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Perceptions of corporate social and environmental accounting and reporting practices from accountants in Bangladesh

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Abstract

Purpose – The aim of this study is to elicit accountants' perceptions regarding corporate social and environmental accounting and reporting practices in a developing country such as Bangladesh.

Design/methodology/approach – Members of the Institute of Chartered Accountants of Bangladesh (ICAB) were surveyed to determine their perceptions on issues pertaining to social and environmental accounting and reporting practices in Bangladesh.

Findings – Whilst the findings show that accountants have positive attitudes toward corporate social and environmental accounting, progress is limited, with the absence of ICAB in making any noticeable effort to develop such practices.

Research implications – Unlike prior studies, the implications of this study suggest that without international influence, it is less likely that institutional forces in Bangladesh (ICAB and the government) would be effective in dealing with social and environmental accounting and reporting issues.

Originality/value – While prior studies advocate proactive roles of the accounting profession, this study argues that proactive roles are less likely to prevail in the context of Bangladesh without direct intervention from institutional and regulatory authorities in the international arena.

Keyword(s):
Bangladesh; Chartered accountants; Corporate social and environmental accounting practices; Accounting.

1. Introduction

Despite a growing body of studies focussing on social and environmental accounting within the context of a developing country (see, for example, Belal, 2001; Hegde et al., 1997; Jaggi and Zhao, 1996; Teoh and Thong, 1984; Lodhia, 2003; Kuasirikun, 2005; de Villiers and van Staden, 2006; Belal and Owen, 2007; Islam and Deegan, 2008; Islam and Mathews, 2009; Islam and Deegan, 2010; Islam, 2010), few studies have examined whether accountants in developing countries played a role in developing corporate social and environmental reporting practices. Existing evidence suggests that accountants in developing countries are uncommitted or unattached when dealing with corporate social and environmental accounting issues (Kuasirikun, 2005; Lodhia, 2003). Such apathy is attributed to national or cultural factors such as a lack of awareness, an absence of state regulation, or a lack of initiative(s) from national accounting bodies (Kuasirikun, 2005; Lodhia, 2003). Strategies that may engage indigenous accountants more fully in the change process include targeted training, the imposition of government regulation, and the participation of environmentally concerned...
This paper revisits the roles of accountants and professional accounting bodies in dealing with social and environmental accounting issues within the context of Bangladesh. The major accounting body in Bangladesh is the Institute of Chartered Accountants of Bangladesh (ICAB). Its primary role is to provide leadership in the development, enhancement, and coordination of the accounting profession in Bangladesh in order to provide high-quality services in the public interest (Accountant, 2005). The work of the ICAB is well integrated with the government's accounting regulatory process, which seeks to align the organisation's practices with international accounting standards (Mir and Rahaman, 2005). Its members are professional accountants who hold senior positions in corporate entities, and have historically held positions as government ministers (Parry and Groves, 1990). Despite holding key positions in government and business, accountants in Bangladesh have little influence on corporate reporting practices (Parry and Groves, 1990). It is not uncommon for company executives to prepare and present financial reports with representations that favour important stakeholders such as creditors, the SEC, and stock exchange officials (Uddin and Choudhury, 2008).

The aims of this study are twofold:

1. to elicit the views and perceptions from chartered accountants on corporate social and environmental accounting and reporting practices in Bangladesh; and
2. to evaluate the role of ICAB on developing social and environmental accounting in Bangladesh.

This study seeks to understand the presence or absence of the accounting profession's role(s) on social and environmental accounting through the lens of institutional and professionalisation theories within the context of Bangladesh. The findings in this study suggest that members have positive attitudes towards social and environmental accounting but progress is limited. Changes in social and environmental accounting in Bangladesh appears to be evolutionary rather than revolutionary and are more likely to occur through reactive measures from the globalisation of accounting. The conclusions in this paper suggest that timely and targeted changes in social and environmental accounting will only occur with a proactive accounting profession.

The remainder of this paper is organised as follows: the next section provides an outline of institutional and professionalisation theories as well an overview of prior studies on accountants' involvement in corporate social disclosure practices. The research method, which relies predominantly on the survey method of data collection, is outlined in section 3. Section 4 presents and analyses the findings. Section 5 evaluates the findings using institutional and professionalisation theories to understand the role of the accounting profession in Bangladesh in dealing social and environmental issues. The final section provides some concluding comments.

2. Literature review

2.1 Theoretical background

The notion of a social contract imposes on organisations a variety of socially desirable actions in return for the right to operate unhindered and receive the rewards of their activities. A failure to operate within institutional constraints, or norms of acceptability, can threaten an organisation's legitimacy. Institutional theory posits that an organisation's actions are limited by a variety of external pressures (Pfeffer and Salancik, 1978; DiMaggio and Powell, 1983; Powell, 1988). Consequently, being responsive to external demands and expectations to maintain legitimacy is an underlying assumption of institutional theory (Meyer and Rowan, 1977; Pfeffer and Salancik, 1978; Oliver, 1991). The process of legitimation is not only strategic (i.e. within management's control), but also institutional in nature (Milne and Patten, 2002). DiMaggio and Powell (1983) argue that an
organisational response is not derived from the imperative to make organisations more efficient, but rather driven by the desire to make them conform to expectations in their organisational field. 

DiMaggio and Powell (1983, p. 11) contend that neo-institutional theory is focused on:

[...] the way action is structured and order made possible by shared systems of rules that both constrain the inclination and capacity of actors to optimise as well as privilege some groups whose interests are secured by prevailing rewards and sanctions.

Institutional theory has been utilised by a number of accounting researchers to:

- explain management accounting techniques (see Covaleski and Dirsmith, 1988; Broadbent et al., 2001; Brignall and Modell, 2000);
- investigate aspects of audit (see Rollins and Bremser, 1997);
- explain the role of the accounting profession (see Fogarty, 1992); and
- explain the isomorphism of accounting research (see Tuttle and Dillard, 2007).

Milne and Patten (2002) suggest that the institutional theory of legitimisation provides many possibilities for further work in social and environmental accounting because it has the capacity to explain a level of cohesiveness, conformity and mimetic behaviour in the social and environmental narratives among organisations in the same field. Institutional theory can be a useful method to explain why organisations adopt particular social and environmental disclosures practices (Deegan, 2009). However, few studies have embraced institutional theory to explain accounting practices in developing countries. Mir and Rahaman (2005) focused on the adoption of international accounting standards (IASs) in Bangladesh. Their study showed that institutional legitimisation is a major driver in adopting IASs because of the pressure exerted by key multilateral donor and lending agencies on the Bangladeshi government and professional accounting bodies. Such pressure emerged from not only a need to provide credibility to foreign investors but also the need for strong accountability provisions with lending and donor agencies. A recent study by Islam and Deegan (2008) investigated the operating and reporting practices of a major organisation in a developing country – the Bangladesh Garments Manufacturers and Exporters Association (BGMEA)[1]. The findings indicate that disclosures on responsibility initiatives or policies were implemented to satisfy external stakeholders including representatives of US and EU governments, International Labour Organization (ILO) officials, UNICEF officials, and multinational buying companies. In particular, Islam and Deegan (2008) found that BGMEA and its members embraced operating policies and codes of conduct that were similar to those promulgated by more powerful stakeholders. The authors argued that social operating practices and disclosures in a developing country cannot be explained until we understand international expectations and pressures towards adoption of these practices (Islam and Deegan, 2008).

The term “professionalisation” is normally used to denote occupations organised in institutional form, whose members construct assertions to specific actions and expert skill dedicated overtly to serving the public interest (Lee, 1995; Cooper and Robson, 2006). However, on a broader level, professionalisation has insights derived from institutional theory[2]. According to Timperley and Osbaldson (1975, p. 143), professionalisation is an institutional process in which “professional membership is used by individuals and groups as a means of advancing their interests”. Cooper and Robson (2006, p. 416) similarly argue that professionalisation is a process influenced by institutional alignment arising from “histories, allegiances and struggles with other occupations and economic institutions”. The social legitimacy of a profession is derived from the manner in which its knowledge base, certification and membership is institutionalised.

A growing body of studies documents the developmental processes of the accounting profession in Western societies, most notably the UK and USA (Renshall, 1984; Wootton and Wolk, 1992; Carey, 1969, 1970; Olson, 1982; Previts and Merino, 1979). Research findings suggest that there are a number of factors that have contributed to the development of the accounting profession through its
institutional and organisational frameworks. Such factors include an expansion of the types of professional services provided by accountants beyond conventional accounting domains (Lee, 1995); growing stature and influence through trans-national activities making it an important part of company activities (Lee, 1995); and using colonial ties to extend its international reach. The role of the British state and the profession in setting up accounting associations in its former colonies, the majority of which are developing countries, is a burning example highlighting the expansion of institutional accounting bodies (see Chua and Poullaos, 1998; MacDonald and Richardson, 2004; Carnegie and Edwards, 2001; Annisette, 2000; Bakre, 2005, 2006).

The adoption of international accounting standards (IASs) by developing countries is a noticeable feature of the professionalisation of accounting. For example, the long-lasting relationship between Britain and its colonial partners encouraged many developing countries including Bangladesh to adopt British based IASs[3]. The spread of IASs internationally, including developing countries, is widespread despite critics claiming that they may be irrelevant or unsuitable to deal with the needs or problems of developing countries (Points and Cunningham, 1998; Larson and Kenny, 1996; Hove, 1990; Hoarau, 1995; Briston, 1990; Susela, 1999). In spite of such criticisms, various multilateral agencies have been influential in the dispersion of Western accounting standards to developing countries as part of the globalisation of accounting (Rahaman and Lawrence, 2001; Neu et al., 2002). Globalisation in this context relates to circumstances in which the strategic directions of the weaker economy are swayed by influential groups in unequal power relationships.

2.2 Prior research on corporate social reporting practices and accountants' involvement

Research on accountants' attitudes towards corporate social and environmental accounting in developed nations was initially undertaken in the 1990s. Empirical evidence from the UK suggest that despite the diversity in members' demographics (age, qualifications and professional body membership) and the characteristics of employing organisations (size, industry, country of incorporation, country of operation), accountants' attitudes to environmental issues appeared homogeneous (Bebbington et al., 1994). They found that social and environmental practices failed to evolve despite accountants' awareness of environmental issues and a perception that environmental accounting and related issues falls within their ambit. The findings also suggest that accountants were not highly involved in their companies' environmental agenda. A similar analysis of the perceptions of accountants in Australia showed a lack of consensus among respondents on numerous issues relating to the environment, and that their involvement in dealing with environmental issues remained minimal (Deegan et al., 1996). The findings also indicate that accountants only mildly support the view that environmental issues should be incorporated within business entities' financial statements. The authors argued that if environmental reporting remains voluntary and left to accountants, future disclosures may be minimal.

Two studies were conducted in the context of developing nations. In a study of accountants in Fiji, Lodhia (2003) examined the roles of accountants in environmental accounting and reporting. The findings of this study showed that accountants are not involved in dealing with environmental accounting in organisations. This absence of involvement has been attributed to their lack of expertise in social and environmental matters as well as the absence of regulation for mandatory environmental accounting practice. If environmental accounting practices are to evolve, Lodhia (2003) suggests that a more proactive stance is required from the national accountancy profession, academics, and the private and public sectors. In another relatively recent study, Kuasirikun (2005) examined attitudes to social and environmental accounting among members of Thai accounting profession. The findings of Kuasirikun (2005) showed that there is an overall positive but latent attitude towards social and environmental accounting among accountants, auditors, and accounting-related professionals. The findings also indicate a gap in accountants' attitudes toward social and environmental accounting and its practical reality resulting in an absence of social and environmental accounting. Appointing social and environmentally concerned representatives in Thai accounting standards regulatory boards is one method of addressing this gap (Kuasirikun, 2005).
A review of past research reveals that findings within the context of a developing country are reflective of findings within developed countries. In both contexts, the research showed that there is an absence of the role of accountants in dealing with social and environmental issues. The evidence indicates that the reasons for the absence of regulations, the lack of awareness among accountants, and a recommendation for regulatory intervention were similar between developed and developing nations. In both contexts, prior research emphasises the possible proactive roles of accountants to create change. Whilst evidence is emerging indicating that the accountants in developed countries are increasingly involved in social and environmental accounting and auditing practices (see, for example, KPMG, 2002, 2005, 2008)[4], the roles of accountants in developing countries continue to differ from their counterparts in developed countries. Accountants in developing countries appear to be less reactive in creating change in their practices. Therefore, this paper revisits the roles of Bangladeshi accountants to address social and environmental accounting and reporting issues and to find alternative suggestions to change the roles of accountants in Bangladesh.

3. Research method

3.1 Data collection

This study relied on two data sources: the first data source comprised responses to a survey of members of ICAB to elicit their views on social and environmental practices in Bangladesh. The second data source was obtained from the President of ICAB to obtain the national accounting association's position on social and environmental issues and the steps it has undertaken, if any, to influence or develop members' attitudes and practices. The ICAB was selected for this study as it is the only accounting body in Bangladesh recognised by the government for promulgating accounting standards and whose members have responsibility for providing professional services involving auditing, verification or certification of financial accounting and related statements. The survey to members of ICAB was issued electronically to members' e-mail addresses obtained from the ICAB members' directory (2005-2006). The members of ICAB who had valid e-mail addresses were issued with an invitation to participate in this study, along with a structured questionnaire. Members permanently living in foreign countries were excluded from the sample frame because they were deemed unlikely to be fully informed or involved in the relevant issues as they pertain to Bangladesh. The sample frame was limited to public accountants as it represents the views of a specialised group of accountants that is believed to be homogenous and at the forefront of accounting technology.

At the time of data collection, ICAB had 868 members, of whom 730 were resident in Bangladesh and 138 resident abroad (see www.icab.org.bd). Of the 730 members local to Bangladesh, 266 were partners of accounting firms and the remaining 464 were serving in various key positions, such as chief executive, finance director, company secretary, chief accountant in listed companies/autonomous bodies or in industrial, financial, commercial enterprises (domestic and foreign affiliated). The sample frame initially consisted of 336 chartered accountants local to Bangladesh; however, e-mails to 86 accountants bounced, rendering them invalid. Through this process, 250 surveys were issued via e-mail to members with valid e-mail addresses. In the initial request to participate in this study, a total of 37 members responded to the questionnaire, representing a response rate of 15 per cent. Two follow-up e-mails sent to non-respondents at monthly intervals yielded a further 18 responses representing a total response rate of 22 per cent. Acknowledging the potential for a non-response bias, tests were undertaken by comparing the late responses, which was used as a proxy for non-respondents, with the early responses (Oppenheim, 1966). A Mann-Whitney U test found that there is no significant difference in the early/late responses, indicating a lack of non-response bias. It should be noted, however, that the relatively low response rate limits the generalisability of the findings, and the inferences that are drawn from the data are restricted to the respondents who participated in this study. It should be pointed out that the findings in this study should not be generalised to other developing countries with dissimilar socio-economic contexts. Subclassifications of developing countries will differ in their cultural and economic backgrounds, which are likely to elicit a variety of attitudes and perceptions on the issues raised in this paper.
3.2 Sample description

Questionnaires were received from members in both local and foreign attached organisations. Of the 55 respondents, 32 chartered accountants (58 per cent) identified themselves as members attached to local organisations – of these respondents, 12 further identified themselves as partners of local accounting firms and 20 were local corporate executives (see Table I). The remaining 23 chartered accountants (42 per cent) identified themselves as members attached to foreign organisations, five of whom were partners in foreign accounting firms (with representatives from each of the Big 4 accounting firms) and 18 corporate executives in foreign organisations. Overall, 38 chartered accountants were corporate executives and 17 were partners of accounting firms. In terms of their professional status, 31 respondents were Fellow Chartered Accountants (FCAs) and 24 were Associate Chartered Accountants (ACAs). All firm partners were FCAs and the professional status of the executives was balanced between FCA and ACA designations. Whilst the chartered accountants were spread among accounting firms and big business, all respondents had a background in public accounting, with the majority of chartered accountants (44) having in excess of ten years' experience either as a partner or as a senior executive. Of those who were from local organisations, the majority also had previous experience in foreign-affiliated organisations. With regard to gender distribution, only one female chartered accountant responded with a completed survey. At the time of data collection, ICAB had only six female chartered accountants on its membership list, and only four possessed valid e-mail addresses. Therefore, the response rate from female chartered accountants is a reflection of ICAB membership rather than participation.

3.3 Survey instrument

The survey instrument used in this study was adapted from Deegan et al. (1996) that was developed to understand members' attitudes on various issues related to social and environmental reporting. The questionnaire was designed, tested and refined in the Australian context. According to Parry and Groves (1990), culture is the underlying factor that gives rise to the absence of particular accounting practices including social and environmental disclosure practices. Therefore, the questionnaire was amended to cater to the cultural differences between Australia and Bangladesh by adding an additional question (question 11) that dealt with cultural attributes in Bangladesh and its affect on accounting disclosures (for country-level cultural variations, see Hofstede, 1980). The questionnaire elicited the respondents' perceptions of social and environmental accounting issues, using a five-point Likert scale, on 13 of environmental accountability issues (represented as statements) that were broadly classified into five categories:

1. Accounting boundaries: what are they? (Statements 1-2).
2. Why should entities disclose social and environmental information? (Statements 3-6).
3. What is the current status of social and environmental responsibility reporting within annual reports, and does it reflect the real social and environmental performance of an entity? (Statements 7-10).
4. Do cultural attributes result in less, or the absence of, social and environmental disclosure? (Statements 11).
5. What is the future of social and environmental accounting/reporting? (Statements 12-13).

The questionnaire concluded with one open-ended question seeking members’ views on whether there is a need to change the roles of accountants (if so, how) to deal with corporate social and environmental accounting and reporting practices in Bangladesh. Overall, reliability tests based on Cronbach's \( \alpha \) (co-efficient of 0.083) indicated that the instrument was highly reliable and consistent with Deegan et al. (1996).

3.4 ICAB’s position on social and environmental reporting
The President of ICAB was queried to determine the Institute's policies and procedures on issues relating to social and environmental accounting. The President was asked to provide a commentary on the extent to which social and environmental issues were considered within ICAB's policies. In this process, the President provided the researchers with the approved evaluation criteria relating to corporate annual report awards in Bangladesh. The corresponding scoring scheme represents the relative importance of the criteria on the various reporting issues. In addition the evaluation criteria, the President provided a letter (two pages in length) containing information on how ICAB addressed social and environmental issues. A search was also undertaken of the archives on ICAB's policies and procedures from ICAB's library and website, the Dhaka Stock Exchange and the Securities and Exchange Commission (SEC). This search proved unsuccessful in obtaining data pertinent to this study. Having said this, the information provided by the President was sufficiently detailed for the requirements of this research.

4. Findings

4.1 Perceptions of social and environmental accounting

The data in Table II presents the respondents' perceptions on corporate social and environmental accounting issues measured in terms of means and proportional values. The consistency among the responses indicates a high level of homogeneity among the respondents' views towards social and environmental accountability issues within annual reports[5]. Overall, there was no significant difference in the mean scores from responses between accountants in foreign affiliated organisations compared with accountants in local/domestic organisations, and the responses between senior accountants (FCAs) and junior accountants (ACAs). Given the homogeneity among the responses, the findings in this study are presented and analysed as a single data set. The analysis below examines the data in more detail by analysing and discussing the five categories of issues consistent with the survey design.

4.1.1 Accounting boundaries (Statements 1-2)

The first two questions attempt to determine the respondents' attitudes in promoting and developing change in social and environmental accounting. The findings in these questions indicate that more than 80 per cent of respondents saw themselves as agents to promote social change. This same cohort believed that both financial stewardship on the one hand and social and environmental stewardship on the other should be integrated into accounting. Consequently, members' apathy towards change discovered in previous studies (see, for example, Deegan et al., 1996; Parker, 2005) is not a major finding in this study.

4.1.2 Social and environmental disclosures (Statements 3-6)

Respondents were asked to provide their views on various rationales for disclosing social and environmental information and whether investors consider such information in making investment decisions. The respondents showed support for social and environmental disclosures:

- as a constraint upon socially undesirable behaviour (Statement 3);
- as a motivation for reporting entities to be environmentally responsible (Statement 4); and
- as a mechanism to provide a fuller view of an entity's operations (Statement 5).

The issue of whether investors in Bangladesh use social and environmental performance disclosures to assist in their decision-making is addressed in Statement 6. Approximately 60 per cent of respondents believed that investors in Bangladesh do not consider social and environmental information when making investment decisions. Therefore, while respondents view social and environmental issues as critically important, investor behaviour appears to be driven by factors other than social and environmental issues. One implication of this finding is that investors are unlikely to
be a significant pressure group that influences social and environmental reporting practices in Bangladesh. This issue is discussed further in the next section.

4.1.3 The status of social and environmental responsibility reporting within annual reports, and its reflection on performance (Statements 7-10)

In regard to the elements representing the status of environmental responsibility reporting (objectives, measurement method and reporting framework), between 65 per cent and 75 per cent of respondents believed that there is little consistency between reporting entities among all three elements (Statements 7-9). More than 65 per cent of respondents believed that there is little consensus regarding the objectives and measurement approaches to be adopted in social and environmental accounting. Similarly, more than 70 per cent of respondents agreed that there is little consensus with regard to reporting frameworks. In regard to completeness, more than 85 per cent of respondents believed that social and environmental disclosures in corporate annual reports are incomplete and inadequate, and often provide only a general account of the social and environmental performance of a corporation (Statement 10). Overall, there appears to be little consensus on external reporting issues resulting in incomplete or generalised information limiting its usefulness.

4.1.4 The impact of cultural attributes on social and environmental disclosure (Statement 11)

In accounting, a growing amount of research (see, for example, Zarzeski, 1996; Newson and Deegan, 2002) has indicated that accounting disclosure is influenced by a country's orientation or attitudes towards secrecy. Therefore lower levels of disclosure are expected from companies located in countries with a high level of societal power differentiation and the concentration of family ownership. According to Hofstede (1980), high levels of social inequality and power differential prevail in countries of the Indian subcontinent, including Bangladesh. The respondents were asked whether such values and behaviours lead to senior management being secretive, resulting in less, or an absence of, social and environmental disclosure in publicly listed companies. More than 61 per cent of respondents support this contention. The findings of this study are consistent with previous research which indicates that a high degree of power distance and family ownership leads to less corporate disclosure. However, this argument cannot be substantiated for multinational or export-oriented organisations (Islam and Deegan, 2008).

4.1.5 The future of social and environmental accounting/reporting (Statements 12-13)

In relation to the future of environmental issues for accountants (Statement 13), more than 85 per cent of respondents believed that social and environmental issues will constitute a fundamental challenge for business and accountants in the coming decade. It is also interesting to note that more than 88 per cent of respondents (Statement 12) believed that corporate social and environmental reporting cannot become a recognised part of accounting orthodoxy until it is more widely recognised and accepted by the local accounting profession. This finding is corroborated below with evidence from ICAB that appears to marginalise social and environmental practices, relative to other accounting practices, through its annual reporting awards. A profession that lacks general acceptance of such practices, combined with the lack of consensus on objectives, measurement and framework (Statements 7-9), and a lack of demand from investors (Statements 3-6), may explain in part why social and environmental accounting has not evolved despite the potential for accountants to be change agents (Statements 1-2).

4.2 Evidence of the absence of institutional requirements for corporate social and environmental reporting

Whilst the accountants surveyed believed that social and environmental issues should be within the bounds of accounting practice and the policies of their national association, the data obtained from ICAB and its President suggest that it does not consider such issues to be significant within its social
and environmental agenda. An examination of the ICAB's annual reporting awards and corresponding scoring scheme indicates that little attention is given to the social and environmental accounting issues, in fact, social and environmental disclosure is considered only in terms of the Directors' Report/Chairman/CEO Review. Similarly, the President of ICAB was asked whether the ICAB considers social and environmental issues to be within the boundary of broader accountability. The President indicated that the ICAB only minimally addresses this issue and does not consider social disclosure to be a major determinant for winning an ICAB annual report award. The President did explain, however, that even though the evaluation criteria placed little importance on social and environmental issues, adjudicators appreciate the significance of social and environmental disclosure initiatives by corporations that win the ICAB awards. Having said this, however, this appreciation is likely to be immaterial when preparers of accounting reports are likely to be influenced by ICAB's evaluation criteria which places little emphasis on social and environmental accountability issues. Overall, it appears that social and environmental accountability issues appears to be of little consequence on the ICAB agenda.

5. Discussion

While the respondents in this study support increased and uniform social and environmental practices, the findings are consistent with prior research in developing countries which indicates a general absence of corporate social and environmental disclosure practices emanating from a lack of domestic pressure and guidance from local professional bodies, regulatory agencies and investors (Belal, 2001, 2008; Teoh and Thong, 1984). Attention is drawn to social and environmental issues in Bangladesh from multinational companies seeking similar accountability practices in its subsidiaries and domestic companies operating internationally (Islam and Deegan, 2008; Belal and Owen, 2007). However, the absence of leadership from ICAB and regulatory bodies appears to be hindering further progress. In sum, radical initiatives by international accounting bodies and related organisations are necessary to create conditions of change in future roles of the ICAB and ultimately its members.

Institutional theory is premised on the notion of upholding legitimacy through responsive behaviour to external pressures. Research evidence suggests that the professional bodies and regulatory agencies in developed nations have immense influence upon the accounting practices in developing nations. History has shown that accounting practices in developing countries, particularly the adoption of IASs, are influenced by more developed nations either through colonial relationships, resource dependency, or hegemonic countries or power blocks. Proponents of this view contend that the international expansion of accounting is an exercise of political power by international organisations on nation states rather than an exercise of market penetration (Caramanis, 2002). Therefore, the power to institute change has shifted from the sovereign state such as Bangladesh to the global economic and political agencies such as multinational enterprises, large accounting firms, and IFAC that internationalise accounting practice. One implication of the findings in this study suggest that the lack of discerning pressure from the international arena on local accounting bodies and regulatory agencies is a major factor contributing to the lack of development of social and environmental practices in Bangladesh.

The development of social and environmental reporting practices in Bangladesh is a logical extension of international expansionary practices. The Bangladeshi government demonstrated its willingness to pressure the accounting profession with the adoption of applicable IASs to standardise financial reporting and remove barriers to capital flows associated with multilateral lending and donor agencies (Mir and Rahaman, 2005). The response of the Bangladeshi government in dealing with IASs suggests that accounting practices in developing countries are unlikely to change until the profession in developed countries influences change through their professional and regulatory networks. Therefore, changing the roles of accounting professions in developing countries are unlikely unless such concerns are addressed initially by the profession in developing countries. However, the wholesale adoption of social and environmental practices developed for advanced nations is likely to renew the debate concerning the relevance of western standards in different socio-economic and
cultural contexts. In order to avoid such criticisms, the local accounting bodies, in particular, ICAB must be proactive in this debate and provide leadership that best serves the interests of its members and their stakeholders.

Professionalisation is an institutional process in which “membership is used by individuals and groups as a means of advancing their interests” (Timperley and Osbaldson, 1975, p. 143). Professional associations and individual memberships are established when the state grants exclusive rights of service only to certified professionals (Lee, 1995). Without exclusivity, the service and its providers remains unregulated and subject to inconsistency and possible neglect. One could reasonably presume that the accounting profession in Bangladesh is well positioned to enlarge its jurisdiction for business services with social and environmental reporting in an expanding market. An expansion of regulated services combined with exclusivity would improve quality of services as well as the institution’s aspirations of enhancing its professional status and its share of economic rewards. Such arguments support public interest rationales for professionalisation but it is not without its critics. While accounting bodies in developed countries have been in the forefront of change, they are simultaneously criticised for their institutional and professional ethos that supports self-interest. Professional accountants, like other professions, have a responsibility to advance the interests of those whom they serve, however, according to Lee (1995), the accounting profession has historically relied on the public interest as a means of protecting its self-interest. According to this view, the accounting profession is an interest group seeking status and recognition to advance their private welfare and not the welfare of the public (Dwyer and Roberts, 2004; Cooper and Robson, 2006). The issue here is whether the advent of social and environmental reporting promulgated by ICAB is an exercise of responsible accounting or an act of self-interest to capture and monopolise a market share of expanding business services. The former promotes accountability, the latter exhibits a contest for economic power and control.

Notwithstanding the call for a proactive profession to institute change, that may or may not be motivated by self-interest, ICAB like many accounting bodies in developing countries, are constrained by State-profession interactions that limit their professional status and ability to occupy regulatory space. Even though ICAB was established to provide leadership in accounting (Accountant, 2005), its success in achieving this objective is questionable when the profession-state relationship constrains its ability to be proactive. The respondents in this study exhibit support for social and environmental issues but lacked guidance and direction from ICAB. The ICAB does not appear to display the initiative required to put forward a social and environmental accountability agenda for corporations in Bangladesh unless directed or influenced by the government or entities in the international arena such as the IASB. At this juncture, changes in the roles of accounting in relation to social and environmental reporting are likely to occur only with direct intervention. Kuasirikun (2005) suggests that one way in transforming attitudes into practical reality is to include socially and environmentally concerned representatives in the accounting and regulatory boards.

In the absence of international or institutional pressure, local factors are likely to dominate organisational practices and accounting reporting in Bangladesh. Such factors can be attributed to the particular socio-economic context and cultural values such as societal power hierarchies and family ownership[6], which promotes secrecy, special purpose reporting to key stakeholders, and limited demand for increased disclosures (voluntary or mandatory) to a wider audience (see Uddin and Choudhury, 2008; Uddin, 2008; Dyball and Valcarcel, 1999; Parry and Groves, 1990). The concentration of ownership among a few large investors means that market control mechanisms and investor protection are weak. Directors are not accountable to the public, nor do they favour the emergence of a regulatory framework or a professional body that seeks legitimacy from the public (Yapa, 1999). Disclosures thus become a management tool for managing the information needs of powerful stakeholder groups and are less concerned with public or institutional pressures derived from their social contract. Therefore, the desire to empower internal stakeholders via meaningful institutional reform is absent (Belal and Owen, 2007). Accounting in developed countries has similar limitations that support a narrow interpretation of users albeit for different reasons. Cooper and
Robson (2006) argue that accounting in developed nations is geared to serving particular stakeholder-groups, in particular, investors. A focus on shareholders' needs emphasises disclosures based on financial imperatives and overlooks non-financial data such as social and environmental issues. As Cooper and Sherer (1984) demonstrate, “the general economic welfare for a society as a whole is unlikely to be achieved by the single minded pursuit of shareholder interests”. The notion of self or sectional interests extends also to the practice of social and environmental reporting. According to Gray (2002), there is now little discussion of the demands of other groups in society, such as employees or consumer groups for how corporate accountability might be usefully considered and applied. Parker (2005 p. 850) also described a lack of accountants' involvement in any social and environmental accounting development: “Traditional accounting and accountants appear to be barely engaged in any SEA [social and environmental accounting] reporting developments, despite signs of the growing number of companies at least acknowledging the phenomenon”. A growing body of literature on social and environmental issues is now extending the boundaries created by narrow interpretations of users by addressing concerns of stakeholders and the broader community over social and environmental issues.

6. Concluding comments

This study has taken an important step toward illuminating accountants' perceptions on corporate social and environmental accounting practices in the context of a developing country. The findings indicated that whilst there is low investor demand in Bangladesh for corporate social and environmental information, the respondents in this study strongly believed that Bangladeshi companies should provide social and environmental information to enhance transparency. The findings also indicated disagreement among respondents on objectives and suitable measurement approaches in social and environmental accounting, and whether ICAB is undertaking sufficient efforts to address such issues. However, in order to address issues relevant to social and environmental accounting, the majority of respondents strongly support the need to change the roles of accountants to deal with the field of corporate social and environmental accounting.

This study has identified specific factors that lead to the neglect of social and environmental disclosure policy and practice in a developing country. While the main factors believed to be responsible for the lack of social and environmental disclosure include cultural attributes such as high levels of societal power differential and family ownership, the ICAB does not appear to have made a significant nor sustained effort to initiate or encourage genuine change in corporate social and environmental accounting and reporting practices. In short, the ICAB is acting neither as a pressure group nor as a medium to interact or collaborate with organisations towards establishing corporate social and environmental accountability in Bangladesh. Consequently, radical initiatives on the part of the international accounting bodies is necessary to place social and environmental issues on ICAB's agenda in an effort to enhance overall corporate accountability in Bangladesh. This suggests a reactive rather a pro-active role of accounting profession in Bangladesh. It is argued that without international influence, it is less likely that accounting body in Bangladesh would involve dealing with social and environmental accounting and reporting issues. In this regard, the presence or absence of international initiatives to influence accountants’ roles on corporate social and environmental accounting and reporting practices in developing countries requires further research.
<table>
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<th>Category</th>
<th>Attached to local organisations</th>
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<td>Female</td>
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Note: FCA, Fellow Chartered Accountant; ACA, Associate Chartered Accountant
Table II Perceptions of social and environmental accounting

<table>
<thead>
<tr>
<th>Statement of opinion</th>
<th>Study on Bangladesh chartered accountants (n = 55)</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>5th</th>
<th>Mean score</th>
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<tr>
<td>1. Accountants should see themselves and their discipline as agents to promote social change</td>
<td>41.5</td>
<td>41.5</td>
<td>11.3</td>
<td>5.7</td>
<td>0</td>
<td>1.81</td>
<td>0.86</td>
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<tr>
<td>2. Both financial stewardship on the one hand, and social and environmental stewardship on the other should be integrated into accounting</td>
<td>35.2</td>
<td>46.3</td>
<td>11.1</td>
<td>5.6</td>
<td>1.8</td>
<td>1.93</td>
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<tr>
<td>3. Social and environmental disclosure should be provided to act as a constraint upon socially irresponsible behaviour</td>
<td>34</td>
<td>45.1</td>
<td>20.9</td>
<td>0</td>
<td>0</td>
<td>1.87</td>
<td>0.73</td>
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<td>4. Social and environmental disclosure should be provided to provide positive motivation for the corporation to act in a socially responsible manner</td>
<td>50.9</td>
<td>39.6</td>
<td>9.5</td>
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<td>5. Social and environmental disclosure should be provided to give a comprehensive view of the organisation and its results</td>
<td>42.6</td>
<td>35.2</td>
<td>16.7</td>
<td>5.7</td>
<td>0</td>
<td>1.85</td>
<td>0.89</td>
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<tr>
<td>6. Investors in Bangladesh include social and environmental (responsibility) disclosure when making investment decisions</td>
<td>7.7</td>
<td>19.2</td>
<td>13.5</td>
<td>36.0</td>
<td>21</td>
<td>3.40</td>
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<td>The status of social and environmental responsibility reporting within annual reports</td>
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<td>7. In relation to social and environmental reporting (disclosure) issues there is currently little consensus with regard to objectives</td>
<td>20.8</td>
<td>45.3</td>
<td>22.6</td>
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<td>1.9</td>
<td>2.28</td>
<td>0.96</td>
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<td>8. In relation to social and environmental reporting (disclosure) issues there is currently little consensus with regard to measurement methods</td>
<td>30.2</td>
<td>45.3</td>
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<td>1.9</td>
<td>1.8</td>
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<td>0.88</td>
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<tr>
<td>9. In relation to social and environmental reporting (disclosure) issues there is currently little consensus with regard to reporting frameworks</td>
<td>32.1</td>
<td>39.6</td>
<td>18.9</td>
<td>7.5</td>
<td>1.9</td>
<td>2.08</td>
<td>0.99</td>
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<tr>
<td>10. Social and environmental disclosures in annual reports are incomplete and inadequate and often provide only general accounts of social and environmental performance by the corporation</td>
<td>58.5</td>
<td>26.3</td>
<td>9.4</td>
<td>1.9</td>
<td>1.9</td>
<td>1.60</td>
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<td>The Impact of cultural attributes on social and environmental reporting</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>11. Cultural attributes such as family ownership, and high power distance leads to senior management's secrecy, resulting in less, or an absence of, social and environmental disclosure in public limited companies in Bangladesh</td>
<td>28.5</td>
<td>32.6</td>
<td>20.5</td>
<td>12.3</td>
<td>6.1</td>
<td>1.45</td>
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<td>Future of social and environmental reporting</td>
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<tr>
<td>12. Corporate social and environmental reporting cannot become a recognised part of accounting orthodoxy until it is more widely recognised and accepted by the accounting profession</td>
<td>55.8</td>
<td>34.6</td>
<td>1.9</td>
<td>7.7</td>
<td>0</td>
<td>1.62</td>
<td>0.66</td>
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<tr>
<td>13. Social and environmental issues will constitute a fundamental challenge for business and accountants in the coming decade</td>
<td>35.8</td>
<td>52.8</td>
<td>5.7</td>
<td>1.9</td>
<td>3.8</td>
<td>1.85</td>
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</tr>
</tbody>
</table>

Notes: 1, Strongly agree; 2, Agree; 3, Neutral (neither agree nor disagree); 4, Disagree; 5, Strongly disagree. *Figures shown in these columns are percentages.

Table II Perceptions of social and environmental accounting

Notes

1. The BGMEA is responsible for organising the activities of 4,200 entities involved in the export of garments from Bangladesh.
3. The legal framework in Bangladesh is based on British model injected in its colonial heyday. Corporate law in Bangladesh relies on the British Companies Act 1913, adopted in 1994 with minor revision.
4. A growing amount of research promoted by some big accounting firms (for example, KPMG) has found that accountancy practices in the area of social and environmental accounting have been carried out to a greater extent in developed countries than developing countries over the last two decades, and in particular significant changes in practice appear to have occurred since 2000 (see KPMG, 2002, 2005).
5. Of the 13 five-point scale questions, in most cases the standard deviation was smaller than 1, providing evidence of the homogeneity among the views of the respondents.
6. More interestingly, the power of family often shapes the political power within a developing state, including Bangladesh (Jiggings, 1976; Reaz and Arun, 2006).

References


Belal, A. (2008), Corporate Social Responsibility (CSR) Reporting in Developing Countries: The Case of Bangladesh, Ashgate, Aldershot.


Caramanis, C.V. (2002), "The interplay between professional groups, the state and supranational agents: Pax Americana in the age of globalisation", Accounting Organizations and Society, Vol. 27 pp.379-408.


Further Reading


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