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ON THE EFFECTS OF LEGAL AND CULTURAL INSTITUTIONS ON CORPORATE SOCIAL DISCLOSURES BY BANKS

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ABSTRACT

Recent studies have articulated the dearth of cross-country investigation of Corporate Social Responsibility (CSR) disclosure behaviours in the broader CSR discourse. The impacts of national institutional frameworks on CSR disclosure behaviours also remain under-researched. Consequently, this study examines the impact of legal origin and culture on CSR disclosures by large banks in fourteen Western European countries. It finds that country's legal origin and culture affect disclosure behaviours of banks. Surprisingly, banks in civil law origin countries make more employee and shareholders social disclosures than banks in both Common law and Scandinavian countries. Banks in high uncertainty avoidance cultures make more social disclosures than banks in low uncertainty avoidance cultures, but no relationship is found between CSR disclosure and individualism/collectivism cultural dimensions. The study finds support for institutional theory, and highlights the importance of cross-country studies in expanding the current CSR dialogue.

Keywords: Institutional effects, CSR disclosure, Cultural dimension and legal origin.

INTRODUCTION

The antecedents of Corporate Social Responsibility (CSR) discourse have been traced to the 1950s (Carroll, 1999). However, the Union Carbide incident in Bhopal, India in 1984 and Alaska oil spill in 1989 were critical in increasing the spotlight on CSR issues (Idowu & Towler, 2004). Studies have also identified various incentives for firms' voluntary corporate social disclosures. Reasons include legitimacy factors (Deegan & Rankin, 1996), corporate mimicry, stakeholders' pressures, and reputational risk management (Bebbington et al. 2008) among many others. Different theories have been used to discuss CSR issues including, for example, Legitimacy (Lindbolm, 1994; Suchman, 1995), Stakeholders (Freeman, 1984), Institutional (Jackson & Apostolakou, 2010; Scott, 1995) and, recently, Reputational Risk Management theories (Bebbington et al, 2008).

Although substantial studies have been undertaken on determinants of CSR disclosures, to the best of our knowledge, these are mostly country specific (with few exceptions such as, Aguilera et al. 2006; Matten & Moon, 2008; Chen & Bouvain, 2009),[1] and rather general in focus. These approaches are limited in allowing a broader cross-country and industry specific in-depth analysis. Recent literature has also articulated the urgent need for more cross-national studies to explore this area (see Chih et al. 2010; Jackson & Apostolakou, 2010; Matten & Moon, 2008; Williams & Zinkin, 2008).

This study therefore adds to the available cross-country evidence on the effects of different national institutional frameworks on firms' CSR behaviours, specifically their disclosures. It achieves this by examining CSR disclosure in fourteen Western European countries, focusing on the CSR disclosures in their banking sector. This is important for a number of reasons including its exclusion from the majority of empirical accounting and finance research on the basis that banks and financial institutions' reporting and organisational structures are different to others. A better understanding of the influence of institutional factors on CSR disclosure by banks should improve our understanding of how a specific industrial sector interacts with the community in which it operates.

Consequently, our main question is: Do country specific legal origin and cultural institutions affect CSR disclosures by the biggest banks in Western Europe? Previously, using neo-institutional theory (Di Maggio & Powell, 1983) and comparative institutional advantage analysis (Hall & Soskice, 2001), Jackson & Apostokalou (2010) argued that the more liberal market economies of the Anglo-Saxon countries scored higher on most dimensions (economic, environmental and social dimensions) of CSR than firms in the more coordinated market economies in Continental Europe. They suggested that voluntary CSR disclosures substitute for institutionalised forms of stakeholders' participation. Similarly, Wanderley et al (2008) found that different country of origin and industries have significant effects on CSR disclosures on the internet by 127 companies from eight emerging economies.

However, these studies involved both high and low impact industries without teasing out the disclosure pattern in the sectors. The only other study, to our knowledge, that directly addressed CSR disclosures in the financial sector was Chih et al (2010). They examined the empirical consistency of Campbell's (2007) institutional theoretical postulations on firms' socially responsible behaviours, and found that firms would act in more socially responsible ways to enhance their competitive advantage in a highly competitive market.

1 None of these studies addressed CSR in the banking sectors across the countries.

They also reported that financial firms operating in countries with stronger levels of legal enforcement engage in more socially responsible activities, but financial firms in countries with stronger shareholder rights engage in less CSR activities. However, this study is different from their investigation because it examines legal origins, rather than enforcement. Legal origin determines the types of law, legal institutions and, to a great extent, the effectiveness of the enforcement of those laws and therefore constitutes a more important consideration. Furthermore, Chih et al's work failed to systematically trace the subtle and interesting connection between legal enforcement and the nature of CSR activities of the firms in the study. For example, to what extent was legal enforcement instrumental in shareholders, environmental and social related CSR activities of the firms in the sample? Unpacking firms' CSR disclosures in this way is important in order to understanding the incentives for such disclosures and also important for a number of other stakeholders, not least for public policy.

This study also extends the literature on the role of cultural institutions on CSR discourse. In this sense, it shares similarities with Williams & Zinkin, (2008), but while their focus was on the effects of cultural differences on consumers' willingness to punish irresponsible corporate behaviours, the present study is concerned with the effects of cultural differences on CSR disclosure behaviours of banks and financial institutions. Thus, this study addresses the intersection of culture and CSR from the view point of the firm rather than individuals. This is an area that has enjoyed little attention in the literature. This study uses two cultural dimensions from Hofstede's (1983) propositions, (Uncertainty Avoidance and Individualism/collectivism dimensions) to study the influence of culture on CSR disclosures by the big banks in Western European countries. This approach allows an in-depth examination of specific institutional dimensions on CSR disclosure for a specific sector across eminently heterogeneous institutional frameworks.

The other defining feature of this investigation is the integration of institutionalism and culturalism in CSR discourses. These two concepts are often treated in the literature as if they are independent and mutually exclusive. Indeed, in recognition of the huge potential benefit of such integration, a whole issue of the Academy of Management Journal (Volume 53, issue 6, 2010) was devoted to a theme that seeks to bring back culture into institutionalism. Thus, this study takes the view that both concepts are mutually complementary and provide a very strong logical basis for explaining firms' CSR disclosure behaviours. We are not aware of any study that has attempted such integration in the recent CSR discourse. The remainder of the paper is structured as follows: Section 2 provides a literature review on Institutional theory and CSR disclosures by banks. In section 3, we present the hypotheses for the study. Section 4 focuses on methodology issues and in section 5 we present results, before concluding the paper in section 6.

THE THEORETICAL CONTEXT OF THE STUDY

Firms as economic units operate within socio-cultural contexts, which affect their behaviour and impose expectations on them (Campbell 2007). Studies have used institutional theory to explain social and environmental disclosures (Chih et al. 2010; Jackson & Apostolakou, 2010; Chen & Bouvain 2009; Campbell, 2007) in addition to the usual social contract and legitimacy and stakeholder theories. The theory contends that the institution is at the heart of the social structure. An institution has multiple self-reinforcing dimensions including its cultural-cognitive, normative and regulative dimensions.

Institutional norms are durable, transferable, and are the basis of social behaviours and interactions (Scott, 1995:33; 2001: 48).

Over time, social actors re-enact the institution through compliance with its norms, which are dynamic (Campbell 2007). Firms as social actors operate within a nexus of institutions including economic, legal, and cultural institutions, all of which impact on its behaviours (Campbell, 2007; Hall & Soskice 2001). Differences in institutions lead to variations in actors' behaviours and consequently in outcomes (Campbell, 2007; La Porta et al. 2000b).

Hall & Soskice's (2001) varieties of capitalism arguments suggest that comparative institutional advantages are derivable by firms depending on the predominant mode of coordination in their institutional environment. They distinguished between market-coordinated strategy found in liberal market economies such as US and UK, and the strategic-coordinated strategy found in coordinated market economies such as Germany. In the liberal market economies, firms achieve coordination through formal contracting, fierce market competition and arm's length exchange compare to the coordinated strategic mode which fosters coordination through non-market mechanisms such as informal contracting, relationships, networks and inter- company cooperation and collaborations. These variations define the nature of possible outcomes within each mode. From a different perspective, Whitley's (1998) National Business System suggest that countries' national business and economic behaviours are reflected in the operations and structures of firms within the national context, while La Porta et al. (2000b) argued that differences in national legal origin and enforcement could explain variations in governance systems, market developments and economic growth.

Another dimension of national institution that has received some attention in the literature is culture. Culture is a particularly difficult concept to define and operationalise. However, Kuper suggest that it is "a matter of ideas and values, a collective cast of mind" (Kuper, 1999: 227). Hofstede's (1980; 83) studies on culture identified five different cultural dimensions (Power distance, Individualism, Masculinity, Uncertainty avoidance and Long term orientation) and their effects on actors' outcomes (see Hofstede 2001). However, while studies in corporate governance and financial reporting have explored the various impacts of institutional differences on outcomes, this phenomenon is just developing in the growing CSR discourse (Jackson & Apostolakou, 2010; Wanderley et al, 2008; Campbell, 2007). Consequently, we premised this current paper on institutional theory and on the conjecture that differences in institutional framework, specifically the legal and cultural dimensions of the institution, could provide salient explanations for the difference in firms' social reporting behaviours and outcomes.

One of the distinctions of this study from the few that have examined the effects of institutional factors on CSR discourse is its focus on CSR disclosure practices by firms in the banking sector. Although Branco and Rodrigues (2006: 233) suggested that "by comparison with other sectors such as chemicals, paper and pulp, etc. the financial services sector has significantly lower direct environmental impact**",** they acknowledged that **"**the activities of banking and finance companies, such as their lending and investment policies, can be considered as equally environmentally-sensitive when compared with the direct impacts of companies in polluting industries". This is consistent with concern expressed by Thompson and Cowton (2004, p. 199), who argued that banks "can be seen as facilitators of industrial activity which causes environmental damage". However, very little is known of CSR disclosure in this sector. For example, what do financial companies disclosure and why? Who do they target in their disclosure and how is this undertaken? These are some of

the questions that the literature on CSR in the banking sector has not addressed sufficiently. Below we present a review of the few studies that have featured CSR disclosures in the sector.

Literature review on CSR disclosures in the financial sector

Current literature shows a number of themes regarding CSR in the financial sector. These include the theoretical underpinnings shaping the debate on CSR in the sector, which largely falls between stakeholders and legitimacy theories (Sweeney and Coughlan, 2008; Branco and Rodrigues, 2008; Bravo, Matute and Pina, 2012), banks' CSR disclosures on the internet (Bravo et al 2012; Coupland, 2006; Hinson, Boateng and Madichie, 2010) and its comparison to disclosure in the standard annual reports.

Majority of the studies are country specific with few cross-country studies. Emerging views from the literature also suggest that banks use CSR disclosure strategically for instrumental (Aguilera et al 2007) reasons including for competitiveness (Porter and Kramer, 2006) and for managing their stakeholders expectations (Holme and Watts, 2000). We also got the sense that banks prioritise their CSR communications as reflected in the weight, prominence and language used in those discourse (Coupland, 2006). It seems that significant attention is placed on communications relating to customers and employees than community and environments, as is the case in high impact and more "sinful" sectors (Campbell, Craven and Shrives, 2003). Banks' CSR disclosures seem to privilege product and services, rather than enunciate social giving and community involvement (Hamid, 2004). They also reflect implicit CSR behaviour compared to more explicit CSR approaches (Matten and Moon, 2008) found in the high impact sectors, perhaps due to their low legitimacy threat arising from low visibility and indirect impact on the environment (Branco and Rodrigues, 2006) at least before the current financial crisis. On the internet, it seems that banks privileged their financial performance disclosures as these are easily accessible compared to their corporate social performance (Coupland, 2006).

Similarly, Hamid's (2004) study on Malaysian banks and financial institutions found that they reported more on their product and services than on strictly environmental issues such as energy consumption, or on human resources and community related disclosures. These studies show that although banks make CSR disclosures, and in some cases they make more disclosures than other industries (Tsang 1998), their focus is somewhat different. Douglas et al's (2004) research on CSR disclosure practices by Irish banks and international financial institutions found that Irish banks are far behind in terms of their environment disclosure practices. They found that Irish banks report more on CG and human resources and least reports were in the area of community involvement, compare to international financial institutions who report more on community involvements.

Chih et al. (2010) is the only study we are aware of that has considered the effects of institutional framework on CSR by financial firms. Chih et al (2010) empirically tested Campbell's (2007) postulations on the institutional environment that determined CSR behaviours by focusing on firms in the financial sector in 34 countries between 2003 and 2005. They distinguished between financial firms that are constituent of the Dow Jones Sustainability Index (the CSR group) and Dow Jones index firms that are not (the non CSR group). The authors used a number of regression models with a series of explanatory variables and reported that CSR is an increasing function of firm size, but is not related to firm' performance. Furthermore, they found that firms would employ CSR as a competitive tool if they are operating in an intense competitive market. Financial firms' engagement in

CSR activities was found to be positively related to country's legal enforcement environments. On the other hand financial firms' engagement in CSR is a reducing function of the strength of shareholders' rights. However, their study failed to disentangle CSR disclosure into its various components; this severely limits our understanding of what financial companies in the study disclose.

Although there is evidence of research into CSR in the banking and financial sector, this is still negligible at the moment. There are quite a lot of missing links in the current literature that need unpicking. For example, although we know a bit about the content (what?) and mechanism (how?) through which banks disclose, we do not know enough about the external factors that could possibly impact on both the what and how factors in banks' CSR communications. How much of what and how of CSR communications by banks are informed by institutional arrangements in which they operate? It is possible to think that globalisation and cross listing makes the consideration of such issues as legal and cultural institution irrelevant, but the reality is still that firms are influenced by both their internal and external environments, both of which are strictly speaking embedded in the institutional framework within which firms operate, irrespective of whether they operate locally or internationally. In fact, it could be argued that globalisation has made the consideration of national uniqueness a crucial competitive tool in today's global market place. This is indicated by the World Bank's and IMF initiatives on observation of codes and standards and the assessment of the national business system information. These include the consideration of the ease with which enterprises function, which is very much determined by the existing institutional framework. Thus, the consideration of the institutional frameworks within which banks and financial firms make their CSR disclosures is a very relevant and important issue that has surprisingly escaped rigorous investigation.

Table 1 below present countries' classifications, with Panel A showing classifications based on the legal origin of countries, while panel B shows classifications based on cultural institutional dimensions. In panel B(1), countries were categorised based on whether they have more or less score to the median index score in the original Hofstede's (1983) study, while in panel B(2) countries were categorised based on whether they have more or less than 50 index score for the cultural dimensions.

Table 1
Panel A: Legal Origin dimension of Institution

Institutional factor	Common law origin	Civil law origin	Scandinavian civil law origin
Legal origin and enforcement	UK and Ireland	Germany, France, Italy, Netherlands, Spain, Belgium, Portugal, Austria and Greece	Sweden, Denmark and Finland

Panel B: Cultural dimension of Institution

Institutional factor	Uncertainty Avoidance	Individualism/collectivism
1) Based on Median scores	**High:** Italy, France, Austria, Spain, Greece, Portugal and Belgium **Low:** UK, Denmark, Sweden, Ireland, Germany, Finland and Netherlands.	**High:** UK, Germany, France, Netherlands, Belgium, Spain, Denmark, Sweden, Ireland, Finland, Austria and Italy **Low:** Portugal and Greece.
2) Based on '50' index score	**High:** Italy, Belgium, France, Germany, Finland, Austria, Spain, Greece, Portugal and Netherlands. **Low:** UK, Denmark, Sweden and Ireland	**Same as above.**

DEVELOPMENT OF HYPOTHESES

We limit our analyses here to two institutional factors viz the legal and cultural institutions, for clarity.

Differences in Legal Institutions

European countries have ancestral and, to some extent, cultural similarities (Guillen et al, 2002; Enderle, 1996). They are nevertheless different in some important ways, particularly in their legal origin and institutions. For instance, while the UK has a common law origin which impacts on the organisation, structure of institutions and outcomes within it, countries such as France, Spain, Italy, and the Netherlands have a civil law origin in the French Napoleonic code, with different institutional structures and outcomes. La Porta et al. (2000b) showed that differences in legal origin, enforcement and history affect economic institutions, governance structures and institutional outcomes, but they did not examine their effects on CSR disclosures. They observed that common law origin countries tend to have more formal institutions and stronger law enforcement mechanisms. They also have more developed shareholders' protection laws, more dispersed ownership structures, and government intervention in the market is rare. This is consistent with the market-coordinated mode (Hall & Soskice, 2001). In contrast, countries with a civil law origin have a significant government involvement in the corporate structures. Market structures are not as active and robust as in common law origin countries, such as, the UK. The market for corporate control is not as active since share ownership is concentrated, with banks and financial institutions playing dominant roles in corporate ownership. The Scandinavian countries also have a distinctive legal system built on the old German body of law, with little or no influence from common or civil law systems. These institutional arrangements have impacts on disclosure practices (Aguilera et al. 2006). While firms in common law origin countries have a wider stakeholders' responsibility and therefore report accordingly, firms in the civil law countries, with concentrated ownership structure, have limited stakeholder demands.

Furthermore, while common law countries have stronger more developed property rights and shareholders' protection laws, civil law origin countries seem to have more developed employees' rights and protections laws (Chih et al. 2010; Idowu & Towler, 2004; Ferner & Quintanilla 1998). Due to these distinctive features and their potential to impact on firms'

social disclosure behaviour, we propose that banks in the common law countries have a greater need to make more social disclosures than firms in the civil law countries due to their diverse stakeholders' reporting demands. Similarly, ownership structure and diverse stakeholders' reporting demand arguments also motivate the conjecture that banks in the common law countries would make more shareholder related social disclosures than banks in the civil law countries. On the other hand, it is likely that banks in the civil law countries have incentives to make more employee related social disclosures than banks in the common law countries. Whitley (1998) argued that the employer- employee relationship in the Anglo-Saxon could be characterised with flexible external labour markets with a high rate of employment change, compared to a more intermediate relationship in the Continental European and Scandinavian countries. Employers in Continental Europe tend to see employees as part of the strategic strength and resources of the firms, and are more prepared to spend on their training and development (Ferner & Quintanilla 1998). In fact, employees in some of these countries play more active roles in corporate governance through works councils and co-determination (Idowu & Towler, 2004). Chih et al. (2010) found that financial firms act in more socially responsible ways in countries with a more cooperative employer-employee relationship. These arguments inspire the following null hypotheses:

H1a: There are no relationships between the CSR disclosures by the biggest banks in Western Europe and their legal origin

H1b: There are no relationships between the employee (social) related CSR disclosures by the biggest banks in Western Europe and their legal origin

H1c: There are no relationships between the shareholder (economic) related CSR disclosures by the biggest banks in Western Europe and their legal origin

Differences in Cultural Institutions

Despite its criticisms, which have often centred on its replicability and equation of nation to culture (Baskerville, 2003; Smith et al. 1996; Gernon & Wallace, 1995), Hofstede's (1983) study on culture continues to contribute to subsequent insights on the subject (De Mooji & Hofstede 2010). There is a growing use of his cultural dimensions in accounting and finance studies too (Baskerville, 2003). In this study, we project Hofstede's Uncertainty Avoidance and Individualism/collectivism dimensions of culture on CSR disclosures by banks in some Western European countries. Our argument is that, societies that are high uncertainty avoiders are likely to motivate CSR disclosure through specific idiosyncratic measures in order to reduce uncertainty by prescribing behavioural codes for societal actors. This may be because this type of culture needs rules and formality to structure life, as it is less tolerant to change and innovation (Yaveroglu & Donthu, 2002). National institutional frameworks reflect these rules and enforce the measures, which could be regulatory or of other forms, within which firms operate and thus determine actors' action in response to the requirements of the institutions. For example, we would expect banks operating in a high uncertainty avoidance environment to be more likely to make CSR disclosures, possibly due to coercive isomorphism (Di Maggio & Powell, 1983). On the other hand, it is likely that countries with low uncertainty avoidance index would be less rigid on CSR issues. Such countries are not likely to motivate disclosures through coercion, and are more likely to be flexible in their approach to disclosures of CSR issues. This may be because such a society is more likely to allow the opportunity to explore possibilities even if they are unusual. Consequently, we anticipate that banks operating in this type of environment do not have a compelling motivation for CSR disclosures and are therefore

less likely to make such disclosure. These arguments motivate our next hypotheses stated below:

H2a: There is a positive relationship between banks in high uncertainty avoidance cultural and CSR disclosures

H2b: There is a negative relationship between banks in low uncertainty avoidance culture and CSR disclosures

In terms of Individualism/collectivism cultural dimensions, Hofstede (1983) suggests that social actors in the former see themselves as, and act as, individuals rather than as a collective. Therefore, such societies have more individualised survival instincts, and more developed personal protection rights including property rights. The individual has a weak link to other groups or other members of the society. High individualistic societies are likely to be more 'I' conscious and hold self-actualisation and reliance in high importance. Greif (1994) referred to this society as an 'integrated' society, where economic transactions are more likely to be conducted among people from different groups, contract enforcements are achieved more through specialised organisation such as the court etc. On the other hand, individuals in a high collectivist society are likely to be more 'WE' conscious, inclusive, and see themselves more as a member of a group with a stronger link to the society (Williams & Zinkin, 2008; Hampden- Turner & Trompenaars, 1997; Greif, 1994). Group cohesion and actions are likely to be more valued than individual centred behaviours. Thus, firms as part of the actors in the society imbibe its norms and interact with its expectations. As firms reflect the individualised societal expectation of 'I' rather than 'WE', we would expect firms in a highly individualised society to be more self-centred and be less responsive to other objectives than the individualised objectives fused into firm's corporate goals, since firms are likely to reflect the society they operate in. As a result, we propose that firms in such a cultural setting would be less willing to make CSR disclosures.

Equally, we expect firms in a collectivist society to share values such as the concern for others, building trust, inclusiveness, loyalty and selflessness, with individuals in the society. Firms' corporate objectives would therefore reflect these collective-centred objectives and behaviours. Consequently, such firms may be more willingly to disclose CSR issues in keeping with the tenets of 'being good' and 'doing good' (Coupland, 2006) for the overall benefits of the collective rather than the individual social actor. We examine these propositions with the hypotheses below:

H3a: There is a positive relationship between banks in collectivism culture and CSR disclosures

H3b: There is a negative relationship between banks in individualism culture and CSR disclosures

METHODOLOGY

Data & Model

We concentrated on the biggest banks in each of the fourteen Western European countries (see table 1), based on size (Banks with at least €600m in turnover), because they are more likely to make CSR disclosures and are also more likely to impact on institutional

frameworks than smaller ones (Chih et al, 2010; Campbell 2007). We chose these countries because of data availability and their relatively similar level of development and awareness on CSR issues, and their membership in the European Union. We chose the sustainability report rather than the embedded CSR reports in the annual report because a separate sustainability report gives it more CSR focus and visibility, although it may create distance (Coupland, 2006). We collected CSR disclosure information by hand from the sustainability reports of the companies for 2005 and 2008. We chose these two periods to examine potential variation in CSR disclosures practices; we considered three years to be sufficient gap to notice variations. Firm size and performance information were also hand collected from the annual reports of the companies. We used the Euro exchange rate at 31st December of each year to translate the financial information. Our sample consists of the 50 biggest banks in Western European countries studied for two financial years i.e. 100 firm-year sample.

We used content analysis as our analytical tool, the content of the sustainability report of the companies involved were "quantified objectively in a systematic and replicable manner using predetermined categories, thereby allowing data to be analysed quantitatively" (Duff, 2011; Saunders, 2008, p.58) Content analysis is a popular technique in the accounting literature (Duff, 2011). Using content analyses involves resolving concerns about reliability, reproducibility, coding and inter-coder reliability (Krippendorff, 2004; Milne & Adler, 1999; Gray et al, 1995) and the best unit of analysis to employ. Word- analysis provides the simplest unit of analysis in a content analysis, but word count only endows an analysis with frequency of occurrence of a particular word. It does not allow a contextual analysis of the word used in the document. Although sentence or phrase analysis may provide a more refined picture of the document, because of the context, its implications are lost if they are interpreted individually. A thematic approach to content analysis, used in this study, involves identifying, analysing and reporting patterns in the data (Braun & Clarke 2006; Boyatzis, 1998). It encompasses both words and sentence analysis which provides a more flexible, and complete picture of the corpus. The subjectivity involved in deciding the theme or categories to use is one of the main defects of the method. Resolving inter-coder reliability and assuring replicability is therefore very important (Krippendorff, 2004; Milne & Adler, 1999). It enhances the transparency of the process and improves the validity of the study (Beattie & Thomson, 2007). In addition to clear coding rules and coding reviews, used by the three experienced researchers, which fostered shared meaning as suggested by Gray et al. (1995), we also benchmarked our theme identification and scoring pattern against the widely used methods adopted in the development of the CSR index by Sustainable Asset Management, Dow Jones Index and GRI. We provide examples of some of the themes used below:

Employee related disclosures:

- Internal communication with employees (working relationships, trade unions and collective bargaining)
- Processes for selecting, development and promotion for employees (creating human capital)

Economic or shareholders related disclosures:

- Evolution of shareholders' stock prices and other relevant banking data
- Presentation of reports for shareholders and financial analysts

Environmental related disclosures:

- Declaration regarding environmental issues
- Direct and indirect environmental impacts caused by the firm

We used a simple but broad scoring method for the classical CSR triple bottom line items of economic (shareholders), environmental, and social (employees) disclosures in the reports (see Appendix 1 for the scoring methods). This is to enable future studies to replicate our findings, and to ease the access to the central arguments in our study. We used Independent t- test and ANOVA to establish statistically significant differences between disclosures across legal and cultural institutions, and a series of multiple regression analyses. We used natural log of assets to measure firm size and return on assets to measure firm performance. To test hypotheses H1a- H1c stated above, we used the model below:

$$totalscore = \beta_1\, firmsize + \beta_2\, performance + \beta_3 G1 + \beta_4 G2 + \beta_5 G3 + \beta_6\, year + \varepsilon \text{.....}(1)$$

$$disaggregatedscore = \beta_1\, firmsize + \beta_2\, performance + \beta_3 G1 + \beta_4 G2 + \beta_5 G3 + \varepsilon \text{.....}(2)$$

Where:
G1= group dummy variable equal to 1 if bank is from common law origin countries and 0 otherwise
G2= group dummy variable equal to 1 if bank is from civil law origin countries and 0 otherwise
G3 = group dummy variable equal to 1 if bank is from the Scandinavian civil law countries and 0 otherwise.
To test hypotheses H2a and H3b, we grouped countries into two depending on whether their score in each of the cultural dimensions is above or below the median (50) index score for all the countries on these cultural dimensions. We undertake an independent mean t test as a preliminary analysis, and multiple regressions with the model below:

$$totalscore = \beta_1\, firmsize + \beta_2\, performance + \beta_3 H1 + \beta_4 H2 + \varepsilon \text{.....}(3)$$

$$disaggregatedscore = \beta_1\, firmsize + \beta_2\, performance + \beta_3 H1 + \beta_4 H2 + \varepsilon \text{.....}(4)$$

H1= group dummy variable equal to 1 if bank is from country with higher index score in the Uncertainty Avoidance cultural dimensions and 0 if otherwise

H2= group dummy variable equal to 1 if bank is from country with high index score in the Individualism/ collectivism cultural dimensions and 0 if otherwise.
The other variables are as defined in equation 1 above. We used the same method for the disaggregated scores of economic, environment and social CSR disclosures.

RESULTS AND DISCUSSION

Descriptive statistics

Table 2 presents the descriptive statistics. Panel A shows that firms in the sample are of fairly similar size as measured by their total assets. On the other hand, there is a considerable variation in their level of CSR disclosures with approximately eight standard deviations in the total CSR disclosures. Their financial performances also show wide variation. As expected, there are fewer variations in the dummy variables in panel B. We provide the sample information in appendix 2.

Table 2: Descriptive statistics for all the variables in the Model

Panel A: Continuous data								
Variable	N	Mean	S.D	Min.	.25	Median	.75	Max.
Lnasset	100	12.36	1.35	9.88	11.26	12.57	13.40	14.89
Roe	100	9.74	11.93	-55.94	5.28	12.88	16.81	37
Toscore	100	13.06	7.80	0.00	6.50	13.50	19.00	28
Environ	100	4.29	2.69	0.00	2.00	5.00	6.00	12.00
Social	100	5.47	3.61	0.00	2.50	7.00	8.00	12.00
Economic	100	3.30	3.27	0.00	0.00	2.50	6.00	12.00
Panel B: Dummy variables								
Year 05	100	0.50	0.50	0.00	0.00	0.50	1.00	1.00
Year 08	100	0.50	0.50	0.00	0.00	0.50	1.00	1.00
Common	100	0.18	0.39	0.00	0.00	0.00	0.00	1.00
Civil	100	0.72	0.45	0.00	0.00	1.00	1.00	1.00
Scancivil	100	0.10	0.30	0.00	0.00	0.00	0.00	1.00
UADlow	100	0.42	0.50	0.00	0.00	0.00	1.00	1.00
UADhigh	100	0.58	0.50	0.00	0.00	1.00	1.00	1.00
IDVlow	100	0.14	0.35	0.00	0.00	0.00	0.00	1.00
IDVhigh	100	0.86	0.35	0.00	1.00	1.00	1.00	1.00

Legal Institutions

Hypotheses H1a to H1c test the effects of countries' legal origin on CSR disclosures by banks. Table 3 presents the result of the ANOVA tests. The F-statistics shows that there are significant differences in the total CSR disclosures by the banks, with F-statistics of 5.47 significant at 5% level. There are also significant differences in both social and economic disclosures by the banks (with F-statistics of 4.95 and 6.58 at 5% level respectively). However, the environment related disclosures did not show significant differences in disclosure by the banks. The Bonferroni test for multiple comparisons shows that there are significant differences in the total CSR disclosures by banks in the common law countries compared to the civil law countries, and between the civil law countries and Scandinavian law countries at 5% level (4.85 and 6.60 respectively). Table 3 also shows that there are significant differences in the social and economic related CSR disclosures by the banks in the civil law countries compared to Scandinavian law countries, and banks in the civil law compared to common law countries (3.46 and 2.77respectively) at 5% level. These outcomes provide incentives to explore the relationship further using multiple regression models.

Table 3: ANOVA: Legal Institutional factors on CSR disclosures by Banks

	F	Sig	Bonferroni Test		
Totalscore	5.47	0.006	2-1 2-3	4.85 6.60	0.054 ** 0.031 **
Environment	0.95	0.391			
Social	4.95	0.009	2-3	3.46	0.012 ***
Economic	6.58	0.002	2-1	2.77	0.004 **

1 = Common law countries; 2 = civil law countries; 3 = Scandinavian countries. ** & *** represent significance at 5% and 1% respectively

Table 4 presents the multiple regression model results. It shows a significant positive relationship between size and total CSR disclosure for banks in common law countries, a marginal significance for civil and no significance for Scandinavian countries. Banks based in all the three legal origins showed significant positive relationship between total CSR disclosures and firm performance; this conflicts with findings in Chih et al (2010). Surprisingly, banks based in the common law countries showed a significant negative relationship with total CSR disclosures (coeff. -5.17: t-stat-2.24), while banks based in the civil law countries showed significant positive relationship with total CSR disclosures (coeff. 5.36: t-stat 2.98), and banks in the Scandinavian countries showed a marginal

negative relationship with total CSR disclosure. These results indicate that banks in the civil laws countries are more likely to disclose CSR issues than banks in the common law countries. However, this surprising result extends Chih et al's (2010:115) finding that 'firms in countries with stronger shareholder rights tend to engage in less CSR activities' by showing that they also make fewer CSR disclosures. We expected that banks based in the common law countries would have greater incentive to disclose due to the diverse nature of their shareholding and their advanced shareholders' protection rights compared to banks in civil law origin countries. However, one plausible explanation for our finding could be that, whilst banks in the common law countries may have higher incentives to disclose financial performance and shareholders' related financial information, due to their ownership structure, this may not be applicable to CSR issues and their disclosures. Similar explanations could be applicable for civil law origin countries. Our result allowed us to reject the null hypothesis H1a.

Table 4 also shows the results of the disaggregated disclosures (Social and Economic columns) and legal origin.

Table 4: Regression Results on CSR disclosures and Legal Institutional Factors

	Total Disclosure			Social			Economic		
Variables	Common	Civil	Scandinavian	Common	Civil	Scandinavian	Common	Civil	Scandinavian
Size	1.44 2.12 **	1.06 1.74 *	0.65 1.03	0.76 2.59 **	0.65 2.45 **	0.43 1.65	0.13 0.42	-0.44 -0.17	-0.22 -0.77
Performance	0.19 2.33 **	0.19 2.31 **	0.18 2.69 **	0.09 3.62 ***	0.09 3.45 ***	0.09 3.75 ***	0.08 1.74 *	0.08 1.75 *	0.08 2.06 **
Country	-5.17 -2.24 **	5.36 2.98 ***	-4.48 -1.81 *	-1.67 -1.62	2.22 2.79 ***	-2.60 -2.41 **	-2.29 -2.24 **	2.31 3.27 ***	-1.98 -2.51 **
Constants	-6.42	-6.43	3.22	-4.89	-5.33	-0.68	1.25	1.30	5.39
R^2	0.14	0.18	0.12	0.13	0.18	0.15	0.15	0.19	0.13
N = 100									

*, ** & *** represent significance at 10%, 5% and 1% respectively

Employee Related (ER) Disclosures and Legal Institutions

Table 4 shows a significant positive (coeff. 2.22: t stat. 2.79) relationship between ER disclosure and banks based in the civil law origin countries. There is no significant relationship between ER disclosures and banks based in the common law (coeff. -1.69: t stat. 1.6), but a significant negative relationship between Scandinavian legal origins (coeff. -2.60: t stat. -2.41) and ER disclosures. This indicates that while banks based in the civil law countries are more likely to make ER disclosures, banks based in the Scandinavian law origin countries are less likely to make ER disclosures. This mirrors the result from the total disclosures regression model presented earlier. While current literature such as Hamid (2004), and Douglas et al (2004) showed that banks make more employee and customer related CSR disclosures than environment related CSR disclosure without considering the impact of legal origin, this study extends the literature by showing that such disclosures are sensitive to firms' legal origin. Based on this result, the null hypothesis (H1b) of no relationship between banks ER disclosures and legal origin is rejected.

Shareholder Related (SR) Disclosure and Legal Institutions
The regression result in table 4 (economic column) relates to hypothesis H1c which examines the relationship between countries legal origins and banks' shareholder related (SR) disclosures. The result shows a significant positive (coeff. 2.31: t stat. 3.27) relationship between SR disclosures for banks in the civil law origin countries, a significant negative relationships for banks in both common law (coeff. -2.30: t stat. -2.24) and Scandinavian civil law (coeff. -1.98: t stat. -2.51) origin countries. This indicates that big banks operating in countries with civil law origin are more likely to make economic related CSR disclosures than banks in either the common law or Scandinavian law origin countries. This is broadly consistent with Chih et al (2010) although they did not disaggregate their CSR measures. These results enable us to reject the null hypothesis of no relationship. Next, we examine the effects of cultural institutions on CSR disclosures by banks in the sample.

Cultural institutions and CSR disclosures by Banks
Hypotheses H2a and H3b examine the effects of cultural institutions on CSR disclosures by banks in the sample. Our regression results are presented in tables 5 and 6.

Table 5: Cultural Institution and CSR disclosures by Banks

	Total disclosure UAI		Total disclosure IDV	
Variables	High	Low	High	Low
Size	1.83 3.45 ***	1.83 3.45 ***	1.23 1.83 *	1.23 1.83 *
Performance	0.16 2.15 **	0.16 2.15 **	0.19 2.76 **	0.19 2.76 **
UAI High	7.81 5.26 ***			
UAI Low		-7.81 -5.26 ***		
IDV High			-1.96 -0.80	
IDV Low				1.96 0.80
Constants	-16.26 -2.31 **	-8.46 -1.23	-2.91 -0.36	-4.87 -0.55
R^2	0.30	0.30	0.09	0.09
N = 100				

*, ** & *** represent significance at 10%, 5% and 1% respectively

Table 5 shows a strong positive (coeff. 7.81: t stat 5.26, significant at 1%) relationship between banks in high uncertainty avoidance (UAI) countries and total CSR disclosures, and a significant negative (coeff. -7.81: t stat. -5.26, significant at 1%) relationship for banks in low UAI. Firm size and performance show significant positive relationship with total CSR disclosures at 1% and 5% respectively and R^2 of 30% for both UAI high and low. We therefore accept hypotheses H2a-b. Table 5, column IDV, present the result of the relationship between the individual/collectivism dimension of culture and CSR disclosures by the banks in the sample. It shows that there is no relationship between these variables. We therefore could not accept hypotheses (H3a-b). Current literature is surprisingly silent on the relationship between culture and CSR disclosure by firms although studies have examined customers' cultural disposition and their tendencies to punish irresponsible behaviour by firms (Williams & Zinkin, 2008).

Table 6: Disaggregated CSR disclosure and UAI.

	UAI Environment		UAI Social		UAI Economic	
Variables	High	Low	High	Low	High	Low
Size	0.59 2.87 ***	0.59 2.87 ***	0.97 4.27 ***	0.97 4.27 ***	0.27 1.05	0.27 1.05
Performance	0.01 0.45	0.01 0.45	0.08 3.19 ***	0.08 3.19 ***	0.07 1.66	0.07 1.66
UAI High	1.37 2.27 **		3.28 4.55 ***		3.16 5.33 ***	
UAI Low		-1.37 2.27 **		-3.28 4.55 ***		-3.16 -5.33 ***
Constants	-4.22 -1.52	-2.86 -1.08	-9.49 -3.2 ***	-6.21 -2.16 ***	-2.55 -0.76	0.61 0.19
R^2	0.10	0.10	0.30	0.30	0.30	0.30
N = 100						

** & *** represent significance at 5% and 1% respectively

Table 6 presents the regression result on the relationship between the disaggregated CSR disclosure and UAI. The result shows some resemblance with the results of the total disclosures presented in table 5.

Banks in high UAI countries show significant positive relationship between environment and social related CSR disclosures and firm size, but shareholder related disclosures are not a function of firm size. This indicates that the bigger the firms' size, the more they are likely to make social and environment related social disclosures, but firms' size does not determine the disclosures of economic related social disclosures. We found similar results for banks in low uncertainty avoidance countries. In addition, we found that only social or employee related CSR disclosures show statistical significance with firm performance. We found a statistically significant positive relationship between environmental disclosures and banks operating in a high uncertainty avoidance society, and a significant negative relationship between banks operating in a low uncertainty avoidance society and environmental disclosures. Similarly, there is a significant positive (negative) relationship between banks operating in high (low) uncertainty avoidance and social and shareholder related social disclosures. These are all consistent with our H2a-b hypotheses.

CONCLUSIONS

Previous studies have identified the dearth of studies on CSR disclosures by banks. This is presumably because the sector is often categorised as low impact but it certainly has high indirect impact through funding high impact sectors. Consequently, this study investigated the effects of legal origin and cultural institutions on CSR disclosures by big banks in 14 Western European countries for 2005 and 2008-year end. Countries were categorised based on their legal origin and on their scores on two of Hofstede's (1983) cultural dimensions- Uncertainty Avoidance and Individualism/collectivism. Independent t-test and ANOVA analysis show that banks in civil law origin countries disclose more than banks in common and Scandinavian countries.

Multiple regression analysis shows a significant positive relationship between total disclosure and banks in civil law origin countries, and a significant negative relationship with common law origin countries. Consistent with findings in previous studies, banks in the sample do not make significant environment related disclosures, but more importantly, such disclosures are neither affected by legal origin of country of operation nor by the predominant cultural dimension of the countries. In terms of customer and employee

related CSR disclosures, banks in civil law origin countries have higher propensity to make both customer and employee related disclosures than banks in common law origin countries. This contradicts the popular thinking in the broader corporate governance and accounting literature which suggests that firms in the common law countries have stronger shareholders right and protection which, all thing being equal, should provide incentives for more disclosures. A plausible explanation for our finding could be that while banks in common law origin countries make financial and performance related disclosures more than banks in civil law origin countries, this may not be the case in respect of CSR related shareholder disclosures. This finding shows that it is important to disaggregate CSR disclosure into their specific components as this could enhance our understanding of firms' social disclosure behaviours.

Furthermore, while consideration of the impact of culture on CSR disclosure discourse is rare, integration of culture into institutional debate is even more uncommon. This study considered the effects of two of Hofstede's cultural dimensions on CSR disclosure by banks. Consistent with our conjecture, we found that banks in high uncertainty avoidance cultures such as Italy, Spain and Greece, make more CSR disclosures than banks in low uncertainty avoidance cultures such as UK and Germany, but we did not find any relationship between Individualism/collectivism cultural dimensions and CSR disclosures. This finding suggests that financial firms operating in a high uncertainty avoidance country are more likely to make CSR disclosure due to idiosyncratic factors of such countries compared to similar firms operating in low uncertainty avoidance countries. Uncertainty in this sense is framed in terms of the effects of the activities of banks in the society, especially the effects of their CSR behaviour. The implication of the findings from this investigation is that financial firms in high uncertainty avoidance countries probably have to do more to convince the society of their legitimacy to continue to operate and explore societal resources than financial firms in low uncertainty avoidance countries. This is particularly striking in view of the current financial crisis and the growing debate over banking regulations. The interesting paradox here is that while banks in Italy, Spain and Greece, countries with high uncertainty avoidance, are severely affected by the current crisis and are being bailed out, banks in low uncertainty avoidance country such as UK and Germany are less affected.

This study provides further evidence on the impact of institutional frameworks on CSR disclosure behaviours. The majority of existing studies suggest that common law origin countries have more compelling institutional frameworks to motivate more disclosures compared to civil law origin countries. However, our study suggests that this may not be the case in respect of CSR disclosures and for large banks in Western European countries. Our findings suggest the need for further studies in this research area to establish if the effects of institutional frameworks on disclosure are issue and sector specific. Furthermore, future studies could explore the impact of other institutional frameworks such as political and other cultural dimensions on CSR disclosures for other countries, for example, Eastern European countries and developing economies.

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Appendix 1: scoring basis – We award 1 point for disclosure related to each theme

Shareholders related	Environment related	Employees related
(1) Communication with shareholders	**(1)** Declaration regarding environmental issues	**(1)** Types of employees (gender, working position, types of contract, educational level, age...)
(2) Property of the firm	**(2)** Declaration regarding sustainability issues	**(2)** processes for selecting, form and promotion for employees (creating human capital)
(3) Presentation of reports for shareholders and financial analysts	**(3)** Politics programs and action to handle	**(3)** Pay, incentives and prevision systems
(4) Types of shareholders and its main features	**(4)** Declaring realizations and financial budget handled	**(4)** Health and safety
(5) Information regarding relevant facts	**(5)** Environmental (prizes, certificates and auditing)	**(5)** Internal communication with employees (working relationships, trade unions and collective bargaining)
(6) Buy and sell off own shares	**(6)** Investing in environmental issues (improvement, control and saving)	**(6)** Conceal family and job
(7) Compromise to buy and sell own shares	**(7)** Green products	**(7)** Suggestions and complaints
(8) Shares to shareholders (value creation)	**(8)** Direct and indirect environmental impacts caused by the firm	**(8)** Knowledge and talent management
(9) Evolution of shareholders stock prices and other relevant banking data	**(9)** Environmental exposure	**(9)** Working absence
(10) Shareholders webpage	**(10)** Emissions, consume and energetic saving	**(10)** Working climate
(11) Loyalty programs and products offer	**(11)** Energies (renewable and non renewable)	**(11)** Communicate and participate in management issues
(12) Stock and sustainability indexes	**(12)** Recycling and waste	**(12)** Helping disfavoured groups
(13) Shareholders meeting	**(13)** Climate change and Green house effect gases	**(13)** Volunteering
(14) Others	**(14)** Main indicators regarding environmental issues	**(14)** Others
	(15) Others	

Appendix 2: Sample composition

Country/number of banks	Names of banks	Country	Names of Banks	Country	Names of Banks
Austria /2	Kommunal Kredit AG	Germany/6	Commerzbank	Spain /7	Banco Popular
	OeKB		Deutsche Bank		Banco Sabadell
Belgium/2	Dexia		HVB		Banesto
	KBC Group NV		West LB AG		Bankinter
Denmark/1	Danskebank		KfW Bankengruppe		BBVA
France/6	BNP Paribas	Italy/5	MPS		Banco Pastor
	Credit Agricole		SAN PAOLO IMI		Banco Santander
	Socgen		UNICREDIT GROUP	UK/7	Abbey**
	Caisse D´Epargne		Banca Intessa		Barclays Bank
	GBP		Banca Nazionale di Lavoro		HSBC
	Natexis				Lloyds TSB
Finland/2	Okobank	*Ireland/2	Allied Irish Bank		HBOS
	Sampo OYJ		Bank of Ireland		Bradford and Bingley**
*Greece /4	Alpha Bank	*Portugal/3	Caixa General Depositos		Royal Bank Scotland**
	Emporiki Bank		Banco Espirito Santo	• T*	
	Eurobank Ergasias		Millenium BCP		
	Piraeus Bank	Sweden/1	SEB		
Holland/3	ING GROUP				
	RABOBANK				
	ABN - AMR				

* These countries banks/ economy were bailed out by the European Union and World Bank's loan packages
**The financial crisis affects these banks significantly. They were either nationalised or taken over by another bank.