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CORPORATE SOCIAL REPORTING BY MAURITIAN BANKS

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Abstract

The paper examines CSR disclosures by commercial banks operating in Mauritius. Annual reports for the year 2011 were scrutinized using content analysis. Five categories of disclosure were chosen in line with the Code of corporate governance and prior studies. Due to the small number (20) of banks operating in the country all banks were selected. Findings show that banks with higher visibility disclose more CSR information thus confirming that the legitimacy theory is an explanation for CSR disclosure by Mauritian banks. CSR reporting is prevalent among all banks but forty percent of banks disclose CSR information relating to one category only showing a narrow view of CSR. The primary area of disclosure is 'Human resources' which is at odds with previous studies. The paper contributes to the scarce literature on CSR disclosures by banks in a developing country.

Keywords: CSR, Banks, Mauritius

1. Introduction

The last two decades witnessed a significant increase towards sustainability issues. A move was made from core financial reporting to the adoption of triple bottom line. The triple bottom line principle entails reporting of both economic performance of company and most importantly reporting on the environmental and social performance i.e., reporting of CSR activities. The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact(Freeman,1984). The concept of social accountability arises if a company has social responsibility (Gray et al., 1996). Moreover, CSR reporting calls for reflection of corporate ethical practices, transparency, sensitivity to the environmental issues, social commitment and labor welfare practices of business houses (Sharma, 2011).

Previously organizations were giving less importance and were considering CSR issues to be unnecessary. Nowadays, the acknowledgement of corporate social responsibility (CSR) implies the need to recognize the importance of disclosure of information on companies' activities related to such responsibility. A company performing highly in CSR is one that goes beyond compliance with the legal framework to actively pursue positive impacts on local communities and its environmental footprint.

The banking sector in Mauritius is one among the most flourishing economic pillar. They are expected to fulfill a social and ethical role inherent to them as a financial institution. They also have a duty to discharge their accountability through disclosing corporate social responsibility (CSR) information consistent with the principles of corporate governance (Bank of Mauritius guidelines).Moreover, financial institutions such as banks play a positive role in the society where they operate. As considered by Naidoo (2002) 'companies do not operate in a vacuum but are in fact influential citizens of the broader societies in which they operate'. However, recent evidences found banks not adhering to their social role.

The choice of Mauritius is motivated by several reasons. Mauritius have performed well economically in the past decade. As the level of development increases so does the need for disclosures and transparency (Qu and Leung, 2006). Mauritius ranks first in governance in Africa (Mo Ibrahim index, 2013). Good governance is linked to CSR as both concepts imply transparency and fairness while dealing with stakeholders (Jamali et al. 2008). Most importantly, Mauritius was the first country in the world to introduce a CSR levy in 2009. All these factors are expected to impact positively on CSR disclosure.

In light of the above, this study attempts to observe the CSR practices made by Mauritian commercial banks. Research on CSR in Mauritius has focused on alleviation of poverty (Ragodo, 2009; Gokulsing, 2011). Two studies on CSR reporting in Mauritius were undertaken by Mahadeo, Soobaroyen and Oogarah-Hanuman (2011 a,b). The aforesaid papers used data from 2004 to 2007. However, with the introduction of the CSR levy, several traditional CSR activities cannot be funded from the CSR levy (e.g. training). Additionally, Mahadeo et al. (2011 a,b) investigated CSR disclosures of listed companies in Mauritius. The focus of this paper is different as it examines the CSR disclosures of commercial banks, of which only 2 are listed. This paper contributes to the scant literature on CSR reporting in banks, from developing countries. The findings will be of interest to academics, bank managers and particularly to legislators who can assess whether actual CSR practices are in line with the spirit of the CSR legislation. Moreover, this paper is the first to consider the practices of non-listed companies in the Mauritian context.

Findings of this study show that banks with greater visibility provide more CSR information which is in line with the legitimacy theory. Contrary to other studies (Reinig and Tilt, 2009; Branco and Rodrigues, 2006; Azim, Ahmed and D'Netto, 2011) this paper reports 'Human resources' as the prominent theme of disclosure. This can be interpreted as an attempt to reassure employees that they will not be neglected even though mandatory CSR guidelines do not allow banks to spend their CSR levy on employees. Moreover, all banks report CSR in their annual reports which is considered very high compared to other countries such as

Bangladesh and Portugal (Azim et al. 2011, Branco and Rodrigues, 2006) but can be explained by the mandatory nature of CSR in Mauritius.

The paper is organizedas follows: the next part contains a review of the literature on CSR in banks followed by the research methodology in section 3. Analysis and findings are shown in section 4 and finally some conclusions are drawn in section 5.

2.0 Literature Review

There is no generally accepted or universal definition of corporate social responsibility, even though many versions have been proffered, (Overland, 2007). It has also been commonly referred to as sustainability reporting, social responsibility accounting, social accounting and corporate social disclosure(Belal, 2001).

According to Gray et al. (1987) CSR is: ". . . the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large'. As such, it involves extending the accountability of organizations, beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. A more simple definition of CSR as per Hopkins, (2004) "…it is the ethical behaviour of business towards its constituencies or stakeholders."

CSR disclosure refers to the disclosure of information about companies' interactions with society (Branco and Rodrigues,2006), more precisely ". . . the process of providing information designed to discharge social accountability. Typically, this act would … be undertaken by the accountable organization and thus might include information in the annual report, special publications or even socially oriented advertising" (Gray et al., 1987).

There is a joint underlying theme in each of the selected meanings quoted above – the key principles of accountability and responsibility to external stakeholders, including the environment, and a commitment to sustainable business practices. These two concepts are the core of CSR reporting.

2.1 Theoretical Perspectives

2.1.1 Legitimacy Theory

Various authors such as Patten(1991),Gray et al.(1995a) and Branco and Rodrigues(2006) have used legitimacy theory to scrutinize social disclosure practices.Community support is vital for the survival, growth and image of companies. However, to acquire such support company must disclose specific information voluntary to convince the society that their activities are legitimate and supportive (Alawi and Rahman, 2011). According to Newson and Degan (2002), the legitimacy theory directly relies on the concept of social contract with emphasis on how organizations are dependent on their environment, the changing expectation of society and how a firm attempts to justify its existence in society by legitimizing its activities (Gutherie and Parker 1989,Patten, 1992). Dowling and Preffer (1975) and Lindblom(1994) stated four legitimacy strategies employed by companies under legitimacy threat. These strategies are to educate the society about the intention of the company, to alter society's perception towards organization action (Cormier &Gordon, 2001),to divert or manipulate the society's attention and finally to amend society's expectations.

2.1.2 Stakeholder Theory

Stakeholder theory, as its name would suggest, involves stakeholders. According to Price (2004), stakeholders consist of a group of people or individuals who are involved in some capacity with the organization. Carroll (1991) stated that "…there is a natural fit between the idea of corporate social responsibility and an organisation's stakeholders. […] The concept of stakeholder personalises social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation."

Deegan (2006), argues that stakeholder theory can be divided into two major branches namely ethical (accountability model) and managerial. The first branch namely ethical, implies that the stakeholders have the right to be treated equitably. For example stakeholders have intrinsic rights (Hamid and Atan,2011).Secondly,managerial branch states how stakeholders should be managedif the organizationis to survive. The managerial branch posits that organisations will respond to the needs of stakeholders based on the power they can exert on the organization[O'Dwyer, 2002].Fair and ethical as it may be, adopting a stakeholder approach is by no means an easy and simple step to make, and rather constitutes a daily challenge for managers (Kakabadse et al., 2005).

Gray et al. (1995a, 2001) claim that the legitimacy and stakeholder theories are neither separate nor competing, they are closely linked; and the two are often used to complement each other (De Villiers and Van Staden, 2006).

2.2 An overview of Mauritius

Mauritius is a small island in the Indian Ocean with a population of 1.2 million people. The economic success of Mauritius has been phenomenalover the past fifty years. In the 1960's Professor Meade, a Nobel Prize winner, predicted a dismal future for Mauritius. At that time the economy was solely dependent on sugar. Mauritius has successfully diversified its economy which now rests on several pillars such as manufacturing, tourism, information and communication technologies and offshore banking. Mauritius has a GDP per capita of $9715 (IMF, 2014) which is among the top 5 countries in the African continent.

In 2009, the government introduced a CSR levy of 2 percent of profits. This levy must be spent on CSR activities based on guidelines which were jointly drawn by the government and the private sector. Most of the activities are mainly geared towards alleviation of poverty which was the preoccupation of the government at the time the legislation came into force. Firms can use their CSR levy to fund their own CSR activities or donate these funds to registered NGOs. If a firm spends less than 2 percent of its profits on CSR activities, the balance has to be remitted to the Mauritius Revenue Authority.

The Mauritian banking sector (as at May 2012)comprised of 20 banks, of which 7 were local banks, 8 wereforeign owned subsidiaries, 1 was a joint venture and 4 were branches of foreign banks. The Bank of Mauritius is the regulator and supervisor of banks. The Banking Act (2004) and Bank of Mauritius Act (2004) provide a strong regulatory framework for the operation of banks. The Bank of Mauritius issues guidelines on a regular basis governing the day to day operation of banks (MBA, 2013).

2.3 Guidelines for CSR Reporting

2.3.1 Code of corporate governance (Mauritius)

The Code of best practice on corporate governance in Mauritius was published in October 2003. Its aim is to provide indicative guidelines for Mauritian companies to improve on their disclosure practices and recognize the importance of their practices on the community in which they operate. Compliance with the code was required as from the reporting year ending 30 June 2005.

Section 1 of The Code of Corporate governance for Mauritius (2003) which deals with compliance and enforcement states that:

The Code applies to the following business enterprises. In case of non-compliance, these enterprises shall disclose and explain the reasons for their non-compliance.

(A) Companies listed on the Stock Exchange of Mauritius

All companies shall comply with all the provisions of the Code. The Stock Exchange of Mauritius (SEM) may through the listing rules, add further requirements in respect of Corporate governance.

(B) Banks and non-banking financial institutions

All such companies shall comply with all the provisions of the Code. The Bank of Mauritius and Financial services Commission may further require that certain provisions of the Code be mandatory, and prescribe, for specific prudential reasons, more stringent requirements in respect of corporate governance for companies under their regulation.

(C)Large public companies

(D)State owned enterprises including statutory corporations and parastatal bodies

(E) Large private companies

Section 7 of the Code deals with 'integrated sustainability reporting', it requires companies above to report (within the annual report) to stakeholders on issues linked to: Environment, Ethics, Health and Safety and Social issues.

Section 75 of the Financial Reporting Act (2004) amended in 2009 requires all Public Interest Entities (PIEs) to adopt the Code of corporate governance on a comply or explain basis. All sampled banks fall into the category of PIEs and are therefore required to disclose CSR issues in their annual report.

The Income Tax Act (1995) amended in 2009 requires all profitable companies to contribute 2% of their book profit towards CSR activities. These activities are restricted to the following areas: socio-economic development, health, education and training, leisure and sports, environment, catastrophic interventions support (MEF,2011)

2.4 Empirical Research on CSR reporting and banks

Research conducted on CSR disclosures in the context of banks are scant and most of them have been conducted in developed countries. Branco and Rodrigues (2006) made a comparison of CSR disclosures themes in annual reports and on websites of Portuguese banks. They also investigated whether banks with higher visibility disclosed more information than those which were to a lesser degree visible. Results showed that banks with higher visibility disclosed more CSR information in their quest to improve corporate image. The annual report was found to be the primary medium of disclosure. The most prominent themes of disclosure in the annual report were the ‘environment’ and ‘human resources’. In contrast Clarke and Gibson-Sweet (1999) found that banks make lower environmental disclosures compared to stores. They attributed the low impact of banking activities on the environment for such a disclosure practice. Zaghal and Ahmad (1990) investigated the CSR disclosure practices of Canadian banks. They found that 82% of banks surveyed reported information about human resources, product and business practices themes while disclosure on the environment were less favoured. Crawton and Thomson (2000) deplored the lack of conviction in environmental disclosures of banks. In a further study Crawton and Thomson (2004) found that banks did not make use of their influential position to require their clients to disclose information about the environment which could be used by banks in their CSR reporting. They claim that banks could be blamed for condoning industrial activity which causes environmental damages. Douglas et al. (2004) analyzed the CSR disclosures of six Irish and four international banks over the period 1998-2001 using annual reports. They found that Irish banks lagged behind international banks in terms of volume of disclosure. A significant difference was noted in the disclosure of information about community involvement whereby international banks largely overcame their Irish counterparts. Irish banks favoured disclosure about corporate governance and human resources while international banks mostly reported on community involvement, human resources and corporate governance. Reinig and Tilt (2009) investigated the CSR disclosure of four Australian banks through press releases. They found that disclosures mainly focused on community involvement targeted at the community and customers. One of the few studies from developing countries was conducted by Azim et al. (2011) in Bangladesh. They report a low proportion (41%) of financial institutions engaged in CSR reporting. Disclosures were found to be generalized and merely declarative. Community involvement followed by human resources were the main themes of disclosure of financial companies under investigation.

2.5 Disclosure medium –Annual Reports

Companies disclose social information using several medium such as annual reports, websites, newspapers and promotional material (Hamid and Atan,2011). The reason behind such practice, is that companies feel the need to improve their image and to ensure that there is a constant inflow of capital, labour and customer as survival is imperative (Neu, Warsame and Pedwell, 1998).

Many studies, Alawi and Rahman (2011),Rizk, Dixon and Woodhead (2008), Branco and Rodrigues, (2006) and Ahmad, Sulaiman and Siwantoro (2003), have analyzed CSR disclosure using annual reports. Much importance is given to the annual report because it is considered to be the main corporate communication tool. This statement is backed by Gray, Kouhy and Lavers (1995b), who stated that annual report is probably the most important document in terms of the way the organization constructs its own social imagery to all stakeholders. Annual report is considered to be more credible (Neu et al 1998), credible in the sense that, the annual report has full narrative materials and they are read by auditors. Although, annual reports are important sources of data about a company, its use as the only source for gathering data on the social responsibility information disclosure can be criticized for the way it ignores other forms of communication (Roberts, 1991).

Guthrie and Parker (1990) who examined the annual reports of 150 companies in three countries using content analysis; the U.S., U.K., and Australia, found that 98 percent of the U.K companies, 85 percent of the U.S. companies and 56 percent of the Australian companies had CSR disclosures in their annual reports(Ahmad et al 2003). Moreover, Kin (1990) using annual reports of 100 Malaysian public listed companies revealed that 66 percent of the companies in the sample made social disclosure.

This research studies CSR disclosures of banks using annual report as medium of disclosure.

2.6 Hypotheses development

According to the legitimacy theory, companies disclose social responsibility information to present a socially responsible image and also to legitimize their activities to the society. Companies in some industries are seen to be socially more visible and more exposed to the public scrutiny (Branco and Rodrigues, 2006). They are therefore considered to feel countless social and political pressure to act in a more socially desirable manner and to provide information in certain areas of social responsibility. Thus they are more likely to disclose in those areas. Furthermore Legitimacy theory studies also suggest that companies in industries with a high visibility are expected to exhibit greater concern to improve the corporate image as this is susceptible of influencing sales and may be considered more likely to make social responsibility disclosure.

Companies in industries with larger potential environmental impact are more likely to provide environmental information due to legitimacy reasons and companies in industries with high visibility among final consumers (such as banks) are more likely to consider important issues of community involvement and disclose information related to such involvement (Clarke and Gibson-Sweet, 1999,).

Therefore, it can be anticipated that banks will have different disclosure practices than a company in the extractive industry with little visibility among the general public. Probably banks disclose more community relations information and less environmental information, although they can have a similar level of total social responsibility disclosure. Presenting a positive social image in the society is more likely to be important to companies with high public visibility. Thus, one might consider that those companies with the highest public profile are more willing to present a positive social image through community involvement activities than those less well-known, in part because such activities are deemed to attract consumers but also to justify its existence to society.

In this study, the number of ATMs (Automatic Teller Machines) scattered throughout the country (Mauritius) is used as proxy for visibility among consumers. Thus, banks with larger number of ATMs are considered as having higher visibility and are expected to disclose more social responsibility information. In the past decade banks have shifted from their traditional brick and mortar presence to offer various services online. We therefore consider the number of ATMs to be a better indication of visibility than the number of branches as used by Branco and Rodrigues (2006).The following hypotheses follow from the above:

H1: Banks with greater number of ATMs will be expected to disclose more social responsibility information.

Another aspect related to social visibility of banks is their listing status (Branco and Rodrigues, 2006).It is not mandatory for listed banks to disclose more CSR activities than unlisted banks but listed banks are considered to be more visible than their unlisted counterparts (Domench, 2003, p. 584) and are much exposed to public scrutiny. Branco and Rodrigues (2006) studied CSR disclosures by Portuguese Banks and came to the conclusion that indeed listed bank disclose more information than unlisted banks. However,in a rare case (Hinston et al, 2010) who conducted a research in Ghana's banking sector found that unlisted banks tend to disclose more CSR activities than their fellow counterparts. The following hypothesis follows from the above:

H2: Listed banks disclose more social responsibility information than unlisted banks.

3.0 Research Methodology

3.1 Sample Selection

The study considers the whole population of banks holding a license from the Bank of Mauritius. The sample for this study has been chosen from the list of companies available from the Bank of Mauritius website. This study focuses on CSR disclosure made during the year 2011.

Although CSR information can be disseminated in a number of ways (e.g. the Internet, company staff newspapers, paid newspaper, television and radio advertising and company brochures, press reports and interim reporting) this study considers disclosures made in the corporate annual reports only. This is motivated by the fact that the annual report is a statutorydocument and considered more reliable than other means of disclosure.

3.2 Categories of Corporate Social Disclosure

The study considers five categories of CSR disclosure; the first four categories were derived from the study of (Branco and Rodrigues 2006) namely (1) Environment,(2) Human resources;(3) Products and consumers;(4) Community involvement. A fifth category (5)

Ethics was added to adapt the themes of disclosure to the Code of corporate governance

3.3 Data capture

A technique called “content analysis” was used to measure the level of social responsibility information disclosed by Mauritian banks. Over the years, Content Analysis has proved to be the best method (Ze´ghal and Ahmed, 1990; Gray et al., 1995b; Hackston and Milne, 1996). Content analysis is defined by Krippendorf (1980, 21) as “a research technique for making replicable and valid inferences from data according to their context.” As per Branco and Rodrigues,(2006) this technique consists of classifying the information disclosed into several categories of items which capture the aspects of social responsibility one wants to analyze. An example would be whether social responsibility information is present in the annual report or not. Although content analysis is a popular technique, one of the main shortcomings is that reliability of content analysis in previous CSR studies seems to be insufficient, Milne and Adler(1999).

In this study a scoring system similar to Branco and Rodrigues (2006) was used to measure the level of social responsibility disclosures. It comprised of assigning a point for each corporate social responsibility disclosure theme relating to any of the categories considered. Two points were provided for banks which disclosed information on environment conservation and pollution prevention. If the same theme is repeated, it is counted only once. Where a disclosure contained information about more than one theme it was counted as relating to both themes. Disclosure scores for each bank were added up and not weighted, assuming that each element of disclosure is equally important.

3.4 Limitations of the study

The study examines CSR disclosure made in annual reports. Various other methods are available but the focus is limited to annual reports only. Results must be interpreted with caution when linking CSR disclosures scores with variables used as proxy for social visibility. CSR scores have been calculated based on five themes of disclosure. An exhaustible list of themes under each category of disclosure cannot be produced. Moreover, the study is limited to one year and consequently cannot be generalized.

4.0 Analysis and Findings

4.1 Results of testing H1

The correlation between number of ATMs and level of CSR disclosure was tested using Spearman Rho. Results (table 1) show thata positive relationship exists between the number of ATMs and the level of CSR disclosure in their annual report for all disclosure themes and total disclosure. However, the correlations were significant for total score, environment, community involvement and ethics. We therefore accept H1 for total social responsibility, environment, community involvement and ethicsand conclude that banks with higher visibility report more information on CSR thus reinforcing the legitimacy theory. Environmental disclosure is used by highly visible banks to show that they are sensible about environmental issues. The result is congruent with that obtained by Hinson et al. (2009) and Branco and Rodrigues (2006).

Table 1:Correlation between CSR disclosure and number of ATMs

	Correlation coefficient	Significance
Total	+0.551	0.012*
Environment	+0.650	0.02*
Human resources	+0.358	0.121
Community involvement	+0.505	0.023*
Ethics	+0.535	0.015*

*significant at 5%

4.2 Results of testing of H2

The sample was divided in into two groups. The first group comprising of banks listed on the Stock Exchange of Mauritius (SEM) and the second group being unlisted banks. Only two banks were listed on the SEM at 31 December 2011, namely the State Bank of Mauritius (SBM) and Mauritius Commercial Bank (MCB). The Mann-Whitney U test was used to determine whether a significant difference exists in the CSR scores of these two groups. Results from table 2 shows that the total disclosure score for listed banks is far much higher than unlisted banks. At 5% significance level we therefore accept H2 for environment, human resources, ethics, community involvement and total social responsibility. The difference is more apparent for community involvement. Listed banks use community involvement as a distinguishing feature compared to non-listed banks. The results are in accord with Reinig and Tilt (2009) but in with contrast Branco and Rodrigues (2006) whereby community involvement disclosure was not found to be significantly different between listed and unlisted banks.

Listed banks disclose more information than unlisted banks as part of their legitimizing strategies. Listed banks usually have a larger number of customers than unlisted banks. In their quest to satisfy these customers listed banks would target CSR activities which would impact on a large number of people. This could be a possible explanation for the large difference in the means for community involvement.

Table 2: Differences in CSR disclosures between listed and unlisted banks

	Environment	Human	Ethics	Community	Total

		resources		involvement	
Mean score					
Listed	17.25	17.00	18.75	19.5	19.5
Unlisted	9.75	9.78	9.58	9.5	9.5
Mann-Whitney U	4.50	5.00	1.50	0.00	0.00
Wilcoxon W	175.5	176.00	172.50	171.00	171.00
Z	-1.99	-1.69	-2.02	-2.35	-2.28
Assymp. Sig (2-tailed)	0.046*	0.090*	0.028*	0.01**	0.01**

*significant at 5%

** significant at 1%

4.3 CSR disclosure in annual reports

Results from table 3 show that the most prominent theme of disclosure is ‘Human resources’ followed by ‘community involvement’. Banks pay a lot of attention to ‘Human resources’ as it is an important player for delivering quality service to the customer. Employees are concerned about their actual and future benefits. Logically this is the most disclosed item under human resources (table 5). Banks mobilize funds from depositors to provide financial services to the public. Conducting business in an ethical manner is of paramount importance due to the special position of trust that they enjoy from clients. Surprisingly, only 55% of banks report on ethical issues. The least reported of all ethical issues is ‘equity and diversity’. Mauritius is a multi cultural and multi ethnic country. Banks need to reassure their stakeholders that they espouse these principles.There is no interest in disclosing information about ‘Product and Customer’ in annual reports. Zehgal and Ahmed (1990) argue that the choice of the medium depends on the target audience. Annual reports are primarily aimed at shareholders and potential investors as such information about products and customers could be disclosed through another medium. Branco and Rodrigues (2006) found that disclosures about products and customers are more prominent on banks’ websites which are accessible by a broader audience. Banks relegate disclosure on the environment to a lower level. Banking activities are not detrimental to the environment which could explain such practice. Moreover, 40% of banks (Table 5) disclose information about their concern for the environment. Recently several banks have taken steps to reduce paper consumption by sending e-statements or imposing fees for requesting paper receipts on ATMs. However, only 20% of banks made such a disclosure (Table 5).

Six out of the twenty banks disclose information on four categories. All banks disclose at least one category. The majority of banks (40%) disclose only one category. Previously banks were classified into domestic (category 1) and offshore banks (category 2). Offshore banks are those dealing exclusively in foreign currency. The Banking Act (2004) no longer makes this distinction having merged both categories. There are a number of banks which still deal exclusively with non Mauritian residents and in foreign currency. The majority of them fall into the group having disclosed only one category. These banks face no pressure from the society in general and consequently make minimal CSR disclosures. From a stakeholder theory perspectivesince various groups have a stake in the organisation provision of social information to them is justified (Blanchard, 1998). It can be argued that the customer is the major stakeholder of a bank. Since the customers of such banks are based abroad, disclosure of CSR information is not high on their agenda. In contrast, all six banks having disclosure under four categories deal with both residents and non-residents and had the larger number of ATMs. This lends support to the positive link between social visibility and CSR disclosures.

Table 3: Social categories disclosure by banks

Social categories disclosed	**Number of banks**	**%**
Environment	8	40
Human resources	16	80
Community involvement	13	65
Ethics	11	55
Product and customer	0	0

Table 4: Number of categories disclosed by banks

Number of categories disclosed	**Number of banks**	**%**
1	8	40
2	3	15
3	3	15
4	6	30
5	0	0

Table 5: CSR disclosure areas

CSR Variables/ issues	**No of banks**	**%**

A.Human Resources Disclosure		
1.Employee Health & Safety	1	5
2.Employee Training	4	20
3.Employee remuneration policy	4	20
4.Pensions/employee benefits	**12**	**60**
5.Employee options/share purchase schemes	2	10
6. Employee motivations/ job incentives/job satisfaction	4	20
7.Social relations/values/culture	0	0
8. HR Remuneration Policy	3	15
9. Promotion policy	0	0
10. Staff welfare	0	0
B.Product & Customer Disclosure	-	
1.Product Quality	0	0
2.Customer complaints/satisfaction	0	0
3.Provision for physically challenged customers	0	0
C.Environmental Disclosure	-	
1.Company's concern for the environment	**8**	**40**
2. Environment protection	2	10
3.Conservation of energy in business	4	20
4. Environment conservation	0	0
5.Pollution prevention	2	10
6.Ecosystem preservation	2	10
7.Mauritius Wildlife Foundation	2	10
8.Environmental education	1	5
9.Save from degradation	2	10
D.Community Involvement Disclosure	-	
1.Charitable donations & activities	6	30

2. Education aid/scheme	**7**	**35**
3.Sponsorship for sporting activities	5	25
4.Sponsoring of recreational projects	3	15
5.Social welfare	6	30
6. Arts & culture	3	15
7.Health	7	35
8. The disabled	5	25
9.Youth	4	20
10. Support to needy	3	15
11. Implement a particular CSR program	5	25
12. Community support	7	35
13.Financing	3	15
14. Economic Empowerment	1	5
E.Ethics	**-**	
1. Integrity	**7**	**35**
2.Ethical/professional/conduct	6	30
3.Transparency	**7**	**35**
4.Equality & Diversity	4	20

5.0Conclusions

The study investigates CSR disclosures made by Mauritian banks under five categories: environmental issues, product and consumer issues, employee related issues, community involvement issues and ethical issues. Due to the small number of banks operating in the country, the whole population was investigated. ‘Human resources’ is the favourite theme of disclosure for banks which shows the importance of this particular stakeholder from banks’ perspective. This can also be interpreted as a means to reassure an important stakeholder. In the post CSR levy period, CSR activities related to employees such as training and providing employee welfare, cannot be financed through the CSR levy. Banks willing to engage in these activities have to do so by increasing their CSR contribution beyond the mandatory 2 percent of book profits. This result is in contrast with the findings of Reinig and Tilt (2009) and Azim at al. (2011) who report ‘community involvement’ as the most prominent theme of disclosure.The complete absence of disclosures about ‘products and services’ indicates that disclosures are made depending on the target audience. The annual report is mainly destined to investors who may not have an interest in ‘product and services’, favouring other aspects.

Legitimacy theory predicts that banks which are in the minds of the public through greater visibility have better justification to disclose more CSR. Findings of this research shows that banks with more number of ATMs disclose greater CSR information and listed banks report more CSR information than unlisted banks. We therefore conclude that the legitimacy theory is an appropriate explanation for the level of CSR disclosures in the Mauritian banking sector.

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