

## **EXTERNAL PRESSURE ON READYMADE GARMENTS (RMG) INDUSTRY FOR DISCLOSING CORPORATE SOCIAL AND ENVIRONMENTAL REPORTING IN BANGLADESH**

**Md. Abdul Mannan<sup>1</sup>, Md. Shajul Islam<sup>2</sup> and Mohammad Rabiul Basher Rubel<sup>3</sup>**

### **Abstract**

This paper explores the external pressure on Ready-Made Garments (RMG) industry for disclosing corporate social and environmental reporting (CSER) practices in Bangladesh. Structural equation modeling has conducted to determine the amount of CSER disclosure in Ready-Made Garments (RMG) industry in Bangladesh. Statistical analysis (Structural equation modeling) revealed that external factors (media, environmentalist, legal and foreign buyers) created high pressure on Ready-Made Garments (RMG) industry for disclosing corporate social and environmental reporting (CSER). Statistical analysis (Structural equation modeling) indicated that there is a significant positive relationship between external factors and the level of CSER practice within the ready-made garments (RMG) industry in Bangladesh. The current research found that all four variables explained 62.7% of corporate social and environmental reporting of ready-made garments (RMG) industry in Bangladesh. Therefore, our findings provide some policy guidelines to the concerned authority to bring about more consistency in terms of reporting corporate environmental disclosures. This Endeavour of the regulatory authority may protect the stakeholders' right to have consistent information regarding environmental disclosure in different manner mostly in company website and in annual report.

**Keywords:** Corporate Social and Environmental Disclosures (CSER), Ready-Made Garments (RMG), Pressure, Rules, Stakeholders and Motives.

### **Introduction**

The relationship between society and business is interdependent. It is a well-established philosophy that one cannot survive without another but it is a matter of fact that many companies around the world are continuously polluting the environment. Thus It adversely impacts stakeholders of the business (Islam, Biswas and Alam, 2015). As a result, gradual escalation of mounting pressure created by the stakeholders on organizations to disclose their corporate social and environmental disclosures in their websites is becoming a burning issue in corporate social responsibility literature since last decade (Rivenburgh, 2013). Public awareness regarding economic, social and environmental impact over business has been on the rise superfluously following the last couple of decades. In line with this pace of development especially in the advancement of communication technology engrossed stakeholders to make aware of unethical business practice (Islam, Biswas and Alam, 2015). Corporations are now facing tremendous pressure especially from the investor's government, NGO and others to advance their attempts in order to handle

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<sup>1</sup> Assistant Professor, Department of Accounting & Information Systems, Jagannath University, Dhaka-1100.

<sup>2</sup> Assistant Professor, Department of Accounting and Information Systems, University of Barisal, Barisal

<sup>3</sup> Associate Professor, Department of Management Studies, Faculty of Business Studies, Bangladesh University of Professionals.

the impacts of their operations on the environment (Smillie, Helmich, Randel and German, 2013). Like most developing countries, there are no regulatory requirements for CSER under the Company's Act 1994; the companies are not required to provide any social and environmental information in their annual reports in Bangladesh. Similarly, the Securities and Exchange Commission (SEC) of Bangladesh and Dhaka Stock Exchange (DSE) oversee the rules and governance matters of the listed companies. The SEC released corporate governance guidelines in 2006, but no social and environmental reporting issues were included there (Hossain Rowe and Quaddus, 2015). Under the umbrella of sustainability and/or 'triple bottom line' (i.e., social, environmental, and economical issues) CSER is witnessing a continuous escalation in the 21st century. Developed countries such as USA, Australia, UK, Norway, Sweden, Netherlands, France, Germany, Canada, Denmark and Japan have adopted mandatory legislations in relation to social and environmental issues (Deegan, 2009). Now it is interesting to see how ready-made garments (RMG) industry comply the rules in connection for disclosing CSER in Bangladesh.

There is an increasing pattern of CSER studies by accounting and management researchers as community groups, government, NGOs and other stakeholder groups expressed their growing concerns on organizations' social and environmental issues (Parker 2005). Many Organizations are now practicing CSER as a result of pressure from various stakeholder groups (Gao, 2009). Subsequently, social and environmental responsibility practices and disclosure have been increasingly embraced by organizations (Gray, Kouhy, and Lavers 1995; Guthrie and Parker 1989). The main focus of CESR is to make the firm more transparent and accountable to its stakeholders (Tilt, 2007). A recent research by Azim *et al.*, (2009) reveals that only 15.45% of listed companies disclosure some form of CSER in Bangladesh.

It has been observed that corporations of Bangladesh focused a little attention for disclosing corporate social and environmental report particularly in RMG industry in Bangladesh. As far as social and environmental reporting is concerned, most of the companies in Bangladesh are reluctant to provide any social and environmental information in their reports. However, there has been considerable improvement made in the 1990s (Imam, 2000). Analyzing the annual reports of 50 companies in 1995, Belal (1997) examined the volume of disclosure of environmental issues by the companies. The survey shows that only 6 per cent companies disclosed environmental issues in their annual reports, under the heading of chairman statements or directors' report. It is evident that environmental pollution are common across the country particularly manufacturing organizations like (RMG) are largely involved with it. Environmentalist expressed their dissatisfaction about the irresponsible practice of the corporate sector in Bangladesh. In recent years, Bangladesh has experienced severe environmental degradation. Several factors contribute to Bangladesh's vulnerability to environmental damage. Serious environmental degradation issues in Bangladesh include urban air pollution, ground water contamination, surface water pollution, encroachment of rivers and other water bodies, improper disposal of industrial wastage, medical and household wastage, loss of bio-diversity, natural disaster and land degradation (Islam, 2000). More recently, the Ministry of Environment has exerted pressure on the polluting industry to use ETP. Section 12 of the Bangladesh Environment Conservation Act 1995 (ECA,

1995) states that no industrial unit or project can be established or undertaken without obtaining an Environmental Clearance Certificate (ECC) from the Ministry of Environment. The ECC ensures that the industry or the project meets all the prescribed standards in terms of the quality standards of air, water, noise, odor and other environmental components (Ministry of Environment, 2012) set by the Government of Bangladesh. There are lots of accident occurred in the ready-made garments industry in Bangladesh which created demand by the international buyers for disclosing corporate social and environmental report regularly in a standard manner. RMG industries in developing countries have historically been driven by multinational buying companies and their requirements (Azizul and Deegan, 2008).

Media played a significant role and create pressure to the RMG sectors by disclosing different types of irresponsible practice exist in this industry. The CSR issue has been emphasized much more specially after collapse of the garments factory building 'Rana Plaza' in 2013 in Savar, Dhaka (Khatun, 2014). The fires at Tazreen Fashions in 2012 which consumed 112 lives and collapse of Rana Plaza building in 2013 which wiped out 1129 lives (Butler, 2013) have raised the matter much more strongly all over the world. In fact, building-collapses, fires, and other accidents are not new to RMG industry in Bangladesh. Before the Rana Plaza Building collapse at least 730 workers killed in the past 11 years (Alamgir and Haque 2013). In April 2005, 73 garment workers died in a sweater factory collapse in Savar. In February 2006, 18 workers were killed in a garment factory collapse in Dhaka. In June 2010, 25 people were killed in a building collapse in Dhaka. In December 2012, 112 workers died in a fire at Tazreen Fashions factory in Dhaka, yet there was little urgency in the country or by the international community to deal with the problem of health and safety in this vital economy sector (HRW, 2013).

It is a timely study, given recent events in this sector in Bangladesh. On the 24th of April 2013, the Rana Plaza building that housed five Bangladeshi apparel factories making clothes for Western brands such as Primark and Benetton collapsed, killing 1,129 people (BBC, 2013a, Guardian, 2013, Huffington Post, 2013). This was by far the deadliest disaster in the history of the apparel industry and followed shortly after two fires in November 2012 and January 2013 that killed 112 workers and 7 workers, respectively in Bangladeshi factories supplying Wal-Mart and SEARS (Bloomberg, 2012) and Inditex, the world's largest clothing retailer (New York Times, 2013). At the Ali garment factory in Pakistan, 300 workers were burned alive or succumbed to smoke inhalation when fire broke out (Lund- Thomsen and Lindgreen, 2014). These recent disasters in developing countries have triggered a range of reform initiatives and proposals from a wide range of domestic and international stakeholders (Yardley, 2012c),

Although the export garment sector is in the formal economy and should be subject to national labour legislation, it is mainly characterized by informal economy characteristics (Mahmud and Kabeer, 2003): absence of written contracts, irregularity of payments, long working hours, easy entry and exit, violations of health and safety regulations, low levels of unionization and high rates of turnover in the workforce. Some formal conditions exist in the country's export processing zones, but these account for a very small proportion of total garment employment. These

poor working conditions, not only observed in Bangladesh's RMGs but also be observed in export garment factories across the world by a lesser or greater degree, have led to various campaigns by coalitions of trade unions, students, NGOs and consumers including the living wage campaign (Luce, 2006). The major buyers in the global market for clothing have adopted codes of conduct to regulate the conditions under which those goods are produced to overcome the threat of boycotts of their goods (Mahmud and Kabeer, 2003). It is more likely that there will be pressure (by the international market forces, international agencies and the head office in the case of multinational subsidiaries operating in developing countries) on the companies in developing countries to comply with the requirements of international standards/codes (Belal and Owen, 2007). The employers are responsible for implementation of the codes formed by the buyers. There is a strong role of the trade unions, which are considered to be the organized voice of workers, on the implementation of the codes (Mahmud and Kabeer, 2003). Many others codes of conduct (such as OECD, UNGC) have been developed to improve the poor working and health conditions in these industries and increase the social responsibility of the corporations. However, the CSR status is still in primitive state as it is evident from some studies conducted very recently on the corporate social disclosures in Bangladesh. However, there is a general lack of research in the social and environmental accounting literature that specifically focuses on the disclosure practices of ready-made garments industry (RMG) due to severe accident in this industry. In this paper we seek to investigate what sorts of external pressure created on garments industry in Bangladesh for disclosing CSER.

## Objectives

This paper has been designed to:

1. explore the media pressure on ready-made garments (RMG) industry of Bangladesh to disclose corporate social and environmental Reporting (CSER);
2. identify how the ready-made garments (RMG) industry in Bangladesh is influenced by the international buyers to disclose corporate social and environmental reporting (CSER) in a standard manner;
3. explore how ready-made garments (RMG) industry in Bangladesh is complying with government rules in connection for disclosing corporate social and environmental reporting (CSER); and
4. ascertain the environmentalist's pressure on ready-made garments (RMG) industry in Bangladesh for disclosing corporate social and environmental reporting (CSER).

## Literature Review

McGuire (1963) defined CSR as 'The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations' (p. 144). CSER

research started in Bangladesh in late 1990s. However, there has been a number of academic researchers conducted on CSER in Bangladesh by using content analysis of annual reports (See for example, Azim, Ahmed, and Islam 2009; Belal 1997; Belal 2001; Imam, 2000; Khan, Halabi, and Samy 2009). The findings reveal that the main motivation of corporate social reporting practices in Bangladesh is driven from powerful stakeholders such as international buyers (Hossain, Rowe and Quaddus, 2015). There is no specific legislation in Bangladesh to assist the regulation of CSR. In recent days has the issue of CSR has drawn the attention of policymakers (Rahim, 2012). Up until 2006, there were 44 labour-related laws covering four broad categories of labour issues: (a) wages and employment; (b) trade-union and industrial disputes; (c) working environment and occupational health; and (d) labour administration and industrial relations. BLA, 2006 has repealed almost all of these laws and consolidated the matters of all these four groups of issues within its ambit (Karim, 2009).

On the other hand, several initiatives have been taken by different organizations to improve the CSR practices. For example, Bangladesh Enterprise Institute, a non-profit, non-political research centre, was established in October 2000 and launched its CSR centre, to promote CSR in Bangladesh. Along with the Bangladesh Enterprise Institute (BEI), the CSR Centre is the joint focal point for United Nations Global Compact (UNGC) in Bangladesh and is the principal promoter of the UNGC and its principles in the country. These organizations design the key stakeholders need to enhance the understanding of CSR (CSR Centre). Similarly, CSR Bangladesh, another non-profit organization, was launched in 2008 with private sector start up to facilitate, expand and encourage CSR practice in Bangladesh and to create awareness regarding CSR for the organization with its primary stakeholders and extended enterprise the benefits of social compliance and sustainability (Khatun, 2014). Recently, a requirement concerning environmental disclosure on the expenditure on energy has been made mandatory for corporate bodies. In fact, the Act does not require any specific duty for corporate management to fulfil social responsibility and the provisions in the Act related to these issues and the suitability of these provisions to reach the objective are to be reviewed, as this could help to evaluate the strength of the legislation to make companies socially responsible (Khatun, 2014).

Using 23 semi-structured interviews, managerial perceptions of Bangladeshi organizations had been studied by Belal and Owen (2007). The results propose that a desire to manage powerful stakeholder groups was the main drive behind Bangladeshi CSER. They commented that “outside forces” and pressure from international buyers are eventual motivating force behind rising CSER practices in Bangladesh.

Belal and Owen (2007) also claim that social policy and reporting in the garment industry is compelled by such pressure. Various authors (Belal & Owen, 2007; Islam & Deegan, 2008; Rahman et al. 2004) argued that consumer pressure or pressure from non-government organizations or civil society groups are the driving force for CSER in organizations in developed economies. In contrast, the driving force of

CSER in organizations in emerging economies which depend on foreign loans and aid, could be external pressure from international lending institutions (Rahman et al. 2004), pressure from particular stakeholders (such as international buyers) to upgrade their social performance, which shaped their social policy (Belal & Owen, 2007), pressure from outside forces via parent company's instructions and pressure from international buyers (Islam & Deegan, 2008).

However, the literature suggests that environmental matter did not typically come into research focus exclusively at that time, rather it was considered as a broader part of social accounting research (See for example, Dierkes and Presort, 1977; Ullmann, 1976) and this literature reflected the importance of social matters to economic growth (Jones, 2003). There are empirical evidences that large companies and those from environmentally sensitive industries are more likely to provide environmental disclosures (See for example, Deegan and Gordon, 1996; Guthrie and Parker 1990). Gibson and O' Donovan (2007) using content analysis, examined the trend of social and environmental reporting taking a sample of 40 Australian companies, examined the trend of social and environmental reporting taking a sample of 40 Australian companies, covering 20 years of published reports.

Bronn and Vidaver-Cohen (2009) examined the corporate manager's motives for engaging in social and environmental initiatives. They found three different motives of corporate managers, namely: legitimacy motive, profitability motive and finally sustainability motive. In another study, Rahman et al., (2004) explored driving forces of CSER in the Volta River Authority, and found positive external pressure from international lending institutions such as the World Bank. Kausirikun (2005) observed that the government could be the most influential factor in compelling companies to be more socially and environmentally responsible. The findings of Kausirikun (2005) also showed that the overall attitude towards social and environmental accounting is most likely positive among the accountants, auditors and accounting-related professionals in Thailand.

### ***Theoretical Perspectives***

A couple of theories have been influenced the researchers to meet the research objectives. Some scholars have used media agenda setting theory to investigate the influence of media on corporate environmental disclosures (Brown and Deegan, 1998). Therefore legitimacy and stakeholder are the two prominent theories in respect of environmental accounting literature to explain corporate motivations for reporting. However legitimacy theory has become one of the most cited theories within the corporate environmental reporting area (Guthrie and Parker, 1990). It offers many researchers a methodology to critically unpack corporate disclosures (Campbell, 2003, Deegan and Rankin, 1996, Islam and Deegan, 2010, Mobus, 2005, Wilmshurst and Frost, 2000, Branco et al., 2008, Ahmad and Sulaiman, 2004). In parallel stakeholder theory is one of the well- recognized theories in the field of corporate social and environmental. It is concerned with the ways companies manage their stakeholders (Roberts, 1992, Gray et al., 1998, Llena et al., 2007). Therefore, our study is built upon the support of two widely used theories such as legitimacy theory and stakeholder theory.

### ***Legitimacy Theory***

This theory does offer a powerful mechanism for understanding voluntary social and environmental disclosure made by corporations. In addition it has become one of the most cited theories within the social and environmental accounting area. This theory proposes a relationship between corporate social disclosure and community concerns so that management must react to community expectations and changes (Deegan, 2001, Deegan, 2002). However it has become the greater demand among the researcher around the world for studying social and environmental reporting practices. Many indicate that corporations legitimise their activities because corporate management reacts to community expectations (Tilt, 1994, Patten, 1992, Guthrie and Parker, 1990, Hogner, 1982). Deegan et al. (1996) postulated that corporate social and environmental responsibility disclosure practices were responsive to environmental pressures on the basis of legitimacy theory. Campbell et al. (2003) argued that legitimacy theory explained that social and environmental disclosure can be used to narrow or close the gap between company actions and social concerns.

### ***Stakeholder Theory***

The concept of the stakeholder was defined by freeman (1984) as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”. A number of previous academic studies on environmental disclosures in corporate annual reports have included the stakeholder theory approach (Roberts, 1992). Most show that companies disclose environmental information in their annual reports following stakeholders’ demands (Raar, 2002, Campbell et al., 2003, Campbell, 2003). Under this theory, environmental disclosures in corporate annual reports are a major element that can be used by companies to negotiate their stakeholder relationship (Roberts, 1992). For example, Wilmshurst and Frost (2000), corporate stakeholders are those people who can affect or are affected by the achievement of corporate actions, decisions, policies or goals. This includes groups such as shareholders, creditors, suppliers, the government, customers, competitors, employees, employees’ families, media, the local community, local charities, and future generations (Deegan, 2001, Carrol and Bucholtz, 2006). It could be noted that all the organizations in the globe obtain required resources from the external groups in exchange the groups claimed certain expectation be met. Therefore it is established that stakeholder have the moral right over and above the legal context to intervene in the life of the company. Stakeholder theory has two branches-ethical and managerial (Deegan, 2001). In the ethical branch, all stakeholders have rights from companies to assess information, and their rights should not be violated because their acknowledgement can lead to improved corporate financial performances. Management should organise the benefits of all stakeholders (Hasnas, 1998). More over they got the power to observe the company’s activities. Stakeholders like shareholders, creditors, employees, customers, suppliers, local communities and the public are not usually opposing to the firm but may become so if the interest does not coverage. So these theories influence the companies to disclose relating to corporate social and environmental information in such a way that all stakeholders could get it easily.

## Methodology

### *Sample*

The present study was a correlational and cross-sectional study where survey method was used and to collect data at one point of time. Data were collected from RMG organizations located at Dhaka city as more than 60% of RMG organizations are located here. The respondent of the current study was the director of the individual organization. In total 175 questionnaires were sent and only 163 questionnaires were returned. Among 163 questionnaires, only 147 were found suitable for data analysis. The usable response rate was 83% for the present study. Smith, Scammon and Beck (1995) reveal that a response rate as low as 30% is 'reasonable' for the analysis. Moreover, in Partial Least Square (PLS) 100 sample size is sufficient for analysis (Hair, Black, Babin, Anderson, & Tatham, 2010). Hence, the response rate of the present study was considered justified for analysis. In the current study the majority of the organizations (68%) are operating more than 10 years, whereas only 18% organizations are operating less than 5 years. On the other hand, 33% of the organization found the employee range from 400 to 500, whereas, 59% of the organizations found employee ranges between 250 to 300.

### *Measure*

Normally, corporate social and environmental reporting was measured by 22 items adapted from the previous recognized scale of Deegan and Gordon (1996), and Hackston and Milne (1996). However in this study, the researcher has taken 10 items which is highly relevant in relation with RMG industry adapted from the same sources. The reliability of corporate social and environmental reporting was found from 0.76 to 0.90 which is higher than the minimum accepted value 0.70 (Nunnally, 1978). Further, for measuring media the research employed a four-item scale (Hogner, 1982) and (Brown and Deegan, 1998). The alpha value of this measurement is 0.83. The study also considered Gould-Williams and Davies (2005)'s three items scale to measure for foreign buyers and legal factor for each with high reliability 0.74 and 0.1 respectively. Finally, Environmentalist was assessed using five items adapted from previous study by (Guba, 1978). The authors demonstrated a high reliability (0.89) of the measurement. A five-point Likert's scale ranging from (1) strongly agree to (5) strongly disagree was employed to measure all the items representing each variable.

### *Analysis and Results*

This study used partial least square path modeling technique to analyze the collected data. PLS is also known as the variance-based structural equation model consisting of factor analysis, correlation and regression. SPSS (Version 20) for Windows (SPSS, Chicago, IL) was employed to analyze the survey data to get the descriptive statistical output. Later, common method variance (CMV) was assessed to check the multicollinearity. When data are collected using a cross sectional survey method, CMV may be a problem (Podsakoff et al., 2003). To report this potential problem, Harman Single factor test was used. According to Podsakoff and Organ (1986) common method variance arises in the dataset if: 1) a single factor emerges from a factor analysis of all survey items, and 2) a single factor accounts for most of



the common variance existing in the data. Therefore, in this concern an un-rotated factor analysis conducted on all measurement items extracted six factors with eigenvalues larger than or equal one. In this study total six factors accounted for 72.68 percent of the total variance and the first factor explains 29.88 percent. While, a single factor did not account for most of the variance, thus this study pretends that the CMV was not the main problem in this study.

### ***Measurement Model***

Convergent validity and discriminate validity were assessed to examine the measurement model. Convergent validity was assessed by measuring reliability, composite reliability (CR) and the average variance extracted (AVE) (Hair et al., 2013). In this study, both the CRs and AVEs were higher than the 0.70 and 0.50 respectively as recommended by Hair et al. (2013). Reliability of items was assessed by each item's loading on its corresponding construct. This study considers 0.50 for item loading as the cut-off value suggested by (Igbaria, Iivari&Maragahh, 1995). In this study two items were deleted from corporate social and environmental reporting (CSER 9 = 0.478) and (CSER 10 = 0.483) due to lower loading. Table1 exhibits the individual item loadings, CR and AVEs of all the present constructs.

**Table 1: Item loading, scale reliability, AVE and CR.**

<b>Constructs</b>	<b>Items</b>	<b>Loading</b>	<b>AVE</b>	<b>CR</b>
Corporate Social and Environmental Reporting	CSER 1	<b>0.769</b>	0.562	0.910
	CSER 2	<b>0.790</b>		
	CSER 3	<b>0.536</b>		
	CSER 4	<b>0.720</b>		
	CSER 5	<b>0.745</b>		
	CSER 6	<b>0.832</b>		
	CSER 7	<b>0.751</b>		
	CSER 8	<b>0.816</b>		
environmentalist	ENV 1	<b>0.795</b>	0.528	0.846
	ENV 2	<b>0.828</b>		
	ENV 3	<b>0.585</b>		
	ENV 4	<b>0.704</b>		
	ENV 5	<b>0.693</b>		
Foreign Buyers	FB 1	<b>0.782</b>	0.715	0.882
	FB 2	<b>0.877</b>		
	FB 3	<b>0.874</b>		
Legal Factors	LF 1	<b>0.866</b>	0.703	0.877
	LF 2	<b>0.807</b>		
	LF 3	<b>0.842</b>		
Media	Media 1	<b>0.661</b>	0.762	0.926
	Media 2	<b>0.935</b>		
	Media 3	<b>0.943</b>		
	Media 5	<b>0.920</b>		

Further, Fornell and Larcker's formula was used to assess the discriminant validity between constructs that the square root of the AVE for each construct should be higher than the correlations between these constructs and all other constructs (Chin, 2010). This study finds the square root of AVE of all the diagonal values of the constructs were higher than the off-diagonal ones. As shown in Table 2 the calculated value of AVE exceeds the inter-correlations of the diagonal constructs with the other off-diagonal constructs ensuring adequate discriminant validity. Therefore, the results of the analysis can reveal that the measurement model of this study fulfills adequate convergent and discriminant validity.

This study also measured Goodness of Fit (GoF) using the formula suggested by Tenenhaus, Vinzi, Chatelin and Lauro (2005) and found the model had a large goodness of fit (GoF = 0.520). According to Wetzels, Odekerken-Schroder and Van Oppen (2009) the value higher than 0.36 indicates global validation of the PLS model.

**Table 2: Discriminant Validity Table**

	<b>CSER</b>	<b>Env</b>	<b>F B</b>	<b>LF</b>	<b>Media</b>
<b>CSER</b>	<b>0.750</b>				
<b>Env</b>	0.482	<b>0.726</b>			
<b>F B</b>	0.624	0.308	<b>0.845</b>		
<b>LF</b>	0.65	0.422	0.774	<b>0.839</b>	
<b>Media</b>	0.732	0.455	0.557	0.677	<b>0.873</b>

Diagonals (in bold) represent the squared root of AVEs. The other entries represent the correlations.

Note: CSER (Corporate Social and Environmental Reporting), ENV(Environmental), FB(Foreign Buyer), LF (Legal Forces) and Media.

### **Structural Model**

In analyzing the structural model, a bootstrapping method with 500 re-samples was deliberated to test for path significance (Chin, 1998). Table (3) and figure (2) explain all the path relationships of the framework. In the current study all four variables (Environmental, foreign buyers, legal forces and media) of the external pressure explains 62.7% of the variance of the corporate social and environmental reporting. This value is considered substantial according to the guideline of (Chin, 1998). Cohen suggested that the explained variance more than 0.25 means 5% is considered highly accepted. In the direct relationship between the variables, all the paths such as, media and corporate social and environmental reporting, foreign buyers and corporate social and environmental reporting were found statistically significant and the values were ( $\beta = 0.161$ ,  $p < 0.01$ ) and ( $\beta = 0.265$ ,  $p < 0.01$ ) respectively. Further, the other two variables such as legal factors and Environmentalist also found significant positive relationship with corporate social and environmental reporting and the values are ( $\beta = 0.161$ ,  $p < 0.01$ ) and ( $\beta = 0.161$ ,  $p < 0.01$ ) respectively.

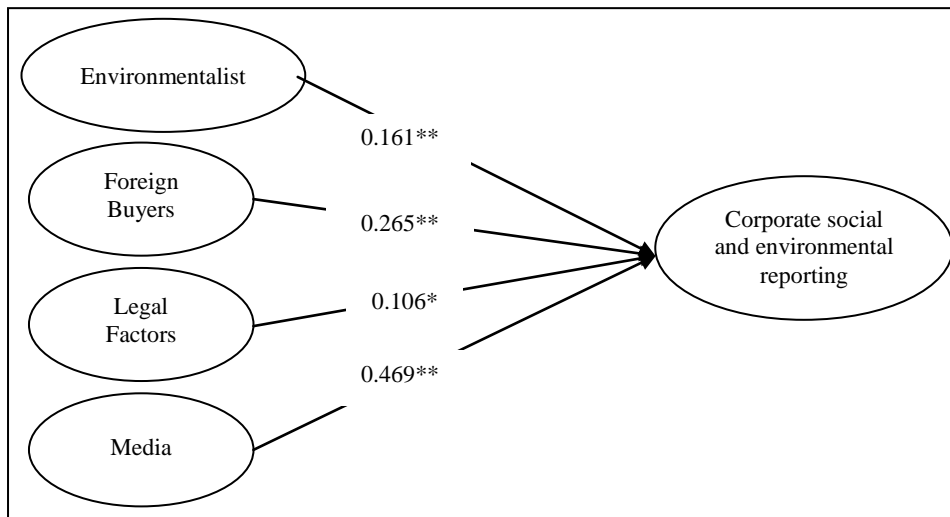
Path	Std. Beta	Std Error	t- Value	Decision
Environmentalism >corporate social and environmental reporting	0.161	0.066	2.437**	Supported
Foreign Buyers >corporate social and environmental reporting	0.265	0.081	3.271**	Supported
Legal Factors >corporate social and environmental reporting	0.106	0.108	1.681*	Supported
Media >corporate social and environmental reporting	0.469	0.075	6.297**	Supported

Note: \*\*p < 0.001, \*p < 0.05 (based on one-tailed)

## Discussion and Conclusion

This study investigated what sorts of pressure of external groups create on ready-made garments (RMG) industry in Bangladesh. The research result in the context of garments sector in Bangladesh exhibits that several external groups are indispensable determinants for disclosing corporate social and environmental reporting. The external groups are media, foreign buyer, legal forces and environmentalist. The current research found that all four variables explained 62.7% of corporate social and environmental reporting of ready-made garments (RMG) industry in Bangladesh. It was found that there were statistically significant relationship between external factors(media, foreign buyers, legal factors and environmentalist) and the level of corporate social and environmental reporting (CSER) disclosure of garments industry in Bangladesh (significant at the 0.05 level).

Figure 2: Structural Model



Therefore our findings provide some policy guidelines to the regulatory authority to motivate companies to bring about more consistency in terms of reporting corporate social and environmental disclosures. Although reporting of environmental

disclosure is not mandatory; however, the endeavor of the regulatory authority may contribute to the effort of protecting the stakeholders' right to have consistent information regarding environmental disclosure on the various ways particularly in company's websites and in annual report.

### ***Scope of further research***

In our study we have some impairments or obstacles which need to be acknowledged and addressed for future studies. Firstly, this study has taken data from surveyed questionnaire only 147 from different garments located in Dhaka city; therefore, it is very difficult to generalize our findings across all industrial sectors. This study opens up new avenues for further research. For example, a longitudinal study with a bigger sample size across the industries may be considered to have more insights into the reporting patterns. Despite all these narrowness, our study sheds lights on the external groups pressure on ready-made garments (RMG) industry in Bangladesh for disclosing corporate social and environmental report.

These findings contribute to existing literature of corporate social and environmental reporting by creating pressure of media, legal forces, environmentalist and foreign buyer in emerging economy like Bangladesh. The findings of the study informs the regulatory authority to design new interventions aiming at motivating companies to adopt consistent reporting practices on different way like websites and in annual reports.

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