

# CORPORATE SOCIAL RESPONSIBILITY RESEARCH METHODS ANALYSIS

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## Abstract

Although the last decade of the corporate social responsibility (CSR) is talking more and more, but it is accompanied by many uncertainties that affect the same social responsibility activities and the disclosure of social information to stakeholders. The problem remains that the different studies of CSR provide mixed results about nature and scope of social information, about theories on corporate social information disclosure behaviour and about CSR impact to company's reputation and financial performance. Therefore the aim of this article is to systematize research of CRS information disclosure. In order to narrow the scope of the study, the object of the study involves scientific studies which were carried out during the period of 2008-2013 and which deal with social information disclosure in the banking sector. The main reason why the banking sector was selected is that although banks actively participate in activities of socially responsibility companies, banks and other financial institutions are often excluded from scientific studies due to their nature of activities. The carried out analysis of CSR research methods showed that most often method used in CRS research is the content analysis method, and only less than a half of the analyzed scientific studies use other research methods in addition to the content analysis, such as correlation and regression analysis. The researchers using different techniques of content analysis, different CSR indicators and different sources of information resulted in the absence of a unified methodology of corporate social information disclosure and its research the obtained study results are hardly comparable and in some cases even contradictory.

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**Keywords:** Corporate social responsibility, research methods, content analysis, social information disclosure

## Introduction

Corporate social responsibility (CSR) has become an inevitable necessity. The new development trends of economics, the use of new technologies and economic globalization presents new challenges not only to the business community of different countries but also to the whole of mankind. According to the author, today's world is living in such a period when the future of the earth and mankind depends solely on our knowledge and the willingness to change. Therefore today the CSR is treated as a matter of strategic importance how the environmental and social aspects should be integrated into the business strategy and everyday practice.

Corporate social responsibility is conceived as activity policy and practice of organizations (and individuals) when the companies voluntarily integrate social and environmental matters into their business and combine them harmoniously with economic interests, and the relationships with all stakeholders are based on the valuable principles of respect for the individual, society and the environment.

Even though the CSR is being discussed more and more, it is accompanied by numerous uncertainties that affect social responsibility activity itself, the disclosure and presentation of its information to the users. Different researchers analyze different aspects of social responsibility and social responsibility itself differs depending on the country context. It can also be observed that the majority of studies were performed in developed countries although over the recent years there has been an increase in their number in developing countries as well. The research of corporate social responsibility showed that recently the main focus is paid on disclosure of social information. The problem remains that the different studies provide mixed results about nature and scope of social information, about theories on corporate social information disclosure behaviour and about CSR impact to company's reputation and financial performance. There is no unified and reliable corporate social information disclosure and research methodology. Therefore the aim of this article is to systematize research of corporate social responsibility information disclosure.

In order to narrow the scope of the study, the object of the study involves scientific studies which were carried out during the period of 2008-2013 and which deal with social information disclosure in the banking sector. The main reason why the banking sector was selected is that although banks actively participate in activities of socially accountable companies and are inclined to reveal social information of their activities, banks and other companies belonging to the financial sector are often excluded from scientific studies due to their nature of activities.

Research methodology used in the paper is the systemic and comparative analysis of the scientific literature, generalization, theoretical modelling.

### **Corporate social responsibility and its information disclosure**

The environmental issues which occurred due to the rapid economic development, as well as social and business ethic issues which emerged during the subsequent economic crisis encouraged leaders of the countries to take into account the interfaces between economic development and ecologic and social issues and implement the economic development model which ensures sustainable development. The pressure of stakeholder groups for the implementation of sustainable development concept promotes company's management decisions related to their social responsibility.

The financial crisis in 2008-2009 has highlighted the importance of CSR in the banking sector because the irresponsible behaviour of financial institutions is important for both individuals and businesses, and even the economy of states. According Argandona (2009) the use of CSR in financial institution could help to reduce financial crisis if not systemically, at least in some organization, which was most affected by the crisis. First, the use of CSR could have prevented certain institutions from going bankrupt, or at least it would have made it less likely. Second, CSR might have contributed to creating a different climate in the business world. The third function performed by CSR in preventing a crisis, and also in getting out of one, is the creation and maintenance of trust, whose loss has been one of the most significant consequences of present crisis. The CSR exist in different sector, but only few authors analyses CSR in the banking sector. Recent years have seen increase in the volume of such research, because banks increasingly integrating CSR into its usual activities. This is confirmed by Scholte (2008) study of bank in North America, the Pacific region and the Europe which showed that CSR is becoming increasingly important in the international banking sector. CSR is becoming a well-established concept in the financial services sector. Hoepfer and Wilson (2010) notes that the recent focus on social, environmental, ethical and trust issues in the banking sector are related to the three international initiatives: United Nations Environmental Programme Finance Initiative (UNEP – FI), Equator Principles and Principles for Responsible Investment (PRI).

In recent decades many researchers analyze how the company responds to the increasing external pressure on social responsibility and delivery of social information. The companies, in order to inform the society about the policies in this field, provide social responsibility, environmental, sustainable development reports or publish this information on websites. In order to prepare a report on the organization's interaction with the environment, employees, community, users and other stakeholders the specific social information is needed. For this reason, with the development of corporate social responsibility the growing role plays the social accounting, which includes social information collection, analysis and presentation to stakeholders in order to reflect the corporate ethical behaviour, i.e. their impact on the environment and society. The social information itself is defined as the information provided by the company on the different social aspects which may be affected by corporate activities, such as related to the employees, social community, environmental protection and other ethical issues. The studies of banking sector show that there is a focus on the environment, culture, education (especially financial education) and social issues. The scientific literature provides the analysis on various aspects of factors influencing voluntary presentation of corporate social information; however it is possible to point the following main research directions: nature and scope of social information; theories on corporate social information disclosure behaviour; CSR impact to company's reputation and financial performance. All directions research provides controversial results because they use different sources of information, methods, analyzes the different factors on the impact of CSR and CSR impact to different indicators. Therefore, the remainder of this article will attempt to systematize CRS study of the banking sector, according to the study methods, the factors and sources of information.

### **CSR research: methods, factors and sources of information**

The analysis of scientific literature published in the period of 2008-2013 shows that the method most widely used for CSR research is the content analysis (see Table 1). The content analysis method is mainly used to determine nature and scope of social information. Along with the content analysis method about 34 percent of scientists used other research methods such as correlation and regression analysis. Justification research of theories on corporate social information disclosure behaviour and the research of CSR impact to company's reputation and financial performance alongside to the content analysis uses correlation and regression methods. In these studies, content analysis is used in determining the dependent variable, ie the level of disclosure of information.

However, the content analysis is the most commonly used method for research of corporate social information disclosure. Sweeney and Coughlan (2008) define content analysis as a research technique that is used for determination of the presence of certain words and concepts in the text. Some content analysis research measure the presence/absence of items, some misuses the extent of disclosure of these items (Bouten et al., 2011).

According to the nature of study the content analysis method can be divided into two groups, i.e. research aimed to investigate the extent of social information disclosure, and the research aimed to investigate the quality of social information disclosure. In order to investigate the extent of social information disclosure there are most commonly used research based on the number of units, while in order to investigate the quality of disclosure there are used various indexes (Dagiliene, 2010; Hooks, van Staden, 2011; Leitoniene, Sapkauskiene, 2012; Andreaus et al., 2013).

Table 1. The prevalence of methods used for CSR research

Author, year	Content analysis	Correlation analysis	Regression analysis
Barako, Brown, 2008	x		x
Branco, Rodrigues, 2008	x	X	
Sweeney, Coughlan, 2008	x		

Everaert et al., 2009	x		
Wise, Ali, 2009	x		
Cuganesan et al., 2010	x		
Dagiliene, 2010	x		
Bouten et al., 2011	x		
Dagiliene, Gokiene, 2011	x		
Hooks, van Staden, 2011	x	X	
Lungu et al., 2011	x	X	
Zickiene et al., 2011	x		
Carnevale et al., 2012	x	X	x
Dagiliene, Leitoniene, 2012	x		
Leitoniene, Sapkauskiene, 2012	x		
Masud, Hossain, 2012	x		
Murcia, Souza, 2012	x		x
Relano, Paulet, 2012	x		
Roca, Searcy, 2012	x		
Sobhani et al., 2012	x		
Uwuijbe, Egbide, 2012	x	X	x
Wijesinghe, 2012	x		
Akinpelu et al., 2013	x		x
Andreas et al., 2013	x	X	x
Sharma, 2013	x		x
Total	25 (100%)	6 (24%)	7 (28%)

Selection of units is a key element of the research design in the content analysis (Hooks, van Staden, 2011). The scientific literature accentuates various research units: words, sentences, phrases, rows, sheets, percentage in the sheet or in the report. The calculation methodology of words, sentences, phrases, rows, sheets involves counting the quantity of words, sentences, phrases, rows, sheets containing the information about the corporate social responsibility. The percentage in the sheet or in the report shows the proportion of social responsibility information in the report compared to information presented in one sheet or in the whole report.

One of the most popular units is the number of sentences. According to Cuganesan, Guthrie and Ward (2010), the number of sentences is more suitable than the number of the words drawing conclusions from the narrative reports. In addition, the calculation method of sentences (rows) is preferable when converting diagrams, tables and pictures to equivalent rows and this makes encoding more reliable than words (Cuganesan, Guthrie, Ward, 2010). Dagilienė (2010) also states that sentences provide complete, relevant and reliable information about the company's CRS disclosure level. In addition, although this measurement is not accurate, it provides the possibility to compare variations of disclosure levels between companies (van Staden, Hooks, 2007). Dagilienė and Gokienė (2011) states that from the methodological approach the number of sheets of social reports can be easily counted and is useful in comparing different companies.

Although most authors for calculation of sentences use only grammatical sentences in the textual parts of the reports and do not take into account the content present in diagrams or tables, Cuganesan, Guthrie and Ward (2010), Hooks and van Staden (2011), and Everaert et al. (2009) includes tables and diagrams into the research and thus allows the analysis of the entire report.

To analyze the evaluation of social information disclosure the authors used a variety of indexes, some has developed new, and others has adapted or improved indexes that were used in the previous research. According to Hooks and van Staden (2011), the disclosure index is used to evaluate, compare and explain differences in scope and quality of disclosed information in corporate reports. The content analysis using the disclosure index usually

involves highlighting of any important sentence corresponding to the specification of disclosure index, and the subsequent encoding of sentences according to the selected quality assessment scale. In this way, the descriptive text shall be divided into categories in order to be able to draw conclusions on the thematic content (Hooks, van Staden, 2011).

Corporate social factors are grouped into different groups in the research the disclosure of CSR information. There are many different ways in which indicators can be divided into categories For example according to the principles of the UN Global Compact (Leitoniene, Sapkauskiene, 2012), the OECD Guidelines for Multinational Enterprises, ISO 9000, SA 8000, the EU Eco-label, triple bottom line (Roca Searcy, 2012), the GRI Sustainability Reporting Guidelines (Everaert et al, 2009; Bouten et al, 2011; Wijesinghe 2012 and Cuganesan, Guthrie and Ward, 2010). Many of sustainability and CSR indices are developed based on the GRI Sustainability Reporting Guidelines.

The level of social responsibility information disclosure, factors affecting this level and their interconnection are identified by using content, correlation and regression analysis. Different authors studied the connection of social responsibility to different factors (see Table 2). Normally the dependent variable is the level of disclosure of social information, while the independent variables are used vary depending on the purpose of the study, for example, Barack and Brown (2008) studied the relationship between the level of disclosure of social information and corporate governance-related variables.

Table 2. Factors determining CSR information disclosure level

Author, year	Factors
Barako, Brown, 2008	Composition of the Board; the proportion of women in the Board; the proportion of foreigners in the Board; the non-performing loan ratio
Branco, Rodrigues, 2008	Number of sections; total assets; net profit; number of employees
Lungu et al., 2011	Total assets; gross income; annual income change; return on assets; return on equity
Murcia, Souza, 2012	Auditing company; financial leverage; internationalization; issue of shares; profitability; equity to asset ratio; origin of control; corporate governance; size; sector; corporate sustainability
Uwuijibe, Egbide, 2012	Return on assets; financial leverage; auditing company
Akinpelu et al., 2013	Total assets; gross income; number of sections
Sharma, 2013	Total assets; return on assets; financial leverage; equity dispersion; the independence of directors in the Board; foreign equity percentage in the company's ownership capital

Different authors' regression studies give different results. For example, Murcia and Souza (2008) regression model can explain 48 percent of social information disclosure; Sharma (2013) - 51 percent; Uwuijibe and Egbide (2012) - 59 percent. Akinpelu et al. (2013) and Branco and Rodrigues (2008) confirmed that the size of firms is related to the level of social responsibility information disclosure. Meanwhile Lungu Caraianni and Dascalu (2011) studied the relationship between corporate performance reporting and disclosure of social information. They sought to determine whether differences between the scope of the reporting may be related to the size or profitability of enterprise. In contrast to previous studies, the results show that there is a significant negative correlation between profitability and corporate social and environmental disclosure.

Considering social information disclosure measure under investigation, it can be noted that the majority of researches analyzed the annual reports as a social information disclosure measure (see Table 3). Also one of the most popular measures is a web site, but most of the authors did not analyze the web site separately, it was analyzed as an additional source. However, the popularity of this measure shows that the number of companies which disclose social information not only through the annual reports but also on the internet is constantly increasing. Only a few authors analyzed the other reports which disclosed solely the social

and environmental information (social responsibility report, environmental report, sustainability report) and this could be related to the sectors under investigation, because not in all sectors the companies tend to provide separate social, environmental and sustainability reports.

Table 3. CSR information disclosure measures

Author, year	Social Responsibility Report	Environmental Report	Sustainability Report	Web site	Annual Report
Barako, Brown, 2008					x
Branco, Rodrigues, 2008				x	x
Sweeney, Coughlan, 2008	x				x
Everaert et al., 2009	x				
Wise, Ali, 2009					x
Cuganesan et al., 2010				x	x
Dagiliene, 2010					x
Bouten et al., 2011					x
Dagiliene, Gokiene, 2011	x				
Hooks, van Staden, 2011	x	X		x	x
Lungu et al., 2011			x	x	
Zickiene et al., 2011				x	x
Carnevale et al., 2012	x				
Dagiliene, Leitoniene, 2012	x		x		
Leitoniene, Sapkauskiene, 2012	x		x		
Masud, Hossain, 2012					x
Murcia, Souza, 2012					x
Relano, Paulet, 2012	x		x		x
Roca, Searcy, 2012	x	X	x		x
Sobhani et al., 2012				x	x
Uwuijbe, Egbide, 2012					x
Wijesinghe, 2012					x
Akinpelu et al., 2013					x
Andreus et al., 2013	x				
Sharma, 2013				x	
Total	10 (40%)	2 (8%)	5 (20%)	7 (28%)	17 (68%)

Frequency of use of annual report can be justified by their regularity, reliability, availability and useful information for stakeholder's accountability (Dagiliene, 2010). Bouten et al. (2011) justifies the use of the annual report for two reasons. Firstly, annual report plays an important role in corporate accountability activities as it is prevailing and often can be directly accessible in the company's web site, and also because it is considered as one of the most important tools used by companies to communicate with the stakeholders (Bouten et al., 2011). However as stated by Van Staden and Hooks (2007), the separate environmental report is prepared with ever increasing frequency and/or provided information on the company's website. This is supported by Lungu, Caraiani and Dascalu (2011) which states that the companies provide reports on the corporate social aspects in the separate sustainability reports, section of annual report or both, therefore in the research they analyzed websites and CSR reports as regularly published document.

## Conclusion

The carried out analysis of CSR research methods showed that: Most often method used in CRS research is the content analysis method (100 percent of the analyzed studies), and only less than a half of the analyzed scientific studies use other research methods in addition to the content analysis, such as correlation and regression analysis (accordingly 24 and 28 percent).

The content analysis method is mainly used to determine nature and scope of social information. The problem is that different authors use different techniques of content analysis (words, sentences, and the number of pages of disclosure index) and different classification of social information indicators (for example, according Principles of the UN Global Compact, Guidelines for Multinational Enterprises, ISO 9000, SA 8000, GRI Sustainability Reporting Guidelines and others) therefore the different research results are difficult to compare.

Justification research of theories on corporate social information disclosure behaviour and the research of CSR impact to company's reputation and financial performance alongside to the content analysis uses correlation and regression methods. In these studies, content analysis is used in determining the dependent variable, i.e. the level of disclosure of information. Again, different techniques of content analysis influences are still conflicting results of regression analysis.

Other problem is that investigating of corporate social responsibility scientists uses not only the different research methods and indicators, but also the different sources of information disclosure (CSR reports (40 percent of the analyzed studies), section of annual report or both (68 percent), websites (28 percent), sustainability reports (20 percent) and other). This also makes it difficult to compare results from different studies and to assess its reliability.

In summary it can be said that in the absence of a unified methodology of corporate social information disclosure and its research the obtained study results are hardly comparable and in some cases even contradictory.

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