

Religion as an Emerging Institutional Factor behind Sustainability Disclosure Practices in Bangladesh: The Case of an Islamic Bank

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Recent studies show that banking companies disclose more sustainability information led by some Islamic banks in Bangladesh. The reasons behind such voluntary disclosure by the Islamic banks are not identified by previous researchers. Hence, this study attempts to identify the main motivational factors behind the CSD practices through managerial interviews of an Islamic bank. The Moon was purposively selected for its successful business operations and socioeconomic contributions during last 27 years in the local context. The study found that although there are some factors such as central bank regulations, environmental movement, institutional award, professionalism and corporate culture, the role of religion that is, Islam has emerged as a vital force behind the CSD practices of the Islamic bank. From the institutional perspective, religious faith fuels the cognitive mechanism in creating new institutional forms.

Field of Research: Accounting, Corporate Governance

1. Introduction

The global issue of sustainability urges the corporate bodies to be transparent by disclosing those sustainability activities that may affect the earth and society at large. Apparently, Corporate Sustainability Disclosure (CSD) around the world has been gradually increasing since the end of 2000. According to KPMG (2008), 80 percent of the globally large companies (G250) now disclose sustainability reports. As per the report of KLD (2008), 51 percent of sample companies in emerging markets publish a standalone sustainability report. However, the state of CSD practice in the developing countries is lagging far behind except a few exceptions. Some developing nations such as Malaysia, India, and Bangladesh have laid more focus on the sustainability issues at present. The geographical scientists posited that about 18 percent of Bangladeshi land will be submerged in Bangladesh following a sea level rise (WDR, 2010). As reported by the Prime Minister of Bangladesh at the Copenhagen Climate Change Conference in 2009, Bangladesh is the first victim of global warming among the developing nations (Pasha, 2009)

The recent movements on climate change issues have increased the level of awareness that forced the government and private sector organizations to be

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accountable for their socioeconomic performance. Sobhani et al. (2009a) found that banking sector disclosed more social and environmental information compared to other listed companies in Bangladesh. Moreover, according to Sobhani et al. (2009b), the Islamic banks were found to disclose more sustainability information compared to the conventional banks. A comparative study between an Islamic bank and a conventional bank revealed that Islamic bank disclosed total 2,192 sentences in the corporate annual report, website and other mediums of disclosure such as newspapers, corporate brochure and magazines, while the amount of disclosure for conventional bank was 2,104 sentences during 2009 (Sobhani, 2010). The reasons behind such disclosure by the Islamic bank were not identified that urged further investigation. Bangladesh has been selected as the location of this research mainly for three reasons. Firstly, and as indicated above, there is a relative lack of research that investigates the CSD practices within developing countries. Secondly, banking sector is dominant compared to other corporate sectors in Bangladesh. And finally, Islamic banks are successful and contributing to sustainable development of the country.

The balance of this research is organized as follows. The Section 2 reviews prior studies indentifying the motivational factors behind corporate social, environmental, and more recently sustainability information. Following this, Section 3 provides a brief overview of some of the theoretical perspectives that have commonly been used by researchers working in the social and environmental disclosure area. Section 4 then describes the methodology of research. The section describes the approach to interviewing the senior bankers of a selected Islamic bank. Section 5 provides the results of interviews. Section 6 addresses theoretical interpretation of the case findings. Section 7 provides concluding remarks.

2. Literature Review

Although enormous studies have been conducted to find the motivational factors behind corporate social and environmental disclosure, no prior research is available to identify the reasons behind corporate sustainability disclosure. The attempt of Adams (2002) to identify and classify the influential factors is most remarkable. She identified three categories of internal organizational factors on corporate social and ethical disclosure, which are: (1) corporate characteristics; (2) general contextual factors; and (3) internal contextual factors.

Corporate characteristics (also supported by Trotman & Bradley, 1981; Cowen et al., 1987; Gray et al., 1995; Deegan & Gordon, 1996; Hackston & Milne, 1996) include corporate size (Trotman & Bradley, 1981; Cowen et al., 1987; Patten, 1991; Hackston & Milne, 1996; Adams & Harte, 1998), industry group (Cowen et al., 1987; Patten, 1991; Roberts, 1992; Deegan & Gordon, 1996; Hackston & Milne, 1996; Adams & Harte, 1998), corporate age, financial/economic performance (Roberts, 1992), share trading volume, price & risk – BETA (Patten, 1992), decision horizon – long term and short term (Trotman & Bradley, 1981), debt/equity ratio (Roberts, 1992) and political contributions.

General contextual factors cover country of origin (United Nations, 1994; Niskala & Pretes, 1995; Adams & Harte, 1998; Adams, 1999; Adams & Kuasirikun, 2000),

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political context (Adams & Harte, 1998), economic context, social context, cultural context (Gray, 1988; Adams & Kuasirikun, 2000; Qu & Leung, 2006), ethical relativism (Lewis & Unerman, 1999), time (Adams & Harte, 1998; Adams, 1999), pressure groups (Patten, 1992; Amran, 2006; Belal & Owen, 2007), and media pressure (Brown & Deegan, 1998).

The internal context has been divided into two parts, first, the process that considers the company chair (Campbell, 2000; Amran, 2006) and board of directors, corporate social reporting committee (Cowen et al., 1987), corporate structure and governance procedures, extent and nature of stakeholder involvement, and extent of involvement of accountants. Second, attitudes that consider the views on the recent increase in reporting, reporting bad news, reporting in the future, regulation and verification; perceived costs and benefits of reporting and corporate culture. Finally, Adams (2002) proposed an inclusive model of corporate social reporting that does not follow any theoretical framework.

Bansal and Roth (2000) identified the motivational factors behind corporate ecological responsiveness. They recognized three basic motivations for 'greening' the firm, namely, competitive advantage, legitimation and environmental responsibility. A review of two surveys during 2002 indicates that the number of companies participating in CSR is increasing (KPMG, 2002). As stated by Amran (2006), this phenomenon is caused by the firm's desire to be legitimate and conform to industry norms. It is also due to the diffusion of the reporting culture.

According to Raar (2007), the management motivation behind the disclosure of particular items is not obvious, although firms may adhere to only particular aspects of social and environmental issues in their activities. The author highlights the general imperative for a more holistic approach to environmental, social and sustainability reporting issues from the Australian context. It is revealed from the study that focussing on specific reporting attributes may indicate a reporting strategy based on the political economy theory – a public image perspective. Nevertheless, this categorical emphasis is both an operational and a reporting limitation. It should not mean that firms can ignore or disregard other aspects of the social and environmental responsibility or GRI reporting guidelines. The reporting process, particularly in relation to sustainable aspects, consistent, comparable and reliable information that faithfully represents the companies' activities and performance is to be imparted.

Company age was not found to be positively related (Menassa, 2010), while leverage ratio was negatively related to the level of CSR reporting (Haron et al., 2007). The choice of disclosure items is dependent on the corporate strategy of legitimacy (Hamid, Fadzil, & Ismail, 2007), management will, professional experience of chief executive, motivation for award, government patronization and pressure from different stakeholder groups (Amran, 2006). Rahim (2008) investigated the attributes towards disclosure of occupational safety and health (OSH) in the annual reports of Malaysian companies. The study revealed that irrespective of the sector, companies disclose the information as they like to demonstrate their commitment in managing and improving OSH.

In the context of Bangladesh, Imam (2000) reported that company size is a vital factor behind the voluntary reporting practices in this country. The author also

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mentioned that the rules and practices of the companies are another important factor of social disclosure. However, the author recommended further effort to identify the factors influencing the social and environmental disclosure of the listed companies in Bangladesh. Belal and Owen (2007) conducted a series of interviews with senior corporate managers with an object to determine the motivational factors for social voluntary disclosure during 2001-2002. They held interviews with 23 Bangladeshi companies representing multinational, domestic and the public sector. They found that the main factors behind corporate voluntary disclosure practices lay in the desire of corporate management to manage powerful stakeholder groups. Islam and Deegan (2008) interviewed senior executives of garment manufacturing industries to determine the pressures being exerted on them in terms of their social and environmental performance. The study showed that since the early 1990s, particular stakeholder groups have placed pressure on the Bangladeshi clothing industry in terms of its social performance. As stated by them, this pressure is also directly related to the expectations of the global community, which in turn drives the industry's social policies and related disclosure practices.

In respect of field of research, financial institutions are ignored in the social and environmental accounting (SEA) research (for example, Belal, 1999; Imam, 2000; Belal & Owen, 2007; Islam & Deegan, 2008; Belal & Cooper, 2011) though banks can play a "catalytic role" (Douglas et al., 2004) in changing the corporate behaviour of other industries towards sustainability practices and disclosure. According to Haniffa and Hudaib (2004), Islamic banks are highly neglected in the area of SEA research. Although a few studies are conducted on conventional banks, no specific research is found available on Islamic banks related to social and environmental or sustainability disclosure. Hamid (2004) conducted an empirical research on Malaysian conventional financial institutions to look at specific patterns in the theme of disclosure. The study found that size, age and listing status appear to significantly influence the disclosure practice. In addition, the profitability variable showed an insignificant relationship with CSR disclosure. Sobhani et al (2009a) indicated that banking companies disclose more social and environmental information compared to other listed companies in Bangladesh. As stated by before, Islamic banks disclose more sustainability information compared to the conventional banks (Sobhani et al, 2009b). Sobhani (2010) found that an Islamic bank disclosed more sustainability information than the a conventional bank in Bangladesh over the last 10 years from 2000 to 2009. However, none of the previous studies identified the reasons behind such disclosure of CSD practices in the banking companies in general or in the Islamic banks in particular.

3. Methodology

To find out the motivational factors behind the CSD practices, the study purposively selected an Islamic bank because of its successful business operations in the banking industry as well as contribution to socioeconomic development during last 27 years. The original name of the bank has been kept secret due a personal commitment during data collection to maintain confidentiality. The word "Moon" has been used as a pseudonym to mean that Islamic bank in the context of Bangladesh. A semi-structured interview technique was used for the interviews (Gray, 2002; Belal & Owen, 2007; Belal, 2008). The main reason behind such a technique was to remain critically engaged (Gray,

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2002) in conversation in order to uncover the actual information. In any organization, the Managing Director (MD) or Chief Executive Officer (CEO), Additional Managing Director (AMD) or Deputy Managing Director (DMD), Corporate Secretary (CS) (Belal & Owen, 2007), and Finance Director or Chief Finance Officer (CFO) (Belal & Owen, 2007), are considered key personnel of the top management. They are mostly aware of corporate affairs including social, environmental or sustainability disclosure. Accordingly, in the case of the Moon, interviews with ten senior bankers, including CEO, DMD, CFO, and CS were considered. The identities of the interviewees have also not been disclosed in this study.

The interviews were conducted at the respondents' places of business (Belal & Owen, 2007) that is, head office of the Moon located in the Dhaka city. Interviews commenced with a brief introduction to the research, together with an outline of the objectives of the interview. In most cases, the questions were asked in an open-ended fashion following a conversational style (Maykut & Morehouse, 1994; Belal & Owen, 2007). The duration of the interviews varied from 30 minutes to more than two hours depending on the degree of interest and the flow of discussions (Belal, 2008; Orr & Scott, 2008). The interviews took place during the periods from March to July 2009 and December 2009 to January 2010.

The key informants in this study were the head of Accounts and Finance department holding the position of Chief Finance Officer. To obtain a clear and candid opinion, respondents were assured that the information gathered from them would be used for academic purposes only. With their permission, a professional voice recorder was used to record the exact words of the interviewees. Since interview data resulted in large amounts of information, data reduction became crucial. Several steps were followed to reduce data. For example, some respondents often expressed analogous opinion regarding a particular case. In these instances, the data reduction approach was followed to synthesize or discard repetitive data. The data analysis procedure employed codification to maintain confidentiality. The coded data were re-examined for a complete understanding on the respondents' linguistic expressions (Creswell, 2003). A pattern was developed focusing on managerial views in line with the research questions. Necessary 'vignettes' were quoted in analysis for a better understanding of the emerged themes (Miles & Huberman, 1994).

Various theories have been used to explain the phenomena of social and environmental disclosure throughout the world. Gray, Kouhy, and Lavers (1995) broadly classify three categories of theories, which are applied in SEA research. These are the Decision-usefulness Theory, Economics Theory and Socio-political Theory. Among these theories, the Stakeholder Theory and Legitimacy Theory are two dominant theories of the political economy theory. These theories are also used in the context of Bangladesh by Islam and Deegan (2008), and Belal and Cooper (2011). According to Deegan (2002), the Legitimacy Theory is mostly employed in explaining disclosure practices and motivation. However, the limitation of these theories in explaining disclosure phenomena has been highlighted by many theorists such as, Wilmshurst and Frost (2000), O'Dwyer (2002), Nik Ahmad and Abdul Rahim (2003).

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This conceptual approach of neoinstitutionalism towards organizations and organizing has provided an important focal point for behavioural studies of accounting in recent decades. In particular, the theoretical purview of Neo-institutional Sociology (NIS) grasps the dominant theories, both legitimacy and stakeholder (Larrinaga-Gonzalez, 2007; Scott, 2008). As noted by Larrinaga-Gonzalez (2007), a good number of researchers applied NIS in their studies of sustainable management and reporting. NIS was adopted by Hoffman (1999) and Christmann (2004) in their studies of corporate environmentalism, as well as by Jennings and Zandbergen (1995), and Bansal (2005) in their studies on sustainable organizations. Hoffman (1999), for example, studied the evolution of environmentalism in the US Chemical Industry from 1962 until 1993 and found distinctive periods in terms of the institutionalization of environmental. Institutional theory is pertinent to study the organizational phenomena in the context of sustainability accounting research (Larrinaga-Gonzalez, 2007). Islam and Deegan (2008) applied institutional theory to interpret the disclosure of social and environmental information in the context of Bangladesh. Sobhani et al. (2009a, 2009b) and Sobhani (2010) have also found that the theoretical lens of NIS is most suitable in explaining CSD practices in the similar context. Therefore, this study attempts to apply NIS in interpreting the results.

According to Scott (2008), there are three pillars of institutions, which are regulative, normative and cultural-cognitive. These pillars correspond with the institutional mechanisms of DiMaggio and Powell (1983). First, the regulative pillar of institutions is based on rule setting, monitoring, recompense and punishment. Second, the normative pillar of NIS focuses on values, norms and tradition that introduce a prescriptive, evaluative and obligatory dimension into social life. Finally, attention to the cultural-cognitive dimension of institutions is the major distinguishing feature of NIS. Cognitive artefacts are the shared beliefs that constitute the nature of social reality and the frames through which meaning is made. In the cognitive dimensions of human existence, what a person does is, to a certain extent, a function of the person's internal representation of their environment (Scott, 2004, 2008).

4. Results/Analysis

The interview findings show that there are a number of explicit and implicit reasons behind the disclosure of sustainability information of the Moon. The central bank circulars to mainstream the CSR practices influenced the bank in the disclosure of sustainability information. As opined by two out of nine respondents, the recent circulars from the Bangladesh Bank were the main driving force behind the incorporation of sustainability performances in their corporate annual reports and other mediums of disclosure. As opined by two respondents,

Bangladesh Bank issued its first circular to incorporate CSR activities in the corporate annual report in 2007. Till to date three circulars have been issued. Being a scheduled bank, we feel obligated to follow the circulars and instructions of the central bank (InMn9).

No doubt, the circulars of the central bank have a direct effect on corporate disclosure. Our bank always actively considers any notification from the regulatory

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authorities whether it is concerned with financial issues like money laundering or nonfinancial voluntary issues like CSR performance (InMn4).

The circulars of the central bank were optional, however, these were taken for granted by the scheduled banks in disclosure practices. As expressed by the senior bankers:

We give due importance to any circular of the bank. Frankly speaking, most of the circulars of that bank are taken for granted. Incorporation of CSD information in the annual report is the main example in this regard (InMn8).

The circulars of Bangladesh Bank were not obligatory. It was just to encourage the listed commercial banks to get involved with social and environmental activities and report those in different medias especially in the annual reports (InMn5).

In addition to the central bank, the influence of the Securities and Exchange Commission (SEC), another statutory body of the listed companies in Bangladesh, was obviously responsible for the disclosure of social and environmental performance of the case banks. As reported by a respondent, SEC Order 2006 for incorporating Corporate Governance in the annual report changed the reporting style of the financial and nonfinancial performance of the banks. He expressed that,

In 2006, the SEC issued a notification to all listed companies listed on the Dhaka and Chittagong stock exchanges to incorporate certain issues in the annual reports related to the governance issues, on 'comply or explain basis' in order to enhance corporate governance performance for the interest of investors in the capital market of Bangladesh. We took this notification into account and planned to change our reporting style of financial and nonfinancial performances (InMn10).

The motivation of the regulatory bodies behind the CSD practices of the Islamic bank is obvious. The bank disclosed more governance information after SEC Order 2006. The central bank circulars resulted in major changes in the amount of sustainability disclosure ((Sobhani, 2010)). According to Alwi (2009), regulatory requirement promotes changes in the overall performance management of a corporation.

Institutional awards such as Environmental awards, CSR awards, and Sustainability awards have a direct influence on the sustainability practices and disclosure. ACCA introduced "Awards for Sustainability Performance and Reporting" in 2001 (Larrinaga-Gonzalez, 2007). The award of the Institute of Chartered Accountants of Bangladesh (ICAB) also motivates the bank to disclose sustainability information. According to a respondent,

It is true that an award mechanism has a positive effect to promote the CSD practices. Our bank follows some particular award requirements in performing and disclosing CSR activities in the annual report and corporate website (InMn4).

There is a relationship between the sustainability disclosure practices and the professionalism of corporate executives. Haniffa and Coke (2002) found that the qualifications and experiences of the Finance Director and other members of the Board of Directors promote the extent of social and environmental disclosure

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(Bebbington, 1999; Adams, 2002; Amran, 2006). There was an exponential growth in EcSD practices of Sun during the period 2006 to 2009. As reported by the respondents, the sudden growth in CSD practices has a direct link with the regulatory initiatives and recruitment of qualified and experienced professionals such as the chief accounts officer. Three of the senior executives of the Moon opined in this regard. Two responses in particular appear vital to understand the regulatory influence and professional affiliation behind the sustainability practices and disclosure.

The Securities and Exchange Commission's Order 2006 shaped our reporting practices of corporate governance and sustainability issues (InMn2).

I have been serving in this bank since 1997. Many directors and officials have been changed during this period. According to my observation, corporate disclosure whether financial or nonfinancial is mostly dependent on the accounts and finance department headed by the chief financial officer. Importantly, the extent of disclosure is influenced by the experiences and qualifications of the head of accounts along with other senior professionals like the company secretary. In 2007, a new CFO was appointed by the top management at our bank. Because of his professional qualifications and experiences in a multinational company, he made a number of changes in the practices and disclosures of corporate economic and social information ... (InMn2).

Corporate culture, competitiveness, and the practices of other companies motivate the practices of sustainability disclosure. Diffusion of good corporate culture leads to favourable disclosure practices (Adams, 1999; 2002). Competitiveness is also an industrial culture (Williams, 2007) in an open market economy. It forces one company to see what is being done by another company as revealed by the responses of the bank.

Disclosure of sustainability issues in the annual report has become an industry culture in Bangladesh. We always play a leading role to promote this culture..... It (CSD) is our strategic investment to have sustainable gain and competitive advantage. (InMn6)

We always come across the performance of other banking companies globally and locally in order to evaluate our economic, social and environmental performance. This benchmark is a motivation as it makes us aware of corporate practices inclusive of sustainability disclosure. (InMn4)

The cultural issue behind the CSD practices was identified by a senior banker of the Moon. According to his report, the Moon developed a unique corporate culture in its disclosure of CSR activities. The bank foundation regularly provides the necessary information on CSR activities (e.g. month-wise) to the account and finance division for disclosure purposes. It has become a corporate habit to be involved with multidimensional CSR activities and disclose those to the internal and external shareholders.

The most distinctive finding of the study behind the practices of corporate sustainability disclosure is the role of Islamic religion. The Moon maintains an Islamic atmosphere within the organization, which is different from the traditional organizational atmosphere. Reportedly, the executives of the Moon consider themselves as practising Muslims. They perform their prayers in *Jamah*

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(collectively) during office times. There is a movable arrangement to perform prayer together. On every Thursday after *Salatuzzuhor* (midday prayer), a scheduled speaker delivers a speech on a certain Islamic topic in order to make the staff aware of Islamic principles and practices.

Five respondents of the Moon relate the CSD practices with Islamic principles and ethics. They consider the sense of Islamic responsibility as the main force behind the sustainability disclosure practices. Two of them mentioned that fear of God might be the source of motivation behind the CSD practices of their bank. One of the top executives of Moon Foundation stressed Islamic morality.

Being a responsible corporate body, our bank is playing a vital role for the development of our economy, society, and environmental status through our bank foundation. The Foundation provides financial services to the poor through various income generating projects, undertakes campaigns to make the environment free from pollution, and carries out beautification programmes to keep the cities clean and beautiful, and so forth. We perform these duties as an outcome of Islamic principles and ethics (InMn7)

He also added that Islam motivates them to become involved with social welfare activities and in the disclosure of those activities to different stakeholders. He further expressed,

Being an Islamic bank, it follows the Islamic principles. So far as my knowledge goes, Islam encourages open access to information. Accordingly, we always share our activities through annual reports, websites and other mediums of disclosure with our shareholders, employees, customers, and other well wishers (InMn7).

Similar to the above opinion, during the interview, one of the corporate directors referred to Islam concerning their sustainability efforts along with their disclosure practices. To show the basis of corporate practices of their bank, he recited the following verses from the holy *Qur'an*,

The parable of those who spend their wealth in the way of Allah is that of a grain of corn; it grows seven ears, and each ear hath a hundred grains. Allah gives the manifold increase to whom, He pleases; and Allah cares for all and He knows all things. (Al Quran 2: 261).

In their (the rich) wealth, the needy and deprived have right. (Al-Qur'an, 51: 19)

Then he mentioned,

I believe that I will be asked hereafter about my duties and responsibilities towards the shareholders, employees, clients, and other stakeholders. We are the ambassadors of Allah (SwT.) on this earth. We should perform our duties and responsibilities according to His will and wish. We should fear Him. Indeed, we perform our CSR activities in addition to business operations because of Islamic responsibility to the society and mankind (InMn5).

From the above findings and analysis, it is evident that although there are a number of factors such as central bank regulations, environmental movement, institutional award, professionalism and corporate culture, the influence of Islamic religion seems to be vital behind the motivation of CSD practices of the Moon as

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opined by the majority of the respondents. Prior studies did not discuss any relationship between Islam and CSD practices. Many Islamic scholars and researchers noted that Islam performs a powerful role in motivating organizations towards social welfare activities and reporting. According to Ibrahim and Yaya (2003), Islamic principles encourage the diffusion of social and environmental reporting practices. It is the faith of the practising Muslims that humankind will be asked to account for their each and every deed and responsibility on the day of judgement (see *Al-Quran*, 5:1, 99:7-8; *Al-Hadith: Sahih al-Bukhari*, 7:62:128). Since being a religion Islam intensifies the feelings of social responsibility in an individual for the fulfilment of social responsibility, attempts are made to discuss this emerging issue with the theoretical lens of NIS in the next section.

As stated before, cognitive mechanism is the major distinguishing feature of Neo-Institutional Sociology. It is the base of normative and coercive mechanisms of NIS. Cognitive artefacts are the shared conceptions that constitute the nature of social reality and the frames through which meaning is made. In the cognitive dimensions of human existence, what a person does is usually a function of the person's internal representation of their environment (Zucker, 1991; Lounsbury & Crumley, 2007; Orr & Scott, 2008; Scott, 2008). Institutionalists conceive that personal beliefs, emotions, prevailing ideologies, and religious faith fuel the cognitive mechanism in creating new institutional forms. Markus and Zajonc (1985) concentrated on how the state of human organism, as defined by various motivational and emotional variables, affected human perception, selective attention, and memory. Scott (2008) articulated that cognitive elements like fear or anger constitute "hot" cognition. According to him,

Hot cognition (e.g., fear or anger) began to be superseded by attention to the effects of "cool" factors (e.g., attention and background assumptions) influencing everyday information processing and problem solving behaviours (Scott 2008, p. 36).

In the case of the Moon, the very distinctive factor behind the force of CSD practices is the fear of God, which is a religious factor and associated with Islamic principles and practices. As stated before, the Moon is the most successful Islamic bank in Bangladesh. The fundamental operations of the bank are strictly scrutinized by the *Shar'iah* Council (the legal framework of Islam), a committee having globally renowned Islamic scholars (Sobhani & Ather, 2007). Reportedly, all executives of the Moon are practising Muslims. None of them was found to work at the desk during the time of obligatory prayer (praying five times a day is mandatory according to Islam). The activities of the bank were found to be centred on Islamic values and norms. As stated by the respondents, the bank has a separate arrangement to perform religious activities; moral lessons from the holy *Qur'an* (divine book of Muslim believers) and *al-Hadith* (words of Prophet Mohammad pbuh) are organized on a weekly basis, although these types of programmes are not disclosed in the annual report or any other medium of disclosure.

Five out of the ten senior executives referred to Islam as a source of motivation behind the CSD practices of the Moon. Two out of the five executives mentioned Islamic responsibility and the remaining three stated fear of Allah as the source of all welfare activities including CSD practices. The executives were found to be confident in their discourse during the interviews. Their religious expressions are

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supported and in keeping with the *Qur'an*. Fear of almighty Allah is the root of accountability of Muslims concerning their duties and responsibilities. It is clearly mentioned in the holy *Qur'an*, "Oh, believers! Fear Allah as one should fear (about his or her deeds) and do not die unless you are a perfect Muslim" (*Al-Qur'an*, 3:102). There are many verses in the *Qur'an* that talk about fear of Allah as a basis of Islamic responsibility (see also *Al-Qur'an*, 1: 196-198; 33:70; 49:13; 59:18; 47:36; 3:76; 39:20).

The functioning of Islamic responsibility, that is, religious values over the CSD practices is a unique discovery of this research. It is usually expected that Islamic organizations such as Islamic banks, Islamic insurance companies, and Islamic NGOs will be guided by the Islamic principles because of their religious attachment. It is the faith of all Muslims that they will be asked to account for each and every deed and responsibility (*Al-Qur'an*, 99:7-8), and hence, the ultimate accountability is to Allah. However, He will not ask in this earth, but in the hereafter, which refers to a cognitive belief or faith in Islam. It is evident from the CSD practices of the Moon that fear of accountability to the Supreme Power can make corporate actors responsible to society.

Many researchers posited a link between disclosure practices and Islam (Baydoun & Willet, 2000; Ibrahim & Yaya, 2003; Haniffa & Hudaib, 2004; Sulaiman, 2005; Sulaiman & Latiff, 2005). However, none of the earlier researchers proved any empirical link between Islamic responsibility (fear of God) and corporate disclosure practice. Pursuant to Islam, people have a moral contract with society for its required development. There is a concrete and detailed instruction in Islam to preserve the society and environment. As indicated in the holy *Qur'an*, "all natural calamities in the land and seas are originated by the human society" (*Al-Qur'an*, 30:41). Indeed, Islam intensifies the feelings of societal obligations in an individual by specifically providing for the fulfilment of contractual obligations. It is further stated in the holy *Qur'an*, "Oh ye who believe, fulfil (all) obligations" (*Al-Qur'an*, 5:1). Prophet Mohammad (pbuh) said, "Every one of you is a guardian and is responsible for his charge. The ruler (leader) is a guardian; the man is a guardian of his family; the lady is a guardian and is responsible for her husband's family and offspring; and so all of you are guardians and are responsible about your wards" (*Al-Hadith: Sahih al-Bukhari*, 7:62:128).

As stated by Ishaque (1978), the Islamic view is emphatic about the discharge of an individual's obligations that the question of positively articulating a Muslim's rights should not arise. The rights and duties in the *Qur'an* are merged into the concept of justice (Kamali, 1994). Being an integral part of society, a person must not be passive to the consequences of the exercise of the individual's own rights. Mutual sacrifice, synergy, and cooperation should be the process by which human life can be enlightened. Viewed from this perspective, one would expect that a business concern must be concerned as an integral part of the society and, therefore, a corporate success should be measured by how well it has met the needs of the society in which the company operates (Baydoun & Willet, 2000).

The *Qur'anic* outlook of human lives divides individual functions into two arenas: *haqooqullah* (rights of God) and *haqooqulabad* (rights of human beings) (Brohi, 1978). As defined by him, *haqooqullah* refers to the obligations to God (vertical dimension of accountability) and *haqooqulabad* is the obligation to society

(horizontal dimension of accountability). According to Chapra (1992), the implicit concept of brotherhood in Islam is the need to achieve socioeconomic justice. The accountability from the Islamic perspective can be interpreted as one that promotes both social justice and social responsibility. In view of accounting, two essential principles flow from the Islamic concept of accountability: full disclosure and social accountability (Ishaque, 1978). Social accountability, in some sense, constitutes a subset of full disclosure.

From the above discussions, it is obvious that being a religion, Islam emphasises on accountability. The values of Islam are welfare oriented and supportive of sustainable development. As such, being an Islamic bank, the CSD practices of the Moon were mostly influenced by Islamic principles and values. The fundamental role of Islam influenced this Islamic bank to disclose significant sustainability information over the years, albeit some crucial issues remain undisclosed. Future research may be undertaken to find out the reasons behind nondisclosure of some crucial sustainability issues such as energy, human right, and climate change in the context of Bangladesh.

5. Conclusion

The study was an attempt to identify the motivational factors of an Islamic bank behind the CSD practices. It is revealed that although there are a number of factors such as central bank regulations, environmental movement, institutional award, professionalism and corporate culture, the role of religion that is, Islam has emerged as a vital force behind the CSD practices of the Islamic bank. From the institutional perspective, religious faith fuels the cognitive mechanism in creating new institutional forms. Being a religion, Islam stresses on accountability that is, its values are welfare oriented and supportive of sustainable development. As a result, the fundamental role of Islam influenced the Moon, an Islamic bank to disclose significant CSD information over the years, although some crucial sustainability issues remain undisclosed that scoped for future research. Since the study was limited to a case bank only, it is very difficult to generalize the results. Therefore, it can be concluded that only the future research can confirm the prospect of CSD practices of the Islamic banks in Bangladesh.

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