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Corporate Social Responsibility Disclosures in Group-Affiliated Firms and Politically Connected Family-Firms: Empirical Evidence From a Traditional Society

Abstract

This paper explores whether the political connections of Group-affiliated firms and family firms have any impact on the corporate social responsibility disclosure (CSRD) practices in a traditional society. Using a panel data of 792 company year observations of 88 companies from the Dhaka Stock Exchange (DSE) from 2010-2018, this paper documents that the firms, which are group affiliated and which are family controlled, are positively significant to CSRD, indicating more disclosure of CSR information. However, when the family firms are politically connected, the CSRD is negatively significant. Without denying the benefits of alternative theoretical lenses adopted in disclosure studies, this paper tries to identify whether elements of "traditionalism" such as display of loyalty to master, public display of loyalty, as characterized by Weber (1978), can be used to explain the determinants of CSRD in a developing economy. This paper contributes to the CSR literature by providing an alternative theoretical perspective for traditionalist societies and connecting political affiliation and ties with CSR disclosure. It provides a deeper insight into the dynamics of Group-affiliated firms and family-controlled firms, their ownership structures and governance mechanism with the disclosure practices in a traditional setting.

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1. Introduction

Despite the wider management literature containing ample evidence for the prevalence of political interests and patronage in corporations (Chapple & Moon, 2007; Lux, Crook, & Woehr, 2011; Muthuri & Gilbert, 2011; Prechel & Morris, 2010; Walker & Rea, 2014), the dynamics between politics and Corporate Social Responsibility Disclosures (CSRD) was, until recently, underexplored (Gu, Ryan, Bin, & Wei, 2013). However, a growing number of studies indicate that given the inefficient capital markets, weak regulatory standards (Muttakin et al., 2018; Siddiqui et al., 2021; Leff et al., 2021), and relation-based governance framework in developing countries (Bhatia & Makkar, 2020), political connections might play a "substitutive" role when it comes to CSRD (Saraswati et al., 2020). In other words, it might empower businesses to evade traditional legitimacy concerns that have hitherto predominated explanations of CSRD. For instance, in a study on Indonesia, Saraswati et al. (2020) indicate that the presence of politically connected board members diminishes the perceived need for CSRD – a finding which is echoed by Muttakin et al. (2018) in their study on the link between political connections and CSRD in Bangladesh. The present study intends to add a dynamics to this growing body of research. More specifically, it aims to explore the CSRD of Group-affiliated firms and Family-firms in Bangladesh and to examine whether political affiliation of such family firms and Group-affiliated firms influences such disclosure.

The institutional and socio-political context in Bangladesh provides a worthwhile site for this kind of study. Like many developing economies, Bangladesh's corporate environment is characterized by the dominant presence of a business-politician tie (Yardley, 2012; Muttakin et al., 2015), with considerable evidence of exchange of favors between businesses and the state (Mahmud, Ahmed, & Mahajan, 2008; Uddin et al., 2018). Businesses may therefore be inclined to use CSRD as one medium for such exchange, even to the extent of abusing CSR activities and disclosures to gain patronage from the government. In addition, although earlier studies of CSR tended to focus on the general nature of social and environmental reporting, more recent studies are zooming into specific aspects of CSR reporting (Uddin et al., 2018), as relevant to different categories of countries, industries, and firms. Among the latter category, Family-firms and Group-affiliated firms have garnered increasing attention - the former owing to the unique implications of family ownership for corporate decision making (Garcia-Sanchez et al., 2021) and the latter owing to the double-edged nature of their impact on socio-economic welfare (Khanna & Yafeh, 2007; Leff et al., 2021). Since both Family-firms and Group-affiliated firms are widely prevalent in Bangladesh's corporate landscape, the country offers an interesting research site to examine whether such firms engage in higher or lower CSRD and whether the intrusion of political affiliation has any impact on their inclination towards CSRD.

In order to determine the above relationships, the paper uses Ordinary Least Squares (OLS) multiple regression to investigate the association of political connections, Family-firms and Group-affiliated firms with the extent of CSR disclosures. Using 792 firm-year observations, we find a positive association of Family-firms and Group-affiliated firms, indicating higher CSR disclosures. However, when these family firms are politically connected, it results in a negative significant association, implying that when the family firms are politically connected, they tend to disclose less CSR information.

The unique contribution of this paper is three-fold. First, although past studies have examined the CSRD of politically-connected firms (e.g., Muttakin et al., 2018; Uddin et al., 2018; Siddiqui et al., 2021) and Family-firms (e.g., Biswas et al., 2019) in Bangladesh, this is, to the best of our knowledge, the first attempt to determine whether the interplay between these variables has any significant impact on CSRD. In addition, there is scant research on Group-affiliated firms in Bangladesh, particularly with respect to the CSR domain. This study can contribute towards filling that gap and further the understanding of the potential impact of Group-affiliated firms in developing countries, which is of growing interest to academics and policy makers.

Second, in response to the call for the utilization of alternative theoretical perspectives in the sustainability accounting area by previous researchers such as O'Dwyer and Unerman (2016), this paper uses Weber's notion of "traditionalism" as the theoretical lens to explain the CSRD of the firms under study. Uddin & Choudhury (2008), Cadiz Dyball and Valcarcel (1999) have argued that traditionalism provides the very essence of the social fabric in Bangladesh. Thus, the use of traditionalism as a theoretical perspective may offer useful insights regarding the dynamics of CSRD in Bangladesh. It may also help to address the growing concern surrounding the limited usefulness of legitimacy and stakeholder theories in explaining CSRD in developing countries (Uddin et al., 2018).

Finally, from a methodological perspective, this study makes a unique contribution by using quantitative modeling to establish the connection between traditionalism and CSRD. While a number of past papers, notably Uddin et al. (2018), have explained politically influenced CSRD in Bangladesh through the lens of traditionalism, the authors relied on analysis of documentary evidence gathered from 23 banking companies. Likewise, Siddiqui et al. (2021) have used depth-interviews with different stakeholders to depict the politically charged nature of CSR disclosures in Bangladesh. By using comprehensive panel data of 792 company-year and employing OLS multiple regression analysis, this paper has the potential to further the understanding of CSRD in not just Bangladesh but also other developing countries that share characteristics of traditionalism, thereby allowing the extension of the empirical model.

The rest of the paper is organized as follows. The next section describes the institutional context in Bangladesh with respect to Weber's traditionalism. The third section presents the literature review and uses this as the basis for developing the hypotheses for the paper. The subsequent section discusses the research design, data, sample, and the model. The findings and discussion are presented next, followed by conclusions and directions for future research.

2. The Institutional Context Through the Lens of Traditionalism

Weber's (1958, 1978, 1981) notion of traditionalism emphasizes the importance of social, cultural, and historical factors in shaping a particular form of society (such as traditionalist) and their implications in organizational accountability and transparency (Uddin & Choudhury, 2008). Weber suggests that traditional societies exhibit the traditional domination of economic activities (Uddin & Choudhury, 2008), hampering the establishment of rational or ideal capitalism. This is because the property and productive capacities of individual economic units are geared primarily towards satisfying the needs and preferences of the master (family/clan) (Cadiz Dyball & Valcarcel, 1999). In such a setting, the members of the ruling family(ies)/clan tend to exercise traditionalist domination, and other entities in the economy have a vested interest in demonstrating personal loyalty towards them. Cadiz Dyball & Valcarcel (1999) referring to Weber's work, argue that:

"There is a "personal master", not a "superior"; served not by an "administrative staff", but by "personal retainers". Instead of ``members of an organization'', there are "traditional comrades". Obedience is to the "master", not to "enacted rules". The "master" is expected to do good turns, governed by an ethical common sense of equity or of utilitarian expediency. His exercise of power is bound only by resistance from his "subjects". It is impossible then for an "impartial" law or administrative rule to be intentionally created by legislation."(p. 307)

The above characteristics of traditionalism have been demonstrated in many societies, including Bangladesh (Uddin & Choudhury, 2008, Uddin et al., 2018). In fact, a glance at history helps to explain how colonization, exploitation, and family domination have shaped the development of capitalism in Bangladesh, much in line with other traditional societies. In the pre-colonial period in the country's history, the British East India Company reinforced the traditional power base arising from village communities (McLane, 2002), as this helped to preserve their economic and political interests (McLane, 2002). In the Pakistan period, industrialization was pursued by encouraging families, through various incentives, to make protected investments, leading to a concentration of industrial assets among a few dominant families (Humphrey, 1987). While there was a short period of "state capitalism" following the independence of Bangladesh in 1971 (Uddin & Hopper, 2001), this was succeeded by a stream of privatization, which entailed the selling of public enterprises to individuals or families with strong political ties (Uddin & Hopper, 2001; Wickramasinghe & Hopper, 2005), thus giving birth to 'crony capitalism'.

Such crony capitalism may be seen as the equivalent of the master-servant relationship mentioned by Weber and is often perpetuated through the exchange of favors between the political elite and businesses who remain bound to the protection of vested interests (White, 2004). When this is coupled with the overpowering familial domination in Bangladesh's corporate landscape (Mehjabeen & Bukth, 2019) and the strong influence of the state on corporate decision making (Uddin & Chowdhury, 2008), the country appears as a classic case of a traditionalist society, where kinship, personal loyalty, and obedience create inherent tensions with and often prevail over the mandates of rational/ideal capitalism (Siddiqui et al., 2021). In such a setting, neither is the state able to function as a neutral arbiter of resources, nor are businesses able to function as purely capitalist entities (Uddin et al., 2018). The result is often a widening of the institutional voids that, much like in other emerging markets, characterize the Bangladesh context (Mehjabeen and Bukth, 2019).

Given this resemblance between Weber's traditionalism and Bangladesh's institutional context, it is not surprising that some past studies have found it to be better suited in explaining the motivations behind CSR initiatives and disclosures in Bangladesh than either the more commonly used legitimacy or stakeholder theories. For instance, Uddin et al. (2018) have found evidence of "politically charged" CSR disclosures by the banking sector, where seemingly neutral philanthropic projects were, in fact, tied to the ruling party's political agenda. In addition, the family-led state is found to exert strong influence over corporate conduct in Bangladesh, often substituting for "enacted rules" or a regulatory framework (Uddin & Chowdhury, 2008). A case in point is the inclusion of donations to the liberation war museum and donations to the Father of the Nation memorial within the scope of CSR activities eligible for rebate, as both were tied to the government's pre-election manifesto/personal agenda (Uddin et al., 2016). This is much in line with what is expected in a traditional society, where regulations and policies are often set in a way that serves the interests of the master (here, the ruling party). Such traditionalist domination by the state and/or its cronies, creates room for corporate political activities to take place in the guise of CSR (Siddiqui et al., 2021).

In fact, studies on CSR disclosure in Bangladesh reveal that this is indeed the case – CSR activities of a superficial nature that have limited impact on enhancing socio-economic welfare or improving corporate transparency and accountability. One of the major components of CSR disclosure in the annual reports of the listed companies in Bangladesh is charitable donations and philanthropic activities or community involvement. Companies donate a substantial amount of money to education, health, arts, and cultural sector as part of the philanthropic activities under CSR (see Bangladesh Bank Annual Report, 2010, 2011, 2014, 2015, 2018, 2019, 2020, and also the annual reports of the respective companies). The concept of philanthropic activities as CSR practices in Bangladesh is deeply rooted in the country's heritage and has been influenced over many years by the religious values of Hinduism, Islam, Buddhism, and Christianity (Uddin, Siddiqui and Islam, 2016). According to the Bangladeshi historical background, both Hindu and Muslim Zaminders (kings of small estates and rich citizens) established temples, mosques, schools, colleges, medical centers, water tanks, etc. However, this potentially creates a situation where CSR practices can be politically misused.

3. Literature Review and Hypothesis Development

This section of the paper reviews the literature and develops the hypotheses to be tested.

Political Connections and CSRD: The notion that political connections influence firms' preferences for CSRD is well documented in the literature (Hung et al., 2018). Political connection has been conceptualized variously in previous studies, with state ownership and the presence of politically connected board members, respectively, constituting two of the more common conceptualizations (Wong & Hooy, 2018). Interestingly, some studies, such as Saraswati et al. (2020) have found that the former may result in increased CSRD, while the reverse holds true for the latter. There is, however, ample evidence in the literature of both forms of connection influencing disclosure both positively and negatively. Ghazali (2007), for instance, found state ownership to increase CSRD in Malaysia, while the reverse was found by Shahab & Ye (2018) in China. On the other hand, Marquis & Qian (2014) found the presence of politically connected board members to be positively linked to sustainability reporting in China, in contrast to Muttakin et al. (2018), who found a negative linkage between political affiliation of board members and CSRD in Bangladesh.

Several factors may be used to explain these mixed empirical findings. If viewed through the lens of legitimacy theory, firms with political connections may be exposed to greater public scrutiny and this may motivate them to engage in more voluntary reporting as a means of reinforcing the social contract (Guedhami et al., 2014). On the other hand, politically connected firms have fewer legal and financial incentives to report CSR activities as they enjoy considerable ease in attracting low-cost financing and are better able to avoid litigation and financial distress (Hung et al., 2018). This diminishes the perceived benefits of disclosure and hence reduces voluntary reporting.

When viewed through the lens of traditionalism, two alternative explanations may be provided to explain the CSRD of politically connected firms. On one hand, CSRD may be used by such firms as a means of engaging in a public display of loyalty to the master – i.e., the ruling political party and/or its influential leaders, much in line with the essence of traditionalism (Uddin et al., 2018). Going by this explanation, politically connected firms can be expected to engage in more reporting of CSR. On the other hand, it is also possible that since in a traditional society, obedience to the master supersedes accountability to a wider set of stakeholders (Uddin et al., 2018), politically connected firms in Bangladesh tend to dedicate more resources towards appeasing the master through corporate political activities (Siddiqui et al., 2021) rather than through genuine acts of CSR. Hence, in line with Muttakin et al. (2018) and Jahid et al. (2020), who find that political connections reduce CSRD in Bangladesh, this study postulates that the link between political connections and CSRD is negative.

H1: Politically connected firms engage in significantly less CSRD.

Group-affiliated Firms and CSRD: Group-affiliated firms have emerged as a major force in emerging markets (Cui et al., 2022), constituting over half of listed firms and accounting for more than half of total market capitalization in countries including India, Korea, and Brazil, among others (Ararat et al., 2018). In many of these emerging markets, Group-affiliated firms have been shown to make significant contributions to social and public welfare, which, according to Ararat et al. (2018), not only fulfill the definition of CSR, but go beyond the formal boundaries of CSR. In fact, it has been suggested that some Group-affiliated firms in emerging economies, through their contribution to causes such as education and the setting up of charitable foundations, serve to fulfill institutional voids (Khanna & Palepu, 2018). Since public knowledge of such activities strengthens the social contract and enhances the reputation of not just the parent company but also of affiliated firms (Ararat et al., 2018), Group-affiliated firms in emerging economies, through their contribution to causes such as education and the setting up of charitable foundations, serve to fulfill institutional voids (Khanna & Palepu, 2018). Since public knowledge of such activities strengthens the social contract and enhances the reputation of not just the parent company but also of affiliated firms (Ararat et al., 2018), Group-affiliated firms may be particularly inclined to engage in more CSRD. This might explain why studies including Min (2017) in Korea and Shah (2014) in India have found group affiliation to result in greater quantity and quality of CSR. In Bangladesh, a number of publicly listed companies are part of group of companies or large conglomerates. Hence, in line with these studies, it is suggested that Group-affiliated firms in Bangladesh disclose more CSR.

H2a: Group-affiliated Firms Engage in Significantly More CSRD.

However, several characteristics of Group-affiliated firms have led researchers such as Khanna & Yafeh (2007) to question whether they are “paragons” or “parasites”. The reason for the latter attribution is linked to a number of questionable practices such as the tendency to use CSRD to camouflage poor earnings quality (Choi et al., 2013), and the ability of Group-affiliated firms to avoid conforming with CSR reforms introduced by the state (Oh et al., 2011). The latter is particularly relevant to the present study as, given the traditionalist underpinning of Bangladesh’s society, large Group-affiliated firms may ignore their social responsibilities and instead remain preoccupied with establishing ties with the “Master” (here, the ruling party) through “coalition building” or “executive lobbying” (Uddin et al., 2016). Hence, this study postulates that politically connected Group-affiliated firms in Bangladesh tend to disclose less CSR information than Group-affiliated firms that are non-connected.

H2b: Politically Connected Group Affiliated Firms Engage in Significantly Less CSRD.

Family-firms and CSRD: Given the unique characteristics of family firms, it is of little surprise that several aspects of their decision-making have drawn research attention (Mariotti et al., 2021) with CSRD being no exception. Empirical studies on the relationship between family control in the form of shareholding and/or occupation of key managerial positions have yielded mixed results. Some studies have found that family control reduces both engagement in and reporting of CSR, such as Block & Wagner (2014) in the US and Cabeza-García et al. (2017) in Spain. On the other hand, a bulk of literature suggests that family firms, in general, tend to be better corporate citizens than non-family firms (Binz et al., 2017; Cennamo et al., 2012; Garcia-Sanchez et al., 2021). This has been explained mainly with reference to the concept of socio-emotional wealth, which holds that family firms have a long-term interest (Anderson & Reeb, 2004) in protecting their legacy and passing it on to future generations. Hence, contrary to non-family firms who are driven primarily by profit-maximization, family firms view CSR as a sustainable vehicle to build and maintain a strong reputation for the business (Block & Wagner, 2014) and, by association, the family, thus helping the goal of perpetuity (Parra-Dominguez et al., 2021). In addition, it has been suggested that family firms often tend to be more altruistic and thus engage in acts of philanthropy towards their communities, which may be conceptualized as CSR (Dyer & Whetten, 2006). Hence, in line with these findings, this study postulates that family firms in Bangladesh disclose more CSR.

H3a: Family-firms Engage in Significantly More CSRD.

However, the interplay between family control at the firm level and the presence of traditionalism at the institutional level adds a layer of complexity to this hypothesized link. While Family-firms in Bangladesh, much like their counterparts in other countries of the world, may be interested in preserving their socio-emotional wealth, this objective may be better achieved by establishing and maintaining links with the ruling elite or the master, rather than through genuine engagement in and/or display of CSR. In other words, the political connections of Family-firms may lend them the perpetuity that they desire, thus leading to the deemphasis of social responsibility as a reputation-building tool. Hence, this study postulates that politically connected Family-firms in Bangladesh tend to disclose less CSR information than family firms that are non-connected.

H3b: Politically Connected Family-firms Engage in Significantly Less CSRD.

4. Research Methodology

This section of the paper discusses the data collection, sample, models used in the study, and the operationalization of the test variables.

Data and Sample

The sample consists of 88 companies listed on the Dhaka Stock Exchange (DSE) in Bangladesh from 2010 to 2018[2] inclusive, with a total of 792 firm-year observations (panel data), excluding the financial institutions, banks, and insurance companies. Table 1 represents the industry-wise distribution of the firms. The sample consists of various sectors such as: engineering, food and allied, jute, cement, ceramics, miscellaneous, pharmaceuticals, tannery, and textile. The data for the analysis comes from multiple sources: financial, ownership, and corporate governance data are collected from the annual reports of the sample companies listed on the DSE. Social responsibility information was hand-collected from the CSR disclosures in the annual report, corporate governance disclosures, directors' reports, chairman's statements, and notes to the financial statements contained in annual reports and to certain extent from the company websites.

Table 1: Industry-wise Distribution of the Companies

Industry	Frequency	Percentage	Cumulative Percentage
Engineering	154	19.44	19.44
Food and Allied	62	7.83	27.27
Fuel and power	94	11.87	39.14
Jute	9	1.14	40.28
Power	5	0.63	40.91
Textile	126	15.91	56.82
Cement	45	5.68	62.5
Ceramic	36	4.55	67.05
Miscellaneous	36	4.55	71.59
Pharma	144	18.18	89.77
Real Estate and Hospitals	27	3.41	93.18
Tannery	18	2.26	95.45
Telecom	36	4.55	100
Total	**792**	**100**	

[2] (Cascino et al., 2010) argued that choosing a certain percentage threshold would not allow any difference in terms of family and non-family firms to be captured because a certain percentage threshold only represents high ownership concentration rather than family ownership and management.

The information of the political connections of the firms is obtained from the biographies of the board members in the annual report, the websites and company profiles. Family relationships and shareholding patterns were collected from prospectuses of the listed companies, annual reports, and company websites. Based on the Bangladesh Security and Exchange Commission (BSEC) notification, listed companies are required to disclose the pattern of shareholdings. This includes the number of shares held by parent/subsidiary/associate companies, the directors, CEO, company secretary, chief financial officer, head of internal audit and their spouse and minor children.

4.2 Measuring Political Connections (PCON), Family-firms (FAMDUM20) and Group-affiliated Firms

The political connections (PCON) of firms include an examination of all members of the board of directors and classify a firm as connected if any member of the board is politically connected explicitly or implicitly (Goldman, Rocholl, & So, 2013). This variable is represented by a dummy variable of "1" if there is at least one politically connected member, otherwise "0".

This study uses multiple criteria to identify family-controlled firms (A. Khan, Muttakin, & Siddiqui, 2015). Since prior literature provides no commonly accepted measure or criterion for identifying a Family-firm, La Porta et. al. (1999) argue that the 20 percent cut-off point is usually enough to have effective control of a firm and that this cut-off point is used by a number of studies (see Bartholomeusz & Tanewski, 2006; Setia-Atmaja, Haman, & Tanewski, 2011; Setia-Atmaja, Tanewski, & Skully, 2009). Following Cascino et. al. (2010), this paper uses a more refined definition of family firms that does not uniquely rely on ownership concentration as a major determining criterion[i]. So we identify family firms as being (i) firms in which 20 percent of a firm's shares or voting rights (either direct or indirect) are held by family block holders, and (2) at least one member of the controlling family holds a managerial position such as board member, CEO, or Chairman. We use a dummy variable to represent Family-firms (FAMDUM20) and set it equal to "1" if the firm is considered a Family-firm and "0" otherwise.

Group of companies in Bangladesh are not legal entities. However, majority of the large conglomerates in Bangladesh are group of companies under which the different affiliated companies are registered both publicly and privately. In this study, the author(s) defined the Group-affiliated firms (BG) as a dummy variable with "1" if the publicly listed companies in the sample is affiliated with a group of companies (for example, square textiles limited is a publicly listed company of square group).

4.3 Measuring Politically Connected Group-affiliated Firms and Politically Connected Family-firms

Family-firms which are politically connected (FAMDUM20_PCON) are measured by interacting the Family-firms (FAMDUM20) and Political Connections (FAMDUM20*PCON). Similarly, Group-affiliated firms (BG), which are politically connected are measured by interacting the Group-affiliated firms (BG) with Political Connections (BG*PCON)

4.4 CSR Disclosure Index (CSRDI) – Dependent Variable

CSRDI is the dependent variable of the study. In order to assess the level of CSR disclosure in the annual reports, a checklist of 28 items has been identified, which is reported in Table 2. The checklist is prepared based on checklists used in previous studies (Haniffa and Cooke, 2002; Haniffa and Cooke, 2005; Ghazali, 2007), considering the relevance and applicability to the context of a traditional setting like Bangladesh.

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

Cooke (1992), such judgement can be made after reading the entire annual report of the company. The researchers also conducted a pilot study of 50 companies of two years, 2011 and 2012 initially, and discussed the coding with each other. Once the coding was agreed upon, the researchers continued the same process with the complete data sample.

The CSR disclosure index is derived by computing the ratio of the actual scores of the company to the maximum scores attainable for that particular company (Mohd Ghazali, 2007). In this case, the score is calculated by dividing the score obtained by a company with the maximum attainable score relevant to that company. The scores of each of the items will be added and equally weighted to derive a final score for each company. The formula for the calculation is:

$$CSRDI = \frac{\sum_{t=1}^{nj} x_{ij}}{nj}$$

Where, CSRDI = Corporate Social Responsibility Disclosure Index

n_j= Number of items expected for j^{th} firm ($N \leq$ Total no. of items possible to attain)

X_{ij}= 1 if i^{th} item is disclosed and 0 if i^{th} item is not disclosed.

The study uses the Cronbach's coefficient alpha to assess the internal consistency of the disclosure index(Cronbach, 1951). The Cronbach alpha is found to be 0.7791. This is consistent with the previous studies on disclosure index (Botosan, 1997; Gul & Leung, 2004)[ii]. These studies use Cronbach's alpha as a reliability statistic useful to assess the degree to which correlation among the number of items in the disclosure index is attenuated due to random error. OLS multiple regression analysis is used to test the hypotheses developed. The assumptions underlying the regression model were tested for multicollinearity based on the correlation matrix as well as the variance inflation factor (VIF)[iii]. The models are run for a robust standard error option to control for heteroscedasticity.

Table 2: CSR Disclosure Scoring Items

Community Involvement
Charitable donations and subscriptions (arts, culture, Sports etc.)
Sponsorships and advertising
Community program (health and/or education)
Participation in government social programs including contribution to government relief funds
Beautification of roads, highway, parks etc.
Trust or foundation to provide training and education to non-privileged people
Establishment of educational institutions/medical facilities.
Environmental
Environmental policies
Support for public/private action designed to protect the environment
Installation of ETP
Energy conservation programs/policies
Employee Information
Number of Employees/Human Resources
Employee relations

Employee welfare and Benefits
Employee education
Employee training and development
Employee profit sharing /policies of profit sharing
Managerial remuneration/compensation package
Worker's occupational health and safely
Child labour or gender equality and related actions
Employees' leave and fringe benefits
Product and Service Information
Types of products disclosed
Product development and research
Product quality and Safety
Discussion of marketing network (including foreign market)
Focus on customer service and satisfaction
Customer award/rating received
Value Added Information
Value Added Statement
Total Score

4.5 Control Variables (Corporate Governance, Ownership Structure and Firm -specific Control Variables)

The study is controlled for both corporate governance (CG) variables and ownership structure in order to identify the determinants of CSR disclosures in Bangladeshi publicly listed family firms. The CG variables controlled in the study taken are : size of the board (BOARD_SIZE), presence of independent directors in the board (IND_BOARD), qualification of the chairman of audit committee (AUDCOM_CHAIR_QUALI), quality of audit measured by reputed auditors[3] (AUDITORS). In this study, the top six audit firms in Bangladesh, who are/were either one of the Big 4 or an affiliate of the Big 4, have been designated as the reputable audit companies in Bangladesh[iv] (see Mehjabeen, 2020). Besides considering the family firms defined earlier, the study controls for different types of ownership structures of the firms. The ownership structure variables considered in this study are:

- Managerial Ownership (MOWN) is measured as the percentage of shares owned by the sponsors and directors.
- Public Ownership (POWN) is measured as the percentage of shares owned by the public.
- Foreign ownership (FOWN) is measured as the percentage of shares owned by foreigners.
- Family Ownership (FAMOWN) is measured as the percentage of shares owned by the family members.
- Government Ownership (GOWN) is measured as the percentage of shares owned by the government in publicly listed companies.

[3] Only KPMG (local Rahman Rahman Haque) has a presence in Bangladesh. The other 5 companies are Hoda Vasi Chowdhury (affiliate of Deloitte), Howlader and Younus (affiliate of Ernst and Young), A Quasem and Co. (affiliate of PWC), S.F. Ahmed and Co (affiliate of Ernst ad Young), M J Abedin (affiliate of Moore Stephenson)

Based on prior literature, this study also controls for firm specific variables as size of the firm measured as natural logarithms of the Total Assets (l_TA), the age of the firm, (AGE) profitability measured as the Return on Assets (ROA), See for example, (Dhaliwal et al., 2011; Lang & Lundholm, 1993).

Table 3: Operationalization of the Variables

Independent Variables	Operationalization of the Variables
Group-affiliated firms (BG)	Dummy variable of "1" if the company is affiliated with a group; otherwise "0"
Political Connections (PCON)	Dummy variable of "1" if one or more members of the board is a current or former MP/minister Directors or Chairman appointed have political background and had served or is currently serving as government officer in state owned enterpr ises If one or more members is politically linked (e.g., advisor or close connection known to the public) to a major political party
FAMDUM20	If one or more members, including the Chairman is a sibling/kin/relative of the current or former minister/MP; ot herwise "0" Dummy variable of "1" when the firms is has 20% or more family ownership and at least one person of the family is holding the important posts of the board (CEO/ Chairman)
Corporate Governance	
Board Composition (IND_DIR)	Ratio of independent directors to total number of directors on the board
CEO and Chairman related (CEO_Chair)	Whether the CEO and Chairman of the board are related to each other
Size of the board (BOARD_SIZE)	No. of directors in the board
Type of auditors (AUD ITORS)	Associate of Big Four and the top 6 companies (Top 6 audit companies in Bangladesh)
Qualifications of the Chairman of Audit Committee (AUDCOMCHAIR_QUALI)	Qualification of the Chairman of the Audit Committee measured by the no. of professional experience, educati onal background, important positions held etc.
Family members in the board (FAM_BOARD)	Number of family members in the board/ total board members

Ownership Structure	
Government Ownership (GOWN)	Ratio of total shares owned by government to total no. of shares issued
Public Ownership (POWN)	Ration of total shares owned by general public to total no. of shares issued
Foreign Ownership (FOWN)	Ratio of total shares owned by foreigners to total no. of shares issued
Managerial Ownership (MOWN)	No. of shares owned by the directors/sponsors to total no. of shares issued
Family Ownership (FAMOWN)	Ratio of total shares owned by families to total no. of shares issued
Institutional Ownership (InsOwn)	No. of shares owned by institutions to total no. of shares issued

4.6 Models Specification

This study uses the following models to test the CSR disclosure of Group-affiliated firms–

Model 1

CSRDI= $\alpha + \beta_1$ (PCON) + β_2 (FAMDUM20) + β_3 (BG) + β_4 (CG Variables) + β_{11} (Ownership Variables) + β_{17} (Firm Specific Variables) + β_{19}(YEAR DUMMY) + β_{28} (INDUSTRY DUMMIES) + ε

When the Group affiliated firms are politically connected, the following model is used using the interaction variable –

Model 2

CSRDI= $\alpha + \beta_1$ (BG) + β_2 (PCON) + β_3 (BG_PCON) + β_4 (CG Variables) + β_{11} (Ownership Variables) + β_{17} (Firm Specific Variables) + β_{19} (YEAR DUMMY) + β_{28} (INDUSTRY DUMMIES) + ε

When Family Firms are politically connected, the following model is used using the interaction variable:

Model 3

CSRDI= $\alpha + \beta_1$ (FAMDUM20) + β_2 (PCON) + β_3 (FAMDUM20_PCON) + β_4 (CG Variables) + β_{11} (Ownership Variables) + β 17 (Firm Specific Variables) + β_{19} (YEAR DUMMY) + β_{28} (INDUSTRY DUMMIES) + ε

5. Results and Findings

This section presents the results and findings of the descriptive statistics, the correlation, and the regression analysis.

5.1 Descriptive Statistics

Table 4 shows the descriptive statistics of the study. The average CSR disclosure of the firms in the study is 0.241, which is similar to the study conducted by Muttakin et. al., (2018), who report an average CSRDI of 0.245. 51% of the sample firms are politically connected; 49% of the sample firms are family firms and 37% of the sample are group affiliated firms. Family-firms that are politically connected represent 23.7% of the firms in the sample. The mean of the presence of independent directors is 19% which is higher than previous studies (Mehjabeen, 2020; Khan et. al., 2013). In the sample, almost 44.6% of the CEOs are related to the Chairman of the Board. The average ownership percentage of family members are 23.14% and on an average 33.33% of the board members are from families.

Table 4: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
CSRDI	0.2412721	0.1635998	0	0.8571429
BG	0.3762626	0.6115965	0	11
PCON	0.5113636	0.5001867	0	1
AGE	19.63258	10.56161	0	42
IND_DIR	0.1904769	0.1057352	0	0.7142857
BOARD_SIZE	7.712121	2.475765	3	20
FAM_BOARD	0.3333951	0.2991498	0	0.875
AUDITORS	0.3232323	0.4680061	0	1
CH_AUDCOM_~I	0.5606061	0.4966269	0	1
CEO_CHAIR	0.4469697	0.497494	0	1
FAMOWN	0.2313635	0.2424773	0	0.8017
GOWN	0.0777965	0.2004477	0	0.763
POWN	0.3699156	0.2105036	0.0036	0.9894
FOWN	0.1070952	0.2478456	0	0.971
MOWN	0.3874528	0.2474157	0	0.9912
ROA	0.0634845	0.0893648	-0.1935505	1.015538
l_TA	21.728	1.76748	17.0646	26.02225
FAMDUM20	0.4974747	0.5003096	0	1
FAMDUM20PCON	0.2373737	0.4257421	0	1
BG_PCON	0.1944444	0.5439653	0	11

5.2 Pearson Correlation Matrix

Table 5 presents the correlation matrix among the variables. The Pearson correlation coefficients suggest that the multicollinearity is not serious for the independent variables. Gujarati (2009) and Kennedy (2003) suggest that collinearity should not be considered harmful until the correlation coefficient exceeds 0.8 or 0.9.

Table 5: Pearson Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
CSRDI (1)	1																		
BG(2)	0.013	1																	
PCON (3)	0.064	0.007	1																
FAMDUM20(4)	-0.12^{c}	0.317^{c}	-0.07	1															
AGE (5)	-0.02	0.032	-0.03	-0.064	1														
IND_DIR (6)	-0.13^{c}	0.095^{b}	-0.26^{c}	0.0319	-0.036	1													
BOARD_SIZE (7)	0.211^{c}	-0.04	0.296^{c}	-0.141^{c}	-0.009	-0.29^{c}	1												
FAM_BOARD (8)	-0.09^{a}	0.301^{c}	-0.07	0.7779^{c}	-0.072	0.033	-0.16^{c}	1											
AUDITORS (9)	0.358^{c}	0.016	0.114^{b}	-0.083	-0.047	-0.12^{c}	0.227^{c}	-0.17	1										
CH_AUDCOM_~I (10)	-0.06	0.266^{c}	-0.09^{a}	0.6722^{c}	0.054	0.071	-0.1	0.769	-0.15	1									
CEO_CHAIR (11)	-0.09	0.215^{c}	-0.12^{c}	0.5429^{c}	0.1165^{a}	0.07	-0.13^{c}	0.683^{c}	-0.301^{c}	0.719^{c}	1								
GOWN (12)	0.06	-0.24^{c}	0.372^{c}	-0.386^{c}	-0.021	-0.29^{c}	0.242^{b}	-0.43	0.0013	-0.435	-0.346	1							
POWN (13)	-0.33^{c}	0.07	-0.10^{b}	-0.031	-0.082	0.162^{c}	-0.36^{c}	0.099	-0.366^{c}	0.047	0.029	-0.301^{c}	1						
FOWN (14)	0.376^{c}	-0.21^{c}	-0.16^{c}	-0.391^{b}	0.1113^{b}	0.044	0.141^{c}	-0.42^{c}	0.394^{c}	-0.324^{c}	-0.279^{c}	-0.144^{c}	-0.431^{c}	1					
MOWN (15)	-0.01	0.055	-0.11^{b}	0.379^{c}	-0.255^{c}	0.012	0.164^{c}	0.287^{c}	0.1881^{c}	0.286^{c}	0.1818^{c}	-0.162^{c}	-0.449^{c}	0.111	1				
FAMOWN (16)	-0.11^{a}	0.343^{c}	-0.02	0.897^{c}	-0.105^{a}	0.019	-0.02	0.777^{c}	-0.02	0.648^{c}	0.541^{c}	-0.371^{c}	-0.102	-0.37^{c}	0.453^{c}	1			
InsOwn (17)	0.014	0.1817^{c}	0.077	-0.073	-0.148^{c}	0.028	-0.011	-0.030	-0.033	0.0033	-0.029	-0.084	-0.246^{c}	0.123^{c}	-0.114	-0.117^{c}	1		
ROA (18)	0.179^{c}	-0.05	-0.13	-0.251^{b}	-0.015	0.056	0.074	-0.27	0.1988	-0.176	-0.155	-0.105	-0.162	0.448	0.006	-0.229^{c}	-0.062	1	
l_TA (19)	0.45^{c}	-0.01	0.181	-0.182^{c}	-0.19^{a}	-0.15	0.334	-0.14^{b}	0.377^{b}	-0.141^{b}	-0.187^{b}	0.334^{b}	-0.348^{b}	0.216^{b}	0.173^{b}	-0.129^{b}	0.0305	-0.031	1

a,b and c represent significance of the coefficients at the 1%, 5% and 10% level, respectively.

(1) CSRDI = corporate social responsibility disclosure score/ index; (2) BG is an indicator variable set equal to "1" for group affiliated forms and "0" otherwise. (3) PCON is an indicator variable set equal to "1" for politically connected firms and "0" otherwise. The study considers a firm to be politically connected when at least one of its member of its board is/was a member of the parliament, a minister or closely associated with a political party or a politician; (4) FAMDUM20 = when the firms has a ownership of 20% or more and 1 or more members occupy important positions as CEO or MD; (5) AGE = listing age of the company (6) IND_DIR= proportion of independent directors in the board; (7) BOARD SIZE = the total no. of board members; (8) FAM_BOARD = proportion of family members present in the board ; (9) AUDITORS = quality of audit, setting a value of "1" if the audit firms are the top 6 firms in the country (defined in the chapter), otherwise 0. ; (10) AUDCOMCHAi~I = qualification of the Chairman of the audit committee; (11) CEO_CHAIR_REL = whether the Chairman and CEO/MD are related to each other; (12) GOWN= proportion of government ownership; (13) POWN= proportion of public ownership; (14) FOWN= proportion oforeign ownership; (15) MOWN= proportion of managerial ownership(16) FAMOWN=proportion of family ownership (17) l_TA = natural logarithm of total assets; (18) ROA = ratio of earnings before interest and taxes to total assets.

Regression Results

Table 6: Regression Results

	Model 1		Model 2		Model 3	
CSRDI	Coef.	p-Value	Coef.	p-Value	Coef.	p-Value
BG	0.0221	0.041**	0.0448	0.023**		
PCON	0.0149	0.146	0.0260	0.064**	0.0714	0.000***
FAMDUM20	0.0488	0.059*			0.0895	0.001***
BG_PCON			-0.0285	0.164		
FAMDUM20PCON					-0.0867	0.000***
AGE	0.0001	0.876	0.0000	0.988	-0.0004	0.490
IND_DIR	0.0205	0.653	0.0112	0.81	0.0535	0.246
BOARD_SIZE	0.0053	0.012**	0.0037	0.07**	0.0051	0.020**
FAM_BOARD	0.0942	0.008***	0.0901	0.011**	0.0781	0.030**
AUDITORS	0.0446	0.001***	0.0427	0.001***	0.0520	0.000***
CH_AUDCOM_QUALI	0.0002	0.993	0.0052	0.753	-0.0024	0.887
CEO_CHAIR	0.0122	0.388	0.0087	0.526	0.0117	0.411
GOWN	-0.0964	0.085	-0.1195	0.034	-0.1479	0.011**
POWN	-0.2313	0.000***	-0.2453	0.000***	-0.2217	0.000***
FOWN	0.1547	0.000***	0.1510	0.001***	0.1567	0.001***
MOWN	-0.2115	0.000***	-0.2087	0.000***	-0.2078	0.000***
FAMOWN	-0.1476	0.009***	-0.0771	0.064**	-0.1124	0.039**
InsOwn	-0.1580	0.002***	-0.1724	0.001***	-0.1326	0.016**
ROA	-0.0078	0.882	-0.0184	0.534	-0.0056	0.829
l_TA	0.0379	0.000***	0.0367	0.000***	0.0375	0.000***
_cons	-0.4669	0.000***	-0.4080	0.000***	-0.4995	0.000***
R^2	0.4483		0.4473		0.4541	
Year Dummies and Industry Dummies	Included		Included		Included	
*P<0.10 ** p value <0.05 ***p value < 0.005						

The result of the regression analysis is shown in Table 6. The overall models (Model 1, Model 2, and Model 3) are significant with R2 of 0.4483, 0.4473 and 0.4541. In Model 1, the regression results show that group affiliated firms (BG) and family firms (FAMDUM20) are both positively significantly associated with CSRDI (β =0.0221and p value= 0.059 and β =0.0488 and p value= 0.095 respectively). This reflects that companies, that are affiliated with larger group of companies and family-dominated firms tend to disclose more CSR information.

However, political connection (PCON) is not significantly associated with CSRDI. This is in contrast with the study of Muttakin et. al. (2018), which finds political connections to be negatively significant with CSRDI. Model 3 presents the interaction variable of FAMDUM20 and PCON and it shows that when Family-firms are politically connected (FAMDUM20*PCON), it is significantly negatively associated with CSR disclosures (p value= 0.000 and β=-0.0867). This means that when family firms have political members present on the board, they tend to disclose less CSR information. This might be possible that the Family-firms derive power from the political connection and does not require the necessity to conduct CSR and disclose CSR information.

The insignificance of political connection when contrasted with the significance of the interaction variables may be interpreted as indicating that political connection is not a potent influence by itself. Rather, it is in the interplay between political connections and Family-firms that the dynamics of traditionalism are played out and their impact on CSR becomes visible.

Model 2 is run with the interaction variable of Group-affiliated firms (BG) and political connections, and it is found that if the Group-affiliated firms (BG) are politically connected, it is not significantly associated with CSR disclosures.

In all three models, FAM_BOARD is positively associated with CSR disclosures, indicating that when family members are present on the board, the extent of CSR disclosures is greater. In contrast, FAMOWN is negatively significantly associated with CSRDI in all three models. The variable Family-firms (FAMDUM20), which is primarily the family ownership and family members on the board, is positively associated in Model 1 and Model 2. This might potentially mean that the positive impact of the presence of family members on the board is more influential that the percentage or shares owned by the family members.

In all three models, AUDITORS are positively associated with the extent of CSR disclosures. This is consistent with the previous studies. Weber acknowledges the co-existence and tensions between "rationality" and "traditionalism" in a traditional setting (Dyball, Chua and Poullaos, 2006). The rational governance mechanism of quality audit and the traditional cultural and social values of Bangladesh are operating simultaneously. Since the reputed auditors are associated with the Western rational internationally linked firms, it is likely that the auditors tend to disclose more CSR information. In terms of ownership, foreign ownership (FOWN) is found to be positively associated with CSR disclosures. This is consistent with previous studies (Haniffa and Cooke, 2005; Muttakin et.al.2013). This indicates that foreign investors are likely to have different values and perceptions regarding the context of CSR activities in Bangladesh and would make rational strategic decisions in terms of social accountability. The results suggest that it is assumed that rationality is in place in Bangladesh. The models found POWN (Public Ownership) is negatively associated with CSR disclosures, indicating that widely dispersed companies tend to report less CSR information.

InsOwn (Institutional Ownership) is negatively associated with CSR disclosures in all three models, which is consistent with Arora & Dharwadkar (2011); Sari & Rani (2015). Institutional and government ownership are usually perceived as monitoring agents (Khan et. al., 2015) and are believed to mitigate the risks associated with political connections. Uddin and Choudhury (2008) report that, unlike in developed countries, the influence of institutional investors is almost absent in Bangladesh. There are only a few institutional investors in Bangladesh, most of which are state-owned enterprises (SOEs), and they often do not exercise the power they hold. State-owned institutional investors have no incentive to force companies to improve performance, voluntarily disclose information, or improve corporate governance. The only major institutional investor in Bangladesh is the Investment Corporation of Bangladesh (ICB).

In terms of the control variables in this study, large firms measured as the natural logarithms of total assets (l_TA) are found to be significantly positively related to CSR disclosure, indicating higher CSR disclosures. This can be interpreted as large firms being more prone to political patronage and thus disclosing more CSR information strategically to gain the trust of the ruling family and favoritism in return.

6. Discussion and Conclusion

The objective of this study was to explore whether Group-affiliated firms and Family-firms influence the voluntary disclosure of social and environmental information. Additionally, the paper further investigates the political connections of the Group-affiliated firms and Family-firms. Previous CSR and accounting literature have taken into consideration the impact of corporate governance and ownership structures on CSR disclosure in developing countries (A. Khan et al., 2013; Muttakin & Khan, 2014), but rarely have any studies considered the dynamics of political connections on the disclosure of CSR in traditional settings like Bangladesh besides Muttakin et.al. (2018). However, this paper adds to the findings of Muttakin et. al. (2018) by including the dimensions of politically connected Group-affiliated firms and politically connected Family-firms and thus adds to the CSR and accounting literature by providing empirical evidence on political interference on CSR disclosure in large corporate houses and family-dominated firms in a traditional setting. This paper also provides empirical support to Uddin et. al. (2016), where it is argued that the CSR disclosures in a traditional setting like Bangladesh might be conducted to please the "Master" or Political Power.

The overall finding in the study states that Group-affiliated firms and family-controlled firms disclose more CSR information, thus supporting the hypothesis. Based on Weber's traditionalism, when family-controlled firms have political members present on the board, the need to disclose CSR information might be reduced, and they tend to draw in power from the political members on the board and thus establish links and relationships with the elite or power thorugh through coalition building or executive lobbying (Skippari, 2005) . This might result in less CSR disclosure since they might be conducting only preferred actions by the "Chief". It might also be possible that they invest or direct CSR more in activities preferred by the 'master/chief', possibly through investing in "pet projects of the master or his kin". This is evidenced in Uddin et. al. (2016), where they analysed the CSR reports of the banking companies of Bangladesh. The companies might tend to disclose only their focused political activities as CSR in their annual reports. Since the index captures only the variety of CSR information rather than the amount, it might also be possible that the large politically connected family-dominated firms have more CSR expenditure in focused political activities preferred by the master or their family/kin. This strategy can be more commonly observed in some countries (mainly traditional settings), in which personal connections between business executives and politicians have been traditionally close (Katzenstein, 1985; Murtha & Lenway, 1994).

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

This paper contributes to the existing CSR and accounting literature by associating political connections and affiliations of group firms and family firms with CSRDI in developing countries. Using Weber's notion of traditionalism to guide the political motivations of CSR disclosure, it responds to the calls for novel theoretical perspectives in the sustainability area of research by O'Dwyer and Unerman (2016). It also provides an insight into alternative theoretical explanations of CSR disclosures in countries with traditional settings, political interference and linkage, fragile democracy, a weak institutional environment, and an ineffective corporate governance mechanism.

This paper has opened up the scope for further research on the dynamics of CSR disclosure, politics, and accountability. It might be interesting to explore and understand the motivations of organizations in traditionalist society to conduct CSR activities and disclosure when the ultimate accountibility might not be to wider stakeholders rather to the familial political power. Using in-depth interviews, observations, and case studies, it might be useful to explore the nature of CSR activities and disclosures to examine whether the companies are conducting political activities in the name of CSR; or whether the CSR activities and disclosures are used as a vehicle to strengthen and manage political ties.

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[i] (Cascino et al., 2010) argued that choosing a certain percentage threshold would not allow any difference in terms of family and non-family firms to be captured because a certain percentage threshold only represents high ownership concentration rather than family ownership and management.

[ii] Botosan (1997) obtains a coefficient alpha computed on standardized data of 0.64. Gul and Leung (2004) computes a coefficient alpha of 0.51.

[iii] None of the variables have a VIF value in excess of 10 (Neter, Kutner, Nachtsheim, & Wasserman, 1996), which suggest that muticollinearity is not a problem in interpreting the regression results.

[iv] Only KPMG (local Rahman Rahman Haque) has a presence in Bangladesh. The other 5 companies are Hoda Vasi Chowdhury (affiliate of Deloitte), Howlader and Younus (affiliate of Ernst and Young), A Quasem and Co. (affiliate of PWC), S.F. Ahmed and Co (affiliate of Ernst ad Young), M J Abedin (affiliate of Moore Stephenson) (Mehjabeen, 2019)