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Effect of Corporate Governance on Corporate Social Responsibility Disclosure: Empirical Evidence from Vietnamese Commercial Banks*

Quoc Thinh TRAN[1], To Trang LAM[2], Chi Danh LUU[3]

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Abstract

Corporate social responsibility is an inevitable trend in the global context. It is the responsibility of the organizations to the community and society to ensure the fairness of the interests of stakeholders. This is an issue that deserves attention, not in the national or regional level, but as a global issue. The purpose of article is to examine the effect of corporate governance on corporate social responsibility disclosure of 155 samples of 31 Vietnamese commercial banks from 2015 to 2019. The data of this study is employing time-series data and used the ordinary least squares to test the model. The results show that there are three factors that positively affect corporate social responsibility disclosure, namely, board size, foreign members of board, and audit committee. Thereby, the article proposes that board of director in Vietnamese commercial banks needs to raise awareness about corporate social responsibility, and the Central bank of Vietnam should monitor the disclosure of information regularly with severe sanctions on commercial banks that do not comply with the regulations of corporate social responsibility disclosure. This contributes to improving the information quality of the banking sector to meet the trend of international economic integration.

Keywords: Annual Report, Board Size, CSR Disclosure, Environment, Financial Information

JEL Classification Code: G34, M41, Q56

1. Introduction

The globalization landscape requires organizations to raise awareness of the corporate social responsibility (CSR). Branco and Rodrigues (2008) recognized that organizations must have a responsibility to their stakeholders such as employees, shareholders, investors, consumers, creditors of public agencies, and non-governmental organizations. This is the responsibility that the public is expecting in the organization's actions on community and social issues. Akanfe et al. (2017) argued that companies reconcile social and environmental issues in their business operations in the face of social, legal and regulatory pressures and expectations of stakeholders. CSR is a very important issue in the competitive pressure. This is to help organizations solve the problem of economic benefits, but meet stakeholder expectations. CSR is an institutional move because of a number of legal constraints in addition to shareholder interests (Rehma et al., 2020).

In the banking sector, banks have an important role to play in the social and environmental performance of banks' lending policies to other industries. They perform essential functions in economics involved in the efficient allocation of capital. Therefore, the banking sector needs to promote to lead the economy (Kuzey & Uyar, 2015). The banking industry recognizes that economic benefits must be considered from all aspects including social welfare and legal compliance (Ghabayen et al. 2016). Banks are encouraged to act more ethically and socially in their financing and investment activities to protect the legitimate interests of their stakeholders (Chiu, 2014).

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[1]First Author and Corresponding Author. Associate Professor, Lecturer, Faculty of Accounting and Auditing, Industrial University of Ho Chi Minh City, Vietnam [Postal Address: 86 Nguyen Hong Street, Ward 1, Go Vap District, Ho Chi Minh City, 70000, Vietnam] Email: tranthinhktkt@gmail.com
[2]Lecturer, Faculty of Law, Ho Chi Minh City Open University, Vietnam. Email: trang.lamt@ou.edu.vn
[3]Lecturer, Faculty of Accounting and Auditing, Van Lang University, Vietnam. Email: tsluuchidanh@gmail.com