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Communication of corporate social responsibility by Portuguese banks

A legitimacy theory perspective

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Abstract

Purpose – The purpose of this paper is to ascertain whether Portuguese banks use their web sites as a medium to disclose social responsibility information and identify what types of this kind of information they disclose, and compare such disclosure with similar disclosure in annual reports.

Design/methodology/approach – Examines social responsibility information disclosure on the internet by Portuguese banks in 2004 and compares the internet and 2003 annual reports as disclosure media using content analysis.

Findings – Banks with a higher visibility among consumers seem to exhibit greater concern to improve the corporate image through social responsibility information disclosure. Results thus suggest that legitimacy theory may be an explanation of social responsibility disclosure by Portuguese banks.

Research limitations/implications – The sample is small, although it is constituted by all the relevant Portuguese banks.

Originality/value – Contributes to the scarce literature on social responsibility disclosure by financial institutions. A proxy for public visibility of banks which has not been previously used is proposed in this study.

Keywords Corporate communications, Corporate social responsibility, Banks, Internet, Portugal

Paper type Research paper

Introduction

The growing attention that social responsibility information disclosure has been receiving has focused for many years on environmental information. However, environmental information is but one of its various components. Besides environmental information, one must consider as part of social responsibility information employee related information and other information of ethical nature, such as community involvement and consumer relations information. The focus on environmental information produced the almost inexistence of studies on social responsibility disclosure practices of companies belonging to sectors with little environmental impact, such as banking and finance. Companies in these sectors do disclose relatively little environmental information but the case is not the same with other aspects of social responsibility.

On the other hand, most of the empirical studies analysing social responsibility information disclosure have focused on the annual report, which is considered as the most important tool used by companies to communicate with their stakeholders. However, internet has become an important medium through which companies can

Corporate Communications: An International Journal
Vol. 11 No. 3, 2006
pp. 232-248
© Emerald Group Publishing Limited
1356-3289
DOI 10.1108/13563280610680821

disclose information of different natures and thus some recent studies have been made analysing companies web sites as a social responsibility disclosure medium.

This study, grounded in legitimacy theory, seeks to know if Portuguese banks use their web sites as a medium to disclose social responsibility information and identify what types of this kind of information they disclose, and compare such disclosure with similar disclosure in annual reports. It examines social responsibility information disclosure on the internet by Portuguese banks in 2004 and compares the internet and 2003 annual reports as disclosure media. Using content analysis, corporate social responsibility disclosure was classified in terms of theme (environment, human resources, products and customers and community involvement).

The remainder of this study is organized as follows. In the following two sections, the questions of social responsibility disclosure by banks and annual reports and the internet as disclosure media are explored. Thereafter follow sections on the hypothesis development, the methodology, the results and a discussion. Finally, some conclusions are drawn.

Social responsibility disclosure by financial institutions

Social responsibility disclosure has been broadly defined as the "process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large" (Gray *et al.*, 1996, p. 3). Thus, it seeks to reflect several social and environmental aspects upon which companies' activities may have an impact: employee related issues, community involvement, environmental concerns, other ethical issues, etc. Social responsibility disclosure refers to the disclosure of information about companies' interactions with society.

By comparison with other sectors such as chemicals, paper and pulp, etc. the financial services sector has significantly lower direct environmental impact. This is used by some authors as an argument to exclude banks and finance companies even in studies, which analyse all of the various components of social responsibility disclosure (Archel Domench, 2003). However, there are valid arguments for their inclusion. Thompson and Cowton (2004, p. 199) argue that banks "can be seen as facilitators of industrial activity which causes environmental damage". Thus, the activities of banking and finance companies, such as their lending and investment policies, can be considered as equally environmentally-sensitive when compared with the direct impacts of companies in polluting industries.

Banks can report on what they are doing to ensure that their lending and investment policies do not facilitate industrial activities, which are harmful for the environment. On the other hand, financial institutions consume vast amounts of resources, such as paper and energy, and create wastes. Therefore, its policies regarding how they contribute to the conservation of energy and natural resources and recycling activities are important aspects of their social responsibility activities.

Tarna (1999) studied environmental reports of 12 banks and insurance companies finding that the target groups of such reports were shareholders, customers and employees. All reports included information on material and energy flows caused by corporate operations (energy, paper, water, waste, emissions) and on product ecology (environmental risk management related to financial products and specific environmental products, such as green or ethical investment products and financing of environmentally favourable projects and investments).

Studies focusing on social responsibility disclosure practices by financial institutions are scarce (Hamid, 2004; Douglas *et al.*, 2004). Hamid (2004) studied social responsibility disclosure in annual reports by banks and finance companies in Malaysia and found out that product/service related disclosure seems to be more frequent than environmental and energy, human resources or community related disclosures. Findings also suggest that size, listing status and age of business are positively associated with social responsibility disclosure, whereas profitability is not, thus suggesting that legitimacy theory may be an explanation of social responsibility disclosure by Malaysian banks and finance companies.

Douglas *et al.* (2004) analyse social responsibility disclosures in annual reports from 1998 to 2001 of six Irish banks and four international financial institutions and on the web sites in 2002 of the six Irish banks. Their findings suggest that the Irish financial institutions are well behind the international counterparts in terms of volume of social responsibility disclosure. The most reported issues in the annual reports of the Irish sample were corporate governance and human resources while community involvement was the least reported. Concerning the international sample, the most reported issues in the annual reports were community involvement, corporate governance and human resources. None of the Irish banks made any environmental policy disclosure, which represented another important difference between the two samples. Their findings also suggest that Irish banks disclose more social responsibility information on their web sites than in their annual reports.

Although not focusing on banks and finance companies other studies included them on their samples and produced interesting results (Zéghal and Ahmed, 1990; Tsang, 1998; Clarke and Gibson-Sweet, 1999; Abu-Baker and Naser, 2000). Zéghal and Ahmed (1990) studied three media of social responsibility disclosure by banks and petroleum companies: annual reports, advertisements and brochures. They found out that human resources was the most important disclosure category for the annual reports of banks, while for advertisements it was products, and for the brochures it was community involvement. Tsang (1998) analysed social responsibility disclosure practices of banking, food and beverages and hotel industries in Singapore, finding that the banking industry had the highest proportion of companies disclosing social responsibility information but they disclosed, in terms of quantity, less information than companies in the other industries. Abu-Baker and Naser (2000) discovered that all companies in banking and insurance industries disclosed human resources and community involvement information.

Alongside with stores, banks were found by Clarke and Gibson-Sweet (1999, p. 8) to make considerable community involvement disclosures. Such relation was explained with the argument that companies belonging to both sectors have a name which is highly recognized among the general public "thanks to their high-street presence" "making the creation and maintenance of goodwill in the local community particularly important" (Clarke and Gibson-Sweet, 1999, p. 8). But banks were found to have a lower level of environmental disclosure than stores, which is probably related to the fact that whilst retailing is seen as having environmental impact and being perceived as concerned with environmental issues could attract the green consumer, banking is perceived to be "an activity with little environmental impact" (Clarke and Gibson-Sweet, 1999, p. 8).

Annual reports and the internet as disclosure media

Many studies use annual reports as the only source for gathering data on the social responsibility information disclosure. There are good reasons to focus on the disclosures made in annual reports. Firstly, the annual report is the main corporate communication tool, which represent a company and is widely used. Some authors consider that the annual report is probably the most important document in terms of the way an organisation constructs its own social imagery to all stakeholders (Gray *et al.*, 1995b, p. 82). Moreover, Neu *et al.* (1998, p. 269), in an examination of environmental disclosures, argue that annual reports "provide organisations with an effective method of managing external impressions" not least because the annual report is considered to possess a degree of credibility not associated with other corporate communication media. The proximity of the narrative material in the annual report to the audited financial statements and the fact that the auditors must read such material gives it a degree of credibility that other media cannot be claimed to have (Neu *et al.*, 1998, p. 269).

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 criticised for the way it ignores other forms of communication (Roberts, 1991). Annual reports are just one source of information. Some studies try to overcome such limitation by considering in addition to the annual report other disclosure media. One of the first studies to consider other media was Zéghal and Ahmed (1990) by analysing advertisements and company brochures used by banks and petroleum companies and comparing their level of utilisation with the annual report. They concluded that advertisements "are not a major means of disclosing social information" (Zéghal and Ahmed (1990), p. 46), while brochures do "appear to be a widely used means of disclosing" (Zéghal and Ahmed (1990), p. 47).

The findings of Zéghal and Ahmed (1990) are particularly important for this study. They suggest that the choice of a medium for information disclosure is dependent on the target public for whom the message is intended and that the lower cost of producing and distributing brochures allows companies to treat in greater depth topics of particular interest to other sectors of the general public which the company wishes to target (Zéghal and Ahmed (1990), p. 49). Such reasoning can also be used when analysing social responsibility disclosure through the internet.

Studies analysing the internet as a tool for communicating with stakeholders and a social responsibility disclosure medium have been growing in number (Esrock and Leichty, 1998, 2000; Williams and Pei, 1999; Maignan and Ralston, 2002; Patten, 2002; Cooper, 2003; Snider *et al.*, 2003; Campbell and Beck, 2004; Douglas *et al.*, 2004).

The benefits of the internet for communicating information to stakeholders over traditional communication channels are substantially related to the possibility of disseminating more information less expensively and in a more timely fashion, and to its interactive nature. One of the more interesting features of the internet is that it allows companies to provide information targeted to different stakeholders and to obtain feedback from them. As pointed out by Esrock and Leichty (2000, p. 328), "unlike traditional mass media channels, a single web site can have multiple sections, each targeted to a different audience".

One important aspect which can be regarded as a limitation of internet when compared with annual reports is related to the proximity of the narrative material in the annual report to the audited financial statements (Neu *et al.*, 1998, p. 269).

The proximity of the narrative material in the annual report to the audited financial statements and the fact that the auditors must read such material gives it a degree of credibility that other media cannot be claimed to have (Neu *et al.*, 1998, p. 269), including the internet.

Some studies compare social responsibility information disclosure through the internet with similar disclosure in annual reports (Williams and Pei, 1999; Patten and Crampton, 2004; Douglas *et al.*, 2004). Williams and Pei (1999) examined social responsibility disclosure in annual reports and on the web sites of corporations in Australia, Singapore, Hong Kong and Malaysia, and suggest that Australian and Singaporean companies report more on their web sites than in their annual reports. Patten and Crampton (2004), although focusing on environmental disclosure, suggest that, on average, companies include more negative environmental information in their annual reports than on their web sites but more sentences of positive/neutral environmental disclosure on their web sites than in their annual reports. Douglas *et al.* (2004) examined social responsibility disclosure on the web sites of six Irish financial institutions in 2002 and compared it with similar disclosure in their annual reports for 2001, and their findings suggest that Irish banks disclose more social responsibility information on their web sites than in their annual reports.

This study tries to overcome the limitation of ignoring other possible forms of communication besides the annual report by examining social responsibility disclosure on corporate web sites. One of the purposes of this study is to identify how banks disclose social responsibility on the internet comparing with the disclosure in annual reports trying to understand whether the internet is in fact being used to develop social responsibility communication with stakeholders.

Hypotheses development

This study is grounded on legitimacy theory, according to which companies disclose social responsibility information to present a socially responsible image so that they can legitimise their behaviours to their stakeholder groups. Legitimacy theory is based on the idea that a "social contract" exists between business and society. Society is considered to allow companies to exist and have rights, and in return expecting them to fulfil its expectations about how their operations should be conducted. Therefore, in order to survive a company must ensure that the activities it undertakes actually are or are perceived as being in accordance with the values and norms of society. When society's expectations are not fulfilled, that is, a company's actual or perceived behaviour is not in accordance with social values and norms, a breach of contract exists and a legitimacy gap may develop.

Companies are supposed not only to have activities which are congruent with social values but also to communicate that their activities are congruent with such values. Legitimacy theory studies found industry affiliation to be related to social responsibility disclosures, with industries with high public visibility or a potentially more important environmental impact or having less favourable public images disclosing more social responsibility information than its counterparts (Patten 1991, 2002; Adams *et al.*, 1998; Tsang, 1998; Clarke and Gibson-Sweet, 1999; Campbell *et al.*, 2003; Patten and Crampton, 2004).

In terms of legitimacy theory, companies in some industries are socially more visible and are more exposed to the public scrutiny. They are therefore considered to feel greater social and political pressure to act in a more socially desirable manner and to provide information in certain areas of social responsibility and thus are more likely to disclose in those areas. Legitimacy theory studies 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, p. 6). It can be anticipated, therefore, that a bank will have different environmental and community involvement disclosure practices than a company in the extractive industry with little visibility among the general public, probably disclosing 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 among the general public is more likely to be important to companies with high public visibility. Because community involvement disclosure is concerned with how the company relates to society through its charitable donations, sponsorship of arts, sports and education, etc. it should be higher in companies that have greater incentive to be involved in such activities. 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. Hence, companies whose names and/or activities are better known to the general public may have more reason to use community involvement disclosure as part of their legitimation strategies when compared with less known companies.

Thus, it can be anticipated that a bank will have different environmental and community involvement disclosure practices, probably disclosing more of the latter and less of the first. But disclosing environmental information can be used as a distinguishing feature by banks with higher visibility. Thus, more visible banks are also expected to disclose more environmental information than less visible banks.

In this study the number of branches scattered throughout the country was used as a proxy for the visibility among consumers. Thus, banks with larger number of branches were considered as having higher visibility and were expected to disclose more social responsibility information.

Another aspect thought to be related to social visibility of banks is its listing status. Listed banks are considered to be more visible than its counterparts. Although listed companies are not subject to more extensive disclosure requirements with respect to social responsibility activities than unlisted ones, they tend to receive more attention from the general public and are subject to more extensive media coverage (Archel Domench, 2003, p. 584).

The following hypotheses follow from the above:

H1. Banks with greater number of branches will be expected to disclose more social responsibility information than those with smaller number of branches.

H2. Listed banks will be expected to disclose more social responsibility information than unlisted banks.

The research will identify whether the independent variables number of branches and listing status, which are used as proxies for social visibility, have a significant relationship to banks social responsibility disclosure.

Methodology

Sample selection

The sample is composed of 15 Portuguese banks, with seven of them being listed on Euronext – Lisbon at 31 December 2003 (Appendix). It was initially based on the list of banks (including savings banks) which were registered with Bank of Portugal, which amounted to 48 banks. Investment and specialized banks were excluded. Of the remaining banks, in order to be included in the sample for this study, they had to:

- have an accessible web site on the internet, and
- provide a 2003 annual report for review.

Data capture

In order to measure the level of social responsibility information disclosed by Portuguese banks, this study uses what is commonly known as "content analysis". Content analysis is the dominant method used to examine social responsibility disclosure in annual reports (Zéghal and Ahmed, 1990; Gray *et al.*, 1995b; Hackston and Milne, 1996) and corporate web sites (Patten, 2002; Williams and Pei, 1999). This technique consists of classifying the information disclosed into several categories of items which capture the aspects of social responsibility one wants to analyse.

The simplest form of content analysis consists of detecting the presence or absence of social responsibility information (Archel Domench, 2003; Patten, 2002; Purushothaman *et al.*, 2000). One of the main shortcomings of this form of content analysis is that it does not allow the measurement of the extent of information disclosure and, therefore, the coded data does not reflect the emphasis that companies attach to each information item (Zéghal and Ahmed, 1990, p. 42). However, the number of different topics discussed is considered as a reasonable measure of management's willingness to provide social responsibility information in general (Bewley and Li, 2000, p. 206).

Thus, the analysis of the social responsibility disclosure in this study was made using a scoring system consisting in assigning a point for each corporate social responsibility disclosure theme pertaining to any of the categories considered. For example, two points were assigned to a company that provided, for example, in the category of human resources, disclosures on employee training programme and employee share purchase schemes. If the same theme is discussed in more than one place, it is counted only once. Where a disclosure contained information about more than one theme it was counted as pertaining to both themes. The use of such a system "ensures that the score a company receives is for relevant new disclosures" relating to the social responsibility disclosure categories (Purushothaman *et al.*, 2000, p. 115). Disclosure scores for each bank are added up and not weighted, being assumed that each item of disclosure is equally important.

In order to determine the nature and extent of social responsibility disclosure included on the corporate web sites, each of the companies' web sites was accessed during the month of August 2004 and analysed for the provision of social responsibility information. The entire web sites were examined. All links were followed, but for the following exclusions:

- neither on-line copies of the annual report (Patten and Crampton, 2004) nor on-line copies of social and/or environmental reports, where available, were included in the web site analysis;
- links to external press release disclosures were also not followed (but press releases of the companies were examined for social responsibility disclosure) (Patten and Crampton, 2004);
- links to company publications such as newsletters or products catalogs were not followed.

Several empirical studies in the area were of great utility in order to determine what to consider to be social responsibility disclosure, that is to establish the categories of social responsibility information employed in this study (Gray *et al.*, 1995b; Hackston and Milne, 1996; O'Dwyer and Gray, 1998; Adams *et al.*, 1998; Williams, 1999; Williams and Pei, 1999; Campbell, 2000; Campbell *et al.*, 2003).

Adams *et al.* (1998) analysed social responsibility disclosure under the categories of environmental, employee issues and ethical reporting. Ethical reporting was defined by Adams *et al.* (1998, p. 4) as, "any information, except employee or environmental, that was concerned directly or indirectly with giving an impression of corporate ethical values." This category included, "customer relations, community involvement, equal opportunities, investment policies, charitable and political activities and product safety" Adams *et al.* (1998, p. 5).

In this study the category considered by Adams *et al.* (1998) as ethical reporting was divided into the categories of products and consumers and community involvement. On the other hand, following other studies which have used similar categories, such as O'Dwyer and Gray (1998), Campbell (2000) and Campbell *et al.* (2003), equal opportunities is considered to be part of human resources disclosure. Other important studies such as Gray *et al.* (1995a,b), Hackston and Milne (1996), Williams (1999), and Williams and Pei (1999) have also considered reporting on equal opportunities as human resources/employment issues disclosure.

Thus, social responsibility disclosure refers in this study to disclosures in the following four categories:

(1) environmental;
(2) human resources;
(3) products and consumers;
(4) community involvement.

In the case of banks, environmental disclosure comprises disclosures relating to environmental policies, environmental management system and environmental awards (including ISO 14001 and Eco management and audit scheme – EMAS), lending and investment policies, conservation of natural resources and recycling activities, and disclosures concerning energy efficiency. Human resources disclosure covers such issues as employee numbers and remuneration, employee share ownership, employee consultation, training and education, employment of minorities or women, and trade union information. Products and consumers disclosure encompasses disclosures related to product quality (for example, third party recognition for the quality of the company's products) and consumer relations (for example, customer complaints). Community involvement disclosure includes disclosures relating to sponsorship (e.g. of art exhibits), as well as charitable donations and activities.

The total maximum score was of 23. The maximum score for each of the categories considered was of six for environmental disclosure, nine for human resources disclosure, three for products and consumers disclosure, and five for community involvement disclosure.

Results and discussion

Social responsibility disclosure in annual reports and on the internet

Results in Table I show that on the internet only one bank discloses information in the four categories considered, and only one bank does not disclose social responsibility information. Most of the banks (74 per cent) only present one (47 per cent) or two (27 per cent) of the categories considered. On the other hand, in annual reports, all banks disclose social responsibility information: three banks disclose information in the four categories considered, but the majority (73 per cent) only presents one (33 per cent) or two (40 per cent) of the categories considered. Another aspect considered was the existence of a separate section or sections devoted to social responsibility: whereas on the internet five banks had such section(s) in annual reports six banks had separate section(s) for social responsibility activities, but only three of them presented such section(s) in both media. Portuguese banks thus seem to attribute greater importance to annual reports as disclosure media than to the internet.

The comparison of the information disclosed on the internet with similar information disclosed in the annual reports in Tables II and III indicates that environmental and human resources information are more present in annual reports

Table I. Number of social responsibility information categories disclosed

	Internet		Annual reports	
Number of categories	Number of banks	Per cent	Number of banks	Per cent
4	1	7	3	20
3	2	13	1	7
2	4	27	6	40
1	7	47	5	33
0	1	7	0	0
Total	15	100	15	100

Table II. Mean social responsibility disclosure scores

Mean disclosure	Internet	Annual reports
Enviromental	0.33	0.67
Huma resources	0.67	2.93
Products and consumers	1.13	0.7
Cummunity involvement	2.00	1.53
Total	4.13	6.00

	Internet		Annual reports	
	Number of banks	Per cent	Number of banks	Per cent
Environmental disclosure				
Environmental policies or company concern for the environment	1	6.67	3	20.00
Environmental management, systems and audit	0	0.00	0	0.00
Lending and investment policies	0	0.00	1	6.67
Conservation of natural resources and recycling activities	1	6.67	2	13.33
Sustainability	2	13.33	2	13.33
Conservation of energy in the conduct of business operations	1	6.67	2	13.33
Human resources disclosure				
Employee health and safety	1	6.67	0	0.00
Employment of minorities or women	0	0.00	1	6.67
Employee training	1	6.67	12	80.00
Employee assistance/benefits	1	6.67	1	6.67
Employee remuneration	1	6.67	11	73.33
Employee profiles	3	20.00	14	93.33
Employee share purchase schemes	2	13.33	3	20.00
Employee morale	1	6.67	1	6.67
Industrial relations	0	0.00	1	6.67
Products and costumers disclosure				
Product quality	8	53.33	5	33.33
Customer complaints/satisfaction	5	33.33	7	46.67
Provision for disabled, aged, and difficult-to-reach customers	2	13.33	1	6.67
Community involvement disclosure				
Charitable donations and activities	7	46.67	5	33.33
Support for education	8	53.33	6	40.00
Support for the arts and culture	6	40.00	6	40.00
Support for public health	4	26.67	2	13.33
Sponsoring sporting or recreational projects	5	33.33	4	26.67

Table III.
Social responsibility disclosure areas

than on the internet, whereas the reverse succeeds with products and consumers and community involvement information, although the difference is insignificant in the latter case. Human resources information is the kind of information whose disclosure on the internet and in annual reports presents a more significant difference.

As Zéghal and Ahmed (1990) argue, the choice of a medium for information disclosure is dependent on the target public for whom the message is intended. Because annual reports are directed at investors and human resources are an important resource, it is natural for investors to be interested in it. On the other hand, because company web sites are aimed at a broader public, including consumers, it is natural for companies to give prominence to community involvement and products/consumers information.

The two banks, which disclose environmental information on the internet, are among the five banks with greater number of branches and are both listed banks. These two banks also disclose environmental information in annual reports. They are the two banks, which disclose more information, and the only banks, which published, for the first time in 2004, separate Social Responsibility Reports. One of these banks, which are the second in terms of total disclosure, has joined the Global Reporting Initiative as an organisational stakeholder in September 2004. The other bank disclosing environmental information in the annual report is one of the five banks with greater number of branches and is a listed bank. Hence, it is possible to suggest that environmental information disclosure is used as a distinguishing feature by banks with higher visibility.

In this study, the only one of the largest banks which was in almost all considered aspects lagging behind the others was a public bank. This seems to contradict legitimacy theory. From a legitimacy theory perspective, Cormier and Gordon (2001) argue that publicly owned companies depend more on social and political support than their privately owned counterparts, thus being expected to face greater pressures to disclose additional information due to reasons of visibility and accountability associated with the large number of stakeholders (Cormier and Gordon (2001), p. 94). In their study of three Canadian electric companies, they found that the publicly owned companies disclosed more social responsibility information than the privately owned company.

In a similar perspective, Tsang (1998, p. 631) argues that a publicly owned bank may be expected to disclose more social responsibility information than a privately owned one. However, in his study Tsang found that the public bank, which existed in the sample, disclosed less social responsibility information than the privately owned ones, when compared to the latter's means disclosures (Tsang, 1998, p. 631). Tsang suggested has a "probable explanation" the inexistence of the need of that particular bank to "manipulate its social disclosure for the purpose of legitimization" due to being a well-known national bank (Tsang, 1998, p. 631). The explanation suggested by Tsang seems to be a perfectly reasonable explanation for the findings of this study, in view of the profile of the publicly owned bank. In fact, the privatisation of the financial services sector in Portugal is relatively recent, and the publicly owned bank in the sample remains one of the largest banks in all aspects and continues to have an important part of its activities dependent of its public status.

Results of testing H1

The sample was divided in two different groups, one including the eight smaller banks and the other the seven larger in terms of the number of branches throughout the country. Results in Table IV show that there is a difference in disclosure between the banks with larger and smaller number of branches, with the first disclosing more social responsibility information in both media of disclosure.

The correlation between social responsibility disclosure on the internet and number of branches was analysed using Spearman's Rho, testing for association between social responsibility disclosure and rank of number of branches. Tables V and VI report the results of the Spearman's Rho.

Results regarding social responsibility disclosure in annual reports and on the internet are similar. For Total Social Responsibility Disclosure, there was a positive and statistically significant relationship. Environmental and community involvement disclosures indicate a positive and statistically significant association, whereas human resources and products/consumers indicate positive but statistically insignificant

	Internet		Annual reports	
Mean disclosure	Smaller	Larger	Smaller	Larger
Environmental	0.00	0.71	0.00	1.43
Human resources	0.25	1.14	2.38	3.57
Products and consumers	1.00	1.29	0.50	1.29
Cummunity involvement	1.00	3.14	0.00	3.29
Total	2.25	6.29	2.88	9.57

Table IV. Mean social responsibility disclosure scores

	Correlation coefficient	Significance (one-tailed)
Total	+0.561(*)	0.015
Environmental	+0.441(*)	0.050
Human resources	+0.062	0.413
Products/consumers	+0.320	0.122
Community involvement	+0.492(*)	0.031

Note: *Correlation is significant at the 0.05 level (one-tailed)

Table V. Correlation between social responsibility disclosure on the internet and number of branches

	Correlation coefficient	Significance (one-tailed)
Total	+0.677(**)	0.003
Environmental	+0.561(*)	0.015
Human resources	+0.436	0.052
Products/consumers	+0.339	0.108
Community involvement	+0.871(**)	0.000

Notes: *Correlation is significant at the 0.05 level (one-tailed); **correlation is significant at the 0.01 level (one-tailed)

Table VI. Correlation between social responsibility disclosure in annual reports and number of branches associations. However, the correlations between social responsibility disclosure and number of branches are stronger in the case of annual reports.

H1 is accepted for total social responsibility, environmental and community involvement disclosures. This suggests that disclosing environmental information is used as a distinguishing feature by banks with higher visibility and more visible banks attribute greater importance to community involvement disclosure as part of their legitimation strategies when compared with less known banks.

Results of testing H2

The sample was divided in two different groups, one including the eight unlisted banks and the other the seven listed banks on *Euronext – Lisbon* at 31 December 2003. In order to determine whether the difference in social responsibility disclosure between the two groups was statistically significant, testing was undertaken using the Mann-Whitney *U* test. Results are presented in Tables VII and VIII.

Results regarding social responsibility disclosure on the internet are presented in Table VII. Mean social responsibility disclosure scores suggest that listed banks disclose more information than unlisted banks. However, for a significance level of five per cent, *H2* is only accepted for total social responsibility and community involvement disclosures on the internet.

Results regarding social responsibility disclosure in annual reports are presented in Table VIII. Mean social responsibility disclosure scores suggest that listed banks disclose more information than unlisted banks. For a significance level of five per cent, *H2* is accepted for total social responsibility, environmental, human resources, products/consumers disclosures. The difference of community involvement disclosure between listed and unlisted banks is not statistically significant.

Table VII.
Test for differences in social responsibility disclosure on the internet scores between listed and unlisted companies

		Environmental	Human resources	Products/ consumers	Community involvement	Total
Mean score	Unlisted	0.00	0.25	0.50	0.75	1.50
	Listed	0.71	1.14	1.57	3.43	6.86
Mann-Whitney *U*		20.000	25.000	15.500	6.500	5.500
Wilcoxon *W*		56.000	61.000	51.500	42.500	41.500
Z		−1.565	−0.446	−1.529	−2.585	−2.639
Asymp. sig. (two-tailed)		0.118	0.655	0.126	0.010	0.008

Table VIII.
Test for differences in social responsibility disclosure in annual reports scores between listed and unlisted companies

		Environmental	Human resources	Products/ consumers	Community involvement	Total
Mean score	Unlisted	0.00	2.38	0.13	0.75	3.25
	Listed	1.43	3.57	1.71	2.43	9.14
Mann-Whitney *U*		16.000	11.000	1.500	16.500	9.000
Wilcoxon *W*		52.000	47.000	37.500	52.500	45.000
Z		−1.989	−2.050	−3.279	−1.505	−2.229
Asymp. sig. (two-tailed)		0.047	0.040	0.001	0.132	0.026

This suggests that listed banks attribute greater importance to social responsibility disclosure as part of their legitimation strategies when compared with unlisted banks in both media of disclosure. However, community involvement disclosure is more important in differentiating between disclosure practices of listed and unlisted banks on the internet than in annual reports, whereas in annual reports the case is the same with human resources disclosure. Disclosure media are used to target different audiences, as suggested above, with information disclosed in annual reports being intended for investors, whereas in the case of the internet information is disclosed for a broader public, including consumers.

Conclusions

Corporate social responsibility is related to all those aspects upon which companies' activities may have an impact: employee related issues, community involvement, environmental concerns, other ethical issues, etc. Social responsibility disclosure refers to the disclosure of information about companies' interactions with society, and it is an important instrument in the dialog between business and society.

In this study, four categories of social responsibility information were analysed, referring to employee related issues, environmental issues, products and consumers issues, and community involvement issues. A sample of banks was surveyed to establish whether they had a web site and if so whether social responsibility information was available. Two media of social responsibility disclosure were analysed: corporate web sites and annual reports. Social responsibility disclosure on the internet in August 2004 was compared to similar disclosure in 2003 annual reports.

The importance of social responsibility disclosure seems to be growing all over the world, and the same appears to be the case in Portugal. Although not allowing the analysis of any trend in the evolution of its importance, this study shows that Portuguese banks do disclose social responsibility information. Portuguese banks seem to attribute greater importance to annual reports as disclosure media than to the internet at least when such a simple data capture method is used.

Community relations disclosure is an important part of the social responsibility disclosure made by banks, being the only area of social responsibility disclosure which can be considered to be more or less equally important in annual reports and on the internet.

Results suggest that the choice of a medium for information disclosure is dependent on the target public for whom the message is intended. Environmental and human resources information are more present in annual reports than on the internet, whereas the reverse succeeds with products and consumers and community involvement information, although the difference is insignificant in the latter case. Because annual reports are directed at investors and human resources are an important resource, it is natural for investors to be interested in it. On the other hand, because company web sites are aimed at a broader public, including consumers, it is natural for companies to give prominence to community involvement and products/consumers information.

Legitimacy theory suggests that better known banks have more reason to justify its existence to society by means of social responsibility disclosure. Results show that banks with a higher visibility among consumers seem to exhibit greater concern to improve the corporate image through social responsibility information disclosure in annual reports and on the internet. Results thus suggest that legitimacy theory may be an explanation of social responsibility disclosure by Portuguese banks.

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Appendix

Table AI.
Sample banks

Banco Bilbao Vizcaya Argentaria (Portugal), S.A.
Banco BPI, S.A.
Banco Comercial dos Açores, S.A.
Banco Comercial Português, S.A.
Banco Internacional de Crédito, S.A.
BNC – Banco Nacional de Crédito, S.A.
Banco Santander Portugal, S.A.
Banco Totta&Açores, S.A.
BANIF – Banco Internacional do Funchal, S.A.
Banco Espírito Santo, S.A.
BPN – Banco Português de Negócios, S.A.
Caixa Económica Montepio Geral
Caixa Geral de Depósitos, S.A.
Crédito Predial Português, S.A.
FINIBANCO, S.A.

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