.105)	-0.215** (0.108)	0.033 (0.048)	0.006 (0.058)
PBM	1.38	-0.352** (0.169)	-0.384** (0.173)	-0.344** (0.174)	-0.929*** (0.253)	-0.251*** (0.064)	-0.634*** (0.178)
AUDIT	1.49	-0.345** (0.134)		-0.328** (0.135)	-0.298** (0.131)	-0.242*** (0.085)	-0.213** (0.087)
ROA	1.77	0.378*** (0.138)	0.366*** (0.140)		0.513*** (0.142)	0.263*** (0.054)	0.391*** (0.065)
LEV	1.44	5.338** (2.108)	5.217** (2.158)	4.874** (2.131)	5.706*** (2.062)	5.461*** (0.942)	6.073*** (0.909)
SIZE	2.35	1.037*** (0.252)	1.159*** (0.260)	1.293*** (0.226)	0.963*** (0.247)	0.915*** (0.219)	0.651*** (0.203)
AGE	1.61	-0.039*** (0.014)	-0.040*** (0.014)	-0.039*** (0.014)	-0.035** (0.014)	-0.038*** (0.013)	-0.037** (0.014)
BIG4			0.175 (0.237)				
ROE				0.043* (0.024)			
AE*PBM					0.347*** (0.116)		0.238*** (0.062)
L.CSRD						0.126* (0.067)	0.168** (0.075)
Year Dummy		Yes	Yes	Yes	Yes	Yes	Yes
_cons		0.813 (3.305)	-1.586 (3.254)	-2.239 (3.089)	1.274 (3.230)	-0.355 (2.230)	1.741 (1.972)
N		180	180	180	180	150	150
F		15.538	14.608	14.883	15.869	113.74***	1070.88***
r2		0.604	0.589	0.594	0.625		
r2_a		0.565	0.549	0.554	0.585		
AR(1) (*p* value)						-2.49 (0.013)	-2.53 (0.011)
AR(2) (*p* value)						1.60 (0.110)	1.49 (0.137)
Sargan' test (*p* value)						63.24 (0.000)	60.08 (0.000)
Hansen's test (*p* value)						18.09 (0.450)	17.75 (0.405)

are as same as the OLS 4 column when the interaction between board accounting experts and political board members were included in the model; it supports the baseline model substantially. Therefore, the results of GMM estimation prove the robustness of our model again across the endogeneity issue.

5. Discussion

Among the board characteristics, board size plays a significant and positive role in CSRD. Large board sizes can include directors with diversified knowledge and expertise. Larger boards are positively associated with the firm's reputation as it has a combination of higher skills and bigger interests that increase the demand for CSR and greater transparency. The findings suggest that companies should expand their board size as extended boards contribute more to the CSRD. But executives should consider both the costs and benefits of a large board as it costs more than a smaller board. Similarly, the presence of independent board members increases the decision-making quality, particularly in CSR and CSRD decision-making (Guerrero-Villegas et al., 2018; Zaid et al., 2019).

Companies with more board independence are more willing to provide compensation to executives in the form of CSR initiatives (Hong et al., 2016). Likewise, the presence of women on the board also increases the CSR activities as women hold more multitask and communication skills than their male counterparts. (McGuinness et al., 2017). Besides, the women are more risk-averse and reputation-sensitive, and thus they would like to follow the corporate rules more closely than the male directors. Similarly, foreign directors have a significant influence on CSRD that is compatible with earlier studies (Muttakin et al., 2015).

In Bangladesh, as foreigners are showing a growing interest in investing in shares, their presence on boards with diversified knowledge increases overtimes. As a result, they demand more disclosure and control over the board decision-making, which, in turn, influences the board to disclose more CSR news (Grassa, 2016). Banks with larger board size, board independence, and more women and foreign directors would have higher CSDR. Hence, the Central Bank should frame rules to force banks to include independent and female members on boards along with larger board size.

Remarkably, the study found an insignificant relationship between accounting experts on boards and CSRD, which is consistent with the study by Khan et al. (2019). The study revealed that the average number of accounting experts on boards has a very insignificant contribution to board decision-making. Moreover, accounting experts often focus on financial performance instead of CSR contribution. It distracts the management from contributing to CSR.

But the presence of political directors on boards has a significant negative impact on CSRD. It implies that the greater the presence of political members on boards, the less the involvement of banks in CSR and CSRD. The results are statistically significant as the majority of frauds are caused by political directors as they have the power and links to influence board decision-making (Masud et al., 2019). Thus, banks should not include political persons on their boards. More revealing is that the study found no association between the presence of accounting experts on boards and CSRD as well as legal experts on boards and CSRD. The results imply that they do not influence the board decision to disclose more CSR news.

A corporate audit committee has to make crucial choices on CSR and CSRD as it is responsible for formulating sustainable business strategies and supervising the use of the company assets. The most striking finding is that the audit committee size has a negative influence on CSRD, though some prior studies observed a positive association between the audit committee size and CSRD (Buallay & Al-Ajmi, 2019; Khan et al., 2019). The audit committee is held responsible for ensuring a professional audit of the firm's financial statements and operational performance, not the sustainability of profit. The presence of audit committees in banks cannot make any addition to CSR and CSRD. Thus, an audit committee should play the role of a watchdog to validate that the company is following the norms of providing more CSRD.

An earlier study found a significant positive impact of total assets and ROA on CSRD. It implies that the larger the firm size, the larger the profitability, and in turn, the higher the CSR and CSRD. Some other studies also found a similar result (Muttakin et al., 2015). The central bank should introduce CSR rules in which a bank with enormous asset value and profit has to provide huge CSR. Likewise, corporate financial leverage shows a positive influence on CSRD. The higher debt to equity or leverage creates huge pressure on different stakeholders to follow social and environmental norms, and in turn, more CSRD. Interestingly, the age of banks shows a significant negative influence on CSRD. This finding suggests that an aged bank provides less CSRD than a new one. The justification is that a new bank aims to attract more customers and be popular among them. So, a new bank invests more for social causes and discloses that CSR news. A new bank also pays more attention to CSR instead of profit. However, over time, banks age and get enough clients, and gradually start to focus on the higher volume of profit.

6. Conclusions

The objective of the study was to examine the impact of corporate governance mechanisms CSR disclosure of publicly-listed banks in Bangladesh. The cultural diversity, political systems, and legal structure have influenced

70

Md. Abu JAHID, Md. Harun Ur RASHID, Syed Zabid HOSSAIN, Siswoyo HARYONO, Bambang JATMIKO /
Journal of Asian Finance, Economics and Business Vol 7 No 6 (2020) 061 – 071

corporate governance mechanisms in Bangladesh. The most pertinent variables that have affected the level of corporate social responsibility are board size, independent, women, and foreign directors on boards, as these variables have significant positive influences on CSRD. Contrarily, the negative impact of political directors on CSRD implies that politicians should not be included on corporate boards as they demotivate companies to provide CSRD. The accounting experts on boards are responsible for reviewing the financial performance of banks. Their insignificant influence on boards implies that they have failed to stimulate CSR and CSRD activities rightly. So, the study suggests boards and regulatory bodies should ensure their engagement in improving the CSR performance of banks.

This empirical research disclosed that the more robust the CG framework in place, the more robust the CSR disclosure. As noted in this paper, the quality of CG mechanisms can influence corporate managers to pursue CSR and CSRD. Further research can strive to shed light on the separation of CG and CSR and their complex relations, especially in the context of developing countries. There is scope for research on the interplay of internal and external CG mechanisms in a specific industry setting, and how this shapes unique CSR and CSRD. Though this paper provided fruitful insights into CG–CSR interface and the impact of CG on CSRD from a developing country perspective, the study has, indeed, several limitations. The findings have been derived from single-country research and only on the banking industry, and thus, the findings cannot be easily generalized for other sectors or industries, though they have broader relevance and applicability in developing countries.

Notwithstanding these limitations, we believe this study has explored a new ground of CG and CSRD interaction and offered a significant contribution to CG–CSR research in the context of developing countries. Besides, our research questions the authority of agency theory as the prevailing model in CG and CSR research, indicating, in turn, the benefit of alternative stakeholder theory in accounting for a complex structure of corporate stakeholders in emerging countries. This opening trend can probably be further examined and confirmed by future research on the issue. Though CG mechanisms influence the CSRD of a bank, corporate managers must focus on the progression of the CSRD index. An appropriate board structure can ensure the best fitting CSRDI. Hence, the central bank should formulate rules that would compel banks to include diversified members on their boards, such as independent, female, and foreign directors, while avoiding any person active in party politics.

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